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

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**Date:** May 28, 2024

**To:** Commissioner Tim Paulson, President
Commissioner Anthony Rivera, Vice President
Commissioner Newsha K. Ajami
Commissioner Kate H. Stacy

**Through:** Dennis J. Herrera, General Manager DJH

**From:** Nancy L. Hom, Chief Financial Officer and Assistant General Manager, Business Services

**Subject:** FY 2023-24 Q3 Audit and Performance Review Report

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This memorandum summarizes the San Francisco Public Utilities Commission (SFPUC) Quarterly Audit and Performance Review (QAPR) report for the third quarter of FY 2023-24, ending March 31st, 2024.

## I. Completed Audits

There were five completed audits during the third quarter of FY 2023-24:

1. Annual Comprehensive Financial Report, FY 2022-23 | January 26, 2024
   Report Link: https://tinyurl.com/44e2nhbn

   **Summary:** The Annual Comprehensive Financial Report holistically details the financial results and activities, condition, and services for all Water, Wastewater, and Hetch Hetchy Water & Power & CleanPowerSF. It also provides financial and statistical data, inclusive of 10 years of financial and operating metrics, with social and economic data.

2. Popular Annual Financial Report, FY 2022-23 | January 26, 2024
   Report Link: https://tinyurl.com/3xydenck

   **Summary:** The Popular Annual Financial Report (PAFR) is a high-level summary of information from the Annual Financial Report specifically designed to be readily accessible and easily understandable to the general public and other interested parties. This year's PAFR highlights climate resiliency, reliability, affordability, environmental stewardship, and diverse partnerships.

3. Critical Infrastructure Protection and Operations and Planning Reliability Standards Audit | February 6, 2024
   Report Link: https://tinyurl.com/mwr2m3p4

   **Summary:** Western Electricity Coordinating Council (WECC) conducted a compliance audit assessing Hetch Hetchy Water & Power's (HHWP) compliance with the applicable Reliability Standards for the period of May 12, 2020, to February 21, 2023.

**Results:** SFPUC adhered to all applicable requirements of the North American Electric Reliability Corporation (NERC) Rules of Procedures and Compliance Monitoring and Enforcement Program, and no potential noncompliance was found.

4. Single Audit Report, FY 2022-23 | February 23, 2024
   Report Link: https://tinyurl.com/mrx95hhh

   **Summary:** Third-party auditor Macias Gini & O'Connell LLP (MGO) audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco for fiscal year 2022-23.

   **Results:** MGO reported no findings relating to the SFPUC, related to federal grants and awards received.

5. Public Integrity Assessment: Procurements | March 27, 2024
   Report Link: https://tinyurl.com/mrxwz66p

   **Summary:** As part of a series of assessments concerned with public integrity, the Controller's Office, in conjunction with the City Attorney's Office, conducted a preliminary limited-scope assessment of three specific procurements of the SFPUC under former General Manager GM Harlan Kelly:
   - San Francisco Online Invoicing System (SOLIS)
   - Smart Streetlights Project
   - Holiday Lights

   **Audit Findings Summary:** Former General Manager Kelly provided selective assistance to vendors with whom he had a personal relationship and/or from whom he was accepting gifts and was able to influence procurement decisions.

   No evidence was found that other SFPUC employees were aware of former GM Kelly's criminal conduct in these three procurements, including his receipt of gifts and sharing of confidential bid information.

   In the competitive Smart Streetlights procurement, SFPUC was found to have generally followed Chapter 21 processes and former GM Kelly's efforts to steer the contract were unsuccessful. In the SOLIS and Holiday Lights procurements, however, former GM Kelly was able to influence the outcome of the awards.

   Management concurred with the three preliminary recommendations addressing the audit findings and is committed to their implementation.

## II. Audit Recommendation Status

As of 3/31/24, 11 audit recommendations were open for the Crystal Springs Golf Partners, LP Revenue Lease Audit and the Procurements Public Integrity Assessment. The SSIP CS-165 Program Management Contract Audit's 15 recommendations have been closed.

If you have questions, please contact me at NHom@sfwater.org or Irella Blackwood at iblackwood@sfwater.org.

Attachment: FY 2023-24 Audit Plan, By Status

# Quarterly Audit & Performance Review Report
# FY 2023-24 Audit Plan, By Status
# As of March 31, 2024

| Status | |
|---|---|
| Completed: | 21 |
| In Progress: | 11 |
| Upcoming: | 6 |
| Total: | 38 |

| # | Quarter Status | Audit Type | Enterprise / Bureau | Audit Name | Oversight Body |
|---|---|---|---|---|---|
| 1 | Completed | Financial | Business Services, Finance | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2020-21 | BAWSCA |
| 2 | Completed | Financial | Business Services, Finance | Post Audit, CY 2022 | Controller |
| 3-7 | Completed | Financial | Water | Annual Physical Inventory Count, FY 2022-23 | SFPUC, Finance |
| | Completed | Financial | Wastewater | | |
| | Completed | Financial | Hetch Hetchy Water & Power | | |
| 8-12 | **[Updated]** Upcoming | Financial | Water | Annual Physical Inventory Count, FY 2023-24 | SFPUC, Finance |
| | **[Updated]** Upcoming | Financial | Wastewater | | |
| | **[Updated]** Upcoming | Financial | Hetch Hetchy Water & Power | | |
| 13 | Completed | Financial | Business Services, Finance | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2021-22 | BAWSCA |
| 14 | In Progress | Financial | Water | Audited Financial Statements, FY 2022-23 | Controller |
| 15 | In Progress | Financial | Wastewater | | |
| 16 | In Progress | Financial | Hetch Hetchy Water & Power & CleanPowerSF | | |
| 17 | In Progress | Financial | Power | 2021 CAPP Audit | CA Community Services Division |
| 18 | In Progress | Financial | Business Services, Finance | Annual Comprehensive Financial Report, FY 2022-23 | SFPUC |
| 19 | In Progress | Financial | Business Services, Finance | Popular Annual Financial Report, FY 2022-23 | SFPUC |
| 20 | In Progress | Financial | Water | Interim Financial Statements, FY 2023-24 | Controller |
| 21 | In Progress | Financial | Wastewater | | |
| 22 | In Progress | Financial | Hetch Hetchy Water & Power & CleanPowerSF | | |

| # | Quarter Status | Audit Type | Enterprise / Bureau | Audit Name | Oversight Body |
|---|---|---|---|---|---|
| 23 | **[Updated]** In Progress | Financial | Business Services, Finance | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2022-23 | BAWSCA |
| 24 | **[Updated]** Completed | Financial | Business Services, Finance | Single Audit (OMB Circular A-133), FY 2022-23 | OMB |
| 25 | Completed | Performance | Contracts Administration Bureau | Chapter 14B LBE Audit | CSA, Controller |
| 26 | Completed | Performance | Business Services, ITS | Cybersecurity Maturity Assessment, FY 2022-23 | CSA, Controller |
| 27 | Completed | Performance | Business Services, ITS | Interconnection Security Agreement, FY 2023-24 | CSA, Controller |
| 28 | Completed | Performance | External Affairs | Public Integrity Assessment: Social Impact Partnership Program Audit Field Follow-up | CSA, Controller |
| 29 | **[Updated]** Completed | Performance | Hetch Hetchy Water & Power | Critical Infrastructure Protection and Operations and Planning Reliability Standards Audit | WECC / NERC |
| 30 | **[Updated]** Completed | Performance | Infrastructure | Public Integrity Assessment: SOLIS Procurement | CSA, Controller |
| 31 | In Progress | Performance | All SFPUC | SFPUC Chapter 6 Delegated Authority Audit | BOS |
| 32 | In Progress | Performance | All SFPUC | BLA Conflicts of Interest Audit | BOS |
| 33 | **[Updated]** In Progress | Performance | All SFPUC | BLA Work Orders Audit | BOS |
| 34 | In Progress | Performance | All SFPUC | Inventory Performance Assessment | SFPUC |
| 35 | In Progress | Performance | Customer Services Bureau | Customer Assistance Program Post-Enrollment Verification | SFPUC |
| 36 | Upcoming | Concessions, Lease Revenue | Real Estate Services | Revenue Lease Audit: Mission Valley Rock | CSA, Controller |
| 37 | Completed | Revenue Bond Oversight Committee | RBOC | SFPUC Revenue Bond Programs Audit: Phase II | RBOC |
| 38 | In Progress | Revenue Bond Oversight Committee | RBOC | SFPUC Revenue Bond Programs Audit: Phase III | RBOC |

SUSTAINING THE RESOURCES
ENTRUSTED TO OUR CARE.

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

# Annual Comprehensive Financial Report

Fiscal Years Ended
June 30, 2023 and 2022

San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

# The San Francisco Public Utilities Commission

An Enterprise Department of the City and County of
San Francisco, California

## Annual Comprehensive Financial Report For the Fiscal Years Ended June 30, 2023 and 2022

Prepared by SFPUC Financial Services

Nancy L. Hom
Chief Financial Officer and Assistant General Manager, Business Services

The San Francisco Public Utilities Commission

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# Introductory Section (Unaudited)



The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION

General Manager's Transmittal Letter

January 26, 2024

Dear Customers and Interested Parties,

On behalf of the San Francisco Public Utilities Commission (SFPUC), I am pleased to share our Annual Comprehensive Financial Report for the fiscal years ending June 30, 2023 and 2022.

This report details the SFPUC's work, accomplishments, and financial position from July 1, 2021 to June 30, 2023. It offers insight into how public dollars are spent providing essential water, power, and sewer services 24 hours a day, seven days a week. It also showcases some of the accomplishments our dedicated staff have achieved on behalf of our customers, our communities, and the environment.

As our city and region rebound from the COVID-19 pandemic, we face another longstanding challenge.

Climate change has been a driving factor in our work for some time, and we are addressing it head on. During the past year, California went from a historic drought to one of the wettest winters on record. Unprecedented storms delivered half the average annual rainfall in just a matter of days in San Francisco.

Staff across our agency are committed to effectively managing the challenges that climate change poses to our communities.

Every day, 2.7 million people in the San Francisco Bay Area depend on water we supply. Through a growing portfolio of power resources, including a new standalone battery-storage project in the Bay Area, we now serve about 75% of the electricity demand in San Francisco. We are making generational upgrades to our Southeast Treatment Plant, the workhorse of our combined sewer system, while also delivering other major improvements across that system to enhance seismic safety and climate resiliency.

We are proud to provide reliable services and value to our customers by optimizing the operations, maintenance, and improvement of all our assets. Our approach is strategic, long-term, and focused on cost effectiveness.

We have a robust asset management plan in place, while also continually testing innovative approaches to maximize effectiveness and public investments. Nowhere is the financial health of our agency more evident than when one looks at the improvements we make to our complex infrastructure to ensure the long-term reliability of those vital public assets.

We are also tackling affordability challenges head on. Working to make utility services more affordable for communities that have faced systemic barriers is central to our work.

With a proven track record as a leader in customer affordability, this year we expanded our Customer Assistance Program to provide additional help to disadvantage communities and those struggling to pay their bills on time. Additionally, we successfully advocated for the extension of the State's arrearage relief program for customer water and wastewater utility debts accrued during the COVID-19 pandemic. This fiscal year the SFPUC secured millions of dollars for customers who accrued pandemic water, sewer and power utility debts. We are committed to helping those who need it the most. That's part of what it means to be a utility of the future.

Finally, this year's report highlights not just our financial health and fiscal responsibility, but underscores our commitment to environmental stewardship and the value of our diverse partnerships.

Even during times of adversity, the SFPUC team has continued to deliver. That will not change.

This Annual Comprehensive Financial Report has been prepared by the SFPUC's Financial Service Bureau in accordance with the requirements set by the Governmental Accounting Standards Board (GASB). The information provided in this report is based on a comprehensive system of internal processes, and as required, our financial statements were audited by a firm of independent certified accountants. The SFPUC's management is responsible for the data and information provided, and believes the report is accurate in all respects.

The SFPUC's auditors MGO, LLC have issued an unmodified (clean) audit of our agency's financial statements for the period July 1, 2022 through June 30, 2023. This audit provides accountability and transparency of the SFPUC's financial activities, while reflecting the ethical manner in which our agency operates. A copy of this independent audit can be found in the financial section of this report.

We thank the Mayor, Board of Supervisors, and our Commissioners for their continued support of our efforts, achievements, and approach to innovation.

Respectfully submitted,

Dennis J. Herrera
General Manager
San Francisco Public Utilities Commission

## The Reporting Entity - Profile of the San Francisco Public Utilities Commission

The **San Francisco Public Utilities Commission (SFPUC)**, an enterprise department of the City and County of San Francisco (the City), is responsible for the operation, maintenance, and development of three utility enterprises: Water, Wastewater, and Hetch Hetchy Water and Power and CleanPowerSF. We provide wholesale and retail drinking water to the San Francisco Bay Area, wastewater collection and treatment within San Francisco and three neighboring municipalities, and power to residential and commercial customers and municipal facilities.

Our Business Services, External Affairs, and Infrastructure bureaus provide support and administrative services and are funded through utility rates and charges.

| Enterprises | Funds |
|---|---|
| Water | Water |
| Wastewater | Wastewater |
| Hetch Hetchy | Hetchy Water |
| | Hetchy Power |
| | CleanPowerSF |

The **Water Enterprise** operates the Hetch Hetchy Regional Water System (System), a wholesale and retail drinking water supply system that serves 2.7 million customers in Alameda, Santa Clara, San Mateo, and San Francisco counties. The upcountry portion of the System begins with Hetch Hetchy Reservoir in Yosemite National Park. Impounded by O'Shaughnessy Dam, Hetch Hetchy Reservoir water passes through hydroelectric powerhouses before it enters the San Joaquin Pipelines, the Tesla Ultraviolet Treatment Facility, and the Coast Range Tunnel on its journey to the Bay Area.

The Bay Area portion of the System includes water collection, treatment, and transmission facilities from the Alameda East Portal to the wholesale service area and terminal reservoirs in San Francisco. Water storage facilities include watersheds, dams, and reservoirs such as our Calaveras, San Antonio, Crystal Springs, Pilarcitos, and San Andreas. The water treatment facilities are Tesla Ultraviolet Treatment Facility, disinfecting the Hetch Hetchy supply; Sunol Valley Water Treatment Plant, treating the water from the Calaveras and San Antonio supply as well as the stored Hetch Hetchy supply; and Harry Tracy Water Treatment Plant, treating the water from the Crystal Springs and San Andreas supply. The water transmission system in the Bay Area and Peninsula includes the Bay Division, San Andreas, Sunset Supply, and Crystal Springs pipelines. The Bay Area transmission system also includes Irvington Tunnel 1 and Tunnel 2, the Bay Tunnel, and the Crystal Springs Bypass Tunnel.

The Water Enterprise also manages water distribution in the City and the majority of the drinking water is supplied by our system, originates as snowmelt within the 459-square-mile Hetch Hetchy Watershed on the upper Tuolumne River within Yosemite National Park. This high-quality water is transported 167 miles across California solely by gravity. The Hetch Hetchy water supply is augmented with precipitation collected in the reservoirs of the Alameda Creek Watershed in Alameda County, and the Peninsula Watershed in San Mateo County. The Regional Groundwater Storage and Recovery Project, currently under construction, will provide additional dry year water supply to the System for drought management.

Water Enterprise revenue is based on retail and wholesale water rate payments from customers. Retail rates are set by the SFPUC, while wholesale rates are set by the Commission pursuant to our Water Supply Agreement with our wholesale customers.

The **Wastewater Enterprise** is responsible for the operation and maintenance of San Francisco's combined sewer system that collects, treats, and discharges once treated, sanitary sewage (toilet flushing, bathroom and kitchen sinks, showers) and stormwater runoff (rainwater falling on our roofs, sidewalks and streets within San Francisco, parts of Daly City, the Bayshore Sanitary District, Brisbane, Treasure Island, and Yerba Buena Island. This work is crucial for the protection of public health, and for the environmental safety of the San Francisco Bay and Pacific Ocean. Our combined sewer system is unique to coastal California and offers significant environmental benefits because it captures and treats both stormwater (rain runoff) and sanitary sewage from homes and businesses, and these combined flows are referred to as wastewater.

San Francisco wastewater and stormwater flows are treated at three facilities: the Southeast Treatment Plant, the Oceanside Treatment Plant, and the North Point Wet Weather Facility, the last of which is operated only in wet weather. The sewer system currently can handle up to an average of 70 million gallons per day (MGD) in dry weather and can treat up to 575 MGD in wet weather. The Wastewater Enterprise operates pump stations, discharge points, and the massive underground transport/storage structures around the City that have storage capacity up to 200 million gallons.

We operate, clean, inspect, and maintain more than 1,000 miles of sewer pipes. We regularly monitor areas of the San Francisco shoreline for water quality where water recreation is common and provide water quality reports to the public using our 24-hour hotline, website, and e-newsletters.

The Wastewater Enterprise serves both residential and commercial accounts as well as some municipal customers. Our sewer facilities and resource recovery programs have received recognition from agencies at the state and national level, including the U.S. Environmental Protection Agency, National Association of Clean Water Agencies, and the California Water Environment Association.

In a combined sewer system, such as San Francisco's, managing stormwater is an important priority for the SFPUC and the City. We take a comprehensive approach to managing stormwater and advancing flood resilience across the City. Although no sewer system can handle the heaviest rains, we are pursuing a variety of approaches to improve the City's flood resilience in the face of increasingly intense rainstorms. The comprehensive RainReadySF Program, which is a combination of planned infrastructure improvements, coordinated City services and innovative programs, provides residents and businesses with the resources they need to reduce the risk of flooding during a major rainstorm.

The **Hetch Hetchy Water and Power and CleanPowerSF Enterprise (Hetch Hetchy)** comprises of three key components:

(1) Hetch Hetchy Water (Hetchy Water), which operates and maintains the upcountry water and power facilities;
(2) Hetch Hetchy Power (Hetchy Power), responsible for all power utility wholesale and retail transactions and in-City power operations; and
(3) CleanPowerSF, a Community Choice Aggregation (CCA) that provides San Francisco residents and businesses with electricity supply services sourced from new and existing clean energy sources.

**Hetchy Water** is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy Regional Water System (System) and plays a key role in water delivery in California. Several of the Hetch Hetchy Water facilities are joint assets and are used for both water transmission and power generation and transmission. Operating and capital costs of these facilities are allocated 45% to Hetchy Water and 55% to Hetchy Power. Refer to Water Enterprise for more information on the System.

**Hetchy Power** is the publicly owned utility for San Francisco. The Hetchy Power System is comprised of transmission lines and some local distribution facilities. It has a generation portfolio that includes three major hydroelectric powerhouses – Holm, Kirkwood, and Moccasin – in the Sierra Nevada mountain range and 23 solar arrays in San Francisco. Hetchy Power revenue is based on retail and wholesale power-rate payments and charges collected from customers. Retail rates are set by the Commission.

Hetchy Power customers include San Francisco International Airport (SFO), libraries, police stations, City Hall, San Francisco Municipal Transportation Agency (SFMTA), San Francisco Port Authority, Treasure Island, Hunter's Point Shipyard, and the Transbay Transit Center. Hetchy Power also owns, operates, and maintains approximately 60% of the streetlights in the City. Finally, Hetchy Power provides electrical maintenance services, energy efficiency programs, and distributed generation services to our customers.

**CleanPowerSF**, San Francisco's CCA program, provides clean electricity supply to residents and businesses in San Francisco. Under this program, CleanPowerSF supplies customers with electricity from renewable sources like solar wind, and hydro power. Pacific Gas & Electric Company (PG&E) delivers the energy via their electrical grid. CleanPowerSF's Green product features at least 50% California Renewable Portfolio Standard (RPS) certified renewable energy, and its SuperGreen product offers 100% California RPS-certified renewable energy.

CleanPowerSF serves more than 380,000 customer accounts in San Francisco. Collectively, Hetch Hetchy Power and CleanPowerSF meet more than 70% of the electricity demand in San Francisco with clean power.

## Mission, Vision, and Values

The mission of the San Francisco Public Utilities Commission (SFPUC or the Commission) is to provide our customers with high-quality, efficient, and reliable water, power, and wastewater services in a manner that is inclusive of environmental and community interests, and sustains the resources entrusted to the SFPUC's care.

SFPUC values sustainability as a fundamental business principle, exemplified through the adoption of an agency-wide strategic sustainability plan to ingrain the values of a sustainable future into our agency's core processes. The SFPUC is a sustainable utility leader, recognized for superior levels in service, value, environmental stewardship and innovation. Most importantly we value our workforce and community as reflected in the core values adopted by our organization.

- **Communication:** Listen and communicate honestly and openly.
- **Diversity:** Valuing a workforce that reflects all manner of views, experiences, backgrounds, and talents, and recognize it is vital to the SFPUC success.
- **Equal Opportunity:** Provide opportunities to all staff to contribute and reach their potential. To achieve this, the SFPUC must be a learning organization.
- **Excellence:** Strive for personal and professional excellence, and recognize exemplary performance by seeking continuous improvement.
- **Inclusiveness:** Provide access and transparency to stakeholders and community members.
- **Respect:** Understand and appreciate the inherent value of the SFPUC's staff, customers, and community.
- **Safety:** Take the health and safety of the SFPUC's employees, customers, and communities seriously.
- **Service:** Focus on customer satisfaction, health, and safety.
- **Stewardship:** Responsibly manage the resources entrusted to the SFPUC's care.
- **Teamwork:** Support a cooperative work environment; the SFPUC team is strengthened by the diversity and contributions of its members.
- **Trust:** Act with honesty, integrity, and fairness.

## Fiscal Year 2023
## San Francisco Mayor and Public Utilities Commission Members

**London N. Breed**
**Mayor**

**Newsha K. Ajami**
**President**

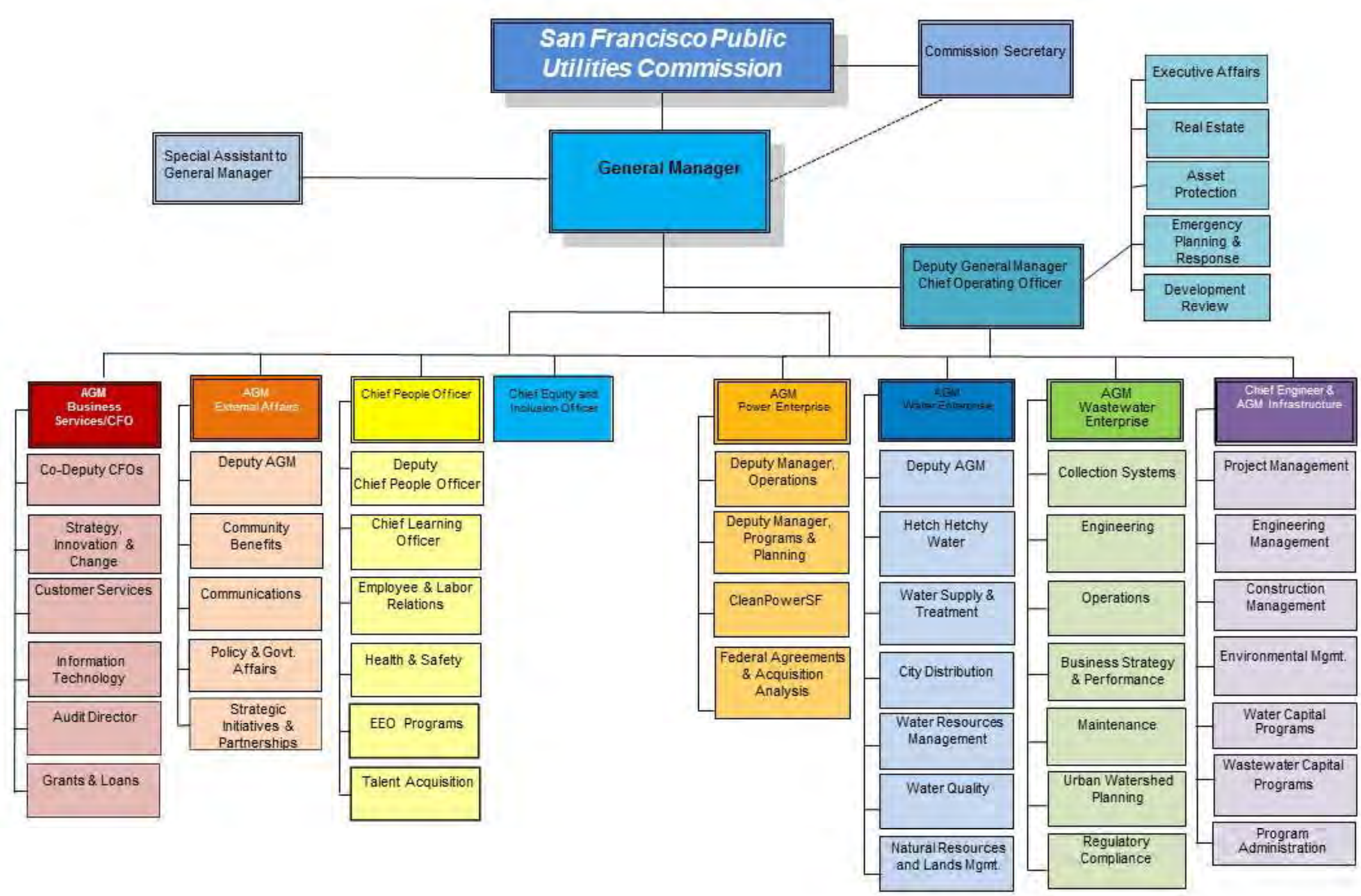
**Sophie Maxwell**
**Vice President**

**Tim Paulson**
**Commissioner**

**Anthony Rivera**
**Commissioner**

**Kate H. Stacy**
**Commissioner**

## Organizational Chart as of June 2023

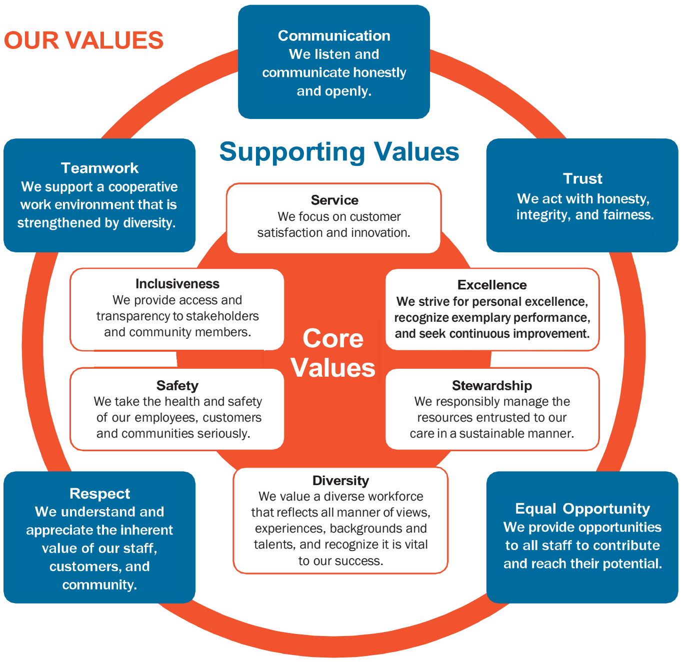



Note: AGM is Assistant General Manager, the person who leads an Enterprise or Bureau.

**The Agency Strategic Plan** is a high-level and future-oriented plan. The purpose is to better align the work of the Water, Wastewater and Hetch Hetchy Enterprises, set a strategic direction and identify key priorities.

The Agency Strategic Plan outlines the mission, vision and values and sets forth 6 priority goals and supporting objectives.

The goals are as follows:

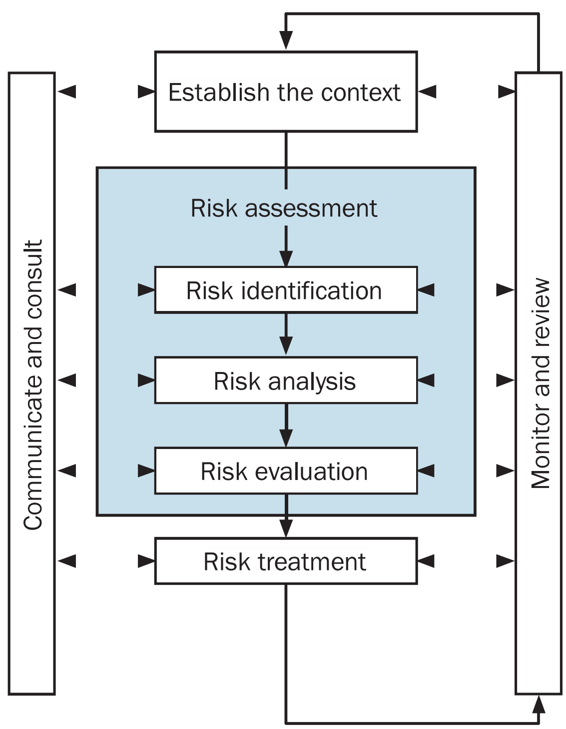



- Reliable service and assets;
- Organizational excellence;
- Effective workforce;
- Financial sustainability;
- Stakeholder and community interest; and
- Environmental stewardship

Each Goal has one or more Executive Champions who have worked across the Enterprises, Infrastructure, and the Bureaus to develop performance measures including target and baseline metrics. There is a Lead Strategist for each of the six goal area who will carry the vision of their respective goal area will report biannually to the Goal Champions on progress of achieving the performance measures consistent with the target/baseline. At the end of the fiscal year, each Goal Champion is required to report performance measured against the target/baseline. More details of the 2020 SFPUC Strategic plan are available at [https://sfpuc.org/about-us/policies-plans/agency-strategic-plan](https://sfpuc.org/about-us/policies-plans/agency-strategic-plan) and the Performance Measures in the Operating Information section of this report.

## Enterprise Risk Management Framework

The SFPUC helps ensure successful implementation of our Mission, Vision, and Values by integrating the principles of Enterprise Risk Management (ERM) into organizational culture and strategic decision making. In planning for our future, the ERM framework promotes a culture where risks are identified, assessed, prioritized, and managed to minimize threats hindering us from achieving our goals; and to maximize opportunities benefiting the SFPUC. Accountability and transparency are promoted through assignment of identified risks to owners, and routine reporting of mitigation status to senior management. The ERM framework is a continuous process that strengthens organizational structure and culture through communication and awareness. The Risk Management division provides support to the SFPUC's journey from a traditional risk management approach towards enterprise risk management – emphasizing effective management of the total cost of risk and management of risk for better outcomes.




In fiscal years 2015 and 2016 respectively, the Power Enterprise adopted and implemented the ISO 31000 standard for Enterprise Risk Management for the Hetchy Power and CleanPowerSF program. The program enables systematic and proactive identification and analysis of risks that threaten business objectives before they occur. Proper identification of risks to business objectives ensures mitigation measures can be implemented to reduce the probability of certain risks occurring or reducing negative impact. Other prior applications of ERM at the SFPUC include supporting the Strategic Plan, the Business Services Bureau, Emergency Planning and Security, and other specific PUC programs.

The SFPUC also utilizes other risk tools as part of a comprehensive risk management approach. This includes the SFPUC Purchased Insurance Program, a portfolio of insurance policies acquired to mitigate various liability risks to mission critical assets, operational and financial. Other risk management activities include contractual risk review, project specific risk assessments and advisement for the Infrastructure Project Management Bureau and Contract Management Bureau for construction, professional and general service contracts. SFPUC Risk Management also collaborates with the Office of the Administrator's City Risk Management for citywide risk management initiatives.

## Risk Categories

**Strategic**
*Trends in Economy & Society*

- Stakeholders' interests
- Public support/ Ratepayer fatigue
- Competing expectations
- Economic uncertainty
- Long-term planning vs. budget limitations
- Negative media coverage
- Image and reputation

**Financial**
*Effect of Market Forces on Financial Assets or Liabilities*

- Bond rating
- Debt obligations
- Financial reporting
- Cash flow/availability
- Energy costs
- Rate fatigue

**Operational**
*People, Processes & Systems or Controls*

- HR and personnel risks
- Operations disruption (e.g. construction, utilities failure, procurement)
- IT data / infrastructure compromise
- Process / execution failure
- Environmental
- Aging infrastructure

**Legal/ Regulatory**
*Effect of Change in Laws and Regulations*

- Regulatory non-compliance with EPA, WECC/NERC, GASB, OSHA, government policy
- Compliance with the WSA and WRR
- Punitive damages, law suits

**Insurable Hazards**
*Loss Exposures: Property, Liability or Personnel*

Our property insurance policy covers select Mission Critical Power Assets for all risks (e.g. fire, flood up to $1M, terrorism, etc.) excluding specific catastrophic perils (e.g. earthquake, tsunami, war, etc.).

We have not purchased Business Interruption insurance as the property insurance 'extra expense' clause serves a similar purpose.

- Construction
- Worker injury/illness
- Third-party liability
- Physical structure damage
- Public Officials' liability
- Employment liability

Overall, the SFPUC's ERM initiatives are designed to reduce the chances of a negative outcome from occurring, lessen its impact, or transfer financial liabilities away from the organization. These initiatives can also increase opportunities and maximize the benefit from taking advantage of positive outcomes. A combination of these strategies will help lower the total cost of risk for the SFPUC and achieve both short and long-term benefits to our ratepayers.

## San Francisco's Budget Process

The budget cycle for the biennial July 1 fiscal year budget begins in August and typically ends in July. The two-year fixed budget is prepared, reviewed, enacted by the Board of Supervisors, 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 unless there are significant increases or decreases in revenues or expenditures which then reopen the budget to follow the usual budget process.

The SFPUC's two-year budget is comprised of two, single-year spending plans, which supports the ongoing mission of the SFPUC to provide its customers with high-quality, efficient, and reliable water, wastewater, and power services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care. The budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are deliberated, implemented, and controlled. The budget aligns funding to accomplish our long-term strategic goals and objectives, ensures funding for our operating programs, and purposefully supports the Strategic Plan targeted outcomes to ensure the appropriate application of resources to reach our goals.

## Budgeting Basis

The City adopts budgets for all government funds on a budget basis relying on a current financial resources measurement focus and a modified accrual basis of accounting. 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 only recognized when they are measurable and available; 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. The City Charter prohibits expending funds for which there is no legal appropriation.

## Accounting Basis

The accounts of the SFPUC Enterprises are organized by 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that (1) are financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) 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 (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The financial activities of each Enterprise and the year-end audited financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

## Fiscal Year 2024 Operating Budgets

The SFPUC annual budgets, including debt service and cash-funded capital, as well as operating programs total $1.69 billion and $1.65 billion for fiscal years 2024 and 2023, respectively. The operating programs include regular operating costs, maintenance of utility facilities and lands, as well as support services, like management, business services, planning, regulatory compliance, communication, and planned debt service for each of the Enterprise. The budget includes a forecast of volumetric utility assumptions which incorporate the significant negative impact due to the COVID-19 pandemic and assumptions around drought impacts on revenues. The operating budget is financed by both wholesale and retail rates, service charges and non-operating revenues, including rental income and interest earnings. Of the SFPUC fiscal year 2024 $1.69 billion operating budget, the Water Enterprise accounts for $675.1 million to fund the operations and maintenance of the SFPUC water system; Wastewater Enterprise's operating budget of $431.7 million funds the operations and maintenance of the SFPUC's sewer system. Hetch Hetchy Water and Power's operating budget of $303.9 million funds the operations and maintenance of the upcountry water and power systems, including Power Enterprise activities within the City. CleanPowerSF's operating budget of $280.3 million funds the operations and power purchases. Detailed budget information is available on our website https://sfpuc.org/about-us/reports/operating-and-capital-budgets.

### Fiscal Year 2024 Capital Budgets

Our 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 under the San Francisco City Charter to finance our capital programs. The repayment of this indebtedness is provided through rates and service charge revenues of the SFPUC 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 SFPUC develops stand-alone supplemental appropriations for our capital program which are coordinated with our operating budget review and approval cycle.

Total approved fiscal year 2024 capital budgets were $1.5 billion, including $389.7 million for the Water Enterprise, $953.1 million for the Wastewater Enterprise, $184.5 million for Hetch Hetchy Water and Power Enterprise and $2.2 million for CleanPowerSF.

The major capital investment for the Water Enterprise includes the Water Treatment Program, which is to provide major improvements to the Sunol and Millbrae Yards such as the Sunol Valley Water Treatment Plant Ozone project. The Water Transmission Program is to provide upgrades to the transmission system including inspections and repairs, valve replacements and pump station and vault upgrades. The Regional Water Supply and Storage Program includes upgrades to structures to meet State Division of Safety of Dams requirements, and projects to increase regional water supply diversification and explore alternative methods for expanding water sources. The Water Conveyance/Distribution System Program includes funding to install, replace and renew distribution system pipelines and service connection for over 1,000 miles of drinking water mains in San Francisco. Local Buildings and Grounds Improvements includes the new City Distribution Division (CDD) headquarter at 2000 Marin.

The Wastewater Enterprise's major capital investment from the Sewer System Improvement Program (SSIP) includes the Treatment Facilities Programs, including improvements to the combined sewer transport storage and near shore combined sewer discharge structures and liquid treatments at various treatment sites. Another major SSIP project is the Stormwater Management/Flood Control Program, includes work on drainage basins, flood resilience and green infrastructure storm management program. The Collection System from the Renewal and Replacement Program (R&R) includes cleaning and inspection of large diameter sewers, transport/storage boxes and collection system discharge/ overflow structures, planned and emergency repairs and replacement of structurally inadequate sewers.

The Hetch Hetchy Water and Power's major capital investment includes the Distribution Services projects, Water infrastructure program and Joint projects. The Distribution Services projects include the San Francisco Airport (SFO) Substation Improvements to plan, design, and construct needed upgrades at the substations, the Alice Griffith/Candlestick Point for the second phase of development to install the conductors in the conduits, transformers, switches, and metering equipment required for the electric distribution system. Water Infrastructure program include concept, development, design, and upgrades for operating, managing, and maintaining the Hetchy Water Infrastructure. Joint Projects between Hetchy Water and Hetchy Power includes upgrade communication system within the Moccasin compound, upgrade the dams and reservoirs to meet the Water Levels of Service and Power Operational Objectives, inspection, and repair to the mountain tunnel to assure reliability of water delivery.

The CleanPowerSF major capital investment includes the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites as well as development and implementation of new customer programs project for programs supporting demand response, electric mobility, local renewable energy generation, and building decarbonization technologies.

## Ten-Year Financial Plan

The SFPUC prepares an annual updated Ten-Year Financial Plan as required by the City and County of San Francisco Charter Section 8B.123. The Ten-Year Financial Plan is a summary of projected revenues, expenditures, fund balances, and financial ratios for each enterprise over a rolling 10-year period. The Financial Plan projections are based on current Mayor and Commission policies, goals, and objectives. For the Financial plan fiscal year 2024, these projections also include assumptions based on sales volumes rebound from the pandemic for fiscal year 2024 and impact of the drought by fiscal year 2026. A key objective is to promote SFPUC's Strategic Plan goal of Financial Sustainability by estimating future revenue requirements and financial ratios while providing a view of resulting rates changes. Consolidating these key financial indicators into the Financial Plan serves to inform the SFPUC's long-term planning decisions, such as the biennial operating and capital budgets, long-range capital planning and capital financing strategies.

## Ten-Year Capital Plan

The SFPUC prepares an annual updated Ten-Year Capital Plan as required by the City and County of San Francisco Charter Section 3.20. The Capital Plan is to contain a list of projects to be executed during the 10-year planning horizon, including cost estimates and schedules. Both Ten-Year Financial Plan and Capital Plan, serve as a basis and supporting documentation for the Commission's capital budget and issuance of revenue bonds and other indebtedness to support the SFPUC capital program.

The SFPUC Ten-Year Capital Plan for fiscal years 2024 through 2033 totals $8.8 billion, represents an 11% reduction in total from last fiscal year's proposed expenditures of $9.9 billion. This significant reductions shows the many hard choices SFPUC made as an agency to constrain capital spendings, to keep the rath growth affordable in the long term. Water Enterprise is approximately $2.2 billion, including projects for the Local Water Conveyance, Regional and Local Buildings and Grounds Improvements, Regional Water Supply and Storage and Regional Water Treatment and Transmission Programs. Wastewater Enterprise is approximately $4.9 billion which mainly includes, Stormwater Management/Flood Resilience, and the Renewal and Replacement (R&R) program projects like Large and Small Diameter Sewer Improvements and Treatment Plant Improvements. Hetchy Water and Hetchy Power's is approximately $1.6 billion is to fund up-county water/power projects like capital improvements on the San Joaquin Pipelines and Mountain Tunnel and power distribution services projects like SFO, Alice Griffith, Candlestick Park and Hunters Point. CleanPowerSF is approximately $73 million to fund the development of new renewable energy (solar photovoltaic) and battery storage projects.

## Financial Transparency, Reporting and Auditing Process

This report was prepared by SFPUC Financial Services in conformance with the principles and standards for financial reporting set forth by the GASB and U.S. Generally Accepted Accounting Principles (GAAP). Recommended guidelines by the Government Finance Officers Association of the United States and Canada were also followed.

The SFPUC's management is responsible for both the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. The existing comprehensive structure on internal controls in the City and SFPUC ensures that the financial statements are free of any material misstatements. This report is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the SFPUC. The included disclosures enable the reader to gain a thorough understanding of the SFPUC's financial activities.

The SFPUC's financial statements have been audited by MGO LLP, an independent registered public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the SFPUC for the fiscal years ended June 30, 2023 and 2022 are fairly presented in conformity with GAAP and are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors rendered an unmodified "clean" opinion on the SFPUC's financial statements for the fiscal year ended June 30, 2023 since 2008. The independent auditors' report is presented as the first component of the financial section of this report. Management's Discussion and Analysis (MDA) is presented after the independent auditors' report, and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MDA and should be read in conjunction with it.

## Financial Authority and Policies

The City 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 responsible for the maintenance, operation, and development of three utility enterprises: the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power and CleanPowerSF. Each of the SFPUC's enterprise funds is operated and managed as a separate financial entity and separate enterprise entity. The SFPUC's financial policies, adopted and updated such as fund balance reserve and debt service coverage requirements are available on our website https:/sfpuc.org/about-us/policies-plans/financial-plans-and-policies. The purpose and source for each of the designated reserves within its major funds of operating, capital projects, debt service, and trust are included in these guidelines which enable restricting funds for future infrastructure needs, replacement of aging facilities, bond reserves, and various operating reserves to mitigate unexpected occurrences. These reserves are critical to the SFPUC's financial strength and high bond ratings. Further, the City has a long-standing practice of recognizing and reserving for known and anticipated liabilities. The City also has established an irrevocable trust for other post- employment benefits (also known as retiree medical) and continues to make the annual requirement contribution to ensure this future obligation is funded.

## Accounting Systems, Policies, and Internal Controls

In developing and maintaining the accounting systems, consideration is given by the administration as to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance. The SFPUC's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the enterprises' assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP. For the fiscal year ended June 30, 2023, the independent auditors noted no matters involving internal controls over financial reporting that would be considered a material weakness for Water, Wastewater and Hetch Hetchy Water and Power and CleanPowerSF.

The SFPUC's Finance Services Bureau is responsible for providing comprehensive financial services for the utility enterprises and bureaus, including support for financial accounting and reporting, accounts payable, billing and collection of water, wastewater, and power charges, and other revenues. The SFPUC's financial statements and records are maintained on an enterprise basis using the accrual method of accounting to ensure the timely matching of revenues against the costs of providing services. Revenues and expenses are recorded in the period in which the revenues are earned, and the expenses are incurred.

## Achievement Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the SFPUC for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 14th consecutive year that the SFPUC has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government or reporting entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City and County of San Francisco**
**Public Utilities Commission**
**California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

# Financial Section



The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

MGO. Certified Public Accountants

## Independent Auditor's Report

The San Francisco Public Utilities Commission, the
Honorable Mayor, and the Board of Supervisors of
City and County of San Francisco, California

***Opinions***

We have audited the financial statements of the business-type activities and each major fund of the San Francisco Public Utilities Commission (SFPUC), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SFPUC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the SFPUC as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SFPUC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matters***

As discussed in Note 1, the financial statements of the SFPUC are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City and County of San Francisco, California (City) that is attributable to the transactions of the SFPUC. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, effective July 1, 2021, the SFPUC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

***Other Matter***

The financial statements of the SFPUC as of and for the year ended June 30, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on February 28, 2023.

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

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### *Responsibilities of Management for the Financial Statements*

The SFPUC's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SFPUC'S internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of the Proportionate Share of the Net Pension (Asset)/Liability, Schedules of Employer Contributions – Pension Plan, Schedules of Changes in Total Pension Liability and Related Ratios – Replacement Benefits Plan, Schedules of Changes in Other Post-employment Benefits Liability and Related Ratios – Other Post-employment Healthcare Benefits Plan, and Schedules of Employer Contributions – Other Post-employment Healthcare Benefit Plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SFPUC's basic financial statements. The Schedule of Changes in Net Position – Dollar and Percentage Change vs. Prior Year and Schedule of Changes in Revenues, Expenses, and Net Position – Dollar and Percentage Change vs. Prior Year are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the SFPUC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SFPUC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFPUC's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 26, 2024

This section presents management's analysis of the San Francisco Public Utilities Commission's (SFPUC or the Commission) financial condition and activities as of and for the fiscal years ended June 30, 2023 and 2022. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to SFPUC's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Fund Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

## Organization and Business

The SFPUC is a department of the City and County of San Francisco (the City) that is responsible for the maintenance, operation, and development of three utility enterprises and five funds. The three utility enterprises include Water, Wastewater, and Hetch Hetchy (Hetchy Water, Hetchy Power and CleanPowerSF).

### Water Enterprise

The Water Enterprise collects, transmits, treats, and distributes high quality drinking water to a total population of approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Water Enterprise sold approximately 170 million gallons of water per day in the year ended June 30, 2023. Approximately 69% of the water delivered by the Water Enterprise is to wholesale customers. Retail customers use the remaining 31% and are primarily San Francisco consumers, including residential, commercial, industrial, and governmental users. Wholesale customers include cities, water districts, one private utility, and one non-profit university. Service to these customers is provided pursuant to the 25-year Amended and Restated Water Supply Agreement (WSA), commenced on July 1, 2009, which established the basis for determining the costs of wholesale service.

### Wastewater Enterprise

The primary responsibility of the Wastewater Enterprise is to protect the public health and the surrounding bay and ocean receiving waters by collecting, transmitting, treating, and discharging storm and sanitary flows generated in the service area. This includes 1,131 miles of combined, sanitary, and storm collection system pipes including: gravity mains, force mains, culverts, transport storage boxes, and tunnels. 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 discharging into the San Francisco Bay and Pacific Ocean. In addition, the Wastewater Enterprise serves on a contractual basis certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers costs of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2023, the Wastewater Enterprise serves 148,598 residential accounts, which discharge about 15.4 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and 27,082 non-residential accounts, which discharge about 5.6 million ccf per year. These reflected an increase of 0.3 million discharge units in non-residential accounts due to an increase of 292 accounts and a decrease of 0.3 million discharge units in residential accounts compared to prior year.

## Hetchy Water

For efficiency and to streamline the coordination of upcountry water and power operations, Hetchy Water operates upcountry and joint-asset facilities, managing resources in an environmentally responsible manner to a high standard of safety and reliability while meeting regulatory requirements. It is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation. Hetchy Water delivers high-quality water from upcountry downhill to the Bay Area while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns.

## Hetchy Power

The core business of Hetchy Power, as a municipal department, is to provide adequate and reliable supplies of electric power to meet the electricity needs of City and County of San Francisco's customers, and to offer, when available, power for the municipal loads and agricultural pumping demands consistent with prescribed contractual obligations and federal law. Hetchy Power's portfolio consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater 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 concerns.

## Hetch Hetchy Joint

A portion of Hetch Hetchy's operating budget, capital program, and assets, provides benefit to both Hetchy Power and Hetchy Water. This is commonly referred to as joint costs and joint assets. Both operating and capital costs that jointly benefit both funds are allocated 55% to Hetchy Power and 45% to Hetchy Water, as has historically been done by the SFPUC.

## CleanPowerSF

In May 2016, SFPUC launched CleanPowerSF, a Community Choice Aggregation (CCA) program, made possible by the 2002 passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation since May 2016. The core business is to provide greener electricity generation to residential and commercial consumers that are retail distribution customers of Pacific Gas and Electric Company (PG&E) in San Francisco. The SFPUC intends CleanPowerSF to be financially independent, with ability to set rates and charges with adequate revenues, and to issue debt to support its operations and future projects. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

Through CleanPowerSF, SFPUC seeks to achieve several complementary goals, including affordable and competitive electricity generation rates, a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply, and high-quality customer service. The program serves more than 380,000 customer accounts and provides San Francisco with an electricity supply from its default "Green" product that is at least 50% California State Renewables Portfolio Standard (RPS)-eligible. Additionally, CleanPowerSF offers "SuperGreen", a 100% RPS-eligible electricity supply, that is available to customers for a small additional cost. On June 1, 2022, CleanPowerSF opened enrollment for its "SuperGreen Saver" product, which provides eligible low-income ratepayers residing in neighborhoods that meet the State of California's criteria as Disadvantaged Communities with 100% RPS-eligible electricity at a 20% bill discount.

## Overview of the Financial Statements

The Department's financial statements include the following:

*Statements of Net Position* present information on the Department's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations at year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the Department's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Department has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt, and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not presented on the face of the financial statements.

## Fund Financial Statements

The Department has five funds: Water, Wastewater, Hetchy Water, Hetchy Power, and CleanPowerSF.

## Financial Analysis

### Financial Highlights for Fiscal Year 2023

**Department-wide Business Type Activities**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3,001,386.
- Total assets exceeded total liabilities by $2,853,266.
- Net position increased by $177,611 or 6.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $748,978 or 7.2% to $11,199,666.
- Operating revenues increased by $216,058 or 15.2% to $1,638,504.
- Operating expenses increased by $128,265 or 11.4% to $1,257,946.

**Water**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $692,073.
- Total assets exceeded total liabilities by $565,858.
- Net position increased by $58,646 or 9.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $30,720 or 0.5% to $5,648,314.
- Current and other assets decreased by $99,623 or 12.5% mainly due to bond principal and interest payments, capital project expenses, and payments for salaries.
- Operating revenues increased by $117,974 or 20.6% to $691,091.
- Operating expenses increased by $58,489 or 14.6% to $460,253.

**Wastewater**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $1,398,834.
- Total assets exceeded total liabilities by $1,385,856.
- Net position increased by $36,167 or 2.7% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $638,201 or 15.8% to $4,684,652.
- Operating revenues decreased by $4,946 or 1.3% to $363,936.
- Operating expenses increased by $4,192 or 1.6% to $261,350.

**Hetchy Water**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $274,128.
- Total assets exceeded total liabilities by $269,248.
- Net position increased by $24,946 or 10.0% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $18,747 or 9.3% to $219,754.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $3,385 or 6.9% to $52,697.
- Operating expenses, excluding other non-operating expenses, decreased by $2,288 or 4.4% to $50,011.

**Hetchy Power**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $518,350.
- Total assets exceeded total liabilities by $512,386.
- Net position increased by $24,171 or 4.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $61,310 or 10.5% to $646,946.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $30,761 or 17.8% to $203,003.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552.

**CleanPowerSF**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $118,001.
- Total assets exceeded total liabilities by $119,918.
- Net position increased by $33,681 or 39.9% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2023.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $68,884 or 26.7% to $326,777.
- Operating expenses, excluding interest expenses increased by $32,663 or 12.5% to $294,780.

## Financial Highlights for Fiscal Year 2022

**Department-wide Business Type Activities**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2,823,775.
- Total assets exceeded total liabilities by $3,068,541.
- Net position increased by $85,665 or 3.1% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $586,502 or 5.9% to $10,450,688.
- Operating revenues increased by $121,174 or 9.3% to $1,422,446.
- Operating expenses decreased by $20,144 or 1.8% to $1,129,681.

**Water**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $633,427.
- Total assets exceeded total liabilities by $727,284.
- Net position decreased by $17,937 or 2.8% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $29,795 or 0.5% to $5,617,594.
- Current and other assets increased by $8,816 or 1.1% mainly due to net pension asset.
- Operating revenues decreased by $9,319 or 1.6% to $573,117.
- Operating expenses decreased by $47,018 or 10.5% to $401,764.

**Wastewater**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $1,362,667.
- Total assets exceeded total liabilities by $1,447,677.
- Net position increased by $60,119 or 4.6% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $439,601 or 12.2% to $4,046,451.
- Operating revenues increased by $41,217 or 12.6% to $368,882.
- Operating expenses decreased by $35,015 or 12.0% to $257,158.

**Hetchy Water**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $249,182.
- Total assets exceeded total liabilities by $276,425.
- Net position increased by $24,521 or 10.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $23,526 or 13.3% to $201,007.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $2,222 or 4.7% to $49,312.
- Operating expenses, excluding other non-operating expenses, increased by $1,780 or 3.5% to $52,299.

**Hetchy Power**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $494,179.
- Total assets exceeded total liabilities by $527,477.
- Net position increased by $21,719 or 4.6% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $93,580 or 19.0% to $585,636.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $36,859 or 27.0% to $173,242.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $10,703 or 7.3% to $156,343.

**CleanPowerSF**

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $84,320.
- Total assets exceeded total liabilities by $89,678.
- Net position decreased by $2,757 or 3.2% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2022.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $50,195 or 24.2% to $257,893.
- Operating expenses, excluding interest expenses increased by $49,406 or 23.2% to $262,117.

(Dollars in thousands, unless otherwise stated)

## Financial Position

### Department-wide Business Type Activities

The following table summarizes the department-wide changes in net position. Detailed discussion follows for each proprietary fund.

**Table 1**
**Business Type Activities**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023* | Restated 2022*# | 2021* | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 1,814,683 | 1,924,834 | 1,616,001 | (110,151) | 308,833 |
| Capital assets, net of accumulated depreciation and amortization | 11,199,666 | 10,450,688 | 9,864,186 | 748,978 | 586,502 |
| Total assets | 13,014,349 | 12,375,522 | 11,480,187 | 638,827 | 895,335 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | 124,643 | 139,514 | 155,082 | (14,871) | (15,568) |
| Pensions | 123,669 | 93,952 | 113,149 | 29,717 | (19,197) |
| Other post-employment benefits | 48,335 | 53,412 | 61,590 | (5,077) | (8,178) |
| Total deferred outflows of resources | 296,647 | 286,878 | 329,821 | 9,769 | (42,943) |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Bonds | 164,755 | 161,596 | 133,308 | 3,159 | 28,288 |
| Certificates of participation | 4,576 | 4,395 | 4,160 | 181 | 235 |
| Commercial paper | — | 625,473 | 859,051 | (625,473) | (233,578) |
| State revolving fund loans | 2,526 | 5,764 | 4,150 | (3,238) | 1,614 |
| Other liabilities | 454,130 | 442,802 | 386,562 | 11,328 | 56,240 |
| Subtotal current liabilities | 625,987 | 1,240,030 | 1,387,231 | (614,043) | (147,201) |
| Long-term liabilities: | | | | | |
| Arbitrage rebate payable | 188 | — | — | 188 | — |
| Bonds | 7,473,933 | 6,825,078 | 6,497,701 | 648,855 | 327,377 |
| Revenue Notes | 349,556 | 350,356 | — | (800) | 350,356 |
| Certificates of participation | 124,974 | 129,550 | 134,020 | (4,576) | (4,470) |
| State revolving fund loans | 479,790 | 418,656 | 211,816 | 61,134 | 206,840 |
| Commercial paper | 487,811 | — | — | 487,811 | — |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | 122,357 | — | — | 122,357 | — |
| Other liabilities | 496,487 | 343,311 | 747,573 | 153,176 | (404,262) |
| Subtotal long-term liabilities | 9,535,096 | 8,066,951 | 7,591,110 | 1,468,145 | 475,841 |
| Total liabilities: | | | | | |
| Arbitrage rebate payable | 188 | — | — | 188 | — |
| Bonds | 7,638,688 | 6,986,674 | 6,631,009 | 652,014 | 355,665 |
| Revenue Notes | 349,556 | 350,356 | — | (800) | 350,356 |
| Certificates of participation | 129,550 | 133,945 | 138,180 | (4,395) | (4,235) |
| Commercial paper | 487,811 | 625,473 | 859,051 | (137,662) | (233,578) |
| State revolving fund loans | 482,316 | 424,420 | 215,966 | 57,896 | 208,454 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | 122,357 | — | — | 122,357 | — |
| Other liabilities | 950,617 | 786,113 | 1,134,135 | 164,504 | (348,022) |
| Total liabilities | 10,161,083 | 9,306,981 | 8,978,341 | 854,102 | 328,640 |
| Deferred inflows of resources: | | | | | |
| Unamortized gain on refunding of debt | 11,353 | — | — | 11,353 | — |
| Leases | 43,011 | 44,583 | 48,110 | (1,572) | (3,527) |
| Related to pensions | 49,027 | 445,403 | 10,321 | (396,376) | 435,082 |
| Other post-employment benefits | 45,136 | 41,658 | 35,126 | 3,478 | 6,532 |
| Total deferred inflows of resources | 148,527 | 531,644 | 93,557 | (383,117) | 438,087 |
| Net position: | | | | | |
| Net investment in capital assets | 2,336,792 | 2,230,525 | 2,271,638 | 106,267 | (41,113) |
| Restricted for debt service | 18,191 | 20,202 | 48,677 | (2,011) | (28,475) |
| Restricted for capital projects | 21,192 | 114,657 | 22,319 | (93,465) | 92,338 |
| Restricted for other purposes | — | 181,926 | — | (181,926) | 181,926 |
| Unrestricted | 625,211 | 276,465 | 395,476 | 348,746 | (119,011) |
| Total net position | $ 3,001,386 | 2,823,775 | 2,738,110 | 177,611 | 85,665 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).
*Eliminated interfund payables and receivables of $518, $629 and $739 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction cost in fiscal years 2023, 2022 and 2021, respectively.

(Dollars in thousands, unless otherwise stated)

## The following table summarizes Water's changes in net position.

**Table 1A**
**Proprietary Fund – Water**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 695,715 | 795,338 | 786,522 | (99,623) | 8,816 |
| Capital assets, net of accumulated depreciation and amortization | 5,648,314 | 5,617,594 | 5,587,799 | 30,720 | 29,795 |
| Total assets | 6,344,029 | 6,412,932 | 6,374,321 | (68,903) | 38,611 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | 124,635 | 139,481 | 154,991 | (14,846) | (15,510) |
| Pensions | 70,101 | 52,852 | 64,797 | 17,249 | (11,945) |
| Other post-employment benefits | 28,616 | 32,445 | 37,762 | (3,829) | (5,317) |
| Total deferred outflows of resources | 223,352 | 224,778 | 257,550 | (1,426) | (32,772) |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Revenue bonds | 135,095 | 125,285 | 108,500 | 9,810 | 16,785 |
| Certificates of participation | 3,267 | 3,138 | 2,970 | 129 | 168 |
| Commercial paper | — | 206,297 | 105,862 | (206,297) | 100,435 |
| State revolving fund loans | — | 3,283 | 1,667 | (3,283) | 1,616 |
| Other liabilities | 148,547 | 182,349 | 154,257 | (33,802) | 28,092 |
| Subtotal current liabilities | 286,909 | 520,352 | 373,256 | (233,443) | 147,096 |
| Long-term liabilities: | | | | | |
| Revenue bonds | 4,575,751 | 4,735,650 | 4,886,275 | (159,899) | (150,625) |
| Certificates of participation | 89,232 | 92,499 | 95,692 | (3,267) | (3,193) |
| Commercial paper | 371,459 | — | — | 371,459 | — |
| State revolving fund loans | 163,627 | 118,478 | 105,740 | 45,149 | 12,738 |
| Other liabilities | 291,193 | 218,669 | 445,234 | 72,524 | (226,565) |
| Subtotal long-term liabilities | 5,491,262 | 5,165,296 | 5,532,941 | 325,966 | (367,645) |
| Total liabilities: | | | | | |
| Revenue bonds | 4,710,846 | 4,860,935 | 4,994,775 | (150,089) | (133,840) |
| Certificates of participation | 92,499 | 95,637 | 98,662 | (3,138) | (3,025) |
| Commercial paper | 371,459 | 206,297 | 105,862 | 165,162 | 100,435 |
| State revolving fund loans | 163,627 | 121,761 | 107,407 | 41,866 | 14,354 |
| Other liabilities | 439,740 | 401,018 | 599,491 | 38,722 | (198,473) |
| Total liabilities | 5,778,171 | 5,685,648 | 5,906,197 | 92,523 | (220,549) |
| Deferred inflows of resources: | | | | | |
| Leases | 41,558 | 44,583 | 48,110 | (3,025) | (3,527) |
| Related to pensions | 28,504 | 248,704 | 4,885 | (220,200) | 243,819 |
| Other post-employment benefits | 27,075 | 25,348 | 21,315 | 1,727 | 4,033 |
| Total deferred inflows of resources | 97,137 | 318,635 | 74,310 | (221,498) | 244,325 |
| Net position: | | | | | |
| Net investment in capital assets | 545,542 | 584,646 | 517,302 | (39,104) | 67,344 |
| Restricted for debt service | 14,625 | 14,671 | 45,586 | (46) | (30,915) |
| Restricted for capital projects | 15,959 | — | 22,319 | 15,959 | (22,319) |
| Restricted for other purposes | — | 100,407 | — | (100,407) | 100,407 |
| Unrestricted | 115,947 | (66,297) | 66,157 | 182,244 | (132,454) |
| Total net position | $ 692,073 | 633,427 | 651,364 | 58,646 | (17,937) |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Water Net Position, Fiscal Year 2023

For the period ended June 30, 2023, the Water Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $692,073. Total net position increased from prior year by $58,646 or 9.3% (see Table 1A). The increase in net position was the result of a decrease of $128,975 in liabilities and deferred inflows of resources offset by a decrease of $70,329 in assets and deferred outflows of resources.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interest and lease receivables, interfund receivables due from other governmental agencies, prepaids, and inventory.

During the fiscal year 2023, current and other assets decreased by $99,623 or 12.5%. The decreases included $100,407 in restricted net pension asset based on actuarial estimates, $45,106 in restricted and unrestricted cash and investments mainly due to debt principal and interest payments, capital projects spending, payments for salaries and goods and services, $6,625 in prepaid expenses of multiple software licensing and membership fees, $2,535 in lease receivable due to lease payments received, $882 in subscription asset from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, $632 in restricted interest and other receivables mainly due to capacity fees, and $63 mainly for custom work projects due from the Department of Public Works (DPW). These decreases were offset by increases of $28,594 for a reimbursement receivable from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $11,007 in notes receivable from the sale of the Balboa Reservoir, $10,052 in Wholesale Balancing Account receivable (see Note 12 for details), $2,249 in interest receivable mainly due to higher interest rates, $2,205 in charges for services receivable mainly due to a 15.9% rate increase for wholesale customers beginning July 1, 2022, $1,389 in inventory due to more purchases than issuances during the fiscal year, and $1,131 in lease asset due to additional leases in the current year.

Capital assets, net of accumulated depreciation and amortization, increased by $30,720 or 0.5% mainly due to Mountain Tunnel Improvement and SF Westside Recycled Water projects. The largest portion of the Water Enterprise's net position of $545,542 or 78.8% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which decreased by $39,104 or 6.7% from prior year's $584,646. The change was explained by an increase of $62,664 in liabilities related to capital assets mainly from State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, offset by a $23,560 increase in capital assets mainly from increased buildings, structures and improvements.

Deferred outflows of resources decreased by $1,426 due to decreases of $14,846 from amortization for unamortized loss on refunding and $3,829 in OPEB obligations based on actuarial estimates, offset by an increase of $17,249 from pensions based on actuarial estimates.

Total liabilities increased by $92,523, which was due to increases of $165,162 in commercial paper from additional principal issuances, $115,343 in pensions based on actuarial reports, $41,866 in State Revolving Funds Loan payable due to additional loans related to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $15,329 in restricted and unrestricted payables due to higher year end expense accruals for capital projects as compared to prior year, $4,486 in OPEB obligations based on actuarial estimates, $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project, $1,168 in accrued payroll, vacation and sick leave due to cost of living adjustments and actuarial entries, $1,147 in lease liability from additional leases, and $762 in workers' compensation based on actuarial estimates. These increases were offset by decreases of $150,089 in outstanding revenue bonds from $125,285 in bond repayment, $24,812 in bond premium amortization, offset by $8 in bond discount amortization, $79,150 in the Wholesale Balancing Account liability (see Note 12 for details), $16,444 in general liability based on actuarial report, $5,160 in unearned revenues mainly from lower custom work deposits and reduced Bay Area Water Supply and Conservation Agency (BAWSCA) Bond Surcharges, $3,138 in certificates of participation from $3,124 in principal repayment and $14 in amortization of premium, $848 in subscription liabilities from the implementation of GASB Statement No. 96, *SBITAs*, and $351 in interest payable from lower outstanding revenue bonds.

Deferred inflows of resources decreased by $221,498 due to decreases of $220,200 related to pensions based on actuarial estimates and $3,025 in leases based on Controller's Office GASB Statement No. 87, *Lease*s, calculations, offset by an increase of $1,727 in OPEB obligations based on actuarial estimates.

## Water Net Position, Fiscal Year 2022

For the period ended June 30, 2022, the Water Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $633,427. Total net position decreased from prior year by $17,937 or 2.8% (see Table 1A). The decrease in net position was the result of an increase of $23,776 in liabilities and deferred inflows of resources offset by an increase of $5,839 in assets and deferred outflows of resources.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interfund receivables due from other governmental agencies, and inventory.

During the fiscal year 2022, current and other assets increased by $8,816 or 1.1%. The increases included $100,407 in restricted net pension asset based on actuarial estimates, $6,276 in prepaid charges advances and other receivables mainly for a settlement from PG&E related to damages on Casitas Avenue in San Francisco, $6,267 in charges for services attributed to more billings, net of decrease in allowance for doubtful accounts due to utility arrearage relief payment received from the State as Federal pass-through from the California Water and Wastewater Arrearages Payment Program (CWWAPP), $1,577 in subscription asset from the implementation of GASB Statement No. 96, $865 in inventory due to more purchases than issuances during the fiscal year, $167 in interest, leases and other receivables due to higher interest rates, and $159 in restricted interest and other receivables. These increases were offset by decreases of $60,453 in restricted and unrestricted cash and investments mainly due to debt principal and interest payments, capital projects spending, payments for salaries and goods and services, $41,993 reimbursement from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the SF Westside Recycled Water project, $2,945 in leases receivable from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, $1,425 in lease asset from the implementation of GASB Statement No. 87, *Leases*, $70 mainly for custom work projects due from the Department of Public Works, and $16 for a Federal grant of culvert repairs relating to the Santa Clara Unit Lightning Complex fires.

Capital assets, net of accumulated depreciation and amortization, increased by $29,795 or 0.5% mainly due to Water Main Replacement, Treasure Island Well, Serramonte Well and all other well construction, and capital improvement activities. The largest portion of the Water Enterprise's net position of $584,646 or 92.3% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which increased by $67,344 or 13.0% from prior year's $517,302. The change was explained by an increase of $81,232 in capital assets mainly from increased buildings, structures and improvements, offset by a decrease of $13,888 in liabilities related to capital assets mainly from bond principal repayment.

Deferred outflows of resources decreased by $32,772 due to decreases of $15,510 from amortization for unamortized loss on refunding, $11,945 relating to pensions based on actuarial reports, and $5,317 from OPEB obligations based on actuarial estimates.

Total liabilities decreased by $220,549 which was due to decreases of $216,417 in pensions based on actuarial report, $133,840 in outstanding revenue bonds from principal repayments, $4,656 from OPEB obligations due to actuarial report, $3,025 in certificates of participation mainly due to principal repayments, $1,381 in lease liability from the implementation of GASB Statement No. 87, *Leases*, $745 in interest payable mainly due to lower bonds outstanding, and $654 in general liability based on actuarial report. These decreases were offset by increases of $100,435 in commercial paper from additional principal issuances, $14,354 in State Revolving Funds Loan payable due to additional loans related to the SF Westside Recycled Water project, $4,759 in restricted and unrestricted payables due to higher year end accruals as compared to prior year, $1,556 in subscription liability from the implementation of GASB Statement No. 96, $463 in accrued payroll, vacation and sick leave due to actuarial entries, $171 in unearned revenues mainly for deposits on custom work, and $145 in workers' compensation based on actuarial estimates. The Water Enterprise owed the wholesale customers $79,150, an increase of $18,286 which was mainly due to annual revenues from the wholesale customers exceeding their share of expenditures. This amount was recorded as a liability in accordance with the 2009 Water Supply agreement. See Note 12, Water Supply Agreement, for additional details.

(Dollars in thousands, unless otherwise stated)

Deferred inflows of resources increased by $244,325 due to an increase of $243,819 related to pensions and $4,033 from OPEB benefits based on actuarial reports, offset by a decrease of $3,527 from leases due to the implementation of GASB Statement No. 87, *Leases.*

## The following table summarizes Wastewater's changes in net position.

**Table 1B**
**Proprietary Fund – Wastewater**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 576,140 | 629,325 | 360,711 | (53,185) | 268,614 |
| Capital assets, net of accumulated depreciation and amortization | 4,684,652 | 4,046,451 | 3,606,850 | 638,201 | 439,601 |
| Total assets | 5,260,792 | 4,675,776 | 3,967,561 | 585,016 | 708,215 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | 8 | 33 | 91 | (25) | (58) |
| Pensions | 32,592 | 25,369 | 30,219 | 7,223 | (4,850) |
| Other post-employment benefits | 11,493 | 12,898 | 15,109 | (1,405) | (2,211) |
| Total deferred outflows of resources | 44,093 | 38,300 | 45,419 | 5,793 | (7,119) |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Revenue bonds | 28,070 | 34,345 | 22,880 | (6,275) | 11,465 |
| Certificates of participation | 864 | 830 | 785 | 34 | 45 |
| Commercial paper | — | 379,157 | 638,518 | (379,157) | (259,361) |
| State revolving fund loans | 2,526 | 2,481 | 2,483 | 45 | (2) |
| Other liabilities | 200,992 | 165,662 | 149,357 | 35,330 | 16,305 |
| Subtotal current liabilities | 232,452 | 582,475 | 814,023 | (350,023) | (231,548) |
| Long-term liabilities: | | | | | |
| Arbitrage rebate payable | 188 | — | — | 188 | — |
| Revenue bonds | 2,708,840 | 1,896,908 | 1,567,042 | 811,932 | 329,866 |
| Revenue notes | 349,556 | 350,356 | — | (800) | 350,356 |
| Certificates of participation | 23,594 | 24,458 | 25,302 | (864) | (844) |
| State revolving fund loans | 316,163 | 300,178 | 106,076 | 15,985 | 194,102 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | 122,357 | — | — | 122,357 | — |
| Other liabilities | 121,786 | 73,724 | 188,576 | 48,062 | (114,852) |
| Subtotal long-term liabilities | 3,642,484 | 2,645,624 | 1,886,996 | 996,860 | 758,628 |
| Total liabilities: | | | | | |
| Arbitrage rebate payable | 188 | — | — | 188 | — |
| Revenue bonds | 2,736,910 | 1,931,253 | 1,589,922 | 805,657 | 341,331 |
| Revenue notes | 349,556 | 350,356 | — | (800) | 350,356 |
| Certificates of participation | 24,458 | 25,288 | 26,087 | (830) | (799) |
| Commercial paper | — | 379,157 | 638,518 | (379,157) | (259,361) |
| State revolving fund loans | 318,689 | 302,659 | 108,559 | 16,030 | 194,100 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | 122,357 | — | — | 122,357 | — |
| Other liabilities | 322,778 | 239,386 | 337,933 | 83,392 | (98,547) |
| Total liabilities | 3,874,936 | 3,228,099 | 2,701,019 | 646,837 | 527,080 |
| Deferred inflows of resources: | | | | | |
| Unamortized gain on refunding of debt | 11,353 | — | — | 11,353 | — |
| Leases | 1,453 | — | — | 1,453 | — |
| Related to pensions | 10,023 | 114,670 | 2,148 | (104,647) | 112,522 |
| Other post-employment benefits | 8,286 | 8,640 | 7,265 | (354) | 1,375 |
| Total deferred inflows of resources | 31,115 | 123,310 | 9,413 | (92,195) | 113,897 |
| Net position: | | | | | |
| Net investment in capital assets | 1,235,215 | 1,092,710 | 1,253,789 | 142,505 | (161,079) |
| Restricted for debt service | 3,510 | 5,391 | 2,992 | (1,881) | 2,399 |
| Restricted for capital projects | — | 114,657 | — | (114,657) | 114,657 |
| Restricted for other purposes | — | 48,770 | — | (48,770) | 48,770 |
| Unrestricted | 160,109 | 101,139 | 45,767 | 58,970 | 55,372 |
| Total net position | $ 1,398,834 | 1,362,667 | 1,302,548 | 36,167 | 60,119 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Wastewater Net Position, Fiscal Year 2023

For the year ended June 30, 2023, the Wastewater Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,398,834. The Wastewater Enterprise's total net position increased by $36,167 or 2.7% as a result of increases of $142,505 in net investment in capital assets and $58,970 in unrestricted net position offset by decreases of $114,657 in restricted for capital projects, $48,770 in restricted for other purposes, and $1,881 in restricted for debt service (see Table 1B).

During the fiscal year 2023, current and other assets decreased by $53,185 or 8.5%. The decrease was mainly due to $188,853 in receivables from the State Water Resources Control Board (SWRCB) attributed to $207,364 cash receipts from reimbursement requests relating to the Southeast Water Pollution Control Plant (SEP) Biosolids Digester Project, the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project, and the Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project, offset by $18,511 aggregate new reimbursement requests for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. Other decreases included $48,770 in restricted net pension asset based on actuarial report, $2,325 in lease assets due to amortization, $1,014 due from the Treasure Island Development Authority (TIDA) for capacity fees, $535 in subscription asset due to implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs)*, $241 in capacity charges net of allowance for doubtful accounts as more collection than billings in current year, $228 in receivables for charges for services due to $5,787 increase in allowance for doubtful accounts attributed to increased sewer charges receivable aged over 120 days old offset by $5,559 increase in charges for services due to higher billings, $96 decrease in interfund receivable due to $105 collection of prior year balance from the Academy of Sciences, offset by $9 receivable from the Department of Public Works (DPW) for the Mission Bay South Project, $28 decrease in Federal interest subsidy receivable, $25 decrease in State grant receivable due to receipt of reimbursement for the Baker Beach project, and $7 decrease in custom work receivable. These decreases in current and other assets were offset by increases of $184,889 in restricted and unrestricted cash and investments largely from the issuance proceeds of 2023 Series ABC revenue bonds, $1,682 in interest receivable due to higher interest earnings, $1,457 in lease receivable due to additional GASB Statement No. 87, *Leases*, $495 increase in prepaid charges due to $1,004 prepaid expenses in the current year such as property rental, software license, and membership fees offset by $471 prior year prepaid expenses recognized in current year and $38 lease prepayments amortizations for the Civic Center Garage and the Mariposa Pump Station & Force, $382 in inventory as there were more purchases than issuances during the year, $27 in property rent receivable, and $5 in other receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $638,201 or 15.8% reflecting an increase in construction and capital improvement activities. The largest portion of the Wastewater Enterprise's net position of $1,235,215 or 88.3%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $5,793 mainly due to $7,223 increase in pensions based on actuarial report offset by $1,405 decrease in other post-employment benefits based on actuarial report, and $25 amortization of the 2013 Series A bonds loss on refunding.

Total liabilities increased by $646,837 or 20.0%. As of June 30, 2023, total outstanding balance of $3,551,970 for revenue bonds, revenue notes, certificates of participation (COP), State Revolving Fund (SRF) loans, and Water Infrastructure Finance and Innovation Act (WIFIA) loans represented 91.7% of total liabilities, an increase of $563,257 or 18.8%. The increase was mainly due to issuance of 2023 Series ABC and 2022 Series B revenue bonds with an aggregate par value of $974,380 and $137,080, an aggregate premiums of $161,622 and $16,852 from the 2023 Series ABC and 2022 Series B, respectively, to refund principal amount of and interest on commercial paper and portion of certain outstanding revenue bonds and to finance certain capital projects, $177,564 from issuance of commercial paper, $122,357 new WIFIA loan to fund for the Biosolids Digester Facilities Project, and $18,511 additional SRF loans to fund for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. These increases were offset by $556,721 refunding of commercial paper, $419,505 refunded principal for revenue bonds series 2013AB and 2018C, debt principal repayments of $34,345 in bonds, $2,481 in SRF, and $826 in COP, $15,494 refunded premium for revenue bonds series 2013AB, and $15,737 in premium amortization. Other liabilities of $322,966, including arbitrage rebate payable, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $83,580 or 34.9% due to increases of $49,549 in net pension liability based on actuarial report, $33,539 in restricted and unrestricted payable to vendors and contractors due to increased vouchers, $6,450 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from new debts relating to the issuance of revenue bonds 2023 Series ABC and 2022 Series B bonds, and new WIFIA loan, $2,442 in employee related benefits including vacation, workers' compensation, and accrued payroll mainly due to actuarial estimates, and 5.25% increase cost of living adjustment (COLA), $2,102 in payable to Municipal Transportation Agency (MTA), and $320 in unearned revenues mainly due to $402 in customer credit balances due to overpayments offset by decreases of $80 in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project and $2 in liens payable, and $188 in arbitrage rebate payable. The increase in other liabilities was offset by decreases of $7,695 in damage claims liability due to actuarial estimates, $2,341 in lease liability due to lease payment, $515 in subscription liability due to implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, $260 in pollution remediation obligation, $111 in payable to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System, and $88 in other post-employment benefits obligations based on actuarial report.

Deferred inflows of resources decreased by $92,195 mainly due to decreases in pensions and other post-employment benefits by $104,647 and $354, respectively, based on actuarial report, offset by increases in unamortized gain on refunding of debt and leases by $11,353 and $1,453, respectively.

## Wastewater Net Position, Fiscal Year 2022

For the year ended June 30, 2022, the Wastewater Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,362,667. The Wastewater Enterprise's total net position increased by $60,119 or 4.6% as a result of increases of $114,657 in restricted for capital projects, $55,372 in unrestricted net position, $48,770 in restricted for other purposes, and $2,399 in restricted for debt service offset by a decrease of $161,079 in net investment in capital assets (see Table 1B)

During the fiscal year 2022, current and other assets increased by $268,614 or 74.5%. The increase was mainly due to $182,040 in receivables from the State Water Resources Control Board (SWRCB) attributed to $202,795 aggregate new SRF reimbursement requests consisting of $132,000 for the Southeast Water Pollution Control Plant (SEP) Biosolids Digester Project, $64,678 for the SEP New Headworks (Grit) Replacement Project, and $6,117 for the Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project, offset by $20,755 cash receipts from prior year receivables relating to the OSP Digester Gas Utilization Upgrade Project, an increase of $48,770 in restricted net pension asset based on actuarial report and $32,650 increase in restricted and unrestricted cash and investments mainly from the issuance proceeds of tax-exempt 2021 Series AB (Green) revenue notes and 2021 Series AB revenue bonds. Other increases included $7,241 in receivables for charges for services mainly due to increased billings of $6,143, $1,098 decrease in allowance for doubtful accounts due to utility arrearage relief payment received from the State as Federal pass-through from the California Water and Wastewater Arrearages Payment Program (CWWAPP), $1,014 due from the Treasure Island Development Authority (TIDA) for capacity fees, $957 in subscription asset due to implementation of GASB Statement No. 96, *SBITAs*, $301 in inventory as there were more purchases than issuances during the year, $190 in capacity charges net of allowance for doubtful accounts, $118 in interest receivable, and $25 in State grant receivable for the Baker Beach reimbursement. These increases in current and other assets were offset by decreases of $2,325 in lease assets net of accumulated amortization due to amortization, $1,763 in Federal interest subsidy receivable (attributed to $5,817 subsidy received offset by $4,054 subsidy accrual during the year), $324 decrease in rent receivable mainly due to $304 collection of prior year balance from the San Francisco Community College, $219 decrease in prepaid charges mainly due to $652 prior year prepaid expenses recognized in current year and $39 lease prepayments amortizations for the Civic Center Garage and the Mariposa Pump Station & Force, offset by $472 prepaid expenses in the current year, $56 decrease in interfund receivables and due from component unit consisting of $118 from the Department of Public Works (DPW) for the Mission Bay South and Hunters View Development Projects, $24 from the San Francisco Port Commission (Port), and $20 from component unit for the TIDA Replacement & Repair Project, offset by an increase of $106 in receivable from the Academy of Sciences and Office of Community Investment Infrastructure, and $5 decrease in custom work receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $439,601 or 12.2% reflecting an increase in construction and capital improvement activities. The largest portion of the Wastewater Enterprise's net position of $1,092,710 or 80.2%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources decreased by $7,119 mainly due to decreases in pensions and other post-employment benefits by $4,850 and $2,211, respectively based on actuarial report and $58 amortization of the 2013 Series A bonds loss on refunding.

(Dollars in thousands, unless otherwise stated)

Total liabilities increased by $527,080 or 19.5%. As of June 30, 2022, total debt outstanding balance of $2,988,713 for revenue bonds and notes payable, certificates of participation (COP), commercial paper, and SRF loans, represented 92.6% of total liabilities, an increase of $625,627 or 26.5%. The increase was mainly due to $373,700 issuance of 2021 Series AB revenue bonds, consisting of $297,880 par amounts and $75,820 premiums, $350,823 issuance of 2021 Series AB revenue notes consisting of $347,465 par amounts and $3,358 premiums, $200,702 new SRF loans to finance the SEP Biosolids Digester Facilities, the SEP New Headworks Replacement, and the OSP Digester Gas Utilization Upgrade projects, and $80,639 issuance of commercial paper. These increases were offset by $340,000 retirement of commercial paper, $26,148 in debt principal repayments, $9,970 in premium amortization during the year, and $4,000 loan principal forgiveness for the SRF OSP Digester Gas Utilization Upgrade Project along with $119 unreimbursed loan claim. Other liabilities of $239,386 such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements and employees, decreased by $98,547 or 29.2%, mainly due to decreases of $103,746 in net pension liability based on actuarial report, $4,668 in general liability based on actuarial estimates, $2,314 in lease liability due to implementation of GASB Statement No. 87, *Leases*, $1,588 in other post-employment benefits obligations based on actuarial report, and $110 in payable to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System. These decreases were offset by increases of $7,229 in restricted and unrestricted payable due to increased vouchers, $4,192 in bond, loan, lease, and subscription interest payable due to higher outstanding debt principal, $944 in subscription liability due to implementation of GASB Statement No. 96, *SBITAs*, $792 in unearned revenues mainly due to $892 in customer credit balances mainly due to overpayments offset by decreases of $81 in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project and $19 in liens payable, $462 in employee related benefits including vacation, workers' compensation, accrued payroll mainly due to actuarial estimates, and 4% increase of cost of living adjustment (COLA), and $260 in pollution remediation obligation.

Deferred inflows of resources increased by $113,897 due to increases in pensions and other post-employment benefits by $112,522 and $1,375, respectively based on actuarial report.

## The following table summarizes Hetchy Water's changes in net position.

**Table 1C – A**
**Proprietary Fund – Hetchy Water**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 91,112 | 110,066 | 98,225 | (18,954) | 11,841 |
| Capital assets, net of accumulated depreciation and amortization | 219,754 | 201,007 | 177,481 | 18,747 | 23,526 |
| Total assets | 310,866 | 311,073 | 275,706 | (207) | 35,367 |
| Deferred outflows of resources: | | | | | |
| Pensions | 8,858 | 6,696 | 7,799 | 2,162 | (1,103) |
| Other post-employment benefits | 3,248 | 3,272 | 3,725 | (24) | (453) |
| Total deferred outflows of resources | 12,106 | 9,968 | 11,524 | 2,138 | (1,556) |
| Liabilities: | | | | | |
| Current liabilities | 9,888 | 17,553 | 15,873 | (7,665) | 1,680 |
| Long-term liabilities | 31,730 | 17,095 | 43,623 | 14,635 | (26,528) |
| Total liabilities | 41,618 | 34,648 | 59,496 | 6,970 | (24,848) |
| Deferred inflows of resources: | | | | | |
| Related to pensions | 4,142 | 34,477 | 988 | (30,335) | 33,489 |
| Other post-employment benefits | 3,084 | 2,734 | 2,085 | 350 | 649 |
| Total deferred inflows of resources | 7,226 | 37,211 | 3,073 | (29,985) | 34,138 |
| Net position: | | | | | |
| Net investment in capital assets | 219,754 | 201,007 | 177,481 | 18,747 | 23,526 |
| Restricted for capital projects | 5,233 | — | — | 5,233 | — |
| Restricted for other purposes | — | 13,912 | — | (13,912) | 13,912 |
| Unrestricted | 49,141 | 34,263 | 47,180 | 14,878 | (12,917) |
| Total net position | $ 274,128 | 249,182 | 224,661 | 24,946 | 24,521 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Hetchy Water Net Position, Fiscal Year 2023

Hetchy Water's net position of $274,128 increased by $24,946 or 10.0% resulting from a net decrease of $23,015 in total liabilities and deferred inflows of resources and a net increase of $1,931 in total assets and deferred outflows of resources (see Table 1C-A). The decrease of $18,954 in current and other assets was attributed to decreases of $13,912 in restricted net pension assets based on actuarial report, $6,238 in cash and investment with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, $177 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs,* $129 in prepaid charges, advances, and other receivables due to prepayments made in prior year to California Department of Water Resources for dam fees included fiscal year 2023, and $70 in charges for services receivables due to lower consumption from Lawrence Livermore National Laboratory. These decreases were offset by increases of $1,211 in State grants receivable for the 2018 Moccasin Storm Project related to emergency repairs, $255 in interest receivables attributed to improved market value of investments and higher interest rates, $84 in lease right-to-use assets net of accumulated amortization, and $22 in inventory due to more purchases than issuances during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $18,747 or 9.3% to $219,754 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and San Joaquin Pipeline Valve and Safe Entry Improvement Project. Deferred outflows of resources increased by $2,138 due to an increase of $2,162 in pensions offset by a decrease of $24 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by $6,970 or 20.1% to $41,618, as explained by increases of $14,105 in net pension liability based on actuarial estimates, $667 in OPEB obligations based on actuarial assumptions, $242 in employee related benefits due to 5.25% increase in cost of living adjustment (COLA), $76 in lease liability and $73 in general liability based on actuarial estimates. These increases were offset by decreases of $7,421 in unrestricted payables mainly due to lower license and permit fees to the National Park Service, $577 in restricted payables due to lower project spending, $170 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $24 in unearned revenues, refunds, and other mainly due to recognition of grant advance as revenue for the Rim Fire project, and $1 in interest payable related to SBITAs (see Note 11).

Deferred inflows of resources decreased by $29,985 due to a decrease of $30,335 in relation to pensions offset by an increase of $350 in OPEB based on actuarial reports.

## Hetchy Water Net Position, Fiscal Year 2022

Hetchy Water's net position of $249,182 increased by $24,521 or 10.9% resulting from a net increase of $33,811 in total assets and deferred outflows of resources, offset by a net increase of $9,290 in total liabilities and deferred inflows of resources (see Table 1C-A). The increase of $11,841 in current and other assets was attributed to increases of $13,912 in restricted net pension assets based on actuarial report, $314 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*, $33 in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory, $19 in interest receivables due to higher interest accrual from City's Treasury, and $8 in inventory due to more purchases than issuances during the fiscal year. The increases were offset by decreases of $2,173 in cash and investment with City Treasury mainly from higher project spending, $192 in prepaid charges, advances, and other receivables mainly due to prepayment to Turlock Irrigation District for relicensing studies, $67 decrease in due from other governments related to State grant reimbursement received for Lower Cherry Aqueduct project, and $13 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases*.

Capital assets, net of accumulated depreciation and amortization, increased by $23,526 or 13.3% to $201,007 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and San Joaquin Pipeline Valve and Safe Entry Improvement Project. Deferred outflows of resources decreased by $1,556 due to decreases of $1,103 in pensions and $453 in other post-employment benefits (OPEB) based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

Hetchy Water's total liabilities decreased by $24,848 or 41.8% to $34,648, as explained by decreases of $26,645 in net pension liability based on actuarial estimates, $2,733 in restricted payables to vendors and contractors mainly due to lower year-end expense accruals for capital projects, $204 in OPEB obligations based on actuarial assumptions, $16 in lease liability per implementation of GASB Statement No. 87, *Leases*, and $6 in grant advance due to recognition of prior year State grant for the Rim Fire project. These decreases were offset by increases of $4,192 in unrestricted payables mainly for license and permit fees to National Park Service, $309 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $148 in employee related benefits mainly due to increase in workers' compensation, $102 in general liability based on actuarial estimates, $3 in interest payable related to SBITs, and $2 increase in rental deposits and prepaid rent.

Deferred inflows of resources increased by $34,138 due to increases of $33,489 in relation to pensions and $649 in OPEB based on actuarial reports.

## The following table summarizes Hetchy Power's changes in net position.

**Table 1C – B**
**Proprietary Fund – Hetchy Power**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 294,298 | 260,816 | 249,365 | 33,482 | 11,451 |
| Capital assets, net of accumulated depreciation and amortization | 646,946 | 585,636 | 492,056 | 61,310 | 93,580 |
| Total assets | 941,244 | 846,452 | 741,421 | 94,792 | 105,031 |
| Deferred outflows of resources: | | | | | |
| Pensions | 10,826 | 8,183 | 9,531 | 2,643 | (1,348) |
| Other post-employment benefits | 3,969 | 3,999 | 4,552 | (30) | (553) |
| Total deferred outflows of resources | 14,795 | 12,182 | 14,083 | 2,613 | (1,901) |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Bonds | 1,590 | 1,966 | 1,928 | (376) | 38 |
| Certificates of participation | 445 | 427 | 405 | 18 | 22 |
| Commercial paper | — | 40,019 | 114,671 | (40,019) | (74,652) |
| Other liabilities | 63,355 | 48,688 | 49,450 | 14,667 | (762) |
| Subtotal current liabilities | 65,390 | 91,100 | 166,454 | (25,710) | (75,354) |
| Long-term liabilities: | | | | | |
| Bonds | 189,342 | 192,520 | 44,384 | (3,178) | 148,136 |
| Certificates of participation | 12,148 | 12,593 | 13,026 | (445) | (433) |
| Commercial paper | 116,352 | — | — | 116,352 | — |
| Other liabilities | 45,626 | 22,762 | 55,425 | 22,864 | (32,663) |
| Subtotal long-term liabilities | 363,468 | 227,875 | 112,835 | 135,593 | 115,040 |
| Total liabilities: | | | | | |
| Bonds | 190,932 | 194,486 | 46,312 | (3,554) | 148,174 |
| Certificates of participation | 12,593 | 13,020 | 13,431 | (427) | (411) |
| Commercial paper | 116,352 | 40,019 | 114,671 | 76,333 | (74,652) |
| Other liabilities | 108,981 | 71,450 | 104,875 | 37,531 | (33,425) |
| Total liabilities | 428,858 | 318,975 | 279,289 | 109,883 | 39,686 |
| Deferred inflows of resources: | | | | | |
| Related to pensions | 5,062 | 42,138 | 1,207 | (37,076) | 40,931 |
| Other post-employment benefits | 3,769 | 3,342 | 2,548 | 427 | 794 |
| Total deferred inflows of resources | 8,831 | 45,480 | 3,755 | (36,649) | 41,725 |
| Net position: | | | | | |
| Net investment in capital assets | 336,281 | 352,162 | 323,066 | (15,881) | 29,096 |
| Restricted for debt service | 56 | 140 | 99 | (84) | 41 |
| Restricted for other purposes | — | 17,004 | — | (17,004) | 17,004 |
| Unrestricted | 182,013 | 124,873 | 149,295 | 57,140 | (24,422) |
| Total net position | $ 518,350 | 494,179 | 472,460 | 24,171 | 21,719 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Hetchy Power Net Position, Fiscal Year 2023

Hetchy Power's net position of $518,350 increased by $24,171 or 4.9% resulting from an increase of $97,405 in total assets and deferred outflows of resources, offset by a net increase of $73,234 in total liabilities and deferred inflows of resources (see Table 1C-B). Increase of $33,482 in current and other assets was attributed to increases of $47,496 in cash and investments mainly due to higher collections from billings, $2,088 in charges for services receivables mainly due to pending collections from non-work order City departments, $1,302 in interest receivables attributed to improved market value of investments and higher interest rates, $348 increase in State grants receivable mainly for the 2018 Moccasin Storm Project related to emergency repairs, and $105 in lease right-to-use assets net of accumulated amortization.

These increases were offset by decreases of $17,004 in restricted net pension assets based on actuarial report, $318 in due from other City departments mainly due to repayments from Moscone Renewable Energy Projects, $182 in prepaid charges, advances, and other receivables mainly due to prepayments made in prior year to California Department of Water Resources for dam fees included fiscal year 2023, $152 in restricted interest and other receivables mainly due to lower IRS bond interest subsidy accrual, $142 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*, and $59 in inventory due to more issuances than purchases during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $61,310 or 10.5% to $646,946 primarily from construction and capital improvement activities for the Moccasin Powerhouse Rewind Project and the Bay Corridor Project. Deferred outflows of resources increased by $2,613 due to an increase of $2,643 in pensions offset by a decrease of $30 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $428,858 increased by $109,883 or 34.4%. As of June 30, 2023, outstanding debt increased by $72,352 due to $76,333 commercial paper issuance for Hetchy Power facilities, offset by $2,397 from bonds and certificates of participation principal repayments and $1,584 in amortization of premium and discount. Other liabilities of $108,981, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by $37,531 or 52.5%, mainly due to increases of $17,239 in net pension liability based on actuarial estimates, $8,302 in unrestricted payables mainly due to higher power purchases, $5,127 in general liability based on actuarial estimates, $4,060 in restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects mainly for the Winter Storm projects and Moccasin Powerhouse projects, $1,566 in due to other City departments mainly for claim settlement reimbursement to SFMTA, $815 in OPEB obligations based on actuarial assumptions, $464 in employee related benefits due to 5.25% increase in COLA, $268 increase in interest payable related to 2021 Series AB revenue bond issued in prior year, and $94 in lease liability. These increases were offset by decreases of $267 in unearned revenues, refunds, and other, and $137 in subscription liability per implementation of GASB Statement No. 96, *SBITAs* (see Note 11). Decrease of $267 in unearned revenues, refunds, and other was mainly due to $436 deposit refund to developer for custom work project at 1064 Mission Street, $126 in refund for Hunter's Point construction project, and $43 in grant advance due to recognition of Rim Fire State grant revenue, offset by increases of $170 in prepayments from Distributed Antenna System (DAS) program, and $168 in customer prepayments.

Deferred inflows of resources decreased by $36,649 due to a decrease of $37,076 in relation to pensions offset by an increase of $427 in OPEB based on actuarial reports.

## Hetchy Power Net Position, Fiscal Year 2022

Hetchy Power's net position of $494,179 increased by $21,719 or 4.6% resulting from a net increase of $103,130 in total assets and deferred outflows of resources, offset by an increase of $81,411 in total liabilities and deferred inflows of resources (see Table 1C-B). Increase of $11,451 in current and other assets was attributed to increases of $17,004 in restricted net pension assets based on actuarial report, $7,882 in prepaid charges, advances, and other receivables mainly due to collateral paid to satisfy the CAISO's financial security requirements, $3,295 in cash and investments mainly due to higher collections from billings, $256 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*, $76 in interest receivables due to higher interest accrual from City's Treasury, and $31 increase in Federal grants receivable mainly from the Rim Fire Project.

These increases were offset by decreases of $8,835 in charges for services receivables due to completion of billing system implementation in prior year resulting in more timely billings in current year, $7,497 in restricted interest and other receivables mainly due to decrease in vendor prepayment to PG&E for the Bay Corridor Project, $602 in due from other City departments mainly from repayment for Sustainable Energy Account, $142 in inventory due to more issuances than purchases during the fiscal year, and $17 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases*.

Capital assets, net of accumulated depreciation and amortization, increased by $93,580 or 19.0% to $585,636 primarily from construction and capital improvement activities for the Bay Corridor Project and Mountain Tunnel Improvement Project. Deferred outflows of resources decreased by $1,901 due to decreases of $1,348 in pensions and $553 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $318,975 increased by $39,686 or 14.2%. As of June 30, 2022, outstanding debt increased by $73,111 due to $124,000 from 2021 Series AB revenue bond issuances, $63,058 from commercial paper issuance for Hetchy Power facilities, and $27,022 in bond premium from 2021 Series AB revenue bonds, offset by $140,043 in commercial paper, bonds, and certificates of participation principal repayments, and $926 in amortization of premium and discount. Other liabilities of $71,450, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, decreased by $33,425 or 31.9%, mainly due to decreases of $32,566 in net pension liability based on actuarial estimates, $6,241 in unrestricted payables mainly from prior year wheeling charges to APX, Inc., $248 in OPEB obligations based on actuarial assumptions, $85 in general liability based on actuarial estimates, and $19 decrease in lease liability per implementation of GASB Statement No. 87, *Leases*. These decreases were offset by increases of $3,666 in restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects, $870 increase in interest payable mainly related to 2021 Series AB revenue bond issuances, $734 in unearned revenues, refunds, and other, $253 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $200 in employee related benefits mainly due to increase in workers' compensation, and $11 in due to Department of Public Works for painting of light poles. Increase of $734 in unearned revenues, refunds, and other was mainly due to increases of $458 in deposits from custom work projects, $267 in prepayments from Distributed Antenna System (DAS) program, and $60 in overpayments received from customers, offset by decreases of $48 in grant advance due to recognition of Rim Fire State grant revenue and $3 in deposits received from retail customers.

Deferred inflows of resources increased by $41,725 due to increases of $40,931 in relation to pensions and $794 in OPEB based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

## The following table summarizes CleanPowerSF's changes in net position.

**Table 1C – C**
**Proprietary Fund – CleanPowerSF**
**Comparative Condensed Net Position**
**June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Total assets: | | | | | |
| Current and other assets | $ 157,936 | 129,918 | 121,917 | 28,018 | 8,001 |
| Total assets | 157,936 | 129,918 | 121,917 | 28,018 | 8,001 |
| Deferred outflows of resources: | | | | | |
| Pensions | 1,292 | 852 | 803 | 440 | 49 |
| Other post-employment benefits | 1,009 | 798 | 442 | 211 | 356 |
| Total deferred outflows of resources | 2,301 | 1,650 | 1,245 | 651 | 405 |
| Liabilities: | | | | | |
| Current liabilities | 31,461 | 28,661 | 17,735 | 2,800 | 10,926 |
| Long-term liabilities | 6,557 | 11,579 | 15,344 | (5,022) | (3,765) |
| Total liabilities | 38,018 | 40,240 | 33,079 | (2,222) | 7,161 |
| Deferred inflows of resources: | | | | | |
| Related to pensions | 1,296 | 5,414 | 1,093 | (4,118) | 4,321 |
| Other post-employment benefits | 2,922 | 1,594 | 1,913 | 1,328 | (319) |
| Total deferred inflows of resources | 4,218 | 7,008 | 3,006 | (2,790) | 4,002 |
| Net position: | | | | | |
| Restricted for other purposes | | 1,833 | — | (1,833) | 1,833 |
| Unrestricted | 118,001 | 82,487 | 87,077 | 35,514 | (4,590) |
| Total net position | $ 118,001 | 84,320 | 87,077 | 33,681 | (2,757) |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## CleanPowerSF Net Position, Fiscal Year 2023

CleanPowerSF's net position of $118,001 increased by $33,681 or 39.9%, resulting from an increase of $28,669 in total assets and deferred outflows of resources and a decrease of $5,012 in total liabilities and deferred inflows of resources (see Table 1C-C). Increase in total assets of $28,018 was due to increases of $42,423 in cash and investments with City Treasury mainly attributed to higher collections from billings and $498 in interest receivable attributed to improved market value of investments and higher interest rates. These increases were offset by decrease of $7,078 in charges for services receivables due to $5,485 lower unbilled accrual and $1,593 increase in allowance for uncollectible due to higher aged receivables greater than 120 days. Prepaid charges and other receivables decreased by $5,721, of which $5,463 in lower prepaid for power purchases and $4,258 in prepayments required by PG&E in prior year offset by $4,000 in collateral paid to the California Independent System Operator's (CAISO) to satisfy financial security requirements. Restricted net pension assets decreased by $1,833 based on actuarial report, $230 in lease right-to-use assets net of accumulated amortization due to lease termination of 544 Golden Gate, and $41 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*.

Deferred outflows of resources increased by $651 due to increases of $440 in pensions and $211 in OPEB based on actuarial reports.

Total liabilities decreased by $2,222 or 5.5% to $38,018, mainly explained by $9,000 cash collateral returned for power purchase agreement, $232 decrease in lease liability related to the lease termination at 544 Golden Gate, $39 decrease in subscription liability per implementation of GASB Statement No. 96, SBITAs, and $1 decrease in interest payable related to SBITAs (see Note 11). These decreases were offset by increases of $2,124 in net pension liability based on actuarial estimates, $1,950 in unearned revenues, refunds, and other, $1,789 in OPEB obligations based on actuarial assumptions, $818 in payables mainly due to higher power purchases, $367 in employee related benefits due to 5.25% increase in COLA, and $2 in general liability based on actuarial estimates. Increases of $1,950 in unearned revenues, refunds, and other was mainly due to increases of $2,075 received from California Public Utilities Commission (CPUC) for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs, $64 in customer prepayments, and $5 in energy tax payable, offset by a decrease of $194 in net energy metering credits to retail and commercial customers. Deferred inflows of resources decreased by $2,790 due to a decrease of $4,118 in relation to pensions offset by an increase of $1,328 in OPEB based on actuarial reports.

## CleanPowerSF Net Position, Fiscal Year 2022

CleanPowerSF's net position of $84,320 decreased by $2,757 or 3.2%, resulting from an increase of $11,163 in total liabilities and deferred inflows of resources, offset by an increase of $8,406 in total assets and deferred outflows of resources (see Table 1C-C). Increase in total assets of $8,001 was due to increases of $20,602 in prepaid expenses included $12,236 in collateral paid to satisfy the CAISO's financial security requirements, $5,914 from power purchase credits, and $2,452 in prepayments to PG&E for electricity purchases. Other increases included $20,438 in charges for services receivables due to pre-approved rate increases, $1,833 in restricted net pension assets based on actuarial report, $71 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*, and $6 in interest receivable due to higher interest accrual from City's Treasury. These increases were offset by decreases of $34,604 in cash and investments with City Treasury mainly attributed to volatile and increased pricing in power market and $345 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases.*

Deferred outflows of resources increased by $405 due to increases of $356 in OPEB and $49 in pensions based on actuarial reports.

Total liabilities increased by $7,161 or 21.6% to $40,240, mainly explained by $7,667 increase in payables to suppliers for power purchases, $3,168 increase in unearned revenues, refunds, and other due to $2,676 grants received in advance from California Public Utilities Commission (CPUC) for the new Disadvantaged Communities Programs (DAC) and the Community Food Service Energy Efficiency program, $503 from net energy metering credits to retail and commercial customers, offset by a decrease of $11 from customer prepayments. Other increases included $228 for employee related benefits including vacation sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year, $70 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $26 in general liability based on actuarial estimates, and $1 in interest payable related to SBITs. The increases were offset by decreases of $3,008 in net pension liability based on actuarial estimates, $645 in OPEB obligations based on actuarial assumptions, and $346 decrease in lease liability and interest payable per implementation of GASB Statement No. 87, *Leases*.

Deferred inflows of resources increased by $4,002 due to an increase of $4,321 in relation to pensions, offset by a decrease of $319 in OPEB based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

## Results of Operations

### Department-wide Business Type Activities

The following table summarizes the department-wide revenues, expenses, and changes in net position. Detailed discussion follows for each proprietary fund.

**Table 2**
**Business Type Activities**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for services | $ 1,598,926 | 1,375,765 | 1,259,466 | 223,161 | 116,299 |
| Rents and concessions | 14,387 | 14,719 | 14,624 | (332) | 95 |
| Other operating revenues | 25,191 | 31,962 | 27,182 | (6,771) | 4,780 |
| Interest and investment income/(loss) | 18,315 | (26,202) | 30 | 44,517 | (26,232) |
| Other non-operating revenues | 67,553 | 86,326 | 72,337 | (18,773) | 13,989 |
| Total revenues | 1,724,372 | 1,482,570 | 1,373,639 | 241,802 | 108,931 |
| Expenses: | | | | | |
| Operating expenses | 1,257,946 | 1,129,681 | 1,149,825 | 128,265 | (20,144) |
| Interest expenses | 319,924 | 297,068 | 221,622 | 22,856 | 75,446 |
| Amortization of premium, discount, refunding loss, and issuance costs | (25,942) | (18,105) | (16,498) | (7,837) | (1,607) |
| Non-operating expenses | 2,809 | 1,938 | 3,582 | 871 | (1,644) |
| Total expenses | 1,554,737 | 1,410,582 | 1,358,531 | 144,155 | 52,051 |
| Change in net position before transfers and capital contributions | 169,635 | 71,988 | 15,108 | 97,647 | 56,880 |
| Capital contributions | 7,992 | — | 4,180 | 7,992 | (4,180) |
| Transfers from the City and County of San Francisco | 20,080 | 45,036 | 38,465 | (24,956) | 6,571 |
| Transfers to the City and County of San Francisco | (20,096) | (31,359) | (21,374) | 11,263 | (9,985) |
| Net capital contributions and transfers | 7,976 | 13,677 | 21,271 | (5,701) | (7,594) |
| Change in net position | 177,611 | 85,665 | 36,379 | 91,946 | 49,286 |
| Net position at beginning of year | 2,823,775 | 2,738,110 | 2,701,731 | 85,665 | 36,379 |
| Net position at end of year | $ 3,001,386 | 2,823,775 | 2,738,110 | 177,611 | 85,665 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

### The following table summarizes Water's revenues, expenses, and changes in net position.

**Table 2A**
**Proprietary Fund – Water**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for services | $ 661,241 | 539,526 | 550,306 | 121,715 | (10,780) |
| Rents and concessions | 13,282 | 13,765 | 13,735 | (483) | 30 |
| Other operating revenues | 16,568 | 19,826 | 18,395 | (3,258) | 1,431 |
| Interest and investment income/(loss) | 11,156 | (10,896) | 1,374 | 22,052 | (12,270) |
| Other non-operating revenues | 40,679 | 41,871 | 45,874 | (1,192) | (4,003) |
| Total revenues | 742,926 | 604,092 | 629,684 | 138,834 | (25,592) |
| Expenses: | | | | | |
| Operating expenses | 460,253 | 401,764 | 448,782 | 58,489 | (47,018) |
| Interest expenses | 214,913 | 213,681 | 184,678 | 1,232 | 29,003 |
| Amortization of premium, discount, refunding loss, and issuance costs | (9,971) | (9,875) | (7,782) | (96) | (2,093) |
| Non-operating expenses | 1,775 | 828 | 2,208 | 947 | (1,380) |
| Total expenses | 666,970 | 606,398 | 627,886 | 60,572 | (21,488) |
| Change in net position before transfers and capital contributions | 75,956 | (2,306) | 1,798 | 78,262 | (4,104) |
| Capital contributions | 2,717 | — | 4,180 | 2,717 | (4,180) |
| Transfers from the City and County of San Francisco | 5 | 15,035 | 21,025 | (15,030) | (5,990) |
| Transfers to the City and County of San Francisco | (20,032) | (30,666) | (16,654) | 10,634 | (14,012) |
| Net capital contributions and transfers | (17,310) | (15,631) | 8,551 | (1,679) | (24,182) |
| Change in net position | 58,646 | (17,937) | 10,349 | 76,583 | (28,286) |
| Net position at beginning of year | 633,427 | 651,364 | 641,015 | (17,937) | 10,349 |
| Net position at end of year | $ 692,073 | 633,427 | 651,364 | 58,646 | (17,937) |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Water Results of Operations, Fiscal Year 2023

The Water Enterprise's total revenues of $742,926 for the year represented an increase of $138,834 or 23.0% from prior year (see Table 2A). Increases included $121,715 from charges for services, and $22,052 in interest and investment income. These increases were offset by decreases of $3,258 in other operating revenues, $1,192 in other non-operating revenues, and $483 in rents and concessions.

Charges for services were $661,241, an increase of $121,715 or 22.6% mainly due to an adopted rate increase of 15.9% for wholesale customers and a 5% drought surcharge for retail customers beginning July 1, 2022. Rents and concessions were $13,282, a decrease of $483 or 3.5% mainly due to lease terminations. Other operating revenues were $16,568, a decrease of $3,258 or 16.4% mainly due to decreased consumption by other City departments and fewer capacity fee applications. Interest and investment income was $11,156, an increase of $22,052 or 202.4% due to prior year unrealized losses and higher interest earned on pooled cash. Other non-operating revenues were $40,679, a decrease of $1,192 or 2.8% due to an accrued settlement and water utility arrearages relief grant received in prior year.

The Water Enterprise's total expenses were $666,970, an increase of $60,572 or 10.0%. Operating expenses were $460,253, an increase of $58,489 or 14.6%, as a result of increases of $52,324 in personnel services mainly due to pensions based on actuarial estimates, $6,937 in depreciation from additional capital assets placed into service, $6,603 in services provided by other departments mainly for higher water assessments fees paid to Hetch Hetchy Water, $4,357 in contractual services mainly for custom work and professional & specialized service charges, and increase of $4,327 in materials and supplies mainly for water treatment supplies. These increases were offset by a decrease of $16,059 in general administrative and other expenses mainly from judgement and claims. Interest expenses increased by $1,232, compared to prior year, mainly due to increased commercial paper interest. Amortization of bond premium, discount, refunding loss and issuance costs increased by $96 mainly due to amortization of bond refunding loss. Non-operating expenses increased by $947 mainly for youth employment and employment projects.

Transfer in of $5 from the General Fund was for the Mayor's Office's minimum compensation ordinance. Transfer out of $20,032 included $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program. Capital contribution of $2,717 was received from a developer for assets relating to the Potrero HOPE SF and Sunnydale HOPE SF projects.

## Water Results of Operations, Fiscal Year 2022

The Water Enterprise's total revenues of $604,092 for the year represented a decrease of $25,592 or 4.1% from prior year (see Table 2A). Decreases included $12,270 from interest and investment loss, $10,780 from charges for services, and $4,003 from other non-operating revenues. These decreases were offset by increases of $1,431 in other operating revenues, and $30 in rents and concessions.

Charges for services were $539,526, a decrease of $10,780 or 2.0% mainly due to 4.1% reduced consumption, offset by an adopted rate increase of 7.0% for retail customers beginning July 1, 2021. Rents and concessions were $13,765, an increase of $30 or 0.2% mainly due to a lease transfer fee and new tenants. Other operating revenues were $19,826, an increase of $1,431 or 7.8% mainly from increased capacity fee permits issued and a 7.0% adopted rate increase for retail customers. Interest and investment loss was $10,896, a decrease of $12,270 or 893.0% mainly due to unrealized losses as a result of the decline in market value of investments due to rising interest rates. Other non-operating revenues were $41,871, a decrease of $4,003 or 8.7% mainly due to $15,000 in State revolving fund (SRF) grant recognized in the prior year, $1,477 decrease in gain from sale of fixed assets, $292 in federal bond subsidies, offset by increases of $6,750 from a PG&E settlement and $5,929 from a water utility arrearages relief grant and $87 in other non-operating revenues.

(Dollars in thousands, unless otherwise stated)

The Water Enterprise's total expenses were $606,398, a decrease of $21,488 or 3.4%. Operating expenses were $401,764, a decrease of $47,018 or 10.5%, the result of decreases of $49,143 in personnel services mainly due to decreases in pension obligations based on actuarial report, $5,357 in general and administrative and other expenses due to higher judgement and claims in prior year, and $1,467 in contractual services mainly from other current expenses and subscriptions. These decreases were offset by increases of $3,333 in depreciation due to additional capital assets placed into service, $3,072 in services provided by other departments mainly for higher water assessment fees paid to Hetch Hetchy Water and higher gas and electric charges paid to Hetch Hetchy Power, and $2,544 in materials and supplies mainly for water treatment supplies. Interest expenses increased by $29,003 due to reduced bond interest capitalization resulting from the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, in fiscal year 2022. Amortization of bond premium, discount, refunding loss and issuance costs increased by $2,093 due to prior year bond issuance costs. Non-operating expenses decreased by $1,380 mainly due to prior year grant payments for water conservation.

Transfers in of $15,035 from the City included $15,030 for the Earthquake Safety and Emergency Response program, and $5 from the General Fund for low income assistance programs. Transfers out of $30,666 included $30,000 to Hetch Hetchy Water to fund various Mountain Tunnel projects, $500 to DPW for the UN Plaza Large Alternative Water Source project and purchase of capital assets, $134 for the Arts Commission for the arts enrichment fund for the new CDD Headquarters, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program.

## The following table summarizes Wastewater's revenues, expenses, and changes in net position.

**Table 2B**
**Proprietary Fund – Wastewater**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for services | $ 354,491 | 356,041 | 318,236 | (1,550) | 37,805 |
| Rents and concessions | 822 | 705 | 642 | 117 | 63 |
| Other operating revenues | 8,623 | 12,136 | 8,787 | (3,513) | 3,349 |
| Interest and investment income/(loss) | 2,556 | (7,087) | (1,187) | 9,643 | (5,900) |
| Other non-operating revenues | 9,910 | 25,454 | 4,911 | (15,544) | 20,543 |
| Total revenues | 376,402 | 387,249 | 331,389 | (10,847) | 55,860 |
| Expenses: | | | | | |
| Operating expenses | 261,350 | 257,158 | 292,173 | 4,192 | (35,015) |
| Interest expenses | 95,520 | 77,751 | 34,944 | 17,769 | 42,807 |
| Amortization of premium, refunding loss, and issuance costs | (14,387) | (8,422) | (8,497) | (5,965) | 75 |
| Non-operating expenses | 535 | 482 | 409 | 53 | 73 |
| Total expenses | 343,018 | 326,969 | 319,029 | 16,049 | 7,940 |
| Change in net position before transfers and capital contributions | 33,384 | 60,280 | 12,360 | (26,896) | 47,920 |
| Capital contributions | 2,740 | — | — | 2,740 | — |
| Transfers from the City and County of San Francisco | 75 | — | 1,440 | 75 | (1,440) |
| Transfers to the City and County of San Francisco | (32) | (161) | (4,188) | 129 | 4,027 |
| Net capital contributions and transfers | 2,783 | (161) | (2,748) | 2,944 | 2,587 |
| Change in net position | 36,167 | 60,119 | 9,612 | (23,952) | 50,507 |
| Net position at beginning of year | 1,362,667 | 1,302,548 | 1,292,936 | 60,119 | 9,612 |
| Net position at end of year | $ 1,398,834 | 1,362,667 | 1,302,548 | 36,167 | 60,119 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Wastewater Results of Operations, Fiscal Year 2023

The Wastewater Enterprise's total revenues were $376,402, a decrease of $10,847 or 2.8% from prior year (see Table 2B). Charges for services decreased by $1,550 or 0.4% mainly due to an increase in allowance for doubtful accounts by $6,885 as there were more sewer charge receivables aging over 120 days, offset by a 5% drought surcharge and a sanitary flow increase of 47,124 ccf or 0.2% from residential and non-residential customers. Other non-operating revenues decreased by $15,544 or 61.1% mainly due to Federal and State grants received in prior year consisting of $9,302 for the customer utility arrearage relief, $8,000 SRF loan principal forgiveness of the SEP Biosolids Digester Facilities and the OSP Digester Gas Handling Utilization Upgrade projects, and $3,409 Baker Beach grant, a decrease of $91 in Federal interest subsidy, and $44 refunded federal grant relating to customer utility arrearage relief program, offset by $5,000 Monsanto settlement related to water pollution, $196 Baker Beach grant in current year, and increases of $92 in gain from sale of assets and $14 in miscellaneous revenue. Other operating revenues decreased by $3,513 or 28.9% mainly due to decreases of $3,203 in capacity fees resulting from $3,985 decrease in permits issued offset by $782 decrease in allowance for doubtful accounts, and $310 in other operating revenues to other City departments such as the Recreation & Park, the San Francisco Municipal Transportation Agency, and the Zuckerberg San Francisco General Hospital and Trauma Center. Rents and concessions increased by $117 or 16.6% mainly due to increases in rental income of $162 from short-term conference room rentals at Southeast Community Center beginning December 2022, $17 from tenants with 5.3% consumer price index average rate increase, offset by decreases of $59 from three terminated leases in the current year and $3 related to leases due to GASB Statement No. 87, *Leases*, implementation. Interest and investment income increased by $9,643 or 136.1% mainly due to $4,436 decrease in unrealized loss in City Treasury pooled investments attributed to improved market value of investments and higher interest rates, an increase of $3,697 in interest earned from pooled cash due to increase in cash balances and higher annualized interest rate, $1,500 increase in interest earned from fiscal agent account due to increase in fiscal agent cash balances and rising interest rates, and $10 interest earned from lease receivable.

Total expenses were $343,018, an increase of $16,049 or 4.9% due to increases of $17,769 in interest expenses mainly due to higher bond principal, $4,192 in operating expenses, and $53 increase in City grants program expenses due to increased expenditures for community based organization services such as for the Youth Employment & Environment Project and the UC Wastewater Treatment Project, offset by an increase of $5,965 in amortization of premium, refunding loss, and issuance cost. The increase of $4,192 in operating expenses were mainly due to increases of $26,270 in personnel services due to $21,594 increase in expenses related to GASB 68, *Accounting and Financial Reporting for Pensions,* pension adjustment and 5.25% increase in cost of living adjustment (COLA), $2,462 in materials and supplies due to water sewage treatment supplies for Bayside Operations, $2,205 in contractual services mainly due to higher building and equipment maintenance for sludge removal, vehicle rental, and power utility, $1,354 in services provided by other departments mainly for electricity from Hetch Hetchy Power, water from Water Enterprise, and for toxics waste & hazard materials services and cleanup charges related to the UC Wastewater Treatment Project, offset by decreases of $28,033 in general and administrative and other operating expenses mainly due to increased capitalized expenditures to fixed assets and a decrease in judgements and claims offset by Increased capital project expenses primarily related to SSIP Biosolids Digester Project, New Grit Removal/Influent Pump Project, and Westside Pump Station Reliability Improvement Project and $66 in depreciation and amortization expenses.

Capital contributions of $2,740 was for the Sunnydale HOPE SF Developer Project. Net transfers of $43 included transfer in of $75 from the General Fund for the Wastewater Add-backs Master Project offset by transfer out of $32 to the Office of the City Administrator for the Surety Bond Program.

## Wastewater Results of Operations, Fiscal Year 2022

The Wastewater Enterprise's total revenues were $387,249, an increase of $55,860 or 16.9% from prior year (see Table 2B). Charges for services increased by $37,805 or 11.9% mainly due to an average 8% adopted rate increase and a decrease in allowance for doubtful accounts by $1,098 as there were less sewer charge receivables aging over 120 days due to utility arrearage relief payments received from the State, offset by a sanitary flow decrease of 257,472 ccf or 1.2% from residential and non-residential customers. Other non-operating revenues increased by $20,543 mainly due to $9,302 utility arrearage relief payment received from the State as Federal pass-through from the CWWAPP, $8,000 SRF loan principal forgiveness component of the SEP Biosolids Digester Facilities Project and the OSP Digester Gas Handling Utilization Upgrade Project, $3,409 Baker Beach grant, and $4 gain from sale of assets offset by decreases of $164 in miscellaneous revenue due to less overhead recovery, redemption penalty and stormwater control plan review fees, and $8 in Federal interest subsidy. Other operating revenues increased by $3,349 or 38.1% mainly due to increases of $2,570 in capacity fees resulting from a 58.9% increase in average permit price and a 5.4% increase in permits issued attributed to new developments on Treasure Island and the City's re-opening and eliminating local restrictions on business operations, and $779 in other operating revenues to other City departments such as the Recreation & Park, Academy of Sciences, and the San Francisco General Hospital. Rents and concessions increased by $63 or 9.8% mainly due to increases in rental income of $34 from the Sheriff Department, $22 from tenants with 3.6% consumer price index average rate increase, and $7 from a short-term tenant, Young Community Developers. Interest and investment income decreased by $5,900 or 497.1% mainly due to $5,618 increase in unrealized loss in City Treasury pooled investments attributed to the decline in market value of investments and rising interest rates and $292 decrease in interest earned from pooled cash due to lower annualized interest rate offset by $10 increase in interest earned from fiscal agent account due to increase in fiscal agent cash balances.

Total expenses were $326,969, an increase of $7,940 or 2.5% due to increases of $42,807 in interest expenses mainly due to increased outstanding bond principal balance and the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which eliminated the capitalization of interest to capital assets beginning in fiscal year 2022, a decrease of $75 in amortization, refunding loss, and issuance cost, and $73 increase in City grants program expenses due to increased participation in the flood water management program for San Francisco properties offset by $35,015 decrease in operating expenses. The decrease of $35,015 in operating expenses was mainly due to decreases of $26,993 in personnel services due to $38,115 decrease in expenses related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* pension adjustment offset by a 4% increase in cost of living adjustment (COLA) and $17,952 in general and administrative and other operating expenses mainly due to lower capital project expenses particularly for the Biosolids/Digester Project and Southeast Community Center Project, offset by increases of $3,762 in depreciation expense due to more capitalized assets put in service, $2,753 in materials and supplies mainly due to water sewage treatment supplies for Bayside Operations, $2,083 in contractual services mainly due to higher maintenance for building structures and professional and specialized services, and $1,332 in services provided by other departments mainly for electricity from Hetch Hetchy Power, water from Water Enterprise, and for facilities management services from the General Services Agency (GSA).

Net transfers of $161 included transfer out of $129 in art enrichment fund to the San Francisco Art Commission for the Westside Reliability Improvement and $32 to the Office of the City Administrator for the Surety Bond Program.

(Dollars in thousands, unless otherwise stated)

## The following table summarizes Hetchy Water's revenues, expenses, and changes in net position.

**Table 2C – A**
**Proprietary Fund – Hetchy Water**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Charges for services | $ | 52,570 | 49,200 | 46,979 | 3,370 | 2,221 |
| Rents and concessions | | 127 | 112 | 111 | 15 | 1 |
| Interest and investment income/(loss) | | 457 | (2,932) | (232) | 3,389 | (2,700) |
| Other non-operating revenues | | 1,861 | 479 | 1,352 | 1,382 | (873) |
| Total revenues | | 55,015 | 46,859 | 48,210 | 8,156 | (1,351) |
| Expenses: | | | | | | |
| Operating expenses | | 50,011 | 52,299 | 50,519 | (2,288) | 1,780 |
| Interest expenses | | 4 | 3 | 2 | 1 | 1 |
| Non-operating expenses | | 54 | 37 | 63 | 17 | (26) |
| Total expenses | | 50,069 | 52,339 | 50,584 | (2,270) | 1,755 |
| Change in net position before transfers | | 4,946 | (5,480) | (2,374) | 10,426 | (3,106) |
| Transfers from the City and County of San Francisco | | 20,000 | 30,001 | 16,000 | (10,001) | 14,001 |
| Change in net position | | 24,946 | 24,521 | 13,626 | 425 | 10,895 |
| Net position at beginning of year | | 249,182 | 224,661 | 211,035 | 24,521 | 13,626 |
| Net position at end of year | $ | 274,128 | 249,182 | 224,661 | 24,946 | 24,521 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Hetchy Water Results of Operations, Fiscal Year 2023

Hetchy Water's total revenues were $55,015, an increase of $8,156 or 17.4% from prior year's revenues (see Table 2C-A). Increases included $3,370 in charges for services, $3,389 in interest and investment income, $1,382 in other non-operating revenues, and $15 in rents and concessions.

Charges for services were $52,570, an increase of $3,370 or 6.8% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was $457, an increase of $3,389 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved market value of investments and higher interest rates. Other non-operating revenues were $1,861, an increase of $1,382 mainly due to increase of $1,177 in State grants revenue for the 2018 Moccasin Storm Project related to emergency repairs, $200 revenue related to labor settlements, and $9 in overhead charges, offset by decreases of $3 in net gain from sale of fixed assets and $1 in miscellaneous revenue. Rents were $127, an increase of $15 mainly due to higher collections from recreational rentals.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $50,011, a decrease of $2,288 or 4.4%. Other operating expenses decreased by $7,358 mainly due to lower capital spending on the Mountain Tunnel Improvement Project, offset by increases of $2,788 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $1,451 in general and administrative expenses due to higher fees, licenses, and permit expenses, $281 in contractual services from increased management consulting services, $263 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $243 in material and supplies from fuel and minor data processing equipment, and $44 in depreciation and amortization mainly related to additional facilities and improvements placed in service.

Other non-operating expenses were $54, an increase of $17 due to higher payments to community-based organization programs. Interest expenses were $4, an increase of $1 mainly due to implementation of GASB Statement No. 96, *SBITAs*. A transfer in of $20,000 was received from the Water Enterprise to fund various Mountain Tunnel projects.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,946 or 10.0% compared to prior year.

(Dollars in thousands, unless otherwise stated)

## Hetchy Water Results of Operations, Fiscal Year 2022

Hetchy Water's total revenues were $46,859, a decrease of $1,351 or 2.8% from prior year's revenues (see Table 2C-A). Decrease was due to $2,700 in investment loss and a decrease of $873 from other non-operating revenues, offset by increases of $2,221 from charges for services and $1 from rents and concessions.

Charges for services were $49,200, an increase of $2,221 or 4.7% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs and higher consumption from Lawrence Livermore National Laboratory. Rents were $112, an increase of $1 or 0.9% mainly due to consumer price index adjustment. Interest and investment loss was $2,932 mainly due to unrealized losses as a result of the decline in market value of investments related to rising interest rates. Other non-operating revenues were $479, a decrease of $873 or 64.6% mainly due to $899 lower Federal and State grants revenue from the Rim Fire Projects, offset by increases of $19 in overhead charges and $7 in net gain from sale of fixed assets.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $52,299, an increase of $1,780 or 3.5%. The increase was primarily due to increases of $4,275 in other operating expenses mainly due to higher capital spending, $612 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office, $452 in depreciation and amortization mainly related to additional building, structure and equipment placed in service, $309 in general and administrative expenses mainly due to higher fees, licenses, and permit expenses, $277 in contractual services mainly from increased engineering and management consulting services, and $90 in material and supplies mainly from fuel and water treatment supplies. These increases were offset by a decrease of $4,235 in personnel services due to lower pension obligations based on actuarial reports.

Other non-operating expenses were $37, a decrease of $26 due to lower payments to community-based organization programs. Interest expenses were $3, an increase of $1 mainly due to implementation of GASB Statements No. 87, *Leases* and GASB Statement No. 96, *SBITAs*. A transfer in of $30,001 was received from the Water Enterprise to fund various Mountain Tunnel projects.

As a result of the above activities, net position for the year ended June 30, 2022 increased by $24,521 or 10.9% compared to prior year.

## The following table summarizes Hetchy Power's revenues, expenses, and changes in net position.

**Table 2C – B**
**Proprietary Fund – Hetchy Power**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for services | $ 203,847 | 173,105 | 136,247 | 30,742 | 36,858 |
| Rents and concessions | 156 | 137 | 136 | 19 | 1 |
| Interest and investment income/(loss) | 3,741 | (4,001) | 24 | 7,742 | (4,025) |
| Other non-operating revenues | 13,605 | 15,763 | 19,273 | (2,158) | (3,510) |
| Total revenues | 221,349 | 185,004 | 155,680 | 36,345 | 29,324 |
| Expenses: | | | | | |
| Operating expenses | 191,552 | 156,343 | 145,640 | 35,209 | 10,703 |
| Interest expenses | 9,486 | 5,627 | 1,972 | 3,859 | 3,655 |
| Amortization of premium, discount, and issuance costs | (1,584) | 192 | (219) | (1,776) | 411 |
| Non-operating expenses | 227 | 591 | 902 | (364) | (311) |
| Total expenses | 199,681 | 162,753 | 148,295 | 36,928 | 14,458 |
| Change in net position before transfers and contributions | 21,668 | 22,251 | 7,385 | (583) | 14,866 |
| Capital contribution | 2,535 | — | — | 2,535 | — |
| Transfers to the City and County of San Francisco | (32) | (532) | (532) | 500 | — |
| Net capital contributions and transfers | 2,503 | (532) | (532) | 3,035 | — |
| Change in net position | 24,171 | 21,719 | 6,853 | 2,452 | 14,866 |
| Net position at beginning of year | 494,179 | 472,460 | 465,607 | 21,719 | 6,853 |
| Net position at end of year | $ 518,350 | 494,179 | 472,460 | 24,171 | 21,719 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Hetchy Power Results of Operations, Fiscal Year 2023

Hetchy Power's total revenues were $221,349, an increase of $36,345 or 19.6% from prior year's revenues (see Table 2C-B). Increases included $30,742 from charges for services, $7,742 from interest and investment income, and $19 from rents and concessions, offset by a decrease of $2,158 from other non-operating revenues.

Charges for services were $203,847, an increase of $30,742 or 17.8%, mainly due to increases of $19,450 in wholesale revenue from Congestion Revenue Right (CRR) credits from California Independent System Operator (CAISO) and $12,159 in billings from non-work order City departments as a result of increased operation due to easing of COVID-19 restrictions, offset by a decrease of $867 in resale of capacity to CleanPowerSF. Interest and investment income was $3,741, an increase of $7,742 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved market value of investments and higher interest rates. Rents increased by $19 or 13.9% to $156 mainly due to higher collections from recreational rentals.

Other non-operating revenues were $13,605, a decrease of $2,158 or 13.7%, mainly due to decreases of $3,987 in State and Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) to provide relief for customer unpaid bills, $590 in Low Carbon Fuel Standard credits, $306 Cap and Trade revenue due to decrease of 10,606 allowances sold, $22 in bond interest subsidies from IRS mainly due to lower subsidy for 2015 NCREBs, and $6 in net gain from sale of fixed assets, offset by increases of $2,084 from the Power System Mitigation Project, $244 in settlement revenue, $220 in Distributed Antenna System and miscellaneous revenue, and $205 in overhead charges.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552. Increases included $20,406 in purchased electricity and transmission, distribution, and other power costs attributed to volatile and higher pricing in power market, $10,988 in general and administrative expenses due to higher judgements and claims expenses , $4,654 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $2,421 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office, $1,360 in contractual services for construction contracts, $342 in materials and supplies for electrical supplies and fuel, and $108 in depreciation and amortization mainly related to additional facilities and improvements placed in service. These increases were offset by a decrease of $5,070 in other operating expenses mainly due to lower capital spending for Bay Corridor Project.

Interest expenses increased by $3,859 or 68.6% due to higher outstanding bonds and commercial paper. Amortization of premium and discount decreased by $1,776 due to higher costs of issuance for 2021 Series AB revenue bonds in prior year.

Other non-operating expenses were $227, a decrease of $364 or 61.6% mainly due to lower payments for GoSolarSF Incentive Program. Capital contributions of $2,535 were from the Sunnydale and Potrero HOPE SF Projects. Transfer out of $32 to the Office of the City's Administrator was for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,171 or 4.9% compared to prior year.

## Hetchy Power Results of Operations, Fiscal Year 2022

Hetchy Power's total revenues were $185,004, an increase of $29,324 or 18.8% from prior year's revenues (see Table 2C-B). Increases included $36,858 from charges for services and $1 from rents and concessions, offset by decreases of $4,025 from interest and investment income and $3,510 from other non-operating revenues.

Charges for services were $173,105, an increase of $36,858 or 27.1%, due to $22,537 in billings from City departments such as San Francisco International Airport, Municipal Transportation Agency, and Port of San Francisco as a result of increased operation due to easing of COVID-19 restrictions and $14,980 in CRR credits from California Independent System Operator (CAISO), offset by a decrease of $659 in resale of capacity to CleanPowerSF. Rents increased slightly by $1 or 0.7% to $137 mainly due to consumer price index adjustment.

(Dollars in thousands, unless otherwise stated)

Interest and investment loss was $4,001, a decrease of $4,025, mainly due to unrealized losses as a result of the decline in market value of investments related to rising interest rates.

Other non-operating revenues were $15,763, a decrease of $3,510 or 18.2%, mainly due to lower collections of $3,254 from the Power System Mitigation Project, $1,371 in Cap and Trade revenue due to decrease of 97,000 allowances or 80% sold, $1,194 in revenue from Alice Griffith Housing Project due to prior year recognition of commercial deposits, $797 in settlement revenue from prior year litigation settlement, and $335 in overhead charges, offset by an increase of $3,441 in State and Federal grants revenue from Rim Fire Project and California Utility Arrearages Relief Payment Program for unpaid bills.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $10,703 or 7.3%, to $156,343. The increase was primarily due to increases of $15,559 in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, $2,119 in depreciation and amortization mainly for buildings, facilities, machinery, and equipment related to higher capitalization of assets, $754 in contractual services mainly for management consulting and engineering services, $280 in materials and supplies mainly for electrical supplies and tools, and $116 in services provided by other departments mainly due to higher risk management costs. The increases were offset by decreases of $6,110 in personnel services due to lower pension obligations based on actuarial reports, $1,420 in general and administrative expenses mainly due to lower judgements and claims expenses, and $595 decrease in other operating expenses mainly due to higher capitalized project expenses.

Interest expenses increased by $3,655 or 185.3% mainly due to no bond interest capitalization recognized in current year resulting from the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Amortization of premium and discount increased by $411 or 187.7% mainly due to costs of issuance for 2021 Series AB revenue bond.

Other non-operating expenses were $591, a decrease of $311 or 34.5% mainly due to lower payments for GoSolarSF Incentive Program. Transfer out of $532 includes $500 to General Fund for repayment of Educational Revenue Augmentation Funds and $32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2022 increased by $21,719 or 4.6% compared to prior year.

## The following table summarizes CleanPowerSF's revenues, expenses, and changes in net position.

**Table 2C – C**
**Proprietary Fund – CleanPowerSF**
**Comparative Condensed Revenues, Expenses, and Changes in Net Position**
**Years ended June 30, 2023, 2022, and 2021**

| | 2023 | Restated 2022# | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for services | $ 326,777 | 257,893 | 207,698 | 68,884 | 50,195 |
| Interest and investment income/(loss) | 405 | (1,286) | 51 | 1,691 | (1,337) |
| Other non-operating revenues | 1,498 | 2,759 | 927 | (1,261) | 1,832 |
| Total revenues | 328,680 | 259,366 | 208,676 | 69,314 | 50,690 |
| Expenses: | | | | | |
| Operating expenses | 294,780 | 262,117 | 212,711 | 32,663 | 49,406 |
| Interest expenses | 1 | 6 | 26 | (5) | (20) |
| Non-operating expenses | 218 | — | — | 218 | — |
| Total expenses | 294,999 | 262,123 | 212,737 | 32,876 | 49,386 |
| Change in net position | 33,681 | (2,757) | (4,061) | 36,438 | 1,304 |
| Net position at beginning of year | 84,320 | 87,077 | 91,138 | (2,757) | (4,061) |
| Net position at end of year | $ 118,001 | 84,320 | 87,077 | 33,681 | (2,757) |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## CleanPowerSF Results of Operations, Fiscal Year 2023

CleanPowerSF's total revenues were $328,680, a $69,314 or 26.7% increase over prior year (see Table 2C-C). Charges for services increased by $68,884 or 26.7% mainly due to $70,629 in electricity sales to retail and commercial customers from increased consumption of 1.1% or 30,441 MWh, offset by $997 in lower capacity sales to Hetchy Power and $748 increase in allowance for uncollectible attributed to lower assistance received from CAPP for eligible customer account arrearages. Interest and investment income was $405, an increase of $1,691 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved market value of investments and higher interest rates. Other non-operating revenue decreased by $1,261 mainly due to $1,251 decrease in Federal grants received from CAPP and $330 in liquidated damage compensation received from supplier for delay of the Renewable Energy Project in prior year, offset by an increase of $320 in revenue mainly from Disadvantaged Communities (DAC) Programs.

Total operating expenses, excluding interest expenses were $294,780, an increase of $32,663 or 12.5% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by $25,640 due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the CPUC. Other increases include $6,568 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $681 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $112 in other operating expenses mainly due to higher bureau allocations, and $24 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of $221 in professional and contractual services mainly from lower management consulting and financial services, $115 in depreciation and amortization due to lease termination for 544 Golden Gate, and $26 in general and administrative due to lower bank fees. Other non-operating expenses increased by $218 in solar rebates for the Inverter Replacement Program. Interest expenses were $1, a decrease of $5 related to lease termination.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $33,681 or 39.9% compared to prior year.

## CleanPowerSF Results of Operations, Fiscal Year 2022

CleanPowerSF's total revenues were $259,366, a $50,690 or 24.3% increase over prior year (see Table 2C-C). Charges for services increased by $50,195 or 24.2% mainly due to increases of $44,215 in electricity sales to retail and commercial customers resulting from a 16% average rate increase, $2,831 reduction in allowance for doubtful accounts attributed to assistance received from California Utility Arrearages Relief Payment Program (CAPP) for eligible customer account arrearages, $2,817 in one-time customer assistance bill credit related to COVID-19 in prior year, and $332 from higher capacity sales to Hetchy Power. Other non-operating revenue increased by $1,832 mainly due to $2,424 Federal grants received from CAPP, offset by a decrease of $592 liquidated damage compensation received from supplier for delay of the Renewable Energy Project in prior year. Interest and investment loss was $1,286 as a result of the decline in market value of investments related to rising interest rates.

Total operating expenses, excluding interest expenses were $262,117, an increase of $49,406 or 23.2% from prior year. The increase was due to $48,749 in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission. Other operating expenses increased by $2,895 due to $2,424 grant expense recognized for CAPP when applied to customer account arrearages and $471 in operating expenses mainly for the Neighborhood Steward Program and the new Local Renewable Energy. Other increases included $1,394 in general and administrative expenses mainly due to higher judgements and claims expenses, $102 in professional and contractual services mainly from higher software licensing fee, $40 in depreciation and amortization due to implementation of GASB Statement No. 96, *SBITAs*, and $7 in material and supplies mainly for data processing equipment. These increases were offset by decreases of $3,474 in personnel services due to lower pension obligations based on actuarial reports, $307 in services provided by other departments mainly due to lower labor support from Hetchy Power. Interest expenses decreased by $20 mainly due to repayment of working capital loan to Hetchy Power completed in prior year.

(Dollars in thousands, unless otherwise stated)

As a result of the above activities, net position for the year ended June 30, 2022 decreased by $2,757 or 3.2% compared to prior year.

## Capital Assets

### Department-wide Business Type Activities

The following table summarizes the department-wide changes in capital assets. Detailed discussion follows for each proprietary fund.

**Table 3**
**Business Type Activities**
**Capital Assets, Net of Accumulated Depreciation and Amortization**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Facilities, improvements, machinery, and equipment | $ 7,865,615 | 7,767,562 | 7,595,329 | 98,053 | 172,233 |
| Intangible assets | 33,816 | 34,731 | 35,102 | (915) | (371) |
| Land and rights-of-way | 163,075 | 163,194 | 154,001 | (119) | 9,193 |
| Land Improvements | 6,733 | — | — | 6,733 | — |
| Construction work in progress | 3,130,427 | 2,485,201 | 2,079,754 | 645,226 | 405,447 |
| Total | $ 11,199,666 | 10,450,688 | 9,864,186 | 748,978 | 586,502 |

### The following table summarizes Water's changes in capital assets.

**Table 3A**
**Proprietary Fund – Water**
**Capital Assets, Net of Accumulated Depreciation and Amortization**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Facilities, improvements, machinery, and equipment | $ 5,005,667 | 5,056,747 | 4,948,186 | (51,080) | 108,561 |
| Intangible assets | 2,331 | 3,152 | 2,763 | (821) | 389 |
| Land and rights-of-way | 113,322 | 113,441 | 104,248 | (119) | 9,193 |
| Construction work in progress | 526,994 | 444,254 | 532,602 | 82,740 | (88,348) |
| Total | $ 5,648,314 | 5,617,594 | 5,587,799 | 30,720 | 29,795 |

### Water Capital Assets, Fiscal Year 2023

The Water Enterprise has net capital assets of $5,648,314 invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3A). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Water Enterprise's net revenue and long term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $30,720 from the prior year. Facilities, improvements, machinery, and equipment decreased by $51,080 mainly due to depreciation. Intangible assets decreased by $821 mainly due to amortization. Land decreased by $119 from the sale of Balboa Reservoir. Construction work in progress increased by $82,740 mainly from the Mountain Tunnel Improvement and SF Westside Recycled Water projects.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

| | |
|---|---|
| Mountain Tunnel Improvements | $ 22,623 |
| SF Westside Recycled Water Project | 9,400 |
| New Water Utility Service Facilities | 7,594 |
| Water Main Replacement and Auxiliary Water Supply System Pipeline - 19th Ave | 7,183 |
| College Hill Reservoir Outlet and Pipeline | 7,087 |
| Sunol Valley Water Treatment Plant Ozonation | 6,987 |
| Water Main Replacement - WD-2718 Prospect/Cortland/Fair Ave | 5,987 |
| Harry Tracy Water Treatment Plant - Filters No. 1 to 6 Underdrain Replacement | 5,939 |
| Water Main Replacement - WD-2859 Taraval Segment B | 5,649 |
| San Joaquin Pipeline Valve and Safe Entry Improvements | 5,486 |
| Water Main Replacement - WD-2843 Diamond/27th/28th Streets | 5,372 |
| Water Main Replacement - WD-2806 Vicente Street/19th to 25th Ave | 5,189 |
| Regional Groundwater Storage and Recovery | 5,152 |
| Other project additions individually below $5,000 | 80,743 |
| Total | $ 180,391 |

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

| | |
|---|---|
| Auxiliary Water Supply System Pumping Station No. 2 Improvement - Structural System | $ 14,683 |
| Water Main Replacement - WD-2811 17th/Clayton/Ord Streets | 11,240 |
| New Water Utility Service Facilities | 7,594 |
| Water Main Replacement - 19th Ave | 7,018 |
| Auxiliary Water Supply System Pumping Station No. 2 Improvement - Diesel Engine Generator | 6,235 |
| Other items individually below $5,000 | 54,730 |
| Total | $ 101,500 |

See Note 4 for additional information about capital assets.

## Water System Improvement Program (WSIP)

The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high-quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara, and San Mateo Counties, as well as approximately 800,000 residential customers in San Francisco, in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements and long-term water supply objectives, as well as improve seismic and delivery reliability.

Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2023. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2023, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture and Regional Groundwater Storage projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is February 2027. Additional details regarding the WSIP are available at https://sfpuc.org/construction-contracts/water-infrastructure-improvements.

(Dollars in thousands, unless otherwise stated)

## Water Capital Assets, Fiscal Year 2022

The Water Enterprise has net capital assets of $5,617,594 invested in a broad range of utility capital assets as of June 30, 2022 (see Table 3A). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Water Enterprise's net revenue and long term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $29,795 from the prior year. Facilities, improvements, machinery, and equipment increased by $108,561 mainly due to Water Main Replacement and Treasure Island Well projects. Land increased by $9,193 mainly from the acquisition of Oak Ridge Ranch Estates and Arroyo Hondo Estates. Construction work in progress decreased by $88,348 mainly due to Water Main Replacement and Treasure Island Well projects placed into service. Intangible assets increased by $389 mainly due to Java to Groovy Conversion software and Cross-Connection Assembly asset additions.

Major additions to construction work in progress during the year ended June 30, 2022 include the following:

| | | |
|---|---|---|
| SF Recycled Water Project | $ | 18,684 |
| Sunol Long Term Improvements | | 17,655 |
| New Water Utility Services | | 8,843 |
| Watershed Right of Way Land Acquisition | | 7,731 |
| Upper Alameda Creek Filter Gallery | | 6,347 |
| Regional Groundwater Storage & Recovery | | 5,769 |
| Water Main Replacement - WD-2739 Castro/19th/26th Streets | | 5,504 |
| Auxiliary Water Supply System - Pump Station Number 2 | | 5,116 |
| Other project additions individually below $5,000 | | 99,542 |
| Total | $ | 175,191 |

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2022 include the following:

| | | |
|---|---|---|
| Water Main Replacement - WD-2739 Castro/19th/26th Streets | $ | 15,666 |
| Treasure Island Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 11,656 |
| Serramonte Well - Architectural/Structural/Well | | 10,977 |
| Lake Merced Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 8,851 |
| New Water Utility Service Facilities | | 8,843 |
| Colma BART Well - Architectural/Structural/Well | | 8,739 |
| Serramonte Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 8,351 |
| Colma BART Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 7,826 |
| Treasure Island Well - Architectural/Structural/Well | | 7,646 |
| Hickey Well - Architectural/Structural/Well | | 7,137 |
| Auxiliary Water Supply System - Pipelines on 19th Ave | | 6,990 |
| Linear Park Well - Architectural/Structural/Well | | 6,576 |
| Water Main Replacement - WD-2616 Baker/Sutter Streets | | 6,567 |
| Hickey Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 6,465 |
| Funeral Home Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 6,447 |
| Millbrae Yard Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 6,086 |
| Linear Park Well - Civil/Electrical/I&C/Mechanical/Pipeline/Plumbing | | 5,736 |
| Water Main Replacement - WD-2842 Casitas/Lansdale Ave | | 5,423 |
| Lake Merced Well - Architectural/Structural/Well | | 5,266 |
| Other items individually below $5,000 | | 113,430 |
| Total | $ | 264,678 |

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

## Water System Improvement Program (WSIP)

The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high-quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara, and San Mateo Counties, as well as approximately 800,000 residential customers in San Francisco, in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements and long-term water supply objectives, as well as improve seismic and delivery reliability.

Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2022. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2022, 35 local projects were completed. For regional projects, 47 projects are completed, the Alameda Creek Recapture, Regional Groundwater Storage and Recovery Phase 2A, Regional Groundwater Storage and Recovery Phase 2B projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is February 2027. Additional details regarding the WSIP are available at https://sfpuc.org/construction-contracts/water-infrastructure-improvements.

## The following table summarizes Wastewater's changes in capital assets.

**Table 3B**
**Proprietary Fund – Wastewater**
**Capital Assets, Net of Accumulated Depreciation and Amortization**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Facilities, improvements, machinery, and equipment | $ 2,393,051 | 2,270,355 | 2,214,227 | 122,696 | 56,128 |
| Intangible assets | 7,333 | 7,107 | 7,407 | 226 | (300) |
| Land and rights-of-way | 44,572 | 44,572 | 44,572 | — | — |
| Land Improvements | 6,733 | — | — | 6,733 | — |
| Construction work in progress | 2,232,963 | 1,724,417 | 1,340,644 | 508,546 | 383,773 |
| Total | $ 4,684,652 | 4,046,451 | 3,606,850 | 638,201 | 439,601 |

## Wastewater Capital Assets, Fiscal Year 2023

The Wastewater Enterprise has capital assets of $4,684,652, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3B). This amount represents an increase of $638,201 or 15.8% from prior fiscal year. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $508,546 or 29.5%. Facilities, improvements, machinery, and equipment increased by $122,696 or 5.4%. Land improvements increased by $6,733 or 100% relating to improvements for the Southeast Community Center Project. Intangible assets increased by $226 or 3.2% due to asset addition of $1,212 for the Customer Billing System Project, offset by $986 depreciation expense.

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

| | |
|---|---|
| Southeast Plant Biosolids and Digester Facilities Project | $ 332,775 |
| Southeast Plant New Headworks (Grit) Replacement | 157,143 |
| Westside Pump Station Reliability Improvements | 14,226 |
| Large Diameter Sewer Projects and Channel Force Main Intertie | 13,125 |
| As-Needed Spot Sewer Replacement Number 42 (WW-699) | 11,231 |
| Southeast Community Center at 1550 Evans | 9,794 |
| Southeast Plant Power Feed and Primary Switchgear Upgrades | 9,711 |
| Oceanside Plant Digester Gas Handling Utilization Upgrade | 9,195 |

(Dollars in thousands, unless otherwise stated)

| | |
|---|---|
| North Shore Pump Station Wet Weather Improvements | 8,853 |
| New Treasure Island Wastewater Treatment Plant Capital Improvements | 8,851 |
| Southeast Plant Facility-Wide Distributed Control System Upgrades | 7,581 |
| Wawona Area Stormwater Improvement Project | 5,879 |
| As-Needed Main Sewer Replacement Number 9 (WW-713) | 5,618 |
| Folsom Area Stormwater Improvement Project | 5,403 |
| As-Needed Spot Sewer Replacement Number 43 (WW-715) | 4,959 |
| Public Works Golden Gate Avenue and Laguna Street Project | 4,612 |
| Ocean Beach Climate Change Adaptation Project | 4,585 |
| Taraval Sewer Improvements | 4,519 |
| Lower Alemany Area Stormwater Improvement Project | 4,425 |
| 16Th Street Sewer Replacement (Segment 2) | 4,262 |
| Oceanside Plant Condition Assessment Improvements - Part 2 | 4,208 |
| Other project additions individually below $4,000 | 78,530 |
| Total | $ 709,485 |

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

| | |
|---|---|
| Southeast Community Center at 1550 Evans | $ 111,510 |
| Mariposa Pump Station & Force Main | 35,852 |
| As-Needed Spot Sewer Replacement Number 42 (WW-699) | 12,531 |
| Large Diameter Sewer Projects and Channel Force Main Intertie | 9,182 |
| Public Works 41st and 44th Avenue Infrastructure Improvements | 7,042 |
| Equipment Purchase, Repair & Replacement Project | 6,076 |
| Castro, 19th, 26th Street Water and Sewer Improvements - WD-2739 | 3,773 |
| Other project additions individually below $3,000 | 18,887 |
| Total | $ 204,853 * |

*Does not include $1,573 equipment transfers from the Department of Public Works (DPW).

See Note 4 for additional information about capital assets.

## Sewer System Improvement Program (SSIP)

The Sewer System Improvement Program (SSIP) is the SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline".

As of June 30, 2023, 43 projects or 61.4% totaling $457 million were completed, 7 projects in pre-construction phase, 11 projects in construction phase, and 9 projects in close-out phase. The SEP Seismic Reliability and Condition Assessment Improvements Project was completed on March 31, 2023 with reported project expenditures of $33.6 million. This project represents immediate improvements to the existing facilities at Southeast Plant (SEP) identified as part of the condition assessment effort that are not specifically included as part of another near-term SSIP Phase 1 project. This project includes items for rehabilitation such as concrete spalling repair and seismic retrofit of priority process buildings. The Westside Pump Station Reliability Improvements is on-going construction. The project is reported at 86.2% complete and forecasted final completion is on June 27, 2024. Program expenditures as of June 30, 2023 totaled $2,469.3 million. Additional details regarding the SSIP are available at https://sfpuc.org/construction-contracts/sewer-system-improvement-program.

(Dollars in thousands, unless otherwise stated)

## Wastewater Capital Assets, Fiscal Year 2022

The Wastewater Enterprise has capital assets of $4,046,451, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2022 (see Table 3B). This amount represents an increase of $439,601 or 12.2% from prior fiscal year. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $383,773 or 28.6%. Facilities, improvements, machinery, and equipment increased by $56,128 or 2.5%. Intangible assets decreased by $300 or 4.1% due to $872 depreciation expense and $780 transfers out to non-capitalized repair and other expenses, offset by asset additions of $1,352 for the Customer Billing System.

Major additions to construction work in progress during the year ended June 30, 2022 include the following:

| | |
|---|---|
| Southeast Plant Biosolids and Digester Facilities Project | $ 133,997 |
| Southeast Plant New Headworks Grit Replacement | 131,458 |
| Southeast Community Center | 30,582 |
| Southeast Plant Power Feed and Primary Switchgear Upgrades | 26,911 |
| Wawona Area Stormwater Improvement Project | 15,644 |
| Westside Pump Station Reliability Improvements | 13,895 |
| North Shore Pump Station Wet Weather Improvements | 13,366 |
| Large Sewer Condition Improvements | 11,656 |
| As-Needed Spot Sewer Replacement Number 41 (WW-698) | 9,514 |
| Public Works 19th Avenue Infrastructure Improvements | 8,782 |
| Oceanside Plant Digester Gas Handling Utilization Upgrade | 8,175 |
| As-Needed Spot Sewer Replacement Number 40 (WW-693) | 5,007 |
| Various Locations Sewer Replacement Number 8 (WW-679) | 4,927 |
| Folsom Area Stormwater Improvement Project | 4,728 |
| Public Works 41st and 44th Avenues Infrastructure Improvements | 4,676 |
| Mariposa Dry-Weather Pump Station & Force Main Improvements | 4,527 |
| Taraval Sewer Improvements | 4,401 |
| Ocean Beach Climate Change Adaptation Project | 4,301 |
| Southeast Plant Facility-Wide Distributed Control System Upgrades | 4,275 |
| Other project additions individually below $4,000 | 73,857 |
| Total | $ 514,679 |

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2022 include the following:

| | |
|---|---|
| Southeast Plant Seismic Reliability and Condition Assessment Improvements | $ 23,679 |
| Force Main Rehabilitation at Embarcadero and Jackson Streets | 11,480 |
| As-Needed Spot Sewer Replacement Number 41 (WW-698) | 9,571 |
| Combined Sewer Discharge Backflow Prevention and Monitoring | 9,029 |
| Cargo Way Sewer Box Odor Reduction | 8,615 |
| Mission Street, 16th to Cesar Chavez Streets, Brick Sewer Rehabilitation | 7,783 |
| Public Works Various Locations Number 40 Infrastructure Improvements | 6,575 |
| Various Locations Sewer Replacement Number 8 (WW-679) | 5,553 |
| Various Locations Sewer Replacement Number 6 (WW-677) | 5,347 |
| As-Needed Spot Sewer Replacement Number 40 (WW-693) | 5,006 |
| Taraval Sewer Improvements | 4,401 |
| Public Works Sunset Parkside Pavement Renovations | 4,360 |
| Oceanside Plant Egg Shaped Digester Interior Lining Rehabilitation (WW-706) | 3,499 |
| Other project additions individually below $3,000 | 26,181 |
| Total | $ 131,079 |

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

## Sewer System Improvement Program (SSIP)

The Sewer System Improvement Program (SSIP) is the Wastewater Enterprise's capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects and their associated expenditures will be phased over 20 years. In March 2016, the refined program scope and budget increased from $6.9 billion to $7.0 billion was endorsed by the Commission, referred to as the "2016 SSIP Baseline". In December 2020, the Commission approved the 2020 SSIP Baseline, increasing the budget for SSIP Phase 1 program to $3,655 million from $2,910.4 million in 2016. The SFPUC is transitioning away from the original intent of three distinct SSIP phases and instead implementing capital improvement projects as part of a rolling Ten-Year capital plan.

As of June 30, 2022, 38 projects or 54.3% totaling $373 million were completed, 7 projects in pre-construction phase, 12 projects in construction phase, and 13 projects in close-out phase. The SEP 521/522 and Disinfection Upgrades Project was completed on June 30, 2021 with reported project expenditures of $44.8 million. The major components of the project are modifications to the existing SEP 521 building to include a new Effluent Sampling Station, new DCS Control Station, and upgrade to the existing bathroom for ADA compliance, new building (SEP 522) to house electrical and hydraulic controls, among others. The Southeast Water Pollution Control Plant New Headworks Facility is on-going construction. The project is reported at 47.0% completion and forecasted final completion is on February 29, 2024. Program expenditures as of June 30, 2022 totaled $1,943.8 million. Additional details regarding the SSIP are available at https://sfpuc.org/construction-contracts/sewer-system-improvement-program.

## The following table summarizes Hetchy Water's changes in capital assets.

**Table 3C – A**
**Proprietary Fund – Hetchy Water**
**Capital Assets, Net of Accumulated Depreciation and Amortization**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Facilities, improvements, machinery, and equipmen | $ 133,905 | 133,263 | 128,335 | 642 | 4,928 |
| Intangible assets | 10,167 | 10,374 | 10,581 | (207) | (207) |
| Land and rights-of-way | 3,232 | 3,232 | 3,232 | — | — |
| Construction work in progress | 72,450 | 54,138 | 35,333 | 18,312 | 18,805 |
| Total | $ 219,754 | 201,007 | 177,481 | 18,747 | 23,526 |

## Hetchy Water Capital Assets, Fiscal Year 2023

Hetchy Water has capital assets of $219,754, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3C-A). This amount represents an increase of $18,747 or 9.3%, primarily due to increases of $18,312 in construction work in progress and $642 in facilities, improvements, machinery, and equipment, offset by a decrease of $207 in amortization of intangible assets.

For the year ended June 30, 2023, Hetchy Water's major additions to construction work in progress totaled $25,032. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $6,762 (see Table 3D).

See Note 4 for additional information about capital assets.

## Hetchy Water Capital Assets, Fiscal Year 2022

Hetchy Water has capital assets of $201,007, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2022 (see Table 3C-A). This amount represents an increase of $23,526 or 13.3%, primarily due to increases of $18,805 in construction work in progress and $4,928 in facilities, improvements, machinery, and equipment, offset by a decrease of $207 in amortization of intangible assets.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2022, Hetchy Water's major additions to construction work in progress totaled $29,654. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $11,013 (see Table 3E).

See Note 4 for additional information about capital assets.

### The following table summarizes Hetchy Power's changes in capital assets.

**Table 3C – B**
**Proprietary Fund – Hetchy Power**
**Capital Assets, Net of Accumulated Depreciation and Amortization**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Facilities, improvements, machinery, and equipmen | $ 332,992 | 307,197 | 304,581 | 25,795 | 2,616 |
| Intangible assets | 13,985 | 14,098 | 14,351 | (113) | (253) |
| Land and rights-of-way | 1,949 | 1,949 | 1,949 | — | — |
| Construction work in progress | 298,020 | 262,392 | 171,175 | 35,628 | 91,217 |
| Total | $ 646,946 | 585,636 | 492,056 | 61,310 | 93,580 |

### Hetchy Power Capital Assets, Fiscal Year 2023

Hetchy Power has capital assets of $646,946, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2023 (see Table 3C-B). This amount represents an increase of $61,310 or 10.5%, primarily due to increases of $35,628 in construction work in progress and $25,795 in facilities, improvements, machinery, and equipment, offset by a decrease of $113 in amortization of intangible assets.

For the year ended June 30, 2023, Hetchy Power's major additions to construction work in progress totaled $75,348. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $43,392 (see Table 3D).

See Note 4 for additional information about capital assets.

### Hetchy Power Capital Assets, Fiscal Year 2022

Hetchy Power has capital assets of $585,636, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2022 (see Table 3C-B). This amount represents an increase of $93,580 or 19.0%, primarily due to increases of $91,217 in construction work in progress and $2,616 in facilities, improvements, machinery, and equipment, offset by a decrease of $253 in amortization of intangible assets.

For the year ended June 30, 2022, Hetchy Power's major additions to construction work in progress totaled $110,859. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $19,974 (see Table 3E).

See Note 4 for additional information about capital assets.

### CleanPowerSF Capital Assets

CleanPowerSF had no capital assets as of June 30, 2023 and 2022.

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the years ended June 30, 2023 and 2022 include the following:

**Table 3D**
**Proprietary Funds – Hetchy Water and Hetchy Power**
**Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service**
**Year ended June 30, 2023**

| | Hetchy Water | Hetchy Power | 2023 Total |
|---|---|---|---|
| Moccasin Powerhouse Rewind | $ — | 16,920 | 16,920 |
| Mountain Tunnel Improvement Project | 6,835 | 8,353 | 15,188 |
| Bay Corridor Project | — | 9,093 | 9,093 |
| San Joaquin Pipeline Valve & Safe Entry Improvement | 6,888 | — | 6,888 |
| Transmission Line Clearance Mitigation Upgrade | — | 6,061 | 6,061 |
| Cluster 7 Mitigation | — | 5,398 | 5,398 |
| O'Shaughnessy Dam Outlet Works Phase 1 | 1,724 | 2,107 | 3,831 |
| Treasure Island Capital Improvements | — | 3,471 | 3,471 |
| Moccasin Dam Long Term Improvement and Facilities Upgrade | 1,518 | 1,856 | 3,374 |
| Repair & Replacement Life Extension Program | 3,149 | — | 3,149 |
| Intervening Facilities | — | 2,748 | 2,748 |
| 2023 March Winter Storm | 874 | 1,068 | 1,942 |
| Other project additions individually below $1,500 | 4,044 | 18,273 | 22,317 |
| Additions to Construction Work in Progress | $ 25,032 | 75,348 | 100,380 |
| Van Ness Bus Rapid Transit | $ — | 13,916 | 13,916 |
| Flow Control Facility Bypass Tunnel | 3,291 | 4,022 | 7,313 |
| Power Intervening Facilities | — | 4,953 | 4,953 |
| Mission Rock Phase I | — | 2,075 | 2,075 |
| Treasure Island Distribution Backbone | — | 1,792 | 1,792 |
| Yerba Buena Island Underground Distribution System | — | 1,677 | 1,677 |
| Marina Middle School Photovoltaic System | — | 1,587 | 1,587 |
| Other project additions individually below $1,500 | 3,471 | 13,370 | 16,841 |
| Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service | $ 6,762 | 43,392 | 50,154 |

**Table 3E**
**Proprietary Funds – Hetchy Water and Hetchy Power**
**Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service**
**Year ended June 30, 2022**

| | Hetchy Water | Hetchy Power | 2022 Total |
|---|---|---|---|
| Bay Corridor Project | $ — | 46,608 | 46,608 |
| Mountain Tunnel Improvement Project | 16,638 | 20,335 | 36,973 |
| Moccasin Powerhouse Rewind | — | 12,368 | 12,368 |
| O'Shaughnessy Dam Access & Drainage Improvements and Outlet Works | 1,733 | 2,118 | 3,851 |
| San Joaquin Pipeline Valve & Safe Entry Improvement | 2,952 | — | 2,952 |
| Repair and Replacement Life Extension Program | 2,776 | — | 2,776 |
| Intervening Facilities | — | 2,758 | 2,758 |
| Pier 70 | — | 2,739 | 2,739 |
| Van Ness Bus Rapid Transit | — | 2,423 | 2,423 |
| Transmission Line Clearance Mitigation | — | 1,711 | 1,711 |
| Other project additions individually below $1,500 | 5,555 | 19,799 | 25,354 |
| Additions to Construction Work in Progress | $ 29,654 | 110,859 | 140,513 |
| San Joaquin Pipeline Tesla Valves and Installation | $ 4,410 | — | 4,410 |
| O'Shaughnessy Dam Access & Drainage Improvements - Stairs and Fall Protection | 1,931 | 2,360 | 4,291 |
| Pier 70 | — | 1,720 | 1,720 |
| Transmission Line Clearance Mitigation | — | 1,508 | 1,508 |
| Other project additions individually below $1,500 | 4,672 | 14,386 | 19,058 |
| Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service | $ 11,013 | 19,974 | 30,987 |

(Dollars in thousands, unless otherwise stated)

## Debt Administration

### Department-wide Business Type Activities

The following table summarizes the department-wide outstanding debt, net of unamortized costs, discount, and premium. Detailed discussion follows for each proprietary fund.

**Table 4**
**Business Type Activities**
**Outstanding Debt, Net of Unamortized Costs**
**As of June 30, 2023, 2022, and 2021**

| | | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|---|
| Bonds | $ | 7,638,688 | 6,986,674 | 6,631,009 | 652,014 | 355,665 |
| Revenue notes | | 349,556 | 350,356 | — | (800) | 350,356 |
| Commercial paper | | 487,811 | 625,473 | 859,051 | (137,662) | (233,578) |
| Certificates of participation | | 129,550 | 133,945 | 138,180 | (4,395) | (4,235) |
| State revolving fund loans | | 482,316 | 424,420 | 215,966 | 57,896 | 208,454 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | | 122,357 | — | — | 122,357 | — |
| Total | $ | 9,210,278 | 8,520,868 | 7,844,206 | 689,410 | 676,662 |

### Water Debt Administration

As of June 30, 2023, the Water Enterprise had $5,338,431 total debt outstanding, an increase of $53,801 over the prior year, as shown below in Table 4A. More detailed information about the Water Enterprise's debt activity is presented in Notes 6, 7, 8 and 9 to the financial statements.

**Table 4A**
**Proprietary Fund – Water**
**Outstanding Debt, Net of Unamortized Costs**
**As of June 30, 2023, 2022, and 2021**

| | | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|---|
| Revenue bonds | $ | 4,710,846 | 4,860,935 | 4,994,775 | (150,089) | (133,840) |
| Commercial paper | | 371,459 | 206,297 | 105,862 | 165,162 | 100,435 |
| Certificates of participation | | 92,499 | 95,637 | 98,662 | (3,138) | (3,025) |
| State revolving fund loans | | 163,627 | 121,761 | 107,407 | 41,866 | 14,354 |
| Total | $ | 5,338,431 | 5,284,630 | 5,306,706 | 53,801 | (22,076) |

The decrease of $150,089 in revenue bonds was due to decreases of $125,285 from bond repayment, $24,812 in bond premium from amortization, offset by a $8 increase in bond discount from amortization. The $3,138 decrease of certificates of participation was due to $3,124 from principal repayment, and $14 amortization of premium. The increase of $41,866 in State revolving funds loans was mainly from additional reimbursement requests of $32,102 for the Mountain Tunnel Improvement project and $9,764 for SF Westside Recycled Water project. The Water Enterprise had $343,767 in tax-exempt and $27,692 in taxable commercial paper as of June 30, 2023, and $179,600 in tax-exempt and $26,697 in taxable commercial paper as of June 30, 2022. The increase of $165,162 was due to additional issuances of $164,167 in tax-exempt and $995 in taxable commercial paper.

**Credit Ratings and Bond Insurance** – The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and Standard & Poor's (S&P) at June 30, 2023, and "Aa2" and "AA-" from Moody's and Standard & Poor's (S&P) at June 30, 2022, respectively.

(Dollars in thousands, unless otherwise stated)

**Debt Service Coverage** – Pursuant to the Amended and Restated Indenture, the Water Enterprise is required to collect sufficient net revenues each fiscal year, together with any Water Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year. During fiscal years 2023 and 2022, the Water Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Water Enterprise's Amended and Restated Indenture (see Note 9).

**Debt Authorization** – Pursuant to the Charter Section 8B.124, the Water Enterprise can incur indebtedness upon two- thirds vote of the Board of Supervisors, as approved by voters in Proposition E in November 2002. As of June 30, 2023, the Board of Supervisors has authorized the issuance of $4,758,518 in revenue bonds under Proposition E, with $3,903,617 issued against this authorization. The Water Enterprise can also incur indebtedness of up to $1,628,000 for improvements to the water system pursuant to Proposition A that was approved by the voters in November 2002. As of June 30, 2023, $1,499,230 of the $1,628,000 Proposition A authorized bonds were issued. The Water Enterprise is also authorized to issue up to $500,000 in commercial paper.

**Cost of Debt Capital** – The Water Enterprise's outstanding long-term debt has coupon interest rates ranging from 0.3% to 7.0% as of June 30, 2023 and 2022. The Water Enterprise's short-term debt has interest rates ranging from 1.2% to 5.3% during fiscal year 2023, and 0.1% to 2.0% during fiscal year 2022.

## Wastewater Debt Administration

As of June 30, 2023, 2022, and 2021, the Wastewater Enterprise's debt from revenue bonds, revenue notes, commercial paper, certificates of participation, SRF, and WIFIA loans were $3,551,970, $2,988,713, and $2,363,086, respectively, as shown in Table 4B. More detailed information about the Wastewater Enterprise's debt activity is presented in Notes 6, 7, 8 and 9 to the financial statements.

**Table 4B**
**Proprietary Fund – Wastewater**
**Outstanding Debt, Net of Unamortized Costs**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Revenue bonds | $ 2,736,910 | 1,931,253 | 1,589,922 | 805,657 | 341,331 |
| Revenue notes | 349,556 | 350,356 | — | (800) | 350,356 |
| Commercial paper | — | 379,157 | 638,518 | (379,157) | (259,361) |
| Certificates of participation | 24,458 | 25,288 | 26,087 | (830) | (799) |
| State revolving fund loans | 318,689 | 302,659 | 108,559 | 16,030 | 194,100 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | 122,357 | — | — | 122,357 | — |
| Total | $ 3,551,970 | 2,988,713 | 2,363,086 | 563,257 | 625,627 |

The increase of $563,257 was mainly due to $1,136,002 Revenue Bonds 2023 Series A (SSIP/Green), Series B (Non-SSIP), and Series C (Refunding – SSIP/Green) net of premium, $153,932 Revenue Bonds 2022 Series B (Refunding) net of premium, $177,564 issuance of commercial paper, $122,357 new WIFIA loan for Biosolids Digester Facilities Project, and $18,511 aggregate new SRF loans for the SEP New Headworks Replacement and OSP Digester Gas Utilization Upgrade projects, offset by $556,721 refunding of commercial paper, $419,505 aggregate refunded principal of revenue bond Series 2013AB and 2018C, $37,652 repayment of outstanding debt, $15,737 of premium amortizations, and $15,494 refunded premium of revenue bond Series 2013AB.

**Credit Ratings and Bond Insurance** – As of June 30, 2023 and 2022, the Wastewater Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and Standard & Poor's (S&P), respectively.

(Dollars in thousands, unless otherwise stated)

**Debt Service Coverage** – Pursuant to the Indenture for the Wastewater bonds, the Wastewater Enterprise covenants to collect sufficient net revenues each fiscal year, together with any Wastewater Enterprise funds (except Bond Reserve Funds) that are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year. During fiscal years 2023 and 2022, the Wastewater Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Indenture (see Note 9).

**Debt Authorization** – Pursuant to the Charter Section 8B.124, the Wastewater Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2023, the Wastewater Enterprise had $4,709,491 in combined debt issuance authorization from the Board of Supervisors under Proposition E, with $4,242,615 issued against this authorization. The Wastewater Enterprise has a $750,000 authorized commercial paper program, with $0 in tax-exempt commercial paper outstanding as of June 30, 2023 and $379,157 in tax-exempt commercial paper outstanding as of June 30, 2022.

**Cost of Debt Capital** – The coupon interest rates on the Wastewater Enterprise's outstanding revenue bonds ranged from 1.0% to 5.8%, with a blended true interest cost of 3.0%, after factoring in federal interest subsidy receipts on Build America Bonds at June 30, 2023. The 2009 Series C certificates of participation carried coupon interest rates from 2.0% to 5.0% and 2009 Series D certificates of participation carried coupon interest rates from 6.4% to 6.5% in fiscal years 2023 and 2022, respectively. The interest rates on short-term debt ranged from 0.9% to 3.1% during fiscal year 2023 and from 0.1% to 1.4% during fiscal year 2022. The State revolving fund loans (CWSRF loans) carried original interest rates ranging from 0.8% to 1.8% for a weighted average of 1.3% during fiscal year 2023. The State has elected to apply administrative service and grant charges to certain agreement repayment schedules in lieu of receiving interest payments; these charges will not affect the installment payments or increase the repayment amounts. The WIFIA loan carried interest rate of 1.5% during fiscal year 2023 and capitalized interest added to the principal balance of the WIFIA loan on each Semi-Annual Payment Date occurring during the Capitalized Interest Period.

## Hetchy Water Debt Administration

Hetchy Water did not have debt outstanding as of June 30, 2023 and 2022. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

## Hetchy Power Debt Administration

As of June 30, 30, 2023 and 2022, Hetchy Power had outstanding debt of $319,877 and $247,525, respectively, as shown in Table 4C. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7 8 and 9 to the financial statements.

**Table 4C**
**Proprietary Fund – Hetchy Power**
**Outstanding Debt, Net of Unamortized Costs**
**As of June 30, 2023, 2022, and 2021**

| | 2023 | 2022 | 2021 | 2023 - 2022 Change | 2022 - 2021 Change |
|---|---|---|---|---|---|
| Clean Renewable Energy Bonds 2008 | $ — | 415 | 823 | (415) | (408) |
| Certificates of Participation 2009 Series C | — | 427 | 838 | (427) | (411) |
| Certificates of Participation 2009 Series D (BABs) | 12,593 | 12,593 | 12,593 | — | — |
| Qualified Energy Conservation Bonds 2011 | 2,583 | 3,138 | 3,687 | (555) | (549) |
| New Clean Renewable Energy Bonds 2015 | 1,491 | 1,637 | 1,779 | (146) | (142) |
| 2015 Series A Revenue Bonds | 34,985 | 35,144 | 35,297 | (159) | (153) |
| 2015 Series B Revenue Bonds | 2,948 | 3,849 | 4,726 | (901) | (877) |
| 2021 Series A Revenue Bonds | 89,303 | 90,213 | — | (910) | 90,213 |
| 2021 Series B Revenue Bonds | 59,622 | 60,090 | — | (468) | 60,090 |
| Commercial Paper | 116,352 | 40,019 | 114,671 | 76,333 | (74,652) |
| Total | $ 319,877 | 247,525 | 174,414 | 72,352 | 73,111 |

The increase of $72,352 was mainly due to $76,333 increase in commercial paper, offset by bonds and certificates of participation principal repayments of $2,397 and $1,584 in amortization of premium and discount.

**Credit Ratings and Bond Insurance** – The Power Enterprise's Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by Standard and Poor's (S&P) as of June 30, 2023 and 2022, respectively.

In December 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook. Hetch Hetchy Water and Power contains the Power Enterprise as a separate enterprise fund, with CleanPowerSF a component unit of the Power Enterprise. CleanPowerSF is tracked and audited as a standalone fund, with financial statements, including revenues and expenses, separate and discrete from the Power Enterprise. As such, CleanPowerSF is deemed to be a separate credit from the Power Enterprise, with its own credit rating.

**Debt Service Coverage** – Pursuant to the Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Available Funds (except Bond Reserve Funds) which include unappropriated fund balances and reserves, and cash and book value of investments held by the Treasurer for the Hetchy Power, that the SFPUC reasonably expects would be available, to pay principal and interest becoming due and payable on all outstanding bonds as provided in the Indenture, less any refundable credits, at least equal to 1.25 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing CREBS, NCREBs, and QECBs. During fiscal year 2023, the Power Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Power Enterprise's Indenture (see Note 9).

**Debt Authorization** – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2023 and 2022, $163,555 of Hetchy Power revenue bonds were issued against existing authorization of $695,933 and $555,043, respectively.

**Cost of Debt Capital** – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB and 2021 Series AB Power Revenue Bonds issued in May 2015 and December 2021, respectively, which are issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon interest rates range from 3.0% to 5.0%. The Power Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, ranging from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates ranging from 2.0% to 6.5%. The Power Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 1.1% to 3.2% and 0.1% to 1.1% during fiscal years 2023 and 2022, respectively.

## CleanPowerSF Debt Administration

CleanPowerSF did not have debt outstanding as of June 30, 2023 and 2022.

## Rates and Charges

### Water Enterprise Retail Customers

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which changed the Commission's ability to issue new revenue bonds and set retail water and wastewater rates. The Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

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. In compliance with City Charter section 8B.125, a rate study was completed in spring 2023. In May 2023, the Commission subsequently adopted three years of retail rate increases from July 1, 2023 through June 30, 2026.

Other miscellaneous fees for service and charges were last approved in 2018, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine.

All current SFPUC Rates Schedules and Fees are available at https://sfpuc.org/accounts-services/water-power-and-sewer-rates.

### Water Enterprise Wholesale Customers

The Water Supply Agreement (WSA) prescribes the rate setting process for the wholesale water rates. The WSA has a 25-year term, beginning on July 1, 2009, with two 5-year extension options, and was most recently amended and restated in January 2023. Compared to the prior contract with the wholesale customers, the WSA changed the rate basis by which the capital cost recovery is 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 or at the time of budget appropriation and spending for revenue-funded capital projects, rather than the life of the asset. The WSA requires the rate be calculated and set annually and include a reconciliation between prior year revenues and expenses. Refer to Note 12 of the notes to financial statements for further discussion on the balancing account of the wholesale customers.

### Wastewater Enterprise

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which changed the Commission's ability to issue new revenue bonds and set retail water and wastewater rates. The Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

(Dollars in thousands, unless otherwise stated)

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. In compliance with City Charter section 8B.125, a water and wastewater rate study were completed in May 2023. The Commission subsequently adopted three years of wastewater rate increases from July 1, 2023 through June 30, 2026. Other miscellaneous fees for service and charges were last approved in 2018, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine. All current SFPUC Rates Schedules and Fees are available at https://sfpuc.org/accounts-services/water-power-sewer-rates/rates.

**The following table is the Water Enterprise's ten-year average rate adjustments:**

| Ten-year Average Rate Adjustments | | |
|---|---|---|
| **Effective date** | **Retail** | **Wholesale**[5] |
| July 1, 2016 | 10.0 [1] | 9.3 |
| July 1, 2017 | 7.0 [1] | — |
| July 1, 2018 | 9.0 [2] | — |
| July 1, 2019 | 8.0 [2] | — |
| July 1, 2020 | 7.0 [2] | — |
| July 1, 2021 | 7.0 [2] | — |
| July 1, 2022 | — [3] | 15.9 |
| July 1, 2023 | 5.0 [4] | 9.7 |
| July 1, 2024 | 5.0 [4] | — |
| July 1, 2025 | 5.0 [4] | — |

[1] Four-year retail rate increases adopted and effective July 1, 2014.
[2] Four-year retail rate increases adopted and effective July 1, 2018.
[3] No retal rate increase adopted and effective July 1, 2022.
[4] Three-year retail rate increases adopted and effective July 1, 2023.
[5] Wholesale rates adopted annually.

**The following table is the Wastewater Enterprise's ten-year approved average rate adjustments:**

| Ten-year Average Rate Adjustments | |
|---|---|
| **Effective Date** | **Rate** |
| July 1, 2016 | 7.0 [1] % |
| July 1, 2017 | 11.0 [1] |
| July 1, 2018 | 7.0 [2] |
| July 1, 2019 | 7.0 [2] |
| July 1, 2020 | 8.0 [2] |
| July 1, 2021 | 8.0 [2] |
| July 1, 2022 | — [3] |
| July 1, 2023 | 9.0 [4] |
| July 1, 2024 | 9.0 [4] |
| July 1, 2025 | 9.0 [4] |

[1] Four-year rate increases adopted and effective July 1, 2014.
[2] Four-year rate increases adopted and effective July 1, 2018.
[3] No retail rate adjustment.
[4] Three-year rate increases adopted and effective July 1, 2023.

## Hetchy Water

Hetchy Water charges for services relates to the storage and delivery of water. The water-related portion of upcountry expenditures not covered by the small quantity of water sales to upcountry customers or other miscellaneous revenues are paid by an assessment to the Water Enterprise. Assessment fees were $49,636 and $45,815 for the years ended June 30, 2023 and 2022, respectively. In fiscal year 2024, the assessment fees will be $46,266, a decrease of $3,370 or 6.8% as reflected in the fiscal year 2024 adopted budget. The decrease is primarily due to higher projected water sales which offset a larger portion of the water-related expenditures.

## Hetchy Power

Hetchy Power charges for services relate to power generation and electricity delivery to contractual, municipal, and retail customers.

All current SFPUC Rates Schedules and Fees are available at https://sfpuc.org/accounts-services/water-power-and-sewer-rates.

## Hetchy Power Municipal Rates

Departments of the City & County of San Francisco, as well as certain other non-City government agencies, are eligible for municipal power rates. Historically, municipal customers paid either the General Use rate, which was a subsidized rate below the cost of service, or an Enterprise rate, which was set to exactly follow the equivalent PG&E rate.

Based on the results of the 2022 Power Cost of Service Study, beginning in fiscal year 2023, all municipal customers are being transitioned to standardized tariff schedules set to their cost of service. For General Use customers, this means that a) instead of a single flat rate per kWh, customers are assigned to a rate schedule based on their customer class (small commercial, industrial, etc.), and b) the subsidy is being gradually eliminated until the General Use rate reaches the equivalent retail rate, which is projected to take 3 to 8 years, depending on the customer class. For Enterprise customers, their rates will no longer follow PG&E. Instead, they are set to a rate for their standardized customer class and will be phased to cost of service over two years. Beginning in fiscal year 2024, all Enterprise customers will be on the same rate schedules as retail non-municipal customers.

## Hetchy Power Retail Rates

Based on the results of the 2022 Power Cost of Service Study, the Commission approved a two-year schedule of retail electric rates for residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider to be applied to meter readings on or after July 1, 2022. These rates apply to all existing retail customers and are the default rates for any new Hetchy Power customers.

## CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar geothermal, hydroelectric and wind, at competitive rates. CleanPowerSF offers two products: a "Green" product comprised of at least 50% RPS-eligible renewable energy and a "SuperGreen" product comprised of 100% renewable energy. Most customers take service under the "Green" product rates and remaining customers have opted to upgrade to "SuperGreen" product rates.

Previously, rates were set formulaically, at a percentage above or below the equivalent PG&E generation rate. In addition, the formula required rates to be set high enough to recover its costs. Whenever PG&E rates changed, rates would automatically adjust following the set formula.

Based on the results of the 2022 Power Cost of Service Study, CleanPowerSF customers have now transitioned to fixed rate schedules for the entire fiscal year. The rates for each customer class are set based on their unique cost of service, which means that the percentage difference from the equivalent PG&E rates may vary based on the rate schedule and throughout the year as PG&E's rate change more frequently.

CleanPowerSF Rates Schedules are available at http://cleanpowersf.org/residential for residential customers and http://cleanpowersf.org/commercial for commercial customers.

## Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of the SFPUC's finances and to demonstrate the Department's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102. This report is available at https://sfpuc.org/about-us/reports/audited-financial-statements-reports.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

## Statements of Net Position
## Proprietary Funds
## June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | Eliminations | | SFPUC Total | |
| Assets | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | 2022 | 2023 | Restated 2022# |
| Current assets: | | | | | | | | | | | | | | |
| Cash and investments with City Treasury | $ 402,885 | 460,954 | 355,770 | 285,029 | 76,973 | 94,190 | 224,234 | 189,641 | 98,657 | 56,234 | — | — | 1,158,519 | 1,086,048 |
| Cash and investments outside City Treasury | 192 | 318 | 173 | 397 | — | 1 | 154 | 16 | — | — | — | — | 519 | 732 |
| Receivables: | | | | | | | | | | | | | | |
| Charges for services (net of allowance for doubtful accounts of $8,615, $10,060, $0, $3,923, and $7,923 in 2023 and $3,915, $4,273, $0, $1,297, and $6,330 in 2022) | 63,943 | 61,740 | 40,093 | 40,321 | 405 | 475 | 12,277 | 10,189 | 41,625 | 48,703 | — | — | 158,343 | 161,428 |
| Wholesale balancing account, current portion | 5,571 | — | — | — | — | — | — | — | — | — | — | — | 5,571 | — |
| Due from other City departments, current portion | 115 | 178 | 128 | 225 | — | — | 1,134 | 867 | — | — | (113) A | (111) B | 1,264 | 1,159 |
| Due from other governments | — | — | — | 25 | 1,723 | 512 | 646 | 298 | — | — | — | — | 2,369 | 835 |
| Interest | 2,621 | 399 | 2,178 | 314 | 295 | 40 | 1,503 | 201 | 559 | 61 | — | — | 7,156 | 1,015 |
| Interest-Leases | 911 | 884 | — | — | — | — | — | — | — | — | — | — | 911 | 884 |
| Restricted due from other governments | 36,147 | 7,553 | 13,942 | 202,795 | — | — | — | — | — | — | — | — | 50,089 | 210,348 |
| Leases receivable, current portion | 3,521 | 3,325 | 212 | — | — | — | — | — | — | — | — | — | 3,733 | 3,325 |
| Restricted interest and other receivable (net of allowance for doubtful accounts of $30, $99, $0, $0 and $0 in 2023 and $146, $385, $0, $0 and $0 in 2022) | 3,510 | 4,142 | 1,191 | 2,301 | — | — | 4,151 | 4,303 | — | — | — | — | 8,852 | 10,746 |
| Total current receivables | 116,339 | 78,221 | 57,744 | 245,981 | 2,423 | 1,027 | 19,711 | 15,858 | 42,184 | 48,764 | (113) | (111) | 238,288 | 389,740 |
| Prepaid charges, advances, and other receivables, current portion | 5,909 | 12,180 | 570 | 346 | 92 | 216 | 1,579 | 1,911 | 5,641 | 10,550 | — | — | 13,791 | 25,203 |
| Inventory | 8,191 | 6,802 | 3,340 | 2,958 | 221 | 199 | 1,619 | 1,678 | — | — | — | — | 13,371 | 11,637 |
| Restricted cash and investments outside City Treasury, current portion | 10,863 | 11,063 | 48,717 | 15,587 | — | — | 5,371 | 5,228 | — | — | — | — | 64,951 | 31,878 |
| Total current assets | 544,379 | 569,538 | 466,314 | 550,298 | 79,709 | 95,633 | 252,668 | 214,332 | 146,482 | 115,548 | (113) | (111) | 1,489,439 | 1,545,238 |
| Non-current assets: | | | | | | | | | | | | | | |
| Restricted Net pension asset | — | 100,407 | — | 48,770 | — | 13,912 | — | 17,004 | — | 1,833 | — | — | — | 181,926 |
| Restricted cash and investments with City Treasury | 21,000 | 9,299 | 38,574 | — | 10,980 | — | 17,606 | — | — | — | — | — | 88,160 | 9,299 |
| Restricted cash and investments outside City Treasury, less current portion | 66,482 | 64,894 | 66,439 | 23,771 | — | — | 3,840 | 8,824 | — | — | — | — | 136,761 | 97,489 |
| Leases receivable, less current portion | 40,109 | 42,840 | 1,245 | — | — | — | — | — | — | — | — | — | 41,354 | 42,840 |
| Restricted interest and other receivable, and prepaid (net of allowance for doubtful accounts of $8, $29, $0, $0, and $0 in 2023 and $8, $29, $0, $0, and $0 in 2022) | 4 | 4 | 417 | 434 | — | — | — | — | — | — | — | — | 421 | 438 |
| Charges for services, less current portion (net of allowance for doubtful accounts of $656, $566, $0, $0, and $0 in 2023 and $656, $567, $0, $0, and $0 in 2022) | 209 | 207 | 342 | 342 | — | — | — | — | — | — | — | — | 551 | 549 |
| Wholesale balancing account, less current portion | 4,481 | — | — | — | — | — | — | — | — | — | — | — | 4,481 | — |
| Note receivable - Balboa Reservoir, less current portion | 11,007 | — | — | — | — | — | — | — | — | — | — | — | 11,007 | — |
| Prepaid charges, advances, and other receivables, less current portion | 3,406 | 3,760 | 1,115 | 1,156 | 141 | 146 | 9,540 | 9,390 | 11,424 | 12,236 | — | — | 25,626 | 26,688 |
| Right-to-use Lease assets, net of accumulated amortization | 3,943 | 2,812 | 1,272 | 3,597 | 145 | 61 | 178 | 73 | — | 230 | — | — | 5,538 | 6,773 |
| Right-to-use Subscription asset, net of accumulated amortization | 695 | 1,577 | 422 | 957 | 137 | 314 | 114 | 256 | 30 | 71 | — | — | 1,398 | 3,175 |
| Capital assets, not being depreciated and amortized | 640,995 | 558,374 | 2,280,581 | 1,772,035 | 75,688 | 57,376 | 301,400 | 265,772 | — | — | — | — | 3,298,664 | 2,653,557 |
| Capital assets, net of accumulated depreciation and amortization | 5,007,319 | 5,059,220 | 2,404,071 | 2,274,416 | 144,066 | 143,631 | 345,546 | 319,864 | — | — | — | — | 7,901,002 | 7,797,131 |
| Due from other City departments, less current portion | — | — | — | — | — | — | 10,352 | 10,937 | — | — | (405) A | (518) B | 9,947 | 10,419 |
| Total non-current assets | 5,799,650 | 5,843,394 | 4,794,478 | 4,125,478 | 231,157 | 215,440 | 688,576 | 632,120 | 11,454 | 14,370 | (405) | (518) | 11,524,910 | 10,830,284 |
| Total assets | 6,344,029 | 6,412,932 | 5,260,792 | 4,675,776 | 310,866 | 311,073 | 941,244 | 846,452 | 157,936 | 129,918 | (518) | (629) | 13,014,349 | 12,375,522 |
| Deferred outflows of resources | | | | | | | | | | | | | | |
| Unamortized loss on refunding of debt | 124,635 | 139,481 | 8 | 33 | — | — | — | — | — | — | — | — | 124,643 | 139,514 |
| Pensions | 70,101 | 52,852 | 32,592 | 25,369 | 8,858 | 6,696 | 10,826 | 8,183 | 1,292 | 852 | — | — | 123,669 | 93,952 |
| Other post-employment benefits | 28,616 | 32,445 | 11,493 | 12,898 | 3,248 | 3,272 | 3,969 | 3,999 | 1,009 | 798 | — | — | 48,335 | 53,412 |
| Total deferred outflows of resources | $ 223,352 | 224,778 | 44,093 | 38,300 | 12,106 | 9,968 | 14,795 | 12,182 | 2,301 | 1,650 | — | — | 296,647 | 286,878 |

(continued)

A. Included interfund payables and interfund receivables for fiscal year 2023 of $518 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.

B. Included interfund payables and interfund receivables for fiscal year 2022 of $629 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

See accompanying notes to basic financial statements.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

## Statements of Net Position
## Proprietary Funds
## June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | Eliminations | | SFPUC Total | |
| | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | 2022 | 2023 | Restated 2022# |
| **Liabilities** | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | |
| Accounts payable $ | 22,671 | 22,852 | 23,207 | 22,588 | 1,033 | 8,454 | 24,970 | 16,668 | 24,344 | 23,526 | — | — | 96,225 | 94,088 |
| Accrued payroll | 11,807 | 10,495 | 7,631 | 6,402 | 1,252 | 1,098 | 3,041 | 2,684 | 543 | 373 | — | — | 24,274 | 21,052 |
| Accrued vacation and sick leave, current portion | 7,057 | 6,888 | 6,040 | 5,479 | 1,132 | 1,034 | 1,867 | 1,747 | 394 | 279 | — | — | 16,490 | 15,427 |
| Accrued workers' compensation, current portion | 1,914 | 1,700 | 1,509 | 1,393 | 216 | 215 | 401 | 400 | — | — | — | — | 4,040 | 3,708 |
| Due to other City departments, current portion | 2,440 | — | 2,215 | 111 | — | — | 1,946 | 380 | — | — | (113) C | (111) D | 6,488 | 380 |
| Damage claims liability, current portion | 11,125 | 10,191 | 1,650 | 9,323 | 300 | 228 | 450 | 358 | 16 | 15 | — | — | 13,541 | 20,115 |
| Unearned revenues, refunds, and other, current portion | 13,977 | 19,137 | 6,457 | 6,137 | 110 | 24 | 5,880 | 5,923 | 6,146 | 4,196 | — | — | 32,570 | 35,417 |
| Bond, loan, lease and subscription interest payable | 35,104 | 35,455 | 27,918 | 21,468 | 2 | 3 | 1,597 | 1,329 | — | 1 | — | — | 64,621 | 58,256 |
| Bonds, current portion | 135,095 | 125,285 | 28,070 | 34,345 | — | — | 1,590 | 1,966 | — | — | — | — | 164,755 | 161,596 |
| Certificates of participation, current portion | 3,267 | 3,138 | 864 | 830 | — | — | 445 | 427 | — | — | — | — | 4,576 | 4,395 |
| Commercial paper, current portion | — | 206,297 | — | 379,157 | — | — | — | 40,019 | — | — | — | — | — | 625,473 |
| State revolving funds loans payable, current portion | — | 3,283 | 2,526 | 2,481 | — | — | — | — | — | — | — | — | 2,526 | 5,764 |
| Lease liability, current portion | 1,189 | 1,008 | 1,297 | 2,341 | 16 | 3 | 19 | 3 | — | 232 | — | — | 2,521 | 3,587 |
| Subscription liability, current portion | 400 | 848 | 243 | 515 | 80 | 170 | 65 | 137 | 18 | 39 | — | — | 806 | 1,709 |
| Wholesale balancing account, current portion | — | 48,422 | — | — | — | — | — | — | — | — | — | — | — | 48,422 |
| Current liabilities payable from restricted assets | 40,863 | 25,353 | 122,825 | 89,905 | 5,747 | 6,324 | 23,119 | 19,059 | — | — | — | — | 192,554 | 140,641 |
| Total current liabilities | 286,909 | 520,352 | 232,452 | 582,475 | 9,888 | 17,553 | 65,390 | 91,100 | 31,461 | 28,661 | (113) | (111) | 625,987 | 1,240,030 |
| Long-term liabilities: | | | | | | | | | | | | | | |
| Arbitrage rebate payable | — | — | 188 | — | — | — | — | — | — | — | — | — | 188 | — |
| Other post-employment benefits obligations | 148,601 | 144,115 | 49,035 | 49,123 | 14,907 | 14,240 | 18,220 | 17,405 | 4,053 | 2,264 | — | — | 234,816 | 227,147 |
| Net pension liability | 115,343 | — | 49,549 | — | 14,105 | — | 17,239 | — | 2,124 | — | — | — | 198,360 | — |
| Accrued vacation and sick leave, less current portion | 6,528 | 6,841 | 5,622 | 5,422 | 1,134 | 1,135 | 1,849 | 1,850 | 349 | 267 | — | — | 15,482 | 15,515 |
| Accrued workers' compensation, less current portion | 7,821 | 7,273 | 6,489 | 6,153 | 1,003 | 1,013 | 1,837 | 1,850 | — | — | — | — | 17,150 | 16,289 |
| Due to other City departments, less current portion | — | — | 405 | 518 | — | — | — | — | — | — | (405) C | (518) D | — | — |
| Damage claims liability, less current portion | 8,500 | 25,878 | 2,700 | 2,722 | 400 | 399 | 5,700 | 665 | 18 | 17 | — | — | 17,318 | 29,681 |
| Unearned revenues, refunds, and other, less current portion | — | — | — | — | — | 110 | 580 | 804 | — | 9,000 | — | — | 580 | 9,914 |
| Bonds, less current portion | 4,575,751 | 4,735,650 | 2,708,840 | 1,896,908 | — | — | 189,342 | 192,520 | — | — | — | — | 7,473,933 | 6,825,078 |
| Revenue Notes, less current portion | — | — | 349,556 | 350,356 | — | — | — | — | — | — | — | — | 349,556 | 350,356 |
| Certificates of participation, less current portion | 89,232 | 92,499 | 23,594 | 24,458 | — | — | 12,148 | 12,593 | — | — | — | — | 124,974 | 129,550 |
| Commercial paper, less current portion | 371,459 | — | — | — | — | — | 116,352 | — | — | — | — | — | 487,811 | — |
| State revolving funds loans payable, less current portion | 163,627 | 118,478 | 316,163 | 300,178 | — | — | — | — | — | — | — | — | 479,790 | 418,656 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | — | — | 122,357 | — | — | — | — | — | — | — | — | — | 122,357 | — |
| Lease liability, less current portion | 2,821 | 1,855 | — | 1,297 | 122 | 59 | 150 | 72 | — | — | — | — | 3,093 | 3,283 |
| Subscription liability, less current portion | 308 | 708 | 186 | 429 | 59 | 139 | 51 | 116 | 13 | 31 | — | — | 617 | 1,423 |
| Wholesale balancing account, less current portion | — | 30,728 | — | — | — | — | — | — | — | — | — | — | — | 30,728 |
| Pollution remediation obligations | 1,271 | 1,271 | 7,800 | 8,060 | — | — | — | — | — | — | — | — | 9,071 | 9,331 |
| Total long-term liabilities | 5,491,262 | 5,165,296 | 3,642,484 | 2,645,624 | 31,730 | 17,095 | 363,468 | 227,875 | 6,557 | 11,579 | (405) | (518) | 9,535,096 | 8,066,951 |
| Total liabilities | 5,778,171 | 5,685,648 | 3,874,936 | 3,228,099 | 41,618 | 34,648 | 428,858 | 318,975 | 38,018 | 40,240 | (518) | (629) | 10,161,083 | 9,306,981 |
| **Deferred inflows of resources** | | | | | | | | | | | | | | |
| Unamortized gain on refunding of debt | — | — | 11,353 | — | — | — | — | — | — | — | — | — | 11,353 | — |
| Related to pensions | 28,504 | 248,704 | 10,023 | 114,670 | 4,142 | 34,477 | 5,062 | 42,138 | 1,296 | 5,414 | — | — | 49,027 | 445,403 |
| Leases | 41,558 | 44,583 | 1,453 | — | — | — | — | — | — | — | — | — | 43,011 | 44,583 |
| Other post-employment benefits | 27,075 | 25,348 | 8,286 | 8,640 | 3,084 | 2,734 | 3,769 | 3,342 | 2,922 | 1,594 | — | — | 45,136 | 41,658 |
| Total deferred inflows of resources | 97,137 | 318,635 | 31,115 | 123,310 | 7,226 | 37,211 | 8,831 | 45,480 | 4,218 | 7,008 | — | — | 148,527 | 531,644 |
| **Net position** | | | | | | | | | | | | | | |
| Net investment in capital assets | 545,542 | 584,646 | 1,235,215 | 1,092,710 | 219,754 | 201,007 | 336,281 | 352,162 | — | — | — | — | 2,336,792 | 2,230,525 |
| Restricted for debt service | 14,625 | 14,671 | 3,510 | 5,391 | — | — | 56 | 140 | — | — | — | — | 18,191 | 20,202 |
| Restricted for capital projects | 15,959 | — | — | 114,657 | 5,233 | — | — | — | — | — | — | — | 21,192 | 114,657 |
| Restricted for other purposes | — | 100,407 | — | 48,770 | — | 13,912 | — | 17,004 | — | 1,833 | — | — | — | 181,926 |
| Unrestricted | 115,947 | (66,297) | 160,109 | 101,139 | 49,141 | 34,263 | 182,013 | 124,873 | 118,001 | 82,487 | — | — | 625,211 | 276,465 |
| Total net position $ | 692,073 | 633,427 | 1,398,834 | 1,362,667 | 274,128 | 249,182 | 518,350 | 494,179 | 118,001 | 84,320 | — | — | 3,001,386 | 2,823,775 |

C. Included interfund payables and interfund receivables for fiscal year 2023 of $518 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.
D. Included interfund payables and interfund receivables for fiscal year 2022 of $629 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.
#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

See accompanying notes to basic financial statements.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

## Statements of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

## June 30, 2023 and 2022

(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | SFPUC Total | |
| | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# |
| Operating revenues: | | | | | | | | | | | | |
| Charges for services | $ 661,241 | 539,526 | 354,491 | 356,041 | 52,570 | 49,200 | 203,847 | 173,105 | 326,777 | 257,893 | 1,598,926 | 1,375,765 |
| Rents and concessions | 13,282 | 13,765 | 822 | 705 | 127 | 112 | 156 | 137 | — | — | 14,387 | 14,719 |
| Capacity fees | 1,256 | 2,163 | 3,077 | 6,280 | — | — | — | — | — | — | 4,333 | 8,443 |
| Other revenues | 15,312 | 17,663 | 5,546 | 5,856 | — | — | — | — | — | — | 20,858 | 23,519 |
| Total operating revenues | 691,091 | 573,117 | 363,936 | 368,882 | 52,697 | 49,312 | 204,003 | 173,242 | 326,777 | 257,893 | 1,638,504 | 1,422,446 |
| Operating expenses: | | | | | | | | | | | | |
| Personnel services | 135,709 | 83,385 | 89,726 | 63,456 | 18,424 | 15,636 | 39,300 | 34,646 | 10,735 | 4,167 | 293,894 | 201,290 |
| Contractual services | 16,919 | 12,562 | 20,777 | 18,572 | 2,956 | 2,675 | 10,819 | 9,459 | 6,559 | 6,780 | 58,030 | 50,048 |
| Transmission/distribution and other power costs | — | — | — | — | — | — | 70,580 | 51,521 | 226 | 192 | 70,806 | 51,713 |
| Purchased electricity | — | — | — | — | — | — | 8,078 | 6,731 | 265,152 | 239,546 | 273,230 | 246,277 |
| Materials and supplies | 20,046 | 15,719 | 14,306 | 11,844 | 1,605 | 1,362 | 2,612 | 2,270 | 57 | 33 | 38,626 | 31,228 |
| Depreciation and amortization | 155,714 | 148,777 | 78,039 | 78,105 | 6,524 | 6,480 | 17,877 | 17,769 | 270 | 385 | 258,424 | 251,516 |
| Services provided by other departments | 79,910 | 73,307 | 40,999 | 39,645 | 3,392 | 3,129 | 8,674 | 6,253 | 4,302 | 3,621 | 137,277 | 125,955 |
| General and administrative and other | 51,955 | 68,014 | 17,503 | 45,536 | 17,110 | 23,017 | 33,612 | 27,694 | 7,479 | 7,393 | 127,659 | 171,654 |
| Total operating expenses | 460,253 | 401,764 | 261,350 | 257,158 | 50,011 | 52,299 | 191,552 | 156,343 | 294,780 | 262,117 | 1,257,946 | 1,129,681 |
| Operating income (loss) | 230,838 | 171,353 | 102,586 | 111,724 | 2,686 | (2,987) | 12,451 | 16,899 | 31,997 | (4,224) | 380,558 | 292,765 |
| Non-operating revenues (expenses): | | | | | | | | | | | | |
| Federal and state grants | — | 5,931 | 152 | 20,711 | 1,627 | 450 | 937 | 4,924 | 1,173 | 2,424 | 3,889 | 34,440 |
| Interest and investment income (loss) | 11,156 | (10,896) | 2,556 | (7,087) | 457 | (2,932) | 3,741 | (4,001) | 405 | (1,286) | 18,315 | (26,202) |
| Interest expenses | (214,913) | (213,681) | (95,520) | (77,751) | (4) | (3) | (9,486) | (5,627) | (1) | (6) | (319,924) | (297,068) |
| Amortization of premium, discount, refunding loss, and issuance costs | 9,971 | 9,875 | 14,387 | 8,422 | — | — | 1,584 | (192) | — | — | 25,942 | 18,105 |
| Net gain from sale of assets | 12,660 | 1,079 | 114 | 22 | 4 | 7 | 3 | 9 | — | — | 12,781 | 1,117 |
| Other non-operating revenues | 28,019 | 34,861 | 9,644 | 4,721 | 230 | 22 | 12,665 | 10,830 | 325 | 335 | 50,883 | 50,769 |
| Other Non-operating expenses | (1,775) | (828) | (535) | (482) | (54) | (37) | (227) | (591) | (218) | — | (2,809) | (1,938) |
| Net non-operating revenues (expenses) | (154,882) | (173,659) | (69,202) | (51,444) | 2,260 | (2,493) | 9,217 | 5,352 | 1,684 | 1,467 | (210,923) | (220,777) |
| Change in net position before capital contributions and transfers | 75,956 | (2,306) | 33,384 | 60,280 | 4,946 | (5,480) | 21,668 | 22,251 | 33,681 | (2,757) | 169,635 | 71,988 |
| Capital contributions | 2,717 | — | 2,740 | — | — | — | 2,535 | — | — | — | 7,992 | — |
| Transfers from the City and County of San Francisco | 5 | 15,035 | 75 | — | 20,000 | 30,001 | — | — | — | — | 20,080 | 45,036 |
| Transfers to the City and County of San Francisco | (20,032) | (30,666) | (32) | (161) | — | — | (32) | (532) | — | — | (20,096) | (31,359) |
| Net capital contributions and transfers | (17,310) | (15,631) | 2,783 | (161) | 20,000 | 30,001 | 2,503 | (532) | — | — | 7,976 | 13,677 |
| Change in net position | 58,646 | (17,937) | 36,167 | 60,119 | 24,946 | 24,521 | 24,171 | 21,719 | 33,681 | (2,757) | 177,611 | 85,665 |
| Net position at beginning of year | 633,427 | 651,364 | 1,362,667 | 1,302,548 | 249,182 | 224,661 | 494,179 | 472,460 | 84,320 | 87,077 | 2,823,775 | 2,738,110 |
| Net position at end of year | $ 692,073 | 633,427 | 1,398,834 | 1,362,667 | 274,128 | 249,182 | 518,350 | 494,179 | 118,001 | 84,320 | 3,001,386 | 2,823,775 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
See accompanying notes to basic financial statements.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Statements of Cash Flows
Proprietary Funds
Years ended June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | SFPUC Total | |
| | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# |
| **Cash flows from operating activities:** | | | | | | | | | | | | |
| Cash received from customers, including cash deposits $ | 582,603 | 570,183* | 364,180 | 360,654 | 52,640 | 49,161 | 201,707 | 183,203 | 324,730 | 237,947 | 1,525,860 | 1,401,148 |
| Cash received from tenants for rent | 13,098 | 15,032 | 3,126 | 1,035 | 129 | 114 | 158 | 139 | — | — | 16,511 | 16,320 |
| Cash received from miscellaneous revenues | 4,832 | 4,558 | 686 | 667 | 30 | 22 | 8,689 | 7,237 | 6 | 335 | 14,243 | 12,819 |
| Cash paid to employees for services | (142,866) | (137,080) | (95,895) | (93,897) | (21,537) | (20,430) | (42,804) | (40,448) | (8,063) | (5,828) | (311,165) | (297,683) |
| Cash paid to suppliers for goods and services | (174,938) | (158,443) | (95,599) | (103,455) | (31,864) | (25,547) | (113,682) | (107,824) | (275,322) | (268,917) | (691,405) | (664,186) |
| Cash paid for judgments and claims | (6,927) | (2,515) | (5,500) | (10,795) | (331) | (276) | (5,548) | (2,163) | (1,725) | (1,529) | (20,031) | (17,278) |
| Net cash provided by (used in) operating activities | 275,802 | 291,735 | 170,998 | 154,209 | (933) | 3,044 | 48,520 | 40,144 | 39,626 | (37,992) | 534,013 | 451,140 |
| **Cash flows from non-capital financing activities:** | | | | | | | | | | | | |
| Cash received from grants | — | 5,947 | 177 | 12,686 | 389 | 517 | 546 | 4,893 | 1,173 | 5,100 | 2,285 | 29,143 |
| Cash received from settlements | 6,750 | — | 5,000 | — | 200 | — | 244 | — | — | — | 12,194 | — |
| Cash received from license fees | — | — | — | — | — | — | 3,713 | 3,333 | — | — | 3,713 | 3,333 |
| Cash received from Public Purpose Funds | — | — | — | — | — | — | — | — | 2,394 | — | 2,394 | — |
| Cash paid for rebates, program incentives, and other | (1,775) | (828) | (535) | (482) | (54) | (37) | (227) | (591) | (218) | — | (2,809) | (1,938) |
| Cash paid for Hetchy Power loan interest | — | — | — | — | — | — | — | — | — | — | — | — |
| Transfers from the City and County of San Francisco | 5 | 15,035 | 75 | — | 20,000 | 30,001 | — | — | — | — | 20,080 | 45,036 |
| Transfers to the City and County of San Francisco | (20,032) | (30,666) | (32) | (161) | — | — | (32) | (532) | — | — | (20,096) | (31,359) |
| Net cash provided by (used in) non-capital financing activities | (15,052) | (10,512) | 4,685 | 12,043 | 20,535 | 30,481 | 4,244 | 7,103 | 3,349 | 5,100 | 17,761 | 44,215 |
| **Cash flows from capital and related financing activities:** | | | | | | | | | | | | |
| Proceeds from sale of capital assets | 1,370 | 986 | 127 | 22 | 4 | 7 | 3 | 9 | — | — | 1,504 | 1,024 |
| Proceeds from bond issuance, net of premium, discount, refunding loss, and issuance costs | — | — | 1,287,593 | 373,700 | — | — | — | 151,022 | — | — | 1,287,593 | 524,722 |
| Proceeds from revenue notes issuance, net of premium | — | — | — | 350,823 | — | — | — | — | — | — | — | 350,823 |
| Proceeds from commercial paper borrowings | 165,162 | 130,221 | 177,564 | 80,639 | — | — | 76,333 | 63,058 | — | — | 419,059 | 273,918 |
| Proceeds from State revolving fund loans | 12,371 | 56,113 | 207,364 | 22,544 | — | — | — | — | — | — | 219,735 | 78,657 |
| Proceeds from WIFIA loans | — | — | 122,357 | — | — | — | — | — | — | — | 122,357 | — |
| Principal paid on commercial paper | — | (29,786) | (556,721) | (340,000) | — | — | — | (137,710) | — | — | (556,721) | (507,496) |
| Principal paid on long-term debt | (128,408) | (111,470) | (454,676) | (23,665) | — | — | (2,397) | (2,333) | — | — | (585,481) | (137,468) |
| Principal paid on state revolving fund loans | — | — | (2,481) | (2,483) | — | — | — | — | — | — | (2,481) | (2,483) |
| Interest paid on commercial paper | (5,170) | (212) | (8,674) | (614) | — | — | (1,327) | (59) | — | — | (15,171) | (885) |
| Interest paid on long-term debt | (209,194) | (213,922) | (75,309) | (69,988) | — | — | (7,886) | (4,695) | — | — | (292,389) | (288,605) |
| Interest paid on state revolving fund loans | — | — | (1,523) | (1,522) | — | — | — | — | — | — | (1,523) | (1,522) |
| Interest paid on WIFIA loans | — | — | (74) | — | — | — | — | — | — | — | (74) | — |
| Interest paid revenue notes | — | — | (3,475) | (1,168) | — | — | — | — | — | — | (3,475) | (1,168) |
| Issuance costs paid on long-term debt | — | (10) | (3,124) | (1,490) | — | — | — | (1,118) | — | — | (3,124) | (2,618) |
| Acquisition and construction of capital assets | (172,835) | (183,671) | (681,615) | (516,097) | (25,856) | (32,558) | (72,541) | (108,062) | — | — | (952,847) | (840,388) |
| Lease payment | (1,050) | (1,439) | (2,371) | (2,371) | (18) | (17) | (22) | (22) | (233) | (351) | (3,694) | (4,200) |
| Subscription payments | (862) | — | (523) | (478) | (172) | (179) | (139) | (145) | (39) | (41) | (1,735) | (843) |
| Federal interest income subsidy | 23,260 | 23,590 | 3,991 | 5,818 | — | — | 502 | 397 | — | — | 27,753 | 29,805 |
| Net cash provided by (used in) capital and related financing activities | (315,356) | (329,600) | 8,430 | (126,330) | (26,042) | (32,747) | (7,474) | (39,658) | (272) | (392) | (340,714) | (528,727) |
| **Cash flows from investing activities:** | | | | | | | | | | | | |
| Interest income received | 9,141 | 2,154 | 4,948 | 1,335 | 914 | 329 | 3,663 | 1,003 | 1,207 | 407 | 19,873 | 5,228 |
| Proceeds from sale of investment outside City Treasury | 348,315 | 398,825 | 514,288 | 101,115 | — | — | 10,224 | 7,118 | — | — | 872,827 | 507,058 |
| Purchase of investments outside City Treasury | (348,315) | (398,825) | (514,288) | (101,115) | — | — | (10,224) | (7,118) | — | — | (872,827) | (507,058) |
| Net cash provided by investing activities | 9,141 | 2,154 | 4,948 | 1,335 | 914 | 329 | 3,663 | 1,003 | 1,207 | 407 | 19,873 | 5,228 |
| Increase (decrease) in cash and cash equivalents | (45,465) | (46,223) | 189,061 | 41,257 | (5,526) | 1,107 | 48,953 | 8,592 | 43,910 | (32,877) | 230,933 | (28,144) |
| **Cash and cash equivalents:** | | | | | | | | | | | | |
| Beginning of year | 560,366 | 606,589 | 333,163 | 291,906 | 97,383 | 96,276 | 208,857 | 200,265 | 57,887 | 90,764 | 1,257,656 | 1,285,800 |
| End of year $ | 514,901 | 560,366 | 522,224 | 333,163 | 91,857 | 97,383 | 257,810 | 208,857 | 101,797 | 57,887 | 1,488,589 | 1,257,656 |
| **Reconciliation of cash and cash equivalents to the statements of net position:** | | | | | | | | | | | | |
| Cash and investments with City Treasury: | | | | | | | | | | | | |
| Unrestricted $ | 402,885 | 460,954 | 355,770 | 285,029 | 76,973 | 94,190 | 224,234 | 189,641 | 98,657 | 56,234 | 1,158,519 | 1,086,048 |
| Restricted | 21,000 | 9,299 | 38,574 | — | 10,980 | — | 17,606 | — | — | — | 88,160 | 9,299 |
| Add: Unrealized loss/(gain) on investments with City Treasury | 13,479 | 13,838 | 12,551 | 8,379 | 3,904 | 3,192 | 6,605 | 5,148 | 3,140 | 1,653 | 39,679 | 32,210 |
| Cash and investments outside City Treasury: | | | | | | | | | | | | |
| Unrestricted | 192 | 318 | 173 | 397 | — | 1 | 154 | 16 | — | — | 519 | 732 |
| Restricted | 77,345 | 75,957 | 115,156 | 39,358 | — | — | 9,211 | 14,052 | — | — | 201,712 | 129,367 |
| Cash and cash equivalents at end of year on statements of cash flows $ | 514,901 | 560,366 | 522,224 | 333,163 | 91,857 | 97,383 | 257,810 | 208,857 | 101,797 | 57,887 | 1,488,589 | 1,257,656 |

(Continued)

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
* Reclassification of fiscal year 2022 $6,750 settlement to conform with current year presentation.
See accompanying notes to basic financial statements.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
Statements of Cash Flows
Proprietary Funds
Years ended June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | SFPUC Total | |
| | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# | 2023 | Restated 2022# |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | |
| Operating income (loss) $ | 230,838 | 171,353 | 102,586 | 111,724 | 2,686 | (2,987) | 12,451 | 16,899 | 31,997 | (4,224) | 380,558 | 292,765 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | |
| Depreciation and amortization | 155,714 | 148,777 | 78,039 | 78,105 | 6,524 | 6,480 | 17,877 | 17,769 | 270 | 385 | 258,424 | 251,516 |
| Miscellaneous revenues | 4,832 | 4,558 | 686 | 667 | 30 | 22 | 8,689 | 7,237 | 6 | 335 | 14,243 | 12,819 |
| Provision for uncollectible accounts | 4,584 | (1,410) | 5,500 | (781) | — | — | 2,626 | 39 | 1,593 | 845 | 14,303 | (1,307) |
| Write-off of capital assets and other non-cash items | 4,628 | 4,592 | 911 | 993 | 192 | 7 | 211 | 648 | — | — | 5,942 | 6,240 |
| Changes in operating assets and liabilities: | | | | | | | | | | | | |
| Receivables: | | | | | | | | | | | | |
| Charges for services | (13,655) | (4,734) | (5,558) | (6,143) | 70 | (33) | (4,714) | 8,796 | 5,485 | (21,283) | (18,372) | (23,397) |
| Due from other City departments | 63 | 70 | 1,208 | (901) | — | — | 345 | 531 | — | — | 1,616 | (300) |
| Prepaid charges, advances, and other | 6,709 | 207 | 1 | 51 | 129 | 192 | 115 | (344) | 5,908 | (20,574) | 12,862 | (20,468) |
| Inventory | (1,389) | (865) | (382) | (301) | (22) | (8) | 59 | 142 | — | — | (1,734) | (1,032) |
| Accounts payable | (181) | 6,669 | 830 | 7,095 | (7,421) | 4,192 | 8,302 | (6,241) | 818 | 7,667 | 2,348 | 19,382 |
| Accrued payroll | 1,312 | 650 | 1,229 | 255 | 154 | 56 | 357 | 88 | 170 | 82 | 3,222 | 1,131 |
| Other post-employment benefits obligations | 10,042 | 4,694 | 963 | 1,998 | 1,041 | 898 | 1,272 | 1,099 | 2,906 | (1,320) | 16,224 | 7,369 |
| Pension obligations | (21,699) | (61,060) | (13,551) | (35,144) | (4,480) | (5,965) | (5,476) | (7,291) | (601) | (569) | (45,807) | (110,029) |
| Leases | 575 | 380 | 2,321 | — | — | — | — | — | — | — | 2,896 | 380 |
| Subscriptions | 895 | — | 535 | — | — | — | — | — | — | — | 1,430 | — |
| Accrued vacation and sick leave | (144) | (187) | 761 | (757) | 97 | (16) | 119 | (20) | 197 | 146 | 1,030 | (834) |
| Accrued workers' compensation | 762 | 145 | 452 | 964 | (9) | 108 | (12) | 132 | — | — | 1,193 | 1,349 |
| Due to other City departments | 2,440 | — | 2,102 | — | — | — | 1,566 | 11 | — | — | 6,108 | 11 |
| Wholesale balancing account | (89,202) | 18,286 | — | — | — | — | — | — | — | — | (89,202) | 18,286 |
| Damage claims liability | (16,444) | (654) | (7,695) | (4,668) | 73 | 102 | 5,127 | (85) | 2 | 26 | (18,937) | (5,279) |
| Unearned revenues, refunds, and other liabilities | (4,878) | 264 | 320 | 792 | 3 | (4) | (394) | 734 | (9,125) | 492 | (14,074) | 2,278 |
| Pollution remediation obligations | — | — | (260) | 260 | — | — | — | — | — | — | (260) | 260 |
| Total adjustments | 44,964 | 120,382 | 68,412 | 42,485 | (3,619) | 6,031 | 36,069 | 23,245 | 7,629 | (33,768) | 153,455 | 158,375 |
| Net cash provided by (used in) operating activities $ | 275,802 | 291,735 | 170,998 | 154,209 | (933) | 3,044 | 48,520 | 40,144 | 39,626 | (37,992) | 534,013 | 451,140 |
| Noncash transactions: | | | | | | | | | | | | |
| Accrued capital asset costs $ | 40,863 | 25,353 | 122,825 | 89,905 | 5,747 | 6,324 | 23,119 | 19,059 | — | — | 192,554 | 140,641 |
| Interfund payables | 2,440 | — | 2,620 | 629 | — | — | — | — | — | — | 5,060 | 629 |
| Interfund receivables | — | — | — | — | — | — | 518 | 629 | — | — | 518 | 629 |
| Payable to MTA | — | — | — | — | — | — | 1,946 | — | — | — | 1,946 | — |
| Unrealized loss/(gain) on investments | 13,479 | 13,838 | 12,551 | 8,379 | 3,904 | 3,192 | 6,605 | 5,148 | 3,140 | 1,653 | 39,679 | 32,210 |
| Capital contributions | 2,717 | — | 2,740 | — | — | — | 2,535 | — | — | — | 7,992 | — |
| Sale of land promissory note | 11,007 | — | — | — | — | — | — | — | — | — | 11,007 | — |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
See accompanying notes to basic financial statements.

## (1) Description of Reporting Entity

The San Francisco Public Utilities Commission (SFPUC or the Commission), established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which include the Water, Wastewater, Hetchy Water and Power and CleanPowerSF. The Commission is responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

Until August 1, 2008, the Commission consisted of five members, all appointed by the Mayor. Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the Commission, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the Commission, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four year terms for the Commission members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have expertise in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of the Water, the Wastewater, and Hetchy Water and Hetchy Power and CleanPowerSF (Hetch Hetchy) enterprises are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only the portion of the City that is attributable to the transactions of the enterprises. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles (GAAP).

### Water Enterprise

The San Francisco Water Enterprise was established in 1930 under the provisions of the Charter of the City and County of San Francisco (the City). The Water Enterprise acquired the fully developed, mature water works for San Francisco on March 3, 1930. Since then, the City has operated and maintained the water works as the San Francisco Water Enterprise. The Board of Supervisors of the City has adopted resolutions (the Water Resolutions) providing for the issuance of various water revenue and refunding bond series. The Water Resolutions require the City to keep separate books of records and accounts of the Water Enterprise. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the distribution of water to San Francisco and certain suburban areas. In fiscal year 2023, the Water Enterprise sold approximately 62,227 million gallons, i.e., about 170 million gallons per day of water, to approximately 2.7 million people within San Francisco and certain suburban areas.

### Wastewater Enterprise

The San Francisco Wastewater Enterprise, formerly known as the San Francisco Clean Water Program (the Program), was established in 1977 following the transfer of all sewage system related assets and liabilities of the City to the Program.

In 1976, the electorate of the City approved a proposition authorizing the City to issue $240,000 in revenue bonds pursuant to the Revenue Bond Law of 1941 of the State of California for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. Since then, the City's Board of Supervisors has adopted resolutions (Wastewater Resolutions) providing for the issuance of various sewer revenue and refunding bond series. The Wastewater Resolutions require the City to keep separate books of records and accounts of the Wastewater Enterprise.

### Hetch Hetchy

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 61% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 39% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's municipal load is sold first to the Districts (Modesto Irrigation District and Turlock Irrigation District) to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

## (2) Significant Accounting Policies

### (a) Basis of Accounting and Measurement Focus – Fund Financial Statements

The accounts of Water, Wastewater, Hetchy Water, Hetchy Power and CleanPowerSF are organized on the basis of a proprietary fund type and are included as enterprise funds of the City. The activities are accounted for with a separate set of self-balancing accounts that comprise the funds' assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is 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 Water, Wastewater, Hetchy Water, Hetchy Power and CleanPowerSF are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with its operations are included on the statements of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Water and Wastewater Enterprises' operating revenues are defined as charges to customers, rental income, capacity fees and other revenues while Hetchy Water, Hetchy Power and CleanPowerSF's operating revenues are defined as charges to customers and rental incomes. Operating expenses include the costs of delivering services, administrative expenses, and depreciation and amortization on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The SFPUC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

## (b) Cash and Cash Equivalents

The SFPUC considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the SFPUC. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are also considered to be cash equivalents.

## (c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

## (d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

## (e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets and capital assets received in a service concession arrangement are valued at acquisition value at the time of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

## (f) Intangible Assets

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, leases, SBITAs, licenses, and permits. The SFPUC capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of

$100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

### (g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of discontinued construction projects are recorded as an expenses in the year in which the decision is made to discontinue such projects.

### (h) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

### (i) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to ten weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

### (j) Workers' Compensation

The SFPUC is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 16(b)).

### (k) General Liability

The SFPUC is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development, and estimated incurred but not reported claims (see Note 16(a)).

### (l) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Water Enterprise, Hetchy Water, Hetchy Power and CleanPowerSF did not have arbitrage rebate liability as of June 30, 2023 and 2022. The Wastewater Enterprise arbitrage liability as of June 30, 2023 and 2022 were $188 and $0, respectively (see Note 7).

(Dollars in thousands, unless otherwise stated)

## (m) Refunding of Debt

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

## (n) Income Taxes

As a department of a government agency, the SFPUC is exempt from both federal income taxes and California State franchise taxes.

## (o) Revenue Recognition

Charges for water, wastewater, and power services are based on usage. Effective July 1, 2013, the majority of residential and non-residential customers are billed on a monthly basis except for building and contractor customers which are billed on a bi-monthly basis by the Water and Wastewater Enterprises. Hetchy Water, Hetchy Power and CleanPowerSF revenues are based on consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services and reflected as a receivable on the Statements of Net Position.

The unbilled amounts for the fiscal years ending June 30, 2023 and 2022 are as follow:

| Fiscal Years Ending June 30 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 31,704 | 14,919 | — | 3,470 | 19,694 | 69,787 |
| 2022 | | 29,774 | 15,704 | — | 3,806 | 21,878 | 71,162 |

## (p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## (q) Eliminations

Eliminations for internal activities between Wastewater and Hetchy Power are made in the Statements of Net Position. There were activities requiring eliminations during the fiscal years ended June 30, 2023 and June 30, 2022 between Wastewater and Hetchy Power.

## (r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;

- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the design phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to: asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas, chemical spills, removal and disposal of known toxic waste, harmful biological and chemical pollution of water, or contamination of surrounding soils by underground storage tanks (see Note 17).

## (s) Leases

*Leases* are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The SFPUC is a lessee and a lessor for various noncancellable leases of land, building, equipment, vehicles, easements, and etc.

***Short-term Leases*** - For leases with a maximum possible term of 12 months or less at commencement, the SFPUC recognizes lease revenue if the SFPUC is the lessor of the lease or lease expense if the SFPUC is the lessee of the lease, based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

***Leases other than Short-term*** - For all other leases (i.e., those that are not short-term), SFPUC recognizes a lease liability and intangible right-to-use lease asset as lessee leases, or lease receivable and deferred inflow of resources as lessor leases.

***Measurement of Lease Amounts (Lessee)*** - The SFPUC's lease liability is recorded at the present value of future minimum lease payments as of date of commencement. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If SFPUC is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

***Measurement of Lease Amounts (Lessor)*** - The SFPUC's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

***Key Estimates and Judgements*** - Key estimates and judgements include how the SFPUC determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- The SFPUC generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate implicit in the lease. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the SFPUC to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- Equipment and other leases have a capitalization threshold of $100. 70% below market rent and/or ground leases are determined to be below market rent (BMR), excluded from lease capitalization

***Remeasurement of Lease*** - The SFPUC monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

***Presentation in Statements of Net Position*** - Lease assets are reported with current and non-current assets, lease liabilities are reported with current and long-term liabilities and both lease assets and liabilities are reported under net investment in capital assets in the Statements of Net Position (see Note 10).

## (t) Subscription-Based Information Technology Arrangements (SBITAs)

*SBITAs* are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The SFPUC has noncancellable subscription arrangements (similar to a lease) for the right to use various SBITAs.

***Short-term SBITAs*** - For SBITAs with a maximum possible term of 12 months at commencement, The SFPUC recognizes subscription expense based on the provisions of the SBITAs. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

***SBITAs other than Short-term*** - For all other SBITAs (i.e. those that are not short-term), The SFPUC recognizes SBITAs liability and intangible right-to-use subscription asset.

***Measurement of Subscription Amounts (Subscriber)*** – The SFPUC's subscription liability is recorded at the present value of future minimum subscription payments as of the date of commencement. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less payments made at or before the subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any subscription incentives received at or before the subscription commencement date. For SBITAs, subscription assets also include qualify software implementation costs. Subsequently, the subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the subscription term.

***Key Estimates and Judgements*** -Key estimates and judgements include how the SFPUC determines (a) the discount rate it uses to calculate the present value of the expected subscription payments, (b) subscription terms, (c) subscription payments, and (d) materiality threshold.

- The SFPUC generally uses its estimated incremental borrowing rate as the discount rate for SBITAs unless the rate is implicit in the agreement. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table.
- The subscription term includes the noncancellable period of the subscription, plus any additional periods covered by either subscriber or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.
- Payments are evaluated by the SFPUC to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- SBITAs have a capitalization threshold of $100.

***Remeasurement of SBITAs*** – The SFPUC monitors changes in circumstances that may require remeasurement of a SBITAs. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured and a corresponding adjustment is made to the subscription asset.

***Presentation in Statements of Net Position*** - Subscription assets are reported with current and non-current assets, subscription liabilities are reported with current and long-term liabilities and both subscription assets and liabilities are reported under net investment in capital assets in the Statements of Net Position (see Note 11).

## (u) Other Post-employment Benefits (OPEB)

As prescribed under GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 14(b)).

(Dollars in thousands, unless otherwise stated)

## (v) New Accounting Standards Adopted in Fiscal Year 2023

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation reporting and reporting of related transactions by state and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The SFPUC adopted the provisions of Statement No. 91 in fiscal year 2023 which did not have a significant effect on its financial statements.
2) In March 2020, the GASB Issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The SFPUC adopted the provisions of Statement No. 94 in fiscal year 2023 which did not have a significant effect on its financial statements.
3) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. The SFPUC adopted the provisions of Statement No. 96 in fiscal year 2023 (see Note 11).

| | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|
| **Beginning Balance FY2022:** | | | | | | |
| Subscription Assets | $ 2,344 | 1,422 | 468 | 380 | 106 | 4,720 |
| Subscription Liability - Current | (1,636) | (993) | (329) | (264) | (75) | (3,297) |
| Subscription Liability - Long Term | (708) | (429) | (139) | (116) | (31) | (1,423) |
| **Activities FY2022:** | | | | | | |
| Subscription Assets | 106 | 65 | 22 | 17 | 5 | 215 |
| Accumulated Amortization | (873) | (530) | (176) | (141) | (40) | (1,760) |
| Accrued Interest Payable - Current | (12) | (8) | (3) | (2) | (1) | (26) |
| Subscription Liability - Current | 788 | 478 | 159 | 127 | 36 | 1,588 |
| **Ending Balance FY2022:** | | | | | | |
| Subscription Assets | 2,450 | 1,487 | 490 | 397 | 111 | 4,935 |
| Accumulated Amortization | (873) | (530) | (176) | (141) | (40) | (1,760) |
| Accrued Interest Payable - Current | (12) | (8) | (3) | (2) | (1) | (26) |
| Subscription Liability - Current | (848) | (515) | (170) | (137) | (39) | (1,709) |
| Subscription Liability - Long Term | (708) | (429) | (139) | (116) | (31) | (1,423) |
| Expenses | (9) | (5) | (2) | (1) | — | (17) |
| **Changes in Net Position FY2022:** | $ (9) | (5) | (2) | (1) | — | (17) |

## (w) GASB Statements Implemented in Fiscal Year 2022

1) In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. Beginning balances as of July 1, 2020 were restated as the result of adoption of this standard (see Note 10).

2) In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of construction period. The new standard is effective for periods beginning after December 15, 2020. The SFPUC adopted the provisions of Statement No. 89 in fiscal year 2022.
3) In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* GASB Statement No. 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2021. The SFPUC adopted the provisions of Statement No. 92 in fiscal year 2022, which did not have significant effect on its financial statements.
4) In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR).* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The new standard is effective for periods beginning after June 15, 2021. The SFPUC adopted the provisions of Statement No. 93 in fiscal year 2022, which did not have a significant effect on its financial statements.

## (x) Future Implementation of New Accounting Standards

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance and did not have a significant impact on the SFPUC for the year ended June 30, 2022. The requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022, and effective for the SFPUC's year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and effective for the SFPUC's year ending June 30, 2024. The SFPUC is currently analyzing its accounting practices to determine the potential impact of the provisions of Statement No. 99 applicable in future years.
2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The SFPUC will implement the provisions of Statement No. 100 in fiscal year 2024.
3) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The SFPUC will implement the provisions of Statement No. 101 in fiscal year 2025.

## (y) Reclassifications

The SFPUC has reclassified certain amounts relating to the prior period to conform to its current period presentation.

For fiscal year 2022, Water Enterprise received cash from settlements in the amount of $6,750 was reclassified to cash received from customers including cash deposits to conform with the fiscal year 2023 presentation.

(Dollars in thousands, unless otherwise stated)

Restricted net pension assets in the amount of $100,407 for Water Enterprise, $48,770 for Wastewater Enterprise, $13,912 for Hetchy Water, $17,004 for Hetchy Power and $1,833 for CleanPowerSF was reclassified from unrestricted to restricted for other purposes in the Statements of Net Position as of June 30, 2022.

## (3) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to SFPUC's average daily cash balances. The primary objectives of SFPUC's investment policy are consistent with the City's policy.

The SFPUC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

Commercial paper is valued using a variety of techniques such as matrix pricing; market corroborated pricing inputs such as yield curve, indices, and other market related data. Commercial paper, money market investments, and cash and cash equivalents are exempt from fair value treatment under GASB Statement No. 72.

### Department-wide Business Type Activities

Department-wide restricted and unrestricted cash and investments outside City Treasury as of June 30, 2023 and 2022 consist of the following:

SFPUC's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2023 Maturities | June 30, 2023 Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 188,521 | 188,521 | — | — | — |
| Money Market Funds | A-1/P-1 | < 90 days | 93 | 93 | — | — | — |
| Cash and Cash Equivalents | N/A | | 13,098 | 13,098 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 201,712 | 201,712 | — | — | — |
| Cash and Cash Equivalents | N/A | | 519 | 519 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 519 | 519 | — | — | — |

SFPUC's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2022 Maturities | June 30, 2022 Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 116,187 | 116,187 | — | — | — |
| Money Market Funds | A-1+/P-1 | < 90 days | 92 | 92 | — | — | — |
| Cash and Cash Equivalents | N/A | | 13,088 | 13,088 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 129,367 | 129,367 | — | — | — |
| Cash and Cash Equivalents | N/A | | 732 | 732 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 732 | 732 | — | — | — |

(Dollars in thousands, unless otherwise stated)

Department-wide cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Current assets: | | | |
| Cash and investments with City Treasury | $ | 1,158,519 | 1,086,048 |
| Cash and investments outside City Treasury | | 519 | 732 |
| Restricted cash and investments outside City Treasury | | 64,951 | 31,878 |
| Non-current assets: | | | |
| Restricted cash and investments with City Treasury | | 88,160 | 9,299 |
| Restricted cash and investments outside City Treasury | | 136,761 | 97,489 |
| Total cash, cash equivalents, and investments | $ | 1,448,910 | 1,225,446 |

The following table shows the percentage distribution of the City's pooled investments by maturity:

| | Investment maturities (in months) | | | |
|---|---|---|---|---|
| Fiscal Years ended June 30 | Under 1 | 1 to less than 6 | 6 to less than 12 | 12 to 60 |
| 2023 | 21.5% | 18.0% | 14.5% | 46.0% |
| 2022 | 20.2% | 14.0% | 14.9% | 50.9% |

## Water Enterprise

Restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The current balances as of June 30, 2023 and 2022 were $77,345 and $75,957, respectively. The Water Enterprise held all investments in guaranteed investment contracts, treasury and government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of Treasury and Government Obligations.

Funds held by the trustee established under the 2002 Amended and Restated Indentures agreements are invested in "Permitted Investments," as defined in the agreement, which includes money market funds and investment agreements. The agreement permits investment in money market funds registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and have a rating by S&P of "AAAm-G," "AAAm," or "AAm," and a rating by Moody's of "Aaa," "Aa1," or "Aa2". The credit ratings of the money market funds invested in as of June 30, 2023 were "Aaa-mf" and "P-1" by Moody's, and "AAAm" and "A-1" by S&P. The credit ratings of the money market funds invested in as of June 30, 2022 were "Aaa-mf" and "P-1" by Moody's, and "AAAm" and "A-1+" by S&P. Investment agreements must be with a U.S. bank or trust company that have a rating by Moody's and S&P of "A" or higher, or are guaranteed by any entity with a rating of "A" or higher, at the time the agreement is entered.

The following tables present the Water Enterprise's restricted and unrestricted cash and investments outside City Treasury as of June 30, 2023 and 2022:

Water's Cash and Investments outside City Treasury

| | | June 30, 2023 | | | | Fair Value Measurements Using | | |
|---|---|---|---|---|---|---|---|---|
| Investments | Credit Ratings (S&P/Moody's) | Maturities | | Fair Value | Investments exempt from fair value | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ | 64,249 | 64,249 | — | — | — |
| Money Market Funds | A-1/P-1 | < 90 days | | 43 | 43 | — | — | — |
| Cash and Cash Equivalents | N/A | | | 13,053 | 13,053 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ | 77,345 | 77,345 | — | — | — |
| Cash and Cash Equivalents | N/A | | | 192 | 192 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ | 192 | 192 | — | — | — |

(Dollars in thousands, unless otherwise stated)

Water's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2022 Maturities | Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 62,854 | 62,854 | — | — | — |
| Money Market Funds | A-1+/P-1 | < 90 days | 48 | 48 | — | — | — |
| Cash and Cash Equivalents | N/A | | 13,055 | 13,055 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 75,957 | 75,957 | — | — | — |
| Cash and Cash Equivalents | N/A | | 318 | 318 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 318 | 318 | — | — | — |

The restricted cash and investments outside City Treasury as of June 30, 2023 and 2022 included an unrealized gain due to changes in fair value on commercial paper of $0.

Additional cash outside of the investment pool included revolving fund and cash in transit. The revolving fund has a balance of $28 as of June 30, 2023 and 2022, respectively, which is held in a commercial bank in non-interest bearing checking accounts covered by Federal Deposit Insurance Corporation depository insurance. These accounts were established as provided by the City's Administrative Code for revolving fund needs. The cash in transit was $164 and $290 as of June 30, 2023 and 2022, respectively.

The Water Enterprise's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as follows:

| | 2023 | 2022 |
|---|---|---|
| Current assets: | | |
| Cash and investments with City Treasury | $ 402,885 | 460,954 |
| Cash and investments outside City Treasury | 192 | 318 |
| Restricted cash and investments outside City Treasury | 10,863 | 11,063 |
| Non-current assets: | | |
| Restricted cash and investments with City Treasury | 21,000 | 9,299 |
| Restricted cash and investments outside City Treasury | 66,482 | 64,894 |
| Total cash, cash equivalents, and investments | $ 501,422 | 546,528 |

## Wastewater Enterprise

The restricted cash for bond reserves is held by an independent trustee outside the City investment pool. The balances as of June 30, 2023 and 2022 were $115,156 and $39,358, respectively. Funds held by the trustee established under the 2003 Indenture are invested in "Permitted Investments" as defined in the Indenture. "Permitted Investments" include money market funds registered under the Federal Investment

Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "AAm" and a rating by Moody's of "Aaa," "Aa1," or "Aa2."

The following tables present the Wastewater Enterprise's restricted and unrestricted cash and investments outside City Treasury as of June 30, 2023 and 2022:

Wastewater's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2023 Maturities | Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 115,082 | 115,082 | — | — | — |
| Money Market Funds | A-1/P-1 | < 90 days | 50 | 50 | — | — | — |
| Cash and Cash Equivalents | N/A | | 24 | 24 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 115,156 | 115,156 | — | — | — |
| Cash and Cash Equivalents | N/A | | 173 | 173 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 173 | 173 | — | — | — |

(Dollars in thousands, unless otherwise stated)

Wastewater's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2022 Maturities | June 30, 2022 Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 39,296 | 39,296 | — | — | — |
| Money Market Funds | A-1+/P-1 | < 90 days | 44 | 44 | — | — | — |
| Cash and Cash Equivalents | N/A | | 18 | 18 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 39,358 | 39,358 | — | — | — |
| Cash and Cash Equivalents | N/A | | 397 | 397 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 397 | 397 | — | — | — |

The restricted cash and investments outside City Treasury as of June 30, 2023 and 2022 included a $0 unrealized gain due to changes in fair values on Commercial Paper.

The Wastewater Enterprise's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as follows:

| | 2023 | 2022 |
|---|---|---|
| Current assets: | | |
| Cash and investments with City Treasury | $ 355,770 | 285,029 |
| Cash and investments outside City Treasury | 173 | 397 |
| Restricted cash and investments outside City Treasury | 48,717 | 15,587 |
| Non-current assets: | | |
| Restricted cash and investments with City Treasury | 38,574 | — |
| Restricted cash and investments outside City Treasury | 66,439 | 23,771 |
| Total cash, cash equivalents, and investments | $ 509,673 | 324,784 |

## Hetch Hetchy (Hetchy Water, Hetchy Power and CleanPowerSF)

Restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2023 and 2022 were $9,211 and $14,052, respectively. Hetch Hetchy held all investments in guaranteed investment contracts, treasury and government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of treasury and government obligations. The balance as of June 30, 2023 included 2021 Series AB bond proceeds of $5,382, 2015 Series A bond proceeds of $2,261, certificates of participation proceeds of $1,015, 2015 Series B bond proceeds of $532, $154 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance, and commercial paper of $21. The balance as of June 30, 2022 included 2021 Series AB bond proceeds pf $10,346, 2015 Series A bond proceeds of $2,194, certificates of participation proceeds of $981, 2015 Series B bond proceeds of $516, $17 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance, and commercial paper of $15.

Hetch Hetchy did not have any unrealized gain and loss in the restricted cash and investments outside City Treasury as of June 30, 2023 and 2022.

For fiscal year 2023, proceeds from 2021 Series AB and 2015 Series AB bonds held as restricted cash and investments outside City Treasury in the amount of $8,175 were invested in U.S. Treasury Money Market with maturity date less than 90 days. For fiscal year 2022, proceeds from 2021 Series AB and 2015 Series AB bonds held as restricted cash and investments outside City Treasury in the amount of $13,056 were invested in U.S. Treasury Money Market with maturity date less than 90 days. . The credit ratings of the U.S. Treasury Money Market as of June 30, 2023 and 2022 were "AAAm" by S&P and "Aaa-mf" by Moody's.

(Dollars in thousands, unless otherwise stated)

The following tables present the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury as of June 30, 2023 and 2022:

Hetchy Power's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2023 Maturities | June 30, 2023 Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| **Hetchy Power** | | | | | | | |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 9,190 | 9,190 | — | — | — |
| Cash and Cash Equivalents | N/A | | 21 | 21 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 9,211 | 9,211 | — | — | — |
| Cash and Cash Equivalents | N/A | | 154 | 154 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 154 | 154 | — | — | — |

Hetchy Water and Hetchy Power's Cash and Investments outside City Treasury

| Investments | Credit Ratings (S&P/Moody's) | June 30, 2022 Maturities | June 30, 2022 Fair Value | Investments exempt from fair value | Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|
| **Hetchy Water** | | | | | | | |
| Cash and Cash Equivalents | N/A | | $ 1 | 1 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 1 | 1 | — | — | — |
| **Hetchy Power** | | | | | | | |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf | < 90 days | $ 14,037 | 14,037 | — | — | — |
| Cash and Cash Equivalents | N/A | | 15 | 15 | — | — | — |
| Total Restricted Cash and Investments outside City Treasury | | | $ 14,052 | 14,052 | — | — | — |
| Cash and Cash Equivalents | N/A | | 16 | 16 | — | — | — |
| Total Unrestricted Cash and Investments outside City Treasury | | | $ 16 | 16 | — | — | — |

Hetch Water and Hetchy Power and CleanPowerSF cash, cash equivalents, and investments as of June 30, 2023 and 2022 are shown on the accompanying Statements of Net Position as follows:

| | Hetchy Water | Hetchy Power | CleanPowerSF | Total 2023 |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and investments with City Treasury | $ 76,973 | 224,234 | 98,657 | 399,864 |
| Cash and investments outside City Treasury | — | 154 | — | 154 |
| Restricted cash and investments outside City Treasury | — | 5,371 | — | 5,371 |
| Non-current assets: | | | | |
| Restricted cash and investments with City Treasury | 10,980 | 17,606 | — | 28,586 |
| Restricted cash and investments outside City Treasury | — | 3,840 | — | 3,840 |
| Total cash, cash equivalents, and investments | $ 87,953 | 251,205 | 98,657 | 437,815 |

| | Hetchy Water | Hetchy Power | CleanPowerSF | Total 2022 |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and investments with City Treasury | $ 94,190 | 189,641 | 56,234 | 340,065 |
| Cash and investments outside City Treasury | 1 | 16 | — | 17 |
| Restricted cash and investments outside City Treasury | — | 5,228 | — | 5,228 |
| Non-current assets: | | | | |
| Restricted cash and investments with City Treasury | — | — | — | — |
| Restricted cash and investments outside City Treasury | — | 8,824 | — | 8,824 |
| Total cash, cash equivalents, and investments | $ 94,191 | 203,709 | 56,234 | 354,134 |

(Dollars in thousands, unless otherwise stated)

## (4) Capital Assets

### Department-wide Business Type Activities

Department-wide capital assets as of June 30, 2023 and 2022 consist of the following:

| | 2022 | Increases | Decreases | 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 163,194 | — | (119) | 163,075 |
| Intangible assets** | 5,162 | — | — | 5,162 |
| Construction work in progress | 2,485,201 | 990,256 | (345,030) * | 3,130,427 |
| Total capital assets not being depreciated and amortized | 2,653,557 | 990,256 | (345,149) | 3,298,664 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 11,199,956 | 335,051 | — | 11,535,007 |
| Land Improvements | — | 6,965 | — | 6,965 |
| Intangible assets** | 80,405 | 2,331 | — | 82,736 |
| Machinery and equipment | 583,988 | 13,733 | (2,036) | 595,685 |
| Total capital assets being depreciated and amortized | 11,864,349 | 358,080 * | (2,036) | 12,220,393 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (3,594,436) | (228,515) | — | (3,822,951) |
| Land Improvements | — | (232) | — | (232) |
| Intangible assets** | (50,836) | (3,246) | — | (54,082) |
| Machinery and equipment | (421,946) | (22,194) | 2,014 | (442,126) |
| Total accumulated depreciation and amortization | (4,067,218) | (254,187) | 2,014 | (4,319,391) |
| Total capital assets being depreciated and amortized, net | 7,797,131 | 103,893 | (22) | 7,901,002 |
| Total capital assets, net | $ 10,450,688 | 1,094,149 | (345,171) | 11,199,666 |

*Decrease in construction work in progress is greater than increase in capital assets being depreciated is mainly explained by $5,942 in capital project writeoffs for Water, Wastewater Hetchy Water and Hetchy Power, offset by $18,992 mainly related to direct additions to facilities and improvements, intangible assets and machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

| | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 154,001 | 9,193 | — | 163,194 |
| Intangible assets** | 5,162 | — | — | 5,162 |
| Construction work in progress | 2,079,754 | 830,383 | (424,936) * | 2,485,201 |
| Total capital assets not being depreciated and amortized | 2,238,917 | 839,576 | (424,936) | 2,653,557 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 10,796,179 | 403,777 | — | 11,199,956 |
| Intangible assets** | 78,463 | 1,942 | — | 80,405 |
| Machinery and equipment | 572,846 | 11,832 | (690) | 583,988 |
| Total capital assets being depreciated and amortized | 11,447,488 | 417,551 * | (690) | 11,864,349 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (3,372,070) | (222,366) | — | (3,594,436) |
| Intangible assets** | (48,523) | (2,313) | — | (50,836) |
| Machinery and equipment | (401,626) | (21,010) | 690 | (421,946) |
| Total accumulated depreciation and amortization | (3,822,219) | (245,689) | 690 | (4,067,218) |
| Total capital assets being depreciated and amortized, net | 7,625,269 | 171,862 | — | 7,797,131 |
| Total capital assets, net | $ 9,864,186 | 1,011,438 | (424,936) | 10,450,688 |

*Decrease in construction work in progress is greater than increase in capital assets being depreciated is mainly explained by $9,193 transferred to land for Water, $6,240 in capital project writeoffs for Water, Wastewater Hetchy Water and Hetchy Power, offset by $8,047 mainly related to direct additions to facilities and improvements, intangible assets and machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

(Dollars in thousands, unless otherwise stated)

**Water Capital Assets** – Water's capital assets as of June 30, 2023 and 2022 consist of the following:

| | | 2022 | Increases | Decreases | 2023 |
|---|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | | |
| Land | $ | 113,441 | — | (119) | 113,322 |
| Intangible assets** | | 679 | — | — | 679 |
| Construction work in progress | | 444,254 | 180,391 | (97,651) * | 526,994 |
| Total capital assets not being depreciated and amortized | | 558,374 | 180,391 | (97,770) | 640,995 |
| Capital assets being depreciated and amortized: | | | | | |
| Facilities and improvements | | 6,660,691 | 94,616 | — | 6,755,307 |
| Intangible assets** | | 25,142 | 979 | — | 26,121 |
| Machinery and equipment | | 332,473 | 5,905 | (579) | 337,799 |
| Total capital assets being depreciated and amortized | | 7,018,306 | 101,500 | (579) | 7,119,227 |
| Less accumulated depreciation and amortization for: | | | | | |
| Facilities and improvements | | (1,688,717) | (140,215) | — | (1,828,932) |
| Intangible assets** | | (22,669) | (1,800) | — | (24,469) |
| Machinery and equipment | | (247,700) | (11,386) | 579 | (258,507) |
| Total accumulated depreciation and amortization | | (1,959,086) | (153,401) | 579 | (2,111,908) |
| Total capital assets being depreciated and amortized, net | | 5,059,220 | (51,901) | — | 5,007,319 |
| Total capital assets, net | $ | 5,617,594 | 128,490 | (97,770) | 5,648,314 |

*Decrease in construction work in progress includes $4,628 in capital project writeoffs, mainly related to Stern Grove Emergency Restoration and Upper Alameda Creek Filter projects. The remaining difference of $8,477 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

| | | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | | |
| Land | $ | 104,248 | 9,193 | — | 113,441 |
| Intangible assets** | | 679 | — | — | 679 |
| Construction work in progress | | 532,602 | 175,191 | (263,539) * | 444,254 |
| Total capital assets not being depreciated and amortized | | 637,529 | 184,384 | (263,539) | 558,374 |
| Capital assets being depreciated and amortized: | | | | | |
| Facilities and improvements | | 6,413,238 | 247,453 | — | 6,660,691 |
| Intangible assets** | | 23,772 | 1,370 | — | 25,142 |
| Machinery and equipment | | 326,126 | 6,662 | (315) | 332,473 |
| Total capital assets being depreciated and amortized | | 6,763,136 | 255,485 | (315) | 7,018,306 |
| Less accumulated depreciation and amortization for: | | | | | |
| Facilities and improvements | | (1,554,515) | (134,202) | — | (1,688,717) |
| Intangible assets** | | (21,688) | (981) | — | (22,669) |
| Machinery and equipment | | (236,663) | (11,352) | 315 | (247,700) |
| Total accumulated depreciation and amortization | | (1,812,866) | (146,535) | 315 | (1,959,086) |
| Total capital assets being depreciated and amortized, net | | 4,950,270 | 108,950 | — | 5,059,220 |
| Total capital assets, net | $ | 5,587,799 | 293,334 | (263,539) | 5,617,594 |

*Decrease in construction work in progress of $8,054 includes $4,592 in capital project write offs, mainly related to Stern Grove Emergency Restoration and Lake Merced Water Level Restoration projects and $9,193 transferred to land. The remaining difference of $5,731 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

(Dollars in thousands, unless otherwise stated)

**Wastewater Capital Assets** – Wastewater's capital assets as of June 30, 2023 and 2022 consist of the following:

| | 2022 | Increases | Decreases | 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 44,572 | — | — | 44,572 |
| Intangible assets** | 3,046 | — | — | 3,046 |
| Construction work in progress | 1,724,417 | 709,485 | (200,939) * | 2,232,963 |
| Total capital assets not being depreciated and amortized | 1,772,035 | 709,485 | (200,939) | 2,280,581 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 3,729,320 | 194,590 | — | 3,923,910 |
| Land Improvements | — | 6,965 | — | 6,965 |
| Intangible assets** | 9,548 | 1,212 | — | 10,760 |
| Machinery and equipment | 103,274 | 3,659 | (1,272) | 105,661 |
| Total capital assets being depreciated and amortized | 3,842,142 | 206,426 * | (1,272) | 4,047,296 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (1,481,988) | (69,779) | — | (1,551,767) |
| Land Improvements | — | (232) | — | (232) |
| Intangible assets** | (5,487) | (986) | — | (6,473) |
| Machinery and equipment | (80,251) | (5,754) | 1,252 | (84,753) |
| Total accumulated depreciation and amortization | (1,567,726) | (76,751) | 1,252 | (1,643,225) |
| Total capital assets being depreciated and amortized, net | 2,274,416 | 129,675 | (20) | 2,404,071 |
| Total capital assets, net | $ 4,046,451 | 839,160 | (200,959) | 4,684,652 |

*Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to machinery and equipment and buildings structures by $3,659 and $2,739, respectively offset by $911 in capital project write-offs, mainly related to the islais Creek Green Infrastructure Project.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

| | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 44,572 | — | — | 44,572 |
| Intangible assets** | 3,046 | — | — | 3,046 |
| Construction work in progress | 1,340,644 | 514,679 | (130,906) * | 1,724,417 |
| Total capital assets not being depreciated and amortized | 1,388,262 | 514,679 | (130,906) | 1,772,035 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 3,599,978 | 129,342 | — | 3,729,320 |
| Intangible assets** | 8,976 | 572 | — | 9,548 |
| Machinery and equipment | 102,397 | 1,165 | (288) | 103,274 |
| Total capital assets being depreciated and amortized | 3,711,351 | 131,079 * | (288) | 3,842,142 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (1,412,109) | (69,879) | — | (1,481,988) |
| Intangible assets** | (4,615) | (872) | — | (5,487) |
| Machinery and equipment | (76,039) | (4,500) | 288 | (80,251) |
| Total accumulated depreciation and amortization | (1,492,763) | (75,251) | 288 | (1,567,726) |
| Total capital assets being depreciated and amortized, net | 2,218,588 | 55,828 | — | 2,274,416 |
| Total capital assets, net | $ 3,606,850 | 570,507 | (130,906) | 4,046,451 |

*Decrease in construction work in progress is greater than increase in capital assets being depreciated is explained by $1,165 in direct additions to machinery and equipment offset by $993 in capital project write-offs, mainly related to Public Works various locations infrastructure improvement projects.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

(Dollars in thousands, unless otherwise stated)

**Hetchy Water Capital Assets** – Hetchy Water's capital assets as of June 30, 2023 and 2022 consist of the following:

| | | 2022 | Increases | Decreases | 2023 |
|---|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | | |
| Land and rights-of-way | $ | 3,232 | — | — | 3,232 |
| Intangible assets** | | 6 | — | — | 6 |
| Construction work in progress | | 54,138 | 25,032 | (6,720) * | 72,450 |
| Total capital assets not being depreciated and amortized | | 57,376 | 25,032 | (6,720) | 75,688 |
| Capital assets being depreciated and amortized: | | | | | |
| Facilities and improvements | | 306,116 | 5,196 | — | 311,312 |
| Intangible assets** | | 20,522 | — | — | 20,522 |
| Machinery and equipment | | 28,383 | 1,566 | (58) | 29,891 |
| Total capital assets being depreciated and amortized | | 355,021 | 6,762 * | (58) | 361,725 |
| Less accumulated depreciation and amortization for: | | | | | |
| Facilities and improvements | | (179,839) | (5,227) | — | (185,066) |
| Intangible assets** | | (10,154) | (207) | — | (10,361) |
| Machinery and equipment | | (21,397) | (893) | 58 | (22,232) |
| Total accumulated depreciation and amortization | | (211,390) | (6,327) | 58 | (217,659) |
| Total capital assets being depreciated and amortized, net | | 143,631 | 435 | — | 144,066 |
| Total capital assets, net | $ | 201,007 | 25,467 | (6,720) | 219,754 |

*Decrease in construction in progress included $192 in capital project write-offs, mainly related to Hetchy Water's share of 2018 Moccasin Storm Project. The remaining difference of $234 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

| | | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | | |
| Land and rights-of-way | $ | 3,232 | — | — | 3,232 |
| Intangible assets** | | 6 | — | — | 6 |
| Construction work in progress | | 35,333 | 29,654 | (10,849) * | 54,138 |
| Total capital assets not being depreciated and amortized | | 38,571 | 29,654 | (10,849) | 57,376 |
| Capital assets being depreciated and amortized: | | | | | |
| Facilities and improvements | | 295,968 | 10,148 | — | 306,116 |
| Intangible assets** | | 20,522 | — | — | 20,522 |
| Machinery and equipment | | 27,518 | 865 | — | 28,383 |
| Total capital assets being depreciated and amortized | | 344,008 | 11,013 * | — | 355,021 |
| Less accumulated depreciation and amortization for: | | | | | |
| Facilities and improvements | | (174,695) | (5,144) | — | (179,839) |
| Intangible assets** | | (9,947) | (207) | — | (10,154) |
| Machinery and equipment | | (20,456) | (941) | — | (21,397) |
| Total accumulated depreciation and amortization | | (205,098) | (6,292) | — | (211,390) |
| Total capital assets being depreciated and amortized, net | | 138,910 | 4,721 | — | 143,631 |
| Total capital assets, net | $ | 177,481 | 34,375 | (10,849) | 201,007 |

*Decrease in construction work in progress included $7 in capital project write-offs, mainly related to Hetchy Water's share of road improvement projects. The remaining difference of $171 to capital asset additions was offset by direct add additions to machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

(Dollars in thousands, unless otherwise stated)

Hetchy Power Capital Assets – Hetchy Power's capital assets as of June 30, 2023 and 2021 consist of the following:

| | 2022 | Increases | Decreases | 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 1,949 | — | — | 1,949 |
| Intangible assets** | 1,431 | — | — | 1,431 |
| Construction work in progress | 262,392 | 75,348 | (39,720) * | 298,020 |
| Total capital assets not being depreciated and amortized | 265,772 | 75,348 | (39,720) | 301,400 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 503,829 | 40,649 | — | 544,478 |
| Intangible assets** | 25,193 | 140 | — | 25,333 |
| Machinery and equipment | 119,858 | 2,603 | (127) | 122,334 |
| Total capital assets being depreciated and amortized | 648,880 | 43,392 * | (127) | 692,145 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (243,892) | (13,294) | — | (257,186) |
| Intangible assets** | (12,526) | (253) | — | (12,779) |
| Machinery and equipment | (72,598) | (4,161) | 125 | (76,634) |
| Total accumulated depreciation and amortization | (329,016) | (17,708) | 125 | (346,599) |
| Total capital assets being depreciated and amortized, net | 319,864 | 25,684 | (2) | 345,546 |
| Total capital assets, net | $ 585,636 | 101,032 | (39,722) | 646,946 |

*Decrease in construction in progress included $211 in capital project write-offs, mainly related to Hetchy Power's share of 2018 Moccasin Storm Project. The remaining difference of $3,883 to capital assets was offset by direct additions to facilities, improvements, machinery, and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

| | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated and amortized: | | | | |
| Land and rights-of-way | $ 1,949 | — | — | 1,949 |
| Intangible assets** | 1,431 | — | — | 1,431 |
| Construction work in progress | 171,175 | 110,859 | (19,642) * | 262,392 |
| Total capital assets not being depreciated and amortized | 174,555 | 110,859 | (19,642) | 265,772 |
| Capital assets being depreciated and amortized: | | | | |
| Facilities and improvements | 486,995 | 16,834 | — | 503,829 |
| Intangible assets** | 25,193 | — | — | 25,193 |
| Machinery and equipment | 116,805 | 3,140 | (87) | 119,858 |
| Total capital assets being depreciated and amortized | 628,993 | 19,974 * | (87) | 648,880 |
| Less accumulated depreciation and amortization for: | | | | |
| Facilities and improvements | (230,751) | (13,141) | — | (243,892) |
| Intangible assets** | (12,273) | (253) | — | (12,526) |
| Machinery and equipment | (68,468) | (4,217) | 87 | (72,598) |
| Total accumulated depreciation and amortization | (311,492) | (17,611) | 87 | (329,016) |
| Total capital assets being depreciated and amortized, net | 317,501 | 2,363 | — | 319,864 |
| Total capital assets, net | $ 492,056 | 113,222 | (19,642) | 585,636 |

*Decrease in construction in progress included $648 in capital project write-offs, mainly related to HOPE SF Project in Sunnydale and Potrero. The remaining difference of $980 to capital asset additions was offset by direct additions to machinery and equipment.
** Right-to-use lease and subscription assets are reported separately from intangible assets in notes 10 and 11, respectively.

(Dollars in thousands, unless otherwise stated)

## (5) Restricted Assets

### Department-wide Business Type Activities

The following table summarizes the department-wide restricted assets as of June 30, 2023 and 2022.

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and investments with City Treasury | $ | 88,160 | 9,299 |
| Cash and investments outside City Treasury | | 201,712 | 129,367 |
| Interest and other receivables | | 59,362 | 221,532 |
| Total restricted assets | $ | 349,234 | 360,198 |

### Water Restricted Assets

Pursuant to the Indentures, all revenues of the Water Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Water Revenue and Refunding Bonds. Accordingly, the revenues of the Water Enterprise shall not be used for any other purpose while any of its Water Revenue and Refunding Bonds are outstanding, except as expressly permitted by the Indentures. Further, all revenues shall be deposited by the City Treasurer, by instruction of the Water Enterprise, in special funds designated as the Water Enterprise Revenue Fund (the Water Revenue Fund), which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statement of net position of the Water Enterprise as cash and investments. Deposits in the Water Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes pertaining to the financing, maintenance, and operation of the Water Enterprise in accordance with the following priority:

1. The payment of operation and maintenance expenses for such utility and related facilities;
2. The payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Water Enterprise may establish or the Board of Supervisors may require with respect to employees of the Water Enterprise;
3. The payment of principal, interest, reserve, sinking fund, and other mandatory funds created to secure Revenue Bonds issued by the Water Enterprise for the acquisition, construction, or extension of facilities owned, operated, or controlled by the Water Enterprise;
4. The payment of principal and interest on General Obligation Bonds issued by the City for the Water Enterprise's purposes;
5. Reconstruction and replacement as determined by the Water Enterprise or as required by any of the Water Enterprise's Revenue Bond ordinances duly adopted and approved; and
6. The acquisition of land, real property, or interest in real property for, and the acquisition, construction, enlargement, and improvement of, new and existing buildings, structures, facilities, equipment, appliances, and other property necessary or convenient to the development or improvement of such utility owned, controlled, or operated by the Water Enterprise; and for any other lawful purpose of the Water Enterprise, including the transfer of surplus funds pursuant to the Charter.

(Dollars in thousands, unless otherwise stated)

In accordance with the Indenture, the bond financing program maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and investments with City Treasury: | | | |
| Water revenue bond construction fund | $ | 21,000 | 9,299 |
| Cash and investments outside City Treasury: | | | |
| 2010A Water revenue bond fund | | 12 | — |
| 2010B Water revenue bond fund | | 21,861 | 21,386 |
| 2010D Water revenue bond fund | | 12 | 1 |
| 2010E Water revenue bond fund | | 16,643 | 16,304 |
| 2010F Water revenue bond fund | | 8 | — |
| 2010G Water revenue bond fund | | 18,178 | 17,703 |
| 2012A Water revenue bond fund | | — | 1 |
| 2015A Water revenue refunding bond fund | | 4 | — |
| 2016A Water revenue refunding bond fund | | 8 | — |
| 2016B Water revenue refunding bond fund | | 1 | — |
| 2016C Water revenue bond fund | | 2 | — |
| 2017B Water revenue bond fund | | 2 | — |
| 2017C Water revenue bond fund | | 1 | — |
| 2017D Water revenue refunding bond fund | | 4 | — |
| 2017E Water revenue refunding bond fund | | 1 | — |
| 2019A Water revenue refunding bond fund | | 5 | — |
| 2020A Water revenue bond fund | | 2 | 86 |
| 2020B Water revenue bond fund | | 1 | 34 |
| 2020C Water revenue bond fund | | 1 | 54 |
| 2020D Water revenue bond fund | | — | 38 |
| 2020E Water revenue refunding bond fund | | 2 | — |
| 2020F Water revenue refunding bond fund | | 13 | 12 |
| 2020G Water revenue refunding bond fund | | 23 | 22 |
| 2020H Water revenue refunding bond fund | | 8 | 7 |
| 2009C Certificates of participation - 525 Golden Gate | | 1,696 | 1,638 |
| 2009D Certificates of participation - 525 Golden Gate | | 5,761 | 5,567 |
| Commercial Paper - Tax Exempt | | 15 | 14 |
| Commercial Paper - Taxable | | 28 | 37 |
| Habitat reserve endowment fund | | 13,053 | 13,053 |
| Total cash and investments outside City Treasury | | 77,345 | 75,957 |
| Interest and other receivables: | | | |
| Water bond construction, including interest, prepaids and other receivables | | 3,514 | 4,146 |
| Due from other government for State Revolving Fund | | 36,147 | 7,553 |
| Total restricted assets | $ | 138,006 | 96,955 |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Water Revenue Fund of the City Treasury.

## Wastewater Restricted Assets

The Master Bond Resolution was discharged upon the issuance of the 2003 Series A Refunding Bonds. Pursuant to the Indenture, which became effective with the issuance of the 2003 Series A Refunding Bonds, all net revenues of the Wastewater Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Wastewater revenue bonds. Accordingly, the net revenues of the Wastewater Enterprise shall not be used for any other purpose while any of its revenue bonds are outstanding except as expressly permitted by the Indenture. Further, all net revenues shall be deposited by the City Treasurer, by instruction of the Wastewater Enterprise, in special funds designated as the Revenue Fund, which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statements of net position of the Wastewater Enterprise as cash and investments. Deposits in the Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes and only in accordance with the following priority:

(Dollars in thousands, unless otherwise stated)

1. The payment of operation and maintenance costs of the Wastewater Enterprise;
2. The payment of bonds, parity State revolving fund loans, policy costs, and amounts due as reimbursement under any letter of credit agreement; and
3. Any other lawful purpose of the Wastewater Enterprise.

In accordance with the Indenture, the Wastewater Enterprise maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and investments with City Treasury: | | | |
| Wastewater revenue bond construction fund | $ | 38,574 | — |
| Cash and investments outside City Treasury: | | | |
| 2009 Series C Certificates of Participation – 525 Golden Gate | | 449 | 433 |
| 2009 Series D Certificates of Participation – 525 Golden Gate | | 1,523 | 1,472 |
| 2010 Series A Wastewater revenue bond fund | | 137 | — |
| 2010 Series B Wastewater revenue bond fund | | 7,153 | 8,826 |
| 2013 Series B Wastewater revenue bond fund | | 5 | — |
| 2016 Series A Wastewater revenue bond fund | | 6 | — |
| 2016 Series B Wastewater revenue bond fund | | 2 | — |
| 2018 Series A Wastewater revenue bond fund | | 6 | — |
| 2018 Series B Wastewater revenue bond fund | | 5 | — |
| 2018 Series C Wastewater revenue bond fund | | 2 | — |
| 2021 Series A Wastewater revenue bond fund | | 13,298 | 24,396 |
| 2021 Series B Wastewater revenue bond fund | | 2,163 | 3,937 |
| 2022 Series B Wastewater revenue bond fund | | 86 | — |
| 2023 Series A Wastewater revenue bond fund | | 65,673 | — |
| 2023 Series B Wastewater revenue bond fund | | 24,313 | — |
| 2023 Series C Wastewater revenue bond fund | | 19 | — |
| 2021 Series A Wastewater revenue note fund | | 152 | 145 |
| 2021 Series B Wastewater revenue note fund | | 89 | 86 |
| Commercial Paper - Tax Exempt | | 75 | 63 |
| Total cash and investments outside City Treasury | | 115,156 | 39,358 |
| Interest and other receivables: | | | |
| Wastewater revenue bond construction fund including interest, prepaid, and other receivables | | 1,608 | 2,735 |
| Due from other government for State Revolving Fund | | 13,942 | 202,795 |
| Total restricted assets | $ | 169,280 | 244,888 |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Sewer Revenue Fund of the City Treasury.

## Hetchy Water Restricted Assets

Hetchy Water restricted assets held in trust consist of the following as of June 30, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and investments with City Treasury: | | | |
| Hetch Hetchy bond construction fund | $ | 10,980 | — |
| Total restricted assets | $ | 10,980 | — |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetchy Water Revenue Fund.

## Hetchy Power Restricted Assets

Pursuant to the Hetchy Power Trust Indenture (the “Indenture”), established in fiscal year 2015, net revenues of the Hetchy Power are pledged first to the 2015 Series AB Bonds and 2021 Series AB Bonds, and have a priority lien on the pledge of net revenues to the outstanding CREBs, QECBs, and NCREBs (the “Subordinate Obligations”). The Lease/Purchase Agreements for the Subordinate Obligations pledge the net revenues of the Hetchy Power to these bonds, and such pledge is subordinate in lien to the net revenues pledge for the 2015 Series AB Bonds and 2021 Series AB Bonds (the “Bonds” or “Bond”).

In the Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues of Hetchy Power and shall be used and applied, as provided by the Indenture, solely for the purposes of operating and maintaining Hetchy Power and paying all costs, charges, and expenses in connection therewith and for the purpose of making repairs, renewals, and replacements to Hetchy Power and constructing additions, betterments, and extensions thereto.

The Indenture provides that Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

1. The payment of operation and maintenance expenses;
2. Any priority reconstruction and replacement fund deposits;
3. Deposit in the interest account of each Bond Fund;
4. Deposit in the bond retirement account of each Bond Fund;
5. Deposit in the reserve fund;
6. (i) Payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) deposit into a reserve fund securing any Subordinate Obligations; (iii) Swap Agreement payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph which may be hereafter established by the SFPUC by resolution;
7. Any additional reconstruction and replacement fund deposits into the reconstruction and replacement fund;
8. Any necessary or desirable capital additions or improvements to the Hetchy Power;
9. Any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an operation and maintenance expense;
10. Any payment under a Swap Agreement that does not constitute a Swap Agreement payment; and
11. Any other lawful purpose of the SFPUC.

In the Indenture, the SFPUC covenants and agrees to transfer to the Trustee for deposit in the Interest Account of each applicable Bond Fund all Refundable Credits received by the SFPUC.

(Dollars in thousands, unless otherwise stated)

In accordance with the Agreements, Hetchy Power maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consist of the following as of June 30, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and investments with City Treasury: | | | |
| Hetch Hetchy bond construction fund | $ | 17,606 | — |
| Cash and investments outside City Treasury: | | | |
| 2009 Series C Certificates of Participation – 525 Golden Gate | | 231 | 223 |
| 2009 Series D Certificates of Participation – 525 Golden Gate | | 784 | 758 |
| 2015 Series A Revenue Bonds | | 2,261 | 2,194 |
| 2015 Series B Revenue Bonds | | 532 | 516 |
| 2021 Series AB Revenue Bonds | | 5,382 | 10,346 |
| Commercial Paper | | 21 | 15 |
| Total restricted cash and investments outside City Treasury | | 9,211 | 14,052 |
| Interest receivable: | | | |
| Hetch Hetchy bond construction fund | | 4,151 | 4,303 |
| Total restricted assets | $ | 30,968 | 18,355 |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetchy Power Revenue Fund.

## (6) Short-Term Debt

### Department-wide Business Type Activities

The following table summarizes the department-wide commercial paper debt.

| | | 2022 | Additions | Reductions | 2023 |
|---|---|---|---|---|---|
| Water* | $ | 206,297 | 165,162 | — | 371,459 |
| Wastewater | | 379,157 | 177,564 | (556,721) | — |
| Hetchy Power* | | 40,019 | 76,333 | — | 116,352 |
| SFPUC Total | $ | 625,473 | 419,059 | (556,721) | 487,811 |

*The SFPUC had $487,811 in outstanding commercial paper, which were repaid by the Water 2023 Series AB revenue bonds and Hetchy Power 2023 Series A revenue bonds issued in July 2023 and October 2023. The $487,811 has been reclassed to long-term liabilities on the financial statements (see Note 18).

### Water Short-Term Debt

The Commission and the Board of Supervisors have authorized the issuance of up to $500,000 in commercial paper pursuant to the voter-approved 2002 Proposition E. As of June 30, 2023 and 2022, amounts outstanding under Proposition E were $371,459 and $206,297, respectively. Commercial paper interest rates ranged from 1.2% to 5.3%.

With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the commercial paper upon maturity over the near-to-medium term, at which time outstanding commercial paper will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the commercial paper interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the commercial paper with the long-term, fixed-rate debt.

As of June 30, 2023, the Water Enterprise had $371,459 in outstanding commercial paper, which were repaid by the 2023 Series AB Water Revenue Bonds issued in July 2023. The $371,459 has been reclassed to long-term liabilities on the financial statements (see Note 18).

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, the Water Enterprise had $128,541 and $293,703 in unused authorization as of June 30, 2023 and 2022, respectively. Significant Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include 1. payment defaults, 2. material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods) and 3. bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events describe herein.

## Wastewater Short-Term Debt

Under the voter approved 2002 Proposition E, the Commission and Board of Supervisors has authorized the issuance of up to $750,000 in commercial paper for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise had $0 and $379,157 in commercial paper outstanding as of June 30, 2023 and 2022, respectively.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the Wastewater Enterprise had $750,000 and $370,843 in unused authorization as of June 30, 2023 and 2022, respectively. Significant Events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements, or Revolving Credit Agreements include 1. payment defaults, 2. material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3. bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

## Hetchy Water Short-Term Debt

Hetchy Water had no commercial paper outstanding as of June 30, 2023 and 2022.

## Hetchy Power Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to $250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 1.1% to 3.2% and 0.1% to 1.1% in fiscal years 2023 and 2022, respectively. Hetchy Power had $116,352 and $40,019 commercial paper outstanding as of June 30, 2023 and 2022, respectively. The Power Enterprise had $133,648 and $209,981 in unused authorization as of June 30, 2022 and 2021, respectively.

Hetchy Power had $116,352 in outstanding commercial paper, which were repaid by the 2023 Series A bonds issued in October 2023. The $116,352 has been reclassed to long-term liabilities on the financial statements (see Note 18).

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, Significant Events of default as specified in the Reimbursement Agreements include 1. non-payment, 2. material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements and 3. bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

(Dollars in thousands, unless otherwise stated)

## CleanPowerSF Short-Term Debt

CleanPowerSF had no commercial paper outstanding as of June 30, 2023 and 2022.

## (7) Changes in Long-Term Liabilities

### Department-wide Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | Interest rate | Maturity (Calendar Year) | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | | |
| 2010B water revenue bonds (Build America) | 4.00 – 6.00 | 2040 | $ 349,170 | — | (12,780) | 336,390 | 13,245 |
| 2010B wastewater revenue bonds (Build America) | 4.65 – 5.82 | 2040 | 192,515 | — | (7,280) | 185,235 | 7,505 |
| 2010E water revenue bonds (Build America) | 4.90 – 6.00 | 2040 | 344,200 | — | (12,745) | 331,455 | 13,165 |
| 2010G water revenue bonds (Build America) | 6.95 | 2050 | 351,470 | — | — | 351,470 | — |
| 2013A wastewater revenue bonds | 1.00 – 5.00 | 2025 | 15,535 | — | (14,960) | 575 | 575 |
| 2013B wastewater revenue bonds | 4.00 – 5.00 | 2042 | 331,585 | — | (238,490) | 93,095 | — |
| 2015A water revenue refunding bonds | 2.00 – 5.00 | 2036 | 382,420 | — | (16,045) | 366,375 | 28,070 |
| 2015A hetchy power revenue bonds | 4.00 – 5.00 | 2045 | 32,025 | — | — | 32,025 | — |
| 2015B hetchy power revenue bonds | 3.00 – 4.00 | 2026 | 3,735 | — | (850) | 2,885 | 880 |
| 2016A water revenue refunding bonds | 4.00 – 5.00 | 2039 | 719,735 | — | (32,790) | 686,945 | 23,590 |
| 2016B water revenue refunding bonds | 1.50 – 5.00 | 2030 | 71,510 | — | (12,530) | 58,980 | 13,175 |
| 2016C water revenue bonds | 0.87 – 4.19 | 2046 | 231,230 | — | (5,955) | 225,275 | 6,105 |
| 2016A wastewater revenue bonds | 4.00 – 5.00 | 2046 | 240,580 | — | — | 240,580 | 5,475 |
| 2016B wastewater revenue bonds | 4.00 – 5.00 | 2046 | 67,820 | — | — | 67,820 | 1,545 |
| 2017A water revenue bonds | 5.00 | 2047 | 27,000 | — | (2,325) | 24,675 | 2,445 |
| 2017B water revenue bonds | 5.00 | 2047 | 32,930 | — | (2,835) | 30,095 | 2,985 |
| 2017C water revenue bonds | 5.00 | 2047 | 15,750 | — | (1,355) | 14,395 | 1,425 |
| 2017D water revenue refunding bonds | 2.00 – 5.00 | 2035 | 346,795 | — | (1,455) | 345,340 | 1,270 |
| 2017E water revenue refunding bonds | 4.00 – 5.00 | 2031 | 48,890 | — | (765) | 48,125 | 795 |
| 2017F water revenue refunding bonds | 5.00 | 2031 | 8,705 | — | (700) | 8,005 | 735 |
| 2017G water revenue refunding bonds | 2.03 – 2.91 | 2024 | 31,960 | — | (13,070) | 18,890 | 13,665 |
| 2018A wastewater revenue bonds | 4.00 – 5.00 | 2043 | 229,050 | — | (7,715) | 221,335 | 7,160 |
| 2018B wastewater revenue bonds | 5.00 | 2043 | 185,950 | — | (6,260) | 179,690 | 5,810 |
| 2018C wastewater revenue bonds | 2.13 | 2048 | 179,145 | — | (179,145) | — | — |
| 2019A water revenue refunding bonds | 1.81 – 3.47 | 2043 | 591,320 | — | (3,495) | 587,825 | 3,565 |
| 2019B water revenue refunding bonds | 3.15 – 3.52 | 2041 | 16,385 | — | (70) | 16,315 | 70 |
| 2019C water revenue refunding bonds | 3.15 – 3.52 | 2041 | 17,850 | — | (75) | 17,775 | 80 |
| 2020A water revenue bonds | 4.00 – 5.00 | 2050 | 150,895 | — | — | 150,895 | — |
| 2020B water revenue bonds | 5.00 | 2050 | 61,330 | — | — | 61,330 | — |
| 2020C water revenue bonds | 4.00 | 2050 | 85,335 | — | — | 85,335 | — |
| 2020D water revenue bonds | 3.00 | 2050 | 49,200 | — | — | 49,200 | — |
| 2020E water revenue refunding bonds | 2.83 – 2.95 | 2047 | 335,535 | — | (500) | 335,035 | 1,530 |
| 2020F water revenue refunding bonds | 0.26 – 3.15 | 2047 | 135,455 | — | — | 135,455 | 1,430 |
| 2020G water revenue refunding bonds | 0.26 – 3.10 | 2043 | 114,765 | — | (5,795) | 108,970 | 7,065 |
| 2020H water revenue refunding bonds | 0.26 – 3.15 | 2047 | 64,815 | — | — | 64,815 | 685 |
| 2021A wastewater revenue bonds | 4.00 – 5.00 | 2051 | 260,835 | — | — | 260,835 | — |
| 2021B wastewater revenue bonds | 5.00 | 2051 | 37,045 | — | — | 37,045 | — |
| 2021A hetchy power revenue Bonds | 4.00 – 5.00 | 2052 | 74,280 | — | — | 74,280 | — |
| 2021B hetchy power revenue Bonds | 4.00 – 5.00 | 2052 | 49,720 | — | — | 49,720 | — |
| 2022B wastewater revenue bonds | 5.00 | 2034 | — | 137,080 | — | 137,080 | — |
| 2023A wastewater revenue bonds | 5.00 – 5.25 | 2042 | — | 530,565 | — | 530,565 | — |
| 2023B wastewater revenue bonds | 4.00 – 5.00 | 2042 | — | 278,155 | — | 278,155 | — |
| 2023C wastewater revenue bonds | 4.00 | 2048 | — | 165,660 | — | 165,660 | — |
| Clean Renewable Energy Bonds | 0.00 | 2022 | 421 | — | (421) | — | — |
| Qualified Energy Conservation Bonds | 4.74 | 2027 | 3,138 | — | (555) | 2,583 | 562 |
| New Clean Renewable Energy Bonds | 4.62 | 2032 | 1,637 | — | (146) | 1,491 | 148 |
| Less issuance discount | | | (130) | — | 15 | (115) | — |
| Add issuance premiums | | | 497,138 | 178,474 | (56,828) | 618,784 | — |
| Revenue Notes: | | | | | | | |
| 2021A wastewater - Biosolids | 1.00 | 2025 | 218,355 | — | — | 218,355 | — |
| 2021B wastewater - SEP Headworks | 1.00 | 2026 | 129,110 | — | — | 129,110 | — |
| Add issuance premiums | | | 2,891 | — | (800) | 2,091 | — |
| Total revenue bonds & notes payable | | | 7,337,030 | 1,289,934 | (638,720) | 7,988,244 | 164,755 |
| 2009C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 4,375 | — | (4,375) | — | — |
| 2009C COPs issuance premiums | | | 20 | — | (20) | — | — |
| 2009D COPs (Build America) | 6.36 – 6.49 | 2041 | 129,550 | — | — | 129,550 | 4,576 |
| State Revolving Fund Loans (CWSRF Loans) Water | 1.00 – 1.10 | 2057 | 121,761 | 41,866 | — | 163,627 | — |
| State Revolving Fund Loans (CWSRF Loans) Wastewater | 0.80 – 1.80 | 2051 | 302,659 | 18,511 | (2,481) | 318,689 | 2,526 |
| Water Infrastructure Finance and Innovation Act Loans (WIFIA) | 1.45 | 2059 | — | 122,357 | — | 122,357 | — |
| Water Commercial Papers | 1.20 – 5.30 | 2023 | — | 371,459 | — | 371,459 | — |
| Hetchy Power Commercial Papers | 1.05 – 3.15 | 2023 | — | 116,352 | — | 116,352 | — |
| Arbitrage rebate payable | | | — | 188 | — | 188 | — |
| Other post-employment benefits obligations | | | 227,147 | 7,757 | (88) | 234,816 | — |
| Net Pension Liability | | | — | 198,360 | — | 198,360 | — |
| Accrued vacation and sick leave | | | 30,942 | 20,145 | (19,115) | 31,972 | 16,490 |
| Accrued workers' compensation | | | 19,997 | 7,260 | (6,067) | 21,190 | 4,040 |
| Due to Other City departments* | | | 380 | 4,048 | (380) | 4,048 | 4,048 |
| Lease liability | | | 6,870 | 2,798 | (4,054) | 5,614 | 2,521 |
| Subscription liability | | | 3,132 | — | (1,709) | 1,423 | 806 |
| Damage claims liability | | | 49,796 | 17,111 | (36,048) | 30,859 | 13,541 |
| Wholesale balancing account water | | | 79,150 | — | (79,150) | — | — |
| Pollution remediation obligations | | | 9,331 | — | (260) | 9,071 | — |
| Unearned revenues, refunds, and other | | | 20,057 | 33,434 | (40,775) | 12,716 | 12,136 |
| | | | $ 8,342,197 | 2,251,580 | (833,242) | 9,760,535 | 225,439 |

*Ending balance included elimination entries of $518 interfund payables and receivables between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters Living Machine.

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

| | Interest rate | Maturity (Calendar Year) | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | | |
| 2010A wastewater revenue bonds | 4.00 – 5.00 % | 2021 | $ 8,820 | — | (8,820) | — | — |
| 2010B water revenue bonds (Build America) | 4.00 – 6.00 | 2040 | 361,500 | — | (12,330) | 349,170 | 12,780 |
| 2010B wastewater revenue bonds (Build America) | 4.65 – 5.82 | 2040 | 192,515 | — | — | 192,515 | 7,280 |
| 2010E water revenue bonds (Build America) | 4.90 – 6.00 | 2040 | 344,200 | — | — | 344,200 | 12,745 |
| 2010G water revenue bonds (Build America) | 6.95 | 2050 | 351,470 | — | — | 351,470 | — |
| 2011B water revenue bonds | 3.50 – 5.00 | 2041 | 755 | — | (755) | — | — |
| 2011C water revenue bonds | 3.00 – 5.00 | 2041 | 825 | — | (825) | — | — |
| 2013A wastewater revenue bonds | 1.00 – 5.00 | 2025 | 29,595 | — | (14,060) | 15,535 | 13,090 |
| 2013B wastewater revenue bonds | 4.00 – 5.00 | 2042 | 331,585 | — | — | 331,585 | — |
| 2015A water revenue refunding bonds | 2.00 – 5.00 | 2036 | 397,745 | — | (15,325) | 382,420 | 16,045 |
| 2015A hetchy power revenue bonds | 4.00 – 5.00 | 2045 | 32,025 | — | — | 32,025 | — |
| 2015B hetchy power revenue bonds | 3.00 – 4.00 | 2026 | 4,550 | — | (815) | 3,735 | 850 |
| 2016A water revenue refunding bonds | 4.00 – 5.00 | 2039 | 743,050 | — | (23,315) | 719,735 | 32,790 |
| 2016B water revenue refunding bonds | 1.50 – 5.00 | 2030 | 81,525 | — | (10,015) | 71,510 | 12,530 |
| 2016C water revenue bonds | 0.87 – 4.19 | 2046 | 237,050 | — | (5,820) | 231,230 | 5,955 |
| 2016A wastewater revenue bonds | 4.00 – 5.00 | 2046 | 240,580 | — | — | 240,580 | — |
| 2016B wastewater revenue bonds | 4.00 – 5.00 | 2046 | 67,820 | — | — | 67,820 | — |
| 2017A water revenue bonds | 5.00 | 2047 | 27,000 | — | — | 27,000 | 2,325 |
| 2017B water revenue bonds | 5.00 | 2047 | 32,930 | — | — | 32,930 | 2,835 |
| 2017C water revenue bonds | 5.00 | 2047 | 15,750 | — | — | 15,750 | 1,355 |
| 2017D water revenue refunding bonds | 2.00 – 5.00 | 2035 | 347,720 | — | (925) | 346,795 | 1,455 |
| 2017E water revenue refunding bonds | 4.00 – 5.00 | 2031 | 48,890 | — | — | 48,890 | 765 |
| 2017F water revenue refunding bonds | 5.00 | 2031 | 8,705 | — | — | 8,705 | 700 |
| 2017G water revenue refunding bonds | 2.03 – 2.91 | 2024 | 32,780 | — | (820) | 31,960 | 13,070 |
| 2018A wastewater revenue bonds | 4.00 – 5.00 | 2043 | 229,050 | — | — | 229,050 | 7,715 |
| 2018B wastewater revenue bonds | 5.00 | 2043 | 185,950 | — | — | 185,950 | 6,260 |
| 2018C wastewater revenue bonds | 2.13 | 2048 | 179,145 | — | — | 179,145 | — |
| 2019A water revenue refunding bonds | 1.81 – 3.47 | 2043 | 615,725 | — | (24,405) | 591,320 | 3,495 |
| 2019B water revenue refunding bonds | 3.15 – 3.52 | 2041 | 16,450 | — | (65) | 16,385 | 70 |
| 2019C water revenue refunding bonds | 3.15 – 3.52 | 2041 | 17,925 | — | (75) | 17,850 | 75 |
| 2020A water revenue bonds | 4.00 – 5.00 | 2050 | 150,895 | — | — | 150,895 | — |
| 2020B water revenue bonds | 5.00 | 2050 | 61,330 | — | — | 61,330 | — |
| 2020C water revenue bonds | 4.00 | 2050 | 85,335 | — | — | 85,335 | — |
| 2020D water revenue bonds | 3.00 | 2050 | 49,200 | — | — | 49,200 | — |
| 2020E water revenue refunding bonds | 2.83 – 2.95 | 2047 | 341,435 | — | (5,900) | 335,535 | 500 |
| 2020F water revenue refunding bonds | 0.26 – 3.15 | 2047 | 136,880 | — | (1,425) | 135,455 | — |
| 2020G water revenue refunding bonds | 0.26 – 3.10 | 2043 | 120,585 | — | (5,820) | 114,765 | 5,795 |
| 2020H water revenue refunding bonds | 0.26 – 3.15 | 2047 | 65,495 | — | (680) | 64,815 | — |
| 2021A wastewater revenue bonds | 4.00 – 5.00 | 2051 | — | 260,835 | — | 260,835 | — |
| 2021B wastewater revenue bonds | 5.00 | 2051 | — | 37,045 | — | 37,045 | — |
| 2021A hetchy power revenue Bonds | 4.00 – 5.00 | 2052 | — | 74,280 | — | 74,280 | — |
| 2021B hetchy power revenue Bonds | 4.00 – 5.00 | 2052 | — | 49,720 | — | 49,720 | — |
| Clean Renewable Energy Bonds | 0.00 | 2022 | 843 | — | (422) | 421 | 421 |
| Qualified Energy Conservation Bonds | 4.74 | 2027 | 3,687 | — | (549) | 3,138 | 555 |
| New Clean Renewable Energy Bonds | 4.62 | 2032 | 1,779 | — | (142) | 1,637 | 146 |
| Less issuance discount | | | (153) | — | 23 | (130) | (6) |
| Add issuance premiums | | | 430,068 | 102,842 | (35,772) | 497,138 | — |
| Revenue Notes: | | | | | | | |
| 2021A wastewater - Biosolids | 1.00 | 2025 | — | 218,355 | — | 218,355 | — |
| 2021B wastewater - SEP Headworks | 1.00 | 2026 | — | 129,110 | — | 129,110 | — |
| Add issuance premiums | | | — | 3,358 | (467) | 2,891 | — |
| Total revenue bonds & notes payable | | | 6,631,009 | 875,545 | (169,524) | 7,337,030 | 161,596 |
| 2009C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 8,535 | — | (4,160) | 4,375 | 4,375 |
| 2009C COPs issuance premiums | | | 95 | — | (75) | 20 | 20 |
| 2009D COPs (Build America) | 6.36 – 6.49 | 2041 | 129,550 | — | — | 129,550 | — |
| State Revolving Fund Loans (CWSRF Loans) Water | 1.00 | 2051 | 107,407 | 14,354 | — | 121,761 | 3,283 |
| State Revolving Fund Loans (CWSRF Loans) Wastewater | 0.80 – 1.80 | 2051 | 108,559 | 196,583 | (2,483) | 302,659 | 2,481 |
| Other post-employment benefits obligations | | | 234,488 | 25,469 | (32,810) | 227,147 | — |
| Net Pension Liability | | | 382,382 | — | (382,382) | — | — |
| Accrued vacation and sick leave | | | 31,776 | 13,941 | (14,775) | 30,942 | 15,427 |
| Accrued workers' compensation | | | 18,648 | 6,555 | (5,206) | 19,997 | 3,708 |
| Due to Other City departments* | | | 369 | 11 | — | 380 | 380 |
| Lease liability | | | 10,945 | 27 | (4,102) | 6,870 | 3,587 |
| Subscription liability | | | — | 3,932 | (800) | 3,132 | 1,709 |
| Damage claims liability | | | 55,075 | 13,104 | (18,383) | 49,796 | 20,115 |
| Wholesale balancing account water | | | 60,864 | 18,633 | (347) | 79,150 | 48,422 |
| Pollution remediation obligations | | | 9,071 | 260 | — | 9,331 | — |
| Unearned revenues, refunds, and other | | | 16,159 | 23,113 | (19,215) | 20,057 | 10,143 |
| | | | $ 7,804,932 | 1,191,527 | (654,262) | 8,342,197 | 275,246 |

*Ending balance included elimination entries of $629 interfund payables and receivables between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters Living Machine.

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

## Water Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | Interest rate | Maturity (Calendar Year) | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | | |
| 2010B revenue bonds (Build America) | 4.00 – 6.00 % | 2040 | $ 349,170 | — | (12,780) | 336,390 | 13,245 |
| 2010E revenue bonds (Build America) | 4.90 – 6.00 | 2040 | 344,200 | — | (12,745) | 331,455 | 13,165 |
| 2010G revenue bonds (Build America) | 6.95 | 2050 | 351,470 | — | — | 351,470 | — |
| 2015A revenue refunding bonds | 2.00 – 5.00 | 2036 | 382,420 | — | (16,045) | 366,375 | 28,070 |
| 2016A revenue refunding bonds | 4.00 – 5.00 | 2039 | 719,735 | — | (32,790) | 686,945 | 23,590 |
| 2016B revenue refunding bonds | 1.50 – 5.00 | 2030 | 71,510 | — | (12,530) | 58,980 | 13,175 |
| 2016C revenue bonds | 0.87 – 4.19 | 2046 | 231,230 | — | (5,955) | 225,275 | 6,105 |
| 2017A revenue bonds | 5.00 | 2047 | 27,000 | — | (2,325) | 24,675 | 2,445 |
| 2017B revenue bonds | 5.00 | 2047 | 32,930 | — | (2,835) | 30,095 | 2,985 |
| 2017C revenue bonds | 5.00 | 2047 | 15,750 | — | (1,355) | 14,395 | 1,425 |
| 2017D revenue refunding bonds | 2.00 – 5.00 | 2035 | 346,795 | — | (1,455) | 345,340 | 1,270 |
| 2017E revenue refunding bonds | 4.00 – 5.00 | 2031 | 48,890 | — | (765) | 48,125 | 795 |
| 2017F revenue refunding bonds | 5.00 | 2031 | 8,705 | — | (700) | 8,005 | 735 |
| 2017G revenue refunding bonds | 2.03 – 2.91 | 2024 | 31,960 | — | (13,070) | 18,890 | 13,665 |
| 2019A revenue refunding bonds | 1.81 – 3.47 | 2043 | 591,320 | — | (3,495) | 587,825 | 3,565 |
| 2019B revenue refunding bonds | 3.15 – 3.52 | 2041 | 16,385 | — | (70) | 16,315 | 70 |
| 2019C revenue refunding bonds | 3.15 – 3.52 | 2041 | 17,850 | — | (75) | 17,775 | 80 |
| 2020A revenue bonds | 4.00 – 5.00 | 2050 | 150,895 | — | — | 150,895 | — |
| 2020B revenue bonds | 5.00 | 2050 | 61,330 | — | — | 61,330 | — |
| 2020C revenue bonds | 4.00 | 2050 | 85,335 | — | — | 85,335 | — |
| 2020D revenue bonds | 3.00 | 2050 | 49,200 | — | — | 49,200 | — |
| 2020E revenue refunding bonds | 2.83 – 2.95 | 2047 | 335,535 | — | (500) | 335,035 | 1,530 |
| 2020F revenue refunding bonds | 0.26 – 3.15 | 2047 | 135,455 | — | — | 135,455 | 1,430 |
| 2020G revenue refunding bonds | 0.26 – 3.10 | 2043 | 114,765 | — | (5,795) | 108,970 | 7,065 |
| 2020H revenue refunding bonds | 0.26 – 3.15 | 2047 | 64,815 | — | — | 64,815 | 685 |
| Less issuance discount | | | (124) | — | 9 | (115) | — |
| Add issuance premiums | | | 276,409 | — | (24,813) | 251,596 | — |
| Total revenue bonds payable | | | 4,860,935 | — | (150,089) | 4,710,846 | 135,095 |
| 2009C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 3,124 | — | (3,124) | — | — |
| 2009C COPs issuance premiums | | | 14 | — | (14) | — | — |
| 2009D COPs (Build America) | 6.36 – 6.49 | 2041 | 92,499 | — | — | 92,499 | 3,267 |
| State Revolving Funds Loan | 1.00 – 1.10 | 2057 | 121,761 | 41,866 | — | 163,627 | — |
| Commercial Papers | 1.20 – 5.30 | 2023 | — | 371,459 | — | 371,459 | — |
| Other post-employment benefits obligations | | | 144,115 | 4,486 | — | 148,601 | — |
| Net pension liability | | | — | 115,343 | — | 115,343 | — |
| Accrued vacation and sick leave | | | 13,729 | 12,427 | (12,571) | 13,585 | 7,057 |
| Accrued workers' compensation | | | 8,973 | 3,984 | (3,222) | 9,735 | 1,914 |
| Lease liability | | | 2,863 | 2,562 | (1,415) | 4,010 | 1,189 |
| Subscription liability | | | 1,556 | — | (848) | 708 | 400 |
| Damage claims liability | | | 36,069 | 1,898 | (18,342) | 19,625 | 11,125 |
| Wholesale balancing account | | | 79,150 | — | (79,150) | — | — |
| Pollution remediation obligations | | | 1,271 | — | — | 1,271 | — |
| Total | | | $ 5,366,059 | 554,025 | (268,775) | 5,651,309 | 160,047 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

| | Interest rate | Maturity (Calendar Year) | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | | |
| 2010B revenue bonds (Build America) | 4.00 – 6.00 % | 2040 | $ 361,500 | — | (12,330) | 349,170 | 12,780 |
| 2010E revenue bonds (Build America) | 4.90 – 6.00 | 2040 | 344,200 | — | — | 344,200 | 12,745 |
| 2010G revenue bonds (Build America) | 6.95 | 2050 | 351,470 | — | — | 351,470 | — |
| 2011B revenue bonds | 3.50 – 5.00 | 2041 | 755 | — | (755) | — | — |
| 2011C revenue bonds | 3.00 – 5.00 | 2041 | 825 | — | (825) | — | — |
| 2015A revenue refunding bonds | 2.00 – 5.00 | 2036 | 397,745 | — | (15,325) | 382,420 | 16,045 |
| 2016A revenue refunding bonds | 4.00 – 5.00 | 2039 | 743,050 | — | (23,315) | 719,735 | 32,790 |
| 2016B revenue refunding bonds | 1.50 – 5.00 | 2030 | 81,525 | — | (10,015) | 71,510 | 12,530 |
| 2016C revenue bonds | 0.87 – 4.19 | 2046 | 237,050 | — | (5,820) | 231,230 | 5,955 |
| 2017A revenue bonds | 5.00 | 2047 | 27,000 | — | — | 27,000 | 2,325 |
| 2017B revenue bonds | 5.00 | 2047 | 32,930 | — | — | 32,930 | 2,835 |
| 2017C revenue bonds | 5.00 | 2047 | 15,750 | — | — | 15,750 | 1,355 |
| 2017D revenue refunding bonds | 2.00 – 5.00 | 2035 | 347,720 | — | (925) | 346,795 | 1,455 |
| 2017E revenue refunding bonds | 4.00 – 5.00 | 2031 | 48,890 | — | — | 48,890 | 765 |
| 2017F revenue refunding bonds | 5.00 | 2031 | 8,705 | — | — | 8,705 | 700 |
| 2017G revenue refunding bonds | 2.03 – 2.91 | 2024 | 32,780 | — | (820) | 31,960 | 13,070 |
| 2019A revenue refunding bonds | 1.81 – 3.47 | 2043 | 615,725 | — | (24,405) | 591,320 | 3,495 |
| 2019B revenue refunding bonds | 3.15 – 3.52 | 2041 | 16,450 | — | (65) | 16,385 | 70 |
| 2019C revenue refunding bonds | 3.15 – 3.52 | 2041 | 17,925 | — | (75) | 17,850 | 75 |
| 2020A revenue bonds | 4.00 – 5.00 | 2050 | 150,895 | — | — | 150,895 | — |
| 2020B revenue bonds | 5.00 | 2050 | 61,330 | — | — | 61,330 | — |
| 2020C revenue bonds | 4.00 | 2050 | 85,335 | — | — | 85,335 | — |
| 2020D revenue bonds | 3.00 | 2050 | 49,200 | — | — | 49,200 | — |
| 2020E revenue refunding bonds | 2.83 – 2.95 | 2047 | 341,435 | — | (5,900) | 335,535 | 500 |
| 2020F revenue refunding bonds | 0.26 – 3.15 | 2047 | 136,880 | — | (1,425) | 135,455 | — |
| 2020G revenue refunding bonds | 0.26 – 3.10 | 2043 | 120,585 | — | (5,820) | 114,765 | 5,795 |
| 2020H revenue refunding bonds | 0.26 – 3.15 | 2047 | 65,495 | — | (680) | 64,815 | — |
| Less issuance discount | | | (133) | — | 9 | (124) | — |
| Add issuance premiums | | | 301,758 | — | (25,349) | 276,409 | — |
| Total revenue bonds payable | | | 4,994,775 | — | (133,840) | 4,860,935 | 125,285 |
| 2009C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 6,094 | — | (2,970) | 3,124 | 3,124 |
| 2009C COPs issuance premiums | | | 69 | — | (55) | 14 | 14 |
| 2009D COPs (Build America) | 6.36 – 6.49 | 2041 | 92,499 | — | — | 92,499 | — |
| State Revolving Funds Loan | 1.00 | 2051 | 107,407 | 14,354 | — | 121,761 | 3,283 |
| Other post-employment benefits obligations | | | 148,771 | 14,868 | (19,524) | 144,115 | — |
| Net pension liability | | | 216,417 | — | (216,417) | — | — |
| Accrued vacation and sick leave | | | 13,916 | 8,177 | (8,364) | 13,729 | 6,888 |
| Accrued workers' compensation | | | 8,828 | 2,793 | (2,648) | 8,973 | 1,700 |
| Lease liability | | | 4,244 | — | (1,381) | 2,863 | 1,008 |
| Subscription liability | | | — | 1,556 | — | 1,556 | 848 |
| Damage claims liability | | | 36,723 | 452 | (1,106) | 36,069 | 10,191 |
| Wholesale balancing account | | | 60,864 | 18,633 | (347) | 79,150 | 48,422 |
| Pollution remediation obligations | | | 1,271 | — | — | 1,271 | — |
| Total | | | $ 5,691,878 | 60,833 | (386,652) | 5,366,059 | 200,763 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs)*.

The payments of principal and interest amounts on various bonds are secured by net revenues of the Water Enterprise.

## a) Water Revenue Bonds 2010 Series B

The 2010 Series B Bonds in the par amount of $417,720 were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $364,757 in new money for WSIP capital projects and pay financing costs. The 2010 Series B bonds were issued as serial and term bonds with coupons ranging from 4.0% to 6.0% and have a final maturity of 2040. The Series B bonds have a true interest cost (net of federal subsidy) of 3.9%. As of June 30, 2023 and 2022, the principal amount outstanding was $336,390 and $349,170, respectively.

### b) Water Revenue Bonds 2010 Series DE

In July 2010, the Water Enterprise issued revenue bonds 2010 Series DE in the combined principal amount of $446,925. The purpose of the bonds is to advance refund $31,570 of outstanding 2002 Series A revenue bonds and to provide $372,689 in new money for WSIP capital projects, with the balance applied to financing costs and a cash-funded debt service reserve fund. The bonds were rated “AA-” and “Aa2” from S&P and Moody’s, respectively. The bonds included serial and term bonds with interest rates ranging from 3.0% to 6.0%.

The 2010 Series D Bonds in the par amount of $102,725 were issued as tax-exempt bonds to provide $72,243 in new money for WSIP capital projects and $35,080 to advance refund a portion of outstanding 2002 Series A revenue bonds. The Series D bonds were issued as serial bonds with coupons ranging from 3.0% to 5.0% and have a final maturity of 2021. The Series D bonds have a true interest cost of 2.5%.

On February 27, 2013, the Wholesale Water Customers BAWSCA made an early repayment of $356,139 to the Water Enterprise. $12,360 of the repayment proceeds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement, dated February 27, 2013, to refund and legally defease a portion of the outstanding 2010 Series D bonds. BAWSCA repayment funds were combined with $165 from the 2010 Series D Capitalized Interest Account. This deposit, together with certain other available monies, was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities consisting of United States Treasury Securities – SLGS. The principal and interest on monies held by the escrow agent will be sufficient to partially defease a portion of the 2010 Series D bonds maturing November 1, 2015 through 2017. A portion of the proceeds from 2020 Series E and 2020 Series G refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated October 1, 2020, to refund and legally defease the outstanding 2010 Series D bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to refund and legally defease all of the maturities of the 2010 Series D bonds starting on November 1, 2021. As of June 30, 2023 and 2022, the principal amount of 2010 Series D bonds outstanding was $0.

The 2010 Series E Bonds in the par amount of $344,200 were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $300,446 in new money proceeds for WSIP capital projects. The Series E bonds were issued as serial and term bonds with coupons ranging from 4.9% to 6.0% and have a final maturity of 2040. The Series E bonds have a true interest cost (net of federal subsidy) of 3.8%. As of June 30, 2023 and 2022, the principal amount of 2010 Series E bonds outstanding was $331,455 and $344,200, respectively.

### c) Water Revenue Bonds 2010 Series FG

In December 2010, the Water Enterprise issued revenue bonds 2010 Series FG in the combined principal amount of $532,430. The purpose of the bonds is to provide $437,980 in new money for WSIP capital projects, with the balance applied to financing costs and a cash-funded debt service reserve. The bonds were rated “AA-” and “Aa2” from S&P and Moody’s, respectively. The bonds included serial and term bonds with interest rates ranging from 3.0% to 7.0%.

The $351,470 Series G bonds were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $288,252 in new money for WSIP capital projects. The Series G bonds were issued as term bonds with a coupon of 7.0% and have a final maturity of 2050. The Series G bonds have a true interest cost (net of federal subsidy) of 4.5%. As of June 30, 2023 and 2022, the principal amount of 2010 Series G bonds outstanding was $351,470.

### d) Water Revenue Bonds 2011 Series ABCD

In August 2011, the Water Enterprise issued revenue bonds, 2011 Series ABCD in the combined principal amount of $720,750. The purpose of the bonds is to provide new money for WSIP capital projects, to finance Hetch Hetchy Water Improvements, and to finance the Local Water Main Replacement Projects, as well as refund $56,670 of outstanding 2001 Series A and 2002 Series A revenue bonds, with the balance applied to financing costs and a cash-funded debt service reserve. The bonds were rated "AA-" and "Aa3" from S&P and Moody's, respectively. The bonds included serial and term bonds with interest rates varying from 3.0% to 5.0%.

The $602,715 Series A bonds were issued as tax-exempt bonds to provide $525,000 in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons ranging from 4.3% to 5.0% and have a final maturity of 2041. The Series A bonds have a true interest cost of 4.6%.

A portion of the proceeds of the 2017 Series D and G and 2019 Series A refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated December 1, 2017 and December 1, 2019, respectively, to refund and legally defease a portion of the outstanding 2011 Series A bonds. These deposits, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2011 Series A bonds starting on November 1, 2020 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2011 Series A bonds outstanding was $0.

The $28,975 Series B bonds were issued as tax-exempt bonds to provide $27,710 to finance improvements to certain up-country water storage and transmission facilities under the jurisdiction of Hetch Hetchy Water and Power and CleanPowerSF. The Series B bonds were issued as serial and term bonds with coupons ranging from 3.5% to 5.0% and have a final maturity of 2041. The Series B bonds have a true interest cost of 4.5%.

On February 27, 2013, the Wholesale Water Customers BAWSCA made an early repayment of $356,139 to the Water Enterprise. $515 of the repayment proceeds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement, dated February 27, 2013, to refund and legally defease a portion of the outstanding 2011 Series B bonds. This deposit, together with certain other available monies, was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities consisting of United States Treasury Securities – SLGS. The principal and interest on monies held by the escrow agent will be sufficient to partially defease a portion of the 2011 Series B bonds maturing November 1, 2017 through 2018.

A portion of the proceeds from the 2017 Series F and 2019 Series B refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated December 1, 2017 and December 1, 2019, respectively, to refund and legally defease a portion of the outstanding 2011 Series B bonds. These deposits, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2011 Series B bonds starting on November 1, 2022 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2011 Series B bonds outstanding was $0.

The $33,595 series C bonds were issued as tax-exempt bonds to provide $33,772 to finance certain water main replacement projects within the City. The Series C bonds were issued as serial and term bonds with coupons ranging from 3.0% to 5.0% and have a final maturity of 2041. The Series C bonds have a true interest cost of 4.4%.

On February 27, 2013, the Wholesale Water Customers BAWSCA made an early repayment of $356,139 to the Water Enterprise. $3,824 of the repayment proceeds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement, dated February 27, 2013, to refund and legally defease a portion of the outstanding 2011 Series C bonds. This deposit, together with certain other available monies, was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities consisting of United States Treasury Securities – SLGS. The principal and interest on monies held by the escrow agent will be sufficient to partially defease a portion of the 2011 Series C bonds maturing November 1, 2014 through 2018.

A portion of the proceeds of the 2017 Series E and 2019 Series C refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated December 1, 2017 and December 1, 2019, respectively, to refund and legally defease a portion of the outstanding 2011 Series C bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2011 Series C bonds starting on November 1, 2022 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2011 Series C bonds outstanding was $0.

The $55,465 Series D bonds were issued as tax-exempt bonds to provide $59,381 to refund, on a current basis, a portion of the 2001 Series A bonds as well as refund, on an advance basis, a portion of the 2002 Series A bonds. The Series D bonds were issued as serial bonds with coupons ranging from 4.0% to 5.0% and have a final maturity of 2028. The Series D bonds have a true interest cost of 3.8%.

A portion of the proceeds of the 2017 Series E and 2020 Series G refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated December 1, 2017 and October 1, 2020, respectively, to refund and legally defease a portion of the outstanding 2011 Series D bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2011 Series D bonds starting on November 1, 2022 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2011 Series D bonds outstanding was $0.

### e) Water Revenue Refunding Bonds 2015 Series A

In April 2015, the Water Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of $429,600 for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2023. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.3%. Unamortized 2006 Series A bond issuance costs were $1,392, and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of $25,365, gross debt service savings of $28,148 over the next 20 two-year terms, and an economic gain of $48,561 or 10.3% of refunded principal. As of June 30, 2023 and 2022, the principal amount of 2015 Series A bonds outstanding was $366,375 and $382,420, respectively.

### f) Water Revenue Refunding Bonds 2016 Series AB

In October 2016, the Water Enterprise issued tax-exempt revenue bonds, 2016 Series AB in the aggregate amount of $893,820. The 2016 Series A bonds were issued for the purpose of refunding a portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2020, a portion of the outstanding 2009 Series B bonds maturing on and after November 1, 2020, and a portion of the outstanding 2010 Series F bonds maturing on and after November 1, 2021. The 2016 Series B bonds were issued for the purpose of refunding, on a current basis, all the outstanding 2006 Series B and Series C bonds, and a portion of the outstanding 2010 Series A bonds maturing on and after November 1, 2020, the bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2016 Series AB bonds include serial bonds with interest rates varying from 1.5% to 5.0% and have a final maturity in 2039. The Series AB bonds have a true interest cost of 2.9%. Unamortized bond issuance costs at the date of refunding were $145 for 2006 Series B bonds and $54 for 2006 Series C bonds. The refunding resulted in the recognition of a deferred accounting loss of $106,205, gross debt service savings of $135,966, and an economic gain of $107,152 or 11.5% of refunded principal. As of June 30, 2023 and 2022, the principal amount of 2016 Series AB bonds outstanding was $745,925 and $791,245, respectively.

### g) Water Revenue Bonds 2016 Series C

In December 2016, the Water Enterprise issued taxable bonds, 2016 Series C in the amount of $259,350. The bonds were issued as Green Bonds. The purpose of the bonds was to refund all of the outstanding taxable commercial paper notes in the approximate amount of $237,000, and to provide $19,975 of new money for WSIP capital projects. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2016 Series C bonds include serial bonds with interest rates varying from 0.9% to 4.0% and have a final maturity in 2046, and two term bonds with 4.0% and 4.2% interest rates and final maturities of 2041 and 2046. The Series C bonds have a true interest cost of 3.9%. As of June 30, 2023 and 2022, the principal amount of 2016 Series C bonds outstanding was $225,275 and $231,230, respectively.

### h) Water Revenue Bonds 2017 Series ABC

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 ABC in the aggregate amount of $339,540. The purpose of the 2017 Series ABC Bonds was to refund approximately $120,500 aggregate principal amount of commercial paper notes and to provide $230,500 new money for WSIP capital projects, other various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2017 Series ABC bonds include serial bonds with coupon rates of 5.0% and have final maturity in 2045, and four term bonds with coupons of 5.0% and final maturities from 2045 to 2047.

The $121,140 2017 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $60,265 of commercial paper notes and to provide $65,500 in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons of 5.0% and a final maturity of 2047. The Series A bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series E refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series A bonds. These deposits, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series A bonds starting on November 1, 2030 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2017 Series A bonds outstanding was $24,675 and $27,000, respectively.

The $147,725 2017 Series B bonds were issued as tax-exempt bonds to provide $150,000 in new money for Water Enterprise capital projects (non-WSIP). The Series B bonds were issued as serial and term bonds with coupons of 5.0% and have a final maturity of 2047. The Series B bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series F refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series B bonds. These deposits, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series B bonds starting on November 1, 2030 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2017 Series B bonds outstanding was $30,095 and $32,930, respectively.

The $70,675 2017 Series C bonds were issued as tax-exempt bonds to refund approximately $60,266 of commercial paper notes and to provide $15,000 in new money for Hetch Hetchy Water capital projects. The Series C bonds were issued as serial bonds and a term bond with coupons of 5.0% and have a final maturity of 2047. The Series C bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series H refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series C bonds. These deposits, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series C bonds starting on November 1, 2030 and thereafter. As of June 30, 2023 and 2022, the principal amount of 2017 Series C bonds outstanding was $14,395 and $15,750, respectively.

### i) Water Revenue Refunding Bonds 2017 Series DEFG

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 Series DEF, and taxable 2017 Series G refunding bonds in the aggregate amount of $442,180. The 2017 Series D (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2022, a portion of the outstanding 2012 Series A bonds maturing on and after November 1, 2031.

The 2017 Series E bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2022, a portion of the outstanding 2011 Series D bonds maturing on and after November 1, 2022, a portion of 2012 Series C1 bonds maturing on or after November 1, 2029.

The 2017 Series F bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2022.

The taxable 2017 Series G (WSIP, Green) bonds were issued to refund a portion of the outstanding 2011 Series A bonds maturing on and after November 1, 2022.

The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2017 Series DEFG bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2035. The Series DEFG bonds have a true interest cost of 2.9%. The refunding resulted in the recognition of a deferred accounting loss of $34,275, gross debt service savings of $68,942, and an economic gain of $51,698 or 10.7% of refunded principal. As of June 30, 2023 and 2022, the principal amount of 2017 Series DEFG bonds outstanding was $420,360 and $436,350, respectively.

## j) Water Revenue Refunding Bonds 2019 Series ABC

In January 2020, the Water Enterprise issued taxable revenue bonds, 2019 Series ABC refunding bonds in the aggregate amount of $656,955. The 2019 Series A (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series F (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2020, and a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2035.

The 2019 Series B (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2032.

The 2019 Series C (Local) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2032.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2019 Series ABC bonds include serial bonds with interest rates varying from 1.8% to 3.5% and have a final maturity in 2043. The Series ABC bonds have a true interest cost of 3.3%. The refunding resulted in the recognition of a deferred accounting loss of $17,329, gross debt service savings of $119,827, and an economic gain of $92,556 or 14.0% of refunded principal. As of June 30, 2023 and 2022, the principal amount of 2019 Series ABC bonds outstanding was $621,915 and $625,555, respectively.

## k) Water Revenue Bonds 2020 Series ABCD

In September 2020, the Water Enterprise issued tax-exempt revenue bonds, 2020 Series ABCD in the aggregate amount of $346,760. The purpose of the 2020 Series ABCD Bonds was to refund approximately $229,770 aggregate principal amount of commercial paper notes and to provide $164,632 new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2020 Series ABCD bonds include term bonds with coupons of 3.0% to 5.0% and final maturities from 2045 to 2050.

The $150,895 2020 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $180,000 of commercial paper notes for WSIP capital projects. The Series A bonds were issued as term bonds with coupons of 4.0% and 5.0% and a final maturity of 2050. The 2020 Series A bonds have a true interest cost of 3.3%. As of June 30, 2023 and 2022, the principal amount of 2020 Series A bonds outstanding was $150,895.

The $61,330 Series B bonds were Issued as tax-exempt bonds to provide $69,644 in new money for Water Enterprise capital projects (non-WSIP, Regional). The Series B bonds were issued as term bonds with coupons of 5.0% and have a final maturity of 2050. The Series B bonds have a true interest cost of 3.7%. As of June 30, 2023 and 2022, the principal amount of 2020 Series B bonds outstanding was $61,330.

The $85,335 Series C bonds were issued as tax-exempt bonds to provide $94,948 in new money for Water Enterprise capital projects (non-WSIP, Local). The Series C bonds were issued as term bonds with coupons of 4.0% and have a final maturity of 2050. The Series C bonds have a true interest cost of 3.0%. As of June 30, 2023 and 2022, the principal amount of 2020 Series C bonds outstanding was $85,335.

The $49,200 Series D bonds were issued as tax-exempt bonds to refund approximately $49,761 of commercial paper notes for Hetch Hetchy Water capital projects. The Series D bonds were issued as term bonds with coupons of 3.0% and a final maturity of 2050. The 2020 Series D bonds have a true interest cost of 2.7%. As of June 30, 2023 and 2022, the principal amount of 2020 Series D bonds outstanding was $49,200.

(Dollars in thousands, unless otherwise stated)

## l) Water Revenue Bonds 2020 Series EFGH

In October 2020, the Water Enterprise issued taxable revenue bonds, 2020 Series EFGH refunding bonds in the aggregate amount of $664,395. The 2020 Series E (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2038, and a portion of the outstanding 2017 Series A (WSIP) bonds maturing on and after November 1, 2030.

The 2020 Series F (non-WSIP, Regional) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series B bonds maturing on or after November 1, 2030.

The 2020 Series G (non-WSIP, Local) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D bonds maturing on or after November 1, 2020, a portion of the 2011 Series D bonds maturing on or after November 1, 2022, a portion of 2012 Series B bonds maturing on or after November 1, 2031, and a portion of 2012 Series C bonds maturing on or after November 1, 2025.

The 2020 Series H (Hetch Hetchy Water) bonds issued for the purpose of refunding a portion of the outstanding 2017 Series C bonds maturing on or after November 1, 2030.

The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2020 Series EFGH bonds include serial bonds and term bonds with interest rates varying from 0.3% to 3.1% and have a final maturity in 2047. The Series EFGH bonds have a true interest cost of 2.7%. The refunding resulted in the recognition of a deferred accounting loss of $27,010, gross debt service savings of $117,114, and an economic gain of $75,212 or 12.0% of refunded principal. As of June 30, 2023 and 2022, the principal amount of 2020 Series EFGH bonds outstanding was $644,275 and $650,570, respectively.

## m) Future Annual Debt Service of Revenue Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2023. The federal interest subsidy amounts represent 35.0%, excluding sequestration, of the interest for the revenue bond 2010 Series B, E, and G.

| | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|
| Fiscal years ending June 30: | | | | |
| 2024 | $ 135,095 | 197,481 | (20,841) | 176,640 |
| 2025 | 140,485 | 191,563 | (20,370) | 171,193 |
| 2026 | 151,930 | 185,085 | (19,876) | 165,209 |
| 2027 | 157,635 | 177,956 | (19,345) | 158,611 |
| 2028 | 163,125 | 170,410 | (18,772) | 151,638 |
| 2029-2033 | 926,810 | 728,151 | (83,650) | 644,501 |
| 2034-2038 | 1,117,065 | 489,895 | (59,144) | 430,751 |
| 2039-2043 | 924,965 | 255,105 | (29,912) | 225,193 |
| 2044-2048 | 443,220 | 125,062 | (14,788) | 110,274 |
| 2049-2051 | 299,035 | 23,037 | (2,629) | 20,408 |
| Total | 4,459,365 | 2,543,745 | (289,327) | 2,254,418 |
| Less: Current portion | (135,095) | | | |
| Less: Unamortized bond discount | (115) | | | |
| Add: Unamortized bond premiums | 251,596 | | | |
| Long-term portion as of June 30, 2023 | $ 4,575,751 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidies on the 2010 Series B bonds, 2010 Series E bonds, and 2010 Series G bonds are reduced by 5.7%, or a total reduction of $17,488, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

(Dollars in thousands, unless otherwise stated)

As defined in the Indentures, the principal and interest of the Water Enterprise's revenue and refunding bonds are payable from its revenues, as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

## n) SF Westside Recycled Water Project and Future Annual Debt Service for Clean Water State Revolving Fund (CWSRF) Loan and Grant

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $186,220, which includes $15,000 of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds.

The principal outstanding as of June 30, 2023 and 2022 were $131,525 and $121,761, respectively. In addition, there was $15,000 of principal forgiveness in fiscal year 2023.

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Fiscal years ending June 30: | | | | |
| 2024 | $ | — | — | — |
| 2025 | | — | — | — |
| 2026 | | 3,781 | 1,315 | 5,096 |
| 2027 | | 3,819 | 1,277 | 5,096 |
| 2028 | | 3,857 | 1,239 | 5,096 |
| 2029-2033 | | 19,872 | 5,610 | 25,482 |
| 2034-2038 | | 20,885 | 4,596 | 25,481 |
| 2039-2043 | | 21,951 | 3,531 | 25,482 |
| 2044-2048 | | 23,070 | 2,411 | 25,481 |
| 2049-2053 | | 24,247 | 1,234 | 25,481 |
| 2054-2057 | | 10,043 | 152 | 10,195 |
| Total | | 131,525 | 21,365 | 152,890 |
| Less: Current portion | | — | | |
| Long-term portion as of June 30, 2023 | $ | 131,525 | | |

## o) Mountain Tunnel Improvement Project and Future Annual Debt Service for Drinking Water State Revolving Fund (DWSRF) Loan

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Water Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of $238,219. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Improvement Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds.

(Dollars in thousands, unless otherwise stated)

The principal outstanding as of June 30, 2023 and 2022 was $32,102 and $0, respectively.

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Fiscal years ending June 30: | | | | |
| 2024 | $ | — | — | — |
| 2025 | | — | — | — |
| 2026 | | — | — | — |
| 2027 | | — | — | — |
| 2028 | | — | — | — |
| 2029-2033 | | 4,708 | 1,512 | 6,220 |
| 2034-2038 | | 4,948 | 1,272 | 6,220 |
| 2039-2043 | | 5,200 | 1,019 | 6,219 |
| 2044-2048 | | 5,465 | 754 | 6,219 |
| 2049-2053 | | 5,744 | 475 | 6,219 |
| 2054-2057 | | 6,037 | 183 | 6,220 |
| Total | | 32,102 | 5,215 | 37,317 |
| Less: Current portion | | — | | |
| Long-term portion as of June 30, 2023 | $ | 32,102 | | |

## p) Proposition A

On November 5, 2002, the San Francisco voters passed Proposition A, which provides for the issuance of revenue bonds and/or other forms of indebtedness by the Commission in a principal amount not to exceed $1,628,000 to finance the acquisition and construction of improvements to the City's Water System. As of June 30, 2023, there was no commercial paper outstanding pursuant to this authorization and $1,499,230 of bonds had been issued in fiscal years 2006, 2010, 2012, 2021 against Prop A. The total authorization against Prop A was $1,499,230 as of June 30, 2023.

## q) Proposition E

On November 5, 2002, the San Francisco voters passed Proposition E, which authorizes the Board of Supervisors' approval of the issuance of revenue bonds and/or other forms of indebtedness by the Commission to finance costs for the Commission's capital programs, including WSIP. As of June 30, 2023, the Board of Supervisors authorized the issuance of $4,758,518 in revenue bonds with $3,903,617 issued against this authorization; in September 2017 and amended in April 2023, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project in the amount of $186,220 (which includes a $15,000 grant) and in April 2022, the SFPUC entered in to an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Mountain Tunnel Improvement Project in the amount of $238,219. Additionally, $371,459 and $206,297 in commercial paper was outstanding pursuant to this authorization as of June 30, 2023 and 2022, respectively.

## r) Events of Default and Remedies

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, significant events of default as specified in the Water Enterprise Indenture (applicable to Water Revenue Bonds, and CWSRF Loan) include 1) Non-payment 2) material breach of warranty, representation or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2023, and 2022, there were no such events describe herein.

(Dollars in thousands, unless otherwise stated)

## Wastewater Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | Interest rate | Maturity (Calendar Year) | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue bonds: | | | | | | | |
| 2010 Series B (Build America) | 4.65 – 5.82 % | 2040 | $ 192,515 | — | (7,280) | 185,235 | 7,505 |
| 2013 Series A | 1.00 – 5.00 | 2025 | 15,535 | — | (14,960) | 575 | 575 |
| 2013 Series B | 4.00 – 5.00 | 2042 | 331,585 | — | (238,490) | 93,095 | — |
| 2016 Series A | 4.00 – 5.00 | 2046 | 240,580 | — | — | 240,580 | 5,475 |
| 2016 Series B | 4.00 – 5.00 | 2046 | 67,820 | — | — | 67,820 | 1,545 |
| 2018 Series A | 4.00 – 5.00 | 2043 | 229,050 | — | (7,715) | 221,335 | 7,160 |
| 2018 Series B | 5.00 | 2043 | 185,950 | — | (6,260) | 179,690 | 5,810 |
| 2018 Series C | 2.13 | 2048 | 179,145 | — | (179,145) | — | — |
| 2021 Series A | 4.00 – 5.00 | 2051 | 260,835 | — | — | 260,835 | — |
| 2021 Series B | 5.00 | 2051 | 37,045 | — | — | 37,045 | — |
| 2022 Series B | 5.00 | 2034 | — | 137,080 | — | 137,080 | — |
| 2023 Series A | 5.00 – 5.25 | 2042 | — | 530,565 | — | 530,565 | — |
| 2023 Series B | 4.00 – 5.00 | 2042 | — | 278,155 | — | 278,155 | — |
| 2023 Series C | 4.00 | 2048 | — | 165,660 | — | 165,660 | — |
| For issuance premiums | | | 191,193 | 178,474 | (30,427) | 339,240 | — |
| Revenue Notes: | | | | | | | |
| 2021 Series A - Biosolids | 1.00 | 2025 | 218,355 | — | — | 218,355 | — |
| 2021 Series B - SEP Headworks | 1.00 | 2026 | 129,110 | — | — | 129,110 | — |
| For issuance premiums | | | 2,891 | — | (800) | 2,091 | — |
| Total revenue bonds and notes payable | | | 2,281,609 | 1,289,934 | (485,077) | 3,086,466 | 28,070 |
| 2009 Series C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 826 | — | (826) | — | — |
| 2009 Series C COPs issuance premiums | | | 4 | — | (4) | — | — |
| 2009 Series D COPs (Build America) | 6.36 – 6.49 | 2041 | 24,458 | — | — | 24,458 | 864 |
| State Revolving Fund Loans (CWSRF) | 0.80 – 1.80 | 2056 | 302,659 | 18,511 | (2,481) | 318,689 | 2,526 |
| Water Infrastructure Finance and Innovation Act Loans (WIFIA) | 1.45 | 2059 | — | 122,357 | — | 122,357 | — |
| Arbitrage rebate payable | | | — | 188 | — | 188 | — |
| Other post-employment benefits obligations | | | 49,123 | — | (88) | 49,035 | — |
| Net pension liability | | | — | 49,549 | — | 49,549 | — |
| Accrued vacation and sick leave | | | 10,901 | 4,729 | (3,968) | 11,662 | 6,040 |
| Accrued workers' compensation | | | 7,546 | 2,976 | (2,524) | 7,998 | 1,509 |
| Due to Other City departments | | | 629 | 2,102 | (111) | 2,620 | 2,215 |
| Lease liability | | | 3,638 | — | (2,341) | 1,297 | 1,297 |
| Subscription liability | | | 944 | — | (515) | 429 | 243 |
| Damage claims liability | | | 12,045 | 2,716 | (10,411) | 4,350 | 1,650 |
| Pollution remediation obligations | | | 8,060 | — | (260) | 7,800 | — |
| Total | | | $ 2,702,442 | 1,493,062 | (508,606) | 3,686,898 | 44,414 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

| | Interest rate | Maturity (Calendar Year) | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|---|---|
| Revenue bonds: | | | | | | | |
| 2010 Series A | 4.00 – 5.00 % | 2021 | $ 8,820 | — | (8,820) | — | — |
| 2010 Series B (Build America) | 4.65 – 5.82 | 2040 | 192,515 | — | — | 192,515 | 7,280 |
| 2013 Series A | 1.00 – 5.00 | 2025 | 29,595 | — | (14,060) | 15,535 | 13,090 |
| 2013 Series B | 4.00 – 5.00 | 2042 | 331,585 | — | — | 331,585 | — |
| 2016 Series A | 4.00 – 5.00 | 2046 | 240,580 | — | — | 240,580 | — |
| 2016 Series B | 4.00 – 5.00 | 2046 | 67,820 | — | — | 67,820 | — |
| 2018 Series A | 4.00 – 5.00 | 2043 | 229,050 | — | — | 229,050 | 7,715 |
| 2018 Series B | 5.00 | 2043 | 185,950 | — | — | 185,950 | 6,260 |
| 2018 Series C | 2.13 | 2048 | 179,145 | — | — | 179,145 | — |
| 2021 Series A | 4.00 – 5.00 | 2051 | — | 260,835 | — | 260,835 | — |
| 2021 Series B | 5.00 | 2051 | — | 37,045 | — | 37,045 | — |
| For issuance premiums | | | 124,862 | 75,820 | (9,489) | 191,193 | — |
| Revenue Notes: | | | | | | | |
| 2021 Series A - Biosolids | 1.00 | 2025 | — | 218,355 | — | 218,355 | — |
| 2021 Series B - SEP Headworks | 1.00 | 2026 | — | 129,110 | — | 129,110 | — |
| For issuance premiums | | | — | 3,358 | (467) | 2,891 | — |
| Total revenue bonds and notes payable | | | 1,589,922 | 724,523 | (32,836) | 2,281,609 | 34,345 |
| 2009 Series C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 1,611 | — | (785) | 826 | 826 |
| 2009 Series C COPs issuance premiums | | | 18 | — | (14) | 4 | 4 |
| 2009 Series D COPs (Build America) | 6.36 – 6.49 | 2041 | 24,458 | — | — | 24,458 | — |
| State Revolving Fund Loans (CWSRF Loans) | 0.80 – 1.80 | 2056 | 108,559 | 196,583 | (2,483) | 302,659 | 2,481 |
| Other post-employment benefits obligations | | | 50,711 | 5,466 | (7,054) | 49,123 | — |
| Net pension liability | | | 103,746 | — | (103,746) | — | — |
| Accrued vacation and sick leave | | | 11,658 | 2,895 | (3,652) | 10,901 | 5,479 |
| Accrued workers' compensation | | | 6,582 | 3,207 | (2,243) | 7,546 | 1,393 |
| Due to Other City departments | | | 739 | — | (110) | 629 | 111 |
| Lease liability | | | 5,952 | 27 | (2,341) | 3,638 | 2,341 |
| Subscription liability | | | — | 1,422 | (478) | 944 | 515 |
| Damage claims liability | | | 16,713 | 8,812 | (13,480) | 12,045 | 9,323 |
| Pollution remediation obligations | | | 7,800 | 260 | — | 8,060 | — |
| Total | | | $ 1,928,469 | 943,195 | (169,222) | 2,702,442 | 56,818 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

The payments of principal and interest amounts on various bonds are secured by net revenues of the Wastewater Enterprise.

### a) Wastewater Revenue Bonds 2010 Series A

During fiscal year 2010, the Wastewater Enterprise issued revenue bonds 2010 Series A in the amount of $47,050 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to redeem $50,000 in outstanding commercial paper notes, fund a cash debt service reserve fund, and pay the costs of issuing the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively at the time of issuance. Bonds mature through October 1, 2021. The true interest cost is 2.9%. As of June 30, 2023 and 2022, the 2010 Series A bonds' principal amount outstanding was $0.

### b) Wastewater Revenue Bonds 2010 Series B

During fiscal year 2010, the Wastewater Enterprise issued revenue bonds 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) in the amount of $192,515 with interest rates ranging from 4.7% to 5.8%. Proceeds from the bonds were used to redeem $53,500 in outstanding commercial paper notes, provide funding for capital projects in the amount of $112,429, fund a cash debt service reserve fund, and pay financing costs for the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively at the time of issuance. Bonds mature through October 1, 2040. The true interest cost is 3.7%. As of June 30, 2023 and 2022, the 2010 Series B bonds' principal amount outstanding was $185,235 and $192,515, respectively.

### c) Wastewater Revenue Bonds 2013 Series A

In January 2013, the Wastewater Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of $193,400 for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively at the time of issuance. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds have a true interest cost of 1.2%. The 2013 Series A bonds also refunded the remaining portion of the outstanding state revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of $2,986, gross debt service savings of $35,107 over the next 13 years, and an economic gain of $32,783 or 15.4% of the refunded principal.

A portion of the proceeds of the 2022 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated July 1, 2022 to refund and legally defease a portion of the outstanding 2013 Series A bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2013 Series A bonds starting on October 1, 2024 and thereafter. As of June 30, 2023 and 2022, the principal amount outstanding of the 2013 Series A bonds was $575 and $15,535, respectively.

### d) Wastewater Revenue Bonds 2013 Series B

In February 2013, the Wastewater Enterprise issued revenue bonds 2013 Series B in the amount of $331,585 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, pay off all outstanding Wastewater commercial paper notes, and pay the costs of issuing the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively at the time of issuance. Bonds mature through October 1, 2042. The true interest cost is 3.6%.

A portion of the proceeds of the 2022 Series B and 2023 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, date July 1, 2022 and April 1, 2023, respectively to refund and legally defease a portion of the outstanding 2013 Series B bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2013 Series A bonds starting on October 1, 2024 through October 1, 2039. The remaining bonds mature through October 1, 2042. As of June 30, 2023 and 2022, the principal amount outstanding of the 2013 Series B bonds was $93,095 and $331,585, respectively.

### e) Wastewater Revenue Bonds 2016 Series A

In May 2016, the Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series A (Green Bonds) in the amount of $240,580 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $53,439 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2023 and 2022, the principal amount outstanding of the 2016 Series A bonds was $240,580.

### f) Wastewater Revenue Bonds 2016 Series B

In May 2016, the Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series B in the amount of $67,820 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $20,560 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2023 and 2022, the principal amount outstanding of the 2016 Series B bonds was $67,820.

### g) Wastewater Revenue Bonds 2018 Series A

In August 2018, the Wastewater Enterprise issued tax-exempt revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of $229,050 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects in furtherance of the SFPUC’s Sewer System Improvement Program (SSIP), to pay off $25,000 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.4%. As of June 30, 2023 and 2022, the principal amount outstanding of the 2018 Series A bonds was $221,335 and $229,050, respectively.

### h) Wastewater Revenue Bonds 2018 Series B

In August 2018, the Wastewater Enterprise issued tax-exempt revenue bonds 2018 Series B (Non-SSIP) in the amount of $185,950 with 5.0% interest rate. Proceeds from the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.5%. As of June 30, 2023 and 2022, the principal amount outstanding of the 2018 Series B bonds was $179,690 and $185,950, respectively.

### i) Wastewater Revenue Bonds 2018 Series C

In August 2018, the Wastewater Enterprise issued tax-exempt revenue bonds 2018 Series C (SSIP) (Green Bonds) in the amount of $179,145 with 2.1% interest rate. Proceeds from the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively at the time of issuance. The 2018 Series C bonds was fully refunded by the 2023 Series C bonds. The Initial Mandatory Tender date of the 2018 Series C bonds is October 1, 2023. The bonds have a true interest cost of 3.5%. As of June 30, 2023 and 2022, the principal amount outstanding of the 2018 Series C bonds was $0 and $179,145, respectively.

### j) Wastewater Revenue Bonds 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue bonds, 2021 Series AB in the aggregate amount of $297,880. The purpose of the 2021 Series AB Bonds was to refund approximately $340,000 aggregate principal amount of commercial paper notes which funded various capital projects of the Wastewater Enterprise. The bonds carried "Aa2" and "AA" ratings from Moody's and S&P, respectively.

The $260,835 2021 Series A Bonds were issued as tax-exempt Green Bonds to refund approximately $296,000 of commercial paper notes for SSIP capital projects. The Series A bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2051. The 2021 Series A bonds have a true interest cost of 3.0%. As of June 30, 2023 and 2022, the principal amount of the 2021 Series A bonds outstanding was $260,835.

The $37,045 2021 Series B bonds were issued as tax-exempt bonds to refund approximately $44,000 of commercial paper notes for Wastewater capital projects. The Series B bonds were issued as serial bonds with coupons of 5.0% and have a final maturity of 2051. The Series B bonds have a true interest cost of 3.2%. As of June 30, 2023 and 2022, the principal amount of the 2021 Series B bonds outstanding was $37,045.

### k) Wastewater Revenue Notes 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue (Green) notes, 2021 Sub- Series A and Sub-Series B together with an aggregate principal of $347,465 to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements. The SFPUC intends to pay principal of the 2021A Notes and 2021B Notes from the proceeds of one or more draws under WIFIA Loan Agreements for the Biosolids Digester Facility Project and Southeast Treatment Plant Improvements, respectively, or from the proceeds of future obligations.

The $218,355 2021 Series A Notes were issued as tax-exempt Green Notes to fund a portion of the Biosolids Digester Facilities Project. The Series A Notes were issued with 1.0% coupons and a final maturity of 2025. The 2021 Series A Notes have a true interest cost of 0.75%. As of June 30, 2023 and 2022, the principal amount of 2021 Series A Notes outstanding was $218,355.

The $129,110 2021 Series B Notes were issued as tax-exempt Green Notes to fund a portion of Southeast Water Pollution Control Plant improvements. The Series B Notes were issued with 1.0% coupons and a final maturity of 2026. The 2021 Series B Notes have a true interest cost of 0.81%. As of June 30, 2023 and 2022, the principal amount of 2021 Series B Notes outstanding was $129,110.

### l) Wastewater Revenue Refunding Bonds 2022 Series B

In July 2022, the Wastewater Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate principal amount of $137,080 on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024 and October 1, 2025 and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024 through October 1, 2034. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5% and have a final maturity in 2034. The Series B bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $6,868, gross debt service savings of $12,446, and an economic gain of $12,012 or 8.0% of refunded bonds. As of June 30, 2023, the principal amount of the 2022 Series B bonds outstanding was $137,080.

### m) Wastewater Revenue Refunding Bonds 2023 Series ABC

In April 2023, the Wastewater Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in the aggregate principal amount of $974,380. The purpose of the 2023 Series ABC bonds was to refund approximately $557,845 aggregate principal amount of commercial paper notes, finance various capital projects of the Wastewater Enterprise, and refund certain outstanding revenue bonds. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The $530,565 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400,900 of commercial paper notes for SSIP capital projects and finance certain capital projects benefitting the Wastewater Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042. The 2023 Series A bonds have a true interest cost of 2.9%. As of June 30, 2023, the principal amount of the 2023 Series A bonds outstanding was $530,565.

The $278,155 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1, 2035 through October 1, 2039, refund approximately $156,900 of commercial paper notes for certain capital projects benefitting the Enterprise and finance certain capital projects benefitting the Wastewater Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The Series B bonds have a true interest cost of 3.0%. The refunding resulted in the recognition of a deferred accounting gain of $5,316 and gross debt service savings of $10,626. As of June 30, 2023, the principal amount of the 2023 Series B bonds outstanding was $278,155.

The $165,660 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The 2023 Series C bonds have a true interest cost of 3.5%. The refunding resulted in the recognition of a deferred accounting gain of $963, gross debt service savings of $24,606, and an economic gain of $15,785 or 8.8% of refunded bonds. As of June 30, 2023, the principal amount of the 2023 Series C bonds outstanding was $165,660.

(Dollars in thousands, unless otherwise stated)

## n) Future Annual Debt Service of Revenue and Refunding Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2023. The interest before subsidy amounts include the interest for 2010 Series B, 2013 Series A and B, 2016 Series A and B, and 2018 Series A, B, and C, 2021 Series A and B bonds, 2021 Series A and B notes, 2022 Series B and 2023 Series A, B, and C bonds. The federal interest subsidy amounts represent 35% of the interest, excluding sequestration, for the 2010 Series B revenue bonds.

| | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| Fiscal years ending June 30: | | | | | |
| 2024 | $ | 28,070 | 114,379 | (3,356) | 111,023 |
| 2025 | | 35,370 | 115,140 | (3,235) | 111,905 |
| 2026 | | 256,815 | 112,242 | (3,105) | 109,137 |
| 2027 | | 199,405 | 107,815 | (2,968) | 104,847 |
| 2028 | | 77,225 | 103,460 | (2,822) | 100,638 |
| 2029-2033 | | 540,075 | 438,987 | (11,623) | 427,364 |
| 2034-2038 | | 520,935 | 303,416 | (6,675) | 296,741 |
| 2039-2043 | | 526,905 | 179,593 | (1,173) | 178,420 |
| 2044-2048 | | 378,985 | 77,465 | — | 77,465 |
| 2049-2052 | | 181,350 | 13,138 | — | 13,138 |
| Total | | 2,745,135 | 1,565,635 | (34,957) | 1,530,678 |
| Less: Current portion | | (28,070) | | | |
| Add: Unamortized bond premiums | | 341,331 | | | |
| Long-term portion as of June 30, 2023 | $ | 3,058,396 | | | |

*The SFPUC received an IRS notice, dated May 25 2023, that the federal interest subsidy on the 2010 Series B bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $2,113, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

As defined in the Indenture, the principal and interest of the Wastewater Enterprise's refunding bonds are payable from its corresponding revenue as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

## o) Lake Merced Green Infrastructure Project - CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7,435. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6,116 and a construction period interest of $166 transferred to principal. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $5,945 and $6,112, respectively.

## p) Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project - CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40,007. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39,741. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $36,409 and $37,450, respectively.

### q) North Point Facility Outfall Rehabilitation Project - CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20,199. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17,706. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $15,231 and $15,710, respectively.

### r) Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project - CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34,446. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29,197. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $25,254 and $26,048, respectively.

### s) Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project - CWSRF Loan

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54,388, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $33,230, which included a loan forgiveness grant of $4,000. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $29,230 and $24,661, respectively.

### t) Southeast Plant (SEP) Biosolids Digester Facilities Project - CWSRF Loan and Grant

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132,000, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132,000, which includes a $4,000 loan forgiveness grant. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $128,000.

(Dollars in thousands, unless otherwise stated)

## u) Southeast Plant (SEP) New Headworks (Grit) Replacement Project - CWSRF Loan

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112,036. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in March 2024. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $64,678 and a receivable for reimbursement of $13,942. As of June 30, 2023 and 2022, the principal amount outstanding of the loan was $78,620 and $64,678, respectively.

## v) Future Annual Debt Services of State Revolving Fund Loans (CWSRF Loans)

The future annual debt services relating to the SRF Loan to fund the Lake Merced Green Infrastructure Project, the North Point Facility Outfall Rehabilitation Project, the SEP Primary/Secondary Clarifier Upgrade Project, the SEP 521/522 and Disinfection Upgrade Project, the OSP Digester Gas Utilization Upgrade Project, the SEP Biosolids Digester Facilities Project, and the SEP New Headworks (Grit) Replacement Project outstanding as of June 30, 2023 are as follows:

| | | Principal | Interest and Fees* | Total |
|---|---|---|---|---|
| Fiscal years ending June 30: | | | | |
| 2024 | $ | 2,526 | 1,479 | 4,005 |
| 2025 | | 5,588 | 2,708 | 8,296 |
| 2026 | | 5,669 | 2,627 | 8,296 |
| 2027 | | 9,215 | 4,336 | 13,551 |
| 2028 | | 9,347 | 4,204 | 13,551 |
| 2029-2033 | | 48,792 | 18,960 | 67,752 |
| 2034-2038 | | 52,411 | 15,341 | 67,752 |
| 2039-2043 | | 56,308 | 11,444 | 67,752 |
| 2044-2048 | | 60,505 | 7,247 | 67,752 |
| 2049-2053 | | 48,755 | 3,197 | 51,952 |
| 2054-2056 | | 19,573 | 481 | 20,054 |
| Total | | 318,689 | 72,024 | 390,713 |
| Less: Current portion | | (2,526) | | |
| Long-term portion as of June 30, 2023 | $ | 316,163 | | |

*Interest and Fees included debt admin fees for the North Point Facility and SEP Clarifier Upgrade SRF loans.

### w) Biosolids Digester Facility Project Water Infrastructure Finance Innovation Act Loan Agreement (WIFIA)

In July 2018, the SFPUC entered into a "Water Infrastructure Finance and Innovation Act (WIFIA)" Loan Agreement ("WIFIA Loan") with the United States Environmental Protection Agency in the amount of $699,242. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund ("SRF") Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bore a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. In June 2020 the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of WIFIA Loan Agreement are unchanged.

In March of 2023, the SFPUC received disbursement of $122,283 in respect to eligible project costs and a capitalized interest of $74 added to principal. As of June 30, 2023, the principal amount of the loan outstanding was $122,357

### x) Southeast Treatment Plant Improvements Project - WIFIA Loan

In June 2020, the San Francisco Public Utilities Commission ("SFPUC") entered into a "Water Infrastructure Finance and Innovation Act (WIFIA)" Loan Agreement ("WIFIA Loan") with the United States Environmental Protection Agency in the amount of $513,862. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund ("SRF") Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

### y) Master Loan Agreement and Project 1 Loan Agreement - WIFIA Loan

In April 2023, the SFPUC entered into a "Water Infrastructure Finance and Innovation Act (WIFIA)" Master Agreement and Project 1 Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the "Water Infrastructure Finance and Innovation Act (WIFIA)" authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791,337 to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369,335, will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund ("SRF") Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. The SFPUC has not yet submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

(Dollars in thousands, unless otherwise stated)

## z) Future Annual Debt Services of WIFIA Loans

The future annual debt services relating to the WIFIA Loan to fund the Biosolids Digester Facility Project outstanding as of June 30, 2023 are as follows:

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Fiscal years ending June 30: | | | | |
| 2024 | $ | — | — | — |
| 2025 | | — | — | — |
| 2026 | | — | 886 | 886 |
| 2027 | | — | 1,773 | 1,773 |
| 2028 | | — | 1,773 | 1,773 |
| 2029-2033 | | — | 8,866 | 8,866 |
| 2034-2038 | | — | 8,866 | 8,866 |
| 2039-2043 | | — | 8,866 | 8,866 |
| 2044-2048 | | 20,166 | 8,328 | 28,494 |
| 2049-2053 | | 41,698 | 6,108 | 47,806 |
| 2054-2058 | | 49,610 | 2,813 | 52,423 |
| 2059 | | 10,883 | 119 | 11,002 |
| Total | | 122,357 | 48,398 | 170,755 |
| Less: Current portion | | — | | |
| Long-term portion as of June 30, 2023 | $ | 122,357 | | |

## aa) Events of Default and Remedies

In accordance with GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, significant events of default as specified in the Wastewater Enterprise Indenture (applicable to Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan include 1) Non-payment 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2023 and 2022, there were no such events described herein.

## Hetchy Water Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|
| Other post-employment benefits obligations | $ | 14,240 | 667 | — | 14,907 | — |
| Net pension liability | | — | 14,105 | — | 14,105 | — |
| Accrued vacation and sick leave | | 2,169 | 700 | (603) | 2,266 | 1,132 |
| Accrued workers' compensation | | 1,228 | 76 | (85) | 1,219 | 216 |
| Lease liability | | 62 | 105 | (29) | 138 | 16 |
| Subscription liability | | 309 | — | (170) | 139 | 80 |
| Damage claims liability | | 627 | 320 | (247) | 700 | 300 |
| Unearned revenues, refunds, and other | | 134 | 15 | (39) | 110 | 110 |
| Total | $ | 18,769 | 15,988 | (1,173) | 33,584 | 1,854 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

| | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|
| Other post-employment benefits obligations | $ 14,444 | 1,921 | (2,125) | 14,240 | — |
| Net pension liability | 26,645 | — | (26,645) | — | — |
| Accrued vacation and sick leave | 2,185 | 749 | (765) | 2,169 | 1,034 |
| Accrued workers' compensation | 1,120 | 233 | (125) | 1,228 | 215 |
| Due to Other City departments | — | — | — | — | — |
| Lease liability | 78 | — | (16) | 62 | 3 |
| Subscription liability | — | 468 | (159) | 309 | 170 |
| Damage claims liability | 525 | 253 | (151) | 627 | 228 |
| Unearned revenues, refunds, and other | 138 | 14 | (18) | 134 | 24 |
| Total | $ 45,135 | 3,638 | (30,004) | 18,769 | 1,674 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

## Hetchy Power Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | Interest Rate | Maturity (Calendar Year) | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|---|
| Bonds: | | | | | | | |
| Clean Renewable Energy Bonds | 0.00 % | 2022 | $ 421 | — | (421) | — | — |
| Qualified Energy Conservation Bonds | 4.74 | 2027 | 3,138 | — | (555) | 2,583 | 562 |
| New Clean Renewable Energy Bonds 2015 | 4.62 | 2032 | 1,637 | — | (146) | 1,491 | 148 |
| 2015 Series A Revenue Bonds | 4.00 - 5.00 | 2045 | 32,025 | — | — | 32,025 | — |
| 2015 Series B Revenue Bonds | 3.00 - 4.00 | 2026 | 3,735 | — | (850) | 2,885 | 880 |
| 2021 Series A Revenue Bonds | 4.00 - 5.00 | 2052 | 74,280 | — | — | 74,280 | — |
| 2021 Series B Revenue Bonds | 4.00 - 5.00 | 2052 | 49,720 | — | — | 49,720 | — |
| Less issuance discount | | | (6) | — | 6 | — | — |
| Add issuance premiums | | | 29,536 | — | (1,588) | 27,948 | — |
| Total bonds payable | | | 194,486 | — | (3,554) | 190,932 | 1,590 |
| 2009 Series C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 425 | — | (425) | — | — |
| 2009 Series C COPs issuance premiums | | | 2 | — | (2) | — | — |
| 2009 Series D COPs (Build America) | 6.36 – 6.49 | 2041 | 12,593 | — | — | 12,593 | 445 |
| Commercial Papers | 1.05 – 3.15 | 2023 | — | 116,352 | — | 116,352 | — |
| Other post-employment benefits obligations | | | 17,405 | 815 | — | 18,220 | — |
| Net pension liability | | | — | 17,239 | — | 17,239 | — |
| Accrued vacation and sick leave | | | 3,597 | 1,838 | (1,719) | 3,716 | 1,867 |
| Accrued workers' compensation | | | 2,250 | 224 | (236) | 2,238 | 401 |
| Due to Other City departments | | | 380 | 1,946 | (380) | 1,946 | 1,946 |
| Lease liability | | | 75 | 131 | (37) | 169 | 19 |
| Subscription liability | | | 253 | — | (137) | 116 | 65 |
| Damage claims liability | | | 1,023 | 10,439 | (5,312) | 6,150 | 450 |
| Unearned revenues, refunds, and other | | | 6,727 | 10,385 | (10,652) | 6,460 | 5,880 |
| Total | | | $ 239,216 | 159,369 | (22,454) | 376,131 | 12,663 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

| | Interest Rate | Maturity (Calendar Year) | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|---|---|
| Bonds: | | | | | | | |
| Clean Renewable Energy Bonds | 0.00 % | 2022 | $ 843 | — | (422) | 421 | 421 |
| Qualified Energy Conservation Bonds | 4.74 | 2027 | 3,687 | — | (549) | 3,138 | 555 |
| New Clean Renewable Energy Bonds 2015 | 4.62 | 2032 | 1,779 | — | (142) | 1,637 | 146 |
| 2015 Series A Revenue Bonds | 4.00 - 5.00 | 2045 | 32,025 | — | — | 32,025 | — |
| 2015 Series B Revenue Bonds | 3.00 - 4.00 | 2026 | 4,550 | — | (815) | 3,735 | 850 |
| 2021 Series A Revenue Bonds | 4.00 - 5.00 | 2052 | — | 74,280 | — | 74,280 | — |
| 2021 Series B Revenue Bonds | 4.00 - 5.00 | 2052 | — | 49,720 | — | 49,720 | — |
| Less issuance discount | | | (20) | — | 14 | (6) | (6) |
| Add issuance premiums | | | 3,448 | 27,022 | (934) | 29,536 | — |
| Total bonds payable | | | 46,312 | 151,022 | (2,848) | 194,486 | 1,966 |
| 2009 Series C Certificates of Participation (COPs) | 2.00 – 5.00 | 2022 | 830 | — | (405) | 425 | 425 |
| 2009 Series C COPs issuance premiums | | | 8 | — | (6) | 2 | 2 |
| 2009 Series D COPs (Build America) | 6.36 – 6.49 | 2041 | 12,593 | — | — | 12,593 | — |
| Other post-employment benefits obligations | | | 17,653 | 2,347 | (2,595) | 17,405 | — |
| Net pension liability | | | 32,566 | — | (32,566) | — | — |
| Accrued vacation and sick leave | | | 3,617 | 1,856 | (1,876) | 3,597 | 1,747 |
| Accrued workers' compensation | | | 2,118 | 322 | (190) | 2,250 | 400 |
| Due to Other City departments | | | 369 | 11 | — | 380 | 380 |
| Lease liability | | | 94 | — | (19) | 75 | 3 |
| Subscription liability | | | — | 380 | (127) | 253 | 137 |
| Damage claims liability | | | 1,108 | 2,005 | (2,090) | 1,023 | 358 |
| Unearned revenues, refunds, and other | | | 5,993 | 8,410 | (7,676) | 6,727 | 5,923 |
| Total | | | $ 123,261 | 166,353 | (50,398) | 239,216 | 11,341 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

## CleanPowerSF Long-Term Liability activities for the years ended June 30, 2023 and 2022 are as follows:

| | Restated 2022# | Additions | Reductions | 2023 | Due within one year |
|---|---|---|---|---|---|
| Other post-employment benefits obligations | $ 2,264 | 1,789 | — | 4,053 | — |
| Net pension liability | — | 2,124 | — | 2,124 | — |
| Accrued vacation and sick leave | 546 | 451 | (254) | 743 | 394 |
| Lease liability | 232 | — | (232) | — | — |
| Subscription liability | 70 | — | (39) | 31 | 18 |
| Damage claims liability | 32 | 1,738 | (1,736) | 34 | 16 |
| Unearned revenues, refunds, and other | 13,196 | 23,034 | (30,084) | 6,146 | 6,146 |
| Total | $ 16,340 | 29,136 | (32,345) | 13,131 | 6,574 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

| | 2021 | Additions | Reductions | Restated 2022# | Due within one year |
|---|---|---|---|---|---|
| Other post-employment benefits obligations | $ 2,909 | 867 | (1,512) | 2,264 | — |
| Net pension liability | 3,008 | — | (3,008) | — | — |
| Accrued vacation and sick leave | 400 | 264 | (118) | 546 | 279 |
| Lease liability | 577 | — | (345) | 232 | 232 |
| Subscription liability | — | 106 | (36) | 70 | 39 |
| Damage claims liability | 6 | 1,582 | (1,556) | 32 | 15 |
| Unearned revenues, refunds, and other | 10,028 | 14,689 | (11,521) | 13,196 | 4,196 |
| Total | $ 16,928 | 17,508 | (18,096) | 16,340 | 4,761 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

### a) Clean Renewable Energy Bonds

In November 2008, Hetchy Power issued $6,325 of taxable CREBs to finance the installation of solar energy equipment on City-owned facilities, including Chinatown Branch Library, Maxine Hall Medical Center, City Distribution Division Warehouse, North Point Wastewater Plant, Chinatown Public Health Center, Municipal Transportation Agency Woods, and Municipal Transportation Agency Ways and Structures. The CREBs were non-rated and privately-placed with Banc of America Leasing. The net effective interest rate on the CREBs, after the federal tax subsidy, is 0% through 2022. Hetchy Power began making principal payments in the amount of $422 on December 15, 2008 and matured with the last principal payment made on December 15, 2022. Funding for these payments will be guaranteed by net power revenues. Interest payments are not required, since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

### b) Qualified Energy Conservation Bonds

In December 2011, Hetchy Power issued $8,291 of taxable QECBs. The QECBs were issued to fund certain qualified green components for the SFPUC's 525 Golden Gate Headquarters project. The QECBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the QECBs, after the federal tax subsidy, is 1.2% through 2028.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the QECBs outstanding as of June 30, 2023 is as follows:

| Fiscal years ending June 30: | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| 2024 | $ | 562 | 116 | (82) | 34 |
| 2025 | | 569 | 89 | (63) | 26 |
| 2026 | | 576 | 62 | (44) | 18 |
| 2027 | | 582 | 35 | (24) | 11 |
| 2028 | | 294 | 7 | (4) | 3 |
| Total | | 2,583 | 309 | (217) | 92 |
| Less: Current portion | | (562) | | | |
| Long-term portion as of June 30, 2023 | $ | 2,021 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidy is reduced by 5.7% or a total reduction of $13 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

## c) New Clean Renewable Energy Bonds 2015

In October 2015, Hetchy Power issued $4,100 of taxable 2015 NCREBs. The 2015 NCREBs were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the 2015 NCREBs, after the federal tax subsidy, is 1.4% through 2033. $1,272 of principal was prepaid in fiscal year 2021.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2023 is as follows:

| Fiscal years ending June 30: | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| 2024 | $ | 148 | 67 | (44) | 23 |
| 2025 | | 150 | 60 | (40) | 20 |
| 2026 | | 152 | 53 | (35) | 18 |
| 2027 | | 154 | 47 | (31) | 16 |
| 2028 | | 156 | 39 | (26) | 13 |
| 2029-2033 | | 731 | 85 | (56) | 29 |
| Total | | 1,491 | 351 | (232) | 119 |
| Less: Current portion | | (148) | | | |
| Long-term portion as of June 30, 2023 | $ | 1,343 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidy is reduced by 5.7% or a total reduction of $14 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

## d) Power Revenue Bonds 2015 Series A (Green) and Series B

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of $32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of $7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated “A+” and “AA-” by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2023 and 2022, the outstanding principal amounts were $34,910 and $35,760, respectively.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2023 are as follows:

**Hetchy Power - Power Revenue Bonds 2015 Series A (Green)**

| Fiscal years ending June 30: | | Principal | Interest | Total |
|---|---|---|---|---|
| 2024 | $ | — | 1,593 | 1,593 |
| 2025 | | — | 1,593 | 1,593 |
| 2026 | | — | 1,593 | 1,593 |
| 2027 | | 830 | 1,576 | 2,406 |
| 2028 | | 1,020 | 1,534 | 2,554 |
| 2029-2033 | | 5,930 | 6,831 | 12,761 |
| 2034-2038 | | 7,565 | 5,153 | 12,718 |
| 2039-2043 | | 9,650 | 3,011 | 12,661 |
| 2044-2046 | | 7,030 | 539 | 7,569 |
| Total | | 32,025 | 23,423 | 55,448 |
| Add: Unamortized bond premium | | 2,960 | | |
| Long-term portion as of June 30, 2023 | $ | 34,985 | | |

**Hetchy Power - Power Revenue Bonds 2015 Series B**

| Fiscal years ending June 30: | | Principal | Interest | Total |
|---|---|---|---|---|
| 2024 | $ | 880 | 93 | 973 |
| 2025 | | 910 | 62 | 972 |
| 2026 | | 945 | 25 | 970 |
| 2027 | | 150 | 3 | 153 |
| Total | | 2,885 | 183 | 3,068 |
| Less: Current portion | | (880) | | |
| Add: Unamortized bond premium | | 63 | | |
| Long-term portion as of June 30, 2023 | $ | 2,068 | | |

## e) Power Revenue Bonds 2021 Series A (Green) and Series B

In December 2021, Hetchy Power issued tax-exempt revenue bonds, 2021 Series A (Green) in the amount of $74,280 with interest rates ranging from 4.0% to 5.0% and 2021 Series B in the amount of $49,720 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to refinance a portion of the costs of various capital projects benefiting the Power Enterprise, to fund capitalized interest on the 2021 Series AB Bonds, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for 2021 Series AB are November 1, 2051. The true interest cost is 2.64%. As of June 30, 2023 and 2022, the outstanding principal amount was $124,000.

The future annual debt service relating to the 2021 Series AB Bonds outstanding as of June 30, 2023 are as follows:

**Hetchy Power - Power Revenue Bonds 2021 Series A (Green)**

| Fiscal years ending June 30: | | Principal | Interest | Total |
|---|---|---|---|---|
| 2024 | $ | — | 3,085 | 3,085 |
| 2025 | | 1,385 | 3,050 | 4,435 |
| 2026 | | 1,455 | 2,979 | 4,434 |
| 2027 | | 1,530 | 2,905 | 4,435 |
| 2028 | | 1,605 | 2,826 | 4,431 |
| 2029-2033 | | 9,305 | 12,868 | 22,173 |
| 2034-2038 | | 11,470 | 10,690 | 22,160 |
| 2039-2043 | | 14,020 | 8,149 | 22,169 |
| 2044-2048 | | 17,125 | 5,045 | 22,170 |
| 2049-2052 | | 16,385 | 1,343 | 17,728 |
| Total | | 74,280 | 52,940 | 127,220 |
| Add: Unamortized bond premium | | 15,023 | | |
| Long-term portion as of June 30, 2023 | $ | 89,303 | | |

(Dollars in thousands, unless otherwise stated)

**Hetchy Power - Power Revenue Bonds 2021 Series B**

| Fiscal years ending June 30: | | Principal | Interest | Total |
|---|---|---|---|---|
| 2024 | $ | — | 2,045 | 2,045 |
| 2025 | | 585 | 2,030 | 2,615 |
| 2026 | | 620 | 2,000 | 2,620 |
| 2027 | | 650 | 1,969 | 2,619 |
| 2028 | | 685 | 1,935 | 2,620 |
| 2029-2033 | | 3,940 | 9,120 | 13,060 |
| 2034-2038 | | 4,985 | 8,168 | 13,153 |
| 2039-2043 | | 6,200 | 7,052 | 13,252 |
| 2044-2048 | | 12,885 | 5,464 | 18,349 |
| 2049-2052 | | 19,170 | 1,573 | 20,743 |
| Total | | 49,720 | 41,356 | 91,076 |
| Add: Unamortized bond premium | | 9,902 | | |
| Long-term portion as of June 30, 2023 | $ | 59,622 | | |

## f) Events of Default and Remedies

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds and energy bonds) and the Equipment Lease/Purchase Agreement include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2023 and 2022, there were no such events described herein.

## (8) Certificates of Participation Issued for the 525 Golden Gate Avenue Headquarters Building

### Department-wide Business Type Activities

In October 2009, the City issued $167,670 in certificates of participation to fund the headquarters building of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C were issued for $38,120 and 2009 Series D for $129,550 as “Build America Bonds” (BABs) on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and mature on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D, respectively.

Under the terms of a memorandum of understanding (MOU) between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City’s use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. There are no events of default stated in the memorandum of understanding.

Each of the three enterprises has an ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Hetchy Power (12%). Similarly, each enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of Base Rental Payments for the enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Hetchy Power (9.7%). Certificates of Participation 2009 Series C have been fully repaid as of June 30, 2023

(Dollars in thousands, unless otherwise stated)

The future annual debt services relating to the certificates of participation 2009 Series D outstanding as of June 30, 2023 are as follows:

## Water Enterprise

| | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| Fiscal years ending June 30: | | | | | |
| 2024 | $ | 3,267 | 5,864 | (1,935) | 3,929 |
| 2025 | | 3,402 | 5,652 | (1,865) | 3,787 |
| 2026 | | 3,545 | 5,431 | (1,792) | 3,639 |
| 2027 | | 3,695 | 5,201 | (1,716) | 3,485 |
| 2028 | | 3,852 | 4,961 | (1,637) | 3,324 |
| 2029-2033 | | 21,834 | 20,808 | (6,868) | 13,940 |
| 2034-2038 | | 26,918 | 12,940 | (4,271) | 8,669 |
| 2039-2042 | | 25,986 | 3,460 | (1,142) | 2,318 |
| Total | | 92,499 | 64,317 | (21,226) | 43,091 |
| Less: Current portion | | (3,267) | | | |
| Long-term portion as of June 30, 2023 | $ | 89,232 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7%, or a total reduction of $1,283, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

## Wastewater Enterprise

| | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| Fiscal years ending June 30: | | | | | |
| 2024 | $ | 864 | 1,551 | (512) | 1,039 |
| 2025 | | 900 | 1,494 | (493) | 1,001 |
| 2026 | | 937 | 1,436 | (474) | 962 |
| 2027 | | 977 | 1,375 | (454) | 921 |
| 2028 | | 1,019 | 1,312 | (433) | 879 |
| 2029-2033 | | 5,773 | 5,502 | (1,816) | 3,686 |
| 2034-2038 | | 7,117 | 3,421 | (1,129) | 2,292 |
| 2039-2042 | | 6,871 | 915 | (302) | 613 |
| Total | | 24,458 | 17,006 | (5,613) | 11,393 |
| Less: Current portion | | (864) | | | |
| Long-term portion as of June 30, 2023 | $ | 23,594 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $339, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

## Hetchy Power

| | | Principal | Interest before subsidy | Federal interest subsidy* | Interest net of subsidy |
|---|---|---|---|---|---|
| Fiscal years ending June 30: | | | | | |
| 2024 | $ | 445 | 798 | (263) | 535 |
| 2025 | | 463 | 769 | (254) | 515 |
| 2026 | | 483 | 739 | (244) | 495 |
| 2027 | | 503 | 709 | (234) | 475 |
| 2028 | | 524 | 675 | (223) | 452 |
| 2029-2033 | | 2,972 | 2,833 | (935) | 1,898 |
| 2034-2038 | | 3,665 | 1,762 | (581) | 1,181 |
| 2039-2042 | | 3,538 | 471 | (156) | 315 |
| Total | | 12,593 | 8,756 | (2,890) | 5,866 |
| Less: Current portion | | (445) | | | |
| Long-term portion as of June 30, 2023 | $ | 12,148 | | | |

*The SFPUC received an IRS notice dated May 25, 2023 that the federal interest subsidy is reduced by 5.7% or a total reduction of $174 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

(Dollars in thousands, unless otherwise stated)

## (9) Revenue Pledge

### Department-wide Business Type Activities

Department-wide revenue pledge for the years ended June 30, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Bonds issued with revenue pledge | $ | 8,093,786 | 7,038,726 |
| Notes issued with revenue pledge | | 347,465 | 347,465 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | | 492,403 | 432,026 |
| WIFIA loans with revenue pledge | | 122,357 | — |
| Principal and interest remaining due at the end of the year | | 12,347,101 | 11,494,005 |
| Principal and interest paid during the year | | 409,778 | 369,899 |
| Net revenues for the year ended June 30 | | 603,734 | 516,732 |
| Funds available for debt service | | 1,042,606 | 819,884 |

### Water Revenue Pledge

The Water Enterprise has pledged future revenues to repay various revenue bonds and SRF loans. Proceeds from the revenue bonds and SRF loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise through the fiscal year ending 2058.

The original amount of revenue bonds and SRF loans issued, total principal and interest remaining, principal and interest paid during fiscal years 2023 and 2022, applicable net revenues, and funds available for debt service are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Bonds issued with revenue pledge | $ | 4,882,130 | 4,891,480 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | | 163,627 | 121,761 |
| Principal and interest remaining due at the end of the year | | 7,193,317 | 7,472,962 |
| Principal and interest paid during the year | | 307,062 | 279,352 |
| Net revenues for the year ended June 30 | | 372,689 | 306,918 |
| Funds available for debt service | | 566,764 | 410,424 |

### Wastewater Revenue Pledge

The Wastewater Enterprise has pledged future revenues to repay various revenue bonds, revenue notes, SRF and WIFIA loans. Proceeds from the revenue bonds, revenue notes, SRF, and WIFIA loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds, notes, SRF and WIFIA loans payable through fiscal years 2052, 2027, 2056 and 2059, respectively, and are solely from revenues of the Wastewater Enterprise.

(Dollars in thousands, unless otherwise stated)

The original amount of revenue bonds issued, revenue notes issued, SRF and WIFIA loans issued, total principal and interest remaining, principal and interest paid during fiscal years 2023 and 2022, applicable net revenues, and funds available for debt service are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Bonds issued with revenue pledge | $ | 3,029,385 | 1,964,975 |
| Notes issued with revenue pledge | | 347,465 | 347,465 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | | 328,776 | 310,265 |
| WIFIA loans with revenue pledge | | 122,357 | — |
| Principal and interest remaining due at the end of the year | | 4,872,238 | 3,730,462 |
| Principal and interest paid during the year | | 98,811 | 86,619 |
| Net revenues for the year ended June 30 | | 178,850 | 155,504 |
| Funds available for debt service | | 313,443 | 310,835 |

### Hetchy Power Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2008 CREBs, the 2011 QECBs, and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power and 2021 Series AB revenue bonds are payable through fiscal year 2046 and 2052, respectively, are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, and the 2015 NCREBs.

The original amount of bonds issued, total principal and interest remaining, principal and interest paid during fiscal years 2023 and 2022, applicable net revenues, and funds available for debt service are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Bonds issued with revenue pledge | $ | 182,271 | 182,271 |
| Principal and interest remaining due at the end of the year | | 281,546 | 290,581 |
| Principal and interest paid during the year* | | 3,905 | 3,928 |
| Net revenues for the year ended June 30 | | 52,195 | 54,310 |
| Funds available for debt service | | 162,399 | 98,625 |

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds net of capitalized interest if any, which have a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was $2,567, net of capitalized interest.

## (10) Leases

### Department-wide Business Type Activities

#### Lessee

The SFPUC has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for these leases vary, which range between 1-75 years.

(Dollars in thousands, unless otherwise stated)

A summary of intangible right-to-use lease during the years ended June 30, 2023 and 2022 is as follows:

| Right-to-use assets: | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|
| Land | $ 605 | — | — | — | 605 |
| Building/facility | 14,356 | 149 | (862) | 2,649 | 16,292 |
| Total lease assets | 14,961 | 149 | (862) | 2,649 | 16,897 |
| Less accumulated amortization for: | | | | | |
| Land | (383) | (197) | — | — | (580) |
| Building/facility | (7,805) | (3,836) | 862 | — | (10,779) |
| Total accumulated amortization | (8,188) | (4,033) | 862 | — | (11,359) |
| **Total lease assets, net** | $ 6,773 | (3,884) | — | 2,649 | 5,538 |

| Right-to-use assets: | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|
| Land | $ 605 | — | — | — | 605 |
| Building/facility | 14,414 | — | (58) | — | 14,356 |
| Total lease assets | 15,019 | — | (58) | — | 14,961 |
| Less accumulated amortization for: | | | | | |
| Land | (187) | (196) | — | — | (383) |
| Building/facility | (3,934) | (3,929) | 58 | — | (7,805) |
| Total accumulated amortization | (4,121) | (4,125) | 58 | — | (8,188) |
| **Total lease assets, net** | $ 10,898 | (4,125) | — | — | 6,773 |

A summary of changes in the related lease liabilities during the years ended June 30, 2023 and 2022 is as follows:

| | 2022 | Additions | Remeasurements | Deductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|
| Water | $ 2,863 | 149 | 2,413 | (1,415) | 4,010 | 1,189 |
| Wastewater | 3,638 | — | — | (2,341) | 1,297 | 1,297 |
| Hetchy Water | 62 | — | 105 | (29) | 138 | 16 |
| Hetchy Power | 75 | — | 131 | (37) | 169 | 19 |
| CleanPowerSF | 232 | — | — | (232) | — | — |
| SFPUC Total | $ 6,870 | 149 | 2,649 | (4,054) | 5,614 | 2,521 |

| | 2021 | Additions | Remeasurements | Deductions | 2022 | Due within one year |
|---|---|---|---|---|---|---|
| Water | $ 4,244 | — | — | (1,381) | 2,863 | 1,008 |
| Wastewater | 5,952 | — | — | (2,314) | 3,638 | 2,341 |
| Hetchy Water | 78 | — | — | (16) | 62 | 3 |
| Hetchy Power | 94 | — | — | (19) | 75 | 3 |
| CleanPowerSF | 577 | — | — | (345) | 232 | 232 |
| SFPUC Total | $ 10,945 | — | — | (4,075) | 6,870 | 3,587 |

## Variable Lease Payments

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require SFPUC to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor; these amounts are generally determined annually.

(Dollars in thousands, unless otherwise stated)

The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for SFPUC during the year ended June 30, 2023 and 2022 were as follows:

| | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 263 | 673 | — | — | 160 | 1,096 |
| 2022 | | 34 | 207 | 1 | 1 | 43 | 286 |

## Lessor

The SFPUC has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases vary, which range between 1-65 years.

The SFPUC variable payments include percentage of sales, utility payments or payments depended on an index made by the lessee; these amounts are generally determined periodically. The Water Enterprise did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for lease revenue, interest revenue, and other lease-related revenues recognized during the year ended June 30, 2023 and 2022 were as follows:

| | | Water | Wastewater | SFPUC Total |
|---|---|---|---|---|
| 2023 | $ | 1,161 | 7 | 1,168 |
| 2022 | | 2,332 | — | 2,332 |

## Water Enterprise as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2023 and 2022 are as follows:

| Right-to-use assets: | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Land | $ | 605 | — | — | — | 605 |
| Building/facility | | 5,041 | 149 | — | 2,413 | 7,603 |
| Total lease assets | | 5,646 | 149 | — | 2,413 | 8,208 |
| Less accumulated amortization for: | | | | | | |
| Land | | (383) | (197) | — | — | (580) |
| Building/facility | | (2,451) | (1,234) | — | — | (3,685) |
| Total accumulated amortization | | (2,834) | (1,431) | — | — | (4,265) |
| **Total lease assets, net** | $ | 2,812 | (1,282) | — | 2,413 | 3,943 |

| Right-to-use assets: | | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|---|
| Land | $ | 605 | — | — | — | 605 |
| Building/facility | | 5,041 | — | — | — | 5,041 |
| Total lease assets | | 5,646 | — | — | — | 5,646 |
| Less accumulated amortization for: | | | | | | |
| Land | | (187) | (196) | — | — | (383) |
| Building/facility | | (1,222) | (1,229) | — | — | (2,451) |
| Total accumulated amortization | | (1,409) | (1,425) | — | — | (2,834) |
| **Total lease assets, net** | $ | 4,237 | (1,425) | — | — | 2,812 |

A summary of changes in the related leases liabilities during the years ended June 30, 2023 and 2022 is as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 2,863 | 149 | 2,413 | (1,415) | 4,010 | 1,189 |
| 2022 | | 4,244 | — | — | (1,381) | 2,863 | 1,008 |

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 1,189 | 81 | 1,270 |
| 2025 | | 1,028 | 55 | 1,083 |
| 2026 | | 546 | 32 | 578 |
| 2027 | | 135 | 26 | 161 |
| 2028 | | 122 | 23 | 145 |
| 2029-2033 | | 416 | 86 | 502 |
| 2034-2038 | | 445 | 39 | 484 |
| 2039-2043 | | 129 | 3 | 132 |
| Total | | 4,010 | 345 | 4,355 |
| Less: Current portion | | (1,189) | | |
| Long-term portion as of June 30, 2023 | $ | 2,821 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 1,008 | 42 | 1,050 |
| 2024 | | 370 | 33 | 403 |
| 2025 | | 186 | 29 | 215 |
| 2026 | | 101 | 27 | 128 |
| 2027 | | 103 | 25 | 128 |
| 2028-2032 | | 436 | 96 | 532 |
| 2033-2037 | | 446 | 49 | 495 |
| 2038-2042 | | 213 | 6 | 219 |
| Total | | 2,863 | 307 | 3,170 |
| Less: Current portion | | (1,008) | | |
| Long-term portion as of June 30, 2022 | $ | 1,855 | | |

## Water Enterprise as Lessor

Principal and interest requirements to maturity for the lease receivable at June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 3,521 | 869 | 4,390 |
| 2025 | | 3,610 | 821 | 4,431 |
| 2026 | | 3,046 | 756 | 3,802 |
| 2027 | | 2,721 | 698 | 3,419 |
| 2028 | | 2,423 | 645 | 3,068 |
| 2029-2033 | | 10,951 | 2,571 | 13,522 |
| 2034-2038 | | 9,941 | 1,477 | 11,418 |
| 2039-2043 | | 828 | 914 | 1,742 |
| 2044-2048 | | — | 1,027 | 1,027 |
| 2049-2053 | | — | 1,191 | 1,191 |
| 2054-2058 | | 117 | 1,263 | 1,380 |
| 2059-2063 | | 832 | 768 | 1,600 |
| 2064-2068 | | 1,208 | 647 | 1,855 |
| 2069-2073 | | 1,676 | 475 | 2,151 |
| 2074+ | | 2,756 | 250 | 3,006 |
| Total | $ | 43,630 | 14,372 | 58,002 |

(Dollars in thousands, unless otherwise stated)

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 3,325 | 907 | 4,232 |
| 2024 | | 3,389 | 848 | 4,237 |
| 2025 | | 3,470 | 804 | 4,274 |
| 2026 | | 2,951 | 743 | 3,694 |
| 2027 | | 2,619 | 687 | 3,306 |
| 2028-2032 | | 10,827 | 2,777 | 13,604 |
| 2033-2037 | | 10,736 | 1,691 | 12,427 |
| 2038-2042 | | 2,258 | 940 | 3,198 |
| 2043-2047 | | — | 998 | 998 |
| 2048-2052 | | — | 1,157 | 1,157 |
| 2053-2057 | | — | 1,341 | 1,341 |
| 2058-2062 | | 765 | 789 | 1,554 |
| 2063-2067 | | 1,128 | 675 | 1,803 |
| 2068-2072 | | 1,577 | 513 | 2,090 |
| 2073+ | | 3,120 | 327 | 3,447 |
| | Total $ | 46,165 | 15,197 | 61,362 |

## Wastewater Enterprise as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2023 and 2022 is as follows:

| Right-to-use assets: | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 8,247 | — | — | — | 8,247 |
| Total lease assets | | 8,247 | — | — | — | 8,247 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (4,650) | (2,325) | — | — | (6,975) |
| Total accumulated amortization | | (4,650) | (2,325) | — | — | (6,975) |
| **Total lease assets, net** | $ | 3,597 | (2,325) | — | — | 1,272 |

| Right-to-use assets: | | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 8,247 | — | — | — | 8,247 |
| Total lease assets | | 8,247 | — | — | — | 8,247 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (2,325) | (2,325) | — | — | (4,650) |
| Total accumulated amortization | | (2,325) | (2,325) | — | — | (4,650) |
| **Total lease assets, net** | $ | 5,922 | (2,325) | — | — | 3,597 |

A summary of changes in the related leases liabilities during the years ended June 30, 2023 and 2022 is as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 3,638 | — | — | (2,341) | 1,297 | 1,297 |
| 2022 | | 5,952 | — | — | (2,314) | 3,638 | 2,341 |

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | | 1,297 | 6 | 1,303 |
| Less: Current portion | | (1,297) | 6 | 1,303 |
| Long-term portion as of June 30, 2023 | $ | — | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 2,341 | 30 | 2,371 |
| 2024 | | 1,297 | 6 | 1,303 |
| Total | | 3,638 | 36 | 3,674 |
| Less: Current portion | | (2,341) | | |
| Long-term portion as of June 30, 2022 | $ | 1,297 | | |

## Wastewater Enterprise as Lessor

Principal and interest requirements to maturity for the lease receivable at June 30, 2023 is as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 212 | 38 | 250 |
| 2025 | | 226 | 32 | 258 |
| 2026 | | 241 | 26 | 267 |
| 2027 | | 257 | 19 | 276 |
| 2028 | | 215 | 12 | 227 |
| 2029-2031 | | 306 | 13 | 319 |
| Total | $ | 1,457 | 140 | 1,597 |

## Hetchy Water as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2023 and 2022 is as follows:

| Right-to-use assets: | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 67 | — | 26 | 105 | 198 |
| Total lease assets | | 67 | — | 26 | 105 | 198 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (6) | (21) | (26) | — | (53) |
| Total accumulated amortization | | (6) | (21) | (26) | — | (53) |
| **Total lease assets, net** | $ | 61 | (21) | — | 105 | 145 |

| Right-to-use assets: | | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 93 | — | (26) | — | 67 |
| Total lease assets | | 93 | — | (26) | — | 67 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (19) | (13) | 26 | — | (6) |
| Total accumulated amortization | | (19) | (13) | 26 | — | (6) |
| **Total lease assets, net** | $ | 74 | (13) | — | — | 61 |

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related leases liabilities during the years ended June 30, 2023 and 2022 is as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 62 | — | 105 | (29) | 138 | 16 |
| 2022 | | 78 | — | — | (16) | 62 | 3 |

Future annual lease payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 16 | 2 | 18 |
| 2025 | | 16 | 2 | 18 |
| 2026 | | 16 | 2 | 18 |
| 2027 | | 16 | 2 | 18 |
| 2028 | | 17 | 1 | 18 |
| 2029-2033 | | 30 | 4 | 34 |
| 2034-2038 | | 19 | 2 | 21 |
| 2039-2042 | | 8 | — | 8 |
| Total | | 138 | 15 | 153 |
| Less: Current portion | | (16) | | |
| Long-term portion as of June 30, 2023 | $ | 122 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023* | $ | 3 | 1 | 4 |
| 2024 | | 3 | 1 | 4 |
| 2025 | | 3 | 1 | 4 |
| 2026 | | 3 | 1 | 4 |
| 2027 | | 3 | 1 | 4 |
| 2028-2032 | | 17 | 4 | 21 |
| 2033-2037 | | 18 | 3 | 21 |
| 2038-2042 | | 12 | 1 | 13 |
| Total | | 62 | 13 | 75 |
| Less: Current portion | | (3) | | |
| Long-term portion as of June 30, 2022 | $ | 59 | | |

*Excluded $28 payment from remeasurements due to lease renewal.

## Hetchy Power as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2023 and 2022 is as follows:

| Right-to-use assets: | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 81 | — | 32 | 131 | 244 |
| Total lease assets | | 81 | — | 32 | 131 | 244 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (8) | (26) | (32) | — | (66) |
| Total accumulated amortization | | (8) | (26) | (32) | — | (66) |
| **Total lease assets, net** | $ | 73 | (26) | — | 131 | 178 |

| Right-to-use assets: | | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 113 | — | (32) | — | 81 |
| Total lease assets | | 113 | — | (32) | — | 81 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (23) | (17) | 32 | — | (8) |
| Total accumulated amortization | | (23) | (17) | 32 | — | (8) |
| **Total lease assets, net** | $ | 90 | (17) | — | — | 73 |

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related leases liabilities during the years ended June 30, 2023 and 2022 is as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 75 | — | 131 | (37) | 169 | 19 |
| 2022 | | 94 | — | — | (19) | 75 | 3 |

Future annual lease payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 19 | 3 | 22 |
| 2025 | | 19 | 3 | 22 |
| 2026 | | 20 | 2 | 22 |
| 2027 | | 20 | 2 | 22 |
| 2028 | | 20 | 2 | 22 |
| 2029-2033 | | 38 | 5 | 43 |
| 2034-2038 | | 23 | 2 | 25 |
| 2039-2042 | | 10 | — | 10 |
| Total | | 169 | 19 | 188 |
| Less: Current portion | | (19) | | |
| Long-term portion as of June 30, 2023 | $ | 150 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023* | $ | 3 | 2 | 5 |
| 2024 | | 4 | 2 | 6 |
| 2025 | | 4 | 1 | 5 |
| 2026 | | 4 | 1 | 5 |
| 2027 | | 4 | 1 | 5 |
| 2028-2032 | | 20 | 5 | 25 |
| 2033-2037 | | 23 | 3 | 26 |
| 2038-2042 | | 13 | 1 | 14 |
| Total | | 75 | 16 | 91 |
| Less: Current portion | | (3) | | |
| Long-term portion as of June 30, 2022 | $ | 72 | | |

*Excluded $34 payment from remeasurements due to lease renewal.

## CleanPowerSF as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2023 and 2022 is as follows:

| Right-to-use assets: | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 920 | — | (920) | — | — |
| Total lease assets | | 920 | — | (920) | — | — |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (690) | (230) | 920 | — | — |
| Total accumulated amortization | | (690) | (230) | 920 | — | — |
| **Total lease assets, net** | $ | 230 | (230) | — | — | — |

| Right-to-use assets: | | 2021 | Increases | Decreases | Remeasurements | 2022 |
|---|---|---|---|---|---|---|
| Building/facility | $ | 920 | — | — | — | 920 |
| Total lease assets | | 920 | — | — | — | 920 |
| Less accumulated amortization for: | | | | | | |
| Building/facility | | (345) | (345) | — | — | (690) |
| Total accumulated amortization | | (345) | (345) | — | — | (690) |
| **Total lease assets, net** | $ | 575 | (345) | — | — | 230 |

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related leases liabilities during the years ended June 30, 2023 and 2022 is as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 232 | – | – | (232) | – | – |
| 2022 | | 577 | – | – | (345) | 232 | 232 |

Future annual lease payments as of June 30, 2022 is as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | | 232 | 1 | 233 |
| Less: Current portion | | (232) | | |
| Long-term portion as of June 30, 2022 | $ | — | | |

## (11) Subscription-Based Information Technology Arrangements (SBITAs)

### Department-wide Business Type Activities

The SFPUC has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for these subscriptions varies, which ranges between 1 – 5 years.

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 4,935 | — | — | — | 4,935 |
| Less accumulated amortization | | (1,760) | (1,777) | — | — | (3,537) |
| **Total Subscription assets, net** | $ | 3,175 | (1,777) | — | — | 1,398 |

| | | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 4,720 | 215 | — | — | 4,935 |
| Less accumulated amortization | | — | (1,760) | — | — | (1,760) |
| **Total Subscription assets, net** | $ | 4,720 | (1,545) | — | — | 3,175 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Additions | Remeasurements | Deductions | 2023 | Due within one year |
|---|---|---|---|---|---|---|---|
| Water | $ | 1,556 | — | — | (848) | 708 | 400 |
| Wastewater | | 944 | — | — | (515) | 429 | 243 |
| Hetchy Water | | 309 | — | — | (170) | 139 | 80 |
| Hetchy Power | | 253 | — | — | (137) | 116 | 65 |
| CleanPowerSF | | 70 | — | — | (39) | 31 | 18 |
| SFPUC Total | $ | 3,132 | — | — | (1,709) | 1,423 | 806 |

| | | 2021 | Additions | Remeasurements | Deductions | 2022# | Due within one year |
|---|---|---|---|---|---|---|---|
| Water | $ | 2,344 | — | — | (788) | 1,556 | 848 |
| Wastewater | | 1,422 | — | — | (478) | 944 | 515 |
| Hetchy Water | | 468 | — | — | (159) | 309 | 170 |
| Hetchy Power | | 380 | — | — | (127) | 253 | 137 |
| CleanPowerSF | | 106 | — | — | (36) | 70 | 39 |
| SFPUC Total | $ | 4,720 | — | — | (1,588) | 3,132 | 1,709 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

## Water

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|
| Subscription assets | $ 2,450 | — | — | — | 2,450 |
| Less accumulated amortization | (873) | (882) | — | — | (1,755) |
| **Total Subscription assets, net** | $ 1,577 | (882) | — | — | 695 |

| | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|
| Subscription assets | $ 2,344 | 106 | — | — | 2,450 |
| Less accumulated amortization | — | (873) | — | — | (873) |
| **Total Subscription assets, net** | $ 2,344 | (767) | — | — | 1,577 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| Fiscal years | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|
| 2023 | $ 1,556 | — | — | (848) | 708 | 400 |
| 2022# | 2,344 | — | — | (788) | 1,556 | 848 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Future annual subscription payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|
| 2024 | $ 400 | 8 | 408 |
| 2025 | 153 | 4 | 157 |
| 2026 | 155 | 2 | 157 |
| Total | 708 | 14 | 722 |
| Less: Current portion | (400) | | |
| Long-term portion as of June 30, 2023 | $ 308 | | |

| Years ending June 30: | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|
| 2023 | $ 848 | 14 | 862 |
| 2024 | 400 | 8 | 408 |
| 2025 | 153 | 4 | 157 |
| 2026 | 155 | 2 | 157 |
| Total | 1,556 | 28 | 1,584 |
| Less: Current portion | (848) | | |
| Long-term portion as of June 30, 2022 | $ 708 | | |

(Dollars in thousands, unless otherwise stated)

## Wastewater

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 1,487 | — | — | — | 1,487 |
| Less accumulated amortization | | (530) | (535) | — | — | (1,065) |
| **Total Subscription assets, net** | $ | 957 | (535) | — | — | 422 |

| | | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 1,422 | 65 | — | — | 1,487 |
| Less accumulated amortization | | — | (530) | — | — | (530) |
| **Total Subscription assets, net** | $ | 1,422 | (465) | — | — | 957 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 944 | — | — | (515) | 429 | 243 |
| 2022# | | 1,422 | — | — | (478) | 944 | 515 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Future annual subscription payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 243 | 4 | 247 |
| 2025 | | 93 | 2 | 95 |
| 2026 | | 93 | 1 | 94 |
| Total | | 429 | 7 | 436 |
| Less: Current portion | | (243) | | |
| Long-term portion as of June 30, 2023 | $ | 186 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 515 | 8 | 523 |
| 2024 | | 243 | 4 | 247 |
| 2025 | | 93 | 2 | 95 |
| 2026 | | 93 | 1 | 94 |
| Total | | 944 | 15 | 959 |
| Less: Current portion | | (515) | | |
| Long-term portion as of June 30, 2022 | $ | 429 | | |

(Dollars in thousands, unless otherwise stated)

## Hetchy Water

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 490 | — | — | — | 490 |
| Less accumulated amortization | | (176) | (177) | — | — | (353) |
| **Total Subscription assets, net** | $ | 314 | (177) | — | — | 137 |

| | | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 468 | 22 | — | — | 490 |
| Less accumulated amortization | | — | (176) | — | — | (176) |
| **Total Subscription assets, net** | $ | 468 | (154) | — | — | 314 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 309 | — | — | (170) | 139 | 80 |
| 2022# | | 468 | — | — | (159) | 309 | 170 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs)*.

Future annual subscription payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 80 | 2 | 82 |
| 2025 | | 30 | 2 | 32 |
| 2026 | | 29 | 1 | 30 |
| Total | | 139 | 5 | 144 |
| Less: Current portion | | (80) | | |
| Long-term portion as of June 30, 2023 | $ | 59 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 170 | 3 | 173 |
| 2024 | | 80 | 2 | 82 |
| 2025 | | 30 | 1 | 31 |
| 2026 | | 29 | 1 | 30 |
| Total | | 309 | 7 | 316 |
| Less: Current portion | | (170) | | |
| Long-term portion as of June 30, 2022 | $ | 139 | | |

## Hetchy Power

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 397 | — | — | — | 397 |
| Less accumulated amortization | | (141) | (142) | — | — | (283) |
| **Total Subscription assets, net** | $ | 256 | (142) | — | — | 114 |

(Dollars in thousands, unless otherwise stated)

| | | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 380 | 17 | — | — | 397 |
| Less accumulated amortization | | — | (141) | — | — | (141) |
| **Total Subscription assets, net** | $ | 380 | (124) | — | — | 256 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 253 | — | — | (137) | 116 | 65 |
| 2022# | | 380 | — | — | (127) | 253 | 137 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Future annual subscription payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 65 | 1 | 66 |
| 2025 | | 25 | 1 | 26 |
| 2026 | | 26 | — | 26 |
| Total | | 116 | 2 | 118 |
| Less: Current portion | | (65) | | |
| Long-term portion as of June 30, 2023 | $ | 51 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 137 | 2 | 139 |
| 2024 | | 65 | 1 | 66 |
| 2025 | | 25 | 1 | 26 |
| 2026 | | 26 | — | 26 |
| Total | | 253 | 4 | 257 |
| Less: Current portion | | (137) | | |
| Long-term portion as of June 30, 2022 | $ | 116 | | |

## CleanPowerSF

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2023 and 2022 are as follows:

| | | 2022 | Increases | Decreases | Remeasurements | 2023 |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 111 | — | — | — | 111 |
| Less accumulated amortization | | (40) | (41) | — | — | (81) |
| **Total Subscription assets, net** | $ | 71 | (41) | — | — | 30 |

| | | 2021 | Increases | Decreases | Remeasurements | 2022# |
|---|---|---|---|---|---|---|
| Subscription assets | $ | 106 | 5 | — | — | 111 |
| Less accumulated amortization | | — | (40) | — | — | (40) |
| **Total Subscription assets, net** | $ | 106 | (35) | — | — | 71 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related subscription liabilities during the years ended June 30, 2023 and 2022 are as follows:

| Fiscal years | | Beginning of year | Additions | Remeasurements | Deductions | End of year | Due within one year |
|---|---|---|---|---|---|---|---|
| 2023 | $ | 70 | — | — | (39) | 31 | 18 |
| 2022# | | 106 | — | — | (36) | 70 | 39 |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Future annual subscription payments as of June 30, 2023 and 2022 are as follows:

| Years ending June 30: | | Principal amount | Interest amount | FY 2023 Total |
|---|---|---|---|---|
| 2024 | $ | 18 | — | 18 |
| 2025 | | 6 | — | 6 |
| 2026 | | 7 | — | 7 |
| Total | | 31 | — | 31 |
| Less: Current portion | | (18) | | |
| Long-term portion as of June 30, 2023 | $ | 13 | | |

| Years ending June 30: | | Principal amount | Interest amount | FY 2022 Total |
|---|---|---|---|---|
| 2023 | $ | 39 | — | 39 |
| 2024 | | 18 | — | 18 |
| 2025 | | 6 | — | 6 |
| 2026 | | 7 | — | 7 |
| Total | | 70 | — | 70 |
| Less: Current portion | | (39) | | |
| Long-term portion as of June 30, 2022 | $ | 31 | | |

As of June 30, 2023 and 2022, no variable subscription payments were noted for SFPUC's subscription IT arrangements.

## (12) Water Wholesale Balancing Account

### Water Supply Agreement

From 1984-2009, the Water Enterprise provided water service pursuant to the terms of the 1984 Water Settlement Agreement and Master Water Sales Contract, which established the basis for water rates to be charged to those customers (Wholesale Customers). The Master Water Sales Contract expired on June 30, 2009. The Commission and the Wholesale Customers approved a Water Supply Agreement (WSA) effective July 1, 2009 (the contract was most recently restated and amended in January 2023).

The WSA has a 25-year term from July 1, 2009, with two options for five-year extensions. The existing 184 million gallons per day (mgd) Supply Assurance continues under the WSA and no increase in the Supply Assurance will be considered before December 31, 2028. During the period from 2009 to 2028, the WSA limits the quantity of water delivered to Retail Customers and Wholesale Customers from the watersheds to 265 mgd. Under the WSA, annual operating expenses, including debt service on bonds sold to finance regional system improvements and regional capital projects funded from revenues, will be allocated between Retail Customers and Wholesale Customers on the basis of proportionate annual water use. The original WSA stated the Wholesale Customers' share of net book value of existing regional assets as of June 30, 2009 would be recovered on level annual payment over the 25-year term of the WSA at an interest rate of 5.13%. The 25-year term repayment obligation was settled in February 2013. The Wholesale Customers made an early repayment to the Enterprise of the outstanding balance of $356,139 as allowed by Section 5.03 of the WSA. The WSA continues much of the rate setting, accounting, and dispute resolution provisions contained in the expired contract, and has emergency and drought-pricing adjustment provisions.

Pursuant to the terms of the WSA, the Water Enterprise is required to establish water rates applicable to the Wholesale Customers annually. The wholesale water rates are based on an estimate of the level of revenues necessary to recoup the cost of distributing water to the Wholesale Customers in accordance with the methodology outlined in Article V of the WSA (the Wholesale Revenue Requirement (WRR)). During fiscal years ending in 2023 and 2022, the WRR, net of adjustments, charged to such wholesale customers was $300,502 and $289,828, respectively. Such amounts are subject to final review by the Wholesale Customers, along with a trailing wholesale balancing account compliance audit of the WRR calculation.

Pursuant to Article VII, Section 7.02 of the WSA, the Water Enterprise is required to re-compute the WRR after the close of each fiscal year based on the actual costs incurred in the delivery of water to the Wholesale Customers. The difference between the wholesale revenues earned during the year and the “actual” WRR is recorded in a separate account (the Balancing Account) and represents the cumulative amount that is either owed to the Wholesale Customers (if the wholesale revenues exceed the WRR) or owed to the City (if the WRR exceeds the wholesale revenues paid). In accordance with Article VI of the WSA, the amount recorded in the Balancing Account shall earn interest at a rate equal to the average rate received by the City during the year on the invested pooled funds of the City Treasury and shall be taken into consideration in the determination of subsequent wholesale water rates. The Wholesale Customers owed the Water Enterprise $10,052 as of June 30, 2023. The Water Enterprise owed the Wholesale Customers $79,150 as of June 30, 2022. Refer to the compliance audit report for the final balancing account available at https://sfpuc.org/about-us/reports/audited-financial-statements-reports.

## (13) Other Non-Operating Revenues – Hetchy Power Transbay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Transbay Cable LLC (the Licensee) for the Transbay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license was a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee paid Hetchy Power $3,500 in Renewable Energy, Transmission and Grid Reliability. The Construction licensing fees were fully spent as of 2020.

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The project came on line November 29, 2010 and cumulative revenues of $22,708 were recorded. Per agreement, the SFPUC shall consider specifically renewable energy, conservation, and environmental health programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2023, cumulative expenses of $12,487 have been incurred, with $1,351 and $1,525 in fiscal years 2023 and 2022, respectively.

## (14) Employee Benefits

### a) Pension Plan

***San Francisco City and County Employees’ Retirement System*** – The SFPUC participates in a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees’ Retirement System (SFERS). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan’s fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Dollars in thousands, unless otherwise stated)

***Replacement Benefits Plan*** – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB Statements No. 68 and No. 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Valuation Date (VD) | June 30, 2021 updated to June 30, 2022 | June 30, 2020 updated to June 30, 2021 |
| Measurement Date (MD) | June 30, 2022 | June 30, 2021 |
| Measurement Period (MP) | July 1, 2021 to June 30, 2022 | July 1, 2020 to June 30, 2021 |

***SFERS Plan*** – The City is an employer of the SFERS Plan with a proportionate share of 94.87% as of June 30, 2022 (measurement date) and 94.64% as of June 30, 2021 (measurement date) a 0.23% increase from prior year. SFPUC's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2022 and 2021. The net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/ inflows, and pension expense are based on each department's allocated percentage. SFPUC's allocation of the City's proportionate share was 7.57%: 4.27% for Water, 1.99% for Wastewater, 0.55% for Hetchy Water, 0.68% for Hetchy Power and 0.08% for CleanPowerSF as of June 30, 2022 (measurement date). SFPUC's allocation of the City's proportionate share was 7.59%: 4.27% for Water, 1.99% for Wastewater, 0.57% for Hetchy Water, 0.69% for Hetchy Power and 0.07% for CleanPowerSF as of June 30, 2021 (measurement date).

***RBP*** – The Water Enterprise's allocation percentage was determined based on the Water Enterprise's total pension liabilities divided by the City's total pension liabilities for fiscal year 2022. The Water Enterprise's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Water Enterprise's allocated percentage. The Water Enterprise's allocation of the City's proportionate share was 2.31% as of June 30, 2022 (measurement date) and 1.85% as of June 30, 2021 (measurement date).

***SFERS Plan Description*** – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost of living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website http://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

***SFERS Benefits*** – The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the SFERS Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County.

The four main categories of Plan members are:

a. Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
b. Sheriff's Department and Miscellaneous Safety members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
c. Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
d. Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service, and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provision of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

## Funding and Contribution Policy

***SFERS Plan*** – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 12.0% and 7.5% to 13.0% as a percentage of gross covered salary in fiscal years 2023 and 2022. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2021 actuarial report, the required employer contribution rate for fiscal year 2023 was 17.85% to 21.35%. Based on the July 1, 2020 actuarial report, the required employer contribution rate for fiscal year 2022 was 19.91% to 24.41%.

Employer contributions and employee contributions made by the employer to the SFERS Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2022 and 2021 (measurement years) were $729,578 and $791,736, respectively. The SFPUC's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $55,460 and $59,094, respectively. The Water Enterprise's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $31,151 and $33,367, respectively. The Wastewater Enterprise's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $14,543 and $16,083, respectively. Hetchy Water's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $4,149 and $4,130, respectively. Hetchy Power's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $5,071 and $5,048, respectively. CleanPowerSF's allocation of employer contributions for fiscal years 2022 and 2021 (measurement periods) were $546 and $466, respectively.

***Replacement Benefits Plan*** – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4,472 and $4,097 replacement benefits in the years ended June 30, 2023 and June 30,2022, respectively.

## Pension (Assets)/Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

### Fiscal Year 2023

The City reported net pension liability (NPL) of $2,708,927 for its proportionate share of the SFERS Plan and RBP, which includes the net pension liability for SFERS Plan of $2,552,996 and the NPL of the RBP was $155,931, as of June 30, 2023. The City's net pension (asset) (NPA)/NPL for the SFERS Plan is measured as the proportionate share of the (NPA)/NPL. The NPL of the SFERS Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the NPL was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension (asset)/liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The SFPUC's allocation of the City's proportionate share of the net pension liability for the plan as of June 30 2023 was $194,760 of which $111,743 for Water Enterprise, $49,549 for Wastewater Enterprise, $14,105 for Hetchy Water, $17,239 for Hetchy Power and $2,124 for CleanPowerSF. The Water Enterprise's allocation of the total pension liability for the RBP as of June 30, 2023 was $3,600.

For the year ended June 30, 2023, the City recognized net pension expense of $1,771, which includes pension (benefit) of ($13,196) for the SFERS Plan and pension expense of $14,967 for RBP, including amortization of deferred outflow/inflow related pension items. SFPUC's allocation of pension expense/(benefit) for the SFERS Plan including amortization of deferred outflow/inflow related pension items were $2,866 of which $6,225, net of RBP of $1,363, was for the Water Enterprise, ($1,167) was for the Wastewater Enterprise, ($955) was for Hetchy Water, ($1,168) was for Hetchy Power, and ($69) was for CleanPowerSF.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2023, SFPUC reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

**SFERS Plan - Schedule of Deferred Outflows of Resources**

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Pension contribution subsequent to the measurement date | $ | 27,925 | 12,383 | 3,525 | 4,308 | 531 | 48,672 |
| Differences between expected and actual experience | | 10,200 | 4,523 | 1,288 | 1,574 | 194 | 17,779 |
| Changes in assumptions | | 29,035 | 12,874 | 3,665 | 4,479 | 552 | 50,605 |
| Change in employer's proportion | | 1,869 | 2,812 | 380 | 465 | 15 | 5,541 |
| Total | $ | 69,029 | 32,592 | 8,858 | 10,826 | 1,292 | 122,597 |

**SFERS Plan - Schedule of Deferred Inflows of Resources**

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Differences between expected and actual experience | $ | — | — | — | — | — | — |
| Changes in assumptions | | 8,713 | 3,864 | 1,100 | 1,344 | 166 | 15,187 |
| Net difference between projected and actual earnings on pension plan investments | | 13,890 | 6,159 | 1,753 | 2,143 | 264 | 24,209 |
| Change in employer's proportion | | 3,138 | — | 1,289 | 1,575 | 866 | 6,868 |
| Total | $ | 25,741 | 10,023 | 4,142 | 5,062 | 1,296 | 46,264 |

**Water Enterprise - RBP**

| Fiscal Year 2023 | | Schedule of Deferred Outflows of Resources | Schedule of Deferred Inflows of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ | 475 | 455 |
| Changes in assumptions | | 579 | 778 |
| Change in employer's proportion | | 18 | 1,530 |
| Total | $ | 1,072 | 2,763 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension (benefit)/ expense as follows:

| | | SFERS Plan | | | | | | RBP |
|---|---|---|---|---|---|---|---|---|
| Fiscal years | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total | Water |
| 2024 | $ | (5,899) | (1,574) | (1,163) | (1,422) | (509) | (10,567) | (283) |
| 2025 | | (8,602) | (2,830) | (1,366) | (1,669) | (426) | (14,893) | (374) |
| 2026 | | (17,636) | (6,905) | (2,405) | (2,939) | (477) | (30,362) | (589) |
| 2027 | | 47,500 | 21,495 | 6,125 | 7,486 | 877 | 83,483 | (445) |
| Total | $ | 15,363 | 10,186 | 1,191 | 1,456 | (535) | 27,661 | (1,691) |

## Fiscal Year 2022

The City reported net pension asset (NPA) of $2,226,990 for its proportionate share of the SFERS Plan and RBP, which includes the net pension asset for SFERS Plan of $2,446,564 and the net pension liability of the RBP was $219,574, as of June 30, 2022. The City's net pension asset for the SFERS Plan is measured as the proportionate share of the net pension asset. The net pension (asset)/ liability of the SFERS Plan is measured as of June 30, 2021 (measurement date), and the total pension (asset)/liability for the SFERS Plan and RBP used to calculate the net pension (asset)/ liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension (asset)/liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

(Dollars in thousands, unless otherwise stated)

The SFPUC's allocation of the City's proportionate share of the net pension (asset) for the plan as of June 30 2022 was ($181,926) of which ($100,407) for Water Enterprise, ($48,770) for Wastewater Enterprise, ($13,912) for Hetchy Water, ($17,004) for Hetchy Power and ($1,833) for CleanPowerSF. The Water Enterprise's allocation of the total pension liability for the RBP as of June 30, 2022 was $4,056.

For the year ended June 30, 2022, the City recognized net pension (benefit) of ($922,979), which includes pension (benefit) of ($951,714) for the SFERS Plan and pension expense of $28,735 for RBP, including amortization of deferred outflow/inflow related pension items. SFPUC's allocation of pension (benefit) for the SFERS Plan including amortization of deferred outflow/inflow related pension items were ($54,567) of which ($29,908), net of RBP of $3,131, was for the Water Enterprise, ($20,601) was for the Wastewater Enterprise, ($1,816) was for Hetchy Water, ($2,220) was for Hetchy Power, and ($22) was for CleanPowerSF.

As of June 30, 2022, SFPUC reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

**SFERS Plan - Schedule of Deferred Outflows of Resources**

| Fiscal Year 2022 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Pension contribution subsequent to the measurement date | $ | 31,151 | 14,543 | 4,149 | 5,071 | 546 | 55,460 |
| Differences between expected and actual experience | | 9,593 | 4,479 | 1,278 | 1,561 | 168 | 17,079 |
| Changes in assumptions | | 7,068 | 3,300 | 941 | 1,151 | 124 | 12,584 |
| Change in employer's proportion | | 3,531 | 3,047 | 328 | 400 | 14 | 7,320 |
| Total | $ | 51,343 | 25,369 | 6,696 | 8,183 | 852 | 92,443 |

**SFERS Plan - Schedule of Deferred Inflows of Resources**

| Fiscal Year 2022 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Differences between expected and actual experience | $ | 343 | 160 | 45 | 56 | 6 | 610 |
| Changes in assumptions | | 18,339 | 8,562 | 2,443 | 2,985 | 322 | 32,651 |
| Net difference between projected and actual earnings on pension plan investments | | 226,935 | 105,948 | 30,223 | 36,939 | 3,982 | 404,027 |
| Change in employer's proportion | | 1,706 | — | 1,766 | 2,158 | 1,104 | 6,734 |
| Total | $ | 247,323 | 114,670 | 34,477 | 42,138 | 5,414 | 444,022 |

**Water Enterprise - RBP**

| Fiscal Year 2022 | | Schedule of Deferred Outflows of Resources | Schedule of Deferred Inflows of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ | 552 | — |
| Changes in assumptions | | 757 | — |
| Change in employer's proportion | | 200 | 1,381 |
| Total | $ | 1,509 | 1,381 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

| Fiscal years | | SFERS Plan Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total | RBP Water |
|---|---|---|---|---|---|---|---|---|
| 2023 | $ | (57,166) | (26,134) | (8,033) | (9,817) | (1,407) | (102,557) | 247 |
| 2024 | | (51,954) | (23,662) | (7,470) | (9,130) | (1,278) | (93,494) | 52 |
| 2025 | | (54,608) | (24,937) | (7,679) | (9,386) | (1,194) | (97,804) | 1 |
| 2026 | | (63,403) | (29,111) | (8,748) | (10,693) | (1,229) | (113,184) | (172) |
| Total | $ | (227,131) | (103,844) | (31,930) | (39,026) | (5,108) | (407,039) | 128 |

(Dollars in thousands, unless otherwise stated)

## Actuarial Assumptions

### Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2022 (measurement date) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to the July 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org/.

| Key Actuarial Assumptions | | SFERS Plan | | | |
|---|---|---|---|---|---|
| Valuation Date | | June 30, 2021 updated to June 30, 2022 | | | |
| Measurement Date | | June 30, 2022 | | | |
| Actuarial Cost Method | | Entry-Age Normal Cost | | | |
| Expected Rate of Return | | 7.20% net of investment expenses | | | |
| Municipal Bond Yield | | 2.16% as of June 30, 2021 | | | |
| | | 3.54% as of June 30, 2022 | | | |
| | | Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022 | | | |
| Inflation | | 2.50% | | | |
| Salary Increases | | 3.25% plus merit component based employee classification and years of service | | | |
| Discount Rate | | 7.40% as of June 30, 2021 | | | |
| | | 7.20% as of June 30, 2022 | | | |
| Administrative Expenses | | 0.60% of payroll as of June 30, 2021 | | | |
| | | 0.60% of payroll as of June 30, 2022 | | | |
| | | Old Miscellaneous and all New Plans | Old Police & Fire pre 7/1/75 | Old Police & Fire, Charters A8.595 and A8.596 | Old Police & Fire, Charters A8.559 and A8.585 |
| Basic COLA | June 30, 2021 | 2.00% | 1.90% | 2.50% | 3.60% |
| Basic COLA | June 30, 2022 | 2.00% | 1.90% | 2.50% | 3.60% |

| Key Actuarial Assumptions | | Replacement Benefits Plan | | | |
|---|---|---|---|---|---|
| Valuation Date | | June 30, 2021 updated to June 30, 2022 | | | |
| Measurement Date | | June 30, 2022 | | | |
| Actuarial Cost Method | | Entry-Age Normal Cost | | | |
| Municipal Bond Yield | | 3.54% as of June 30, 2022 | | | |
| | | Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022 | | | |
| Inflation | | 2.50% | | | |
| Salary Increases | | 3.25% plus merit component based employee classification and years of service | | | |
| Discount Rate | | 3.54% as of June 30, 2022 | | | |
| Administrative Expenses | | 0.60% of payroll as of June 30, 2022 | | | |
| | | Old Miscellaneous | Old Police & Fire | Old Police & Fire, Charters | Old Police & Fire, Charters |
| Basic COLA | June 30, 2021 | 2.00% | 1.90% | 2.50% | 3.60% |
| Basic COLA | June 30, 2022 | 2.00% | 1.90% | 2.50% | 3.60% |

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2022 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

(Dollars in thousands, unless otherwise stated)

## Fiscal Year 2022

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2021 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2020 actuarial valuation. Refer to the July 1, 2020 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org/.

| Key Actuarial Assumptions | SFERS Plan |
|---|---|
| Valuation Date | June 30, 2020 updated to June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost |
| Expected Rate of Return | 7.40% net of investment expenses |
| Municipal Bond Yield | 2.21% as of June 30, 2020<br>2.16% as of June 30, 2021<br>Bond Buyer 20-Bond GO Index, June 25, 2020 and June 24, 2021 |
| Inflation | 2.50% |
| Salary Increases | 3.25% plus merit component based employee classification and years of service |
| Discount Rate | 7.40% as of June 30, 2020<br>7.40% as of June 30, 2021 |
| Administrative Expenses | 0.60% of payroll as of June 30, 2020<br>0.60% of payroll as of June 30, 2021 |

| | | Old Miscellaneous and all New Plans | Old Police & Fire pre 7/1/75 | Old Police & Fire, Charters A8.595 and A8.596 | Old Police & Fire, Charters A8.559 and A8.585 |
|---|---|---|---|---|---|
| Basic COLA | June 30, 2020 | 2.00% | 2.50% | 3.10% | 4.20% |
| Basic COLA | June 30, 2021 | 2.00% | 1.90% | 2.50% | 3.60% |

| Key Actuarial Assumptions | Replacement Benefits Plan |
|---|---|
| Valuation Date | June 30, 2020 updated to June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost |
| Municipal Bond Yield | 2.16% as of June 30, 2021<br>Bond Buyer 20-Bond GO Index, June 25, 2020 and June 24, 2021 |
| Inflation | 2.50% |
| Salary Increases | 3.25% plus merit component based employee classification and years of service |
| Discount Rate | 2.16% as of June 30, 2021 |
| Administrative Expenses | 0.60% of payroll as of June 30, 2021 |

| | | Old Miscellaneous | Old Police & Fire | Old Police & Fire, Charters | Old Police & Fire, Charters |
|---|---|---|---|---|---|
| Basic COLA | June 30, 2020 | 2.00% | 2.50% | 3.10% | 4.20% |
| Basic COLA | June 30, 2021 | 2.00% | 1.90% | 2.50% | 3.60% |

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2021 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2020.

## Discount Rate

## Fiscal Year 2023

***SFERS Plan*** – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2022 (measurement date) and 7.40% as of June 30, 2021 (measurement date).

(Dollars in thousands, unless otherwise stated)

The discount rate used to measure the Total Pension Liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022.

The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

**Assumed Supplemental COLA for Members with a 2.00% Basic COLA**

| Fiscal years | 96 - Prop C | Before 11/6/96 or After Prop C |
|---|---|---|
| 2024 | 0.75 % | 0.70 % |
| 2025 | 0.75 | 0.60 |
| 2026 | 0.75 | 0.60 |
| 2027 + | 0.75 | 0.50 |

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2022 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0 % | 4.8 % |
| Private Equity | 23.0 | 7.9 |
| Private Credit | 10.0 | 5.8 |
| Real Assets | 10.0 | 4.7 |
| Hedge Funds/Absolute Returns | 10.0 | 3.4 |
| Treasuries | 8.0 | 0.6 |
| Liquid Credit | 5.0 | 3.5 |
| Leverage | (3.0) | 0.6 |
| Total | 100.0 % | |

***RBP*** – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.54% as of June 30, 2022. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 24, 2021 and June 30, 2022. These are the rates used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $245 was used for the 2022 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the RBP, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2023, City's membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits. The Water Enterprise has 7 active members and 6 retirees and beneficiaries currently receiving benefits.

## Fiscal Year 2022

***SFERS Plan*** – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2021 (measurement date) and June 30, 2020 (measurement date).

(Dollars in thousands, unless otherwise stated)

The discount rate used to measure the Total Pension Liability as of June 30, 2021 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2020 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2021 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2021.

The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

| Fiscal years | 96 - Prop C | Before 11/6/96 or After Prop C |
|---|---|---|
| 2023 | 0.75 % | 0.70 % |
| 2025 | 0.75 | 0.70 |
| 2027 | 0.75 | 0.60 |
| 2029 | 0.75 | 0.60 |
| 2031 | 0.75 | 0.60 |
| 2033 + | 0.75 | 0.50 |

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.16% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2021 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0 % | 4.2 % |
| Private Equity | 23.0 | 7.9 |
| Private Credit | 10.0 | 5.1 |
| Real Assets | 10.0 | 5.1 |
| Hedge Funds/Absolute Returns | 10.0 | 2.9 |
| Treasuries | 8.0 | 0.0 |
| Liquid Credit | 5.0 | 2.3 |
| Leverage | (3.0) | 0.1 |
| Total | 100.0 % | |

***RBP*** – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 2.16% as of June 30, 2021. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 25, 2020 and June 24, 2021. These are the rates used to determine the total pension liability as of June 30, 2021.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $230 for 2021 was used for the 2021 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the RBP, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2022, City's membership in the RBP had a total of 350 active members and 135 retirees and beneficiaries currently receiving benefits. The Water Enterprise has 9 active members and 3 retirees and beneficiaries currently receiving benefits.

(Dollars in thousands, unless otherwise stated)

### Sensitivity of Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate

The following presents the SFPUC's allocation of the employer's proportionate share of the net pension (asset)/liability (NPA/NPL) for the SFERS Plan, calculated using the discount rate, as well as what the SFPUC's allocation of the employer's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

**SFERS Plan - Schedule of Employers' Proportionate Share of the Net Pension (Asset)/Liability**

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 1% Decrease Share of NPL @ 6.20% | $ | 305,993 | 135,684 | 38,624 | 47,207 | 5,817 | 533,325 |
| Share of (NPL) @ 7.20% | | 111,743 | 49,549 | 14,105 | 17,239 | 2,124 | 194,760 |
| 1% Increase Share of (NPA) @ 8.20% | | (48,394) | (21,459) | (6,108) | (7,466) | (920) | (84,347) |

**SFERS Plan - Schedule of Employers' Proportionate Share of the Net Pension (Asset)/Liability**

| Fiscal Year 2022 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 1% Decrease Share of NPL @ 6.40% | $ | 69,621 | 32,504 | 9,272 | 11,333 | 1,221 | 123,951 |
| Share of (NPA) @ 7.40% | | (104,463) | (48,770) | (13,912) | (17,004) | (1,833) | (185,982) |
| 1% Increase Share of (NPA) @ 8.40% | | (248,184) | (115,868) | (33,053) | (40,398) | (4,354) | (441,857) |

The following presents the Water Enterprise's allocation of the employer's proportionate share of the total pension liability for the RBP, calculated using the discount rate, as well as what the Water Enterprise's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

**Replacement Benefits Plan - Schedule of Employers' Proportionate Share of the Net Pension Liability**

| Fiscal Year 2023 | | Water |
|---|---|---|
| 1% Decrease Share of NPL @ 2.54% | $ | 4,270 |
| Measurement Date @ 3.54% | | 3,600 |
| 1% Increase Share of NPL @ 4.54% | | 3,072 |

| Fiscal Year 2022 | | Water |
|---|---|---|
| 1% Decrease Share of NPL @ 1.16% | $ | 4,889 |
| Measurement Date @ 2.16% | | 4,056 |
| 1% Increase Share of NPL @ 3.16% | | 3,411 |

## b) Other Post-Employment Benefits

The SFPUC participates in the City's single-employer defined benefit other post-employment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides post-employment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other post-employment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

(Dollars in thousands, unless otherwise stated)

**San Francisco Health Service System Retiree Plan - Single-Employer**

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Valuation Date (VD) | June 30, 2022 | June 30, 2020 updated to June 30, 2021 |
| Measurement Date (MD) | June 30, 2022 | June 30, 2021 |
| Measurement Period (MP) | July 1, 2021 to June 30, 2022 | July 1, 2020 to June 30, 2021 |

The SFPUC's allocation percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2022 and June 30, 2021. The SFPUC's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on SFPUC's allocated percentage. The SFPUC's proportionate share of the City's OPEB elements as of June 30, 2022 (measurement date) was 6.26%: 3.97% for the Water Enterprise, 1.31% for the Wastewater Enterprise, 0.40% for Hetchy Water, 0.47% for Hetchy Power, and 0.11% for CleanPowerSF. The SFPUC's proportionate share of the City's OPEB elements as of June 30, 2021 (measurement date) was 6.15%: 3.90% for the Water Enterprise, 1.33% for the Wastewater Enterprise, 0.39% for Hetchy Water, 0.47% for Hetchy Power, and 0.06% for CleanPowerSF.

***Benefits*** – Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

| | | |
|---|---|---|
| Normal Retirement | Miscellaneous | Age 50 with 20 years of credited service[1] |
| | | Age 60 with 10 years of credited service |
| | Safety | Age 50 with 5 years of credited service |
| Disabled Retirement[2] | | Any age with 10 years of credited service |
| Terminated Vested | | 5 years of credited service at separation |

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

| | |
|---|---|
| Medical: | PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) |
| | HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded) |
| Dental: | Delta Dental, DeltaCare USA and United Healthcare Dental |
| Vision: | Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan. |

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

***Contributions*** – Benefits provided under the Plan are currently paid through "pay as you go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

### Fiscal Year 2023

For the fiscal year ended June 30, 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $45,241 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $215,408 for a total contribution of $260,649 for the fiscal year ended June 30, 2023. The SFPUC's proportionate share of contributions for fiscal year 2023 was $16,339: $10,339 for Water Enterprise, $3,412 for the Wastewater Enterprise, $1,038 for Hetchy Water, $1,268 for Hetchy Power, and $282 for CleanPowerSF for fiscal year 2023 and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

### Fiscal Year 2022

For the fiscal year ended June 30, 2022, the City's funding was based on "pay-as-you-go" plus a contribution of $41,841 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $211,205 for a total contribution of $252,866 for the fiscal year ended June 30, 2022. The SFPUC's proportionate share of contributions for fiscal year 2022 was $15,560: $9,873 for Water Enterprise, $3,365 for the Wastewater Enterprise, $975 for Hetchy Water, $1,192 for Hetchy Power, and $155 for CleanPowerSF for fiscal year 2022 and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

### OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

### Fiscal Year 2023

As of June 30, 2023, the City reported net OPEB liabilities related to the Plan of $3,746,270. The SFPUC's proportionate share of the City's net OPEB liability as of June 30, 2023 was $234,816: $148,601 for Water Enterprise, $49,035 for the Wastewater Enterprise, $14,907 for Hetchy Water, $18,220 for Hetchy Power, and $4,053 for CleanPowerSF.

For the year ended June 30, 2023, the City's recognized OPEB expense was $256,974. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The SFPUC's proportionate share of the City's OPEB expense was $32,559: $20,381 for Water Enterprise, $4,374 for the Wastewater Enterprise, $2,078 for Hetchy Water, $2,540 for Hetchy Power, and $3,186 for CleanPowerSF.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2023, the SFPUC's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

**Schedule of Deferred Outflows of Resources**

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Contribution subsequent to the measurement date | $ | 10,339 | 3,412 | 1,038 | 1,268 | 282 | 16,339 |
| Differences between expected and actual experience | | 3,299 | 1,089 | 331 | 404 | 90 | 5,213 |
| Changes in assumptions | | 6,344 | 2,093 | 636 | 778 | 173 | 10,024 |
| Net difference between projected and actual earnings on pension plan investments | | 2,392 | 789 | 240 | 293 | 65 | 3,779 |
| Change in proportion | | 6,242 | 4,110 | 1,003 | 1,226 | 399 | 12,980 |
| | Total $ | 28,616 | 11,493 | 3,248 | 3,969 | 1,009 | 48,335 |

**Schedule of Deferred Inflows of Resources**

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Differences between expected and actual experience | $ | 24,740 | 8,164 | 2,482 | 3,033 | 675 | 39,094 |
| Change in proportion | | 2,335 | 122 | 602 | 736 | 2,247 | 6,042 |
| | Total $ | 27,075 | 8,286 | 3,084 | 3,769 | 2,922 | 45,136 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB (benefit)/expense as follows:

| Fiscal years | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 2024 | $ | (2,253) | (137) | (193) | (236) | (527) | (3,346) |
| 2025 | | (2,213) | (124) | (189) | (231) | (526) | (3,283) |
| 2026 | | (720) | 369 | (39) | (48) | (485) | (923) |
| 2027 | | (1,132) | 236 | (130) | (159) | (384) | (1,569) |
| Thereafter | | (2,480) | (549) | (323) | (394) | (273) | (4,019) |
| Total | $ | (8,798) | (205) | (874) | (1,068) | (2,195) | (13,140) |

## Fiscal Year 2022

As of June 30, 2022, the City reported net OPEB liabilities related to the Plan of $3,691,122. The SFPUC's proportionate share of the City's net OPEB liability as of June 30, 2022 was $227,147: $144,115 for Water Enterprise, $49,123 for the Wastewater Enterprise, $14,240 for Hetchy Water, $17,405 for Hetchy Power, and $2,264 for CleanPowerSF.

For the year ended June 30, 2022, the City's recognized OPEB expense was $272,001. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The SFPUC's proportionate share of the City's OPEB expense was $22,932: $14,566 for Water Enterprise, $5,364 for the Wastewater Enterprise, $1,874 for Hetchy Water, $2,291 for Hetchy Power, offset by $1,163 for CleanPowerSF.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2022, the SFPUC's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

**Schedule of Deferred Outflows of Resources**

| Fiscal Year 2022 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Contribution subsequent to the measurement date | $ | 9,873 | 3,365 | 975 | 1,192 | 155 | 15,560 |
| Differences between expected and actual experience | | 4,330 | 1,476 | 428 | 523 | 68 | 6,825 |
| Changes in assumptions | | 6,091 | 2,076 | 602 | 735 | 96 | 9,600 |
| Change in proportion | | 12,151 | 5,981 | 1,267 | 1,549 | 479 | 21,427 |
| | Total $ | 32,445 | 12,898 | 3,272 | 3,999 | 798 | 53,412 |

**Schedule of Deferred Inflows of Resources**

| Fiscal Year 2022 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| Differences between expected and actual experience | $ | 22,191 | 7,564 | 2,193 | 2,680 | 348 | 34,976 |
| Net difference between projected and actual earnings on plan investments | | 2,728 | 930 | 269 | 329 | 43 | 4,299 |
| Change in proportion | | 429 | 146 | 272 | 333 | 1,203 | 2,383 |
| | Total $ | 25,348 | 8,640 | 2,734 | 3,342 | 1,594 | 41,658 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

| Fiscal years | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 2023 | $ | (313) | 291 | (105) | (128) | (264) | (519) |
| 2024 | | (324) | 288 | (106) | (130) | (264) | (536) |
| 2025 | | (286) | 301 | (103) | (125) | (264) | (477) |
| 2026 | | (263) | 231 | 46 | 57 | (167) | (96) |
| 2027 | | (669) | 95 | (43) | (53) | (59) | (729) |
| Thereafter | | (921) | (313) | (126) | (156) | 67 | (1,449) |
| Total | $ | (2,776) | 893 | (437) | (535) | (951) | (3,806) |

(Dollars in thousands, unless otherwise stated)

## Actuarial Assumptions

### Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2022 (measurement date) is provided below:

| Key Actuarial Assumptions | |
|---|---|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| Healthcare Cost Trend Rates | Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 |
| | Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 |
| | 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 |
| | Vision and expenses trend remains a flat 3.00% for all years |
| Expected Rate of Return on Plan Assets | 7.00% |
| Salary Increase Rate | Wage Inflation Component: 3.25% |
| | Additional Merit Component (dependent on years of service): |
| | Police: 0.50% - 7.50% |
| | Fire: 0.50% - 14.00% |
| | Muni Drivers: 0.00% - 16.00% |
| | Craft: 0.50% - 3.75% |
| | Misc: 0.30% - 5.50% |
| Inflation Rate | Wage Inflation: 3.25% compounded annually |
| | Consumer Price Inflation: 2.50% compounded annually |
| Mortality Tables | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019. |

Non-Annuitants

| | | Adjustment Factor | |
|---|---|---|---|
| | Published Table | Male | Female |
| Miscellaneous | PubG-2010 Employee | 0.834 | 0.866 |
| Safety | PubS-2010 Employee | 1.011 | 0.979 |

Healthy Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | Published Table | Male | Female |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubS-2010 Employee | 0.947 | 1.044 |

Disabled Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | Published Table | Male | Female |
| Miscellaneous | PubG-2010 Employee | 1.045 | 1.003 |
| Safety | PubS-2010 Employee | 0.916 | 0.995 |

Beneficiaries

| | | Adjustment Factor | |
|---|---|---|---|
| | Published Table | Male | Female |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubG-2010 Employee | 1.031 | 0.977 |

The mortality rates in the base tables are projected generationally from the base year using the MP–2019 projection scale.

(Dollars in thousands, unless otherwise stated)

## Fiscal Year 2022

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2021 (measurement date) is provided below:

| Key Actuarial Assumptions | |
|---|---|
| Valuation Date | June 30, 2020 updated to June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| Healthcare Cost Trend Rates | Pre-Medicare trend starts at 6.74% trending down to ultimate rate of 4.04% in 2075<br>Medicare trend starts at 7.24% trending down to ultimate rate of 4.04% in 2075<br>10-County average trend starts at 5.50% trending down to ultimate rate of 4.04% in 2075<br>Vision and expenses trend remains a flat 3.00% for all years |
| Expected Rate of Return on Plan Assets | 7.00% |
| Salary Increase Rate | Wage Inflation Component: 3.25%<br>Additional Merit Component (dependent on years of service):<br>Police: 0.50% - 7.50%<br>Fire: 0.50% - 14.00%<br>Muni Drivers: 0.00% - 16.00%<br>Craft: 0.50% - 3.75%<br>Misc: 0.30% - 5.50% |
| Inflation Rate | Wage Inflation: 3.25% compounded annually<br>Consumer Price Inflation: 2.50% compounded annually |
| Mortality Tables | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019. |

Non-Annuitants

| | Published Table | Adjustment Factor Male | Female |
|---|---|---|---|
| Miscellaneous | PubG-2010 Employee | 0.834 | 0.866 |
| Safety | PubS-2010 Employee | 1.011 | 0.979 |

Healthy Retirees

| | Published Table | Adjustment Factor Male | Female |
|---|---|---|---|
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubS-2010 Employee | 0.947 | 1.044 |

Disabled Retirees

| | Published Table | Adjustment Factor Male | Female |
|---|---|---|---|
| Miscellaneous | PubG-2010 Employee | 1.045 | 1.003 |
| Safety | PubS-2010 Employee | 0.916 | 0.995 |

Beneficiaries

| | Published Table | Adjustment Factor Male | Female |
|---|---|---|---|
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubG-2010 Employee | 1.031 | 0.977 |

The mortality rates in the base tables are projected generationally from the base year using the MP–2019 projection scale.

## Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the SFPUC’s proportionate share of the City’s net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2023 and June 30, 2022:

| | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | Total 2023 |
|---|---|---|---|---|---|---|
| 1% Decrease | $ 127,125 | 41,948 | 12,753 | 15,586 | 3,467 | 200,879 |
| Healthcare Trend | 148,601 | 49,035 | 14,907 | 18,220 | 4,053 | 234,816 |
| 1% Increase | 175,238 | 57,824 | 17,579 | 21,486 | 4,779 | 276,906 |

| | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | Total 2022 |
|---|---|---|---|---|---|---|
| 1% Decrease | $ 122,667 | 41,812 | 12,121 | 14,814 | 1,927 | 193,341 |
| Healthcare Trend | 144,115 | 49,123 | 14,240 | 17,405 | 2,264 | 227,147 |
| 1% Increase | 170,851 | 58,236 | 16,882 | 20,634 | 2,685 | 269,288 |

(Dollars in thousands, unless otherwise stated)

## Discount Rate

### Fiscal Year 2023

The discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Large Cap | 28.0 % | 6.8 % |
| U.S. Small Cap | 3.0 | 7.4 |
| Developed Market Equity (non-U.S.) | 15.0 | 7.5 |
| Emerging Market Equity | 13.0 | 8.4 |
| **Credit** | | |
| Bank Loans | 3.0 | 4.0 |
| High Yield Bonds | 3.0 | 4.4 |
| Emerging Market Bonds | 3.0 | 4.2 |
| **Rate Securities** | | |
| Investment Grade Bonds | 9.0 | 2.4 |
| Long-term Government Bonds | 4.0 | 2.8 |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0 | 1.9 |
| **Private Markets** | | |
| Private Equity | 5.0 | 10.0 |
| Core Private Real Estate | 5.0 | 6.1 |
| **Risk Mitigating Strategies** | | |
| Global Macro | 5.0 | 5.0 |
| **Total** | **100.0 %** | |

The following presents the SFPUC's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the SFPUC's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| Fiscal Year 2023 | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|---|
| 1% Decrease 6.00% | $ | 173,000 | 57,086 | 17,355 | 21,211 | 4,718 | 273,370 |
| Discount Rate 7.00% | | 148,601 | 49,035 | 14,907 | 18,220 | 4,053 | 234,816 |
| 1% Increase 8.00% | | 128,583 | 42,429 | 12,899 | 15,765 | 3,507 | 203,183 |

### Fiscal Year 2022

The discount rate used to measure the Total OPEB Liability as of June 30, 2021 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Dollars in thousands, unless otherwise stated)

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Large Cap | 28.0 % | 8.2 % |
| U.S. Small Cap | 3.0 | 9.5 |
| Developed Market Equity (non-U.S.) | 15.0 | 8.9 |
| Emerging Market Equity | 13.0 | 11.0 |
| **Credit** | | |
| Bank Loans | 3.0 | 4.4 |
| High Yield Bonds | 3.0 | 4.4 |
| Emerging Market Bonds | 3.0 | 4.3 |
| **Rate Securities** | | |
| Investment Grade Bonds | 9.0 | 1.9 |
| Long-term Government Bonds | 4.0 | 3.2 |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0 | 1.5 |
| **Private Markets** | | |
| Private Equity | 5.0 | 13.0 |
| Core Private Real Estate | 5.0 | 6.2 |
| **Risk Mitigating Strategies** | | |
| Global Macro | 5.0 | 4.4 |
| **Total** | 100.0 % | |

The following presents the SFPUC's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the SFPUC's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| Fiscal Year 2022 | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
|---|---|---|---|---|---|---|
| 1% Decrease 6.00% | $ 168,520 | 57,442 | 16,652 | 20,352 | 2,648 | 265,614 |
| Discount Rate 7.00% | 144,115 | 49,123 | 14,240 | 17,405 | 2,264 | 227,147 |
| 1% Increase 8.00% | 124,181 | 42,328 | 12,271 | 14,997 | 1,951 | 195,728 |

City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's post-employment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

## (15) Related Parties

Various common costs incurred by the Commission are allocated proratably between Water, Wastewater, Hetchy Water and Hetchy Power and CleanPowerSF. The allocations are based on the Commission management's best estimate and may change from year to year depending on the activities incurred by each enterprise and the information available.

(Dollars in thousands, unless otherwise stated)

The following tables show the administrative costs including COVID-19 Project expenses for the years ended June 30, 2023 and 2022:

| Fiscal Years | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | SFPUC Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2023 | $ 55,121 | 48.2% | 32,909 | 28.8% | 11,778 | 10.3% | 9,452 | 8.3% | 5,132 | 4.4% | 114,392 |
| 2022 | 52,769 | 49.2% | 32,212 | 30.0% | 10,886 | 10.2% | 8,820 | 8.2% | 2,515 | 2.4% | 107,202 |

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department (SFRPD), for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. The total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy.

The following tables show the allocable share of expenses and prepayments for the years ended June 30, 2023 and 2022:

| 2023 | Water | Wastewater | Hetchy Water | Hetchy Power | SFPUC Total |
|---|---|---|---|---|---|
| Allocable share of expenses | $ 45 | 21 | 5 | 12 | 83 |
| Allocable share of prepayment | 3,220 | 1,124 | 146 | 741 | 5,231 |

| 2022 | Water | Wastewater | Hetchy Water | Hetchy Power | SFPUC Total |
|---|---|---|---|---|---|
| Allocable share of expenses | $ 44 | 22 | 5 | 13 | 84 |
| Allocable share of prepayment | 3,265 | 1,145 | 151 | 753 | 5,314 |

## Water Enterprise

The Water Enterprise purchases water from Hetch Hetchy Water. The amounts, totaling $49,636 and $45,815 for the years ended June 30, 2023 and 2022, respectively, have been included in the services provided by other departments in the accompanying financial statements.

The Water Enterprise purchases electricity from Hetch Hetchy Power at market rates. The amounts, totaling $11,398 and $11,394 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Water Enterprise sold water to the Wastewater Enterprise at retail rates. This amount, totaling $1,552 and $1,819 for the years ended June 30, 2023 and 2022, respectively, has been included in charges for services in the accompanying financial statements.

Since fiscal year 2008, the Water Enterprise has charged City departments for water usage with the exception of fire hydrants, which are used for general public safety. In fiscal years 2023 and 2022, the Water Enterprise delivered water for fire hydrant purposes totaling $9 and $8, respectively, based on metered usage and applicable water rates, and the amount has been excluded from operating revenues in the accompanying financial statements.

A variety of City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges, totaling $18,690 and $15,951 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

During the fiscal year ended June 30, 2023, the Water Enterprise transferred $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program. The Water Enterprise received $5 from the General Fund for Mayor's Office instructions relating to the minimum compensation ordinance.

As of June 30, 2023, the Water Enterprise had interfund receivables of $115 from Department of Public Works (DPW) relating to custom work projects. As of June 30, 2022, the Water Enterprise had interfund receivables of $102 from DPW relating to custom work projects and $69 from Academy of Sciences for unpaid interdepartmental services.

The Water Enterprise had receivables due from the Treasure Island Development Authority for capacity fees of $195 as of June 30, 2022, and from the Office of Community Investment and Infrastructure for custom work projects of $0 and $7 for the years ended June 30, 2023 and 2022, respectively.

The Water Enterprise had a $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project as of June 30, 2023.

## Wastewater Enterprise

The Wastewater Enterprise purchases electricity from Hetch Hetchy Power at market rates. This amount, totaling $14,876 and $11,887 for the years ended June 30, 2023 and 2022, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Wastewater Enterprise purchases water from Water Enterprise at retail rates. This amount, totaling $1,552 and $1,819 for the years ended June 30, 2023 and 2022, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Wastewater Enterprise provides sewer services to other City departments at non-residential rates established by the Commission, and through the Customer Services Bureau, bills and collects sewer service charges on behalf of the Wastewater Enterprise.

The City's Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. These amounts totaling approximately $9,156 and $13,099 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

A variety of other City departments provide services such as purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges totaling approximately $15,414 and $12,840 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

As of June 30, 2023 and 2022, the Wastewater Enterprise has payables in the amount of $2,102 and $0, respectively, to MTA related to Walsh settlement and $518 and $629, respectively, which is associated with the SFPUC Headquarters Living Machine system. As of June 30, 2023 and 2022, the Wastewater Enterprise has payable of $0 to the City Attorney's Office for legal services provided.

As of June 30, 2023, the Wastewater Enterprise has interfund receivable of $128 from DPW for the Mission Bay South custom work project. In fiscal year 2022, the Wastewater Enterprise has interfund receivable of $224, of which $118 from DPW for custom work projects and $106 from the Academy of Sciences for sewer charges.

As of June 30, 2023, the Wastewater Enterprise has no receivable due from the City's component unit. In fiscal year 2022, the Wastewater Enterprise has receivable due from the City's component unit consisting of $1,014, from the Treasure Island Development Authority for capacity charges and $1 from the Office of Community Investment and Infrastructure (OCII) for the Candlestick Point Project.

SFPUC's 30-year lease agreement with the San Francisco Port Commission, for the use of approximately 4,833 square feet of land located within Seawall Lot 345 and within the public right-of-way on Terry A. Francois Boulevard and on Illinois Street, commenced on September 1st, 2018. SFPUC intends to use the premises for the reconstruction of the Mariposa Pump Station and Force Main Improvements. Total payment under this agreement is $502, which was fully made as of fiscal year 2019. As of June 30, 2023, the Wastewater Enterprise's expenses and prepayment were $17 and $421, respectively, and as of June 30, 2022 were $17 and $438, respectively.

### Hetchy Water

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of $49,636 and $45,815 for the years ended June 30, 2023 and 2022, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetchy Water and charge amounts designed to recover those departments' costs. These charges totaling approximately $3,392 and $3,129 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

Hetchy Water received $20,000 and $30,001 for the years ended June 30, 2023 and 2022, respectively, from the Water Enterprise to fund upcountry projects.

### Hetchy Power

For the years ended, June 30, 2023, and 2022, operating revenues in sales of power to departments within the City were $121,046 and $116,334, respectively.

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetchy Power and charge amounts designed to recover those departments' costs. These charges totaling approximately $8,674 and $6,253 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled $11,398 and $11,394 for the years ended June 30, 2023 and 2022, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled $14,876 and $11,887 for the years ended June 30, 2023 and 2022, respectively.

The Low Carbon Fuel Standard (LCFS) program is a regulatory program overseen by the California Air Resources Board (CARB). The LCFS program seeks to reduce the carbon intensity of California's transportation fuel by 20% by 2030. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power. Under the MOU, Hetchy Power would take responsibility for selling the LCFS credits. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the sale of LCFS credits. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies. During the fiscal years ended, June 30, 2023 and 2022, Hetchy Power received total payments of LCFS credits attributable to SFMTA of $1,123 and $2,367, respectively. Among these amounts, $561 in fiscal year 2023 and $1,184 in fiscal year 2022, respectively, were transferred to SFMTA, and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

(Dollars in thousands, unless otherwise stated)

In fiscal year 2023, municipal customers entering into an LCFS Partnership Agreement will pay for premium charges. The Port of San Francisco (Port) started earning its own LCFS credits on January 1, 2022, through the provision of shoreside power to docked ships. Hetchy Power has subsequently started selling the Port's LCFS credits in fiscal year 2023 and recognized $32 revenues from credit sales. Total of $210 was transferred to Port for fiscal year 2023.

Due from other City departments was $11,486 and $11,804 as of June 30, 2023 and 2022, respectively. Hetchy Power serves as the City's department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor's Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2023 and 2022, projects completed or under way throughout the City amounted to $3,544 and $4,050, respectively, and are recorded as due from other City departments.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded a receivable in connection with an upgraded submarine power cable for the Treasure Island, and gas and electrical charges for the Treasure Island as due from other City departments. This amount totaled $7,177 and $6,666 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, Hetchy Power recorded receivables of $518 and $629, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System. Details of due from other City departments are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Treasure Island Development Authority | $ | 7,177 | 6,666 |
| SEA-related projects - Moscone Center | | 3,544 | 4,050 |
| Wastewater - 525 Golden Gate Headquarters Project | | 518 | 629 |
| San Francisco Recreation and Park | | 209 | 314 |
| Department of Public Works | | 38 | 145 |
| Total due from other City departments | | 11,486 | 11,804 |
| Less: current portion | | (1,134) | (867) |
| Long-term portion as of June 30, net | $ | 10,352 | 10,937 |

As of June 30, 2023, Hetchy Power had payables in the amount of $1,946 for claim settlement reimbursement to SFMTA. As of June 30, 2022, Hetchy Power had payables in the amount of $380, of which $369 to the Port of San Francisco for Pier 70 Shoreside Power Project and $11 to the Department of Public Works for painting of light poles.

## CleanPowerSF

As of June 30, 2023, and 2022, operating revenue in sales of power to Hetchy Power were $1,549 and $2,332, respectively. Operating expenses in purchase of power from Hetchy Power were $5,846 and $1,589, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

(Dollars in thousands, unless otherwise stated)

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to CleanPowerSF and charge amounts designed to recover those departments' costs. These charges totaling approximately $4,302 and $3,621 for the years ended June 30, 2023 and 2022, respectively, have been included in services provided by other departments in the accompanying financial statements.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $2,850 and $1,861 for the years ended June 30, 2023 and 2022, respectively.

## (16) Risk Management

The SFPUC's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the SFPUC's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the SFPUC obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The SFPUC does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance program. In the past three years, there was no settlements that exceeded insurance coverage.

| | Risks | Coverage Approach |
|---|---|---|
| (a) | General liability | Self-Insured |
| (b) | Workers' compensation | Self-Insured through Citywide Pool |
| (c) | Property | Purchased Insurance and Self-Insured |
| (d) | Public officials liability | Purchased Insurance |
| (e) | Employment practices liability | Purchased Insurance |
| (f) | Cyber Liability | Purchased Insurance |
| (g) | Crime | Purchased Insurance |
| (h) | Electronic data processing | Purchased Insurance and Self-Insured |
| (i) | Surety bonds | Purchased and Contractual Risk Transfer |
| (j) | Errors and omissions | Purchased and Contractual Risk Transfer |
| (k) | Builders' risk | Contractual Risk Transfer |

### a) General Liability

Through coordination with the Controller and the City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the SFPUC and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

(Dollars in thousands, unless otherwise stated)

The changes for the general liability (damage claims) for the years ended June 30, 2023 and 2022 are as follows:

| | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
| Beginning of year | $ | 36,069 | 12,045 | 627 | 1,023 | 32 | 49,796 |
| Claims & changes in estimates | | 1,898 | 2,716 | 320 | 10,439 | 1,738 | 17,111 |
| Claims paid & changes in estimates | | (18,342) | (10,411) | (247) | (5,312) | (1,736) | (36,048) |
| End of year | $ | 19,625 | 4,350 | 700 | 6,150 | 34 | 30,859 |

| | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC Total |
| Beginning of year | $ | 36,723 | 16,713 | 525 | 1,108 | 6 | 55,075 |
| Claims & changes in estimates | | 452 | 8,812 | 253 | 2,005 | 1,582 | 13,104 |
| Claims paid & changes in estimates | | (1,106) | (13,480) | (151) | (2,090) | (1,556) | (18,383) |
| End of year | $ | 36,069 | 12,045 | 627 | 1,023 | 32 | 49,796 |

## b) Workers' Compensation

The City actuarially determines and allocates workers' compensation costs to the SFPUC according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the SFPUC's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

The changes in the liabilities for workers' compensation for the years ended June 30, 2023 and 2022 are as follows:

| | | 2023* | | | | |
|---|---|---|---|---|---|---|
| | | Water | Wastewater | Hetchy Water | Hetchy Power | SFPUC Total |
| Beginning of year | $ | 8,973 | 7,546 | 1,228 | 2,250 | 19,997 |
| Claims & changes in estimates | | 3,984 | 2,976 | 76 | 224 | 7,260 |
| Claims paid & changes in estimates | | (3,222) | (2,524) | (85) | (236) | (6,067) |
| End of year | $ | 9,735 | 7,998 | 1,219 | 2,238 | 21,190 |

| | | 2022* | | | | |
|---|---|---|---|---|---|---|
| | | Water | Wastewater | Hetchy Water | Hetchy Power | SFPUC Total |
| Beginning of year | $ | 8,828 | 6,582 | 1,120 | 2,118 | 18,648 |
| Claims & changes in estimates | | 2,793 | 3,207 | 233 | 322 | 6,555 |
| Claims paid & changes in estimates | | (2,648) | (2,243) | (125) | (190) | (5,206) |
| End of year | $ | 8,973 | 7,546 | 1,228 | 2,250 | 19,997 |

*CleanPowerSF had no workers' compensation liability as of June 30, 2023 and 2022.

### c) Property

The SFPUC's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the SFPUC requires each contractor to provide its own insurance, while ensuring the full scope of work be covered with satisfactory levels to limit the SFPUC's risk exposure. Once construction is complete, the SFPUC performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for: 1. revenue generating facilities, 2. debt financed facilities, 3. mandated coverage to meet statutory requirements for bonding of various public officials, or 4. high-value, mission-critical property or equipment.

### d) Public Officials Liability

All SFPUC public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

### e) Employment Practices Liability

An Employment Practices Liability Policy is retained to protect against employment-related claims and liabilities.

### f) Cyber Liability

A Cyber Liability Policy is retained to protect against cyber-related claims and liabilities.

### g) Crime

The SFPUC also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

### h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

### i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

### j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

### k) Builders' Risk

Builders' Risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

### l) Energy Risk Management

Similar to other electric utilities with a heavy reliance on hydroelectric generation, Hetch Hetchy is exposed to risks that could impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the Hetch Hetchy revenues can vary with watershed hydrology, unexpected generator outages, and market prices for energy. Given the inherent risk for all hydroelectric generation, several risk management interventions have been developed to mitigate exposure.

### m) Enterprise Risk Management

The Power Enterprise adopted the ISO 31000 standard for Hetchy Power and the CleanPowerSF program as the framework for implementing Enterprise Risk Management (ERM). The SFPUC utilizes this framework to systematically and proactively identify and mitigate risks that threatens its business objectives. Since not all risks are insurable or transferable contractually, the ERM program provides an additional method to manage risks and protect the SFPUC's current and expanding business allowing for increased operational resiliency and the ability to capitalize on opportunities.

## (17) Commitments and Litigation

### a) Commitments

SFPUC has outstanding commitments with third parties for various capital projects and other purchase agreements for materials and services. As of June 30, 2023 and 2022, the Water Enterprise had outstanding commitments with third parties of $220,706 and $322,132, respectively. As of June 30, 2023 and 2022, the Wastewater Enterprise had outstanding commitments with third parties of $762,085 and $1,037,607, respectively. As of June 30, 2023 and 2022, Hetch Hetchy had outstanding commitments with third parties of $136,322 and $199,283, respectively.

#### Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. The payment amounts were $5,329 and $5,129 for fiscal years 2023 and 2022, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

## Hetchy Power

### Wholesale Distribution Tariff (WDT) and Key Operating Agreements for Grid Access

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City continues to negotiate with PG&E and, where necessary, file complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, Distributed Antenna System (DAS), traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2023 and 2022, Hetchy Power purchased distribution services for $29,008 and $22,404, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

### Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2023 and 2022, Hetchy Power purchased $3,676 and $4,152 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were $1,157 or 155,000 MWh for 2023 and $0 for 2022, respectively.

### Power Purchase Agreement (PPA)

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a local solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the starting purchase price of generated energy at $235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2023, the facility generated 6,006 MWh and the rate was at $334/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2023 and 2022, purchases of energy under the Agreement were $2,037, or 6,006 MWh and $2,225, or 6,460 MWh, respectively.

### APX, Inc

Hetchy Power and CleanPowerSF participate in the California Independent System Operator (CAISO) energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134,743 to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $471 and $456 as of June 30, 2023 and 2022, respectively. CleanPowerSF's share was $226 and $192 as of June 30, 2023 and 2022.

On January 6, 2023, Amendment No. 1 was requested and approved to increase this contract by $125,000, increasing the total contract to $259,743, with no change to the agreement duration. On March 17, 2023, Amendment No. 2, was approved to increase the contract by $636,000 for a total not to exceed contract amount of $895,743, with no change to the agreement duration. The drivers for these Amendments were higher than anticipated power prices, due to extreme weather, draught conditions, and global energy shortages.

## CleanPowerSF

CleanPowerSF regularly adds new short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.4% of all enrolled accounts. The total power purchase cost, net of wholesale sales, were $259,532 and $238,149 in fiscal years 2023 and 2022, respectively.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing, and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal years 2023 and 2022, amounts paid were $4,679 and $4,730, respectively.

### CleanPowerSF Power Purchase Agreement (PPA)

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022, CleanPowerSF has cash collateral of $9,000 for Development Assurance and Performance Assurance from the Seller. The $9,000 cash collateral was returned to the seller as of June 30, 2023.

### CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, $75,000 Credit Agreement with JPMorgan Chase Bank, National Association ("Bank") to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021 the Credit Agreement was decreased (at the request of CleanPowerSF) the available amount from $75,000 to $20,000, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $6,183 and $5,847 for fiscal years ending June 30, 2023 and 2022, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2023 and 2022. Accordingly, the uncommitted credit capacity under the Credit Agreement was $13,817 and $14,153 during fiscal years 2023 and 2022, respectively.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. As of June 30, 2021, CleanPowerSF was not in compliance with this financial covenant as calculated for the four consecutive fiscal quarters ended on such date, resulting in a covenant event of default under the Credit Agreement. In connection with subsequent amendments to the Credit Agreement, JPMorgan Chase granted a waiver of such event of default for the period ended June 30, 2021. CleanPowerSF was in compliance with other covenants and requirements of the Credit Agreement as of June 30, 2021. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2023 and 2022.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires the disclosure of certain information related to debt, including unused letters of credit. Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

### Green Tariff and Community Solar Green Tariff Programs for Disadvantaged Communities

In June 2018. the CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2026, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2023 and 2022, CleanPowerSF received $868 and $1,150, respectively, from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

## b) Grants

Grants that the SFPUC received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

## c) Litigation

The SFPUC is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of SFPUC.

## d) Environmental Issue

### Water

As of June 30, 2023 and 2022, the pollution remediation liability of $1,271 is related to the Pacific Rod & Gun Club site.

### Wastewater

As of June 30, 2023, and 2022, the Wastewater Enterprise recorded $7,800 and $8,060 in pollution remediation liability, respectively. The decrease of $260 in pollution remediation liability in fiscal year 2023 is due to payments of violation penalties of $240 at the Southeast Plant for the discharge of secondary treated and disinfected wastewater and $20 at the Oceanside Plant for failure to meet the District permit condition-imposed standards relating to gas released into the atmosphere from digesters. As of June 30, 2023 the pollution remediation liability of $7,800 was for the Yosemite Creek toxic sediments. In fiscal year 2022, the pollution remediation liability of $8,060 consisted of $7,800 for the Yosemite Creek toxic sediments and $260 aggregate violation fines at the Southeast Plant and Oceanside Plant.

### Hetch Hetchy

Hetch Hetchy had no pollution remediation liability as of June 30, 2023 and 2022.

## (18) Subsequent Events

### a) Water Revenue Bonds 2023 Series AB Issuances

On July 27, 2023, the SFPUC issued its San Francisco Water Revenue Bonds, 2023 Sub-Series A (Regional and Local Water, Tax-exempt) and Sub-Series B (Hetch Hetchy Water, Tax-exempt) in the aggregate principal amount of $414,035 to (i) refund principal and interest on Commercial Paper Notes issued to finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, (ii) finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, and (iii) fund capitalized interest through May 1, 2025 and other financing costs.

### b) Water Revenue Bonds 2023 Series CD Issuances

On August 10, 2023, the SFPUC issued its San Francisco Water Revenue Bonds, 2023 Sub-Series C (Tax-exempt Refunding – WSIP, Green Bonds), and Sub-Series D (Tax-exempt Refunding –Local Water) an aggregate principal amount of $514,855 to refund all or a portion of various series of the SFPUC's Outstanding Bonds.

### c) Power Revenue Bonds 2023 Series A Issuances

On October 2023, the SFPUC issued its San Francisco Power Revenue Bonds, 2023 Series A with a principal of $123,905 to finance or refinance Power Enterprise projects through the refunding and retirement of commercial paper issued as interim financing for such projects in furtherance of the Power Capital Improvement Program.

### d) Water Enterprise Commercial Paper Program

On July 10, 2023, the SFPUC entered into new commercial paper dealer agreements with Bank of America Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association for the offering and sale, and remarketing from time to time of water commercial paper program notes.

# Required Supplementary Information (Unaudited)



**Supplementary Information (Proprietary Funds)**

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplemental Information (Unaudited)**

**Schedules of the Proportionate Share of the Net Pension (Asset)/Liability**
**Fiscal Years Ended 2015 to 2023**
**(In thousands)**

| City - San Francisco Employee's Retirement System (SFERS) Plan and Measurement Period (MP) | | 2015* (MP 2014) | 2016** (MP 2015) | 2017** (MP 2016) | 2018 (MP 2017) | 2019** (MP 2018) | 2020 (MP 2019) | 2021 (MP 2020) | 2022 (MP 2021) | 2023 (MP 2022) |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of net pension liability | | 93.78% | 93.90% | 94.22% | 94.07% | 94.10% | 94.13% | 94.39% | 94.64% | 94.87% |
| Proportionate share of the net pension (asset)/liability | $ | 1,660,365 | 2,156,049 | 5,476,654 | 4,697,131 | 4,030,207 | 4,213,808 | 5,107,270 | (2,446,564) | 2,552,996 |
| Covered payroll (City and County only) | $ | 2,398,979 | 2,529,879 | 2,681,695 | 2,880,112 | 3,045,153 | 3,186,405 | 3,378,945 | 3,434,713 | 3,553,859 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 69.21% | 85.22% | 204.22% | 163.09% | 132.35% | 132.24% | 151.15% | -71.23% | 71.84% |
| Plan fiduciary net position as a percentage of total pension (asset)/liability | | 91.84% | 89.90% | 77.61% | 81.78% | 85.20% | 85.30% | 83.10% | 107.80% | 92.40% |
| **Water** | | | | | | | | | | |
| Proportion of net pension liability | | 5.08% | 5.00% | 4.75% | 4.45% | 4.35% | 4.23% | 4.21% | 4.27% | 4.27% |
| Proportionate share of the net pension (asset)/liability | $ | 84,374 | 108,024 | 259,956 | 209,003 | 175,429 | 178,133 | 215,240 | (100,407) | 111,743 |
| Covered payroll^ | | 127,364 | 132,138 | 134,734 | 135,361 | 140,137 | 142,781 | 150,170 | 154,740 | 159,803 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 66.25% | 81.75% | 192.94% | 154.40% | 125.18% | 124.76% | 143.33% | -64.89% | 69.93% |
| **Wastewater** | | | | | | | | | | |
| Proportion of net pension liability | | 2.27% | 2.20% | 2.17% | 2.15% | 2.11% | 2.05% | 2.03% | 1.99% | 1.99% |
| Proportionate share of the net pension (asset)/liability | $ | 37,615 | 48,177 | 118,907 | 100,973 | 85,037 | 86,235 | 103,746 | (48,770) | 49,549 |
| Covered payroll^ | | 56,913 | 58,141 | 61,552 | 65,399 | 67,975 | 69,197 | 72,410 | 72,116 | 74,475 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 66.09% | 82.86% | 193.18% | 154.40% | 125.10% | 124.62% | 143.28% | -67.63% | 66.53% |
| **Hetchy Water** | | | | | | | | | | |
| Proportion of net pension liability | | 0.56% | 0.57% | 0.57% | 0.54% | 0.50% | 0.51% | 0.52% | 0.57% | 0.55% |
| Proportionate share of the net pension (asset)/liability | $ | 9,242 | 12,093 | 31,235 | 25,216 | 20,390 | 21,477 | 26,645 | (13,912) | 14,105 |
| Covered payroll^ | | 14,040 | 15,064 | 16,168 | 16,426 | 16,108 | 17,215 | 18,548 | 20,656 | 20,584 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 65.83% | 80.28% | 193.19% | 153.51% | 126.59% | 124.76% | 143.65% | -67.35% | 68.53% |
| **Hetchy Power** | | | | | | | | | | |
| Proportion of net pension liability | | 0.68% | 0.69% | 0.70% | 0.65% | 0.62% | 0.62% | 0.64% | 0.69% | 0.68% |
| Proportionate share of the net pension (asset)/liability | $ | 11,295 | 14,781 | 38,177 | 30,819 | 24,920 | 26,249 | 32,566 | (17,004) | 17,239 |
| Covered payroll | | 17,049 | 18,235 | 19,855 | 19,772 | 19,974 | 20,928 | 22,829 | 25,005 | 25,449 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 66.25% | 81.06% | 192.27% | 155.87% | 124.76% | 125.43% | 142.65% | -68.00% | 67.74% |
| **CleanPowerSF** | | | | | | | | | | |
| Proportion of net pension liability | | Data not available - CleanPowerSF launched in May 2016. | | | 0.02% | 0.03% | 0.04% | 0.06% | 0.07% | 0.08% |
| Proportionate share of the net pension (asset)/liability | $ | | | | 1,087 | 1,070 | 1,805 | 3,008 | (1,833) | 2,124 |
| Covered payroll^ | | | | | 608 | 966 | 1,350 | 2,140 | 2,537 | 2,994 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | | | | 178.68% | 110.71% | 133.69% | 140.55% | -72.26% | 70.94% |
| **SFPUC Total** | | | | | | | | | | |
| Proportion of net pension liability | | 8.59% | 8.46% | 8.19% | 7.81% | 7.61% | 7.45% | 7.46% | 7.59% | 7.57% |
| Proportionate share of the net pension (asset)/liability | $ | 142,526 | 183,075 | 448,275 | 367,098 | 306,846 | 313,899 | 381,205 | (181,926) | 194,760 |
| Covered payroll^ | | 215,365 | 223,577 | 232,309 | 237,566 | 245,159 | 251,471 | 266,098 | 275,054 | 283,304 |
| Proportionate share of the net pension (asset)/liability as a percentage of covered payroll | | 66.18% | 81.88% | 192.96% | 154.52% | 125.16% | 124.83% | 143.26% | -66.14% | 68.75% |

*Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Therefore nine years data shown. RSI will be provided for 10 years as it becomes available.

**Changes of Assumptions - For the measurement period ended June 30, 2022, the discount rate was decreased from 7.40% to 7.20%. There are no changes in the discount rate for the measurement period ended June 30, 2021 and 2020. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40%. There were no changes in the discount rate for the measurement pension ended June 30, 2018. For the measurement period ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%

^Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the percentage of proportion of net pension (asset)/liability by the Total covered payroll from SFERS (http://www.mysfers.org). The total covered payroll for SFERS includes the City, San Francisco Unified School District, San Francisco Community College District, and the San Francisco Courts.

Source: Office of the Controller, City and County of San Francisco and San Francisco Employees' Retirement System (SFERS)

See accompanying auditors' report.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplemental Information (Unaudited)**
**Schedules of Employer Contributions - Pension Plan**
**Fiscal Years Ended 2015 to 2023**
**(In thousands)**

| City - SFERS Plan and Measurement Period (MP) | 2015* (MP 2015) | 2016 (MP 2016) | 2017 (MP 2017) | 2018 (MP 2018) | 2019 (MP 2019) | 2020 (MP 2020) | 2021 (MP 2021) | 2022 (MP 2022) | 2023 (MP 2023) |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contributions[1]** | $ 556,511 | 496,343 | 519,073 | 582,568 | 607,408 | 701,307 | 791,736 | 729,578 | 638,003 |
| Contributions in relations to the actuarially determined contributions[1] | (556,511) | (496,343) | (519,073) | (582,568) | (607,408) | (701,307) | (791,736) | (729,578) | (638,003) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll | $ 2,529,879 | 2,681,695 | 2,880,112 | 3,045,153 | 3,186,405 | 3,378,945 | 3,434,713 | 3,553,859 | 3,810,429 |
| Contributions as a percentage of covered payroll | 22.00% | 18.51% | 18.02% | 19.13% | 19.06% | 20.76% | 23.05% | 20.53% | 16.74% |
| **Water** | | | | | | | | | |
| Actuarially determined contributions[1] | $ 28,280 | 24,497 | 24,638 | 25,922 | 26,440 | 29,647 | 33,367 | 31,151 | 27,925 |
| Contributions in relations to the actuarially determined contributions[1] | (28,280) | (24,497) | (24,638) | (25,922) | (26,440) | (29,647) | (33,367) | (31,151) | (27,925) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll^ | $ 132,138 | 134,734 | 135,361 | 140,137 | 142,781 | 150,170 | 154,740 | 159,803 | 170,549 |
| Contributions as a percentage of covered payroll | 21.40% | 18.18% | 18.20% | 18.50% | 18.52% | 19.74% | 21.56% | 19.49% | 16.37% |
| **Wastewater** | | | | | | | | | |
| Actuarially determined contributions[1] | $ 12,608 | 10,930 | 11,270 | 12,523 | 12,816 | 14,352 | 16,083 | 14,543 | 12,383 |
| Contributions in relations to the actuarially determined contributions[1] | (12,608) | (10,930) | (11,270) | (12,523) | (12,816) | (14,352) | (16,083) | (14,543) | (12,383) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll^ | $ 58,141 | 61,552 | 65,399 | 67,975 | 69,197 | 72,410 | 72,116 | 74,475 | 79,483 |
| Contributions as a percentage of covered payroll | 21.69% | 17.76% | 17.23% | 18.42% | 18.52% | 19.82% | 22.30% | 19.53% | 15.58% |
| **Hetchy Water** | | | | | | | | | |
| Actuarially determined contributions[1] | $ 3,097 | 2,806 | 2,961 | 3,128 | 3,073 | 3,574 | 4,130 | 4,149 | 3,525 |
| Contributions in relations to the actuarially determined contributions[1] | (3,097) | (2,806) | (2,961) | (3,128) | (3,073) | (3,574) | (4,130) | (4,149) | (3,525) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll^ | $ 15,064 | 16,168 | 16,426 | 16,108 | 17,215 | 18,548 | 20,656 | 20,584 | 21,968 |
| Contributions as a percentage of covered payroll | 20.56% | 17.36% | 18.03% | 19.42% | 17.85% | 19.27% | 19.99% | 20.16% | 16.05% |
| **Hetchy Power** | | | | | | | | | |
| Actuarially determined contributions[1] | $ 3,786 | 3,430 | 3,618 | 3,822 | 3,756 | 4,369 | 5,048 | 5,071 | 4,308 |
| Contributions in relations to the actuarially determined contributions[1] | (3,786) | (3,430) | (3,618) | (3,822) | (3,756) | (4,369) | (5,048) | (5,071) | (4,308) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll^ | $ 18,235 | 19,855 | 19,772 | 19,974 | 20,928 | 22,829 | 25,005 | 25,449 | 27,160 |
| Contributions as a percentage of covered payroll | 20.76% | 17.27% | 18.30% | 19.14% | 17.95% | 19.14% | 20.19% | 19.93% | 15.86% |
| **CleanPowerSF** | | | | | | | | | |
| Actuarially determined contributions[1] | $ Data not available - CleanPowerSF launched in May 2016. | | | 135 | 161 | 300 | 466 | 546 | 531 |
| Contributions in relations to the actuarially determined contributions[1] | | | | (135) | (161) | (300) | (466) | (546) | (531) |
| Contribution deficiency (excess) | $ | | | — | — | — | — | — | — |
| Covered payroll^ | | | | 966 | 1,350 | 2,140 | 2,537 | 2,994 | 3,195 |
| Contributions as a percentage of covered payroll | | | | 13.97% | 11.92% | 14.02% | 18.37% | 18.24% | 16.62% |
| **SFPUC Total** | | | | | | | | | |
| Actuarially determined contributions[1] | $ 47,771 | 41,663 | 42,487 | 45,530 | 46,246 | 52,242 | 59,094 | 55,460 | 48,672 |
| Contributions in relations to the actuarially determined contributions[1] | (47,771) | (41,663) | (42,487) | (45,530) | (46,246) | (52,242) | (59,094) | (55,460) | (48,672) |
| Contribution deficiency (excess) | $ — | — | — | — | — | — | — | — | — |
| Covered payroll^ | $ 223,577 | 232,309 | 236,958 | 245,159 | 251,471 | 266,098 | 275,054 | 283,304 | 302,355 |
| Contributions as a percentage of covered payroll | 21.37% | 17.93% | 17.93% | 18.57% | 18.39% | 19.63% | 21.48% | 19.58% | 16.10% |

(continued)

[1]Contractually required contributions is an actuarially contribution for all cost-sharing plans.

*Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Therefore nine years data shown. RSI will be provided for 10 years as it becomes available.

** In fiscal year 2015, the actuarially determined contributions were based on an estimated. Due to the early implementation of GASB Statement No. 82, *Pension Issues*, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million. (City and County only.)

^Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the latest available measurement period percentage of proportion of net pension (asset)/liability by the Total covered payroll from SFERS (http://www.mysfers.org). The total covered payroll for SFERS includes the City, San Francisco Unified School District, San Francisco Community College District and the San Francisco Courts. Fiscal year 2023 is an estimated percentage of proportion of net pension liability based on measuring period 2022. Fiscal year 2021 and 2022 payroll data updated.

Source: Office of the Controller, City and County of San Francisco and San Francisco Employees' Retirement System (SFERS)

See accompanying auditors' report.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplementary Information (Unaudited)**
**Schedules of Employer Contributions - Pension Plan**
**Fiscal Years Ended 2015 to 2023**

**Methods and assumptions used to determine contribution rates to SFERS Plan**

| | Fiscal Year 2023 |
|---|---|
| Valuation date | July 1, 2020 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.40% (net of investment expenses) |
| Inflation | 2.50% |
| Projected salary increase | Wage inflation component: 3.25% |

| | Fiscal Year 2022 | Fiscal Year 2021 |
|---|---|---|
| Valuation date | July 1, 2019 | July 1, 2018 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market | 5 year smoothed market |
| Investment rate of return | 7.40% (net of investment expenses) | 7.40% (net of investment expenses) |
| Inflation | 2.75% | 3.00% compounded annually |
| Projected salary increase | Wage inflation component: 3.50% | Wage inflation component: 3.50% |

| | Fiscal Year 2020 | Fiscal Year 2019 |
|---|---|---|
| Valuation date | July 1, 2017 | July 1, 2016 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) | 7.50% (net of investment expenses) |
| Inflation | 3.00% compounded annually | 3.25% compounded annually |
| Projected salary increase | Wage inflation component: 3.50% | Wage inflation component: 3.75% |

| | Fiscal Year 2018 | Fiscal Year 2017 |
|---|---|---|
| Valuation date | July 1, 2015 | July 1, 2014 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) | 7.50% (net of investment expenses) |
| Inflation | 3.25% compounded annually | 3.25% compounded annually |
| Projected salary increase | Wage inflation component: 3.75% | Wage inflation component: 3.75% |

| | Fiscal Year 2016 | Fiscal Year 2015 |
|---|---|---|
| Valuation date | July 1, 2013 | July 1, 2012 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll | Level annual percentage of payroll |
| Remaining amortization period | Rolling 15-year period | Rolling 15-year period |
| Asset valuation method | 5 year smoothed market | 5 year smoothed market |
| Investment rate of return | 7.58% (net of investment expenses) | 7.58% (net of investment expenses) |
| Inflation | 3.33% compounded annually | 3.33% compounded annually |
| Projected salary increase | Wage inflation component: 3.83% | Wage inflation component: 3.83% |

Methods and assumptions updated per Office of the Controller.

Source: Office of the Controller, City and County of San Francisco.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplementary Information (Unaudited)**
**Schedules of Changes in Total Pension Liability and Related Ratios - Replacement Benefits Plan**
**Fiscal Years 2021 to 2023**
**(In thousands)**

| | | 2021* (MP 2020) | 2022 (MP 2021) | 2023 (MP 2022) |
|---|---|---|---|---|
| **City Replacement Benefits Plan** | | | | |
| Plan total pension liability: | | | | |
| Service Cost | $ | 1,976 | 2,571 | 2,894 |
| Interest | | 4,776 | 4,076 | 4,726 |
| Changes of benefits | | — | — | — |
| Differences between expected and actual experience | | 7,800 | 24,547 | (24,639) |
| Changes of assumptions | | 37,013 | 7,274 | (42,151) |
| Benefit payments | | (3,634) | (4,097) | (4,473) |
| Net change in total pension liability | | 47,931 | 34,371 | (63,643) |
| Total pension liability, beginning | | 137,272 | 185,203 | 219,574 |
| **Plan total pension liability, ending** | $ | 185,203 | 219,574 | 155,931 |
| Covered-employee payroll | $ | 3,414,923 | 3,470,495 | 3,589,396 |
| Plan total pension liability as a percentage of the covered-employee payroll | $ | 5.42% | 6.33% | 4.34% |
| **Water Enterprise** | | | | |
| Plan total pension liability: | | | | |
| Service Cost | $ | 13 | 47 | 67 |
| Interest | | 30 | 75 | 109 |
| Changes of benefits | | — | — | — |
| Differences between expected and actual experience | | 50 | 453 | (569) |
| Changes of assumptions | | 235 | 134 | (974) |
| Benefit payments | | (23) | (76) | (103) |
| Net change in total pension liability | | 305 | 635 | (1,470) |
| Total pension liability, beginning | | — | 1,177 | 4,056 |
| Adjustments to pension | | 872 | 2,244 | 1,014 |
| **Plan total pension liability, ending** | $ | 1,177 | 4,056 | 3,600 |
| Covered-employee payroll | $ | 21,695 | 64,104 | 82,915 |
| Plan total pension liability as a percentage of the covered-employee payroll | $ | 0.03% | 0.12% | 0.10% |
| Water Enterprise's allocation of the City's proportionate share: | | 0.64% | 1.85% | 2.31% |

*Fiscal year 2021 was the first year SFPUC Water Enterprise have Replacement Benefits Plan. Therefore, three years data is shown. RSI will be provided for 10 years as it becomes available.

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditors' report.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplementary Information (Unaudited)**
**Schedules of Changes in Other Post-employment Benefits Liability and Related Ratios**
**Other Post-employment Healthcare Benefits Plan**
**Fiscal Years Ended 2018 to 2023**
**(In thousands)**

| City Plan and Measurement Period (MP) | | 2018* | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| | | (MP 2017) | (MP 2018) | (MP 2019) | (MP 2020) | (MP 2021) | (MP 2022) |
| **Total Other Postemployment Benefits (OPEB) Liability** | | | | | | | |
| Service Cost | $ | 125,195 | 127,850 | 133,736 | 141,642 | 155,840 | 154,800 |
| Interest (includes interest on service cost) | | 272,942 | 290,029 | 283,520 | 314,907 | 300,122 | 306,758 |
| Differences between expected and actual experience | | — | (385,732) | 194,068 | (381,922) | (151,947) | (224,065) |
| Changes of assumptions | | — | 111,119 | — | 151,725 | — | 49,784 |
| Benefits payments, including refunds of member contributions | | (165,470) | (178,019) | (185,839) | (196,445) | (206,439) | (211,025) |
| Net change in total OPEB liability | | 232,667 | (34,753) | 425,485 | 29,907 | 97,576 | 76,252 |
| Total OPEB liability - beginning | | 3,659,019 | 3,891,686 | 3,856,933 | 4,282,418 | 4,312,323 | 4,409,899 |
| Adjustments to OPEB | | — | — | — | (2) | — | — |
| Total OPEB liability - ending | $ | 3,891,686 | 3,856,933 | 4,282,418 | 4,312,323 | 4,409,899 | 4,486,151 |
| **Plan fiduciary net position** | | | | | | | |
| Contributions - employer | $ | 183,898 | 203,858 | 218,625 | 235,963 | 245,994 | 252,866 |
| Contributions - member | | 31,686 | 41,682 | 51,024 | 60,236 | 61,582 | 66,455 |
| Net investment income | | 17,368 | 14,105 | 26,959 | 22,746 | 128,916 | (87,003) |
| Benefit payments, including refunds of member contributions | | (165,470) | (178,019) | (185,839) | (196,445) | (206,439) | (211,025) |
| Administrative expense | | (109) | (137) | (132) | (113) | (265) | (189) |
| Net change in plan fiduciary net position | | 67,373 | 81,489 | 110,637 | 122,387 | 229,788 | 21,104 |
| Plan fiduciary net position - beginning | | 107,104 | 174,477 | 255,966 | 366,603 | 488,989 | 718,777 |
| Adjustments to OPEB | | — | — | — | (1) | — | — |
| Plan fiduciary net position - ending | | 174,477 | 255,966 | 366,603 | 488,989 | 718,777 | 739,881 |
| Net OPEB liability - ending | $ | 3,717,209 | 3,600,967 | 3,915,815 | 3,823,334 | 3,691,122 | 3,746,270 |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 4.48% | 6.64% | 8.56% | 11.34% | 16.30% | 16.49% |
| Covered payroll | $ | 3,393,658 | 3,583,448 | 3,763,446 | 3,951,792 | 3,955,498 | 4,184,087 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **Water** | | | | | | | |
| Proportion of net OPEB liability | $ | 166,336 | 150,771 | 163,684 | 148,771 | 144,115 | 148,601 |
| Percentage of proportion of net OPEB liability | | 4.47% | 4.19% | 4.18% | 3.89% | 3.90% | 3.97% |
| Covered payroll | | 151,858 | 150,037 | 157,315 | 153,769 | 154,437 | 165,968 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **Wastewater** | | | | | | | |
| Proportion of net OPEB liability | $ | 59,517 | 53,567 | 58,183 | 50,711 | 49,123 | 49,035 |
| Percentage of proportion of net OPEB liability | | 1.60% | 1.49% | 1.49% | 1.33% | 1.33% | 1.31% |
| Covered payroll | | 54,337 | 53,306 | 55,919 | 52,415 | 52,641 | 54,766 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **Hetchy Water** | | | | | | | |
| Proportion of net OPEB liability | $ | 15,872 | 15,404 | 16,350 | 14,444 | 14,240 | 14,907 |
| Percentage of proportion of net OPEB liability | | 0.43% | 0.43% | 0.42% | 0.38% | 0.39% | 0.40% |
| Covered payroll | | 14,490 | 15,329 | 15,714 | 14,929 | 15,260 | 16,649 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **Hetchy Power** | | | | | | | |
| Proportion of net OPEB liability | $ | 19,400 | 18,826 | 19,983 | 17,653 | 17,405 | 18,220 |
| Percentage of proportion of net OPEB liability | | 0.52% | 0.52% | 0.51% | 0.46% | 0.47% | 0.49% |
| Covered payroll | | 17,711 | 18,734 | 19,205 | 18,246 | 18,652 | 20,349 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **CleanPowerSF** | | | | | | | |
| Proportion of net OPEB liability | $ | 728 | 1,242 | 2,197 | 2,909 | 2,264 | 4,053 |
| Percentage of proportion of net OPEB liability | | 0.02% | 0.03% | 0.06% | 0.08% | 0.06% | 0.11% |
| Covered payroll | | 665 | 1,236 | 2,112 | 3,007 | 2,426 | 4,527 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |
| **SFPUC Total** | | | | | | | |
| Proportion of net OPEB liability | $ | 261,853 | 239,810 | 260,397 | 234,488 | 227,147 | 234,816 |
| Percentage of proportion of net OPEB liability | | 7.04% | 6.66% | 6.66% | 6.14% | 6.15% | 6.27% |
| Covered payroll | | 239,061 | 238,643 | 250,265 | 242,366 | 243,416 | 262,258 |
| Net OPEB liability as a percentage of covered payroll | | 109.53% | 100.49% | 104.05% | 96.75% | 93.32% | 89.54% |

(continued)

*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Therefore six years data is shown. RSI will be provided for 10 years as it becomes available.

^ Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is based on the percentage of proportion of net OPEB liability to the City's covered payroll.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditors' report.

**THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION**
**Required Supplementary Information (Unaudited)**
**Schedules of Employer Contributions - Other Post-employment Healthcare Benefits Plan**
**Fiscal Years Ended 2018 to 2023**
**(In thousands)**

| City - City Plan and Measurement Period | | 2018* (MP 2018) | 2019 (MP 2019) | 2020 (MP 2020) | 2021 (MP 2021) | 2022** (MP 2022) | 2023 (MP 2023) |
|---|---|---|---|---|---|---|---|
| Charter Required or Actuarially determined contributions (ADC) | $ | 203,858 | 218,625 | 235,963 | 245,992 | 252,866 | 260,649 |
| Contributions in relations to charter required contribution or ADC | | (203,858) | (218,625) | (235,963) | (245,992) | (252,866) | (260,649) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll | $ | 3,583,448 | 3,763,446 | 3,951,792 | 3,955,498 | 4,184,087 | 4,600,228 |
| Contributions as a percentage of covered payroll | | 5.69% | 5.81% | 5.97% | 6.22% | 6.04% | 5.67% |
| **Water** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 9,122 | 9,154 | 9,863 | 9,572 | 9,873 | 10,339 |
| Contributions in relations to charter required contribution or ADC | | (9,122) | (9,154) | (9,863) | (9,572) | (9,873) | (10,339) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | $ | 150,037 | 157,315 | 153,769 | 154,437 | 165,968 | 182,474 |
| Contributions as a percentage of covered payroll | | 6.08% | 5.82% | 6.41% | 6.20% | 5.95% | 5.67% |
| **Wastewater** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 3,264 | 3,252 | 3,506 | 3,263 | 3,365 | 3,412 |
| Contributions in relations to charter required contribution or ADC | | (3,264) | (3,252) | (3,506) | (3,263) | (3,365) | (3,412) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | $ | 53,306 | 55,919 | 52,415 | 52,641 | 54,766 | 60,212 |
| Contributions as a percentage of covered payroll | | 6.12% | 5.82% | 6.69% | 6.20% | 6.14% | 5.67% |
| **Hetchy Water** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 870 | 935 | 985 | 929 | 975 | 1,038 |
| Contributions in relations to charter required contribution or ADC | | (870) | (935) | (985) | (929) | (975) | (1,038) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | $ | 15,329 | 15,714 | 14,929 | 15,260 | 16,649 | 18,305 |
| Contributions as a percentage of covered payroll | | 5.68% | 5.95% | 6.60% | 6.09% | 5.86% | 5.67% |
| **Hetchy Power** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 1,064 | 1,143 | 1,204 | 1,136 | 1,192 | 1,268 |
| Contributions in relations to charter required contribution or ADC | | (1,064) | (1,143) | (1,204) | (1,136) | (1,192) | (1,268) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | $ | 18,734 | 19,205 | 18,246 | 18,652 | 20,349 | 22,373 |
| Contributions as a percentage of covered payroll | | 5.68% | 5.95% | 6.60% | 6.09% | 5.86% | 5.67% |
| **CleanPowerSF** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 40 | 75 | 132 | 187 | 155 | 282 |
| Contributions in relations to charter required contribution or ADC | | (40) | (75) | (132) | (187) | (155) | (282) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | | 1,236 | 2,112 | 3,007 | 2,426 | 4,527 | 4,977 |
| Contributions as a percentage of covered payroll | | 3.24% | 3.55% | 4.39% | 7.71% | 3.42% | 5.67% |
| **SFPUC Total** | | | | | | | |
| Charter Required or Actuarially determined contributions (ADC) | $ | 14,360 | 14,559 | 15,690 | 15,087 | 15,560 | 16,339 |
| Contributions in relations to charter required contribution or ADC | | (14,360) | (14,559) | (15,690) | (15,087) | (15,560) | (16,339) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — |
| Covered payroll^ | $ | 238,642 | 250,265 | 242,366 | 243,416 | 262,258 | 288,342 |
| Contributions as a percentage of covered payroll | | 6.02% | 5.82% | 6.47% | 6.20% | 5.93% | 5.67% |

*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Therefore six years data is shown. RSI will be provided for 10 years as it becomes available.

**Fiscal year 2022 covered payroll data and percentage updated in fiscal year 2023.

^ Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the percentage of proportion of net OPEB liability by the Total covered payroll. For fiscal year 2023, the percentage of proportion of net OPEB liability is based on FY2022.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditors’ report.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
## Schedule of Changes in Net Position – Dollar and Percentage Change vs. Prior Year
## Proprietary Funds
## June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | Eliminations | | SFPUC Total | |
| Assets | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change |
| Current assets: | | | | | | | | | | | | | | |
| Cash and investments with City Treasury $ | (58,069) | (12.6) | 70,741 | 24.8 | (17,217) | (18.3) | 34,593 | 18.2 | 42,423 | 75.4 | — | — | 72,471 | 6.7 |
| Cash and investments outside City Treasury | (126) | (39.6) | (224) | (56.4) | (1) | (100.0) | 138 | 862.5 | — | — | — | — | (213) | (29.1) |
| Receivables: | | | | | | | | | | | | | | |
| Charges for services (net of allowance for doubtful accounts of $8,615, $10,060, $0, $3,923, and $7,923 in 2023 and $3,915, $4,273, $0, $1,297, and $6,330 in 2022) | 2,203 | 3.6 | (228) | (0.6) | (70) | (14.7) | 2,088 | 20.5 | (7,078) | (14.5) | — | — | (3,085) | (1.9) |
| Wholesale balancing account, current portion | 5,571 | 100.0 | — | — | — | — | — | — | — | — | — | — | 5,571 | 100.0 |
| Due from other City departments, current portion | (63) | (35.4) | (97) | (43.1) | — | — | 267 | 30.8 | — | — | (2) | (1.8) | 105 | 9.1 |
| Due from other governments | — | — | (25) | (100.0) | 1,211 | 236.5 | 348 | 116.8 | — | — | — | — | 1,534 | 183.7 |
| Interest | 2,222 | 556.9 | 1,864 | 593.6 | 255 | 637.5 | 1,302 | 647.8 | 498 | 816.4 | — | — | 6,141 | 605.0 |
| Interest-Leases | 27 | 3.1 | — | — | — | — | — | — | — | — | — | — | 27 | 3.1 |
| Restricted due from other governments | 28,594 | 378.6 | (188,853) | (93.1) | — | — | — | — | — | — | — | — | (160,259) | (76.2) |
| Leases receivable, current portion | 196 | 5.9 | 212 | 100.0 | — | — | — | — | — | — | — | — | 408 | 12.3 |
| Restricted interest and other receivable (net of allowance for doubtful accounts of $30, $99, $0, $0 and $0 in 2023 and $146, $385, $0, $0 and $0 in 2022) | (632) | (15.3) | (1,110) | (48.2) | — | — | (152) | (3.5) | — | — | — | — | (1,894) | (17.6) |
| Total current receivables | 38,118 | 48.7 | (188,237) | (76.5) | 1,396 | 135.9 | 3,853 | 24.3 | (6,580) | (13.5) | (2) | (1.8) | (151,452) | (38.9) |
| Prepaid charges, advances, and other receivables, current portion | (6,271) | (51.5) | 224 | 64.7 | (124) | (57.4) | (332) | (17.4) | (4,909) | (46.5) | — | — | (11,412) | (45.3) |
| Inventory | 1,389 | 20.4 | 382 | 12.9 | 22 | 11.1 | (59) | (3.5) | — | — | — | — | 1,734 | 14.9 |
| Restricted cash and investments outside City Treasury, current portion | (200) | (1.8) | 33,130 | 212.5 | — | — | 143 | 2.7 | — | — | — | — | 33,073 | 103.7 |
| Total current assets | (25,159) | (4.4) | (83,984) | (15.3) | (15,924) | (16.7) | 38,336 | 17.9 | 30,934 | 26.8 | (2) | (1.8) | (55,799) | (3.6) |
| Non-current assets: | | | | | | | | | | | | | | |
| Restricted Net pension asset | (100,407) | (100.0) | (48,770) | (100.0) | (13,912) | 100.0 | (17,004) | (100.0) | (1,833) | (100.0) | — | — | (181,926) | (100.0) |
| Restricted cash and investments with City Treasury | 11,701 | 125.8 | 38,574 | 100.0 | 10,980 | 100.0 | 17,606 | 100.0 | — | — | — | — | 78,861 | 848.1 |
| Restricted cash and investments outside City Treasury, less current portion | 1,588 | 2.4 | 42,668 | 179.5 | — | — | (4,984) | (56.5) | — | — | — | — | 39,272 | 40.3 |
| Leases receivable, less current portion | (2,731) | (6.4) | 1,245 | 100.0 | — | — | — | — | — | — | — | — | (1,486) | (3.5) |
| Restricted interest and other receivable, and prepaid (net of allowance for doubtful accounts of $8, $29, $0, $0, and $0 in 2023 and $8, $29, $0, $0, and $0 in 2022) | — | — | (17) | (3.9) | — | — | — | — | — | — | — | — | (17) | (3.9) |
| Charges for services, less current portion (net of allowance for doubtful accounts of $656, $566, $0, $0, and $0 in 2023 and $656, $567, $0, $0, and $0 in 2022) | 2 | 1.0 | — | — | — | — | — | — | — | — | — | — | 2 | 0.4 |
| Wholesale balancing account, less current portion | 4,481 | 100.0 | — | — | — | — | — | — | — | — | — | — | 4,481 | 100.0 |
| Note receivable - Balboa Reservoir, less current portion | 11,007 | 100.0 | — | — | — | — | — | — | — | — | — | — | 11,007 | 100.0 |
| Prepaid charges, advances, and other receivables, less current portion | (354) | (9.4) | (41) | (3.5) | (5) | (3.4) | 150 | 1.6 | (812) | (6.6) | — | — | (1,062) | (4.0) |
| Right-to-use Lease assets, net of accumulated amortization | 1,131 | 40.2 | (2,325) | (64.6) | 84 | 137.7 | 105 | 143.8 | (230) | (100.0) | — | — | (1,235) | (18.2) |
| Right-to-use Subscription asset, net of accumulated amortization | (882) | (55.9) | (535) | (55.9) | (177) | (56.4) | (142) | (55.5) | (41) | (57.7) | — | — | (1,777) | (56.0) |
| Capital assets, not being depreciated and amortized | 82,621 | 14.8 | 508,546 | 28.7 | 18,312 | 31.9 | 35,628 | 13.4 | — | — | — | — | 645,107 | 24.3 |
| Capital assets, net of accumulated depreciation and amortization | (51,901) | (1.0) | 129,655 | 5.7 | 435 | 0.3 | 25,682 | 8.0 | — | — | — | — | 103,871 | 1.3 |
| Due from other City departments, less current portion | — | — | — | — | — | — | (585) | (5.3) | — | — | 113 | 21.8 | (472) | (4.5) |
| Total non-current assets | (43,744) | (0.7) | 669,000 | 16.2 | 15,717 | 7.3 | 56,456 | 8.9 | (2,916) | (20.3) | 113 | 21.8 | 694,626 | 6.4 |
| Total assets | (68,903) | (1.1) | 585,016 | 12.5 | (207) | (0.1) | 94,792 | 11.2 | 28,018 | 21.6 | 111 | 17.6 | 638,827 | 5.2 |
| Deferred outflows of resources | | | | | | | | | | | | | | |
| Unamortized loss on refunding of debt | (14,846) | (10.6) | (25) | (75.8) | — | — | — | — | — | — | — | — | (14,871) | (10.7) |
| Pensions | 17,249 | 32.6 | 7,223 | 28.5 | 2,162 | 32.3 | 2,643 | 32.3 | 440 | 51.6 | — | — | 29,717 | 31.6 |
| Other post-employment benefits | (3,829) | (11.8) | (1,405) | (10.9) | (24) | (0.7) | (30) | (0.8) | 211 | 26.4 | — | — | (5,077) | (9.5) |
| Total deferred outflows of resources $ | (1,426) | (0.6) | 5,793 | 15.1 | 2,138 | 21.4 | 2,613 | 21.4 | 651 | 39.5 | — | — | 9,769 | 3.4 |

(continued)

See accompanying auditors' report.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
## Schedule of Changes in Net Position – Dollar and Percentage Change vs. Prior Year
## Proprietary Funds
## June 30, 2023 and 2022
(In thousands)

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | Eliminations | | SFPUC Total | |
| | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change |
| Liabilities | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | |
| Accounts payable $ | (181) | (0.8) | 619 | 2.7 | (7,421) | (87.8) | 8,302 | 49.8 | 818 | 3.5 | — | — | 2,137 | 2.3 |
| Accrued payroll | 1,312 | 12.5 | 1,229 | 19.2 | 154 | 14.0 | 357 | 13.3 | 170 | 45.6 | — | — | 3,222 | 15.3 |
| Accrued vacation and sick leave, current portion | 169 | 2.5 | 561 | 10.2 | 98 | 9.5 | 120 | 6.9 | 115 | 41.2 | — | — | 1,063 | 6.9 |
| Accrued workers' compensation, current portion | 214 | 12.6 | 116 | 8.3 | 1 | 0.5 | 1 | 0.3 | — | — | — | — | 332 | 9.0 |
| Due to other City departments, current portion | 2,440 | — | 2,104 | 1,895.5 | — | — | 1,566 | 412.1 | — | — | (2) | (1.8) | 6,108 | 1,607.4 |
| Damage claims liability, current portion | 934 | 9.2 | (7,673) | (82.3) | 72 | 31.6 | 92 | 25.7 | 1 | 6.7 | — | — | (6,574) | (32.7) |
| Unearned revenues, refunds, and other, current portion | (5,160) | (27.0) | 320 | 5.2 | 86 | 358.3 | (43) | (0.7) | 1,950 | 46.5 | — | — | (2,847) | (8.0) |
| Bond, loan, lease and subscription interest payable | (351) | (1.0) | 6,450 | 30.0 | (1) | (33.3) | 268 | 20.2 | (1) | (100.0) | — | — | 6,365 | 10.9 |
| Bonds, current portion | 9,810 | 7.8 | (6,275) | (18.3) | — | — | (376) | (19.1) | — | — | — | — | 3,159 | 2.0 |
| Certificates of participation, current portion | 129 | 4.1 | 34 | 4.1 | — | — | 18 | 4.2 | — | — | — | — | 181 | 4.1 |
| Commercial paper, current portion | (206,297) | (100.0) | (379,157) | (100.0) | — | — | (40,019) | (100.0) | — | — | — | — | (625,473) | (100.0) |
| State revolving funds loans payable, current portion | (3,283) | (100.0) | 45 | 1.8 | — | — | — | — | — | — | — | — | (3,238) | (56.2) |
| Lease liability, current portion | 181 | 18.0 | (1,044) | (44.6) | 13 | 433.3 | 16 | 533.3 | (232) | (100.0) | — | — | (1,066) | (29.7) |
| Subscription liability, current portion | (448) | (52.8) | (272) | (52.8) | (90) | (52.9) | (72) | (52.6) | (21) | (53.8) | — | — | (903) | (52.8) |
| Wholesale balancing account, current portion | (48,422) | (100.0) | — | — | — | — | — | — | — | — | — | — | (48,422) | (100.0) |
| Current liabilities payable from restricted assets | 15,510 | 61.2 | 32,920 | 36.6 | (577) | (9.1) | 4,060 | 21.3 | — | — | — | — | 51,913 | 36.9 |
| Total current liabilities | (233,443) | (44.9) | (350,023) | (60.1) | (7,665) | (43.7) | (25,710) | (28.2) | 2,800 | 9.8 | (2) | (1.8) | (614,043) | (49.5) |
| Long-term liabilities: | | | | | | | | | | | | | | |
| Arbitrage rebate payable | — | — | 188 | 100.0 | — | — | — | — | — | — | — | — | 188 | 100.0 |
| Other post-employment benefits obligations | 4,486 | 3.1 | (88) | (0.2) | 667 | 4.7 | 815 | 4.7 | 1,789 | 79.0 | — | — | 7,669 | 3.4 |
| Net pension liability | 115,343 | 100.0 | 49,549 | 100.0 | 14,105 | 100.0 | 17,239 | 100.0 | 2,124 | 100.0 | — | — | 198,360 | 100.0 |
| Accrued vacation and sick leave, less current portion | (313) | (4.6) | 200 | 3.7 | (1) | (0.1) | (1) | (0.1) | 82 | 30.7 | — | — | (33) | (0.2) |
| Accrued workers' compensation, less current portion | 548 | 7.5 | 336 | 5.5 | (10) | (1.0) | (13) | (0.7) | — | — | — | — | 861 | 5.3 |
| Due to other City departments, less current portion | — | — | (113) | (21.8) | — | — | — | — | — | — | 113 | 21.8 | — | — |
| Damage claims liability, less current portion | (17,378) | (67.2) | (22) | (0.8) | 1 | 0.3 | 5,035 | 757.1 | 1 | 5.9 | — | — | (12,363) | (41.7) |
| Unearned revenues, refunds, and other, less current portion | — | — | — | — | (110) | (100.0) | (224) | (27.9) | (9,000) | (100.0) | — | — | (9,334) | (94.1) |
| Bonds, less current portion | (159,899) | (3.4) | 811,932 | 42.8 | — | — | (3,178) | (1.7) | — | — | — | — | 648,855 | 9.5 |
| Revenue Notes, less current portion | — | — | (800) | (0.2) | — | — | — | — | — | — | — | — | (800) | (0.2) |
| Certificates of participation, less current portion | (3,267) | (3.5) | (864) | (3.5) | — | — | (445) | (3.5) | — | — | — | — | (4,576) | (3.5) |
| Commercial paper, less current portion | 371,459 | 100.0 | — | — | — | — | 116,352 | 100.0 | — | — | — | — | 487,811 | 100.0 |
| State revolving funds loans payable, less current portion | 45,149 | 38.1 | 15,985 | 5.3 | — | — | — | — | — | — | — | — | 61,134 | 14.6 |
| Water Infrastructure Finance and Innovation Act (WIFIA) loans | — | — | 122,357 | 100.0 | — | — | — | — | — | — | — | — | 122,357 | 100.0 |
| Lease liability, less current portion | 966 | 52.1 | (1,297) | (100.0) | 63 | 106.8 | 78 | 108.3 | — | — | — | — | (190) | (5.8) |
| Subscription liability, less current portion | (400) | (56.5) | (243) | (56.6) | (80) | (57.6) | (65) | (56.0) | (18) | (58.1) | — | — | (806) | (56.6) |
| Wholesale balancing account, less current portion | (30,728) | (100.0) | — | — | — | — | — | — | — | — | — | — | (30,728) | (100.0) |
| Pollution remediation obligations | — | — | (260) | (3.2) | — | — | — | — | — | — | — | — | (260) | (2.8) |
| Total long-term liabilities | 325,966 | 6.3 | 996,860 | 37.7 | 14,635 | 85.6 | 135,593 | 59.5 | (5,022) | (43.4) | 113 | 21.8 | 1,468,145 | 18.2 |
| Total liabilities | 92,523 | 1.6 | 646,837 | 20.0 | 6,970 | 20.1 | 109,883 | 34.4 | (2,222) | (5.5) | 111 | 17.6 | 854,102 | 9.2 |
| Deferred inflows of resources | | | | | | | | | | | | | | |
| Unamortized gain on refunding of debt | — | — | 11,353 | 100.0 | — | — | — | — | — | — | — | — | 11,353 | 100.0 |
| Related to pensions | (220,200) | (88.5) | (104,647) | (91.3) | (30,335) | (88.0) | (37,076) | (88.0) | (4,118) | (76.1) | — | — | (396,376) | (89.0) |
| Leases | (3,025) | (6.8) | 1,453 | 100.0 | — | — | — | — | — | — | — | — | (1,572) | (3.5) |
| Other post-employment benefits | 1,727 | 6.8 | (354) | (4.1) | 350 | 12.8 | 427 | 12.8 | 1,328 | 83.3 | — | — | 3,478 | 8.3 |
| Total deferred inflows of resources | (221,498) | (69.5) | (92,195) | (74.8) | (29,985) | (80.6) | (36,649) | (80.6) | (2,790) | (39.8) | — | — | (383,117) | (72.1) |
| Net position | | | | | | | | | | | | | | |
| Net investment in capital assets | (39,104) | (6.7) | 142,505 | 13.0 | 18,747 | 9.3 | (15,881) | (4.5) | — | — | — | — | 106,267 | 4.8 |
| Restricted for debt service | (46) | (0.3) | (1,881) | (34.9) | — | — | (84) | (60.0) | — | — | — | — | (2,011) | (10.0) |
| Restricted for capital projects | 15,959 | 100.0 | (114,657) | (100.0) | 5,233 | 100.0 | — | — | — | — | — | — | (93,465) | (81.5) |
| Restricted for other purposes | (100,407) | (100.0) | (48,770) | (100.0) | (13,912) | (100.0) | (17,004) | — | (1,833) | — | — | — | (181,926) | (100.0) |
| Unrestricted | 182,244 | (274.9) | 58,970 | 58.3 | 14,878 | 43.4 | 57,140 | 45.8 | 35,514 | 43.1 | — | — | 348,746 | 126.1 |
| Total net position $ | 58,646 | 9.3 | 36,167 | 2.7 | 24,946 | 10.0 | 24,171 | 4.9 | 33,681 | 39.9 | — | — | 177,611 | 6.3 |

See accompanying auditors' report.

# THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

## Schedule of Changes in Revenues, Expenses, and Net Position – Dollar and Percentage Change vs. Prior Year
## Proprietary Funds
## June 30, 2023 and 2022
**(In thousands)**

| | Business Type Activities – Proprietary Funds | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | | Wastewater | | Hetchy Water | | Hetchy Power | | CleanPowerSF | | SFPUC Total | |
| | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change | $ Change | % Change |
| Operating revenues: | | | | | | | | | | | | |
| Charges for services | $ 121,715 | 22.6 | (1,550) | (0.4) | 3,370 | 6.8 | 30,742 | 17.8 | 68,884 | 26.7 | 223,161 | 16.2 |
| Rents and concessions | (483) | (3.5) | 117 | 16.6 | 15 | 13.4 | 19 | 13.9 | — | — | (332) | (2.3) |
| Capacity fees | (907) | (41.9) | (3,203) | (51.0) | — | — | — | — | — | — | (4,110) | (48.7) |
| Other revenues | (2,351) | (13.3) | (310) | (5.3) | — | — | — | — | — | — | (2,661) | (11.3) |
| Total operating revenues | 117,974 | 20.6 | (4,946) | (1.3) | 3,385 | 6.9 | 30,761 | 17.8 | 68,884 | 26.7 | 216,058 | 15.2 |
| Operating expenses: | | | | | | | | | | | | |
| Personnel services | 52,324 | 62.7 | 26,270 | 41.4 | 2,788 | 17.8 | 4,654 | 13.4 | 6,568 | 157.6 | 92,604 | 46.0 |
| Contractual services | 4,357 | 34.7 | 2,205 | 11.9 | 281 | 10.5 | 1,360 | 14.4 | (221) | (3.3) | 7,982 | 15.9 |
| Transmission/distribution and other power costs | — | — | — | — | — | — | 19,059 | 37.0 | 34 | 17.7 | 19,093 | 36.9 |
| Purchased electricity | — | — | — | — | — | — | 1,347 | 20.0 | 25,606 | 10.7 | 26,953 | 10.9 |
| Materials and supplies | 4,327 | 27.5 | 2,462 | 20.8 | 243 | 17.8 | 342 | 15.1 | 24 | 72.7 | 7,398 | 23.7 |
| Depreciation and amortization | 6,937 | 4.7 | (66) | (0.1) | 44 | 0.7 | 108 | 0.6 | (115) | (29.9) | 6,908 | 2.7 |
| Services provided by other departments | 6,603 | 9.0 | 1,354 | 3.4 | 263 | 8.4 | 2,421 | 38.7 | 681 | 18.8 | 11,322 | 9.0 |
| General and administrative and other | (16,059) | (23.6) | (28,033) | (61.6) | (5,907) | (25.7) | 5,918 | 21.4 | 86 | 1.2 | (43,995) | (25.6) |
| Total operating expenses | 58,489 | 14.6 | 4,192 | 1.6 | (2,288) | (4.4) | 35,209 | 22.5 | 32,663 | 12.5 | 128,265 | 11.4 |
| Operating income (loss) | 59,485 | 34.7 | (9,138) | (8.2) | 5,673 | (189.9) | (4,448) | 26.3 | 36,221 | (857.5) | 87,793 | 30.0 |
| Non-operating revenues (expenses): | | | | | | | | | | | | |
| Federal and state grants | (5,931) | (100.0) | (20,559) | (99.3) | 1,177 | 261.6 | (3,987) | (81.0) | (1,251) | (51.6) | (30,551) | (88.7) |
| Interest and investment income (loss) | 22,052 | (202.4) | 9,643 | (136.1) | 3,389 | (115.6) | 7,742 | (193.5) | 1,691 | (131.5) | 44,517 | (169.9) |
| Interest expenses | (1,232) | (0.6) | (17,769) | (22.9) | (1) | (33.3) | (3,859) | (68.6) | 5 | 83.3 | (22,856) | (7.7) |
| Amortization of premium, discount, refunding loss, and issuance costs | 96 | 1.0 | 5,965 | 70.8 | — | — | 1,776 | (925.0) | — | — | 7,837 | 43.3 |
| Net gain from sale of assets | 11,581 | 1,073.3 | 92 | 418.2 | (3) | (42.9) | (6) | (66.7) | — | — | 11,664 | 1,044.2 |
| Other non-operating revenues | (6,842) | (19.6) | 4,923 | 104.3 | 208 | 945.5 | 1,835 | 16.9 | (10) | (3.0) | 114 | 0.2 |
| Other Non-operating expenses | (947) | (114.4) | (53) | (11.0) | (17) | (45.9) | 364 | 61.6 | (218) | 100.0 | (871) | (44.9) |
| Net non-operating revenues (expenses) | 18,777 | 10.8 | (17,758) | (34.5) | 4,753 | (190.7) | 3,865 | 72.2 | 217 | 14.8 | 9,854 | (4.5) |
| Change in net position before capital contributions and transfers | 78,262 | (3,393.8) | (26,896) | (44.6) | 10,426 | 190.3 | (583) | (2.6) | 36,438 | (1,321.7) | 97,647 | 135.6 |
| Capital contributions | 2,717 | 100.0 | 2,740 | 100.0 | — | — | 2,535 | 100.0 | — | — | 7,992 | 100.0 |
| Transfers from the City and County of San Francisco | (15,030) | (100.0) | 75 | 100.0 | (10,001) | (33.3) | — | — | — | — | (24,956) | (55.4) |
| Transfers to the City and County of San Francisco | 10,634 | (34.7) | 129 | (80.1) | — | — | 500 | 94.0 | — | — | 11,263 | (35.9) |
| Net capital contributions and transfers | (1,679) | 10.7 | 2,944 | (1,828.6) | (10,001) | (33.3) | 3,035 | (570.5) | — | — | (5,701) | (41.7) |
| Change in net position | 76,583 | (427.0) | (23,952) | (39.8) | 425 | 1.7 | 2,452 | 11.3 | 36,438 | (1,321.7) | 91,946 | 107.3 |
| Net position at beginning of year | (17,937) | (2.8) | 60,119 | 4.6 | 24,521 | 10.9 | 21,719 | 4.6 | (2,757) | (3.2) | 85,665 | 3.1 |
| Net position at end of year | $ 58,646 | 9.3 | 36,167 | 2.7 | 24,946 | 10.0 | 24,171 | 4.9 | 33,681 | 39.9 | 177,611 | 6.3 |

See accompanying auditors' report.

Certified Public Accountants

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Francisco Public Utilities Commission (SFPUC) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2024.

### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the SFPUC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SFPUC's internal control. Accordingly, we do not express an opinion on the effectiveness of the SFPUC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the SFPUC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 26, 2024

# Statistical Section
# (Unaudited)

**Financial Trends**

These schedules contain trend information to help understand how SFPUC's financial performance and well-being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess SFPUC's revenues sources and rate structures.

**Debt Capacity**

These schedules contain information to help the reader assess the affordability of the SFPUC's current levels of outstanding debt and its ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which SFPUC's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to enhance the reader's ability to understand how the information in the SFPUC financial report relates to the services it provides and the activities it performs.

The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

# Statistical Section

## Financial Trends

**Financial Trends**

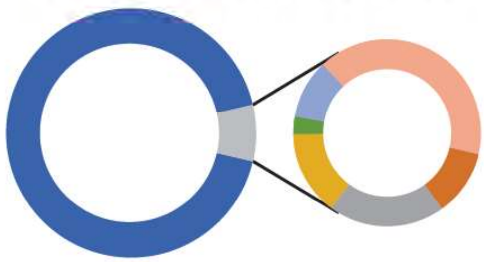
Department-wide

Comparative Highlights of Revenues & Expenses

Fiscal Years Ended 2023 and 2022#

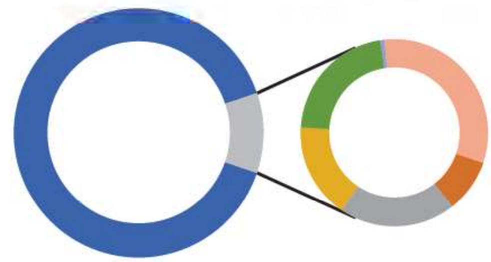
(Dollars in Thousands)

## 2023 Revenues - $1,724,372



| | | |
|---|---|---|
| Charges for services | $1,598,926 | 92.7% |
| Other | $125,446 | 7.3% |
| Rents and concessions | $14,387 | 0.8% |
| Other operating revenues | $25,191 | 1.5% |
| Interest and investment income/(loss) | $18,315 | 1.1% |
| Federal and State grants | $3,889 | 0.20% |
| Net gain from sale of assets | $12,781 | 0.70% |
| Other non-operating revenues | $50,883 | 3.0% |

## 2022 Revenues - $1,482,570



| | | |
|---|---|---|
| Charges for services | $1,375,765 | 92.8% |
| Other | $106,805 | 7.2% |
| Rents and concessions | $14,719 | 1.0% |
| Other operating revenues | $31,962 | 2.2% |
| Interest and investment income/(loss) | $(26,202) | -1.8% |
| Federal and State grants | $34,440 | 2.20% |
| Net gain from sale of assets | $1,117 | 0.10% |
| Other non-operating revenues | $50,769 | 3.4% |

## 2023 Expenses -$1,554,737

| | | |
|---|---|---|
| Personnel services | $293,894 | 19.0% |
| Contractual services | $58,030 | 3.7% |
| Purchased power & related costs | $344,036 | 22.1% |
| Materials and supplies | $38,626 | 2.5% |
| Depreciation and amortization | $258,424 | 16.6% |
| Services provided by other departments | $137,277 | 8.8% |
| General & administrative and Other operating expenses | $127,659 | 8.2% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $293,982 | 18.9% |
| Non-operating expenses | $2,809 | 0.2% |

## 2022 Expenses -$1,410,582

| | | |
|---|---|---|
| Personnel services | $201,290 | 14.3% |
| Contractual services | $50,048 | 3.5% |
| Purchased power & related costs | $297,990 | 21.2% |
| Materials and supplies | $31,228 | 2.2% |
| Depreciation and amortization | $251,516 | 17.8% |
| Services provided by other departments | $125,955 | 8.9% |
| General & administrative and Other operating expenses | $171,654 | 12.2% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $278,963 | 19.8% |
| Non-operating expenses | $1,938 | 0.1% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

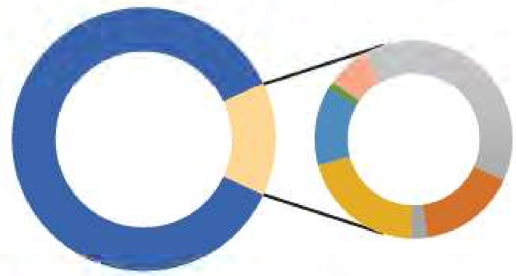
Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

**Financial Trends**
Water Fund
Comparative Highlights of Revenues & Expenses
Fiscal Years Ended 2023 and 2022#
(Dollars in Thousands)

### 2023 Revenues - $742,926

| | | |
|---|---|---|
| Charges for services | $661,241 | 88.9% |
| Other | $81,685 | 11.1% |
| Rents and concessions | $13,282 | 1.8% |
| Capacity fees | $1,256 | 0.2% |
| Other operating revenues | $15,312 | 2.1% |
| Interest and investment income/(loss) | $11,156 | 1.5% |
| Net gain from sale of assets | $12,660 | 1.7% |
| Federal and State grants | $0 | 0.0% |
| Other non-operating revenues | $28,019 | 3.8% |

### 2022 Revenues - $604,092



| | | |
|---|---|---|
| Charges for services | $539,526 | 89.3% |
| Other | $64,566 | 10.7% |
| Rents and concessions | $13,765 | 2.3% |
| Capacity fees | $2,163 | 0.4% |
| Other operating revenues | $17,663 | 2.8% |
| Interest and investment income/(loss) | $(10,896) | -1.8% |
| Net gain from sale of assets | $1,079 | 0.2% |
| Federal and State grants | $5,931 | 1.0% |
| Other non-operating revenues | $34,861 | 5.8% |

### 2023 Expenses - $666,970

| | | |
|---|---|---|
| Personnel services | $135,709 | 20.4% |
| Contractual services | $16,919 | 2.5% |
| Materials and supplies | $20,046 | 3.0% |
| Depreciation and amortization | $155,714 | 23.3% |
| Services provided by other departments | $79,910 | 12.0% |
| General & administrative and Other operating expense | $51,955 | 7.8% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $204,942 | 30.7% |
| Non-operating expenses | $1,775 | 0.3% |

### 2022 Expenses - $606,398

| | | |
|---|---|---|
| Personnel services | $83,385 | 13.8% |
| Contractual services | $12,256 | 2.1% |
| Materials and supplies | $15,719 | 2.6% |
| Depreciation and amortization | $148,777 | 24.5% |
| Services provided by other departments | $73,307 | 12.1% |
| General & administrative and Other operating expense | $68,014 | 11.2% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $203,806 | 33.6% |
| Non-operating expenses | $828 | 0.1% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

## Financial Trends

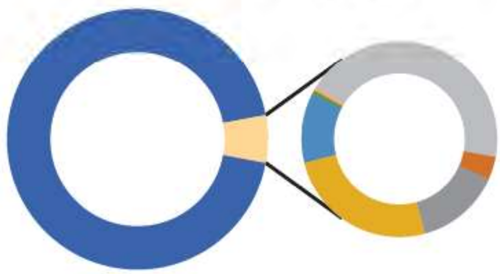
Wastewater Fund

Comparative Highlights of Revenues & Expenses

Fiscal Years Ended 2023 and 2022#

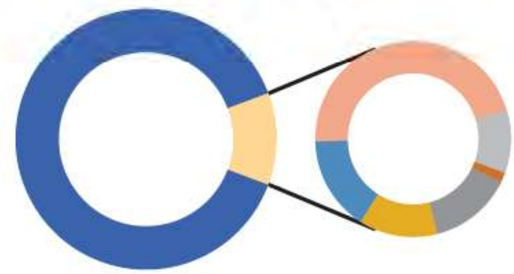
(Dollars in Thousands)

### 2023 Revenues - $376,402



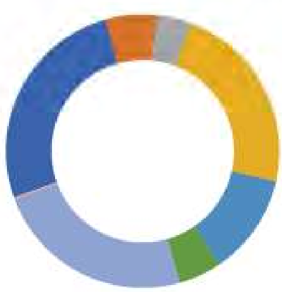
| | | |
|---|---|---|
| Charges for services | $354,491 | 94.2% |
| Other | $21,911 | 5.8% |
| Rents and concessions | $822 | 0.2% |
| Capacity fees | $3,077 | 0.8% |
| Other operating revenues | $5,546 | 1.5% |
| Interest and investment income/(loss) | $2,556 | 0.7% |
| Net gain from sale of assets | $114 | 0.0% |
| Federal and State grants | $152 | 0.0% |
| Other non-operating revenues | $9,644 | 2.6% |

### 2022 Revenues -$387,249



| | | |
|---|---|---|
| Charges for services | $356,041 | 92.0% |
| Other | $31,208 | 8.0% |
| Rents and concessions | $705 | 0.2% |
| Capacity fees | $6,280 | 1.6% |
| Other operating revenues | $5,856 | 1.5% |
| Interest and investment income/(loss) | $(7,087) | -1.8% |
| Net gain from sale of assets | $22 | 0.0% |
| Federal and State grants | $20,711 | 5.3% |
| Other non-operating revenues | $4,721 | 1.2% |

### 2023 Expenses - $343,018



| | | |
|---|---|---|
| Personnel services | $89,726 | 26.1% |
| Contractual services | $20,777 | 6.1% |
| Materials and supplies | $14,306 | 4.2% |
| Depreciation and amortization | $78,039 | 22.8% |
| Services provided by other departments | $40,999 | 12.0% |
| General & administrative and Other operating expense | $17,503 | 5.1% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $81,133 | 23.7% |
| Non-operating expenses | $535 | 0.0% |

### 2022 Expenses - $326,969

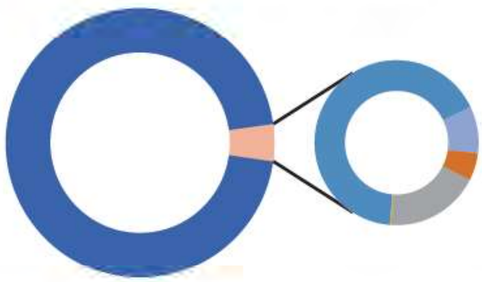
| | | |
|---|---|---|
| Personnel services | $63,456 | 19.4% |
| Contractual services | $18,572 | 5.7% |
| Materials and supplies | $11,844 | 3.6% |
| Depreciation and amortization | $78,105 | 23.9% |
| Services provided by other departments | $39,645 | 12.1% |
| General & administrative and Other operating expense | $45,536 | 13.9% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $69,329 | 21.3% |
| Non-operating expenses | $482 | 0.1% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

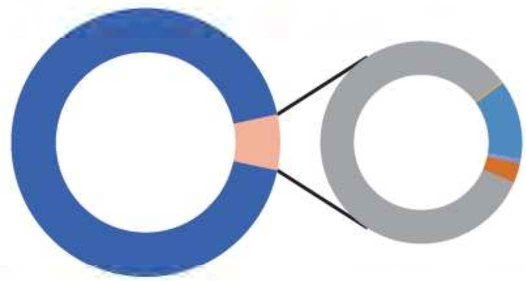
**Financial Trends**
Hetchy Water Fund
Comparative Highlights of Revenues & Expenses
Fiscal Years Ended 2023 and 2022#
(Dollars in Thousands)

## 2023 Revenues - $55,015



| | | |
|---|---|---|
| Charges for services | $52,570 | 95.6% |
| Other | $2,445 | 4.4% |
| Rents and concessions | $127 | 0.2% |
| Interest and investment income/(loss) | $457 | 0.8% |
| Net gain from sale of assets | $4 | 0.0% |
| Federal and State grants | $1,627 | 3.0% |
| Other non-operating revenues | $230 | 0.4% |

## 2022 Revenues - $46,859



| | | |
|---|---|---|
| Charges for services | $49,200 | 105.1% |
| Other | $(2,341) | -5.1% |
| Rents and concessions | $112 | 0.2% |
| Interest and investment income/(loss) | $(2,932) | -6.3% |
| Net gain from sale of assets | $7 | 0.0% |
| Federal and State grants | $450 | 1.0% |
| Other non-operating revenues | $22 | 0.0% |

## 2023 Expenses - $50,069

| | | |
|---|---|---|
| Personnel services | $18,424 | 36.9% |
| Contractual services | $2,956 | 5.9% |
| Materials and supplies | $1,605 | 3.2% |
| Depreciation and amortization | $6,524 | 13.0% |
| Services provided by other departments | $3,392 | 6.8% |
| General and administrative and Other | $17,110 | 34.2% |
| Interest Expense | $4 | 0.0% |
| Non-operating expenses | $54 | 0.0% |

## 2022 Expenses - $52,339

| | | |
|---|---|---|
| Personnel services | $15,636 | 29.9% |
| Contractual services | $2,675 | 5.1% |
| Materials and supplies | $1,362 | 2.6% |
| Depreciation and amortization | $6,480 | 12.4% |
| Services provided by other departments | $3,129 | 6.0% |
| General and administrative and Other | $23,017 | 44.0% |
| Interest Expense | $3 | 0.0% |
| Non-operating expenses | $37 | 0.0% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

**Financial Trends**

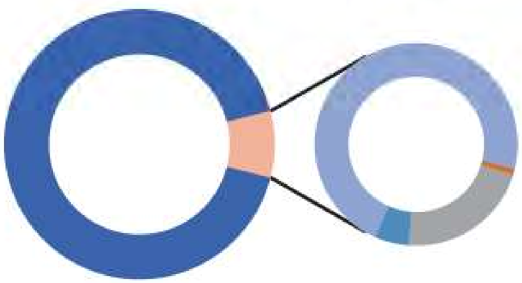
Hetchy Power Fund

Comparative Highlights of Revenues & Expenses

Fiscal Years Ended 2023 and 2022#

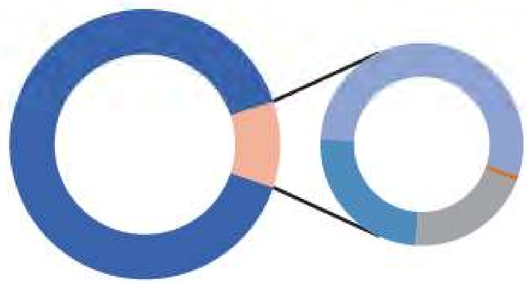
(Dollars in Thousands)

## 2023 Revenues - $221,349



| | | |
|---|---|---|
| Charges for services | $203,847 | 92.1% |
| Other | $17,502 | 7.9% |
| Rents and concessions | $156 | 0.1% |
| Interest and investment income/(loss) | $3,741 | 1.7% |
| Net gain from sale of assets | $3 | 0.0% |
| Federal and State grants | $937 | 0.4% |
| Other non-operating revenues | $12,665 | 5.7% |

## 2022 Revenues - $185,004



| | | |
|---|---|---|
| Charges for services | $173,105 | 93.5% |
| Other | $11,899 | 6.5% |
| Rents and concessions | $137 | 0.1% |
| Interest and investment income/(loss) | $(4,001) | -2.2% |
| Net gain from sale of assets | $9 | 0.0% |
| Federal and State grants | $4,924 | 2.7% |
| Other non-operating revenues | $10,830 | 5.9% |

## 2023 Expenses - $199,681

| | | |
|---|---|---|
| Personnel services | $39,300 | 19.7% |
| Contractual services | $10,819 | 5.4% |
| Purchased power & related costs | $78,658 | 39.4% |
| Materials and supplies | $2,612 | 1.3% |
| Depreciation and amortization | $17,877 | 9.0% |
| Services provided by other departments | $8,674 | 4.3% |
| General and administrative and Other | $33,612 | 16.8% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $7,902 | 4.0% |
| Solar incentive program | $161 | 0.1% |
| Non-operating expenses | $66 | 0.0% |

## 2022 Expenses - $162,753

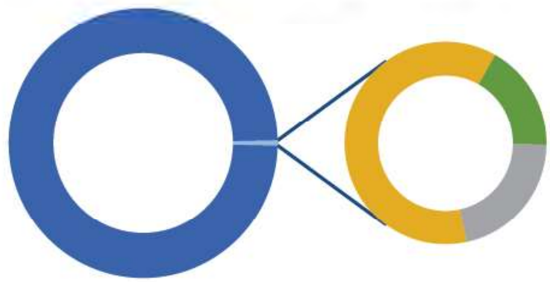
| | | |
|---|---|---|
| Personnel services | $34,646 | 21.3% |
| Contractual services | $9,459 | 5.8% |
| Purchased power & related costs | $58,252 | 35.9% |
| Materials and supplies | $2,270 | 1.4% |
| Depreciation and amortization | $17,769 | 10.9% |
| Services provided by other departments | $6,253 | 3.8% |
| General and administrative and Other | $27,694 | 17.0% |
| Interest expense, net of amortization of premium, discount, refunding loss and issuance costs | $5,816 | 3.6% |
| Solar incentive program | $395 | 0.2% |
| Non-operating expenses | $196 | 0.1% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

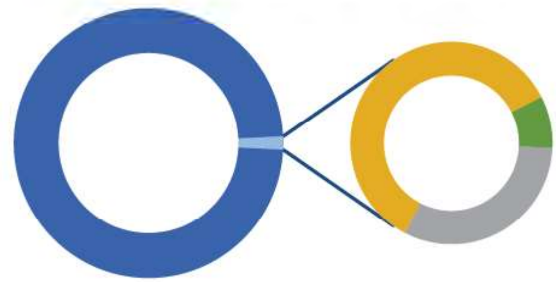
**Financial Trends**
CleanPowerSF
Comparative Highlights of Revenues & Expenses
Fiscal Years Ended 2023 and 2022#
(Dollars in Thousands)

## 2023 Revenues -$328,680



| | | |
|---|---|---|
| Charges for services | $326,777 | 99.4% |
| Other | $1,903 | 0.6% |
| Interest and investment income/(loss) | $405 | 0.1% |
| Federal and State grants | $1,173 | 0.4% |
| Other non-operating revenues | $325 | 0.1% |

## 2022 Revenues -$259,366



| | | |
|---|---|---|
| Charges for services | $257,893 | 99.5% |
| Other | $1,473 | 0.5% |
| Interest and investment income/(loss) | $(1,286) | -0.5% |
| Federal and State grants | $2,424 | 0.9% |
| Other non-operating revenues | $335 | 0.1% |

## 2023 Expenses -$294,999

| | | |
|---|---|---|
| Personnel services | $10,735 | 3.6% |
| Contractual services | $6,559 | 2.2% |
| Purchased power & related costs | $265,378 | 90.0% |
| Materials and supplies | $57 | 0.0% |
| Depreciation and amortization | $270 | 0.1% |
| Services provided by other departments | $4,302 | 1.5% |
| General and administrative and Other | $7,479 | 2.5% |
| Interest Expense | $1 | 0.0% |
| Solar incentive program | $218 | 0.1% |

## 2022 Expenses -$262,123

| | | |
|---|---|---|
| Personnel services | $4,167 | 1.6% |
| Contractual services | $6,780 | 2.6% |
| Purchased power & related costs | $239,738 | 91.5% |
| Materials and supplies | $33 | 0.0% |
| Depreciation and amortization | $385 | 0.1% |
| Services provided by other departments | $3,621 | 1.4% |
| General and administrative and Other | $7,393 | 2.8% |
| Interest Expense | $6 | 0.0% |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

## Financial Trends

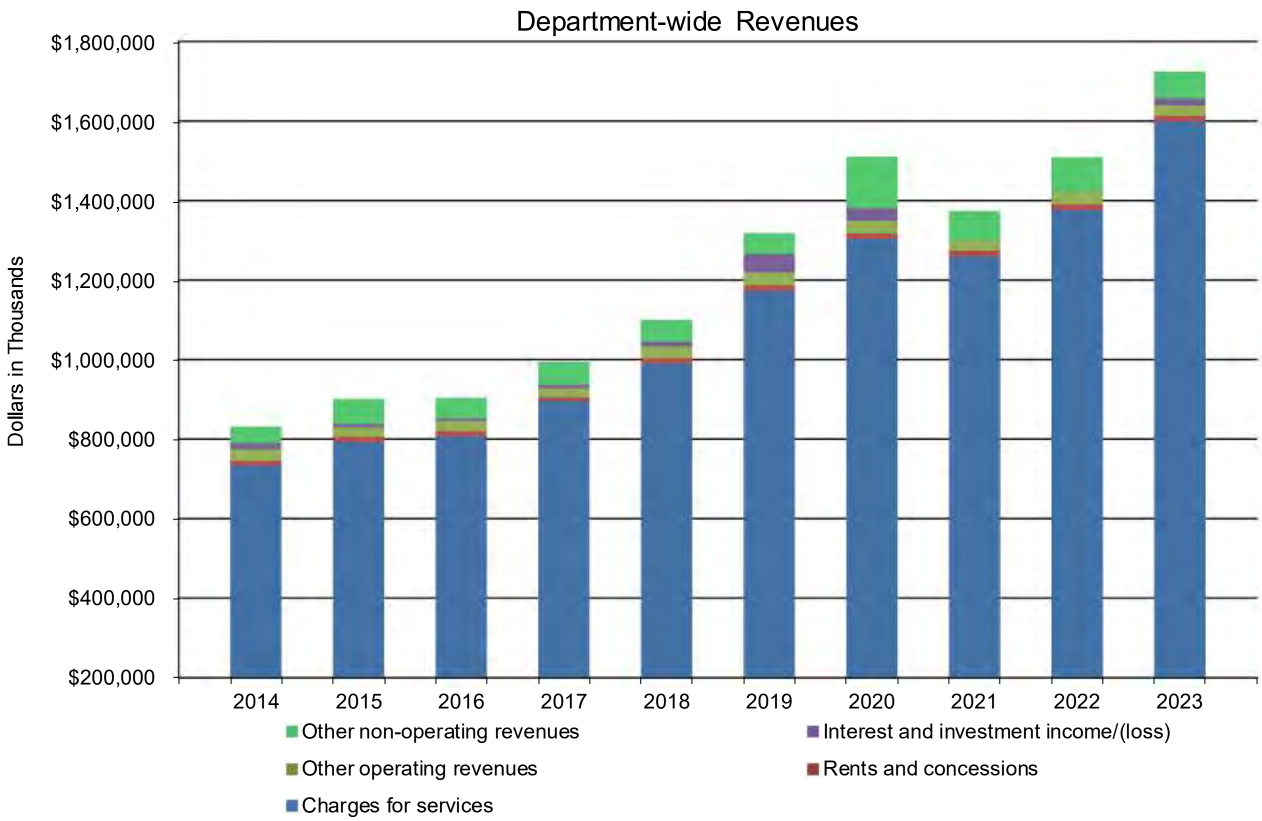
Department-wide - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Revenues: | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021^ | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | 733,746 | 792,199 | 807,259 | 895,472 | 989,842 | 1,172,573 | 1,303,411 | 1,259,466 | 1,375,765 | 1,598,926 |
| Rents and concessions | | 11,727 | 13,336 | 13,096 | 9,734 | 13,813 | 13,989 | 13,135 | 14,624 | 14,719 | 14,387 |
| Other operating revenues | | 28,944 | 24,317 | 25,672 | 22,445 | 29,043 | 32,296 | 32,217 | 27,182 | 31,962 | 25,191 |
| **Subtotal operating revenues** | | **774,417** | **829,852** | **846,027** | **927,651** | **1,032,698** | **1,218,858** | **1,348,763** | **1,301,272** | **1,422,446** | **1,638,504** |
| Interest and investment income/(loss) | | 15,083 | 8,175 | 6,060 | 8,511 | 11,694 | 46,639 | 32,103 | 30 | (26,202) | 18,315 |
| Other non-operating revenues | | 41,946 | 63,430 | 51,972 | 58,422 | 55,705 | 52,483 | 129,198 | 72,337 | 86,326 | 67,553 |
| **Subtotal non-operating revenues** | | **57,029** | **71,605** | **58,032** | **66,933** | **67,399** | **99,122** | **161,301** | **72,367** | **60,124** | **85,868** |
| **Total revenues** | **$** | **831,446** | **901,457** | **904,059** | **994,584** | **1,100,097** | **1,317,980** | **1,510,064** | **1,373,639** | **1,482,570** | **1,724,372** |

(Continued)

^Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



## Financial Trends

Department-wide - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| **Expenses:** | | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022#** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ | 252,068 | 220,385 | 227,930 | 365,494 | 271,888 | 248,189 | 275,892 | 291,245 | 201,290 | 293,894 |
| Contractual services | | 30,133 | 35,216 | 34,915 | 31,563 | 39,408 | 44,832 | 50,821 | 48,299 | 50,048 | 58,030 |
| Purchased power & related costs | | 26,215 | 20,296 | 26,792 | 43,407 | 64,732 | 170,275 | 223,601 | 233,682 | 297,990 | 344,036 |
| Materials and supplies | | 26,411 | 24,842 | 26,128 | 23,972 | 28,024 | 25,130 | 26,695 | 25,554 | 31,228 | 38,626 |
| Depreciation and amortization | | 152,742 | 163,525 | 173,978 | 191,997 | 193,457 | 200,712 | 226,194 | 241,810 | 251,516 | 258,424 |
| Services provided by other departments | | 96,918 | 104,535 | 106,476 | 105,417 | 102,199 | 108,043 | 109,444 | 121,130 | 125,955 | 137,277 |
| General and administrative and Other operating expenses | | 101,473 | 88,559 | 88,615 | 98,327 | 106,960 | 130,003 | 136,755 | 188,105 | 171,654 | 127,659 |
| **Subtotal operating expenses** | | **685,960** | **657,358** | **684,834** | **860,177** | **806,668** | **927,184** | **1,049,402** | **1,149,825** | **1,129,681** | **1,257,946** |
| Interest expenses | | 165,345 | 161,712 | 178,864 | 179,819 | 192,183 | 224,867 | 237,271 | 221,622 | 297,068 | 319,924 |
| Amortization of premium, discount, refunding loss, and issuance costs | | (13,908) | (10,554) | (11,950) | (15,090) | (19,188) | (23,722) | (22,627) | (16,498) | (18,105) | (25,942) |
| Non-operating expenses | | 5,206 | 7,916 | 4,439 | 4,466 | 4,129 | 3,766 ^^ | 1,652 ^^ | 3,582 | 1,938 | 2,809 |
| **Subtotal non-operating expenses** | | **156,643** | **159,074** | **171,353** | **169,195** | **177,124** | **204,911** | **216,296** | **208,706** | **280,901** | **296,791** |
| **Total expenses** | | **842,603** | **816,432** | **856,187** | **1,029,372** | **983,792** | **1,132,095** | **1,265,698** | **1,358,531** | **1,410,582** | **1,554,737** |
| Change in net position before capital contributions, transfers and extraordinary item | | (11,157) | 85,025 | 47,872 | (34,788) | 116,305 | 185,885 | 244,366 | 15,108 | 71,988 | 169,635 |
| Capital contributions * | | 678 | — | — | — | — | — | — | 4,180 | — | 7,992 |
| Transfers in (out) | | 386 | 52,806 | 17,899 | (30,644) | (28,371) | 1,360 | (805) | 17,091 | 13,677 | (16) |
| Extraordinary item: | | | | | | | | | | | |
| Rim fire — loss | | (6,843) | — | — | — | — | — | — | — | — | — |
| **Change in net position** | | **(16,936)** | **137,831** | **65,771** | **(65,432)** | **87,934** | **187,245** | **243,561** | **36,379** | **85,665** | **177,611** |
| **Net position at beginning of year** | | | | | | | | | | | |
| Beginning of year, as previously reported | | 2,366,565 | 2,349,629 | 2,225,451 | 2,292,646 | 2,225,790 | 2,270,925 | 2,458,170 | 2,701,731 | 2,738,110 | 2,823,775 |
| Cumulative effect of accounting change due to error | | — | — | — | — | (6,767) ** | — | — | — | — | — |
| Cumulative effect of accounting change | | — | (262,009) ~ | — | — | (36,032) ⌂ | — | — | — | — | — |
| Less: CleanPowerSF beginning net position | | — | — | — | (1,424) | — | — | — | — | — | — |
| Beginning of year as restated | | 2,366,565 | 2,087,620 | 2,225,451 | 2,291,222 | 2,182,991 | 2,270,925 | 2,458,170 | 2,701,731 | 2,738,110 | 2,823,775 |
| **Net position at end of year** | $ | **2,349,629** | **2,225,451** | **2,291,222** | **2,225,790** | **2,270,925** | **2,458,170** | **2,701,731** | **2,738,110** | **2,823,775** | **3,001,386** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

*Fiscal year 2023, Capital Contributions of $7,992 was from a developer for HOPE SF projects, fiscal year 2021, Capital Contributions of $4,180 was from Department of Public Works, and fiscal year 2014, Capital contributions of $678 was from Department of Emergency Management.

^Fiscal year 2021 implementation of GASB Statement No. 87, Leases.

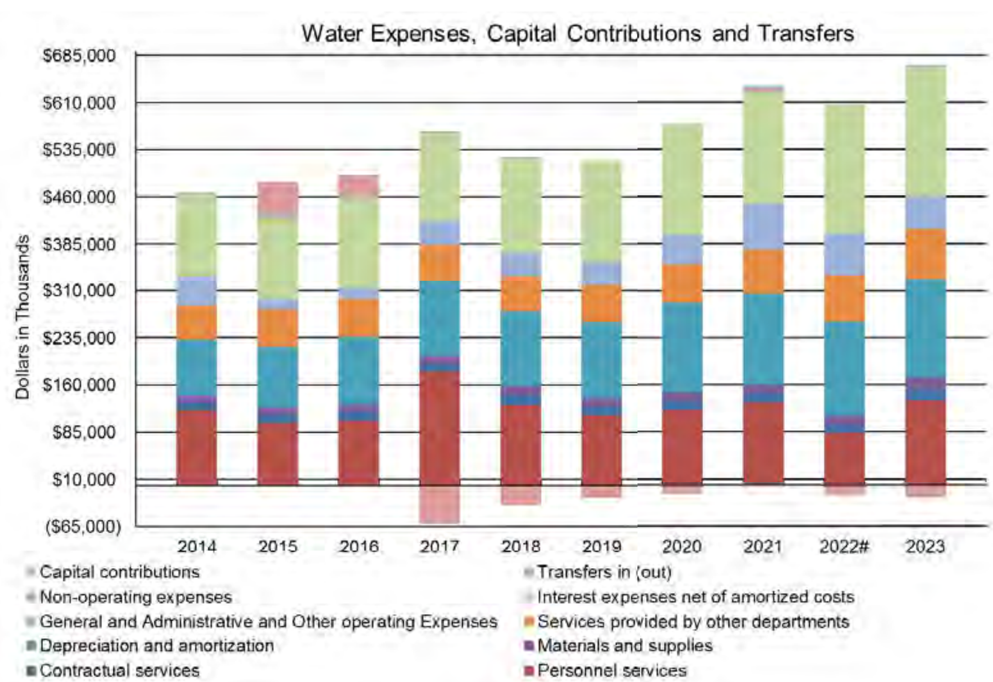
**Fiscal year 2018, Wastewater Enterprise recorded certain immaterial corrections to the 2018 financial statement to eliminate the recognition of certain capital assets that are recorded by another fund. The impact of the change was to decrease beginning position as of July 2017 by $6,767 and increase fiscal year 2018 expenses by $28,313.

⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*

~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

^^ Non-operating expenses include net loss from sale of assets.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



## Financial Trends

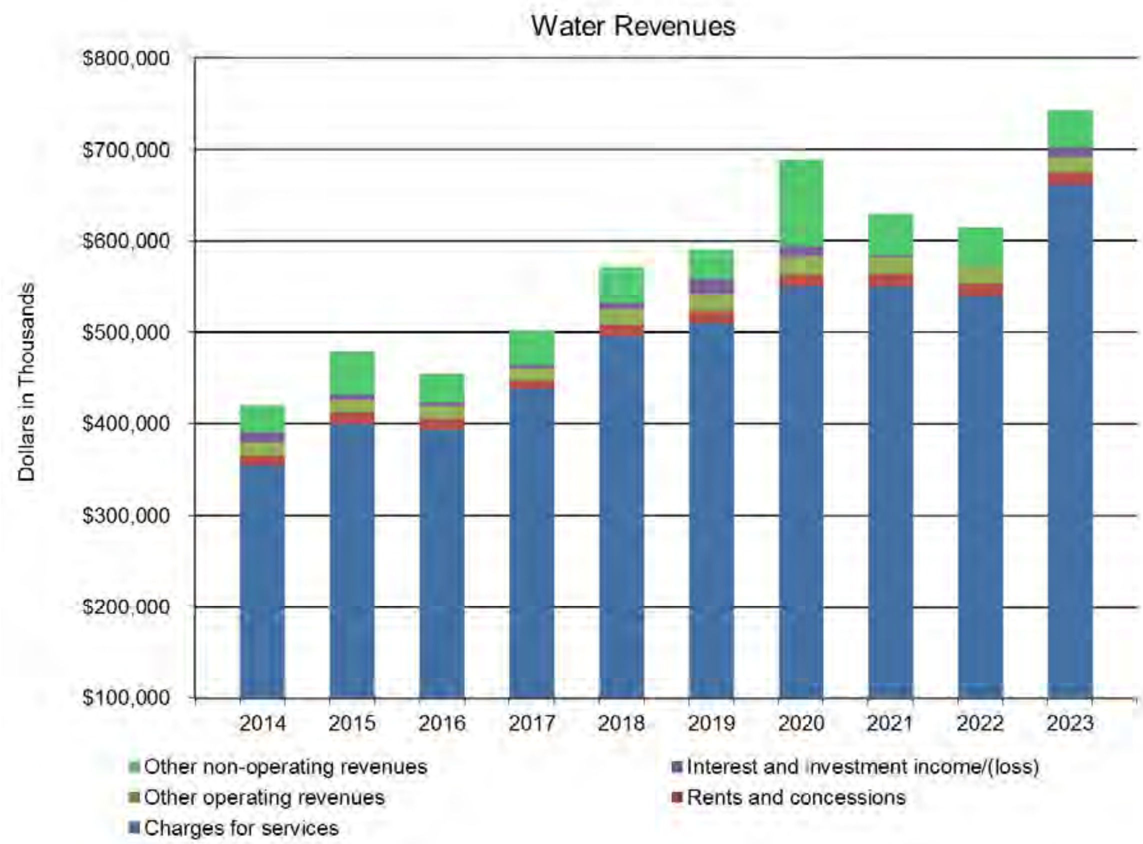
Water - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Revenues: | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021^ | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | 354,827 | 400,023 | 393,582 | 438,207 | 495,138 | 509,703 | 550,753 | 550,306 | 539,526 | 661,241 |
| Rents and concessions | | 10,675 | 12,284 | 12,081 | 8,813 | 12,906 | 13,010 | 12,124 | 13,735 | 13,765 | 13,282 |
| Other operating revenues | | 14,380 | 13,740 | 13,853 | 13,311 | 17,595 | 19,678 | 20,474 | 18,395 | 19,826 | 16,568 |
| **Subtotal operating revenues** | | **379,882** | **426,047** | **419,516** | **460,331** | **525,639** | **542,391** | **583,351** | **582,436** | **573,117** | **691,091** |
| Interest and investment income/(loss) | | 10,907 | 5,789 | 3,595 | 4,331 | 6,448 | 15,650 | 10,517 | 1,374 | (10,896) | 11,156 |
| Other non-operating revenues | | 29,197 | 47,314 | 31,253 | 37,405 | 39,064 | 32,399 | 94,734 | 45,874 | 41,871 | 40,679 |
| **Subtotal non-operating revenues** | | **40,104** | **53,103** | **34,848** | **41,736** | **45,512** | **48,049** | **105,251** | **47,248** | **30,975** | **51,835** |
| **Total revenues** | **$** | **419,986** | **479,150** | **454,364** | **502,067** | **571,151** | **590,440** | **688,602** | **629,684** | **604,092** | **742,926** |

(Continued)

^Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



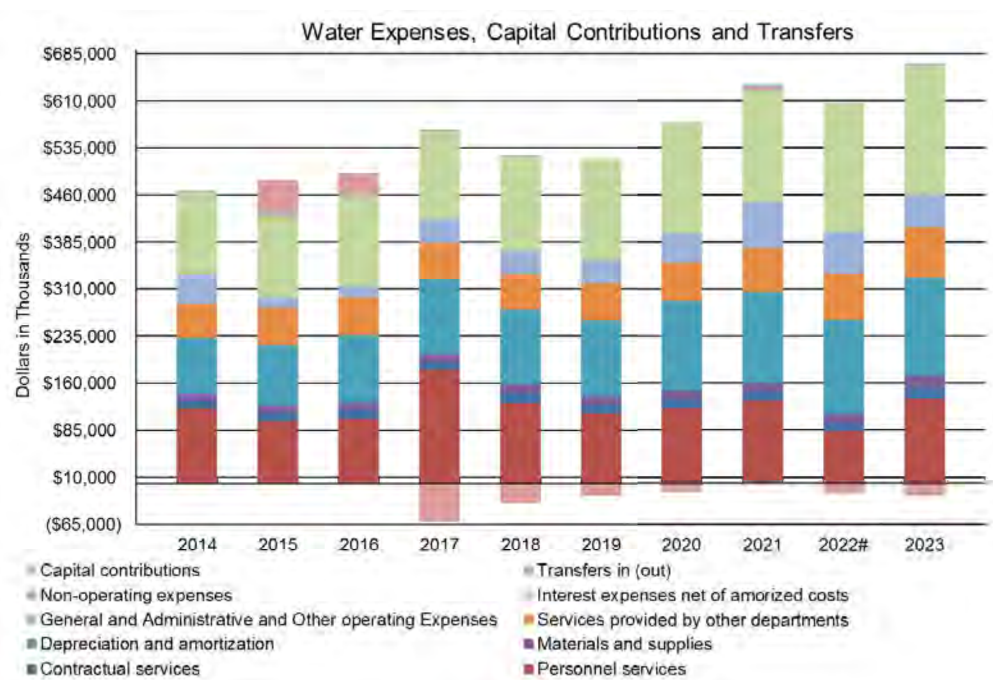
## Financial Trends

Water - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| **Expenses:** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021^** | **2022#** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ 119,849 | 99,192 | 103,027 | 182,034 | 128,295 | 111,594 | 119,943 | 132,528 | 83,385 | 135,709 |
| Contractual services | 10,921 | 12,729 | 13,451 | 10,664 | 14,131 | 13,715 | 14,523 | 14,029 | 12,562 | 16,919 |
| Materials and supplies | 12,154 | 12,667 | 12,896 | 12,564 | 15,936 | 13,421 | 14,050 | 13,175 | 15,719 | 20,046 |
| Depreciation and amortization | 89,026 | 95,384 | 106,666 | 118,826 | 118,751 | 120,815 | 142,228 | 145,444 | 148,777 | 155,714 |
| Services provided by other departments | 54,856 | 60,365 | 60,868 | 59,173 | 56,860 | 59,751 | 61,128 | 70,235 | 73,307 | 79,910 |
| General and administrative and | | | | | | | | | | |
| Other operating expenses | 46,749 | 16,613 | 17,878 | 38,566 | 36,174 | 37,798 | 46,245 | 73,371 | 68,014 | 51,955 |
| **Subtotal operating expenses** | **333,555** | **296,950** | **314,786** | **421,827** | **370,147** | **357,094** | **398,117** | **448,782** | **401,764** | **460,253** |
| Interest expenses | 136,645 | 137,106 | 153,258 | 148,075 | 164,001 | 177,998 | 191,246 | 184,678 | 213,681 | 214,913 |
| Amortization of premium, discount, refunding loss, | | | | | | | | | | |
| and issuance costs | (6,169) | (6,100) | (8,849) | (9,029) | (13,540) | (17,788) | (13,752) | (7,782) | (9,875) | (9,971) |
| Non-operating expenses | 2,089 | 4,829 | 2,210 | 2,607 | 1,920 | 1,388 | 529 | 2,208 | 828 | 1,775 |
| **Subtotal non-operating expenses** | **132,565** | **135,835** | **146,619** | **141,653** | **152,381** | **161,598** | **178,023** | **179,104** | **204,634** | **206,717** |
| **Total expenses** | **466,120** | **432,785** | **461,405** | **563,480** | **522,528** | **518,692** | **576,140** | **627,886** | **606,398** | **666,970** |
| Change in net position before capital contributions | | | | | | | | | | |
| and transfers | (46,134) | 46,365 | (7,041) | (61,413) | 48,623 | 71,748 | 112,462 | 1,798 | (2,306) | 75,956 |
| Capital contributions * | 310 | — | — | — | — | — | — | 4,180 | — | 2,717 |
| Transfers in (out) | 405 | 50,995 | 33,244 | (59,988) | (30,986) | (19,134) | (13,585) | 4,371 | (15,631) | (20,027) |
| **Change in net position** | **(45,419)** | **97,360** | **26,203** | **(121,401)** | **17,637** | **52,614** | **98,877** | **10,349** | **(17,937)** | **58,646** |
| Net position at beginning of year | | | | | | | | | | |
| Beginning of year, as previously reported | 699,631 | 654,212 | 596,465 | 622,668 | 501,267 | 489,524 | 542,138 | 641,015 | 651,364 | 633,427 |
| Cumulative effect of accounting change | — | (155,107) ~ | — | — | (29,380) ⌂ | — | — | — | — | — |
| Beginning of year as restated | 699,631 | 499,105 | 596,465 | 622,668 | 471,887 | 489,524 | 542,138 | 641,015 | 651,364 | 633,427 |
| **Net Position at end of year** | **$ 654,212** | **596,465** | **622,668** | **501,267** | **489,524** | **542,138** | **641,015** | **651,364** | **633,427** | **692,073** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
*Fiscal year 2023, Capital Contributions of $2,717 was from a developer for HOPE SF projects, fiscal year 2021, Capital Contributions of $4,180 was from Department of Public Works, and fiscal year 2014, Capital Contributions of $310 from Department of Emergency Management.
^Fiscal year 2021 implementation of GASB Statement No. 87*, Leases*.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

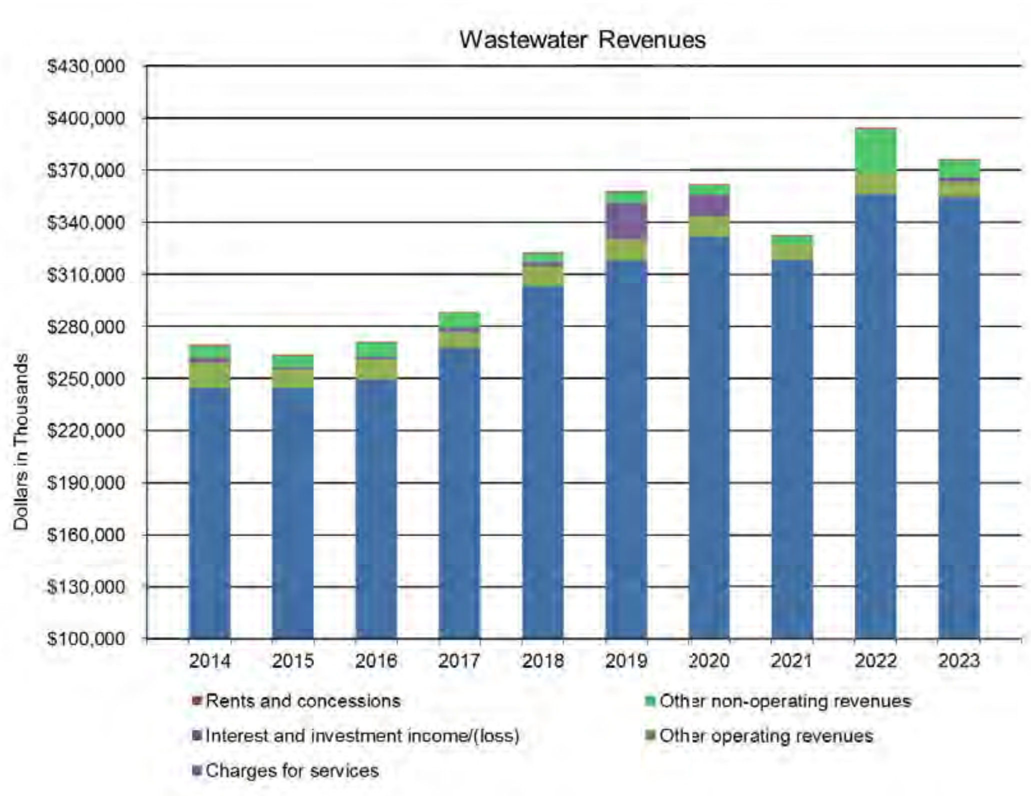


## Financial Trends
Wastewater - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Revenues: | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | 244,705 | 244,604 | 249,203 | 267,601 | 303,037 | 317,761 | 331,721 | 318,236 | 356,041 | 354,491 |
| Rents and concessions | | 828 | 821 | 753 | 606 | 611 | 702 | 664 | 642 | 705 | 822 |
| Other operating revenues | | 14,564 | 10,577 | 11,819 | 9,134 | 11,448 | 12,618 | 11,743 | 8,787 | 12,136 | 8,623 |
| **Subtotal operating revenues** | | **260,097** | **256,002** | **261,775** | **277,341** | **315,096** | **331,081** | **344,128** | **327,665** | **368,882** | **363,936** |
| Interest and investment income/(loss) | | 2,400 | 1,207 | 1,185 | 2,327 | 2,317 | 20,701 | 12,137 | (1,187) | (7,087) | 2,556 |
| Other non-operating revenues | | 6,882 | 6,564 | 8,263 | 8,633 | 5,330 | 6,164 | 5,596 | 4,911 | 25,454 | 9,910 |
| **Subtotal non-operating revenues** | | **9,282** | **7,771** | **9,448** | **10,960** | **7,647** | **26,865** | **17,733** | **3,724** | **18,367** | **12,466** |
| **Total revenues** | **$** | **269,379** | **263,773** | **271,223** | **288,301** | **322,743** | **357,946** | **361,861** | **331,389** | **387,249** | **376,402** |

(Continued)

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



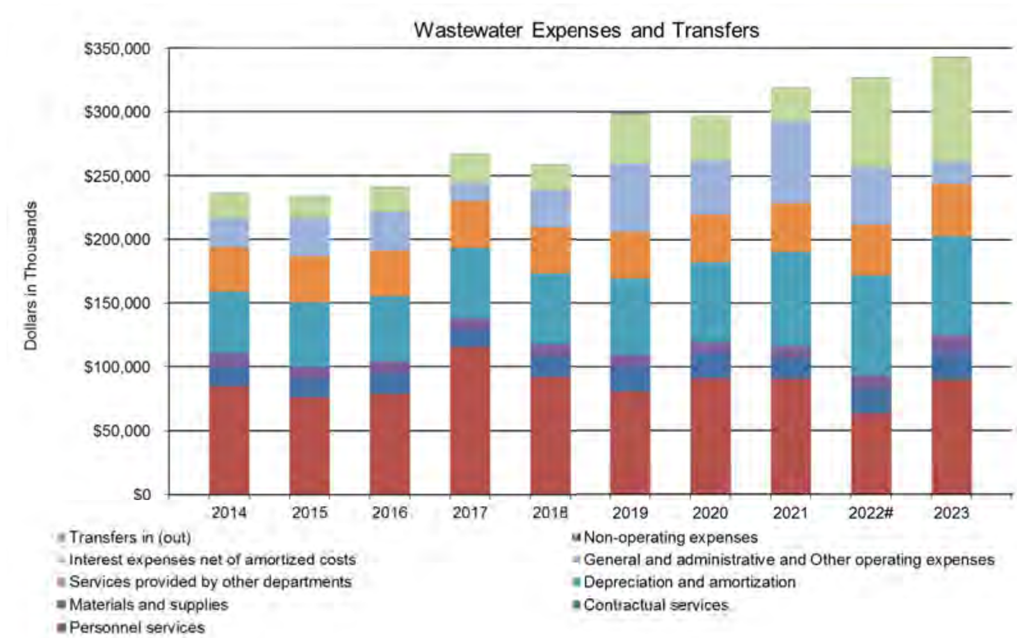
## Financial Trends

Wastewater - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Expenses: | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 ^ | 2022# | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ 85,114 | 76,396 | 79,088 | 115,288 | 91,977 | 80,693 | 91,013 | 90,449 | 63,456 | 89,726 |
| Contractual services | 14,314 | 13,841 | 15,069 | 13,825 | 16,061 | 19,040 | 19,357 | 16,489 | 18,572 | 20,777 |
| Materials and supplies | 10,830 | 9,815 | 10,192 | 8,736 | 9,446 | 9,853 | 8,991 | 9,091 | 11,844 | 14,306 |
| Depreciation and amortization | 48,402 | 50,254 | 50,799 | 55,441 | 55,591 | 60,033 | 62,967 | 74,343 | 78,105 | 78,039 |
| Services provided by other departments | 35,274 | 36,212 | 36,157 | 36,832 | 36,374 | 36,629 | 37,309 | 38,313 | 39,645 | 40,999 |
| General and administrative and Other operating expenses | 22,406 | 29,967 | 30,248 | 14,098 | 29,457 | 53,565 | 42,622 | 63,488 | 45,536 | 17,503 |
| **Subtotal operating expenses** | **216,340** | **216,485** | **221,553** | **244,220** | **238,906** | **259,813** | **262,259** | **292,173** | **257,158** | **261,350** |
| Interest expenses | 27,126 | 22,791 | 22,251 | 28,474 | 24,978 | 43,803 | 43,216 | 34,944 | 77,751 | 95,520 |
| Amortization of premium, refunding loss, and issuance costs | (7,711) | (5,347) | (2,979) | (5,806) | (5,400) | (5,697) | (8,647) | (8,497) | (8,422) | (14,387) |
| Non-operating expenses | 533 | 280 | 485 | 383 | 414 | 1,013^^ | 52 | 409 | 482 | 535 |
| **Subtotal non-operating expenses** | **19,948** | **17,724** | **19,757** | **23,051** | **19,992** | **39,119** | **34,621** | **26,856** | **69,811** | **81,668** |
| **Total expenses** | **236,288** | **234,209** | **241,310** | **267,271** | **258,898** | **298,932** | **296,880** | **319,029** | **326,969** | **343,018** |
| Change in net position before capital contributions and transfers | 33,091 | 29,564 | 29,913 | 21,030 | 63,845 | 59,014 | 64,981 | 12,360 | 60,280 | 33,384 |
| Capital contributions* | — | — | — | — | — | — | — | — | — | 2,740 |
| Transfers in (out) | 19 | (232) | (16,025) | (30,707) | (26,960) | (3,996) | (1,188) | (2,748) | (161) | 43 |
| **Change in net position** | **33,110** | **29,332** | **13,888** | **(9,677)** | **36,885** | **55,018** | **63,793** | **9,612** | **60,119** | **36,167** |
| Net position at beginning of year | | | | | | | | | | |
| Beginning of year, as previously reported | 1,148,757 | 1,181,867 | 1,142,052 | 1,155,940 | 1,146,263 | 1,174,125 | 1,229,143 | 1,292,936 | 1,302,548 | 1,362,667 |
| Cumulative effect of accounting change due to error | — | — | — | — | (6,767)** | — | — | — | — | — |
| Cumulative effect of accounting change | — | (69,147)~ | — | — | (2,256)⌂ | — | — | — | — | — |
| Beginning of year as restated | 1,148,757 | 1,112,720 | 1,142,052 | 1,155,940 | 1,137,240 | 1,174,125 | 1,229,143 | 1,292,936 | 1,302,548 | 1,362,667 |
| **Net Position at end of year** | **$ 1,181,867** | **1,142,052** | **1,155,940** | **1,146,263** | **1,174,125** | **1,229,143** | **1,292,936** | **1,302,548** | **1,362,667** | **1,398,834** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
*Fiscal year 2023, Capital Contributions of $2,740 from a developer for HOPE SF projects.
^Fiscal year 2021 implementation of GASB Statement No. 87*, Leases*.
**Fiscal year 2018, Wastewater Enterprise recorded certain immaterial corrections to the 2018 financial statement to eliminate the recognition of certain capital assets that are recorded by another fund. The impact of the change was to decrease beginning position as of July 2017 by $6,767 and increase fiscal year 2018 expenses by $28,313.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*
^^Non-operating expense includes net loss/gain from sales of assets.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



**Financial Trends**

Hetchy Water - Changes in Net Position

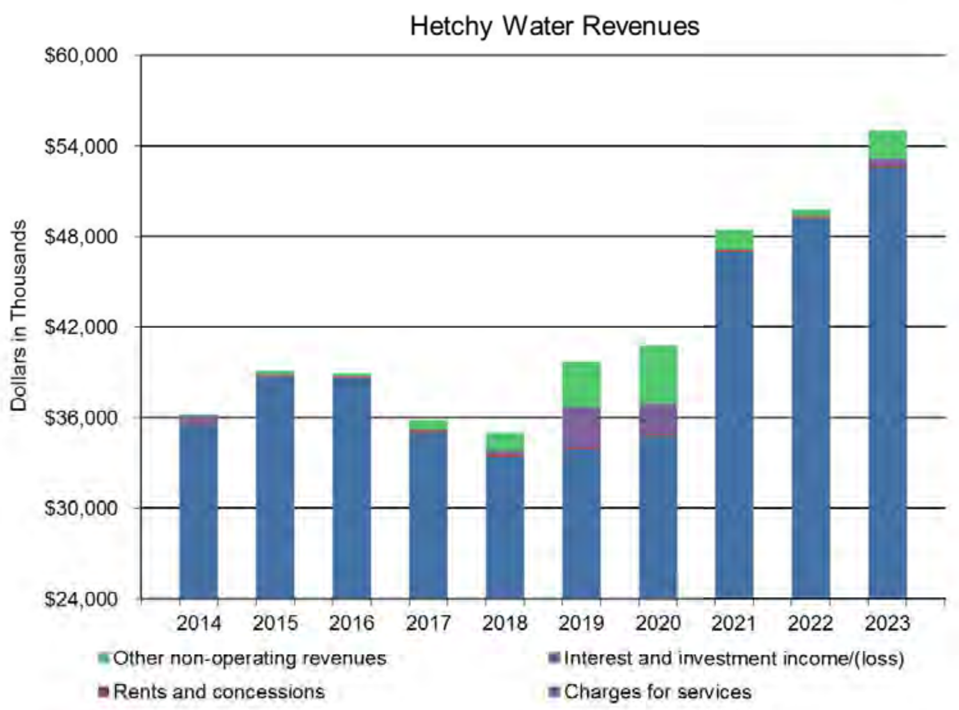
Fiscal Years Ended 2014 to 2023

(Dollars in Thousands)

| **Revenues:** | | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | 35,521 | 38,731 | 38,624 | 35,008 | 33,427 | 33,880 | 34,797 | 46,979 | 49,200 | 52,570 |
| Rents and concessions | | 101 | 104 | 118 | 142 | 133 | 125 | 156 | 111 | 112 | 127 |
| **Subtotal operating revenues** | | **35,622** | **38,835** | **38,742** | **35,150** | **33,560** | **34,005** | **34,953** | **47,090** | **49,312** | **52,697** |
| Interest and investment income/(loss) | | 487 | (74) | (38) | 46 | 218 | 2,670 | 1,932 | (232) | (2,932) | 457 |
| Other non-operating revenues | | 69 | 250 | 200 | 616 | 1,237 | 3,013 | 3,861 | 1,352 | 479 | 1,861 |
| **Subtotal non-operating revenues** | | **556** | **176** | **162** | **662** | **1,455** | **5,683** | **5,793** | **1,120** | **(2,453)** | **2,318** |
| **Total revenues** | **$** | **36,178** | **39,011** | **38,904** | **35,812** | **35,015** | **39,688** | **40,746** | **48,210** | **46,859** | **55,015** |

(Continued)

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



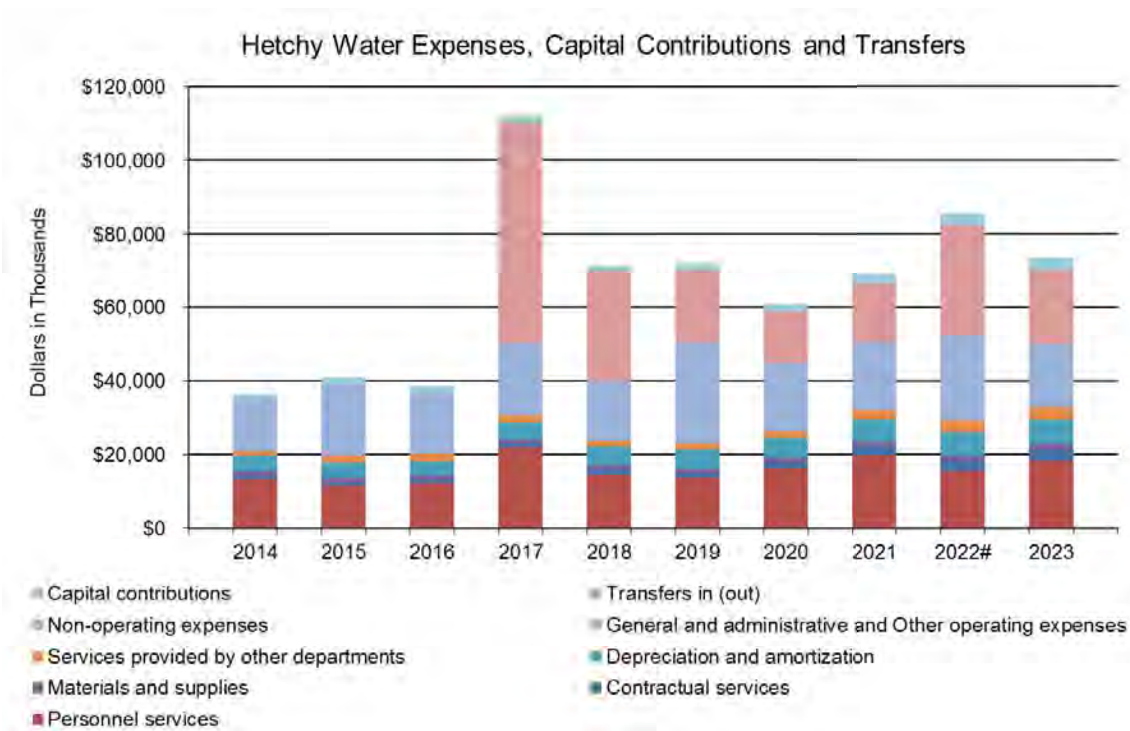
## Financial Trends

Hetchy Water - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| **Expenses:** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021^** | **2022#** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ 13,343 | 11,557 | 12,183 | 21,998 | 14,516 | 13,707 | 16,304 | 19,871 | 15,636 | 18,424 |
| Contractual services | 835 | 794 | 902 | 1,017 | 1,524 | 1,205 | 1,642 | 2,398 | 2,675 | 2,956 |
| Materials and supplies | 1,352 | 1,321 | 1,191 | 1,161 | 1,101 | 1,133 | 1,337 | 1,272 | 1,362 | 1,605 |
| Depreciation and amortization | 4,186 | 4,102 | 3,874 | 4,505 | 5,066 | 5,380 | 5,276 | 6,028 | 6,480 | 6,524 |
| Services provided by other departments | 1,211 | 1,979 | 2,054 | 1,962 | 1,572 | 1,622 | 1,853 | 2,517 | 3,129 | 3,392 |
| General and administrative and | | | | | | | | | | |
| Other operating expenses | 14,098 | 18,948 | 16,332 | 19,456 | 16,013 | 27,258 | 18,461 | 18,433 | 23,017 | 17,110 |
| **Subtotal operating expenses** | **35,025** | **38,701** | **36,536** | **50,099** | **39,792** | **50,305** | **44,873** | **50,519** | **52,299** | **50,011** |
| Interest expenses | — | — | — | — | — | — | — | 2 | 3 | 4 |
| Non-operating expenses | 99 | 313 | 68 | 68 | 68 | — | 11 | 63 | 37 | 54 |
| **Total expenses** | **35,124** | **39,014** | **36,604** | **50,167** | **39,860** | **50,305** | **44,884** | **50,584** | **52,339** | **50,069** |
| Change in net position before capital contributions transfers and extraordinary item | 1,054 | (3) | 2,300 | (14,355) | (4,845) | (10,617) | (4,138) | (2,374) | (5,480) | 4,946 |
| Capital contributions* | 166 | — | — | — | — | — | — | — | — | — |
| Transfers in (out) | — | — | — | 60,000 | 30,000 | 20,000 | 14,000 | 16,000 | 30,001 | 20,000 |
| Extraordinary item: | | | | | | | | | | |
| Rim fire — loss | (2,709) | — | — | — | — | — | — | — | — | — |
| **Change in net position** | **(1,489)** | **(3)** | **2,300** | **45,645** | **25,155** | **9,383** | **9,862** | **13,626** | **24,521** | **24,946** |
| Net position at beginning of year | | | | | | | | | | |
| Beginning of year, as previously reported | 138,893 | 137,404 | 120,411 | 122,711 | 168,356⌂ | 191,790 | 201,173 | 211,035 | 224,661 | 249,182 |
| Cumulative effect of accounting change | — | (16,990)~ | — | — | (1,721) | — | — | — | — | — |
| Beginning of year as restated | 138,893 | 120,414 | 120,411 | 122,711 | 166,635 | 191,790 | 201,173 | 211,035 | 224,661 | 249,182 |
| **Net position at end of year** | **$ 137,404** | **120,411** | **122,711** | **168,356** | **191,790** | **201,173** | **211,035** | **224,661** | **249,182** | **274,128** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
^Fiscal year 2021 implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*
*Fiscal year 2014, Capital Contributions of $166 was from the Department of Emergency Management.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

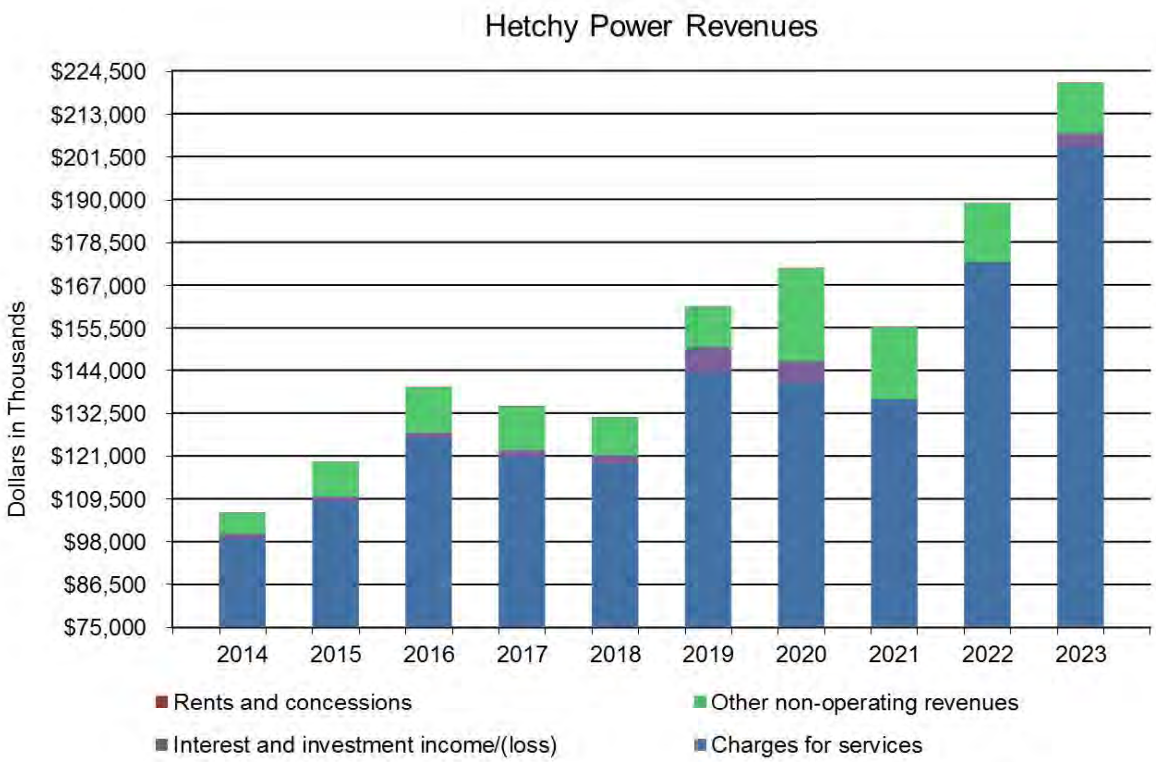


**Financial Trends**
Hetchy Power - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| **Revenues:** | | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | 98,693 | 108,841 | 125,850 | 120,789 | 118,672 | 143,409 | 140,680 | 136,247 | 173,105 | 203,847 |
| Rents and concessions | | 123 | 127 | 144 | 173 | 163 | 152 | 191 | 136 | 137 | 156 |
| **Subtotal operating revenues** | | **98,816** | **108,968** | **125,994** | **120,962** | **118,835** | **143,561** | **140,871** | **136,383** | **173,242** | **204,003** |
| Interest and investment income/(loss) | | 1,289 | 1,253 | 1,318 | 1,718 | 2,537 | 6,883 | 5,746 | 24 | (4,001) | 3,741 |
| Other non-operating revenues | | 5,798 | 9,302 | 12,256 | 11,764 | 10,073 | 10,907 | 25,006 | 19,273 | 15,763 | 13,605 |
| **Subtotal non-operating revenues** | | **7,087** | **10,555** | **13,574** | **13,482** | **12,610** | **17,790** | **30,752** | **19,297** | **11,762** | **17,346** |
| **Total revenues** | **$** | **105,903** | **119,523** | **139,568** | **134,444** | **131,445** | **161,351** | **171,623** | **155,680** | **185,004** | **221,349** |

(Continued)

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



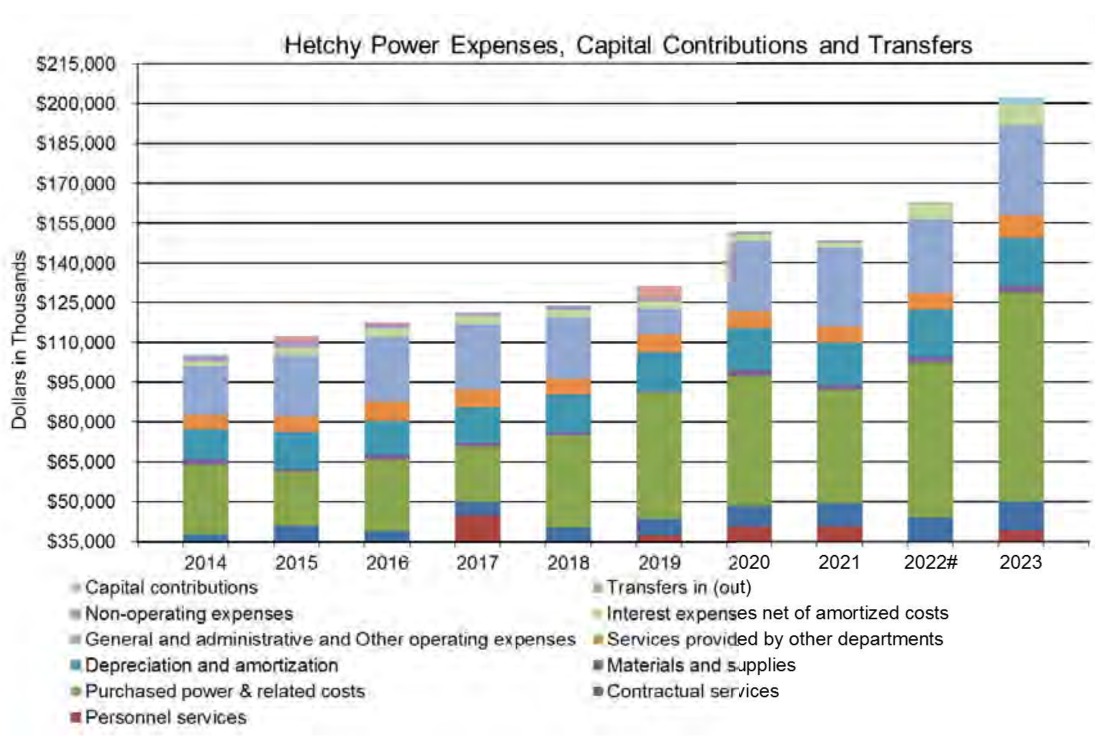
## Financial Trends

Hetchy Power - Changes in Net Position
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| **Expenses:** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021^** | **2022#** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ 33,762 | 33,240 | 33,632 | 44,961 | 34,950 | 37,583 | 40,712 | 40,756 | 34,646 | 39,300 |
| Contractual services | 4,063 | 7,852 | 5,493 | 4,916 | 5,526 | 6,086 | 7,742 | 8,705 | 9,459 | 10,819 |
| Purchased power & related costs | 26,215 | 20,296 | 26,792 | 20,970 | 34,435 | 47,437 | 48,831 | 42,693 | 58,252 | 78,658 |
| Materials and supplies | 2,075 | 1,039 | 1,849 | 1,510 | 1,541 | 672 | 2,260 | 1,990 | 2,270 | 2,612 |
| Depreciation and amortization | 11,128 | 13,785 | 12,639 | 13,225 | 14,049 | 14,484 | 15,723 | 15,650 | 17,769 | 17,877 |
| Services provided by other departments | 5,577 | 5,979 | 7,397 | 6,716 | 5,848 | 6,833 | 6,426 | 6,137 | 6,253 | 8,674 |
| General and administrative and Other operating expenses | 18,220 | 23,031 | 24,157 | 24,637 | 23,046 | 9,593 | 26,433 | 29,709 | 27,694 | 33,612 |
| **Subtotal operating expenses** | **101,040** | **105,222** | **111,959** | **116,935** | **119,395** | **122,688** | **148,127** | **145,640** | **156,343** | **191,552** |
| Interest expenses | 1,574 | 1,815 | 3,355 | 3,200 | 3,103 | 2,936 | 2,740 | 1,972 | 5,627 | 9,486 |
| Amortization of premium, discount, and issuance costs | (28) | 893 | (122) | (255) | (248) | (237) | (228) | (219) | 192 | (1,584) |
| Non-operating expenses | 2,485 | 2,494 | 1,676 | 1,408 | 1,727 | 1,365 | 1,060 | 902 | 591 | 227 |
| **Total expenses** | **105,071** | **110,424** | **116,868** | **121,288** | **123,977** | **126,752** | **151,699** | **148,295** | **162,753** | **199,681** |
| Change in net position before capital contributions transfers and extraordinary item | 832 | 9,099 | 22,700 | 13,156 | 7,468 | 34,599 | 19,924 | 7,385 | 22,251 | 21,668 |
| Capital contributions* | 202 | — | — | — | — | — | — | — | — | 2,535 |
| Transfers in (out) | (38) | 2,043 | 680 | 51 | (425) | 4,490 | (32) | (532) | (532) | (32) |
| Extraordinary item: | | | | | | | | | | |
| Rim fire — loss | (4,134) | — | — | — | — | — | — | — | — | — |
| **Change in net position** | **(3,138)** | **11,142** | **23,380** | **13,207** | **7,043** | **39,089** | **19,892** | **6,853** | **21,719** | **24,171** |
| Net position at beginning of year | | | | | | | | | | |
| Beginning of year, as previously reported | 379,284 | 376,146 | 366,523 | 389,903 | 401,686 | 406,626 | 445,715 | 465,607 | 472,460 | 494,179 |
| Cumulative effect of accounting change | — | (20,765)~ | — | — | (2,103)⌂ | — | — | — | — | — |
| Less: CleanPowerSF beginning net position | — | — | — | (1,424) | — | — | — | — | — | — |
| Beginning of year as restated | 379,284 | 355,381 | 366,523 | 388,479 | 399,583 | 406,626 | 445,715 | 465,607 | 472,460 | 494,179 |
| **Net position at end of year** | **$ 376,146** | **366,523** | **389,903** | **401,686** | **406,626** | **445,715** | **465,607** | **472,460** | **494,179** | **518,350** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
^Fiscal year 2021 implementation of GASB Statement No. 87*, Leases.*
⌂Fiscal year 2018 implementation of GASB Statement No. 75*, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*
*Fiscal year 2014, Capital Contributions of $202 was from the Department of Emergency Management.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



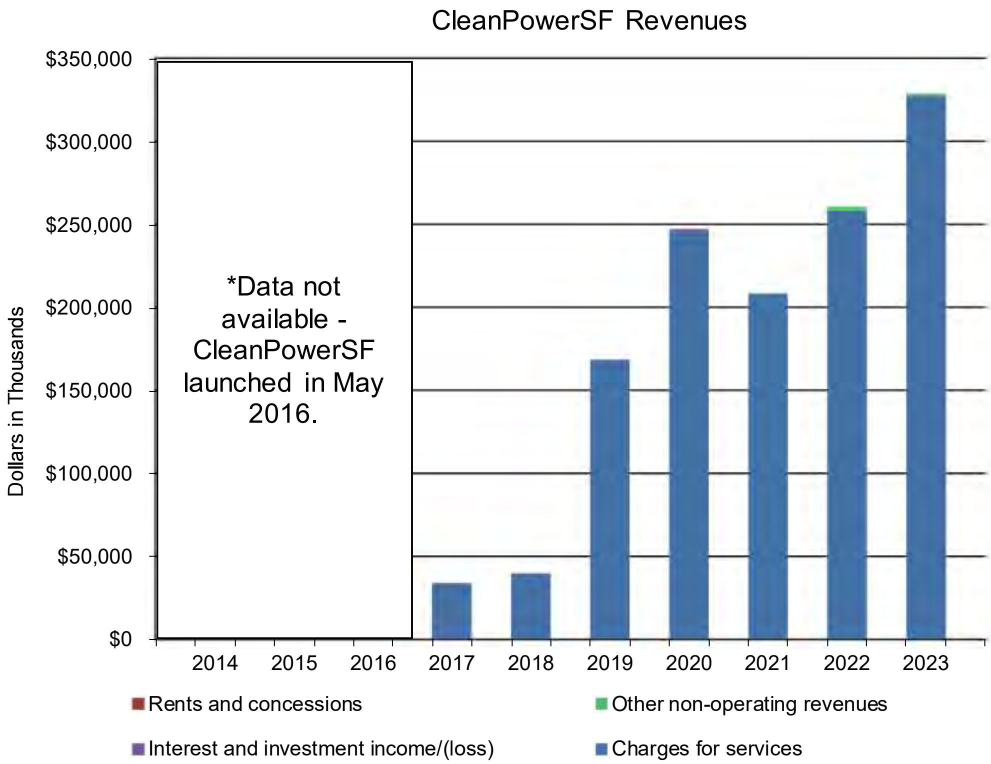
**Financial Trends**
CleanPowerSF - Changes in Net Position
Fiscal Years Ended 2017 to 2023
(Dollars in Thousands)

| Revenues: | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for services | $ | *Data not available - CleanPowerSF launched in May 2016. | | | 33,867 | 39,568 | 167,820 | 245,460 # | 207,698 | 257,893 | 326,777 |
| Rents and concessions | | | | | — | — | — | — | — | — | — |
| **Subtotal operating revenues** | | | | | **33,867** | **39,568** | **167,820** | **245,460** | **207,698** | **257,893** | **326,777** |
| Interest and investment income/(loss) | | | | | 89 | 174 | 735 | 1,771 | 51 | (1,286) | 405 |
| Other non-operating revenues | | | | | 4 | 1 | — | 1 | 927 | 2,759 | 1,498 |
| **Subtotal non-operating revenues** | | | | | **93** | **175** | **735** | **1,772** | **978** | **1,473** | **1,903** |
| **Total revenues** | **$** | | | | **33,960** | **39,743** | **168,555** | **247,232** | **208,676** | **259,366** | **328,680** |

(Continued)

#Fiscal year 2020, Increase in charges for services is due to completion of city-wide enrollment.
*Fiscal year 2016, CleanPowerSF was presented as part of Hetchy Power.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



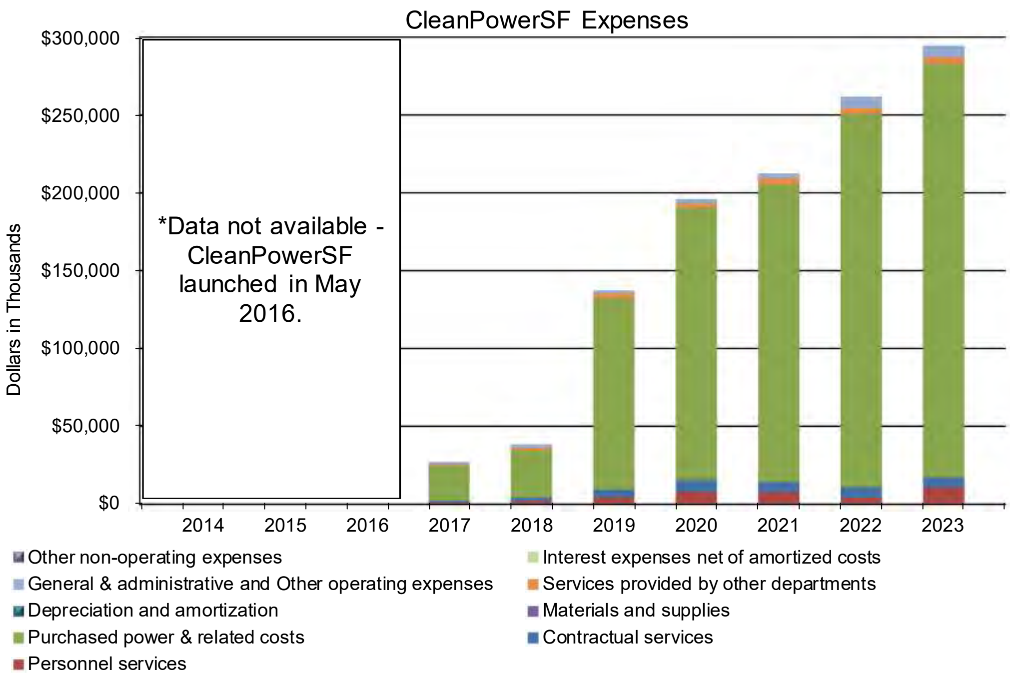
## Financial Trends

CleanPowerSF - Changes in Net Position
Fiscal Years Ended 2017 to 2023
(Dollars in Thousands)

| **Expenses:** | | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** ^ | **2022** # | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Personnel services | $ | | | | 1,213 | 2,150 | 4,612 | 7,920 | 7,641 | 4,167 | 10,735 |
| Contractual services | | | | | 1,141 | 2,166 | 4,786 | 7,557 | 6,678 | 6,780 | 6,559 |
| Purchased power & related costs | | | | | 22,437 | 30,297 | 122,838 | 174,770 ~ | 190,989 | 239,738 | 265,378 |
| Materials and supplies | | | | | 1 | — | 51 | 57 | 26 | 33 | 57 |
| Depreciation and amortization | | | | | — | — | — | — | 345 | 385 | 270 |
| Services provided by other departments | | | | | 734 | 1,545 | 3,208 | 2,728 | 3,928 | 3,621 | 4,302 |
| General & administrative and other operating expenses | | | | | 1,570 | 2,270 | 1,789 | 2,994 | 3,104 | 7,393 | 7,479 |
| **Subtotal operating expenses** | | | | | **27,096** | **38,428** | **137,284** | **196,026** | **212,711** | **262,117** | **294,780** |
| Interest expenses | | | *Data not available - CleanPowerSF launched in May 2016. | | 70 | 101 | 130 | 69 | 26 | 6 | 1 |
| Amortization of premium, discount, and issuance costs | | | | | — | — | — | — | — | — | — |
| Other non-operating expenses | | | | | — | - | — | — | — | — | 218 |
| **Total expenses** | | | | | **27,166** | **38,529** | **137,414** | **196,095** | **212,737** | **262,123** | **294,999** |
| **Change in net position** | | | | | **6,794** | **1,214** | **31,141** | **51,137** | **(4,061)** | **(2,757)** | **33,681** |
| Net position at beginning of year | | | | | | | | | | | |
| Beginning of year, as previously reported | | | | | 1,424 | 8,218 | 8,860 | 40,001 | 91,138 | 87,077 | 84,320 |
| Cumulative effect of accounting change | | | | | — | (572) ⌂ | — | — | — | — | — |
| Beginning of year as restated | | | | | 1,424 | 7,646 | 8,860 | 40,001 | 91,138 | 87,077 | 84,320 |
| **Net position at end of year** | **$** | | | | **8,218** | **8,860** | **40,001** | **91,138** | **87,077** | **84,320** | **118,001** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
^Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
~Fiscal year 2020, Increase in purchased power and related costs was due to higher enrollment and electricity sales.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
*Fiscal year 2016, CleanPowerSF was presented as part of Hetchy Power.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

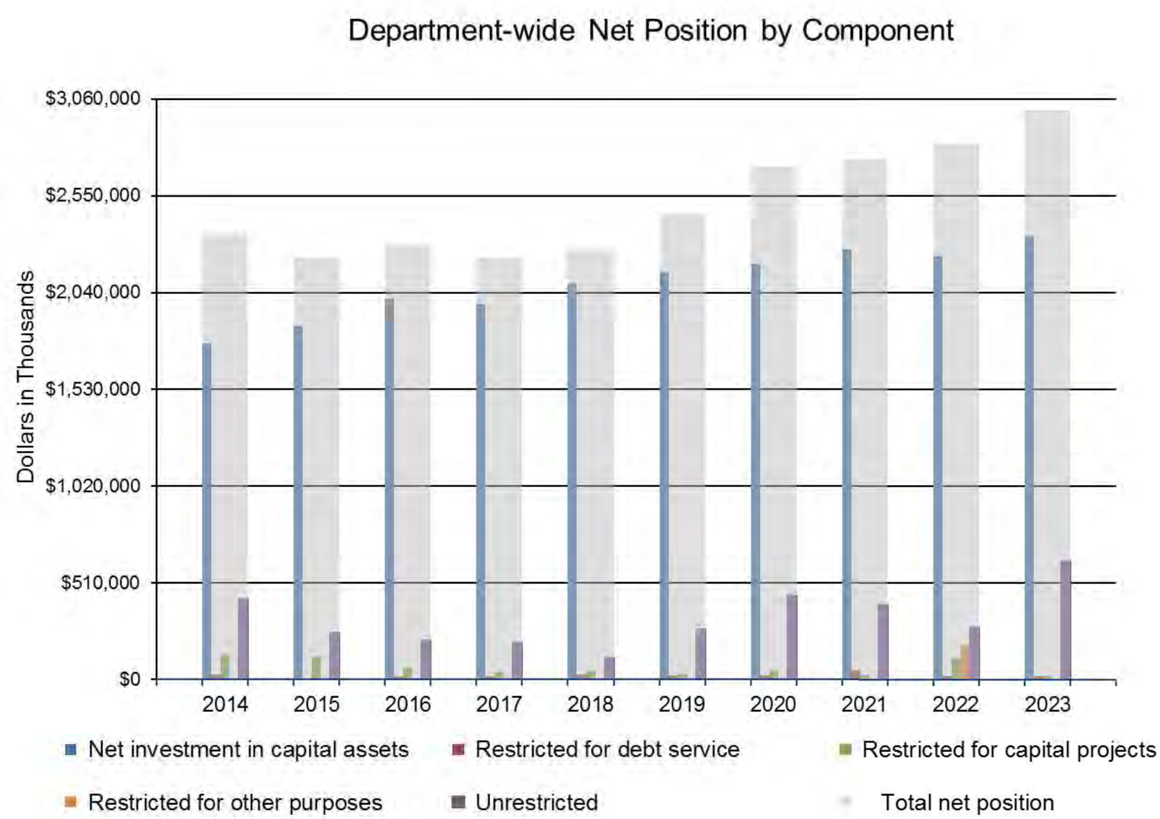


**Financial Trends**
Department-wide - Summary of Net Position by Component
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 * | 2016 | 2017 | 2018 ⌂ | 2019 | 2020 | 2021 @ | 2022 # | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | 1,769,815 | 1,859,439 | 2,011,814 | 1,979,445 | 2,087,816 | 2,147,756 | 2,194,130 | 2,271,638 | 2,230,525 | 2,336,792 |
| Restricted for debt service | | 25,990 | 1,704 | 13,409 | 12,451 | 25,079 | 18,617 | 17,285 | 48,677 | 20,202 | 18,191 |
| Restricted for capital projects | | 131,590 | 120,496 | 60,357 | 39,557 | 44,690 | 26,906 | 49,635 | 22,319 | 114,657 | 21,192 |
| Restricted for other purposes | | — | — | — | — | — | — | — | — | 181,926 | — |
| Unrestricted | | 422,234 | 243,812 | 205,642 | 194,337 | 113,340 | 264,891 | 440,681 | 395,476 | 276,465 | 625,211 |
| **Total net position** | **$** | **2,349,629** | **2,225,451** | **2,291,222** | **2,225,790** | **2,270,925** | **2,458,170** | **2,701,731** | **2,738,110** | **2,823,775** | **3,001,386** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
*Fiscal year 2015 implementation of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



**Financial Trends**

Water - Summary of Net Position by Component

Fiscal Years Ended 2014 to 2023

(Dollars in Thousands)

| | | 2014 | 2015 * | 2016 | 2017 | 2018 ⌂ | 2019 | 2020 | 2021 @ | 2022 # | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | 366,799 | 425,073 | 543,327 | 495,868 | 504,476 | 563,457 | 527,856 | 517,302 | 584,646 | 545,542 |
| Restricted for debt service | | 25,356 | 1,053 | 12,122 | 10,989 | 22,933 | 16,193 | 15,916 | 45,586 | 14,671 | 14,625 |
| Restricted for capital projects | | 103,154 | 95,735 | 40,743 | 37,904 | 32,978 | — | 43,122 | 22,319 | — | 15,959 |
| Restricted for other purposes | | — | — | — | — | — | — | — | — | 100,407 | — |
| Unrestricted | | 158,903 | 74,604 | 26,476 | (43,494) | (70,863) | (37,512) | 54,121 | 66,157 | (66,297) | 115,947 |
| **Total net position** | **$** | **654,212** | **596,465** | **622,668** | **501,267** | **489,524** | **542,138** | **641,015** | **651,364** | **633,427** | **692,073** |

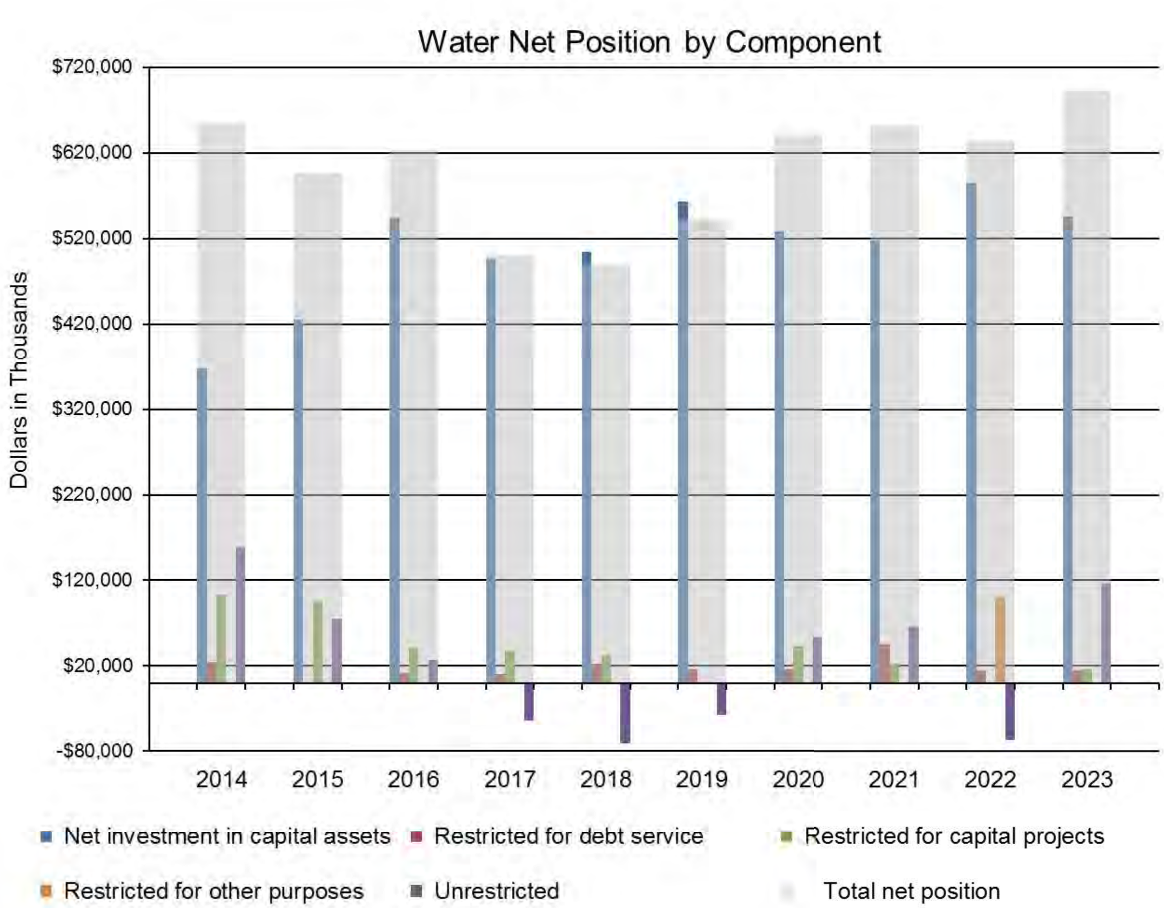
#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.

⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*

*Fiscal year 2015 implementation of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

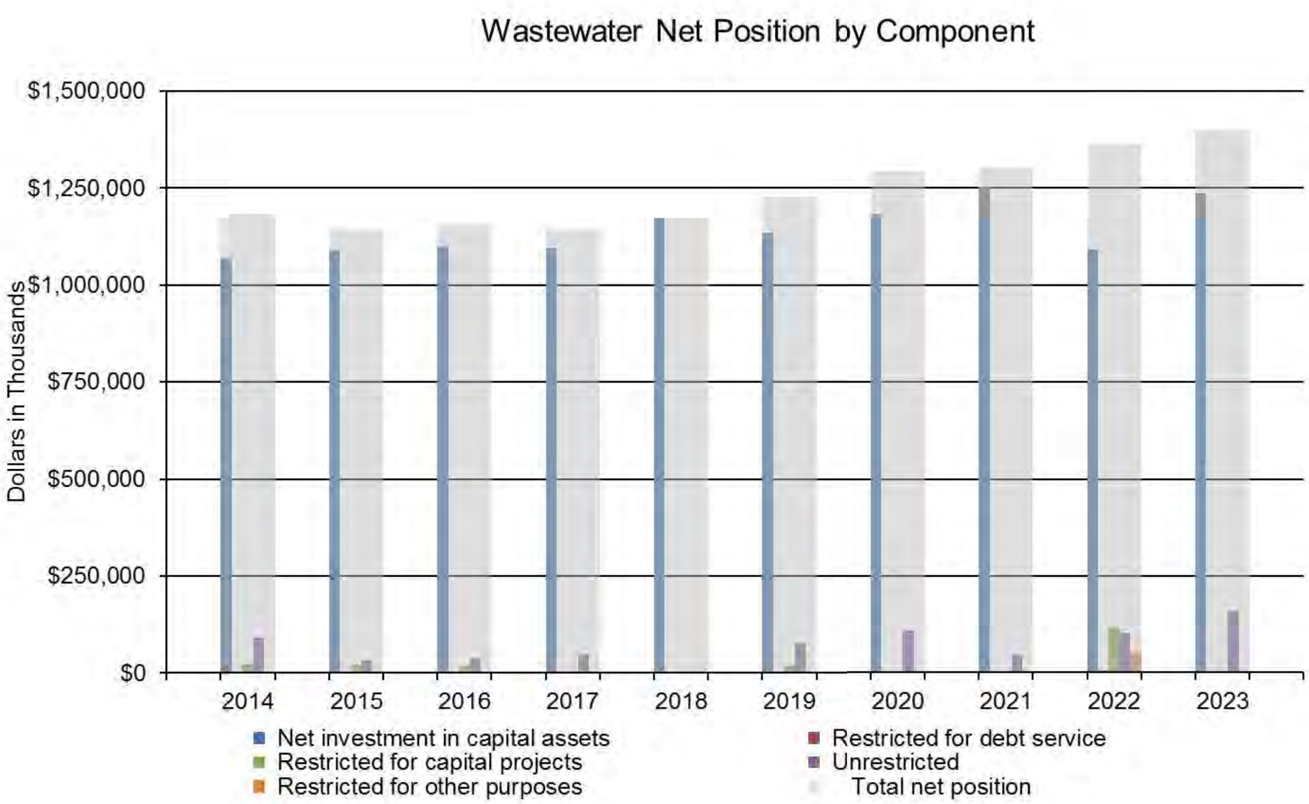


**Financial Trends**
Wastewater - Summary of Net Position by Component
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015* | 2016 | 2017 | 2018⌂ | 2019 | 2020 | 2021@ | 2022# | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | 1,066,814 | 1,088,552 | 1,098,723 | 1,095,165 | 1,172,623 | 1,133,662 | 1,183,288 | 1,253,789 | 1,092,710 | 1,235,215 |
| Restricted for debt service | | 634 | 349 | 981 | 977 | 1,312 | 1,279 | 1,227 | 2,992 | 5,391 | 3,510 |
| Restricted for capital projects | | 22,929 | 20,327 | 18,205 | 1,653 | — | 18,505 | — | — | 114,657 | — |
| Restricted for other purposes | | — | — | — | — | — | — | — | — | 48,770 | — |
| Unrestricted | | 91,490 | 32,824 | 38,031 | 48,468 | 190 | 75,697 | 108,421 | 45,767 | 101,139 | 160,109 |
| **Total net position** | $ | **1,181,867** | **1,142,052** | **1,155,940** | **1,146,263** | **1,174,125** | **1,229,143** | **1,292,936** | **1,302,548** | **1,362,667** | **1,398,834** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
*Fiscal year 2015 implementation of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



**Financial Trends**

Hetchy Water - Summary of Net Position by Component

Fiscal Years Ended 2014 to 2023

(Dollars in Thousands)

| | | 2014 | 2015 * | 2016 | 2017 | 2018 ⌂ | 2019 | 2020 | 2021 @ | 2022 # | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | 95,186 | 104,330 | 113,867 | 127,731 | 139,799 | 149,103 | 160,782 | 177,481 | 201,007 | 219,754 |
| Restricted for debt service | | — | — | — | — | — | — | — | — | — | — |
| Restricted for capital projects | | 5,507 | 4,434 | 1,409 | — | 11,712 | 8,401 | 6,513 | — | — | 5,233 |
| Restricted for other purposes | | — | — | — | — | — | — | — | — | 13,912 | — |
| Unrestricted | | 36,711 | 11,647 | 7,435 | 40,625 | 40,279 | 43,669 | 43,740 | 47,180 | 34,263 | 49,141 |
| **Total net position** | **$** | **137,404** | **120,411** | **122,711** | **168,356** | **191,790** | **201,173** | **211,035** | **224,661** | **249,182** | **274,128** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
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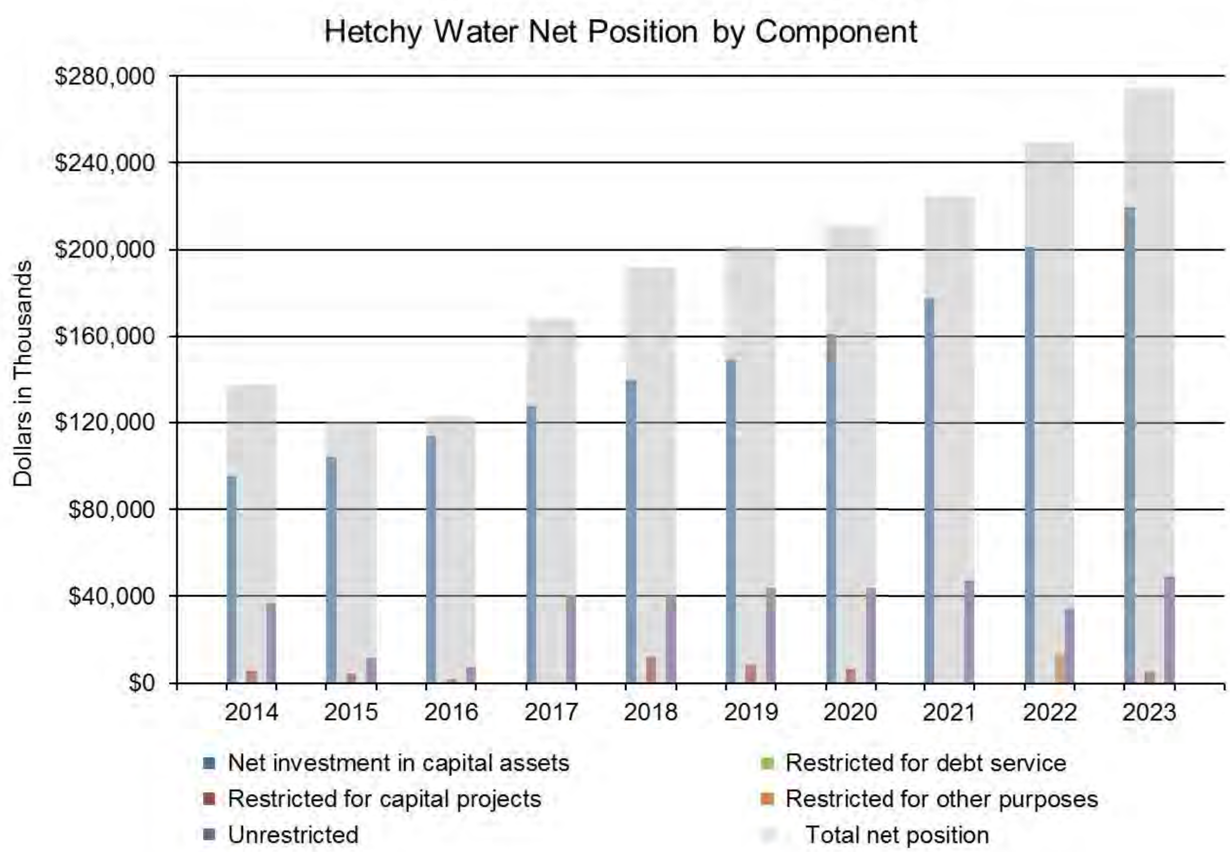


**Financial Trends**

Hetchy Power - Summary of Net Position by Component

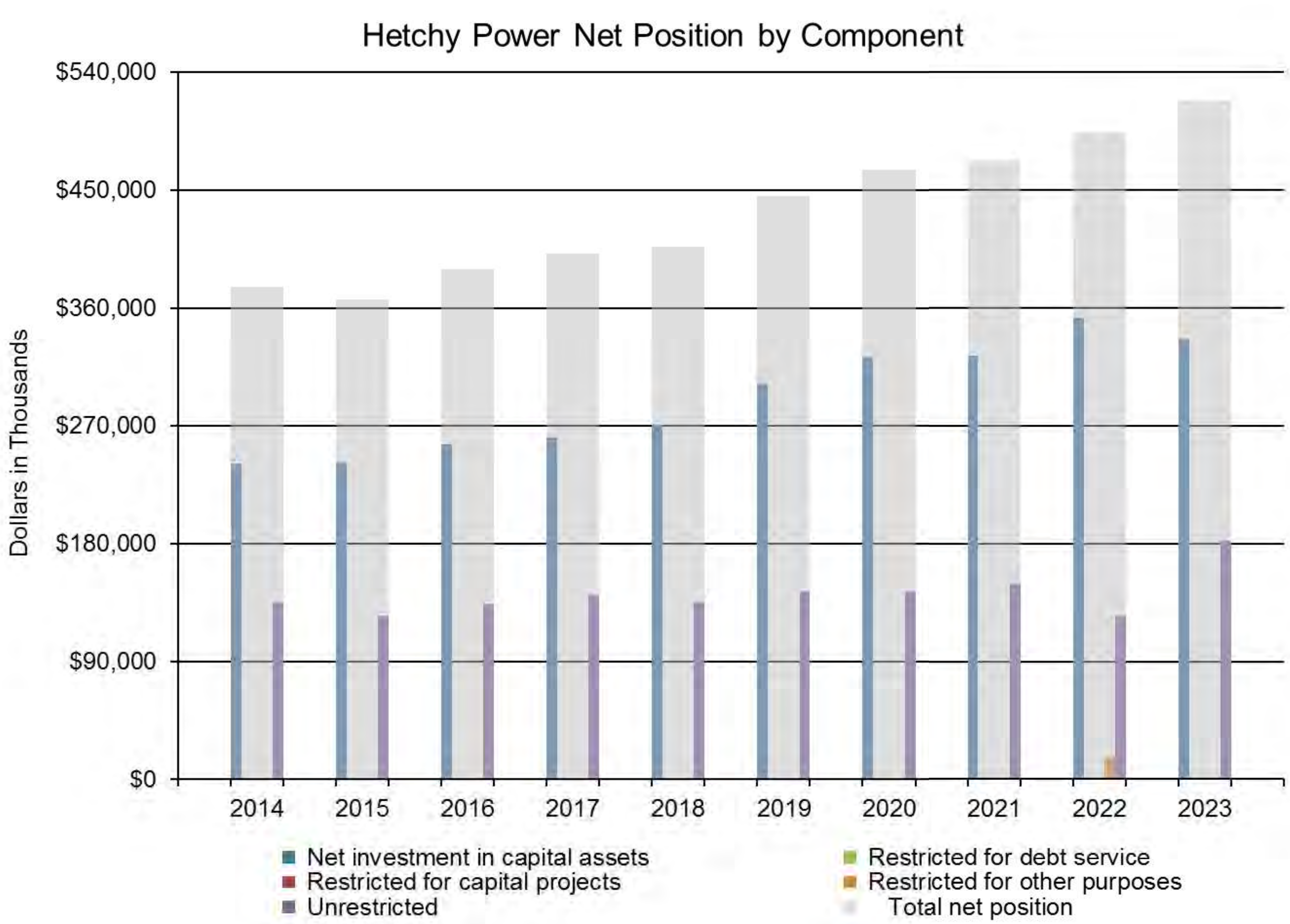
Fiscal Years Ended 2014 to 2023

(Dollars in Thousands)

| | | 2014 | 2015 * | 2016 | 2017 | 2018 ⌂ | 2019 | 2020 | 2021 @ | 2022 # | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | 241,016 | 241,484 | 255,897 | 260,681 | 270,918 | 301,534 | 322,204 | 323,066 | 352,162 | 336,281 |
| Restricted for debt service | | — | 302 | 306 | 485 | 834 | 1,145 | 142 | 99 | 140 | 56 |
| Restricted for capital projects | | — | — | — | — | — | — | — | — | — | — |
| Restricted for other purposes | | — | — | — | — | — | — | — | — | 17,004 | — |
| Unrestricted | | 135,130 | 124,737 | 133,700 | 140,520 | 134,874 | 143,036 | 143,261 | 149,295 | 124,873 | 182,013 |
| **Total net position** | **$** | **376,146** | **366,523** | **389,903** | **401,686** | **406,626** | **445,715** | **465,607** | **472,460** | **494,179** | **518,350** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*
*Fiscal year 2015 implementation of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

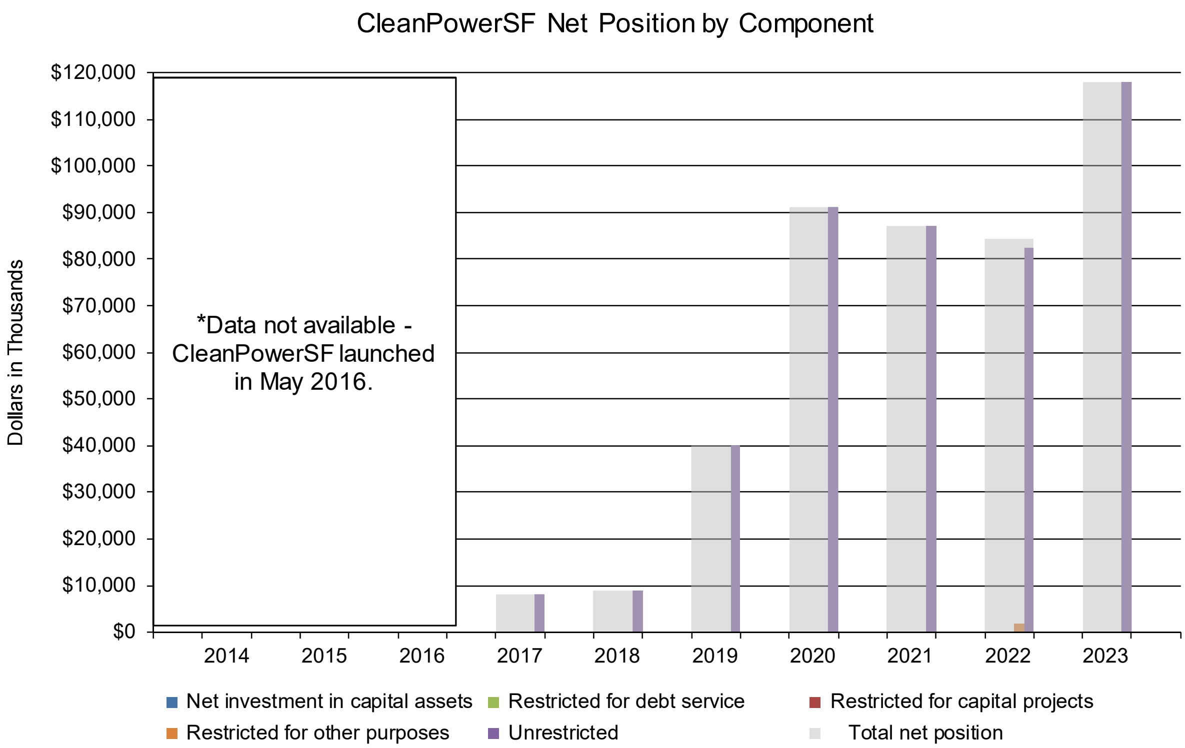


**Financial Trends**
CleanPowerSF - Summary of Net Position by Component
Fiscal Years Ended 2017 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 ⌂ | 2019 | 2020 ^ | 2021 @ | 2022 # | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ | *Data not available - CleanPowerSF launched in May 2016. | | | — | — | — | — | — | — | — |
| Restricted for debt service | | | | | — | — | — | — | — | — | — |
| Restricted for capital projects | | | | | — | — | — | — | — | — | — |
| Restricted for other purposes | | | | | — | — | — | — | — | 1,833 | — |
| Unrestricted | | | | | 8,218 | 8,860 | 40,001 | 91,138 | 87,077 | 82,487 | 118,001 |
| **Total net position** | **$** | | | | **8,218** | **8,860** | **40,001** | **91,138** | **87,077** | **84,320** | **118,001** |

#Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.
^Fiscal year 2020, increase in Unrestricted Net Position is due to completion of city-wide enrollment.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



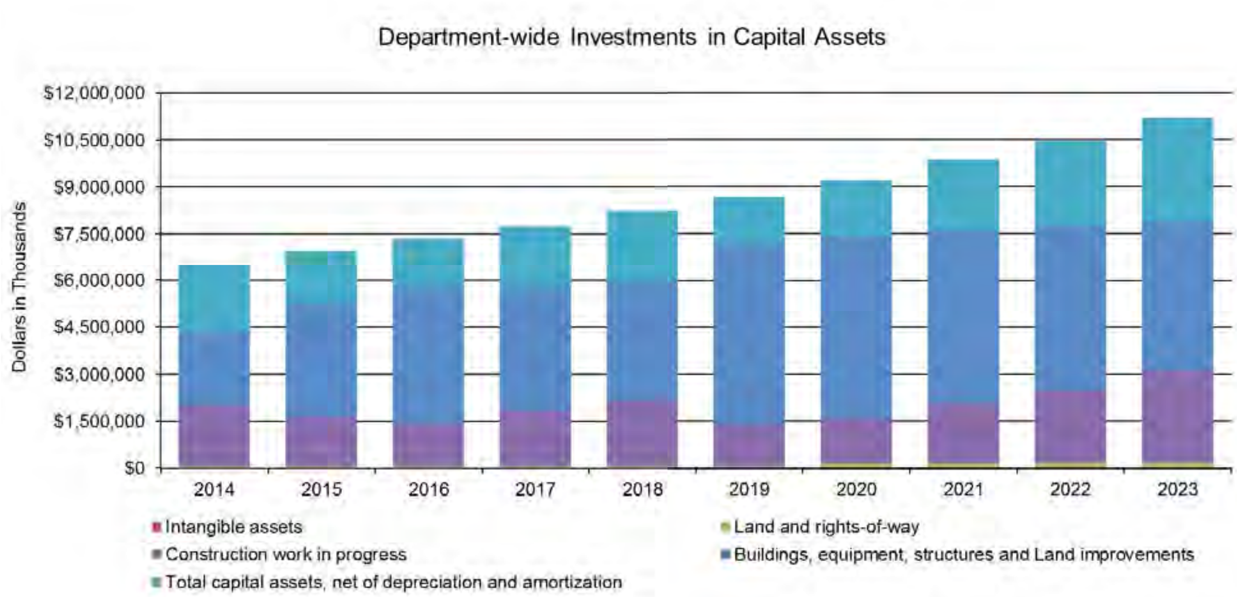
**Financial Trends**

Department-wide Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings, equipment, structures and Land improvements | $ | 6,790,353 | 7,800,455 | 8,565,038 | 8,736,914 | 9,084,980 | 10,483,615 | 10,957,712 | 11,369,025 | 11,783,944 | 12,137,657 |
| Less accumulated depreciation | | (2,413,969) | (2,572,737) | (2,742,700) | (2,930,531) | (3,120,191) | (3,316,443) | (3,538,382) | (3,773,696) | (4,016,382) | (4,265,309) |
| **Subtotal** | | 4,376,384 | 5,227,718 | 5,822,338 | 5,806,383 | 5,964,789 | 7,167,172 | 7,419,330 | 7,595,329 | 7,767,562 | 7,872,348 |
| Intangible assets, net of amortization* | | 39,122 | 38,885 | 36,674 | 34,904 | 36,956 | 34,853 | 32,528 | 35,102 | 34,731 | 33,816 |
| Land and rights-of-way | | 67,290 | 67,213 | 67,213 | 67,301 | 70,947 | 71,228 | 155,089 | 154,001 | 163,194 | 163,075 |
| Construction work in progress | | 2,012,810 | 1,625,592 | 1,436,187 | 1,841,297 | 2,161,089 | 1,387,840 | 1,592,097 | 2,079,754 | 2,485,201 | 3,130,427 |
| **Total capital assets, net of depreciation and amortization** | **$** | **6,495,606** | **6,959,408** | **7,362,412** | **7,749,885** | **8,233,781** | **8,661,093** | **9,199,044** | **9,864,186** | **10,450,688** | **11,199,666** |

*Include amortizable and non-amortizable intangible assets. Right-to-Use lease and subscription assets are reported separately from intangible assets see Notes 10 and 11 in financial section.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

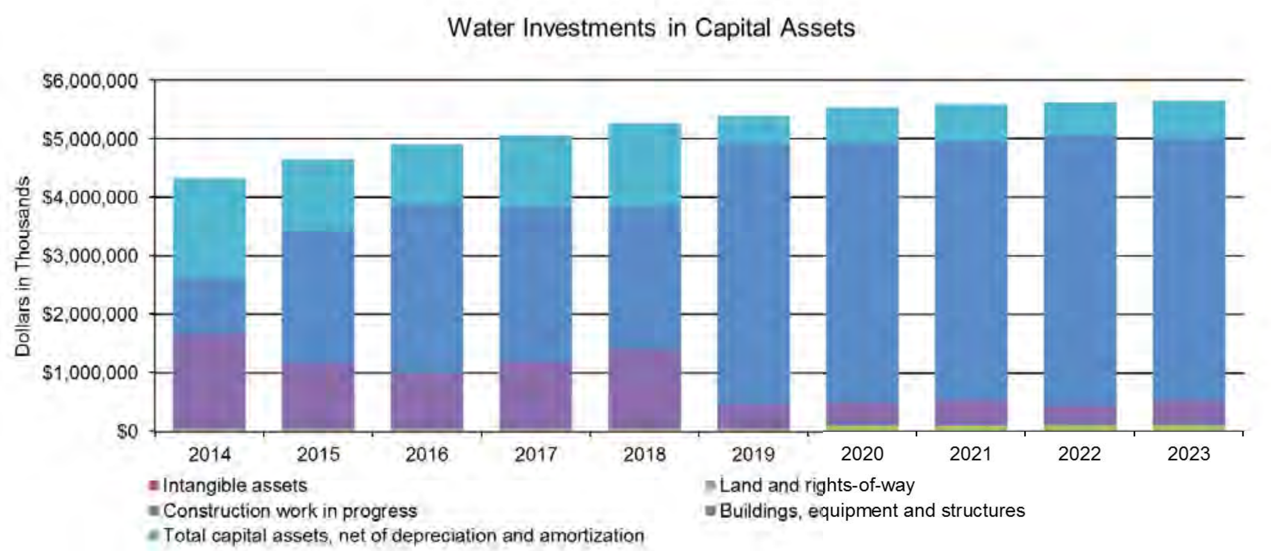


**Financial Trends**
Water - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings, equipment and structures | $ | 3,594,412 | 4,497,411 | 5,036,587 | 5,100,680 | 5,217,106 | 6,399,688 | 6,577,333 | 6,739,364 | 6,993,164 | 7,093,106 |
| Less accumulated depreciation | | (962,863) | (1,054,987) | (1,158,520) | (1,274,504) | (1,391,274) | (1,509,481) | (1,648,895) | (1,791,178) | (1,936,417) | (2,087,439) |
| **Subtotal** | | 2,631,549 | 3,442,424 | 3,878,067 | 3,826,176 | 3,825,832 | 4,890,207 | 4,928,438 | 4,948,186 | 5,056,747 | 5,005,667 |
| Intangible assets, net of amortization* | | 6,896 | 7,244 | 5,843 | 4,671 | 7,321 | 5,816 | 4,089 | 2,763 | 3,152 | 2,331 |
| Land and rights-of-way | | 26,811 | 26,811 | 26,811 | 26,777 | 30,029 | 30,029 | 105,336 | 104,248 | 113,441 | 113,322 |
| Construction work in progress | | 1,662,294 | 1,176,805 | 987,780 | 1,195,840 | 1,400,051 | 462,606 | 492,682 | 532,602 | 444,254 | 526,994 |
| **Total capital assets, net of depreciation and amortization** | $ | **4,327,550** | **4,653,284** | **4,898,501** | **5,053,464** | **5,263,233** | **5,388,658** | **5,530,545** | **5,587,799** | **5,617,594** | **5,648,314** |

*Include amortizable and non-amortizable intangible assets. Right-to-Use lease and subscription assets are reported separately from intangible assets see Notes 10 and 11 in financial section.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



**Financial Trends**

Wastewater - Investments in Capital Assets

Summary of Intangible Assets, Property, Plant and Equipment

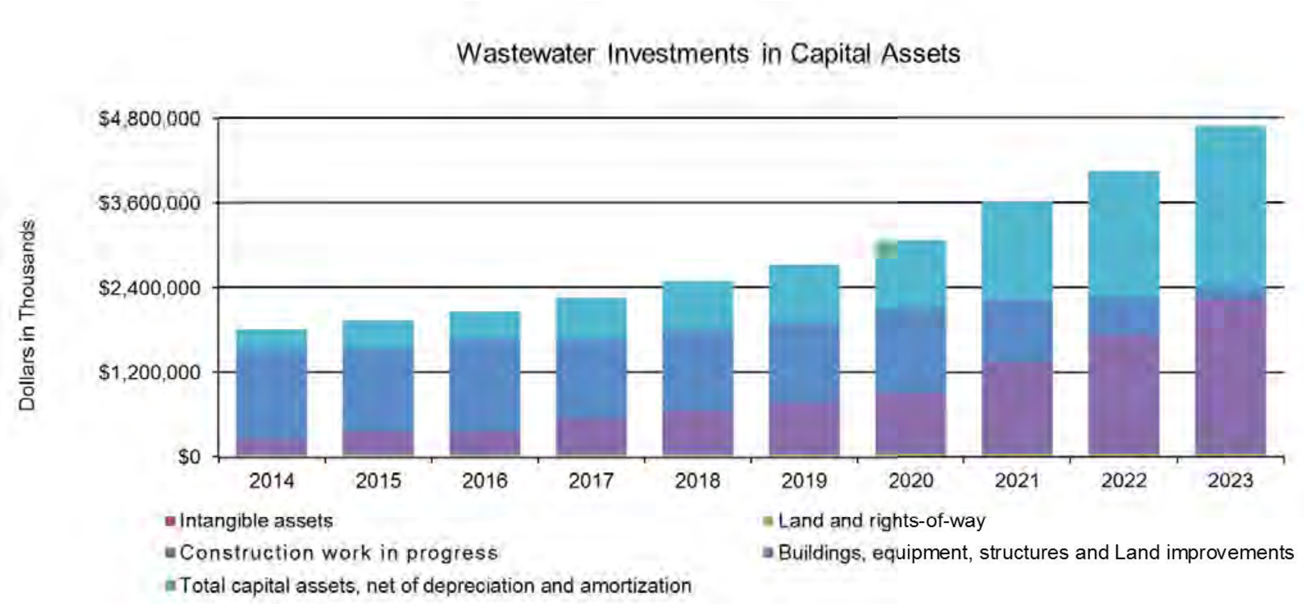
Fiscal Years Ended 2014 to 2023

(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings, equipment, structures and Land improvements | $ | 2,588,575 | 2,665,863 | 2,842,648 | 2,904,499 | 3,094,871 | 3,271,188 | 3,520,624 | 3,702,375 | 3,832,594 | 4,036,536 |
| Less accumulated depreciation | | (1,085,418) | (1,134,843) | (1,185,275) | (1,240,172) | (1,295,323) | (1,354,209) | (1,416,292) | (1,488,148) | (1,562,239) | (1,636,752) |
| **Subtotal** | | 1,503,157 | 1,531,020 | 1,657,373 | 1,664,327 | 1,799,548 | 1,916,979 | 2,104,332 | 2,214,227 | 2,270,355 | 2,399,784 |
| Intangible assets, net of amortization* | | 4,023 | 3,921 | 3,594 | 3,457 | 3,320 | 3,183 | 3,046 | 7,407 | 7,107 | 7,333 |
| Land and rights-of-way | | 35,737 | 35,737 | 35,737 | 35,737 | 35,737 | 36,018 | 44,572 | 44,572 | 44,572 | 44,572 |
| Construction work in progress | | 262,642 | 362,110 | 362,958 | 548,179 | 652,521 | 765,624 | 910,338 | 1,340,644 | 1,724,417 | 2,232,963 |
| **Total capital assets, net of depreciation and amortization** | $ | **1,805,559** | **1,932,788** | **2,059,662** | **2,251,700** | **2,491,126** | **2,721,804** | **3,062,288** | **3,606,850** | **4,046,451** | **4,684,652** |

*Include amortizable and non-amortizable intangible assets. Right-to-Use lease and subscription assets are reported separately from intangible assets see Notes 10 and 11 in financial section.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



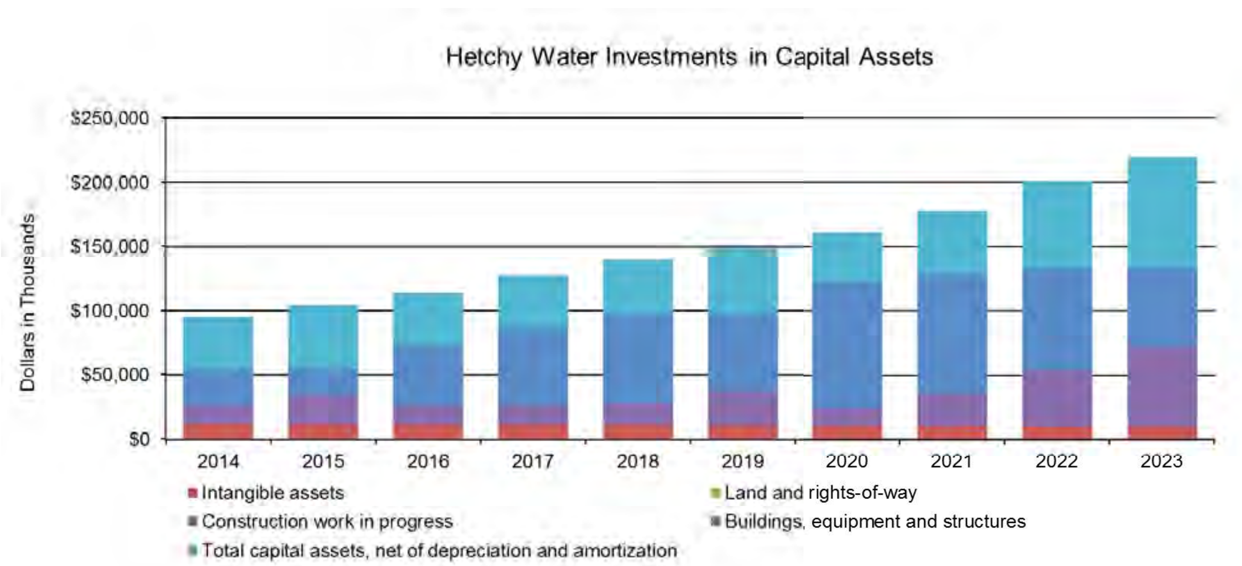
## Financial Trends

Hetchy Water - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings, equipment and structures | $ | 216,910 | 221,345 | 242,936 | 261,139 | 276,177 | 281,562 | 311,783 | 323,486 | 334,499 | 341,203 |
| Less accumulated depreciation | | (162,724) | (166,546) | (170,199) | (174,352) | (179,139) | (184,312) | (189,350) | (195,151) | (201,236) | (207,298) |
| **Subtotal** | | 54,186 | 54,799 | 72,737 | 86,787 | 97,038 | 97,250 | 122,433 | 128,335 | 133,263 | 133,905 |
| Intangible assets, net of amortization* | | 12,032 | 11,825 | 11,618 | 11,410 | 11,203 | 10,996 | 10,789 | 10,581 | 10,374 | 10,167 |
| Land and rights-of-way | | 3,038 | 3,003 | 3,003 | 3,055 | 3,232 | 3,232 | 3,232 | 3,232 | 3,232 | 3,232 |
| Construction work in progress | | 25,922 | 34,703 | 26,509 | 26,479 | 28,326 | 37,625 | 24,328 | 35,333 | 54,138 | 72,450 |
| **Total capital assets, net of depreciation and amortization** | $ | **95,178** | **104,330** | **113,867** | **127,731** | **139,799** | **149,103** | **160,782** | **177,481** | **201,007** | **219,754** |

*Include amortizable and non-amortizable intangible assets. Right-to-Use lease and subscription assets are reported separately from intangible assets see Notes 10 and 11 in financial section.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



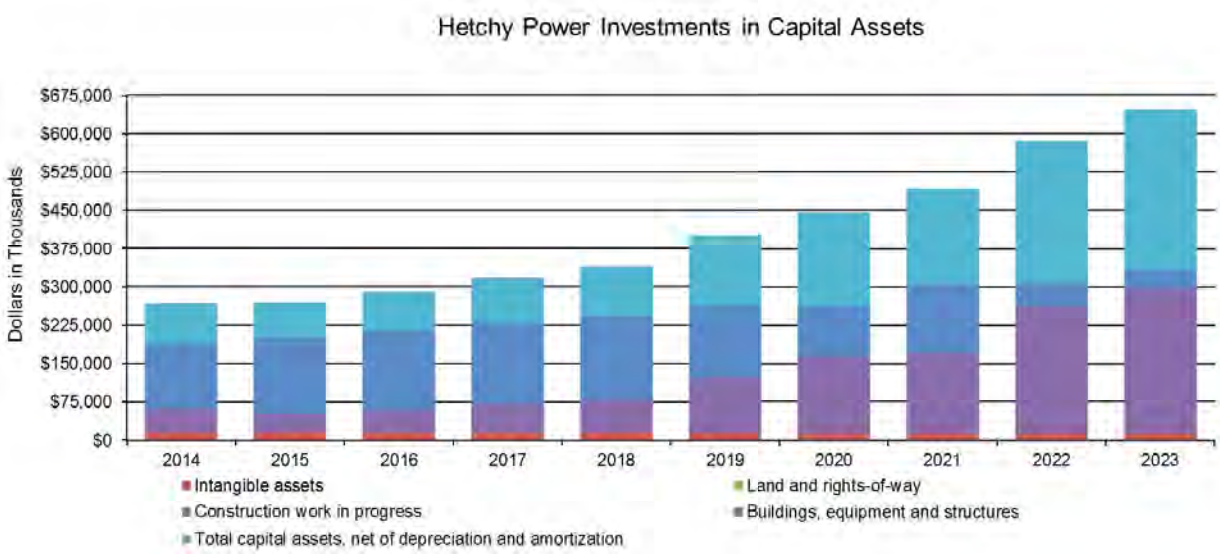
## Financial Trends

Hetchy Power - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings, equipment and structures | $ | 390,456 | 415,836 | 442,867 | 470,596 | 496,826 | 531,177 | 547,972 | 603,800 | 623,687 | 666,812 |
| Less accumulated depreciation | | (202,964) | (216,361) | (228,706) | (241,503) | (254,455) | (268,441) | (283,845) | (299,219) | (316,490) | (333,820) |
| **Subtotal** | | 187,492 | 199,475 | 214,161 | 229,093 | 242,371 | 262,736 | 264,127 | 304,581 | 307,197 | 332,992 |
| Intangible assets, net of amortization* | | 16,171 | 15,895 | 15,619 | 15,366 | 15,112 | 14,858 | 14,604 | 14,351 | 14,098 | 13,985 |
| Land and rights-of-way | | 1,704 | 1,662 | 1,662 | 1,732 | 1,949 | 1,949 | 1,949 | 1,949 | 1,949 | 1,949 |
| Construction work in progress | | 61,952 | 51,974 | 58,940 | 70,799 | 80,191 | 121,985 | 164,749 | 171,175 | 262,392 | 298,020 |
| **Total capital assets, net of depreciation and amortization** | **$** | **267,319** | **269,006** | **290,382** | **316,990** | **339,623** | **401,528** | **445,429** | **492,056** | **585,636** | **646,946** |

*Include amortizable and non-amortizable intangible assets. Right-to-Use lease and subscription assets are reported separately from intangible assets see Notes 10 and 11 in financial section.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



# Statistical Section

**Revenue Capacity**

**Revenue Capacity**

Water Rate History

Fiscal Years Ended 2014 to 2023

**Rates Per Hundred Cubic Feet**

| | Retail | | | | | | | | | Wholesale | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Single-Family | | | Multiple-Family | | | Non-Residential | | | |
| Fiscal Years Ended June 30 | Service Charge ($)[1] | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[4] | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[4] | Volume Charge ($/ccf) | % Increase/ (Decrease) | Volume Charge ($/ccf) | % Increase/ (Decrease) |
| 2014 | 8.40 | 4.20 | 5.50 | 6.5 | 4.50 | 5.90 | 6.9 | 5.40 | 5.9 | 2.45 | (16.4) |

| | Retail | | | | | | | | | Wholesale | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Single-Family | | | Multiple-Family | | | Non-Residential | | | |
| Fiscal Years Ended June 30 | Service Charge ($)[1] | Volume Charge ($/ccf) (0-4 ccf) | Volume Charge ($/ccf) (over 4 ccf) | % Increase/ (Decrease)[4] | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[4] | Volume Charge ($/ccf) | % Increase/ (Decrease) | Volume Charge ($/ccf) | % Increase/ (Decrease) |
| 2015[2,3] | 8.81 | 4.86 | 6.52 | 10.1 | 4.98 | 6.67 | 9.4 | 5.79 | 7.2 | 2.93 | 19.6 |
| 2016 | 9.87 | 5.45 | 7.31 | 12.1 | 5.58 | 7.48 | 12.1 | 6.49 | 12.1 | 3.75 | 28.0 |
| 2017 | 10.86 | 6.00 | 8.05 | 10.1 | 6.14 | 8.23 | 10.0 | 7.14 | 10.0 | 4.10 | 9.3 |
| 2018 | 11.63 | 6.42 | 8.62 | 7.0 | 6.57 | 8.81 | 7.0 | 7.64 | 7.0 | 4.10 | 0.0 |
| 2019[5] | 12.30 | 7.10 | 9.10 | 8.0 | 7.22 | 9.26 | 7.6 | 8.43 | 10.3 | 4.10 | 0.0 |
| 2020[5] | 13.28 | 7.85 | 9.61 | 8.5 | 7.94 | 9.73 | 8.4 | 9.14 | 8.4 | 4.10 | 0.0 |
| 2021[5] | 14.19 | 8.68 | 10.15 | 8.3 | 8.73 | 10.23 | 8.1 | 9.81 | 7.3 | 4.10 | 0.0 |
| 2022[5] | 15.17 | 9.60 | 10.71 | 8.4 | 9.60 | 10.76 | 8.1 | 10.55 | 7.5 | 4.10 | 0.0 |
| 2023[6] | 15.17 | 10.08 | 11.25 | 4.0 | 10.08 | 11.30 | 3.6 | 11.08 | 5.0 | 4.75 | 15.9 |

1 Monthly service charge for 5/8" meter. Larger meter sizes charged at different rates.

2 Rates approved on May 13, 2014.

3 Effective July 1, 2015, the Single-Family Residential Tier 1 changed from 0-3 ccf to 0-4 ccf.

4 The percentage increase/(decrease) is based on an average monthly bill of 6 ccf for Single-Family and 4 ccf for Multiple-Family.

5 Rates approved on May 8, 2018.

6 Up to 5% temporary drought surcharge due to water shortage declaration was added to retail volume charge and effective through April 2023. The temporary drought surcharge was in effect starting April 2022 but not shown for fiscal year 2022 as it was only in effect for April-June 2022.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports and Rate Schedules.

## Revenue Capacity
Wastewater Rate History
Fiscal Years Ended 2014 to 2023

**Rates Per Hundred Cubic Feet**

| | Single-Family | | | Multiple-Family | | | Non-Residential | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Years Ended June 30 | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) | Chemical Oxygen Demand Charge ($/lb) | Suspended Solids Charge ($/lb) | Oil and Grease Charge ($/lb) |
| 2014 | 7.90 | 10.53 | 5.0 | 8.25 | 11.01 | 5.0 | 6.62 | 0.22 | 0.89 | 1.11 |

| | Single-Family | | | Multiple-Family | | | Non-Residential | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Years Ended June 30 | Volume Charge ($/ccf) (0-4 ccf) | Volume Charge ($/ccf) (over 4 ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) (0-3 ccf) | Volume Charge ($/ccf) (over 3 ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) | Chemical Oxygen Demand Charge ($/lb) | Suspended Solids Charge ($/lb) | Oil and Grease Charge ($/lb) |
| 2015[1,2] | 9.06 | 11.23 | 6.1 | 9.24 | 11.48 | 10.0 | 6.15 | 0.44 | 0.83 | 0.87 |
| 2016 | 9.82 | 11.34 | 6.9 | 9.95 | 11.51 | 5.8 | 6.45 | 0.46 | 0.87 | 0.91 |
| 2017 | 10.84 | 11.66 | 9.0 | 10.91 | 11.75 | 7.9 | 6.90 | 0.49 | 0.93 | 0.97 |
| 2018[4] | 12.40 | 12.40 | 12.2 | 12.40 | 12.40 | 11.8 | 7.66 | 0.55 | 1.03 | 1.08 |

| | | Single-Family | | Multiple-Family | | Non-Residential | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Years Ended June 30 | Service Charge ($)[5] | Volume Charge ($/ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) | % Increase/ (Decrease)[3] | Volume Charge ($/ccf) | Chemical Oxygen Demand Charge ($/lb) | Suspended Solids Charge ($/lb) | Oil and Grease Charge ($/lb) |
| 2019[6] | 0.98 | 13.06 | 4.5 | 13.06 | 3.5 | 7.84 | 0.52 | 1.30 | 1.33 |
| 2020[6] | 2.19 | 13.88 | 6.6 | 13.88 | 5.3 | 8.29 | 0.56 | 1.41 | 1.42 |
| 2021[6] | 3.60 | 14.89 | 9.1 | 14.89 | 7.4 | 8.86 | 0.60 | 1.53 | 1.54 |
| 2022[6] | 5.21 | 15.97 | 8.9 | 15.97 | 9.5 | 9.46 | 0.65 | 1.65 | 1.66 |
| 2023[7] | 5.21 | 16.75 | 4.6 | 16.75 | 4.5 | 9.93 | 0.68 | 1.73 | 1.74 |

1 Effective July 1, 2015, the Single-Family Residential Tier 1 rate structure changed from 0-3 ccf to 0-4 ccf.

2 Four years of rates were approved on May 13, 2014.

3 The percentage increase/(decrease) is based on an average monthly bill of 5.4 ccf for Single-Family (based on a 90% flow factor) and 3.8 ccf for Multiple-Family (based on a 95% flow factor).

4 Effective July 1, 2017, no tiers for wastewater volumetric charges for single-family and multi-family residential wastewater.

5 Effective July 1, 2018, all wastewater customers pay a monthly service charge per account.

6 Rates approved on May 22, 2018.

7 Up to 5% temporary drought surcharge due to water shortage declaration was added to retail volume charge and effective through April 2023. The temporary drought surcharge was in effect starting April 2022 but not shown for fiscal year 2022 as it was only in effect for April-June 2022.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports and Rate Schedules.

## Revenue Capacity

Hetchy Power Electric Rate History
Fiscal Years Ended 2014 to 2023

| Rates Per Kilowatt Hour | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Residential*** | | | | | | | | | | |
| Residential Services - Multi-family | $ 0.20052 | 0.20526 | 0.21784 | 0.23073 | 0.22894 | 0.23298 | 0.26429 | 0.28308 | 0.33772 | 0.35571 |
| Residential - Public Power | | | | | | | | | | |
| Tier 1 | 0.11200 | 0.11451 | 0.11705 | 0.13391 | 0.14198 | 0.14610 | 0.14868 | 0.15537 | 0.17781 | 0.20880 |
| Tier 2 | 0.12733 | 0.13018 | 0.13306 | 0.15222 | 0.16139 | 0.16607 | 0.16900 | 0.17661 | 0.20211 | 0.25056 |
| Tier 3 | 0.26065 | 0.26649 | 0.27238 | 0.31160 | 0.33037 | 0.33995 | 0.34595 | 0.36153 | 0.41372 | 0.37584 |
| **Commercial** | | | | | | | | | | |
| Small General Service | 0.19717 | 0.21152 | 0.22560 | 0.23020 | 0.23786 | 0.24931 | 0.26884 | 0.27749 | 0.32523 | 0.33903 |
| Medium General Demand-Metered Service | 0.17573 | 0.18503 | 0.19667 | 0.20346 | 0.21265 | 0.21889 | 0.23721 | 0.24167 | 0.30162 | 0.31870 |
| Medium General Demand-Metered TOU** Service | 0.13953 | 0.14761 | 0.15049 | 0.15893 | 0.16176 | 0.16709 | 0.18735 | 0.18959 | 0.23972 | 0.24666 |
| **Industrial** | | | | | | | | | | |
| Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Secondary Voltage | 0.14434 | 0.15216 | 0.15969 | 0.16868 | 0.17553 | 0.18279 | 0.19804 | 0.19537 | 0.23230 | 0.26114 |
| Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Primary Voltage | 0.13169 | 0.13908 | 0.14498 | 0.15229 | 0.15874 | 0.16466 | 0.17774 | 0.17627 | 0.22023 | 0.23647 |
| Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Transmission Voltage | 0.10383 | 0.10608 | 0.10743 | 0.11719 | 0.12501 | 0.12786 | 0.14240 | 0.13414 | 0.18171 | 0.19384 |
| **General Fund City Departments#** | 0.04750 | 0.05750 | 0.06750 | 0.07250 | 0.07750 | 0.07377 | 0.07877 | 0.08877 | 0.09877 | 0.10877 |
| **Streetlights** | 0.13840 | 0.15045 | 0.15712 | 0.15874 | 0.16451 | 0.17354 | 0.18693 | 0.18754 | 0.23439 | 0.25629 |
| **Traffic Signals** | 0.14762 | 0.15866 | 0.17187 | 0.18018 | 0.18432 | 0.18945 | 0.20194 | 0.19768 | 0.20413 | 0.25923 |

*Residential rates include master-metered multi-family services (EM) and multi-family services (ES). Tiers for Residential Public Power vary between Winter and Summer months.
**TOU stands for time-of-use.
#Prior to fiscal year 2019, the General Fund rate shown was one of six rates being charged to customers. In fiscal year 2019, the six rates were consolidated into one, which was set to a ½ cent per kWh increase from the weighted average of the six prior rates. The decrease in fiscal year 2019 is a function of the change in what this line item represents – rates did not decrease. Starting fiscal year 2023, City departments are assigned to a rate schedule based on the customer class (small commercial, industrial, etc.).

The rates shown for each year are average rates per kWh charged in the months including June for residential, commercial, and industrial rates. Rates are subject to change at any time.

Source: San Francisco Public Utilities Commission Rates Schedules and Fees and PG&E electric rates schedules.

## Revenue Capacity
### CleanPowerSF Electric Rate History
### Fiscal Years Ended 2016 to 2023

| Rates per Kilowatt-hour | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021# | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | | | | |
| E-1 (Green) | | | $ 0.07267 | 0.07267 | 0.06836 | 0.07163 | 0.08235 | 0.06918 | N/A | N/A |
| E-1 (SuperGreen) | | | 0.09267 | 0.09267 | 0.08836 | 0.08663 | 0.09235 | 0.07918 | N/A | N/A |
| E-6 (Green) | | | 0.06719 | 0.06693 | 0.05868 | 0.06612 | 0.08197 | 0.06935 | N/A | N/A |
| E-6 (SuperGreen) | | | 0.08719 | 0.08693 | 0.07868 | 0.08112 | 0.09197 | 0.07935 | N/A | N/A |
| E-TOUA (Green) | | | N/A | 0.06801 | 0.06283 | 0.06548 | 0.07702 | N/A | N/A | N/A |
| E-TOUA (SuperGreen) | | | N/A | 0.08801 | 0.08283 | 0.08048 | 0.08702 | N/A | N/A | N/A |
| E-TOUB (Green) | | | N/A | 0.06819 | 0.06285 | 0.06460 | 0.07598 | 0.06223 | N/A | N/A |
| E-TOUB (SuperGreen) | | | N/A | 0.08819 | 0.08285 | 0.07960 | 0.08598 | 0.07223 | N/A | N/A |
| E-TOUC* (Green) | | | N/A | N/A | N/A | 0.07010 | 0.07913 | 0.06449 | N/A | N/A |
| E-TOUC* (SuperGreen) | | | N/A | N/A | N/A | 0.08510 | 0.08913 | 0.07449 | N/A | N/A |
| EVA (Green) | | | 0.05837 | 0.05822 | 0.05350 | 0.05358 | 0.06526 | N/A | N/A | N/A |
| EVA (SuperGreen) | | | 0.07837 | 0.07822 | 0.07350 | 0.06858 | 0.07526 | N/A | N/A | N/A |
| EVB (Green) | | | N/A | 0.04747 | 0.04263 | 0.03889 | 0.04692 | 0.06154 | N/A | N/A |
| EVB (SuperGreen) | | | N/A | 0.06747 | 0.06263 | 0.05389 | 0.05692 | 0.07154 | N/A | N/A |
| Green | | | | | | | | | 0.09112 | 0.11766 |
| SuperGreen | | | | | | | | | 0.10112 | 0.12766 |
| **Non-Residential** | | | | | | | | | | |
| Small Commercial Green | | | | | | | | | 0.08833 | 0.10927 |
| Small Commercial SuperGreen | | | | | | | | | 0.09583 | 0.11427 |
| Medium Commerical Green | | | | | | | | | 0.09415 | 0.11186 |
| Medium Commerical SuperGreen | | | | | | | | | 0.09915 | 0.11686 |
| Large Commercial Green | | | | | | | | | 0.08003 | 0.10192 |
| Large Commercial SuperGreen | Data not available - CleanPowerSF launched in May 2016. | | **New rate classification starting fiscal year 2022 | | | | | | 0.08503 | 0.10692 |
| Industrial Green | | | | | | | | | 0.07752 | 0.09596 |
| Industrial SuperGreen | | | | | | | | | 0.08502 | 0.10096 |
| Streetlights Green | | | | | | | | | 0.07434 | 0.10420 |
| Streetlights SuperGreen | | | | | | | | | 0.08184 | 0.10920 |
| Outdoor Lighting Green | | | | | | | | | 0.07999 | 0.10980 |
| Outdoor Lighting SuperGreen | | | | | | | | | 0.08749 | 0.11480 |
| Agriculture Green | | | | | | | | | 0.06277 | 0.08831 |
| Agriculture SuperGreen | | | | | | | | | 0.07027 | 0.09331 |
| **Commercial** | | | | | | | | | | |
| A-1 (Green) | | | 0.07772 | 0.07740 | 0.07447 | 0.07919 | 0.08011 | 0.06498 | N/A | N/A |
| A-1 (SuperGreen) | | | 0.09772 | 0.09740 | 0.08847 | 0.08919 | 0.08761 | 0.07248 | N/A | N/A |
| A-1X (Green) | | | 0.07770 | 0.07751 | 0.07509 | 0.07954 | 0.08184 | 0.06600 | N/A | N/A |
| A-1X (SuperGreen) | | | 0.09770 | 0.09751 | 0.08909 | 0.08954 | 0.08934 | 0.07359 | N/A | N/A |
| A-6 (Green) | | | 0.08883 | 0.08820 | 0.08631 | 0.09491 | 0.10079 | 0.09359 | N/A | N/A |
| A-6 (SuperGreen) | | | 0.10883 | 0.10820 | 0.10031 | 0.10491 | 0.10829 | 0.10109 | N/A | N/A |
| A-10S (Non Time of Use - Green) | | | 0.07940 | 0.07940 | 0.07674 | 0.08355 | 0.08252 | 0.06828 | N/A | N/A |
| A-10S (Non Time of Use - SuperGreen) | | | 0.09940 | 0.09940 | 0.09074 | 0.08855 | 0.08752 | 0.07328 | N/A | N/A |
| A-10SX (Time of Use - Green) | | | 0.07899 | 0.07813 | 0.07579 | 0.08322 | 0.08185 | 0.06671 | N/A | N/A |
| A-10SX (Time of Use - SuperGreen) | | | 0.09899 | 0.09813 | 0.08979 | 0.08822 | 0.08685 | 0.07171 | N/A | N/A |
| E-19S (Green) | | | 0.07925 | 0.07853 | 0.07658 | 0.08336 | 0.08010 | 0.06392 | N/A | N/A |
| E-19S (SuperGreen) | | | 0.09925 | 0.09853 | 0.09058 | 0.08836 | 0.08510 | 0.06892 | N/A | N/A |
| E-19SV (Green) | | | 0.07368 | 0.07304 | 0.07104 | 0.07670 | 0.07387 | 0.06150 | N/A | N/A |
| E-19SV (SuperGreen) | | | 0.09368 | 0.09304 | 0.08504 | 0.08170 | 0.07887 | 0.06650 | N/A | N/A |
| E-20P (Green) | | | 0.07005 | 0.06895 | 0.06729 | 0.07300 | 0.06958 | N/A | N/A | N/A |
| E-20P (SuperGreen) | | | 0.09005 | 0.08895 | 0.08129 | 0.08300 | 0.07708 | N/A | N/A | N/A |
| E-20S (Green) | | | 0.07502 | 0.07395 | 0.07167 | 0.07774 | 0.07434 | 0.06282 | N/A | N/A |
| E-20S (SuperGreen) | | | 0.09502 | 0.09395 | 0.08567 | 0.08774 | 0.08184 | 0.07032 | N/A | N/A |

The rates shown for each year are the average rates per kWh calculated by the SFPUC and PG&E in its Joint Rate Comparisons prepared in fiscal years 2016 to 2021. Each average rate is calculated using the energy consumption (and if applicable, demand) of a typical customer on that rate schedule in San Francisco and the rates in place during each reported fiscal year.

*Rate E-TOUC was a new rate beginning fiscal year 2019, and therefore was not included in the Joint Rate Comparison. The same methodology to calculate average rate was applied.

#Fiscal year 2021, Rates E-TOU-A and EVA are closed as of January 2021. Rate E-20P was not included due to lack of data to provided average rate.

**N/A due to new rate classification for fiscal year 2022. Fiscal year 2022 rates updated.

May exclude new rates due to insufficient data for average rate calculation.

Source: San Francisco Public Utilities Commission and PG&E Joint Rate Comparisons. Starting fiscal year 2022, SFPUC CleanPowerSF Management Report.

## Revenue Capacity
Water - Net Revenue and Debt Service Coverage
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021# | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating, other and investment revenue | $ | 390,789 | 431,836 | 423,111 | 464,662 | 532,087 | 558,041 | 593,868 | 581,141 | 565,317 | 705,443 |
| Less operating, other and maintenance expenses | | (333,555) | (296,950) | (314,786) | (421,827) | (370,147) | (357,094) | (398,117) | (448,690) | (401,634) | (438,837) |
| Adjustment to investing activities[1] | | (2,438) | 732 | 635 | 111 | (1,245) | (4,821) | (516) | 3,846 | 13,050 | (2,015) |
| Depreciation and non-cash expenses | | 95,355 | 98,192 | 107,268 | 121,375 | 119,624 | 122,248 | 148,294 | 150,257 | 151,114 | 164,817 |
| Changes in working capital | | 46,088 | (37,175) | (11,062) | 63,520 | 31,060 | (11,073) | (20,763) | 24,707 | (42,906) | (124,668) |
| Appropriated fund balance | | — | — | 23,994 | 10,747 | 1,452 | 4,318 | 17,181 | 27,785 | 21,977 | 67,949 |
| Net revenue[4] | | 196,239 | 196,635 | 229,160 | 238,588 | 312,831 | 311,619 | 339,947 | 339,046 | 306,918 | 372,689 |
| Other available funds[2] | | 287,522 | 248,390 | 162,733 | 155,852 | 186,752 | 221,362 | 241,931 | 128,692 | 103,506 | 194,075 |
| Funds available for revenue debt service | $ | 483,761 | 445,025 | 391,893 | 394,440 | 499,583 | 532,981 | 581,878 | 467,738 | 410,424 | 566,764 |
| Revenue debt service[3] | $ | 141,325 | 192,312 | 219,195 | 207,812 | 233,959 | 261,638 | 269,210 | 248,427 | 279,352 | 307,062 |
| **Revenue debt service coverage** | | **3.42** | **2.31** | **1.79** | **1.90** | **2.14** | **2.04** | **2.16** | **1.88** | **1.47** | **1.85** |

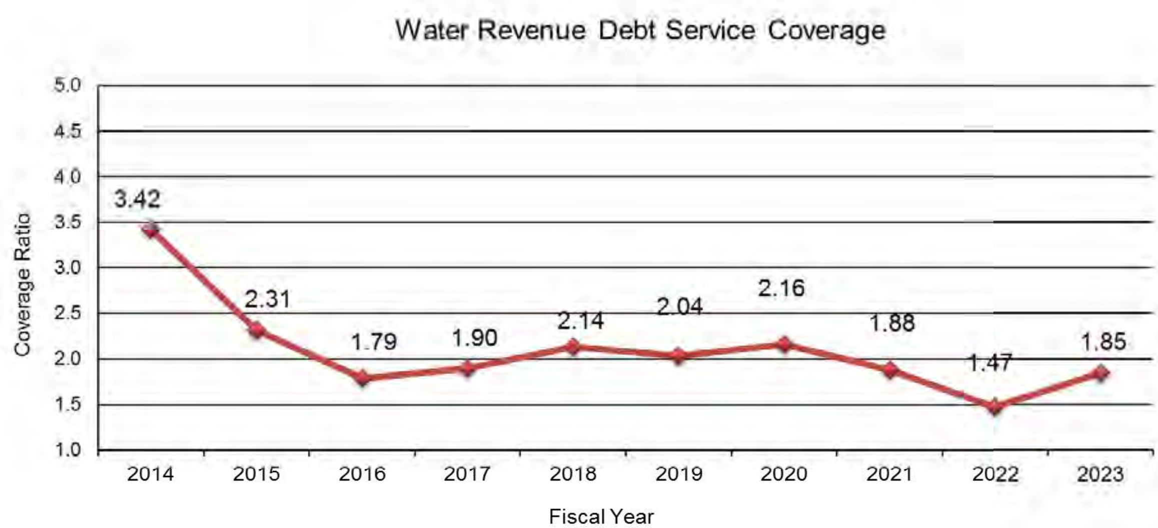
[1]Adjustment of investing activities and non-operating revenues to a cash basis.

[2]As per the Indenture, in addition to current year cash flow, the coverage calculation permits the inclusion of all funds except for Trust and Agency Fund not budgeted to be spent in such months and legally available to pay debt service.

[3]Revenue debt service is calculated net of capitalized interest and federal interest subsidy the Commission is scheduled to receive during the 12-month period ending June 30 for any series of bonds.

[4]Net revenues beginning fiscal years 2016 includes appropriated available funds.
Starting in fiscal year 2022, certain types of non-operating revenue is included in net revenue.
#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.



## Revenue Capacity

Wastewater - Net Revenue and Debt Service Coverage
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

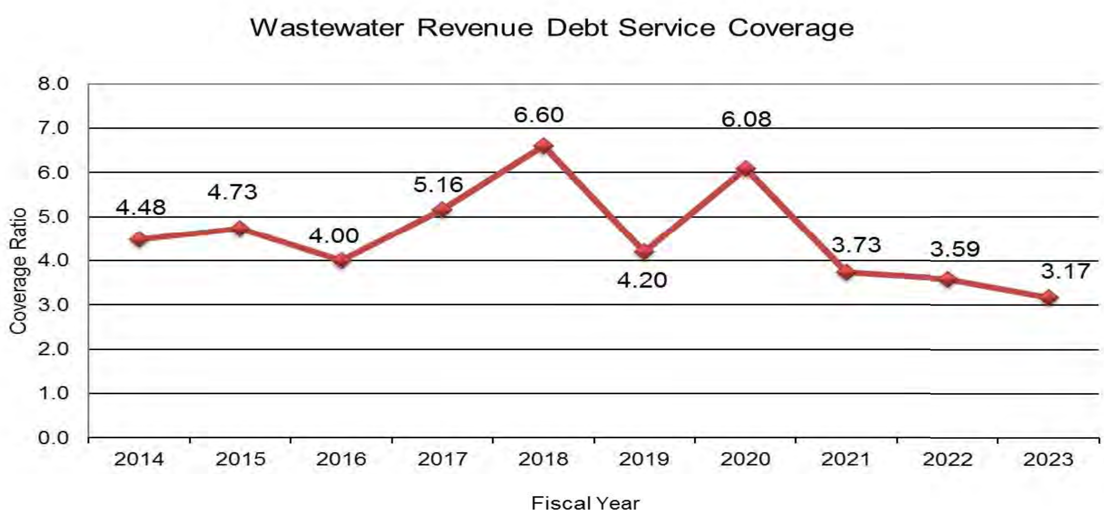
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021[#] | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating, other and investment revenue | $ | 262,497 | 257,209 | 262,960 | 279,668 | 317,413 | 351,782 | 356,265 | 325,008 | 360,756 | 365,667 |
| Less operating, other and maintenance expenses | | (216,340) | (216,485) | (221,553) | (244,220) | (238,906) | (259,813) | (262,259) | (290,737) | (255,010) | (254,283) |
| Adjustment to investing activities[1] | | (601) | 127 | (12) | 251 | (489) | (8,047) | 2,950 | 4,356 | 8,422 | 2,392 |
| Depreciation and non-cash expenses | | 50,717 | 51,773 | 56,285 | 57,998 | 60,072 | 68,568 | 68,603 | 78,368 | 77,806 | 84,450 |
| Changes in working capital | | 12,908 | 3,923 | 2,404 | 26,292 | 18,336 | (2,125) | 523 | (8,596) | (36,470) | (19,376) |
| Net revenue[3] | | 109,181 | 96,547 | 100,084 | 119,989 | 156,426 | 150,365 | 166,082 | 108,399 | 155,504 | 178,850 |
| Other available funds[2] | | 109,807 | 134,413 | 139,847 | 131,554 | 153,596 | 103,281 | 215,722 | 197,778 | 155,331 | 134,593 |
| Funds available for revenue debt service | $ | 218,988 | 230,960 | 239,931 | 251,543 | 310,022 | 253,646 | 381,804 | 306,177 | 310,835 | 313,443 |
| Revenue debt service* | $ | 48,932 | 48,878 | 60,022 | 48,769* | 47,003 | 60,347 | 62,797 | 82,066 | 86,619 | 98,811 |
| **Revenue debt service coverage** | | **4.48** | **4.73** | **4.00** | **5.16** | **6.60** | **4.20** | **6.08** | **3.73** | **3.59** | **3.17** |

1 Adjustment of investing activities and non-operating revenues to a cash basis.

2 As per the Indenture, in addition to current year cash flow, the coverage calculation permits the inclusion of all funds except for Trust and Agency Fund not budgeted to be spent in such 12 months and legally available to pay debt service.

3 State revolving fund loan for Sewer System Improvement projects (starting fiscal year 2019) have the same seniority as revenue bonds.
Starting in fiscal year 2022, certain types of non-operating revenue is included in net revenue.
#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.
*In fiscal year 2018 Wastewater financial statements, fiscal year 2017 revenue debt service is presented gross of capitalized interest, $60,407.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.



## Revenue Capacity

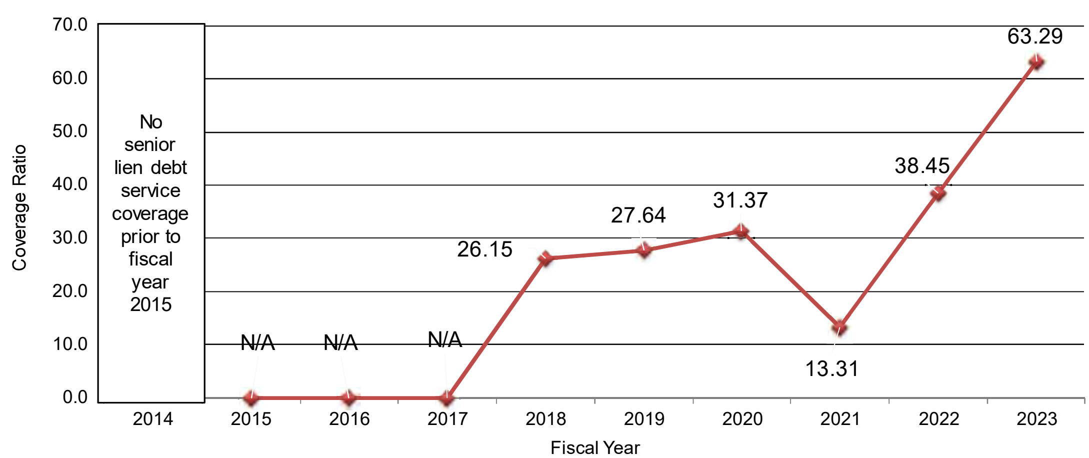
Hetchy Power - Net Revenue and Debt Service Coverage
Fiscal Years Ended 2015 to 2023
(Dollars in Thousands)

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 # | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating, other and investment revenue | $ | No senior lien debt service coverage prior to fiscal year 2015 | 117,704 | 122,954 | 122,187 | 122,251 | 152,873 | 151,835 | 142,696 | 176,896 | 208,887 |
| Less operating, other and maintenance expenses | | | (105,222) | (110,012) | (116,935) | (119,395) | (122,688) | (148,127) | (139,566) | (142,716) | (181,769) |
| Adjustment to investing activities* | | | (8) | 11 | 29 | 419 | (2,606) | 101 | 1,902 | 3,297 | (15) |
| Depreciation and non-cash expenses | | | 17,654 | 15,331 | 14,208 | 14,131 | 14,604 | 27,470 | 23,037 | 18,351 | 20,714 |
| Changes in working capital | | | 7,037 | (9,214) | 11,740 | 13,281 | (2,386) | 3,243 | (18,641) | (2,702) | 3,785 |
| Low Carbon Fuel Standard revenue | | | — | — | — | — | — | 6,920 | 1,181 | 1,184 | 593 |
| Net revenue[1] | | | 37,165 | 19,070 | 31,229 | 30,687 | 39,798 | 41,442 | 10,609 | 54,310 | 52,195 |
| Other available funds⌂ | | | 14,031 | 13,974 | 32,199 | 36,525 | 31,215 | 39,119 | 23,569 | 44,315 | 110,204 |
| Funds available for revenue debt service | $ | | 51,196 | 33,044 | 63,428 | 67,212 | 71,013 | 80,561 | 34,178 | 98,625 | 162,399 |
| Revenue debt service** | $ | | N/A | N/A | N/A | 2,570 | 2,569 | 2,568 | 2,567 | 2,565 | 2,567 |
| **Revenue debt service coverage** | | | **N/A** | **N/A** | **N/A** | **26.15** | **27.64** | **31.37** | **13.31** | **38.45** | **63.29** |

Not Applicable (N/A) debt service for CREBs, QECBs and NCREBs, is subordinate in lien pursuant to Power's Master Trust Indenture dated May 1, 2015.
[1]Certain types of non-operating revenue is included in net revenue.
*Adjustment of investing activities and non-operating revenues to a cash basis.
**Series 2015 AB power revenue bonds senior lien debt service is capitalized through fiscal year 2018. So there is no basis for calculating debt service coverage from fiscal years 2015 to 2017.
⌂Starting fiscal year 2019, other available funds are calculated based on percentage of unrestricted net position due to implementation of new financial system, PeopleSoft. Fiscal year 2018 and prior, fund equity was determined by financial activities in the general ledger fund equity account, however it is no longer available in PeopleSoft.
#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.

Hetchy Power Revenue Debt Service Coverage



# Statistical Section

## Debt Capacity

## Debt Capacity
Debt Ratings
As of June 30, 2023

| Debt by Type | Ratings by Moody's Investors Service | Ratings by Standard & Poor's |
|---|---|---|
| **Water** | | |
| Revenue bonds | Aa2 | AA- |
| Commercial paper - $500 million tax-exempt/taxable | | |
| $200 million Sumitomo Mitsui Letter of Credit | P-1 | A-1 |
| $100 million Barclays PLC Letter of Credit | P-1 | A-1 |
| $100 million Sumitomo Mitsui Letter of Credit | P-1 | A-1 |
| $100 million US Bank Revolving Credit Agreement | N/A | N/A |
| Certificates of participation - SFPUC Headquarters Project* | Aa1 | AA+ |
| **Wastewater** | | |
| Revenue bonds | Aa2 | AA |
| Commercial paper - $750 million tax-exempt | | |
| $200 million State Street Liquidity Facility | P-1 | A-1+ |
| $150 million Bank of America Letter of Credit | P-1 | A-1 |
| $150 million Sumitomo Mitsui Letter of Credit | P-1 | A-1 |
| $100 million Sumitomo Mitsui Letter of Credit | P-1 | A-1 |
| $75 million Toronto Dominion Bank Liquidity Facility | P-1 | A-1+ |
| $75 million US Bank Revolving Credit Agreement | N/A | N/A |
| Certificates of participation - SFPUC Headquarters Project* | Aa1 | AA+ |
| **Hetchy Power** | | |
| Revenue bonds** | N/A | AA |
| Commercial paper - $250 million tax-exempt | | |
| $125 million Bank of America Letter of Credit*** | N/A | A-1 |
| $125 million Bank of America Letter of Credit*** | N/A | A-1 |
| Certificates of participation - SFPUC Headquarters Project* | Aa1 | AA+ |

*Bonds issued by CCSF and reflects General Fund COP credit rating at issuance.
**Hetchy Power revenue bonds are rated AA- by Fitch.
***Power letter of credit is rated F1+ by Fitch.
CleanPowerSF did not have any debt outstanding as of June 30, 2023 but had a credit rating of A2 from Moody's investor service.
Source: Rating agency reports.

### Water, Wastewater, Hetchy Power, and CleanPowerSF
Credit Ratings
Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Moody's Investors Service | | | | | | | | | | |
| Water | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 | Aa2 | Aa2 | Aa2 | Aa2 |
| Wastewater | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 | Aa2 | Aa2 | Aa2 | Aa2 |
| CleanPowerSF | First rating from Moody's assigned on December 9, 2020. | | | | | | | A2 | A2 | A2 |
| Standard & Poor's | | | | | | | | | | |
| Water | AA- | AA- | AA- | AA- | AA- | AA- | AA- | AA- | AA- | AA- |
| Wastewater | AA- | AA- | AA | AA | AA | AA | AA | AA | AA | AA |
| Hetchy Power | Zero debt prior to fiscal year 2015 | A+ | A+ | A+ | A+ | AA | AA | AA | AA | AA |
| Fitch Ratings | | | | | | | | | | |
| Hetchy Power | | AA- | AA- | AA- | AA- | AA- | AA- | AA- | AA- | AA- |

**Debt Capacity**
Water - Summary of Debt Outstanding (Exclude Commercial Paper)
As of June 30, 2023
(Dollars in Thousands)

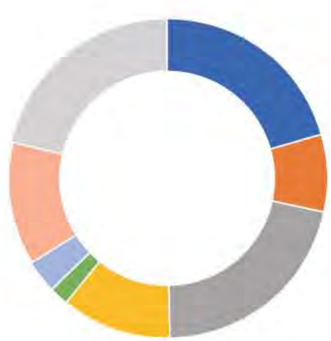
**Revenue Bonds and Certificates of Participation**

| **Revenue bonds** | | **Amount** | **Use of proceeds** |
|---|---|---|---|
| 2010 Series B (Build America Bonds) | $ | 336,390 | Water System Improvement Program |
| 2010 Series E (Build America Bonds) | | 332,403 | Water System Improvement Program |
| 2010 Series G (Build America Bonds) | | 354,328 | Water System Improvement Program |
| 2015 Series A | | 396,364 | Refunded remainder of 2006A Bonds and partial refunding of 2009A Bonds |
| 2016 Series A | | 770,298 | Refunded portion of 2009A, 2009B and 2010F Bonds |
| 2016 Series B | | 62,032 | Refunded remainder of 2006B and 2006C Bonds and portion of 2010A |
| 2016 Series C | | 225,160 | Refund all of outstanding taxable commercial paper notes. |
| 2017 Series A | | 27,269 | Water System Improvement Program |
| 2017 Series B | | 33,271 | Non Water System Improvement Program (Non-WSIP) |
| 2017 Series C | | 15,914 | Hetchy Water Improvements |
| 2017 Series D | | 394,196 | Refund 2011A and 2012A Bonds |
| 2017 Series E | | 53,608 | Refund 2011C, 2011D and 2012C1 Bonds |
| 2017 Series F | | 8,909 | Refund 2011B Bonds |
| 2017 Series G | | 18,890 | Refund 2011A Bonds |
| 2019 Series A | | 587,825 | Refunding Federal Taxable WSIP |
| 2019 Series B | | 16,315 | Refunding Federal Taxable Hetch Hetchy |
| 2019 Series B | | 17,775 | Refunding Federal Taxable Local Water Main |
| 2020 Series A | | 189,695 | Water System Improvement Program (Green Bonds) |
| 2020 Series B | | 74,009 | Regional Water |
| 2020 Series C | | 99,797 | Local Water |
| 2020 Series D | | 52,123 | Hetch Hetchy Water |
| 2020 Series E | | 335,035 | Refunding Federal Taxable WSIP |
| 2020 Series F | | 135,455 | Refunding Federal Taxable Non-WSIP |
| 2020 Series G | | 108,970 | Refunding Federal Taxable Local Water |
| 2020 Series H | | 64,815 | Refunding Federal Taxable Hetch Hetchy Water |
| **Total revenue bonds** | | **4,710,846** | |
| **State of California revolving fund loans** | | **163,627** | |
| **2009 Series D Certificates of participation (COPs)** | | **92,499** | 525 Golden Gate Avenue Headquarters Building |
| **Total Water debt outstanding** | **$** | **4,966,972** | |

Amount shown above are inclusive of unamortized bond premium and discount.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

## Water Debt Composition



| | | |
|---|---|---|
| 2010 | $1,023,121 | 20.60% |
| 2015 | $396,364 | 8.00% |
| 2016 | $1,057,490 | 21.30% |
| 2017 | $552,057 | 11.10% |
| 2009D-COP | $92,499 | 1.90% |
| SRF Loans | $163,627 | 3.30% |
| 2019 | $621,915 | 12.50% |
| 2020 | $1,059,899 | 21.30% |

## Debt Capacity

Wastewater - Summary of Debt Outstanding (Exclude Commercial Paper)
As of June 30, 2023
(Dollars in Thousands)

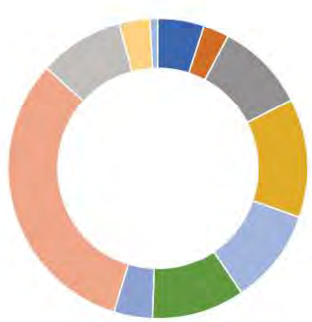
### Revenue Bonds, Notes, Loans and Certificates of Participation

| Revenue bonds/notes | | Amount | Use of proceeds |
|---|---|---|---|
| 2010 Series B (Build America Bonds) | $ | 185,235 | Clean Water Capital Improvement Programs |
| 2013 Series A | | 577 | Refunded the remaining portion of the 2003 Series A bonds |
| 2013 Series B | | 98,451 | Sewer System Improvement Program (SSIP) |
| 2016 Series A | | 269,154 | Sewer System Improvement Program (SSIP) |
| 2016 Series B | | 75,876 | Sewer System Improvement Program (SSIP) |
| 2018 Series A | | 246,296 | Sewer System Improvement Program (SSIP) |
| 2018 Series B | | 205,327 | Sewer System Improvement Program (SSIP) |
| 2021 Series A | | 322,320 | Sewer System Improvement Program (SSIP) |
| 2021 Series B | | 48,248 | Sewer System Improvement Program (SSIP) |
| 2021 Series A Notes | | 219,583 | Sewer System Improvement Program (SSIP) |
| 2021 Series B Notes | | 129,973 | Sewer System Improvement Program (SSIP) |
| 2022 Series B | | 151,973 | Refunding 2013 Series AB bonds |
| 2023 Series A | | 630,350 | Sewer System Improvement Program (SSIP) |
| 2023 Series B | | 324,524 | Capital Projects Non-SSIP |
| 2023 Series C | | 178,579 | Sewer System Improvement Program (SSIP) |
| **Total revenue bonds/notes** | | **3,086,466** | |
| **State of California revolving fund loans** | | **318,689** | Sewer System Improvement Program |
| **Water Infrastructure Finance and Innovation Act (WIFIA) Loans** | | **122,357** | WIFIA Loans |
| **2009 Series D Certificates of participation (COPs)** | | **24,458** | 525 Golden Gate Avenue Headquarters Building |
| **Total Wastewater debt outstanding** | **$** | **3,551,970** | |

Amount shown above are inclusive of unamortized bond premium and discount.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

### Wastewater Debt Composition



| | | |
|---|---|---|
| 2010 | $185,235 | 5.20% |
| 2013 | $99,028 | 2.80% |
| 2016 | $345,030 | 9.70% |
| 2018 | $451,623 | 12.70% |
| 2021 | $370,568 | 10.40% |
| 2021 Notes | $349,556 | 9.90% |
| 2022 | $151,973 | 4.30% |
| 2023 | $1,133,453 | 31.90% |
| SRF Loans | $318,689 | 9.00% |
| WIFIA | $122,357 | 3.40% |
| 2009D-COP | $24,458 | 0.70% |

**Debt Capacity**
Hetchy Power - Summary of Debt Outstanding (Exclude Commercial Paper)
As of June 30, 2023
(Dollars in Thousands)

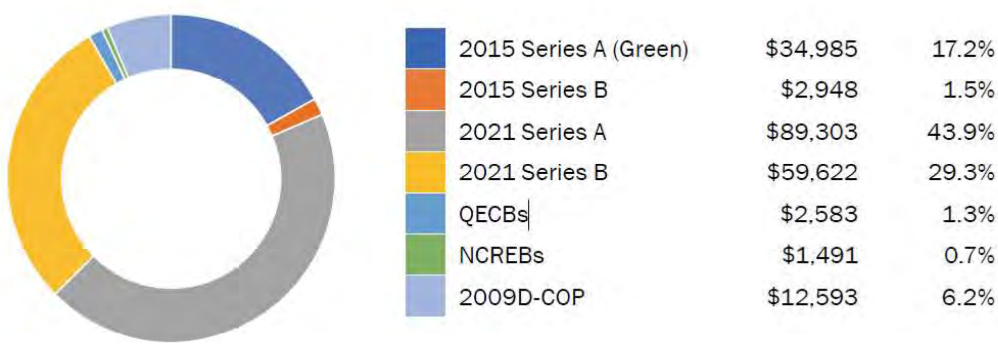
## Bonds and Certificates of Participation

| | | Amount | Use of proceeds |
|---|---|---|---|
| **Revenue Bonds** | | | |
| 2015 Series A (Green) | $ | 34,985 | Hetch Hetchy facilities |
| 2015 Series B | | 2,948 | Hetch Hetchy facilities |
| 2021 Series A | | 89,303 | Refinance portion costs of Hetchy Power projects |
| 2021 Series B | | 59,622 | Refinance portion costs of Hetchy Power projects |
| **Total revenue bonds** | | **186,858** | |
| **Other Bonds** | | | |
| Qualified Energy Conservation Bonds (QECBs) | | 2,583 | 525 Golden Gate Avenue green energy |
| 2015 New Clean Renewable Energy Bonds (NCREBs) | | 1,491 | City facilities renewable energy |
| **Total other bonds** | | **4,074** | |
| **2009 Series D Certificates of participation (COPs)** | | 12,593 | 525 Golden Gate Avenue Headquarters Building |
| **Total Hetchy Power debt outstanding** | **$** | **203,525** | |

Amount shown above are inclusive of unamortized bond premium and discount.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Hetchy Power Debt Composition



# Debt Capacity

History of Outstanding Debt by Type - Principal Only (Exclude Commercial Paper)
Fiscal Years Ended 2014 to 2023 (Dollars in Thousands)

### Department-wide

| Fiscal Year Ended | Bonds | Revenue Notes | Capital Appreciation Bonds* | State Revolving Fund Loans | Water Infrastructure Finance and Innovation Act (WIFIA) Loans | Certificates of Participation^ | Total |
|---|---|---|---|---|---|---|---|
| 2014 | $ 5,123,609 | $ — | $ 5,107 | $ — | $ — | $ 163,934 | $ 5,292,650 |
| 2015 | 5,106,187 | — | 5,471 | — | — | 160,615 | 5,272,273 |
| 2016 | 5,389,447 | — | 5,860 | — | — | 157,207 | 5,552,514 |
| 2017 | 5,657,792 | — | 6,278 | — | — | 153,673 | 5,817,743 |
| 2018 | 5,983,428 | — | 6,725 | 22,607 | — | 150,008 | 6,162,768 |
| 2019 | 6,513,703 | — | 2,029 | 88,032 | — | 146,207 | 6,749,971 |
| 2020 | 6,366,836 | — | — | 161,820 | — | 142,265 | 6,670,921 |
| 2021 | 6,631,009 | — | — | 215,966 | — | 138,180 | 6,985,155 |
| 2022 | 6,986,674 | 350,356 | — | 424,420 | — | 133,945 | 7,895,395 |
| 2023 | 7,638,688 | 349,556 | — | 482,316 | 122,357 | 129,550 | 8,722,467 |

### Water

| Fiscal Year Ended | Revenue Bonds^ | State Revolving Fund Loans | Capital Appreciation Bonds* | Certificates of Participation^ | Total | Service Area by Population# | Debt per Capita (in thousands) | Number of Customer Accounts | Debt per Customer Account (in thousands) |
|---|---|---|---|---|---|---|---|---|---|
| 2014 | $ 4,322,713 | $ — | $ 5,107 | $ 117,049 | $ 4,444,869 | 2,595,166 | $ 1.71 | 173,970 | $ 68,339.83 |
| 2015 | 4,298,827 | — | 5,471 | 114,680 | 4,418,978 | 2,635,893 | 1.68 | 174,111 | 68,405.91 |
| 2016 | 4,257,454 | — | 5,860 | 112,246 | 4,375,560 | 2,657,633 | 1.65 | 174,083 | 68,176.11 |
| 2017 | 4,554,967 | — | 6,278 | 109,722 | 4,670,967 | 2,680,705 | 1.74 | 174,349 | 62,970.33 |
| 2018 | 4,909,041 | — | 6,725 | 107,106 | 5,022,872 | 2,705,107 | 1.86 | 175,054 | 57,682.77 |
| 2019 | 4,808,548 | — | 2,029 | 104,392 | 4,914,969 | 2,710,848 | 1.81 | 175,803 | 57,577.34 |
| 2020 | 4,695,295 | 73,271 | — | 101,578 | 4,870,144 | 2,723,304 | 1.79 | 176,379 | 56,800.74 |
| 2021 | 4,994,775 | 107,407 | — | 98,662 | 5,200,844 | 2,654,192 | 1.96 | 176,246 | 50,351.04 |
| 2022 | 4,860,935 | 121,761 | — | 95,637 | 5,078,333 | 2,663,726 | 1.91 | 177,072 | 50,164.25 |
| 2023 ** | 4,710,846 | 163,627 | — | 92,499 | 4,966,972 | 2,665,928 | 1.86 | 177,613 | 49,647.08 |

### Wastewater

| Fiscal Year Ended | Revenue Bonds^ | Revenue Notes | State Revolving Fund Loans | Water Infrastructure Finance and Innovation Act (WIFIA) Loans | Certificates of Participation^ | Total | Service Area by Population# | Debt per Capita (in thousands) | Number of Customer Accounts | Debt per Customer Account (in thousands) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | $ 783,801 | $ — | $ — | $ — | 30,950 | $ 814,751 | 852,469 | $ 0.96 | 163,537 | $ 4.98 |
| 2015 | 747,185 | — | — | — | 30,323 | 777,508 | 862,004 | 0.90 | 163,686 | 4.75 |
| 2016 | 1,071,883 | — | — | — | 29,680 | 1,101,563 | 876,103 | 1.26 | 163,587 | 6.73 |
| 2017 | 1,044,925 | — | — | — | 29,013 | 1,073,938 | 879,166 | 1.22 | 163,738 | 6.56 |
| 2018 | 1,019,146 | — | 22,607 | — | 28,321 | 1,073,938 | 880,696 | 1.22 | 163,976 | 6.55 |
| 2019 | 1,652,609 | — | 88,032 | — | 27,603 | 1,768,244 | 881,549 | 2.01 | 173,956 | 10.16 |
| 2020 | 1,621,733 | — | 88,549 | — | 26,859 | 1,737,141 | 870,393 | 2.00 | 174,516 | 9.95 |
| 2021 | 1,589,922 | — | 108,559 | — | 26,087 | 1,724,568 | 811,253 | 2.13 | 174,356 | 9.89 |
| 2022 ** | 1,931,253 | 350,356 | 302,659 | — | 25,288 | 2,609,556 | 808,437 | 3.23 | 175,171 | 14.90 |
| 2023 | 2,736,910 | 349,556 | 318,689 | 122,357 | 24,458 | 3,551,970 | 798,206 | 4.45 | 175,680 | 20.22 |

### Hetchy Power

| Fiscal Year Ended | Bonds^ | Certificates of Participation^ | Total | Number of Customer Accounts | Debt per Customer Account (in thousands) |
|---|---|---|---|---|---|
| 2014 | $ 17,095 | $ 15,935 | $ 33,030 | 2,271 | $ 14.54 |
| 2015 | 60,175 | 15,612 | 75,787 | 2,305 | 32.88 |
| 2016 | 60,110 | 15,281 | 75,391 | 2,627 | 28.70 |
| 2017 | 57,900 | 14,938 | 75,391 | 3,068 | 24.57 |
| 2018 | 55,241 | 14,581 | 72,838 | 3,547 | 20.54 |
| 2019 | 52,546 | 14,212 | 66,758 | 3,747 | 17.82 |
| 2020 | 49,808 | 13,828 | 63,636 | 4,077 | 15.61 |
| 2021 | 46,312 | 13,431 | 59,743 | 5,385 | 11.09 |
| 2022 | 194,486 | 13,020 | 207,506 | 5,110 | 40.61 |
| 2023 | 190,932 | 12,593 | 203,525 | 6,238 | 32.63 |

*No annual payments for Series 1991A Capital Appreciation Bonds.
**2023 population was estimated by multiplying 2022 population by the 2021 and 2022 population growth rate.
#2022, 2021 and 2020 Updated from last year's ACFR with newly available data
^Bonds, Notes, and Certificates of Participation are inclusive of bond premiums and discounts.
Source: San Francisco Public Utilities Commission, Power Enterprise: Customer To Meter Billing System, FY2020 and prior from Utility Star Billing System, Water and Wastewater Enterprise: Customer Care and Billing System, Audited Financial Statements, Office of the Controller, City and County of San Francisco and BAWSCA.org.

## Debt Capacity

Department-wide - Future Principal and Interest Payments*
(Exclude Commercial Paper)
(Dollars in Thousands)

| Payments Due for FY Ended | Water | | | Wastewater | | | Power | | | SFPUC Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Principal | Total Interest | Total Principal & Interest Payments | Total Principal | Total Interest | Total Principal & Interest Payments | Total Principal | Total Interest | Total Principal & Interest Payments | Total Principal | Total Interest | Total Principal & Interest Payments |
| 2024 | $ 138,362 | 180,569 | 318,931 | 31,460 | 113,541 | 145,001 | 2,035 | 7,408 | 9,443 | 171,857 | 301,518 | 473,375 |
| 2025 | 143,887 | 174,980 | 318,867 | 41,858 | 115,614 | 157,472 | 4,062 | 7,296 | 11,358 | 189,807 | 297,890 | 487,697 |
| 2026 | 159,256 | 170,163 | 329,419 | 263,421 | 113,612 | 377,033 | 4,231 | 7,128 | 11,359 | 426,908 | 290,903 | 717,811 |
| 2027 | 165,149 | 163,373 | 328,522 | 209,597 | 111,877 | 321,474 | 4,399 | 6,955 | 11,354 | 379,145 | 282,205 | 661,350 |
| 2028 | 170,834 | 156,201 | 327,035 | 87,591 | 107,493 | 195,084 | 4,284 | 6,763 | 11,047 | 262,709 | 270,457 | 533,166 |
| 2029 | 179,317 | 148,965 | 328,282 | 115,417 | 102,886 | 218,303 | 4,184 | 6,566 | 10,750 | 298,918 | 258,417 | 557,335 |
| 2030 | 188,097 | 140,970 | 329,067 | 120,848 | 97,450 | 218,298 | 4,380 | 6,363 | 10,743 | 313,325 | 244,783 | 558,108 |
| 2031 | 194,899 | 133,090 | 327,989 | 126,558 | 91,737 | 218,295 | 4,592 | 6,156 | 10,748 | 326,049 | 230,983 | 557,032 |
| 2032 | 203,980 | 125,429 | 329,409 | 119,579 | 86,059 | 205,638 | 4,794 | 5,939 | 10,733 | 328,353 | 217,427 | 545,780 |
| 2033 | 206,930 | 117,109 | 324,039 | 112,238 | 80,745 | 192,983 | 4,928 | 5,721 | 10,649 | 324,096 | 203,575 | 527,671 |
| 2034 | 217,085 | 108,058 | 325,143 | 117,486 | 75,488 | 192,974 | 5,063 | 5,507 | 10,570 | 339,634 | 189,053 | 528,687 |
| 2035 | 225,120 | 98,586 | 323,706 | 122,999 | 69,976 | 192,975 | 5,287 | 5,281 | 10,568 | 353,406 | 173,843 | 527,249 |
| 2036 | 240,849 | 89,054 | 329,903 | 128,730 | 64,245 | 192,975 | 5,526 | 5,049 | 10,575 | 375,105 | 158,348 | 533,453 |
| 2037 | 253,428 | 79,393 | 332,821 | 103,333 | 59,056 | 162,389 | 5,778 | 4,805 | 10,583 | 362,539 | 143,254 | 505,793 |
| 2038 | 233,334 | 70,196 | 303,530 | 107,915 | 54,474 | 162,389 | 6,031 | 4,550 | 10,581 | 347,280 | 129,220 | 476,500 |
| 2039 | 241,967 | 61,676 | 303,643 | 112,648 | 49,737 | 162,385 | 6,300 | 4,283 | 10,583 | 360,915 | 115,696 | 476,611 |
| 2040 | 250,451 | 52,958 | 303,409 | 117,534 | 44,853 | 162,387 | 6,575 | 4,005 | 10,580 | 374,560 | 101,816 | 476,376 |
| 2041 | 208,135 | 44,913 | 253,048 | 122,556 | 39,824 | 162,380 | 6,866 | 3,713 | 10,579 | 337,557 | 88,450 | 426,007 |
| 2042 | 162,726 | 38,618 | 201,344 | 117,065 | 34,890 | 151,955 | 7,167 | 3,411 | 10,578 | 286,958 | 76,919 | 363,877 |
| 2043 | 114,823 | 33,897 | 148,720 | 120,282 | 30,038 | 150,320 | 6,500 | 3,115 | 9,615 | 241,605 | 67,050 | 308,655 |
| 2044 | 118,964 | 29,746 | 148,710 | 88,075 | 25,820 | 113,895 | 6,790 | 2,827 | 9,617 | 213,829 | 58,393 | 272,222 |
| 2045 | 82,375 | 26,023 | 108,398 | 91,590 | 22,287 | 113,877 | 7,090 | 2,527 | 9,617 | 181,055 | 50,837 | 231,892 |
| 2046 | 86,142 | 22,727 | 108,869 | 95,280 | 18,649 | 113,929 | 7,405 | 2,213 | 9,618 | 188,827 | 43,589 | 232,416 |
| 2047 | 90,074 | 19,281 | 109,355 | 99,141 | 14,848 | 113,989 | 7,720 | 1,898 | 9,618 | 196,935 | 36,027 | 232,962 |
| 2048 | 94,201 | 15,662 | 109,863 | 85,570 | 11,437 | 97,007 | 8,035 | 1,583 | 9,618 | 187,806 | 28,682 | 216,488 |
| 2049 | 100,590 | 11,662 | 112,252 | 86,697 | 8,417 | 95,114 | 8,360 | 1,255 | 9,615 | 195,647 | 21,334 | 216,981 |
| 2050 | 105,533 | 7,278 | 112,811 | 54,915 | 6,020 | 60,935 | 8,705 | 914 | 9,619 | 169,153 | 14,212 | 183,365 |
| 2051 | 110,728 | 2,675 | 113,403 | 55,127 | 4,235 | 59,362 | 9,060 | 558 | 9,618 | 174,915 | 7,468 | 182,383 |
| 2052 | 6,058 | 283 | 6,341 | 56,879 | 2,411 | 59,290 | 9,430 | 189 | 9,619 | 72,367 | 2,883 | 75,250 |
| 2053 | 6,117 | 222 | 6,339 | 18,185 | 1,360 | 19,545 | — | — | — | 24,302 | 1,582 | 25,884 |
| 2054 | 6,179 | 161 | 6,340 | 18,599 | 1,108 | 19,707 | — | — | — | 24,778 | 1,269 | 26,047 |
| 2055 | 6,241 | 99 | 6,340 | 14,721 | 851 | 15,572 | — | — | — | 20,962 | 950 | 21,912 |
| 2056 | 1,207 | 37 | 1,244 | 15,087 | 640 | 15,727 | — | — | — | 16,294 | 677 | 16,971 |
| 2057 | 1,220 | 25 | 1,245 | 10,223 | 422 | 10,645 | — | — | — | 11,443 | 447 | 11,890 |
| 2058 | 1,233 | 12 | 1,245 | 10,553 | 273 | 10,826 | — | — | — | 11,786 | 285 | 12,071 |
| 2059 | — | — | — | 10,883 | 119 | 11,002 | — | — | — | 10,883 | 119 | 11,002 |
| **Total** | **$ 4,715,491** | **2,324,089** | **7,039,582** | **3,210,639** | **1,662,493** | **4,873,132** | **175,577** | **123,979** | **299,556** | **8,101,707** | **4,110,563** | **12,212,270** |

May not total due to rounding.
*Principal and interest (net of federal interest subsidy) includes bonds, COPs, and state revolving fund loans (including fees) and excludes premium and discounts.

Source: San Francisco Public Utilities Commission Official Statements.

**Debt Capacity**

Water - Future Principal and Interest Payments

(Exclude Commercial Paper)

(Dollars in Thousands)

**Principal Payments**

| Payments Due for FY Ended | | State Revolving Fund Loans | COPs Series 2009D | 2010B | 2010E | 2010G | 2015A | 2016A | 2016B | 2016C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ | — | 3,267 | 13,245 | 13,165 | — | 28,070 | 23,590 | 13,175 | 6,105 |
| 2025 | | — | 3,402 | 13,725 | 13,610 | — | 29,485 | 24,800 | 13,720 | 6,275 |
| 2026 | | 3,781 | 3,545 | 14,225 | 14,080 | — | 30,990 | 26,050 | 7,715 | 6,455 |
| 2027 | | 3,819 | 3,695 | 14,765 | 14,585 | — | 20,945 | 38,150 | 8,015 | 6,645 |
| 2028 | | 3,857 | 3,852 | 15,355 | 15,125 | — | 20,530 | 46,305 | 3,815 | 6,850 |
| 2029 | | 4,819 | 4,013 | 15,965 | 15,715 | — | 21,580 | 48,655 | 3,990 | 7,075 |
| 2030 | | 4,867 | 4,180 | 16,600 | 16,340 | — | 22,685 | 51,135 | 4,180 | 7,310 |
| 2031 | | 4,915 | 4,359 | 17,260 | 16,990 | — | 23,810 | 53,460 | 4,370 | 7,565 |
| 2032 | | 4,965 | 4,545 | 17,945 | 17,665 | 11,060 | 25,000 | 34,135 | — | 7,835 |
| 2033 | | 5,013 | 4,737 | 18,660 | 18,365 | 11,575 | 26,280 | 35,875 | — | 8,120 |
| 2034 | | 5,064 | 4,941 | 19,405 | 19,095 | 12,110 | 27,490 | 37,710 | — | 8,435 |
| 2035 | | 5,115 | 5,155 | 20,175 | 19,855 | 12,665 | 28,610 | 39,670 | — | 8,760 |
| 2036 | | 5,166 | 5,373 | 20,980 | 20,645 | 13,255 | 29,765 | 41,745 | — | 9,110 |
| 2037 | | 5,218 | 5,605 | 21,810 | 21,470 | 13,865 | 31,135 | 43,670 | — | 9,475 |
| 2038 | | 5,270 | 5,844 | 22,680 | 22,320 | 14,505 | — | 45,455 | — | 9,860 |
| 2039 | | 5,323 | 6,094 | 23,580 | 23,210 | 15,175 | — | 47,305 | — | 10,265 |
| 2040 | | 5,376 | 6,355 | 24,520 | 24,130 | 15,880 | — | 49,235 | — | 10,685 |
| 2041 | | 5,430 | 6,625 | 25,495 | 25,090 | 16,610 | — | — | — | 11,125 |
| 2042 | | 5,484 | 6,912 | — | — | 17,380 | — | — | — | 11,585 |
| 2043 | | 5,538 | — | — | — | 18,180 | — | — | — | 12,070 |
| 2044 | | 5,594 | — | — | — | 19,025 | — | — | — | 12,590 |
| 2045 | | 5,650 | — | — | — | 19,900 | — | — | — | 13,125 |
| 2046 | | 5,707 | — | — | — | 20,820 | — | — | — | 13,685 |
| 2047 | | 5,764 | — | — | — | 21,785 | — | — | — | 14,270 |
| 2048 | | 5,821 | — | — | — | 22,790 | — | — | — | — |
| 2049 | | 5,880 | — | — | — | 23,845 | — | — | — | — |
| 2050 | | 5,938 | — | — | — | 24,945 | — | — | — | — |
| 2051 | | 5,998 | — | — | — | 26,100 | — | — | — | — |
| 2052 | | 6,058 | — | — | — | — | — | — | — | — |
| 2053 | | 6,117 | — | — | — | — | — | — | — | — |
| 2054 | | 6,179 | — | — | — | — | — | — | — | — |
| 2055 | | 6,241 | — | — | — | — | — | — | — | — |
| 2056 | | 1,207 | — | — | — | — | — | — | — | — |
| 2057 | | 1,220 | — | — | — | — | — | — | — | — |
| 2058 | | 1,233 | — | — | — | — | — | — | — | — |
| 2059 | | — | — | — | — | — | — | — | — | — |
| **Total** | **$** | **163,627** | **92,499** | **336,390** | **331,455** | **351,470** | **366,375** | **686,945** | **58,980** | **225,275** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

**Debt Capacity**

Water - Future Principal and Interest Payments

(Exclude Commercial Paper)

(Dollars in Thousands)

**Principal Payments**

| Payments Due for FY Ended | | 2017A | 2017B | 2017C | 2017D | 2017E | 2017F | 2017G | 2019A | 2019B | 2019C |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ | 2,445 | 2,985 | 1,425 | 1,270 | 795 | 735 | 13,665 | 3,565 | 70 | 80 |
| 2025 | | 2,570 | 3,135 | 1,500 | 10,230 | 835 | 770 | 5,225 | 3,640 | 75 | 80 |
| 2026 | | 2,705 | 3,295 | 1,575 | 20,515 | 7,425 | 875 | — | 3,720 | 75 | 80 |
| 2027 | | 2,840 | 3,465 | 1,660 | 21,540 | 7,830 | 920 | — | 3,805 | 80 | 85 |
| 2028 | | 2,990 | 3,645 | 1,745 | 22,615 | 6,630 | 965 | — | 3,900 | 80 | 90 |
| 2029 | | 3,140 | 3,830 | 1,830 | 23,740 | 7,080 | 1,020 | — | 4,000 | 85 | 90 |
| 2030 | | 3,300 | 4,025 | 1,925 | 24,935 | 8,555 | 855 | — | 4,105 | 85 | 95 |
| 2031 | | — | — | — | 26,140 | 7,960 | 905 | — | 4,215 | 90 | 95 |
| 2032 | | — | — | — | 14,980 | 1,015 | 960 | — | 31,095 | 90 | 100 |
| 2033 | | — | — | — | 46,855 | — | — | — | 4,055 | 1,340 | 1,465 |
| 2034 | | — | — | — | 59,875 | — | — | — | 4,180 | 1,385 | 1,510 |
| 2035 | | — | — | — | 61,540 | — | — | — | 4,310 | 1,425 | 1,550 |
| 2036 | | — | — | — | 11,105 | — | — | — | 63,930 | 1,470 | 1,600 |
| 2037 | | 4,685 | 5,715 | 2,735 | — | — | — | — | 80,670 | 1,525 | 1,660 |
| 2038 | | — | — | — | — | — | — | — | 86,145 | 1,575 | 1,720 |
| 2039 | | — | — | — | — | — | — | — | 38,500 | 1,630 | 1,775 |
| 2040 | | — | — | — | — | — | — | — | 39,650 | 1,690 | 1,835 |
| 2041 | | — | — | — | — | — | — | — | 40,970 | 1,745 | 1,900 |
| 2042 | | — | — | — | — | — | — | — | 42,370 | 1,800 | 1,965 |
| 2043 | | — | — | — | — | — | — | — | 59,450 | — | — |
| 2044 | | — | — | — | — | — | — | — | 61,550 | — | — |
| 2045 | | — | — | — | — | — | — | — | — | — | — |
| 2046 | | — | — | — | — | — | — | — | — | — | — |
| 2047 | | — | — | — | — | — | — | — | — | — | — |
| 2048 | | — | — | — | — | — | — | — | — | — | — |
| 2049 | | — | — | — | — | — | — | — | — | — | — |
| 2050 | | — | — | — | — | — | — | — | — | — | — |
| 2051 | | — | — | — | — | — | — | — | — | — | — |
| 2052 | | — | — | — | — | — | — | — | — | — | — |
| 2053 | | — | — | — | — | — | — | — | — | — | — |
| 2054 | | — | — | — | — | — | — | — | — | — | — |
| 2055 | | — | — | — | — | — | — | — | — | — | — |
| 2056 | | — | — | — | — | — | — | — | — | — | — |
| 2057 | | — | — | — | — | — | — | — | — | — | — |
| 2058 | | — | — | — | — | — | — | — | — | — | — |
| 2059 | | — | — | — | — | — | — | — | — | — | — |
| **Total** | **$** | **24,675** | **30,095** | **14,395** | **345,340** | **48,125** | **8,005** | **18,890** | **587,825** | **16,315** | **17,775** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity
Water - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

| | Principal Payments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Payments Due for FY Ended | 2020A | 2020B | 2020C | 2020D | 2020E | 2020F | 2020G | 2020H | Total Principal Payments |
| 2024 | $ — | — | — | — | 1,530 | 1,430 | 7,065 | 685 | 138,362 |
| 2025 | — | — | — | — | 1,575 | 1,440 | 7,105 | 690 | 143,887 |
| 2026 | — | — | — | — | 1,620 | 1,450 | 8,385 | 695 | 159,256 |
| 2027 | — | — | — | — | 1,665 | 1,465 | 8,475 | 700 | 165,149 |
| 2028 | — | — | — | — | 1,715 | 1,485 | 8,575 | 710 | 170,834 |
| 2029 | — | — | — | — | 1,765 | 1,505 | 8,700 | 720 | 179,317 |
| 2030 | — | — | — | — | 1,815 | 1,530 | 8,840 | 735 | 188,097 |
| 2031 | — | — | — | — | 5,300 | 5,720 | 9,005 | 2,740 | 194,899 |
| 2032 | — | — | — | — | 5,450 | 5,830 | 18,520 | 2,790 | 203,980 |
| 2033 | — | — | — | — | 5,605 | 5,955 | 10,180 | 2,850 | 206,930 |
| 2034 | — | — | — | — | 5,770 | 6,090 | 1,110 | 2,915 | 217,085 |
| 2035 | — | — | — | — | 5,930 | 6,235 | 1,140 | 2,985 | 225,120 |
| 2036 | — | — | — | — | 6,100 | 6,385 | 1,165 | 3,055 | 240,849 |
| 2037 | — | — | — | — | 1,645 | 910 | 1,200 | 435 | 253,428 |
| 2038 | — | — | — | — | 6,560 | 6,875 | 1,235 | 3,290 | 233,334 |
| 2039 | — | — | — | — | 57,375 | 7,075 | 1,275 | 3,385 | 241,967 |
| 2040 | — | — | — | — | 59,020 | 7,280 | 1,315 | 3,480 | 250,451 |
| 2041 | — | — | — | — | 60,715 | 7,490 | 1,355 | 3,585 | 208,135 |
| 2042 | — | — | — | — | 62,450 | 7,700 | 1,395 | 3,685 | 162,726 |
| 2043 | — | — | — | — | 6,405 | 7,940 | 1,440 | 3,800 | 114,823 |
| 2044 | — | — | — | — | 6,600 | 8,195 | 1,490 | 3,920 | 118,964 |
| 2045 | 10,730 | 4,300 | 5,950 | 3,425 | 6,795 | 8,455 | — | 4,045 | 82,375 |
| 2046 | 11,445 | 4,590 | 6,340 | 3,660 | 7,000 | 8,725 | — | 4,170 | 86,142 |
| 2047 | 12,195 | 4,895 | 6,760 | 3,895 | 7,205 | 9,000 | — | 4,305 | 90,074 |
| 2048 | 19,525 | 7,840 | 10,825 | 6,240 | 7,425 | 9,290 | — | 4,445 | 94,201 |
| 2049 | 30,970 | 12,520 | 17,360 | 10,015 | — | — | — | — | 100,590 |
| 2050 | 32,160 | 13,240 | 18,550 | 10,700 | — | — | — | — | 105,533 |
| 2051 | 33,870 | 13,945 | 19,550 | 11,265 | — | — | — | — | 110,728 |
| 2052 | — | — | — | — | — | — | — | — | 6,058 |
| 2053 | — | — | — | — | — | — | — | — | 6,117.0 |
| 2054 | — | — | — | — | — | — | — | — | 6,179.0 |
| 2055 | — | — | — | — | — | — | — | — | 6,241.0 |
| 2056 | — | — | — | — | — | — | — | — | 1,207.0 |
| 2057 | — | — | — | — | — | — | — | — | 1,220.0 |
| 2058 | — | — | — | — | — | — | — | — | 1,233.0 |
| 2059 | — | — | — | — | — | — | — | — | — |
| **Total** | **$ 150,895** | **61,330** | **$ 85,335** | **49,200** | **335,035** | **135,455** | **108,970** | **64,815** | **4,715,491** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Water - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

**Interest Payments**

| Payments Due for FY Ended | | State Revolving Fund Loans | COPs 2009D Before Subsidy | 2010B Before Subsidy | 2010E Before Subsidy | 2010G Before Subsidy | 2015A | 2016A | 2016B | 2016C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ | — | 5,864 | 19,614 | 19,105 | 24,426 | 16,642 | 31,365 | 2,099 | 8,463 |
| 2025 | | — | 5,652 | 18,872 | 18,418 | 24,427 | 15,222 | 30,156 | 1,569 | 8,298 |
| 2026 | | 1,315 | 5,431 | 18,103 | 17,692 | 24,427 | 13,720 | 28,885 | 1,209 | 8,118 |
| 2027 | | 1,277 | 5,201 | 17,270 | 16,917 | 24,427 | 12,420 | 27,280 | 894 | 7,925 |
| 2028 | | 1,239 | 4,961 | 16,365 | 16,084 | 24,427 | 11,385 | 25,169 | 639 | 7,719 |
| 2029 | | 1,522 | 4,710 | 15,426 | 15,182 | 24,427 | 10,332 | 22,795 | 464 | 7,498 |
| 2030 | | 1,474 | 4,450 | 14,448 | 14,219 | 24,428 | 9,225 | 20,300 | 279 | 7,260 |
| 2031 | | 1,425 | 4,176 | 13,433 | 13,219 | 24,428 | 8,097 | 17,952 | 87 | 7,007 |
| 2032 | | 1,376 | 3,887 | 12,376 | 12,180 | 24,043 | 6,915 | 16,030 | — | 6,738 |
| 2033 | | 1,325 | 3,585 | 11,278 | 11,099 | 23,256 | 5,632 | 14,280 | — | 6,448 |
| 2034 | | 1,276 | 3,272 | 10,136 | 9,976 | 22,433 | 4,425 | 12,440 | — | 6,137 |
| 2035 | | 1,225 | 2,944 | 8,950 | 8,809 | 21,572 | 3,303 | 10,506 | — | 5,809 |
| 2036 | | 1,174 | 2,602 | 7,714 | 7,593 | 20,672 | 2,145 | 8,470 | — | 5,463 |
| 2037 | | 1,122 | 2,247 | 6,430 | 6,329 | 19,729 | 778 | 6,554 | — | 5,098 |
| 2038 | | 1,071 | 1,875 | 5,096 | 5,015 | 18,743 | — | 4,771 | — | 4,712 |
| 2039 | | 1,018 | 1,488 | 3,708 | 3,650 | 17,712 | — | 2,916 | — | 4,306 |
| 2040 | | 964 | 1,084 | 2,265 | 2,229 | 16,633 | — | 985 | — | 3,883 |
| 2041 | | 911 | 664 | 765 | 753 | 15,504 | — | — | — | 3,443 |
| 2042 | | 856 | 224 | — | — | 14,323 | — | — | — | 2,985 |
| 2043 | | 801 | — | — | — | 13,087 | — | — | — | 2,499 |
| 2044 | | 746 | — | — | — | 11,794 | — | — | — | 1,983 |
| 2045 | | 690 | — | — | — | 10,441 | — | — | — | 1,445 |
| 2046 | | 634 | — | — | — | 9,026 | — | — | — | 884 |
| 2047 | | 577 | — | — | — | 7,546 | — | — | — | 299 |
| 2048 | | 519 | — | — | — | 5,997 | — | — | — | — |
| 2049 | | 461 | — | — | — | 4,376 | — | — | — | — |
| 2050 | | 402 | — | — | — | 2,681 | — | — | — | — |
| 2051 | | 343 | — | — | — | 907 | — | — | — | — |
| 2052 | | 283 | — | — | — | — | — | — | — | — |
| 2053 | | 222 | — | — | — | — | — | — | — | — |
| 2054 | | 161 | — | — | — | — | — | — | — | — |
| 2055 | | 99 | — | — | — | — | — | — | — | — |
| 2056 | | 37 | — | — | — | — | — | — | — | — |
| 2057 | | 25 | — | — | — | — | — | — | — | — |
| 2058 | | 12 | — | — | — | — | — | — | — | — |
| 2059 | | — | — | — | — | — | — | — | — | — |
| **Total** | **$** | **26,580** | **64,317** | **202,249** | **198,469** | **475,892** | **120,241** | **280,854** | **7,240** | **124,419** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

**Debt Capacity**
Water - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

| Interest Payments | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Payments Due for FY Ended** | **2017A** | **2017B** | **2017C** | **2017D** | **2017E** | **2017F** | **2017G** | **2019A** | **2019B** | **2019C** |
| 2024 | $ 1,173 | 1,431 | 685 | 17,131 | 2,338 | 381 | 343 | 19,258 | 555 | 605 |
| 2025 | 1,047 | 1,277 | 611 | 16,843 | 2,296 | 344 | 76 | 19,185 | 553 | 603 |
| 2026 | 915 | 1,116 | 534 | 16,074 | 2,090 | 303 | — | 19,105 | 551 | 600 |
| 2027 | 777 | 947 | 453 | 15,024 | 1,709 | 258 | — | 19,018 | 549 | 598 |
| 2028 | 631 | 770 | 368 | 13,919 | 1,347 | 211 | — | 18,924 | 546 | 595 |
| 2029 | 478 | 583 | 279 | 12,760 | 1,004 | 162 | — | 18,825 | 543 | 592 |
| 2030 | 317 | 386 | 185 | 11,543 | 613 | 115 | — | 18,722 | 541 | 589 |
| 2031 | 234 | 285 | 136 | 10,307 | 220 | 71 | — | 18,611 | 538 | 586 |
| 2032 | 234 | 286 | 137 | 9,331 | 20 | 24 | — | 18,119 | 535 | 583 |
| 2033 | 234 | 286 | 137 | 7,798 | — | — | — | 17,623 | 513 | 558 |
| 2034 | 234 | 286 | 137 | 5,129 | — | — | — | 17,499 | 470 | 511 |
| 2035 | 234 | 286 | 137 | 2,094 | — | — | — | 17,367 | 425 | 463 |
| 2036 | 234 | 286 | 137 | 277 | — | — | — | 16,244 | 377 | 411 |
| 2037 | 118 | 142 | 67 | — | — | — | — | 13,856 | 324 | 353 |
| 2038 | — | — | — | — | — | — | — | 11,101 | 270 | 294 |
| 2039 | — | — | — | — | — | — | — | 9,042 | 213 | 232 |
| 2040 | — | — | — | — | — | — | — | 7,752 | 155 | 168 |
| 2041 | — | — | — | — | — | — | — | 6,385 | 94 | 103 |
| 2042 | — | — | — | — | — | — | — | 4,938 | 32 | 35 |
| 2043 | — | — | — | — | — | — | — | 3,170 | — | — |
| 2044 | — | — | — | — | — | — | — | 1,069 | — | — |
| 2045 | — | — | — | — | — | — | — | — | — | — |
| 2046 | — | — | — | — | — | — | — | — | — | — |
| 2047 | — | — | — | — | — | — | — | — | — | — |
| 2048 | — | — | — | — | — | — | — | — | — | — |
| 2049 | — | — | — | — | — | — | — | — | — | — |
| 2050 | — | — | — | — | — | — | — | — | — | — |
| 2051 | — | — | — | — | — | — | — | — | — | — |
| 2052 | — | — | — | — | — | — | — | — | — | — |
| 2053 | — | — | — | — | — | — | — | — | — | — |
| 2054 | — | — | — | — | — | — | — | — | — | — |
| 2055 | — | — | — | — | — | — | — | — | — | — |
| 2056 | — | — | — | — | — | — | — | — | — | — |
| 2057 | — | — | — | — | — | — | — | — | — | — |
| 2058 | — | — | — | — | — | — | — | — | — | — |
| 2059 | — | — | — | — | — | — | — | — | — | — |
| **Total** | **$ 6,860** | **8,367** | **4,003** | **138,230** | **11,637** | **1,869** | **419** | **295,813** | **7,784** | **8,479** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Water - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

**Interest Payments**

| Payments Due for FY Ended | | 2020A | 2020B | 2020C | 2020D | 2020E | 2020F | 2020G | 2020H | Federal Interest Subsidy | Total Interest Payments Net of Subsidy | Total Principal & Interest Payments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ | 7,294 | 3,066 | 3,414 | 1,476 | 9,493 | 3,594 | 1,810 | 1,720 | (22,776) | 180,569 | 318,931 |
| 2025 | | 7,295 | 3,066 | 3,414 | 1,477 | 9,449 | 3,586 | 1,765 | 1,715 | (22,235) | 174,980 | 318,867 |
| 2026 | | 7,295 | 3,066 | 3,413 | 1,476 | 9,404 | 3,575 | 1,704 | 1,710 | (21,668) | 170,163 | 329,419 |
| 2027 | | 7,295 | 3,066 | 3,414 | 1,476 | 9,357 | 3,559 | 1,621 | 1,703 | (21,061) | 163,373 | 328,522 |
| 2028 | | 7,295 | 3,066 | 3,414 | 1,476 | 9,310 | 3,541 | 1,515 | 1,694 | (20,409) | 156,201 | 327,035 |
| 2029 | | 7,295 | 3,067 | 3,414 | 1,476 | 9,261 | 3,519 | 1,387 | 1,684 | (19,720) | 148,965 | 328,282 |
| 2030 | | 7,295 | 3,067 | 3,414 | 1,476 | 9,210 | 3,494 | 1,241 | 1,672 | (18,993) | 140,970 | 329,067 |
| 2031 | | 7,295 | 3,066 | 3,414 | 1,476 | 9,109 | 3,429 | 1,084 | 1,641 | (18,237) | 133,090 | 327,989 |
| 2032 | | 7,295 | 3,066 | 3,414 | 1,476 | 8,958 | 3,320 | 820 | 1,589 | (17,324) | 125,429 | 329,409 |
| 2033 | | 7,295 | 3,066 | 3,413 | 1,476 | 8,801 | 3,197 | 524 | 1,530 | (16,245) | 117,109 | 324,039 |
| 2034 | | 7,295 | 3,067 | 3,413 | 1,476 | 8,641 | 3,062 | 400 | 1,465 | (15,122) | 108,058 | 325,143 |
| 2035 | | 7,295 | 3,067 | 3,413 | 1,476 | 8,476 | 2,918 | 374 | 1,396 | (13,953) | 98,586 | 323,706 |
| 2036 | | 7,295 | 3,067 | 3,413 | 1,476 | 8,306 | 2,764 | 346 | 1,322 | (12,734) | 89,054 | 329,903 |
| 2037 | | 7,295 | 3,067 | 3,413 | 1,476 | 8,196 | 2,672 | 313 | 1,278 | (11,464) | 79,393 | 332,821 |
| 2038 | | 7,295 | 3,067 | 3,413 | 1,476 | 8,080 | 2,561 | 275 | 1,225 | (10,143) | 70,196 | 303,530 |
| 2039 | | 7,295 | 3,067 | 3,413 | 1,476 | 7,177 | 2,363 | 236 | 1,130 | (8,765) | 61,676 | 303,643 |
| 2040 | | 7,295 | 3,067 | 3,413 | 1,476 | 5,533 | 2,159 | 196 | 1,033 | (7,331) | 52,958 | 303,409 |
| 2041 | | 7,295 | 3,067 | 3,413 | 1,476 | 3,842 | 1,949 | 155 | 932 | (5,837) | 44,913 | 253,048 |
| 2042 | | 7,295 | 3,067 | 3,413 | 1,476 | 2,102 | 1,733 | 112 | 829 | (4,801) | 38,618 | 201,344 |
| 2043 | | 7,295 | 3,067 | 3,413 | 1,476 | 1,126 | 1,498 | 68 | 717 | (4,319) | 33,897 | 148,720 |
| 2044 | | 7,295 | 3,067 | 3,413 | 1,476 | 934 | 1,244 | 23 | 595 | (3,893) | 29,746 | 148,710 |
| 2045 | | 7,026 | 2,959 | 3,294 | 1,425 | 737 | 983 | — | 470 | (3,446) | 26,023 | 108,398 |
| 2046 | | 6,471 | 2,737 | 3,049 | 1,318 | 534 | 712 | — | 341 | (2,979) | 22,727 | 108,869 |
| 2047 | | 5,893 | 2,500 | 2,787 | 1,205 | 325 | 434 | — | 207 | (2,491) | 19,281 | 109,355 |
| 2048 | | 5,131 | 2,181 | 2,435 | 1,053 | 109 | 146 | — | 70 | (1,979) | 15,662 | 109,863 |
| 2049 | | 3,917 | 1,672 | 1,871 | 809 | — | — | — | — | (1,444) | 11,662 | 112,252 |
| 2050 | | 2,400 | 1,028 | 1,153 | 498 | — | — | — | — | (885) | 7,278 | 112,811 |
| 2051 | | 814 | 349 | 391 | 169 | — | — | — | — | (299) | 2,675 | 113,403 |
| 2052 | | — | — | — | — | — | — | — | — | — | 283 | 6,341 |
| 2053 | | — | — | — | — | — | — | — | — | — | 222 | 6,339 |
| 2054 | | — | — | — | — | — | — | — | — | — | 161 | 6,340 |
| 2055 | | — | — | — | — | — | — | — | — | — | 99 | 6,340 |
| 2056 | | — | — | — | — | — | — | — | — | — | 37 | 1,244 |
| 2057 | | — | — | — | — | — | — | — | — | — | 25 | 1,245 |
| 2058 | | — | — | — | — | — | — | — | — | — | 12 | 1,245 |
| 2059 | | — | — | — | — | — | — | — | — | — | — | — |
| **Total** | **$** | **184,844** | **77,822** | **86,661** | **37,474** | **156,470** | **62,012** | **15,969** | **29,668** | **(310,553)** | **2,324,089** | **7,039,582** |

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Wastewater - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

**Principal Payments**

| Payments Due for FY Ended | State Revolving Fund Loans | WIFIA Loans | COPs Series 2009D | 2010B | 2013A | 2013B | 2016A | 2016B | 2018A | 2018B |
|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ 2,526 | — | 864 | 7,505 | 575 | — | 5,475 | 1,545 | 7,160 | 5,810 |
| 2025 | 5,588 | — | 900 | 7,745 | — | — | 5,760 | 1,625 | 6,580 | 5,335 |
| 2026 | 5,669 | — | 937 | 8,000 | — | — | 6,055 | 1,705 | 6,915 | 5,610 |
| 2027 | 9,215 | — | 977 | 8,270 | — | — | 6,365 | 1,795 | 7,270 | 5,900 |
| 2028 | 9,347 | — | 1,019 | 8,560 | — | — | 6,690 | 1,885 | 7,645 | 6,200 |
| 2029 | 9,481 | — | 1,061 | 8,860 | — | — | 7,035 | 1,980 | 8,035 | 6,520 |
| 2030 | 9,618 | — | 1,105 | 9,180 | — | — | 7,395 | 2,085 | 8,445 | 6,855 |
| 2031 | 9,756 | — | 1,152 | 9,520 | — | — | 7,775 | 2,190 | 8,880 | 7,205 |
| 2032 | 9,897 | — | 1,202 | 9,875 | — | — | 8,170 | 2,305 | 9,335 | 7,575 |
| 2033 | 10,040 | — | 1,253 | 10,250 | — | — | 8,590 | 2,420 | 9,815 | 7,960 |
| 2034 | 10,184 | — | 1,307 | 10,640 | — | — | 9,030 | 2,545 | 10,315 | 8,375 |
| 2035 | 10,331 | — | 1,363 | 11,045 | — | — | 9,495 | 2,675 | 10,845 | 8,800 |
| 2036 | 10,480 | — | 1,420 | 11,470 | — | — | 9,980 | 2,815 | 11,400 | 9,255 |
| 2037 | 10,631 | — | 1,482 | 11,910 | — | — | 10,495 | 2,960 | 11,985 | 9,730 |
| 2038 | 10,785 | — | 1,545 | 12,365 | — | — | 10,975 | 3,095 | 12,600 | 10,225 |
| 2039 | 10,941 | — | 1,612 | 12,845 | — | — | 11,425 | 3,220 | 13,245 | 10,750 |
| 2040 | 11,099 | — | 1,680 | 13,340 | — | — | 11,890 | 3,350 | 13,880 | 11,275 |
| 2041 | 11,259 | — | 1,752 | 13,855 | — | 20,390 | 12,375 | 3,490 | 14,510 | 11,790 |
| 2042 | 11,422 | — | 1,828 | — | — | 35,625 | 12,880 | 3,630 | 15,170 | 12,325 |
| 2043 | 11,587 | — | — | — | — | 37,080 | 13,405 | 3,780 | 15,860 | 12,890 |
| 2044 | 11,755 | 3,180 | — | — | — | — | 13,955 | 3,935 | 11,445 | 9,305 |
| 2045 | 11,926 | 3,204 | — | — | — | — | 14,520 | 4,095 | — | — |
| 2046 | 12,098 | 3,302 | — | — | — | — | 15,115 | 4,260 | — | — |
| 2047 | 12,274 | 3,412 | — | — | — | — | 15,730 | 4,435 | — | — |
| 2048 | 12,452 | 7,068 | — | — | — | — | — | — | — | — |
| 2049 | 10,607 | 7,300 | — | — | — | — | — | — | — | — |
| 2050 | 10,754 | 8,181 | — | — | — | — | — | — | — | — |
| 2051 | 9,189 | 8,438 | — | — | — | — | — | — | — | — |
| 2052 | 9,044 | 8,755 | — | — | — | — | — | — | — | — |
| 2053 | 9,161 | 9,024 | — | — | — | — | — | — | — | — |
| 2054 | 9,281 | 9,318 | — | — | — | — | — | — | — | — |
| 2055 | 5,110 | 9,611 | — | — | — | — | — | — | — | — |
| 2056 | 5,182 | 9,905 | — | — | — | — | — | — | — | — |
| 2057 | — | 10,223 | — | — | — | — | — | — | — | — |
| 2058 | — | 10,553 | — | — | — | — | — | — | — | — |
| 2059 | — | 10,883 | — | — | — | — | — | — | — | — |
| **Total** | **$ 318,689** | **$ 122,357** | **24,458** | **185,235** | **575** | **93,095** | **240,580** | **67,820** | **221,335** | **179,690** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Wastewater - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

**Principal Payments**

| Payments Due for FY Ended | | 2021A | 2021B | 2021A Notes | 2021B Notes | 2022B | 2023A | 2023B | 2023C | Total Principal Payments |
|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ | — | — | — | — | — | — | — | — | 31,460 |
| 2025 | | — | — | — | — | 8,325 | — | — | — | 41,858 |
| 2026 | | — | — | 218,355 | — | 10,175 | — | — | — | 263,421 |
| 2027 | | — | — | — | 129,110 | 10,695 | 22,000 | 8,000 | — | 209,597 |
| 2028 | | — | — | — | — | 11,245 | 25,500 | 9,500 | — | 87,591 |
| 2029 | | — | — | — | — | 11,825 | 44,250 | 16,370 | — | 115,417 |
| 2030 | | — | — | — | — | 12,425 | 46,650 | 17,090 | — | 120,848 |
| 2031 | | — | — | — | — | 13,065 | 49,045 | 17,970 | — | 126,558 |
| 2032 | | — | — | — | — | 13,735 | 41,760 | 15,725 | — | 119,579 |
| 2033 | | — | — | — | — | 14,440 | 34,740 | 12,730 | — | 112,238 |
| 2034 | | — | — | — | — | 15,185 | 36,255 | 13,650 | — | 117,486 |
| 2035 | | — | — | — | — | 15,965 | 38,405 | 14,075 | — | 122,999 |
| 2036 | | — | — | — | — | — | 41,560 | 30,350 | — | 128,730 |
| 2037 | | — | — | — | — | — | 20,820 | 23,320 | — | 103,333 |
| 2038 | | — | — | — | — | — | 21,895 | 24,430 | — | 107,915 |
| 2039 | | — | — | — | — | — | 23,035 | 25,575 | — | 112,648 |
| 2040 | | — | — | — | — | — | 24,230 | 26,790 | — | 117,534 |
| 2041 | | — | — | — | — | — | 24,070 | 9,065 | — | 122,556 |
| 2042 | | — | — | — | — | — | 17,695 | 6,490 | — | 117,065 |
| 2043 | | — | — | — | — | — | 18,655 | 7,025 | — | 120,282 |
| 2044 | | 23,905 | 3,340 | — | — | — | — | — | 7,255 | 88,075 |
| 2045 | | 25,130 | 3,515 | — | — | — | — | — | 29,200 | 91,590 |
| 2046 | | 26,420 | 3,695 | — | — | — | — | — | 30,390 | 95,280 |
| 2047 | | 27,775 | 3,885 | — | — | — | — | — | 31,630 | 99,141 |
| 2048 | | 29,050 | 4,080 | — | — | — | — | — | 32,920 | 85,570 |
| 2049 | | 30,235 | 4,290 | — | — | — | — | — | 34,265 | 86,697 |
| 2050 | | 31,470 | 4,510 | — | — | — | — | — | — | 54,915 |
| 2051 | | 32,755 | 4,745 | — | — | — | — | — | — | 55,127 |
| 2052 | | 34,095 | 4,985 | — | — | — | — | — | — | 56,879 |
| 2053 | | — | — | — | — | — | — | — | — | 18,185 |
| 2054 | | — | — | — | — | — | — | — | — | 18,599 |
| 2055 | | — | — | — | — | — | — | — | — | 14,721 |
| 2056 | | — | — | — | — | — | — | — | — | 15,087 |
| 2057 | | — | — | — | — | — | — | — | — | 10,223 |
| 2058 | | — | — | — | — | — | — | — | — | 10,553 |
| 2059 | | — | — | — | — | — | — | — | — | 10,883 |
| **Total** | **$** | **260,835** | **37,045** | **218,355** | **129,110** | **137,080** | **530,565** | **278,155** | **165,660** | **3,210,639** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Wastewater - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

### Interest Payments*

| Payments Due for FY Ended | State Revolving Fund Loans * | WIFIA Loans | COPs 2009D Before Subsidy | 2010B Before Subsidy | 2013A | 2013B | 2016A | 2016B | 2018A | 2018B | 2021A |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ 1,479 | — | 1,551 | 10,169 | 14 | 3,724 | 10,509 | 2,962 | 10,179 | 8,839 | 11,466 |
| 2025 | 2,708 | — | 1,494 | 9,801 | — | 3,724 | 10,228 | 2,883 | 9,836 | 8,560 | 11,466 |
| 2026 | 2,627 | 886 | 1,436 | 9,409 | — | 3,724 | 9,963 | 2,809 | 9,498 | 8,287 | 11,466 |
| 2027 | 4,336 | 1,773 | 1,375 | 8,992 | — | 3,724 | 9,683 | 2,729 | 9,144 | 7,999 | 11,466 |
| 2028 | 4,203 | 1,773 | 1,312 | 8,550 | — | 3,724 | 9,356 | 2,637 | 8,771 | 7,697 | 11,466 |
| 2029 | 4,069 | 1,773 | 1,245 | 8,084 | — | 3,724 | 9,013 | 2,541 | 8,379 | 7,379 | 11,466 |
| 2030 | 3,933 | 1,773 | 1,177 | 7,592 | — | 3,724 | 8,652 | 2,439 | 7,967 | 7,044 | 11,466 |
| 2031 | 3,794 | 1,773 | 1,104 | 7,073 | — | 3,724 | 8,273 | 2,333 | 7,533 | 6,692 | 11,466 |
| 2032 | 3,654 | 1,773 | 1,027 | 6,523 | — | 3,724 | 7,875 | 2,220 | 7,078 | 6,323 | 11,466 |
| 2033 | 3,511 | 1,774 | 949 | 5,945 | — | 3,724 | 7,455 | 2,101 | 6,599 | 5,935 | 11,466 |
| 2034 | 3,366 | 1,773 | 865 | 5,344 | — | 3,724 | 7,015 | 1,977 | 6,096 | 5,527 | 11,466 |
| 2035 | 3,219 | 1,773 | 778 | 4,720 | — | 3,724 | 6,552 | 1,847 | 5,567 | 5,097 | 11,466 |
| 2036 | 3,070 | 1,773 | 689 | 4,073 | — | 3,724 | 6,066 | 1,710 | 5,011 | 4,646 | 11,466 |
| 2037 | 2,919 | 1,773 | 594 | 3,397 | — | 3,723 | 5,553 | 1,565 | 4,426 | 4,172 | 11,465 |
| 2038 | 2,766 | 1,774 | 495 | 2,690 | — | 3,723 | 5,071 | 1,430 | 3,813 | 3,673 | 11,466 |
| 2039 | 2,610 | 1,773 | 393 | 1,957 | — | 3,723 | 4,623 | 1,303 | 3,166 | 3,149 | 11,465 |
| 2040 | 2,452 | 1,773 | 287 | 1,194 | — | 3,723 | 4,157 | 1,172 | 2,557 | 2,598 | 11,466 |
| 2041 | 2,291 | 1,773 | 175 | 402 | — | 3,316 | 3,672 | 1,035 | 1,989 | 2,021 | 11,465 |
| 2042 | 2,128 | 1,773 | 59 | — | — | 2,196 | 3,167 | 893 | 1,396 | 1,417 | 11,466 |
| 2043 | 1,963 | 1,774 | — | — | — | 742 | 2,641 | 745 | 775 | 787 | 11,465 |
| 2044 | 1,795 | 1,762 | — | — | — | — | 2,094 | 590 | 228 | 233 | 10,868 |
| 2045 | 1,625 | 1,717 | — | — | — | — | 1,524 | 430 | — | — | 9,642 |
| 2046 | 1,452 | 1,670 | — | — | — | — | 932 | 265 | — | — | 8,353 |
| 2047 | 1,277 | 1,621 | — | — | — | — | 314 | 89 | — | — | 6,999 |
| 2048 | 1,099 | 1,558 | — | — | — | — | — | — | — | — | 5,723 |
| 2049 | 918 | 1,456 | — | — | — | — | — | — | — | — | 4,538 |
| 2050 | 771 | 1,346 | — | — | — | — | — | — | — | — | 3,303 |
| 2051 | 622 | 1,227 | — | — | — | — | — | — | — | — | 2,018 |
| 2052 | 502 | 1,103 | — | — | — | — | — | — | — | — | 681 |
| 2053 | 384 | 976 | — | — | — | — | — | — | — | — | — |
| 2054 | 265 | 844 | — | — | — | — | — | — | — | — | — |
| 2055 | 144 | 707 | — | — | — | — | — | — | — | — | — |
| 2056 | 73 | 567 | — | — | — | — | — | — | — | — | — |
| 2057 | — | 422 | — | — | — | — | — | — | — | — | — |
| 2058 | — | 273 | — | — | — | — | — | — | — | — | — |
| 2059 | — | 119 | — | — | — | — | — | — | — | — | — |
| **Total** | **$ 72,024** | **48,398** | **17,006** | **105,915** | **14** | **69,558** | **144,388** | **40,705** | **120,008** | **108,075** | **281,441** |

(Continued)

May not total due to rounding.
* Interest and fees include debt admin fees for the Clarifier SRF loan and North Point Facility SRF Loan.

Source: San Francisco Public Utilities Commission Official Statements.

**Debt Capacity**

Wastewater - Future Principal and Interest Payments

(Exclude Commercial Paper)

(Dollars in Thousands)

**Interest Payments**

| Payments Due for FY Ended | 2021B | 2021A Notes | 2021B Notes | 2022B | 2023A | 2023B | 2023C | Federal Interest Subsidy | Total Interest Payments Net of Subsidy | Total Principal & Interest Payments |
|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ 1,851 | 2,185 | 1,291 | 6,854 | 25,303 | 12,737 | 6,296 | (3,868) | 113,541 | 145,001 |
| 2025 | 1,851 | 2,183 | 1,292 | 6,646 | 26,635 | 13,408 | 6,627 | (3,728) | 115,614 | 157,472 |
| 2026 | 1,853 | 1,091 | 1,290 | 6,183 | 26,635 | 13,407 | 6,627 | (3,579) | 113,612 | 377,033 |
| 2027 | 1,852 | — | 646 | 5,662 | 26,085 | 13,207 | 6,626 | (3,422) | 111,877 | 321,474 |
| 2028 | 1,852 | — | — | 5,113 | 24,898 | 12,769 | 6,627 | (3,255) | 107,493 | 195,084 |
| 2029 | 1,852 | — | — | 4,536 | 23,154 | 12,124 | 6,626 | (3,079) | 102,886 | 218,303 |
| 2030 | 1,853 | — | — | 3,930 | 20,881 | 11,287 | 6,626 | (2,894) | 97,450 | 218,298 |
| 2031 | 1,852 | — | — | 3,293 | 18,489 | 10,411 | 6,626 | (2,699) | 91,737 | 218,295 |
| 2032 | 1,852 | — | — | 2,623 | 16,219 | 9,568 | 6,626 | (2,492) | 86,059 | 205,638 |
| 2033 | 1,853 | — | — | 1,919 | 14,306 | 8,857 | 6,626 | (2,275) | 80,745 | 192,983 |
| 2034 | 1,853 | — | — | 1,178 | 12,531 | 8,197 | 6,626 | (2,050) | 75,488 | 192,974 |
| 2035 | 1,853 | — | — | 399 | 10,665 | 7,504 | 6,626 | (1,814) | 69,976 | 192,975 |
| 2036 | 1,853 | — | — | — | 8,666 | 6,444 | 6,626 | (1,572) | 64,245 | 192,975 |
| 2037 | 1,852 | — | — | — | 7,106 | 5,202 | 6,626 | (1,317) | 59,056 | 162,389 |
| 2038 | 1,852 | — | — | — | 6,038 | 4,108 | 6,626 | (1,051) | 54,474 | 162,389 |
| 2039 | 1,852 | — | — | — | 4,915 | 2,958 | 6,626 | (776) | 49,737 | 162,385 |
| 2040 | 1,853 | — | — | — | 3,734 | 1,749 | 6,626 | (488) | 44,853 | 162,387 |
| 2041 | 1,852 | — | — | — | 2,496 | 902 | 6,626 | (191) | 39,824 | 162,380 |
| 2042 | 1,852 | — | — | — | 1,422 | 514 | 6,627 | (20) | 34,890 | 151,955 |
| 2043 | 1,853 | — | — | — | 490 | 176 | 6,627 | — | 30,038 | 150,320 |
| 2044 | 1,769 | — | — | — | — | — | 6,481 | — | 25,820 | 113,895 |
| 2045 | 1,596 | — | — | — | — | — | 5,753 | — | 22,287 | 113,877 |
| 2046 | 1,416 | — | — | — | — | — | 4,561 | — | 18,649 | 113,929 |
| 2047 | 1,227 | — | — | — | — | — | 3,321 | — | 14,848 | 113,989 |
| 2048 | 1,028 | — | — | — | — | — | 2,029 | — | 11,437 | 97,007 |
| 2049 | 820 | — | — | — | — | — | 685 | — | 8,417 | 95,114 |
| 2050 | 600 | — | — | — | — | — | — | — | 6,020 | 60,935 |
| 2051 | 368 | — | — | — | — | — | — | — | 4,235 | 59,362 |
| 2052 | 125 | — | — | — | — | — | — | — | 2,411 | 59,290 |
| 2053 | — | — | — | — | — | — | — | — | 1,360 | 19,545 |
| 2054 | — | — | — | — | — | — | — | — | 1,108 | 19,707 |
| 2055 | — | — | — | — | — | — | — | — | 851 | 15,572 |
| 2056 | — | — | — | — | — | — | — | — | 640 | 15,727 |
| 2057 | — | — | — | — | — | — | — | — | 422 | 10,645 |
| 2058 | — | — | — | — | — | — | — | — | 273 | 10,826 |
| 2059 | — | — | — | — | — | — | — | — | 119 | 11,002 |
| **Total** | **$ 45,995** | **5,459** | **4,519** | **48,336** | **280,668** | **155,529** | **155,025** | **(40,570)** | **1,662,493** | **4,873,132** |

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

**Debt Capacity**

Power - Future Principal and Interest Payments

(Exclude Commercial Paper)

(Dollars in Thousands)

**Principal Payments**

| Payments Due for FY Ended | COPs Series 2009D | Qualified Energy Conservation Bonds 2011 | 2015A | 2015B | New Clean Renewable Energy Bonds 2015 | 2021A | 2021B | Total Principal Payments |
|---|---|---|---|---|---|---|---|---|
| 2024 | $ 445 | 562 | — | 880 | 148 | — | — | 2,035 |
| 2025 | 463 | 569 | — | 910 | 150 | 1,385 | 585 | 4,062 |
| 2026 | 483 | 576 | — | 945 | 152 | 1,455 | 620 | 4,231 |
| 2027 | 503 | 582 | 830 | 150 | 154 | 1,530 | 650 | 4,399 |
| 2028 | 524 | 294 | 1,020 | — | 156 | 1,605 | 685 | 4,284 |
| 2029 | 546 | — | 1,075 | — | 158 | 1,690 | 715 | 4,184 |
| 2030 | 569 | — | 1,125 | — | 161 | 1,775 | 750 | 4,380 |
| 2031 | 594 | — | 1,185 | — | 163 | 1,860 | 790 | 4,592 |
| 2032 | 619 | — | 1,240 | — | 165 | 1,945 | 825 | 4,794 |
| 2033 | 644 | — | 1,305 | — | 84 | 2,035 | 860 | 4,928 |
| 2034 | 673 | — | 1,370 | — | — | 2,115 | 905 | 5,063 |
| 2035 | 702 | — | 1,435 | — | — | 2,200 | 950 | 5,287 |
| 2036 | 731 | — | 1,510 | — | — | 2,290 | 995 | 5,526 |
| 2037 | 763 | — | 1,585 | — | — | 2,385 | 1,045 | 5,778 |
| 2038 | 796 | — | 1,665 | — | — | 2,480 | 1,090 | 6,031 |
| 2039 | 830 | — | 1,745 | — | — | 2,585 | 1,140 | 6,300 |
| 2040 | 865 | — | 1,835 | — | — | 2,690 | 1,185 | 6,575 |
| 2041 | 901 | — | 1,925 | — | — | 2,800 | 1,240 | 6,866 |
| 2042 | 942 | — | 2,020 | — | — | 2,915 | 1,290 | 7,167 |
| 2043 | — | — | 2,125 | — | — | 3,030 | 1,345 | 6,500 |
| 2044 | — | — | 2,230 | — | — | 3,155 | 1,405 | 6,790 |
| 2045 | — | — | 2,340 | — | — | 3,285 | 1,465 | 7,090 |
| 2046 | — | — | 2,460 | — | — | 3,420 | 1,525 | 7,405 |
| 2047 | — | — | — | — | — | 3,560 | 4,160 | 7,720 |
| 2048 | — | — | — | — | — | 3,705 | 4,330 | 8,035 |
| 2049 | — | — | — | — | — | 3,855 | 4,505 | 8,360 |
| 2050 | — | — | — | — | — | 4,010 | 4,695 | 8,705 |
| 2051 | — | — | — | — | — | 4,175 | 4,885 | 9,060 |
| 2052 | — | — | — | — | — | 4,345 | 5,085 | 9,430 |
| 2053 | — | — | — | — | — | — | — | — |
| 2054 | — | — | — | — | — | — | — | — |
| 2055 | — | — | — | — | — | — | — | — |
| 2056 | — | — | — | — | — | — | — | — |
| 2057 | — | — | — | — | — | — | — | — |
| 2058 | — | — | — | — | — | — | — | — |
| 2059 | — | — | — | — | — | — | — | — |
| **Total** | **$ 12,593** | **2,583** | **32,025** | **2,885** | **1,491** | **74,280** | **49,720** | **175,577** |

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

## Debt Capacity

Power - Future Principal and Interest Payments
(Exclude Commercial Paper)
(Dollars in Thousands)

| | Interest Payments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Payments Due for FY Ended | COPs 2009D Before Subsidy | QECBs 2011 Before Subsidy | 2015A | 2015B | NCREBs 2015 Before Subsidy | 2021A | 2021B | Federal Interest Subsidy | Total Interest Payments Net of Subsidy | Total Principal & Interest Payments |
| 2024 | $ 798 | 116 | 1,593 | 93 | 67 | 3,085 | 2,045 | (389) | 7,408 | 9,443 |
| 2025 | 769 | 89 | 1,593 | 62 | 60 | 3,050 | 2,030 | (357) | 7,296 | 11,358 |
| 2026 | 739 | 62 | 1,593 | 25 | 53 | 2,979 | 2,000 | (323) | 7,128 | 11,359 |
| 2027 | 709 | 35 | 1,576 | 3 | 47 | 2,905 | 1,969 | (289) | 6,955 | 11,354 |
| 2028 | 675 | 7 | 1,534 | — | 39 | 2,826 | 1,935 | (253) | 6,763 | 11,047 |
| 2029 | 641 | — | 1,482 | — | 32 | 2,744 | 1,900 | (233) | 6,566 | 10,750 |
| 2030 | 606 | — | 1,427 | — | 25 | 2,657 | 1,864 | (216) | 6,363 | 10,743 |
| 2031 | 568 | — | 1,369 | — | 17 | 2,576 | 1,825 | (199) | 6,156 | 10,748 |
| 2032 | 530 | — | 1,308 | — | 9 | 2,490 | 1,784 | (182) | 5,939 | 10,733 |
| 2033 | 488 | — | 1,245 | — | 2 | 2,401 | 1,747 | (162) | 5,721 | 10,649 |
| 2034 | 446 | — | 1,178 | — | — | 2,318 | 1,712 | (147) | 5,507 | 10,570 |
| 2035 | 400 | — | 1,108 | — | — | 2,231 | 1,674 | (132) | 5,281 | 10,568 |
| 2036 | 354 | — | 1,034 | — | — | 2,142 | 1,636 | (117) | 5,049 | 10,575 |
| 2037 | 307 | — | 957 | — | — | 2,048 | 1,594 | (101) | 4,805 | 10,583 |
| 2038 | 255 | — | 876 | — | — | 1,951 | 1,552 | (84) | 4,550 | 10,581 |
| 2039 | 203 | — | 790 | — | — | 1,850 | 1,507 | (67) | 4,283 | 10,583 |
| 2040 | 148 | — | 701 | — | — | 1,744 | 1,461 | (49) | 4,005 | 10,580 |
| 2041 | 90 | — | 607 | — | — | 1,634 | 1,412 | (30) | 3,713 | 10,579 |
| 2042 | 30 | — | 508 | — | — | 1,520 | 1,363 | (10) | 3,411 | 10,578 |
| 2043 | — | — | 405 | — | — | 1,401 | 1,309 | — | 3,115 | 9,615 |
| 2044 | — | — | 296 | — | — | 1,277 | 1,254 | — | 2,827 | 9,617 |
| 2045 | — | — | 181 | — | — | 1,149 | 1,197 | — | 2,527 | 9,617 |
| 2046 | — | — | 62 | — | — | 1,014 | 1,137 | — | 2,213 | 9,618 |
| 2047 | — | — | — | — | — | 875 | 1,023 | — | 1,898 | 9,618 |
| 2048 | — | — | — | — | — | 730 | 853 | — | 1,583 | 9,618 |
| 2049 | — | — | — | — | — | 578 | 677 | — | 1,255 | 9,615 |
| 2050 | — | — | — | — | — | 421 | 493 | — | 914 | 9,619 |
| 2051 | — | — | — | — | — | 257 | 301 | — | 558 | 9,618 |
| 2052 | — | — | — | — | — | 87 | 102 | — | 189 | 9,619 |
| 2053 | — | — | — | — | — | — | — | — | — | — |
| 2054 | — | — | — | — | — | — | — | — | — | — |
| 2055 | — | — | — | — | — | — | — | — | — | — |
| 2056 | — | — | — | — | — | — | — | — | — | — |
| 2057 | — | — | — | — | — | — | — | — | — | — |
| 2058 | — | — | — | — | — | — | — | — | — | — |
| 2059 | — | — | — | — | — | — | — | — | — | — |
| **Total** | **$ 8,756** | **309** | **23,423** | **183** | **351** | **52,940** | **41,356** | **(3,339)** | **123,979** | **299,556** |

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

# Statistical Section

## Demographic and Economic Information

City and County of San Francisco Economic and General Information

Summary of Accounts by Type of Customer

Water Accounts and Billings

Historical Water Sales in Hundred Cubic Feet

Historical Water Sales in Millions of Gallons per Day

Historical Water Sales in Millions of Gallons

Wholesale Water Customers

Accounts and Billings by Type of Customer

Historical Hetchy Water Sales

Historical Hetchy Power Electric Sales

Historical CleanPowerSF Electric Sales

## City and County of San Francisco Economic and General Information

The following provides general economic and demographic information about the City and County of San Francisco (the "City").

### San Francisco Area

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 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.

### San Francisco Economy

San Francisco benefits from a highly skilled, educated, and professional labor force. Key industries include high tech, tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. 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, technology, multimedia and advertising, biotechnology, and higher education.

Due to increase of mortgage interest rates, San Francisco median homes prices decreased slightly by $250,000 from $1.8 million to $1.6 million. Personal income per capita for 2023 is $169,758 and a typical home costs approximately 11 times the typical income, one of the higher home price-to-income ratio in the nation.

### San Francisco Population and Income

The City had a population estimated at 798,206 as of fiscal year 2023. The table reflects the population and per capita personal income of the City, as estimated based on the U.S. Census Bureau.

**CITY AND COUNTY OF SAN FRANCISCO**
**Population and Income - Fiscal Years 2019-2023**

| Fiscal Year | Population[1] | Per Capita Personal Income[2] |
|---|---|---|
| 2019 | 881,549 | 133,442 |
| 2020 | 870,393 | 141,072 |
| 2021 | 811,253 | 161,532 |
| 2022 | 808,437 | 165,259 |
| 2023 | 798,206 | 169,758 |

[1] 2023 population was estimated by multiplying the estimated 2022 population by the 2020 to 2021 population growth rate. Fiscal year 2020, 2021 and 2022 has been updated from last year's ACFR with newly available data.

[2] Per capita personal income for 2023 was estimated by dividing the estimated personal income for 2023 by the reported population in 2022. Fiscal years 2020, 2021 and 2022 are updated from last year's ACFR with newly available data. FY2023 was estimated by multiplying the latest quarterly State income by 1,000 and dividing by the estimated 2022 population.

Source: Office of the Controller, City and County of San Francisco

### San Francisco Conventions and Tourism

According to the San Francisco Travel Association (the "Travel Association"), a non-profit membership organization, average hotel occupancy was 62.1%, an increase of 43.7% from 2021 and hotel rooms occupied during Moscone conventions totaled 347,788, a 1,933% increase from 2021. San Francisco International Airport served over 42.3 million passengers in 2022, an increase of 74% from 2020 but is still down from 2019's 57.8 million passengers. It is forecast for 2023, leisure travel to continue to steady recovery and is forecast to reach 23.9 million and visitor spending is expected to grow from $7.4 billion in 2022 to $8.7 billion in 2023.

### San Francisco Employment

According to the data from California Employment Development Department, the City's unemployment rate increased by 0.8% in 2023. This increase is mainly due to the added 4,100 or 0.7% in the labor force. The 0.8% increase is comparable to the overall State unemployment rate increase from 2022 to 2023.

Tables below summarizes information on the civilian labor, employment, and unemployment in the City; and employment by industry from calendar years 2018 to 2022.

**CITY AND COUNTY OF SAN FRANCISCO**
**Civilian Labor Force, Employment, and Unemployment [1]**
**June 2022 and 2023[2]**

| Year | Area | Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|---|
| June 2023 | San Francisco | 576,700 | 557,900 | 18,800 | 3.3% |
| | State | 19,308,700 | 18,364,000 | 944,700 | 4.9% |
| June 2022 | San Francisco | 572,600 | 558,300 | 14,300 | 2.5% |
| | State | 19,138,600 | 18,347,600 | 791,000 | 4.1% |

[1]Labor force data reflects the March 2022 benchmark and Census 2022 population controls at the state level. June 2022 data is updated from last year's ACFR with newly available data.
[2]Data not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division.

**CITY AND COUNTY OF SAN FRANCISCO**
**Estimated Average Annual Employment by Sector - Calendar Years 2018-2022[1]**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Total Farm | 200 | 400 | 200 | 300 | 300 |
| Total Nonfarm | 735,000 | 762,500 | 696,300 | 698,700 | 760,100 |
| Professional & Business Services | 195,400 | 203,100 | 200,900 | 200,600 | 219,100 |
| Leisure & Hospitality | 98,500 | 101,800 | 59,100 | 57,000 | 75,900 |
| Government | 98,200 | 98,800 | 98,200 | 101,300 | 105,900 |
| Educational & Health Services | 90,300 | 94,100 | 91,500 | 93,900 | 95,800 |
| Trade, Transportation & Utilities | 82,600 | 84,300 | 73,200 | 70,100 | 72,700 |
| Financial Activities | 59,900 | 62,000 | 60,300 | 61,000 | 64,200 |
| Information | 46,100 | 52,500 | 54,600 | 58,200 | 64,300 |
| Manufacturing & Construction | 36,400 | 37,900 | 36,600 | 33,800 | 36,600 |
| Other Services | 27,800 | 28,400 | 22,100 | 23,100 | 25,900 |
| **Total All Industries** | **735,200** | **762,900** | **696,500** | **699,000** | **760,400** |

[1]Data reflects the March 2022 benchmark and 2021 is updated with newly available data.

Source: California Employment Development Department, Labor Market Information Division.

The table below lists 25 major employers in San Francisco County, as reported by the San Francisco Business Times.

| CITY AND COUNTY OF SAN FRANCISCO<br>Major Employers | |
|---|---|
| **Employer Name** | **Industry** |
| **More than 10,000 Employees** | |
| City and County of San Francisco | City Government |
| Salesforce | Customer Relationship Management Software |
| San Francisco Unified School District (SFUSD) | Public Education |
| University of California, San Francisco | Health Sciences University and Medical Center |
| **5,000 - 9,999 Employees** | |
| Sutter Health | Health Care System |
| Uber Technologies Inc. | Ride-Sharing Service |
| Wells Fargo Bank | Financial Services |
| **1,000 - 4,999 Employees** | |
| Accenture | Professional Services and Technology Consulting |
| Adobe Inc. | Digital media and marketing |
| Airbnb Inc. | Online Vacation Rental Services |
| Allied Universal | Security Systems, Guarding Services |
| Cisco Systems Inc. | Technology, Networking, Security and Digital |
| CommonSpirit Health | Health Care System |
| Cruise | Develops all electric, self-driving vehicles |
| Deloitte | Accounting, Audit, Tax, Advisory, Consulting |
| DoorDash Inc. | On-demand logistics platform for local commerce |
| Ernst and Young | Accounting, Audit, Tax, Advisory, Consulting |
| First Republic Bank | Financial Services |
| Kaiser Permanente | Health Care System |
| Linkedin Corp | Online Professional Network |
| Safeway Northern California Division | Grocery stores |
| Square Inc. | Financial and Merchant Services, Mobile payments |
| Twitter Inc. | Social Media |
| United Airlines | Airline Carrier |
| University of San Francisco | University Education |

Source: Calendar year 2021 San Francisco Business Times and City and County of San Francisco. Calendar year 2022 data is not available yet.

## San Francisco Taxable Sales

The following table provides information on taxable sales for the City for calendar years 2018 through 2022. Total retail sales increased in 2022 by approximately $1.8 billion compared to 2021.

| CITY AND COUNTY OF SAN FRANCISCO<br>Taxable Sales - Calendar Years 2018-2022[1]<br>($ in Thousands) | | | | | |
|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** |
| Building Material/Garden Equipment/Supplies | $ 681,369 | 718,692 | 642,104 | 685,895 | 691,182 |
| Clothing and Clothing Accessories Stores | 2,046,414 | 2,029,312 | 1,163,031 | 1,587,968 | 1,746,756 |
| Food and Beverage Stores | 856,217 | 861,757 | 746,455 | 722,410 | 768,429 |
| Food Services and Drinking Places | 4,844,464 | 5,046,263 | 2,081,728 | 2,953,373 | 4,266,095 |
| Gasoline Stations | 583,480 | 548,509 | 304,977 | 432,768 | 612,261 |
| General Merchandise Stores | 790,845 | 755,350 | 560,059 | 667,930 | 691,405 |
| Home Furnishings and Appliance Stores | 1,018,006 | 1,034,213 | 768,022 | 919,239 | 940,945 |
| Motor Vehicle and Parts Dealers | 674,008 | 601,929 | 593,476 | 625,719 | 575,323 |
| Other Retail Stores[2] | 2,535,667 | 2,671,219 | 2,690,590 | 2,508,494 | 2,633,438 |
| **Retails Stores Total** | **$ 14,030,470** | **14,267,244** | **9,550,442** | **11,103,796** | **12,925,834** |
| All Other Outlets not listed above | 6,312,252 | 6,689,891 | 4,839,281 | 4,839,281 | 6,685,572 |
| **Total All Outlets** | **$ 20,342,722** | **20,957,135** | **14,389,723** | **16,607,116** | **19,611,406** |

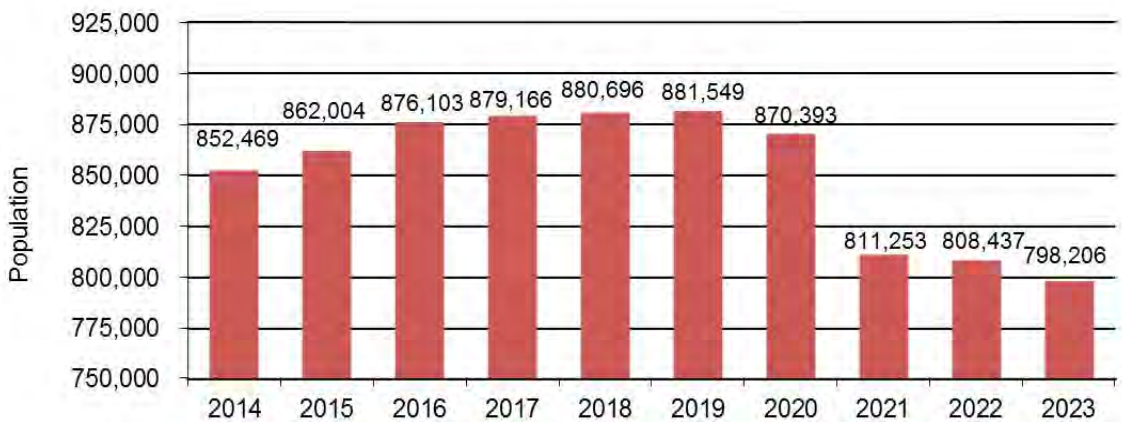
[1]Most recent annual data available and may not total due to rounding.

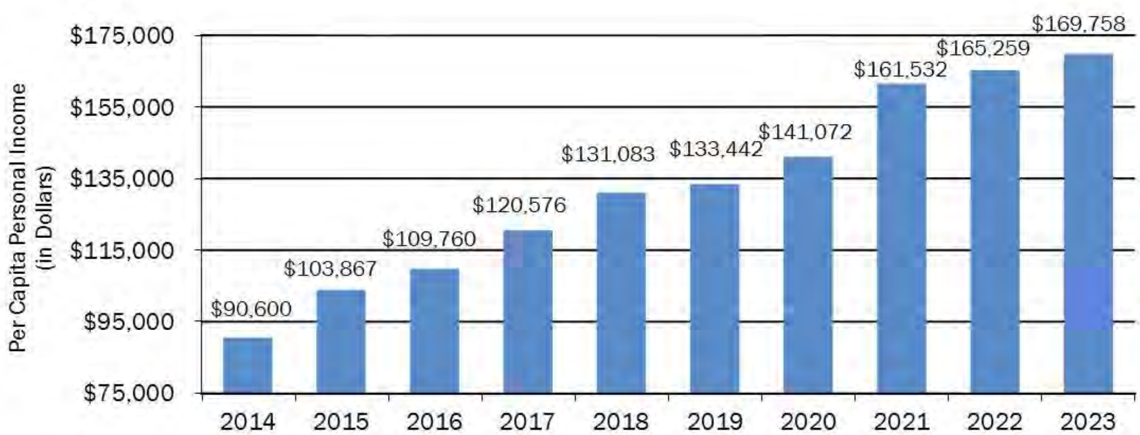
[2]Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby Book, and Music stores, Miscellaneous Store Retailers, and Non-store Retailers.

Source: California Department of Tax and Fee Administration.

**Demographic and Economic Information**
San Francisco Population and Income
Fiscal Years Ended 2014 to 2023

| Year | Population [1] | Personal Income (In Thousands) [2] | Per Capita Personal income [2] |
|---|---|---|---|
| 2014 | 852,469 | $ 77,233,279 | $ 90,600 |
| 2015 | 862,004 | 89,533,450 | 103,867 |
| 2016 | 876,103 | 96,161,308 | 109,760 |
| 2017 | 879,166 | 106,006,635 | 120,576 |
| 2018 | 880,696 | 115,444,581 | 131,083 |
| 2019 | 881,549 | 117,635,944 | 133,442 |
| 2020 | 870,393 | 122,788,484 | 141,072 |
| 2021 | 811,253 | 131,043,138 | 161,532 |
| 2022 | 808,437 | 133,601,151 | 165,259 |
| 2023 | 798,206[3] | 137,238,298 [4] | 169,758 [5] |




[1]Data from US Census Bureau. Fiscal year 2020, 2021 and 2022 has been updated from last year's Annual Comprehensive Financial Report (ACFR) with newly available data.

[2]Data from US Bureau of Economic Analysis. Fiscal years 2020, 2021 and 2022 are updated from last year's ACFR with newly available data.

[3]2023 population was calculated by multiplying the estimated 2022 population by the 2020 to 2021 population growth rate.

[4]Personal income was estimated by assuming that its percentage of state personal income in fiscal years 2021 and 2022 remained at the 2021 level of 4.44 percent.

[5]Per capita personal income for 2023 was estimated by dividing the estimated personal income for 2023 by the reported population in 2022. 2023 was estimated by multiplying the latest quarterly State income by 1,000 and dividing by the estimated 2022 population.

Source: Office of the Controller, City and County of San Francisco.

## Demographic & Economic Information

San Francisco City and County Principal Employers

| Employer | 2021[1] Employees | 2021[1] Rank | 2021[1] Percentage of Total City Employment | 2012[2] Employees | 2012[2] Rank | 2012[2] Percentage of Total City Employment |
|---|---|---|---|---|---|---|
| City and County of San Francisco | 35,802 | 1 | 6.4 % | 25,458 | 1 | 5.3 % |
| University of California, San Francisco | 29,500 | 2 | 5.3 | 22,664 | 2 | 4.7 |
| Salesforce | 10,603 | 3 | 1.9 | 4,000 | 9 | 0.8 |
| San Francisco Unified School District | 10,322 | 4 | 1.8 | 8,189 | 5 | 1.7 |
| Sutter Health | 6,100 | 5 | 1.1 | — | — | — |
| Wells Fargo Bank | 5,899 | 6 | 1.1 | 8,300 | 4 | 1.7 |
| Uber Technologies Inc. | 5,500 | 7 | 1.0 | — | — | — |
| Allied Universal | 4,095 | 8 | 0.7 | — | — | — |
| Kaiser Permanente | 3,921 | 9 | 0.7 | 3,581 | 10 | 0.8 |
| First Republic Bank | 3,042 | 10 | 0.5 | — | | |
| Pacific Gas & Electric Corporation | — | — | — | 4,415 | 7 | 0.9 |
| California Pacific Medical Center | — | — | — | 8,559 | 3 | 1.8 |
| Gap, Inc. | — | — | — | 6,000 | 6 | 1.3 |
| State of California | — | — | — | 4,184 | 8 | 0.9 |
| **Total** | **114,784** | | **20.5 %** | **95,350** | | **19.9 %** |
| **Total City Employment[3]** | | | **561,308** | | | **477,650** |

[1]Calendar year 2022 data is not available so the latest data as of April 2022 is presented for calendar year 2021. City and County of San Francisco data provided by Office of Controller's Payroll and Personnel Services Division. The University of California, SF data is from the Data Source Corporate Personnel Data Warehouse. All other data is obtained from the San Francisco Business Times Book of Lists.

[2]Percentages have been restated based on updated employment information, and as a result, may differ from amounts reported in the fiscal year 2011-12 Annual Comprehensive Financial Report from the City and County of San Francisco.

[3]Data is from State of California Employee Development Department.

Source: Office of the Controller, City and County of San Francisco.

## Demographic & Economic Information

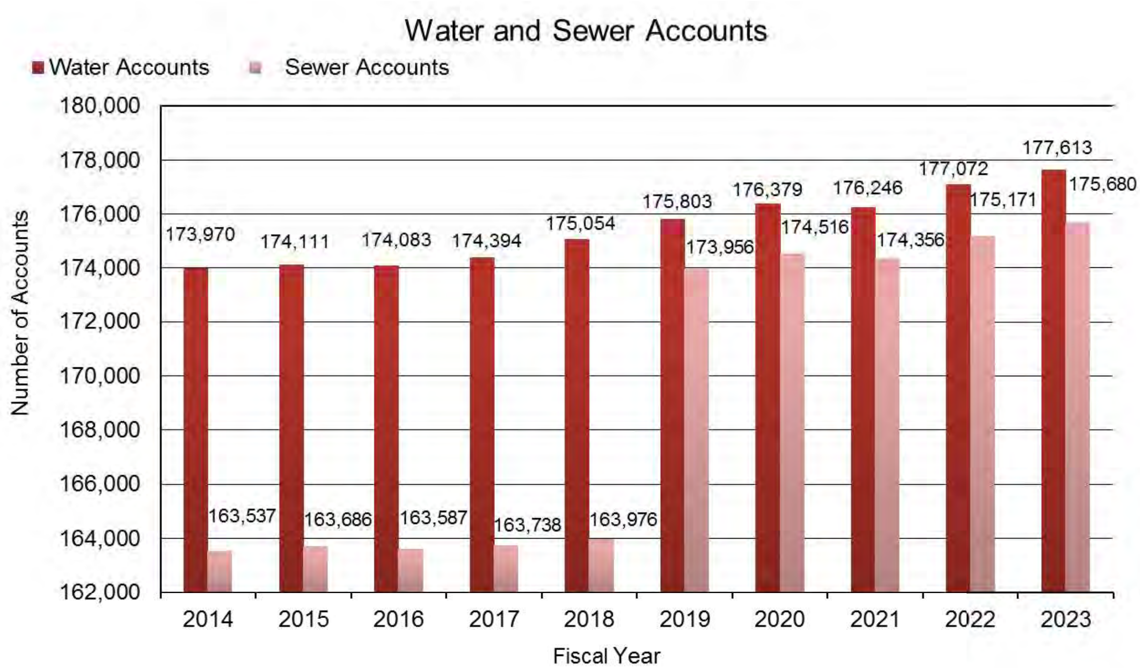
Summary of Water and Sewer Accounts by Type of Customer
Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Account Types** | | | | | | | | | | |
| ***Retail - San Francisco*** | | | | | | | | | | |
| Multi-Family Residential | 41,165 | 41,279 | 41,369 | 41,594 | 42,101 | 42,482 | 42,849 | 43,360 | 43,693 | 44,020 |
| Single-Family Residential | 110,144 | 110,140 | 110,050 | 110,118 | 110,153 | 110,413 | 110,584 | 110,113 | 110,485 | 110,659 |
| Commercial | 20,354 | 20,384 | 20,320 | 20,344 | 20,429 | 20,512 | 20,509 | 20,306 | 20,399 | 20,423 |
| Industrial | 82 | 81 | 81 | 80 | 80 | 81 | 77 | 75 | 72 | 69 |
| Municipal | 1,843 | 1,849 | 1,885 | 1,882 | 1,915 | 1,939 | 1,985 | 2,019 | 2,049 | 2,067 |
| ***Subtotal*** | **173,588** | **173,733** | **173,705** | **174,018** | **174,678** | **175,427** | **176,004** | **175,873** | **176,698** | **177,238** |
| ***Retail - Other*** | | | | | | | | | | |
| Commercial | 88 | 85 | 85 | 83 | 86 | 87 | 87 | 86 | 87 | 86 |
| Municipal | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Residential | 212 | 211 | 211 | 211 | 208 | 208 | 207 | 206 | 206 | 208 |
| ***Subtotal*** | **304** | **300** | **300** | **298** | **298** | **298** | **297** | **295** | **296** | **297** |
| ***Wholesale*** | | | | | | | | | | |
| Private utilities | 21 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Public utilities | 57 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| ***Subtotal*** | **78** | **78** | **78** | **78** | **78** | **78** | **78** | **78** | **78** | **78** |
| **Total water accounts** | **173,970** | **174,111** | **174,083** | **174,394** | **175,054** | **175,803** | **176,379** | **176,246** | **177,072** | **177,613** |
| **Sewer Account Types** | | | | | | | | | | |
| ***Retail & Resale*** | | | | | | | | | | |
| Multi-Family Residential | 36,248 | 36,313 | 36,293 | 36,323 | 36,326 | 36,387 | 36,467 | 36,528 | 36,595 | 36,603 |
| Single-Family Residential | 111,125 | 111,173 | 111,137 | 111,268 | 111,385 | 111,681 | 111,869 | 111,398 | 111,786 | 111,995 |
| Commercial[2] | 15,430 | 15,460 | 15,411 | 15,388 | 15,494 | 24,465 | 24,721 | 24,941 | 25,278 | 25,564 |
| Municipal[2] | 725 | 731 | 738 | 751 | 763 | 1,109 | 1,150 | 1,182 | 1,208 | 1,218 |
| Suburban (Watershed Keepers) | 9 | 9 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 6 |
| Unmetered Properties[1] | No data prior to fiscal year 2019 | | | | | 306 | 302 | 300 | 297 | 294 |
| **Total sewer accounts** | **163,537** | **163,686** | **163,587** | **163,738** | **163,976** | **173,956** | **174,516** | **174,356** | **175,171** | **175,680** |

[1] Beginning in fiscal year 2019, Unmetered Properties accounts are included.

[2] Large increase in commercial sewer accounts in fiscal year 2019 is due to new requirements that all water accounts for fire-fighting purposes have a corresponding sewer account. Fiscal year 2019 sewer accounts were updated between Commercial and Municipal.

Source: San Francisco Public Utilities Commission Customer Care and Billing System and Rate Schedules.



## Demographic & Economic Information

Summary of Hetchy Water, Hetchy Power and CleanPowerSF Accounts by Type of Customer
Fiscal Years Ended 2014 to 2023

| **Hetchy Water Accounts** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| Upcountry Water Sales | 7 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

**Hetchy Power**

| **Electric Meters** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| City Agencies | 1,470 | 1,480 | 1,494 | 1,491 | 1,511 | 1,499 | 1,512 | 1,489 | 1,522 | 1,546 |
| Non-City Agencies* | 758 | 783 | 1,090 | 1,536 | 1,996 | 2,209 | 2,526 | 3,858 | 3,551 | 4,654 |
| Moccasin/City of Riverbank | 41 | 40 | 41 | 39 | 38 | 37 | 37 | 36 | 35 | 36 |
| Modesto/Turlock Irrigation Districts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Total accounts**** | **2,271** | **2,305** | **2,627** | **3,068** | **3,547** | **3,747** | **4,077** | **5,385** | **5,110** | **6,238** |
| **Gas and Steam Meters** | | | | | | | | | | |
| Nature Gas | 351 | 352 | 359 | 351 | 355 | 352 | 352 | 352 | 355 | 356 |
| Steam | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **Total accounts** | **363** | **364** | **371** | **363** | **367** | **364** | **364** | **364** | **367** | **368** |

* Non-City Agencies include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens. Increases from fiscal years 2016 to 2021 are new accounts in various Redevelopment Projects and the Distributed Antenna System.
**The decrease in accounts from fiscal year 2021 to 2022 is due to corrections to the customer type during the new billing system transition. New accounts from affordable housing units contributed to the increase from fiscal year 2022 to 2023.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System. Fiscal year 2020 and prior was from Utility Star Billing System.

| **CleanPowerSF Account** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022*** | **2023** |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | Data not available - CleanPowerSF launched in May 2016. | | 364 | 69,492 | 74,160 | 343,807 ^ | 351,219 ^ | 352,835 | 356,443 | 365,800 |
| Commercial | | | | | | | | | | |
| Small Commercial Service | | | 6,256 | 6,169 | 6,422 | 27,750 | 27,368 | 27,044 | 26,569 | 26,961 |
| Medium Commercial Service | | | 541 | 504 | 688 | 2,428 | 2,381 | 2,272 | 2,124 | 2,050 |
| Large Commercial Service | | | 299 | 314 | 336 | 1,812 | 1,887 | 1,859 | 1,819 | 2,016 |
| Agricultural | | | — | 3 | 7 | 25 | 25 | 25 | 27 | 22 |
| Street and Outdoor Lighting | | | — | — | — | 306 | 299 | 297 | 297 | 305 |
| Commercial Subtotal | | | 7,096 | 6,990 | 7,453 | 32,321 | 31,960 | 31,497 | 30,836 | 31,354 |
| **Total accounts** | | | **7,460** | **76,482** | **81,613** | **376,128** | **383,179** | **384,332** | **387,279** | **397,154** |

^Increase is from completion of citywide enrollment
*Fiscal year 2022 data was as of November, 2022.

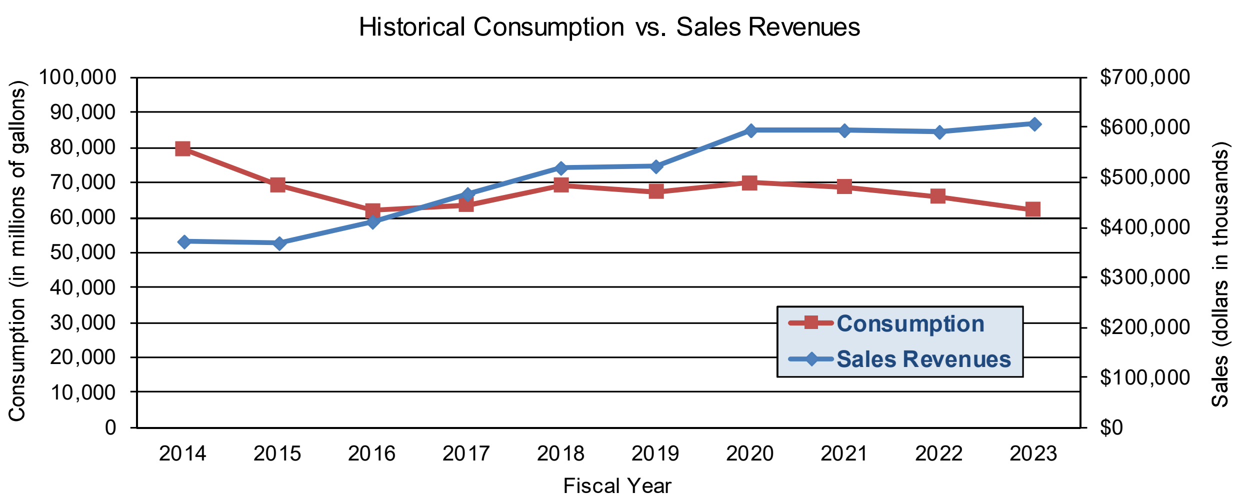
Source: Calpine's customer snapshot reports..

**Demographic & Economic Information**
Water Accounts and Billings
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Fiscal Year | Number of Consumer Accounts | Water Consumed (CCF)* | Water Consumed (MG)** | Service Charges Billed ($) | Water Charges Billed ($) | Total Amount Billed ($) |
|---|---|---|---|---|---|---|
| 2014 | 173,970 | 106,183,899 | 79,425 | 31,849 | 339,139 | 370,988 |
| 2015 | 174,111 | 92,624,944 | 69,284 | 33,561 | 336,182 | 369,743 |
| 2016 | 174,083 | 82,783,466 | 61,923 | 37,125 | 375,020 | 412,145 |
| 2017 | 174,394 | 85,169,254 | 63,706 | 40,650 | 425,629 | 466,279 |
| 2018 | 175,054 | 92,689,320 | 69,331 | 43,748 | 476,385 | 520,133 |
| 2019 | 175,803 | 89,997,393 | 67,319 | 44,104 | 478,448 | 522,552 |
| 2020 | 176,379 | 93,495,127 | 69,934 | 47,310 | 548,199 | 595,509 |
| 2021 | 176,246 | 91,994,566 | 68,812 | 50,391 | 545,521 | 595,912 |
| 2022 | 177,072 | 88,243,491 | 66,005 | 53,820 | 537,588 | 591,408 |
| 2023 | 177,613 | 83,190,560 | 62,227 | 54,062 | 553,100 | 607,162 |

*Hundred cubic feet = 748 gallons
**Millions of gallons

Source: Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.



# Demographic & Economic Information

Historical Water Sales in Hundred Cubic Feet

Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retail Customers** | | | | | | | | | | | |
| Multi-Family Residential | 11,790,707 | 10,923,723 | 10,511,291 | 10,730,224 | 11,088,325 | 11,001,321 | 11,377,523 | 11,091,058 | 10,652,590 | 10,623,605 | 12.8% |
| Single-Family Residential | 8,124,179 | 7,056,525 | 6,674,624 | 6,765,508 | 6,954,084 | 6,766,191 | 7,051,008 | 7,101,350 | 6,413,178 | 6,085,256 | 7.3% |
| Commercial [1] | 9,249,884 | 8,881,095 | 8,486,990 | 8,286,580 | 8,539,377 | 8,145,347 | 7,391,713 | 5,152,409 | 5,761,374 | 6,065,939 | 7.3% |
| Industrial | 96,073 | 100,995 | 94,178 | 92,846 | 86,555 | 84,142 | 73,296 | 43,251 | 47,821 | 46,458 | 0.1% |
| Municipal [3,4,6] | 1,818,869 | 1,351,523 | 1,252,031 | 1,519,354 | 1,582,906 | 1,592,205 | 1,652,984 | 1,387,438 | 1,388,349 | 1,224,514 | 1.5% |
| Suburban Retail [3] | 2,090,360 | 1,860,949 | 1,556,586 | 1,397,568 | 1,524,511 | 1,426,850 | 1,474,800 | 1,368,225 | 1,329,569 | 1,337,597 | 1.5% |
| **Retail water sales** | **33,170,072** | **30,174,810** | **28,575,700** | **28,792,081** | **29,775,757** | **29,016,056** | **29,021,324** | **26,143,730** | **25,592,881** | **25,383,369** | **30.5%** |
| **Wholesale Customers** | | | | | | | | | | | |
| California Water Service [2] | 16,478,539 | 14,177,253 | 11,442,469 | 11,853,307 | 13,437,872 | 12,823,623 | 14,158,729 | 14,422,994 | 14,163,074 | 12,855,814 | 15.5% |
| Hayward Municipal Water | 7,402,067 | 6,634,616 | 5,979,616 | 6,281,522 | 7,101,954 | 6,821,848 | 6,929,989 | 7,098,350 | 6,854,523 | 6,143,665 | 7.4% |
| City of Palo Alto | 5,520,468 | 4,671,433 | 4,006,084 | 4,382,560 | 4,859,576 | 4,600,987 | 4,757,199 | 4,785,384 | 4,709,184 | 4,210,399 | 5.1% |
| City of Sunnyvale | 4,169,463 | 3,801,695 | 3,816,230 | 3,966,024 | 4,615,487 | 4,281,432 | 4,602,280 | 4,745,166 | 4,336,157 | 3,948,671 | 4.7% |
| City of Redwood City | 4,457,196 | 3,909,265 | 3,484,888 | 3,764,419 | 4,109,993 | 3,945,340 | 4,269,768 | 4,180,327 | 3,862,674 | 3,521,880 | 4.2% |
| Alameda County Water District | 5,837,509 | 3,885,891 | 2,924,129 | 3,039,722 | 3,875,669 | 3,745,166 | 3,788,287 | 4,638,801 | 4,575,609 | 5,060,306 | 6.1% |
| City of Mountain View | 4,405,542 | 3,715,499 | 3,285,167 | 3,374,726 | 3,679,915 | 3,551,507 | 3,706,595 | 3,857,685 | 3,600,525 | 3,288,144 | 4.0% |
| City of Milpitas | 3,244,023 | 2,556,289 | 2,199,649 | 2,361,244 | 2,544,956 | 2,504,392 | 2,956,102 | 2,618,214 | 2,332,408 | 2,193,250 | 2.6% |
| City of San Jose | 2,263,880 | 2,189,406 | 1,990,436 | 2,017,559 | 2,198,147 | 2,104,452 | 2,065,632 | 2,052,823 | 1,975,039 | 1,850,941 | 2.2% |
| Estero Municipal Improvement District | 1,983,373 | 1,942,828 | 1,755,953 | 1,869,684 | 2,064,667 | 1,966,799 | 2,115,607 | 2,101,149 | 1,887,409 | 1,715,469 | 2.1% |
| All Other Wholesale Customers [2] | 17,251,767 | 14,965,959 | 13,323,145 | 13,466,407 | 14,425,326 | 14,635,791 | 15,123,615 | 15,349,943 | 14,354,008 | 13,018,652 | 15.6% |
| **Wholesale water sales** | **73,013,827** | **62,450,134** | **54,207,766** | **56,377,174** | **62,913,563** | **60,981,337** | **64,473,803** | **65,850,836** | **62,650,610** | **57,807,191** | **69.5%** |
| **Total water sales** | **106,183,899** | **92,624,944** | **82,783,466** | **85,169,254** | **92,689,320** | **89,997,393** | **93,495,127** | **91,994,566** | **88,243,491** | **83,190,560** | **100.0%** |
| **% Change from prior year** | **1.0%** | **-12.8%** | **-10.6%** | **2.9%** | **8.8%** | **-2.9%** | **3.9%** | **-1.6%** | **-4.1%** | **-5.7%** | |
| **Number of accounts** | **173,970** | **174,111** | **174,083** | **174,394** | **175,054** | **175,803** | **176,379** | **176,246** | **177,072** | **177,613** | |
| Retail | 173,892 | 174,033 | 174,005 | 174,316 | 174,976 | 175,725 | 176,301 | 176,168 | 176,994 | 177,535 | |
| Wholesale | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | |

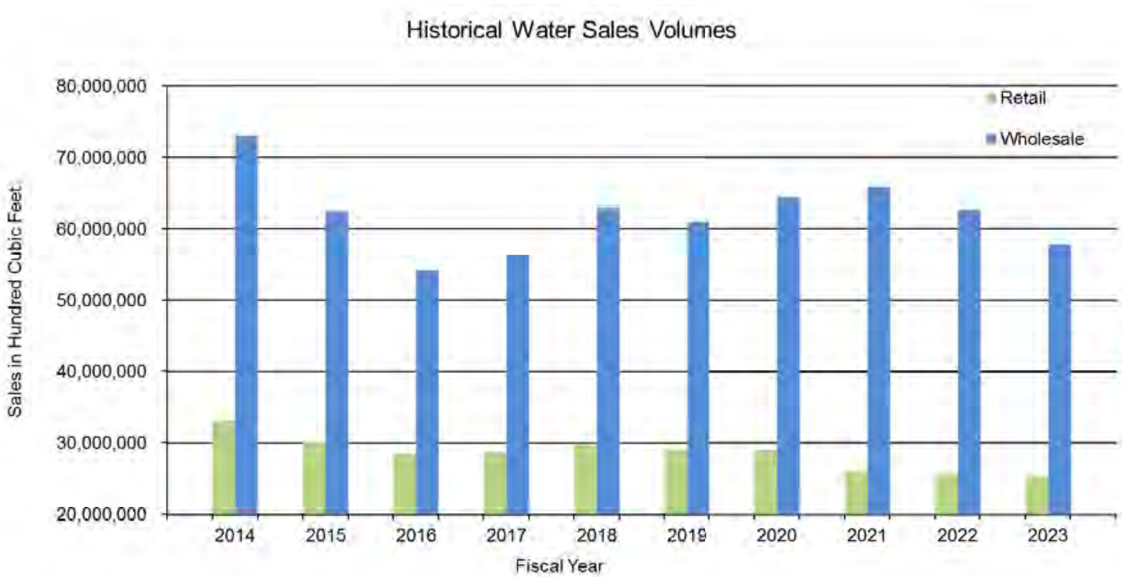
[1]Includes Docks and Ships under Commercial.

[2]From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program.

[3]Master-metered Treasure Island water sales were included under Commercial from fiscal year 2011 and 2012 and under Suburban Retail from fiscal year 2013 to fiscal year 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master-metered amount will be reduced accordingly.

[4]Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.



## Demographic & Economic Information
Historical Water Sales in Millions of Gallons per Day
Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retail Customers** | | | | | | | | | | | |
| Multi-Family Residential | 24.2 | 22.4 | 21.5 | 22.0 | 22.7 | 22.5 | 23.3 | 22.7 | 21.9 | 21.8 | 12.9% |
| Single-Family Residential | 16.6 | 14.5 | 13.6 | 13.9 | 14.3 | 13.9 | 14.4 | 14.6 | 13.1 | 12.5 | 7.3% |
| Commercial [1] | 19.0 | 18.2 | 17.3 | 17.0 | 17.5 | 16.7 | 15.1 | 10.6 | 11.8 | 12.4 | 7.3% |
| Industrial | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1% |
| Municipal [3,4,6] | 3.7 | 2.8 | 2.6 | 3.1 | 3.2 | 3.3 | 3.4 | 2.8 | 2.8 | 2.5 | 1.5% |
| Suburban Retail [3] | 4.3 | 3.8 | 3.2 | 2.9 | 3.1 | 2.9 | 3.0 | 2.8 | 2.7 | 2.7 | 1.5% |
| **Retail water sales** | **68.0** | **61.9** | **58.4** | **59.1** | **61.1** | **59.5** | **59.3** | **53.6** | **52.4** | **52.0** | **30.5%** |
| **Wholesale Customers** | | | | | | | | | | | |
| California Water Service [2] | 33.8 | 29.1 | 23.4 | 24.3 | 27.5 | 26.3 | 29.0 | 29.6 | 29.0 | 26.4 | 15.6% |
| Hayward Municipal Water | 15.2 | 13.6 | 12.2 | 12.9 | 14.6 | 14.0 | 14.2 | 14.5 | 14.0 | 12.6 | 7.4% |
| City of Palo Alto | 11.3 | 9.6 | 8.2 | 9.0 | 10.0 | 9.4 | 9.7 | 9.8 | 9.6 | 8.6 | 5.1% |
| City of Sunnyvale | 8.5 | 7.8 | 7.8 | 8.1 | 9.5 | 8.8 | 9.4 | 9.7 | 8.9 | 8.1 | 4.7% |
| City of Redwood City | 9.1 | 8.0 | 7.1 | 7.7 | 8.4 | 8.1 | 8.8 | 8.6 | 7.9 | 7.2 | 4.2% |
| Alameda County Water District | 12.0 | 8.0 | 6.0 | 6.2 | 7.9 | 7.7 | 7.7 | 9.5 | 9.4 | 10.4 | 6.1% |
| City of Mountain View | 9.0 | 7.6 | 6.7 | 6.9 | 7.5 | 7.3 | 7.6 | 7.9 | 7.4 | 6.7 | 4.0% |
| City of Milpitas | 6.6 | 5.2 | 4.5 | 4.8 | 5.2 | 5.1 | 6.1 | 5.4 | 4.8 | 4.5 | 2.6% |
| City of San Jose | 4.6 | 4.5 | 4.1 | 4.1 | 4.5 | 4.3 | 4.2 | 4.2 | 4.1 | 3.8 | 2.2% |
| Estero Municipal Improvement District | 4.1 | 4.0 | 3.6 | 3.8 | 4.2 | 4.0 | 4.3 | 4.3 | 3.9 | 3.5 | 2.1% |
| All Other Wholesale Customers [2] | 35.4 | 30.7 | 27.3 | 27.6 | 29.6 | 30.0 | 31.0 | 31.5 | 29.5 | 26.7 | 15.6% |
| **Wholesale water sales** | **149.7** | **128.0** | **110.8** | **115.5** | **128.9** | **125.0** | **131.6** | **135.0** | **128.4** | **118.5** | **69.5%** |
| **Total water sales** | **217.7** | **189.9** | **169.2** | **174.6** | **190.0** | **184.5** | **190.9** | **188.6** | **180.8** | **170.5** | **100.0%** |
| **% Change from prior year** | **1.0%** | **-12.8%** | **-10.6%** | **2.9%** | **8.8%** | **-2.9%** | **3.9%** | **-1.6%** | **-4.1%** | **-5.7%** | |
| **Number of accounts** | **173,970** | **174,111** | **174,083** | **174,394** | **175,054** | **175,803** | **176,379** | **176,246** | **177,072** | **177,613** | |
| Retail | 173,892 | 174,033 | 174,005 | 174,316 | 174,976 | 175,725 | 176,301 | 176,168 | 176,994 | 177,535 | |
| Wholesale | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | |

1 Includes Docks and Ships under Commercial.

2 From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program

3 Master-metered Treasure Island water sales were included under Commercial from fiscal year 2011 and 2012 and under Suburban Retail from fiscal year 2013 to fiscal year 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master-metered amount will be reduced accordingly.

4 Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.

## Demographic & Economic Information

Historical Water Sales in Millions of Gallons

Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retail Customers** | | | | | | | | | | | |
| Multi-Family Residential | 8,819 | 8,171 | 7,862 | 8,026 | 8,294 | 8,229 | 8,510 | 8,296 | 7,968 | 7,946 | 12.9% |
| Single-Family Residential | 6,077 | 5,278 | 4,993 | 5,061 | 5,202 | 5,061 | 5,274 | 5,312 | 4,797 | 4,552 | 7.3% |
| Commercial [1] | 6,919 | 6,643 | 6,348 | 6,198 | 6,387 | 6,093 | 5,529 | 3,854 | 4,310 | 4,537 | 7.3% |
| Industrial | 72 | 76 | 70 | 69 | 65 | 63 | 55 | 32 | 36 | 35 | 0.1% |
| Municipal [3,4,6] | 1,361 | 1,011 | 937 | 1,136 | 1,184 | 1,191 | 1,236 | 1,038 | 1,038 | 916 | 1.5% |
| Suburban Retail [3] | 1,564 | 1,392 | 1,164 | 1,045 | 1,140 | 1,067 | 1,103 | 1,023 | 995 | 1,001 | 1.5% |
| **Retail water sales** | **24,811** | **22,571** | **21,375** | **21,536** | **22,272** | **21,704** | **21,708** | **19,555** | **19,143** | **18,987** | **30.5%** |
| **Wholesale Customers** | | | | | | | | | | | |
| California Water Service [2] | 12,326 | 10,605 | 8,559 | 8,866 | 10,052 | 9,592 | 10,591 | 10,788 | 10,594 | 9,616 | 15.5% |
| Hayward Municipal Water | 5,537 | 4,963 | 4,473 | 4,699 | 5,312 | 5,103 | 5,184 | 5,310 | 5,127 | 4,595 | 7.4% |
| City of Palo Alto | 4,129 | 3,494 | 2,997 | 3,278 | 3,635 | 3,442 | 3,558 | 3,579 | 3,522 | 3,149 | 5.1% |
| City of Sunnyvale | 3,119 | 2,844 | 2,855 | 2,967 | 3,452 | 3,203 | 3,443 | 3,549 | 3,243 | 2,954 | 4.7% |
| City of Redwood City | 3,334 | 2,924 | 2,607 | 2,816 | 3,074 | 2,951 | 3,194 | 3,127 | 2,889 | 2,634 | 4.2% |
| Alameda County Water District | 4,366 | 2,907 | 2,187 | 2,274 | 2,899 | 2,801 | 2,834 | 3,470 | 3,423 | 3,785 | 6.1% |
| City of Mountain View | 3,295 | 2,779 | 2,457 | 2,524 | 2,753 | 2,657 | 2,773 | 2,886 | 2,693 | 2,460 | 4.0% |
| City of Milpitas | 2,427 | 1,912 | 1,645 | 1,766 | 1,904 | 1,873 | 2,211 | 1,958 | 1,745 | 1,641 | 2.6% |
| City of San Jose | 1,693 | 1,638 | 1,489 | 1,509 | 1,644 | 1,574 | 1,545 | 1,536 | 1,477 | 1,385 | 2.2% |
| Estero Municipal Improvement District | 1,484 | 1,453 | 1,313 | 1,399 | 1,544 | 1,471 | 1,582 | 1,572 | 1,412 | 1,283 | 2.1% |
| All Other Wholesale Customers [2] | 12,904 | 11,195 | 9,966 | 10,073 | 10,790 | 10,948 | 11,312 | 11,482 | 10,737 | 9,738 | 15.6% |
| **Wholesale water sales** | **54,614** | **46,713** | **40,548** | **42,170** | **47,059** | **45,615** | **48,226** | **49,257** | **46,862** | **43,240** | **69.5%** |
| **Total water sales** | **79,425** | **69,284** | **61,923** | **63,706** | **69,331** | **67,319** | **69,934** | **68,812** | **66,005** | **62,227** | **100.0%** |
| **% Change from prior year** | **1.0%** | **-12.8%** | **-10.6%** | **2.9%** | **8.8%** | **-2.9%** | **3.9%** | **-1.6%** | **-4.1%** | **-5.7%** | |
| **Number of accounts** | **173,970** | **174,111** | **174,083** | **176,379** | **175,054** | **175,803** | **176,379** | **176,246** | **177,072** | **177,613** | |
| Retail | 173,892 | 174,033 | 174,005 | 176,301 | 174,976 | 175,725 | 176,301 | 176,168 | 176,994 | 177,535 | |
| Wholesale | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | |

[1] Includes Docks and Ships under Commercial.

[2] From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program.

[3] Master-metered Treasure Island water sales were included under Commercial from fiscal year 2011 and 2012 and under Suburban Retail from fiscal year 2013 to fiscal year 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master-metered amount will be reduced accordingly.

[4] Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.

## Wholesale Water Customers
## Map of Bay Area Water Supply and Conservation Agency (BAWSCA) Members


1. Alameda County Water District
2. City of Brisbane
3. City of Burlingame
4a. California Water Service Company - Bear Gulch
4b. California Water Service Company - Mid-Peninsula
4c. California Water Service Company - South San Francisco
5. Coastside County Water District
6. City of Daly City
7. City of East Palo Alto
8. Estero Municipal Improvement District
9. Guadalupe Valley Municipal Improvement District
10. City of Hayward
11. Town of Hillsborough
12. City of Menlo Park
13. Mid-Peninsula Water District
14. City of Millbrae
15. City of Milpitas
16. City of Mountain View
17. North Coast County Water District
18. City of Palo Alto
19. Purissima Hills Water District
20. City of Redwood City
21. City of San Bruno
22. City of San Jose
23. City of Santa Clara
24. Stanford University
25. City of Sunnyvale
26. Westborough Water District

*Cordilleras Mutual Water is a SFPUC Wholesale Customer but not a member of BAWSCA.
Source: Bay Area Water Supply and Conservation Agency (BAWSCA), San Mateo County General Plan.

## Demographic & Economic Information

Water Accounts & Billings by Type of Customer
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Customer Type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Multiple-Family Residential** | | | | | | | | | | |
| Number of accounts | 41,165 | 41,279 | 41,369 | 41,594 | 42,101 | 42,482 | 42,849 | 43,360 | 43,693 | 44,020 |
| Billings | $ 65,880 | 68,517 | 74,055 | 83,180 | 91,994 | 97,879 | 109,461 | 115,888 | 121,922 | 125,529 |
| **Single-Family Residential** | | | | | | | | | | |
| Number of accounts | 110,144 | 110,140 | 110,050 | 110,118 | 110,153 | 110,413 | 110,584 | 110,113 | 110,485 | 110,659 |
| Billings | $ 51,586 | 50,670 | 54,209 | 60,424 | 66,304 | 69,840 | 78,329 | 85,094 | 84,328 | 83,030 |
| **Commercial**[1] | | | | | | | | | | |
| Number of accounts | 20,354 | 20,384 | 20,320 | 20,344 | 20,429 | 20,512 | 20,509 | 20,306 | 20,399 | 20,423 |
| Billings | $ 56,522 | 58,416 | 63,080 | 67,748 | 74,720 | 76,950 | 76,586 | 59,883 | 71,480 | 76,805 |
| **Industrial** | | | | | | | | | | |
| Number of accounts | 82 | 81 | 81 | 80 | 80 | 81 | 77 | 75 | 72 | 69 |
| Billings | $ 568 | 644 | 677 | 736 | 738 | 796 | 765 | 528 | 612 | 614 |
| **Municipal**[2] | | | | | | | | | | |
| Number of accounts | 1,843 | 1,849 | 1,885 | 1,882 | 1,916 | 1,939 | 1,985 | 2,019 | 2,049 | 2,067 |
| Billings | $ 9,455 | 8,719 | 9,274 | 11,999 | 13,147 | 14,253 | 15,901 | 14,541 | 16,224 | 15,279 |
| **Suburban Retail** | | | | | | | | | | |
| Number of accounts | 304 | 300 | 300 | 298 | 297 | 298 | 297 | 295 | 296 | 297 |
| Billings | $ 8,023 | 8,122 | 7,845 | 8,836 | 10,466 | 10,313 | 11,127 | 11,113 | 11,668 | 12,693 |
| **Wholesale** | | | | | | | | | | |
| Number of accounts | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 |
| Billings | $ 178,954 | 174,655 | 203,005 | 233,356 | 262,764 | 252,521 | 303,340 | 308,865 | 285,174 | 293,212 |
| **Total** | | | | | | | | | | |
| Number of accounts | 173,970 | 174,111 | 174,083 | 174,394 | 175,054 | 175,803 | 176,379 | 176,246 | 177,072 | 177,613 |
| Billings | $ 370,988 | 369,743 | 412,145 | 466,279 | 520,133 | 522,552 | 595,509 | 595,912 | 591,408 | 607,162 |
| **Percentage of Revenue** | | | | | | | | | | |
| Residential | 31.7% | 32.2% | 31.1% | 30.8% | 30.4% | 32.1% | 31.5% | 33.7% | 34.9% | 34.3% |
| Non-residential [3] | 20.1% | 20.5% | 19.6% | 19.2% | 19.0% | 19.6% | 17.5% | 14.4% | 16.9% | 17.4% |
| Wholesale | 48.2% | 47.3% | 49.3% | 50.0% | 50.6% | 48.3% | 51.0% | 51.9% | 48.2% | 48.3% |
| **Total Percentage of Revenue** | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

[1] Includes Docks and Ships and Builders and Contractors under Commercial.

[2] Beginning in fiscal year 2017, Treasure Island and Harding Park recycled water revenues are included in Municipal.

[3] All Suburban Retail usage is included in the Non-Residential line item for purposes of calculating the percentage of revenue from each customer type. However, Suburban Retail usage includes some residential usage.

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

## Demographic & Economic Information

Wastewater Accounts, Billings & Discharge by Type of Customer
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Customer Type | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Multiple-Family Residential** | | | | | | | | | | | |
| Number of accounts | | 36,248 | 36,313 | 36,293 | 36,323 | 36,326 | 36,387 | 36,467 | 36,528 | 36,595 | 36,603 |
| Hundred cubic feet | | 10,979,262 | 10,199,389 | 9,854,965 | 9,996,526 | 10,282,601 | 10,222,770 | 10,536,087 | 10,262,890 | 9,909,343 | 9,919,161 |
| Millions of gallons per day | | 22.5 | 20.9 | 20.1 | 20.2 | 21.1 | 20.9 | 21.5 | 21.0 | 20.3 | 20.3 |
| Billings | $ | 99,603 | 100,178 | 101,730 | 110,829 | 126,789 | 133,454 | 146,548 | 153,611 | 161,553 | 167,375 |
| **Single-Family Residential** | | | | | | | | | | | |
| Number of accounts | | 111,125 | 111,173 | 111,137 | 111,268 | 111,385 | 111,681 | 111,869 | 111,398 | 111,786 | 111,995 |
| Hundred cubic feet | | 7,220,346 | 6,296,323 | 5,993,115 | 6,058,304 | 6,228,159 | 6,067,155 | 6,324,480 | 6,369,781 | 5,753,733 | 5,469,845 |
| Millions of gallons per day | | 14.8 | 12.9 | 12.2 | 12.3 | 12.8 | 12.4 | 13.0 | 13.1 | 11.8 | 11.2 |
| Billings | $ | 64,377 | 61,048 | 61,177 | 66,661 | 76,534 | 79,971 | 89,688 | 95,297 | 96,687 | 96,545 |
| **Commercial** [2] | | | | | | | | | | | |
| Number of accounts | | 15,430 | 15,460 | 15,411 | 15,388 | 15,494 | 24,465 | 24,721 | 24,941 | 25,278 | 25,564 |
| Hundred cubic feet | | 7,931,611 | 7,594,556 | 7,366,932 | 7,171,298 | 7,230,465 | 6,978,016 | 6,246,081 | 4,154,011 | 4,818,146 | 5,131,013 |
| Millions of gallons per day | | 16.3 | 15.6 | 15.1 | 15.1 | 14.8 | 14.3 | 12.8 | 8.5 | 9.9 | 10.5 |
| Billings | $ | 76,740 | 76,042 | 77,387 | 80,968 | 89,803 | 91,069 | 86,650 ^ | 61,071 | 78,207 | 86,205 |
| **Municipal** [1, 2] | | | | | | | | | | | |
| Number of accounts | | 725 | 731 | 738 | 751 | 763 | 1,109 | 1,150 | 1,182 | 1,208 | 1,218 |
| Hundred cubic feet | | 657,708 | 570,386 | 588,044 | 578,015 | 589,621 | 585,833 | 545,917 | 420,610 | 476,957 | 465,494 |
| Millions of gallons per day | | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 | 0.9 | 1.0 | 1.0 |
| Billings | $ | 6,205 | 5,534 | 5,965 | 7,586 | 7,163 | 9,002 | 8,885 | 7,605 | 8,829 | 9,197 |
| **Suburban Retail (Watershed Keepers)** | | | | | | | | | | | |
| Number of accounts | | 9 | 9 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 6 |
| Hundred cubic feet | | 303 | 259 | 200 | 221 | 321 | 217 | 216 | 203 | 62 | 150 |
| Millions of gallons per day | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Billings | $ | 3 | 2 | 2 | 2 | 4 | 3 | 3 | 3 | 2 | 3 |
| **Unmetered Properties*** | | | | | | | | | | | |
| Number of accounts | | No data prior to fiscal year 2019 | | | | | 306 | 302 | 302 | 297 | 294 |
| Hundred cubic feet | | | | | | | N/A | N/A | N/A | N/A | N/A |
| Millions of gallons per day | | | | | | | N/A | N/A | N/A | N/A | N/A |
| Billings | $ | | | | | | 82 | 112 | 117 | 118 | 110 |
| **Total** | | | | | | | | | | | |
| **Number of accounts** | | 163,537 | 163,686 | 163,587 | 163,738 | 163,976 | 173,956 | 174,516 | 174,358 | 175,171 | 175,680 |
| **Hundred cubic feet** | | 26,789,230 | 24,660,912 | 23,803,256 | 23,804,362 | 24,331,167 | 23,853,991 | 23,652,781 | 21,207,495 | 20,958,241 | 20,985,663 |
| **Millions of gallons per day** | | 54.9 | 50.5 | 48.6 | 48.8 | 49.9 | 48.8 | 48.4 | 43.5 | 43.0 | 43.0 |
| **Billings** | $ | 246,927 | 242,804 | 246,261 | 266,046 | 300,293 | 313,581 | 331,886 | 317,704 | 345,396 | 359,435 |
| **Percentage of Revenue** | | | | | | | | | | | |
| **Residential** | | 66.4% | 66.4% | 66.2% | 66.7% | 67.7% | 68.1% | 71.2% | 78.3% | 74.8% | 73.4% |
| **Non-residential** | | 33.6% | 33.6% | 33.8% | 33.3% | 32.3% | 31.9% | 28.8% | 21.7% | 25.2% | 26.6% |
| **Total Percentage of Revenue** | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

1 Beginning in fiscal year 2017, Treasure Island revenues are included under Municipal.

2 Large increase in commercial sewer accounts in fiscal year 2019 is due to new requirements that all water accounts for fire-fighting purposes have a corresponding sewer account. Fiscal year 2019 sewer accounts were updated between Commercial and Municipal.

*Beginning in fiscal year 2019, Unmetered Properties accounts are included.

^Billing amount has been updated.

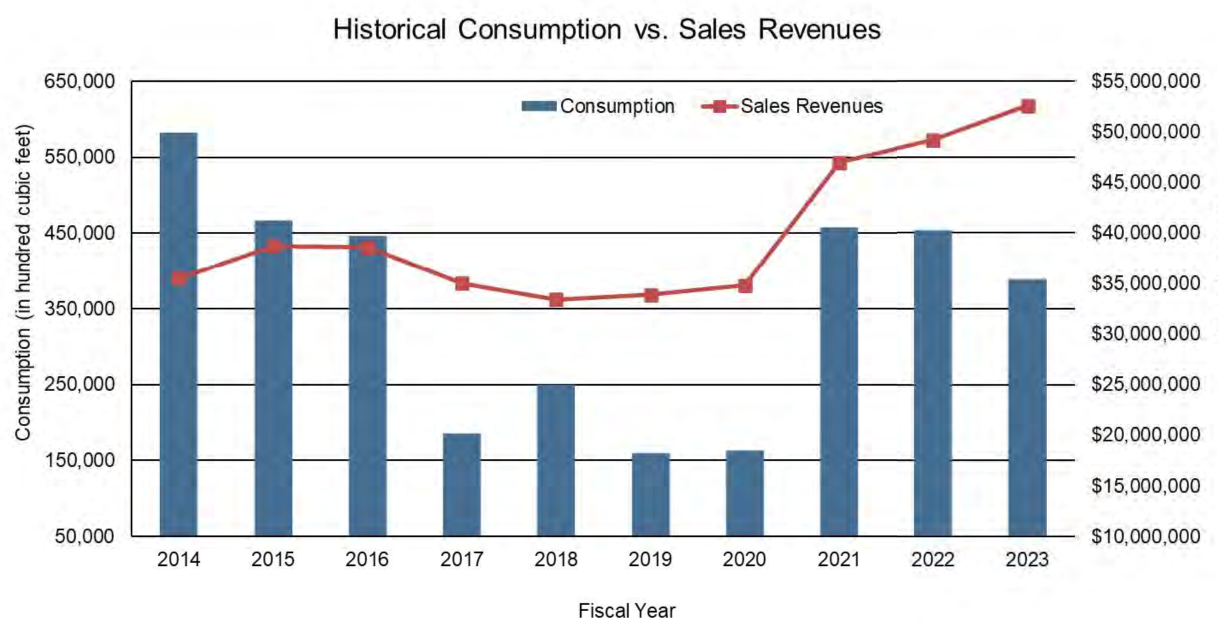
Source: San Francisco Public Utilities Commission Customer Care and Billing System.

## Demographic & Economic Information
Historical Hetchy Water Sales
Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales*** | | | | | | | | | | |
| Groveland Community Services District | $ 151,969 | 121,840 | 163,525 | 168,757 | 168,377 | 147,448 | 160,626 | 188,208 | 155,032 | 139,593 |
| Lawrence Livermore | 2,037,396 | 1,787,240 | 1,836,447 | 211,771 | 630,097 | 132,893 | 36,863 | 2,627,028 | 3,214,043 | 2,776,239 |
| State of California | 7,875 | 8,960 | 9,429 | 11,430 | 13,625 | 13,392 | 13,139 | 11,135 | 12,422 | 13,948 |
| Other Residential Customers | 15,165 | 13,391 | 14,368 | 15,680 | 14,726 | 7,943 | 1,425 | 3,469 | 3,979 | 3,889 |
| Water Assessment | 33,309,058 | 36,800,000 | 36,600,000 | 34,600,000 | 32,600,000 | 33,578,000 | 34,585,000 | 44,149,000 | 45,815,000 | 49,636,000 |
| **Total sales** | **$ 35,521,463** | **38,731,431** | **38,623,769** | **35,007,638** | **33,426,825** | **33,879,676** | **34,797,053** | **46,978,839** | **49,200,476** | **52,569,669** |
| **Consumption (hundred cubic feet)**** | | | | | | | | | | |
| Groveland Community Services District | 200,328 | 156,801 | 161,249 | 154,319 | 166,624 | 143,437 | 158,037 | 188,595 | 151,839 | 134,734 |
| Lawrence Livermore | 376,662 | 307,606 | 282,531 | 28,389 | 81,029 | 14,267 | 2,543 | 266,323 | 298,585 | 251,881 |
| State of California | 3,026 | 1,174 | 1,230 | 1,302 | 1,459 | 1,346 | 1,235 | 960 | 996 | 1,119 |
| Other Residential Customers | 2,749 | 2,248 | 2,152 | 2,085 | 1,803 | 1,986 | 2,454 | 2,258 | 2,105 | 2,069 |
| **Total consumption** | **582,764** | **467,829** | **447,162** | **186,095** | **250,915** | **161,036** | **164,269** | **458,136** | **453,525** | **389,803** |

Note: May not total due to rounding.

Source
* City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.
** San Francisco Public Utilities Commission Customer Care and Billing System. Fiscal year 2015 and prior was from Moccasin meter readings.



## Demographic & Economic Information

Historical Hetchy Power Electric Sales

Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales (Megawatt hours)** | | | | | | | | | | |
| General Fund Rate Subsidized ~~ | 367,904 | 359,519 | 373,114 | 366,880 | 375,327 | 366,867 | 348,157 | 303,588 | 331,968 | 337,995 |
| Enterprise Rate ~~ | 493,254 | 487,869 | 495,272 | 484,070 | 471,554 | 477,477 | 452,951 | 404,810 | 422,200 | 433,999 |
| Wholesale market power sales# | 2,400 | — | 9,520 | 29,050 | 15,900 | — | 84,574 | 110,043 | — | — |
| Modesto/Turlock Irrigation Districts◊ | 103,489 | 115,026 | 377,981 | 152,321 | 46,651 | — | — | — | — | — |
| Non-city Agencies* | 117,289 | 101,605 | 99,568 | 95,297 | 112,157 | 146,527 | 133,805 | 128,945 | 132,250 | 144,908 |
| Moccasin/City of Riverbank | 9,206 | 25,472 | 30,451 | 9,114 | 9,650 | 8,235 | 7,220 | 7,672 | 20,939 | 22,881 |
| **Total sales** | **1,093,542** | **1,089,491** | **1,385,906** | **1,136,732** | **1,031,239** | **999,106** | **1,026,707** | **955,058** | **907,357** | **939,783** |
| Purchases** | 76,905 | 45,465 | 113,154 | 808 | 188,052 | 157,227 | 58,477 | 6,598 | 6,505 | 46,806 |
| Generation~ | 1,032,589 | 988,649 | 1,532,068 | 1,726,072 | 1,302,461 | 1,212,348 | 1,287,848 | 975,790 | 1,223,074 | 1,300,487 |
| **Total purchases/generation** | **1,109,494** | **1,034,114** | **1,645,222** | **1,726,880** | **1,490,513** | **1,369,575** | **1,346,325** | **980,400** | **1,229,579** | **1,347,293** |
| **Banked/(Withdrawal)** ⌂ | **17,102** | **78,391** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Sales (Dollars in thousands) ***** | | | | | | | | | | |
| General Fund Rate Subsidized ~~ | $ 15,006 | 18,125 | 22,151 | 23,668 | 26,591 | 28,766 | 28,990 | 28,095 | 34,154 | 45,276 |
| Enterprise Rate ~~ | 60,766 | 65,022 | 65,897 | 67,627 | 67,598 | 73,224 | 74,895 | 68,696 | 81,707 | 81,105 |
| Wholesale market power sales# | 127 | — | 157 | 755 | 688 | — | 2,780 | 468 | — | — |
| Modesto/Turlock Irrigation Districts ◊ | 3,431 | 4,488 | 13,634 | 7,700 | 2,612 | — | — | — | — | — |
| Non-city Agencies * | 16,305 | 14,628 | 15,610 | 16,350 | 19,359 | 23,258 | 22,255 | 22,902 | 24,753 | 29,582 |
| Moccasin/City of Riverbank | 607 | 1,100 | 1,095 | 550 | 577 | 539 | 625 | 887 | 2,377 | 2,524 |
| **Total sales** | **$ 96,242** | **103,363** | **118,544** | **116,650** | **117,425** | **125,787** | **129,545** | **121,048** | **142,991** | **158,487** |
| **Purchases **** | **$ 4,408** | **2,045** | **5,546** | **1,859** | **8,671** | **11,832** | **7,381** | **6,271** | **6,430** | **7,971** |
| **Number of meters** | | | | | | | | | | |
| Electric | 2,271 | 2,305 | 2,627 | 3,068 | 3,547 | 3,747 | 4,077 | 5,385 | 5,110 | 6,238 |

*Non-city Agencies include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens.

**Purchases include Western Systems Power Pool (WSPP), Spot Market with Modesto Irrigation District, Sunset Reservoir Photovoltaic generation. Decrease in fiscal year 2017 was due to no purchases with WSPP.

***Sales in dollars do not include utility and surcharge taxes.

~Includes cogeneration and all in-city solar generation. Generation is generic for all electricity production/output. Cogeneration is specific to the combustion turbines at the Southeast treatment plant.

~~The breakdown for City Agencies is grouped per budget schedule.

@Starting fiscal year 2021, 3rd party sale for attributes is added but is not part of the Total average sale per KWh.

#No sales in fiscal years 2015 and 2019 due to no excess power for sale. WSPP includes only energy sales.

⌂Closure of the energy bank with PG&E in fiscal year 2015.

◊Purchase agreement ended in December 2017.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System.
Fiscal year 2020 and prior was from Utility Star Billing System.

## Demographic & Economic Information
Historical CleanPowerSF Electric Sales
Fiscal Years Ended 2016 to 2023

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Power Sales (Megawatt hours)*** | | | | | | | | | | | |
| Residential | | | | 163 | 148,220 | 233,515 | 433,541 | 1,236,988 ^ | 1,295,948 | 1,217,861 | 1,265,771 |
| Commercial | | | | | | | | | | | |
| Small Commercial Service | | | | 14,985 | 111,618 | 116,296 | 484,704 | 463,977 | 398,230 | 411,281 | 402,982 |
| Medium Commercial Service | | | | 14,129 | 92,718 | 88,924 | 417,703 | 402,651 | 331,389 | 362,464 | 359,687 |
| Large Commercial Service | | | | 12,999 | 93,968 | 118,327 | 797,052 | 870,886 | 853,230 | 869,320 | 860,008 |
| Agricultural | | | | — | 42 | 1,293 | 6,043 | 6,004 | 7,453 | 8,835 | 6,402 |
| Street and Outdoor Lighting | | | | — | — | 38 | 1,452 | 1,515 | 1,477 | 1,467 | 1,395 |
| Commercial Subtotal | | | | 42,113 | 298,346 | 324,878 | 1,706,954 | 1,745,033 | 1,591,779 | 1,653,367 | 1,630,474 |
| **Total Power Sales** | | | | **42,276** | **446,566** | **558,393** | **2,140,495** | **2,982,021** | **2,887,727** | **2,871,228** | **2,896,245** |
| **Sales (Dollars in thousands)*** | | | | | | | | | | | |
| Residential | $ | | | 14 | 10,782 | 15,993 | 30,787 | 102,434 ^ | 98,172 | 109,135 | 149,734 |
| Commercial | | | | | | | | | | | |
| Small Commercial Service | | Data not available - CleanPowerSF launched in May 2016. | | 1,226 | 8,649 | 8,716 | 38,830 | 38,314 | 29,289 | 36,411 | 44,609 |
| Medium Commercial Service | | | | 1,386 | 7,278 | 6,809 | 34,254 | 33,505 | 24,516 | 33,369 | 40,497 |
| Large Commercial Service | | | | 1,109 | 6,860 | 8,611 | 62,595 | 67,963 | 58,170 | 74,068 | 89,017 |
| Agricultural | | | | — | 3 | 59 | 329 | 326 | 366 | 581 | 543 |
| Street and Outdoor Lighting | | | | — | — | 3 | 113 | 105 | 91 | 111 | 147 |
| Commercial Subtotal | | | | 3,721 | 22,790 | 24,198 | 136,121 | 140,213 | 112,432 | 144,540 | 174,813 |
| **Total Sales** | **$** | | | **3,735** | **33,572** | **40,191** | **166,908** | **242,647** | **210,604** | **253,675** | **324,547** |
| **Average Sale (in Dollars per Kilowatt hour)** | | | | | | | | | | | |
| Residential | $ | | | 0.08334 | 0.07274 | 0.06849 | 0.07101 | 0.08281 | 0.07575 | 0.08961 | 0.11829 |
| Commercial | | | | | | | | | | | |
| Small Commercial Service | | | | 0.08181 | 0.07749 | 0.07495 | 0.08011 | 0.08258 | 0.07355 | 0.08853 | 0.11070 |
| Medium Commercial Service | | | | 0.09812 | 0.07850 | 0.07657 | 0.08201 | 0.08321 | 0.07398 | 0.09206 | 0.11259 |
| Large Commercial Service | | | | 0.08530 | 0.07300 | 0.07277 | 0.07853 | 0.07804 | 0.06818 | 0.08520 | 0.10351 |
| Agricultural | | | | — | — | 0.04563 | 0.05444 | 0.05430 | 0.04911 | 0.06576 | 0.08482 |
| Street and Outdoor Lighting | | | | — | — | — | 0.07782 | 0.06931 | 0.06161 | 0.07566 | 0.10538 |
| Commercial Subtotal | | | | 0.08836 | 0.07639 | 0.07448 | 0.07974 | 0.08035 | 0.07063 | 0.08742 | 0.10722 |
| **Total Average Sales** | **$** | | | **0.08834** | **0.07518** | **0.07198** | **0.07798** | **0.08137** | **0.07293** | **0.08835** | **0.11206** |

^Large increase in residential is due to completion of citywide enrollment.
**Starting FY2020, the sales dollar data is based on audited financial statements.

Source: *CleanPowerSF Management Reports.

# Statistical Section

**Operating Information**

Budgeted Full-Time Equivalent (FTEs) Employees by Division

Operating and Capacity Indicators

Major Water Wholesale, Retail and Sewer Customer Accounts by Revenue

Major Electric Retail and Wholesale Customer Accounts by Revenue

Performance Measures

## Operating Information

Budgeted Full-Time Equivalent (FTEs) Employees by Division
Fiscal Years Ended 2014 to 2023

| Enterprises and Bureaus | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Enterprise** | | | | | | | | | | |
| City Distribution & Water Administration | 259 | 260 | 268 | 276 | 291 | 304 | 307 | 300 | 314 | 312 |
| Natural Resources | 81 | 82 | 82 | 84 | 85 | 86 | 87 | 89 | 91 | 95 |
| Water Quality | 76 | 76 | 81 | 82 | 83 | 85 | 85 | 85 | 86 | 86 |
| Water Resources | 25 | 24 | 24 | 23 | 23 | 23 | 23 | 22 | 23 | 22 |
| Water Supply & Treatment | 236 | 229 | 229 | 232 | 232 | 229 | 229 | 231 | 239 | 239 |
| **Total Water** | **677** | **671** | **684** | **697** | **714** | **727** | **731** | **727** | **753** | **754** |
| **Wastewater Enterprise** | | | | | | | | | | |
| Administration | 12 | 11 | 14 | 12 | 12 | 12 | 13 | 12 | 18 | 14 |
| Source Control* & Wastewater Labs | 66 | 66 | 66 | 65 | 66 | 59 | 60 | 59 | 58 | 61 |
| Environmental Engineering | 51 | 53 | 53 | 54 | 54 | 58 | 58 | 59 | 60 | 62 |
| Maintenance | 147 | 141 | 141 | 137 | 138 | 135 | 135 | 141 | 149 | 152 |
| Bayside Operations | 117 | 114 | 115 | 114 | 114 | 111 | 113 | 112 | 112 | 104 |
| Planning & Regulation | 43 | 47 | 47 | 46 | 47 | 46 | 46 | 32 | 33 | 34 |
| Sewer Collection Operations | 51 | 51 | 51 | 51 | 51 | 59 | 59 | 63 | 65 | 79 |
| **Total Wastewater** | **487** | **483** | **487** | **479** | **482** | **480** | **484** | **478** | **495** | **506** |
| **Hetch Hetchy Water and Power Enterprise** | | | | | | | | | | |
| **Hetchy Water** | | | | | | | | | | |
| Water Project Operations | 195 | 201 | 207 | 203 | 206 | 211 | 216 | 217 | 218 | 214 |
| **Hetchy Power**** | | | | | | | | | | |
| Energy Services | 30 | 30 | 30 | 29 | 30 | 27 | 28 | — | — | — |
| Long Range Planning & Light, Heat, and Power | 53 | 51 | 51 | 52 | 52 | 54 | 54 | 109 | 111 | 121 |
| Power Administration | 23 | 23 | 23 | 20 | 21 | 21 | 21 | — | — | — |
| **Subtotal Hetchy Power** | 106 | 104 | 104 | 101 | 103 | 102 | 103 | 109 | 111 | 121 |
| **Total Hetch Hetchy Water and Power** | **301** | **305** | **311** | **304** | **309** | **313** | **319** | **326** | **329** | **335** |
| **CleanPowerSF** | | | | | | | | | | |
| Administration | Data not available - CleanPowerSF launched in May 2016. | | | 9 | 11 | 13 | 19 | 26 | 36 | 32 |
| **Total CleanPowerSF** | | | | **9** | **11** | **13** | **19** | **26** | **36** | **32** |
| **Bureaus** | | | | | | | | | | |
| Business Services Admin, AIC#, Audit and Financial Services | 70 | 71 | 71 | 73 | 73 | 73 | 73 | 72 | 74 | 77 |
| Customer Services | 106 | 106 | 106 | 103 | 103 | 104 | 104 | 103 | 103 | 110 |
| Communications | 22 | 22 | 22 | 22 | 22 | 21 | 21 | 21 | 21 | 21 |
| General Manager and Others ^ | 13 | 11 | 11 | 12 | 13 | 18 | 19 | 21 | 28 | 30 |
| Strategic Planning, Real Estate Services, and Community Benefits | 18 | 18 | 18 | 18 | 18 | 17 | 17 | 22 | 23 | 24 |
| Human Resource Services | 57 | 58 | 59 | 58 | 58 | 58 | 58 | 62 | 69 | 72 |
| Information Technology Services | 74 | 78 | 78 | 78 | 78 | 78 | 78 | 79 | 81 | 80 |
| Infrastructure | 368 | 384 | 389 | 385 | 385 | 380 | 376 | 377 | 374 | 375 |
| **Total Bureaus** | **728** | **748** | **754** | **749** | **750** | **749** | **746** | **757** | **773** | **789** |
| **Total SFPUC annually budgeted positions** | **2,193** | **2,207** | **2,236** | **2,238** | **2,266** | **2,282** | **2,299** | **2,314** | **2,386** | **2,416** |
| **Annual Salary Ordinance Positions (AAO) ~** | **2,404** | **2,430** | **2,456** | **2,473** | **2,493** | **2,542** | **2,557** | **2,599** | **2,657** | **2,720** |

*Fiscal year 2014 and prior is known as BERM, acronym for Bureau of Environmental Regulation Management.
**Beginning fiscal year 2021, Hetchy Power positions are reported under Long Range Planning and Light, Heat, and Power.
#AIC is acronym for Assurance and Internal Controls. Effective Feb 2019, AIC was realigned to two teams: 1. Audit and Compliance and 2. Strategy, Innovation and Change.
^FTEs were added for Security in fiscal year 2011 and Enterprise Workforce Planning in fiscal year 2017.
~AAO includes temporary positions and attrition.

Source: Annual Salary Ordinance.

## Operating Information

Water Operating & Capacity Indicators

Fiscal Years Ended 2014 to 2023

| Water | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Water mains (miles)^^ | 1,240 | 1,240 | 1,718 ^ | 1,717 ^ | 1,718 | 1,719 | 1,719 | 1,719 | 1,719 | 1,719 |
| Water main breaks repaired | 116 | 97 | 136 | 102 | 133 | 168 | 142 | 161 | 191 | 208 |
| New service installations | 1,144 | 837 | 710 | 1,162 | 733 | 628 | 610 | 543 | 428 | 496 |
| Meter installed and replaced | 1,030 | 1,360 | 1,395 | 2,209 | 1,888 | 1,699 | 1,817 | 1,835 | 718 | 871 |
| Responses to fire alarms | 28 | 22 | 20 | 20 | 24 | 13 | 12 | 16 | 14 | 23 |
| **Production and Consumption (millions of gallons)** | | | | | | | | | | |
| Water production | 80,582 | 69,553 | 64,454 | 68,995 | 73,330 | 71,272 | 75,034 | 73,767 | 68,271 | 64,446 |
| Average daily production | 221 | 191 | 176 | 189 | 201 | 195 | 205 | 202 | 187 | 177 |
| Maximum daily production | 300 | 255 | 242 | 283 | 272 | 275 | 277 | 274 | 237 | 241 |
| Water consumption | 79,425 | 69,284 | 61,932 | 63,706 | 69,331 | 67,319 | 69,934 | 68,812 | 66,005 | 62,227 |
| Average daily consumption | 217.7 | 189.9 | 169.2 | 174.6 | 190.0 | 184.5 | 190.9 | 188.6 | 180.8 | 170.5 |
| **Watershed area (acres)** | | | | | | | | | | |
| Alameda | 37,314 | 37,314 | 37,314 | 37,314 | 37,314 | 37,314 | 38,306 | 38,306 | 38,944 | 38,944 |
| Peninsula | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 | 22,854 |
| **Total** | **60,168** | **60,168** | **60,168** | **60,168** | **60,168** | **60,168** | **61,160** | **61,160** | **61,798** | **61,798** |
| **Reservoir storage (millions of gallons)*** | | | | | | | | | | |
| Calaveras@ | 5,488 | 6,491 | 8,774 | 11,986 | 8,220 | 13,026 | 20,390 | 19,170 | 19,533 | 24,952 |
| Crystal Springs | 16,707 | 17,380 | 17,103 | 17,385 | 16,192 | 17,015 | 16,940 | 16,711 | 16,251 | 17,565 |
| Pilarcitos | 815 | 767 | 783 | 872 | 773 | 838 | 849 | 622 | 776 | 827 |
| San Andreas | 5,603 | 5,626 | 5,786 | 5,935 | 5,587 | 5,483 | 5,381 | 5,123 | 5,113 | 5,223 |
| San Antonio | 13,579 | 14,433 | 14,927 | 14,576 | 13,263 | 14,835 | 14,434 | 14,917 | 14,587 | 15,872 |
| **Total** | **42,192** | **44,697** | **47,373** | **50,754** | **44,035** | **51,197** | **57,994** | **56,543** | **56,260** | **64,439** |
| **Treatment plant average capacity (millions of gallons)** | | | | | | | | | | |
| Harry Tracy | 21.2 | 29.3 | 35.9 | 45.3 | 33.2 | 38.0 | 34.7 | 31.7 | 29.9 | 29.2 |
| Sunol Valley ** | 10.0 | 16.9 | 27.0 | 39.6 | 16.5 | 26.1 | 11.1 | 6.9 | 22.6 | 29.3 |
| **Total** | **31.2** | **46.2** | **62.9** | **84.9** | **49.7** | **64.1** | **45.8** | **38.6** | **52.5** | **58.5** |

*In addition to these regional reservoirs, San Francisco Public Utilities Commission has In-city system storage capacity of 413 million gallons (value revised based on current reservoir storage operation limits).

**The decrease in fiscal years 2014, 2018, 2020 and 2021 was due to a reduction in treating local reservoir water (Calaveras and San Antonio) in favor of increasing use of Hetchy Water which was not filtered at the plant. Increasing Hetchy Water use reduced treatment costs and conserved local supplies.

^The increase in fiscal year 2016 included the suburban mains of 245.9 miles, upcountry mains of 229.5 miles and an increase of approximately 2.8 miles of pipe that was installed as part of the Mission Bay, Candlestick Point and Hunter's View project. The decrease in fiscal year 2017 is mainly related to Pilarcitos Aqueduct.

^^Starting fiscal year 2016, water mains (miles) include suburban.

@The Increase of water in the reservoir storage started in fiscal year 2019 due to the completion of the new Calaveras dam.

Source: Water Monthly Operating Report, Hetch Hetchy Capital Outlays Summary, Treatment Plant Influent Flow and Sewer Service Charge Calculation Reports.

## Operating Information

Wastewater, Hetchy Water and Hetchy Power Operating & Capacity Indicators
Fiscal Years Ended 2014 to 2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Wastewater** | | | | | | | | | | |
| Collection System pipes (miles)[@] | Data not available FY2019 and prior | | | | | | 1,123 | 1,125 | 1,131 | 1,131 |
| Sanitary sewers (miles)[@] | 993 | 993 | 993 | 993 | 993 | 993 | N/A | N/A | N/A | N/A |
| Transport/storage sewers (miles)[@] | 17 | 17 | 17 | 17 | 17 | 17 | N/A | N/A | N/A | N/A |
| Sewer breaks repaired | 861 | 1,663 | 1,520 | 1,481 | 912 | 819 | 810 | 531 | 920 | 769 |
| Inspection performed (miles) | 90 | 156 | 80 | 93 | 135 | 215 | 191 | 61 | 56 | 55 |
| Sewer replaced (miles) | 12.8 | 14.9 | 19.5 | 13.6 | 11.0 | 11.4 | 15.2 | 8.9 | 3.8 | 8.1 |
| Responses to customer calls | 8,697 | 16,190 | 10,863 | 8,260 | 8,410 | 7,885 | 8,510 | 6,779 | 6,929 | 10,283 |
| **Treatment plant/ facilities average daily flow (millions of gallons per day)** | | | | | | | | | | |
| Oceanside plant | 15.4 | 15.6 | 16.0 | 18.4 | 15.3 | 16.5 | 14.5 | 13.9 | 13.9 | 16.2 |
| North Point plant | 3.1 | 4.7 | 7.1 | 11.8 | 2.7 | 4.2 | 1.1 | 0.9 | 2.4 | 4.7 |
| Southeast plant | 66.4 | 64.4 | 65.4 | 74.7 | 61.9 | 70.2 | 56.1 | 48.7 | 52.2 | 63.9 |
| Yerba Buena & Treasure Island | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 |
| **Total** | **85.2** | **85.0** | **88.8** | **105.2** | **80.2** | **91.3** | **72.1** | **63.8** | **68.8** | **85.2** |
| **Hetchy Water** | | | | | | | | | | |
| **Watershed area (square miles)** | | | | | | | | | | |
| Hetch Hetchy | 459 | 459 | 459 | 459 | 459 | 459 | 459 | 459 | 459 | 459 |
| Lake Eleanor | 79 | 79 | 79 | 79 | 79 | 79 | 79 | 79 | 79 | 79 |
| Lake Lloyd (Cherry) | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 |
| **Total** | **652** | **652** | **652** | **652** | **652** | **652** | **652** | **652** | **652** | **652** |
| **Reservoir storage (millions of gallons)*** | | | | | | | | | | |
| Hetch Hetchy | 114,354 | 110,745 | 117,424 | 111,755 | 117,231 | 113,020 | 116,653 | 101,808 | 115,948 | 107,925 |
| Lake Eleanor | 7,731 | 7,731 | 8,677 | 7,610 | 8,186 | 8,677 | 8,398 | 8,429 | 8,614 | 7,883 |
| Lake Lloyd (Cherry) | 72,627 | 64,025 | 88,478 | 77,951⌂ | 83,067 | 87,829 | 86,332 | 82,150 | 85,989 | 83,869 |
| **Total** | **194,712** | **182,501** | **214,579** | **197,316** | **208,484** | **209,526** | **211,383** | **192,387** | **210,551** | **199,677** |
| **Hetchy Power** | | | | | | | | | | |
| **Hydroelectric generation (megawatt hours)** | | | | | | | | | | |
| Holm | 382,689 | 436,499 | 654,952 | 919,492 | 431,659 | 508,060 | 538,201 | 339,180 | 535,177 | 553,559 |
| Kirkwood | 318,379 | 283,922 | 528,724 | 482,996 | 510,888 | 401,779 | 422,278 | 328,410 | 390,066 | 438,612 |
| Moccasin | 320,577 | 255,778 | 338,005 | 319,691 | 356,004 | 295,766 | 325,194 | 304,325 | 294,705 | 305,464 |
| Moccasin Low-Head # | 22 | — | 1,359 | — | — | — | — | — | — | — |
| **Total** | **1,021,667****** | **976,199****** | **1,523,040^** | **1,722,179^** | **1,298,551****** | **1,205,605** | **1,285,673** | **971,915** | **1,219,948** | **1,297,635** |

@Starting FY2020, sanitary sewers and Transport/storage sewers is Included in the Collection System pipes category, which includes combined storm and sanitary collection system pipes, sewer mains, transport/storage boxes, other storage structures, and tunnels.
*In addition to these regional reservoirs, San Francisco Public Utilities Commission has In-City System Storage Capacity of 413 million gallons (value revised based on current reservoir storage operation limits).
⌂The decrease in fiscal year 2017 was mainly due to repair work at Lake Lloyd.
**The decrease in fiscal years 2014, 2015 and 2018 was mainly due to the dry year condition which resulted in less water available for hydroelectric generation.
#Moccasin Low-Head was out of service in fiscal years 2015, and 2017 to 2023.
^The increase in fiscal years 2016 and 2017 was due to higher precipitation and lower water bank.

Source: Wastewater Monthly Operating Report, Hetch Hetchy Capital Outlays Summary, Treatment Plant Influent Flow, and Sewer Service Charge Calculation Reports.

## Operating Information

Major Water and Sewer Customer Accounts by Revenue
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Customer Type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Wholesale Customers** | | | | | | | | | | |
| California Water Service Company | $ 47,436 | 46,911 | 48,792 | 57,541 | 63,489 | 60,859 | 66,944 | 67,781 | 64,447 | 70,051 |
| Hayward Municipal Water System | 21,193 | 21,475 | 21,475 | 28,613 | 32,316 | 31,103 | 31,518 | 32,130 | 30,880 | 29,140 |
| Alameda County Water District | 16,141 | 13,213 | 13,847 | 14,366 | 16,947 | 16,849 | 17,609 | 21,089 | 20,509 | 24,485 |
| City of Palo Alto | 15,855 | 15,743 | 16,946 | 19,975 | 21,985 | 21,134 | 21,773 | 21,705 | 21,323 | 21,671 |
| City of Sunnyvale | 12,201 | 12,885 | 15,600 | 17,810 | 21,265 | 19,800 | 21,029 | 21,460 | 19,768 | 20,375 |
| City of Redwood City | 12,847 | 13,151 | 14,661 | 17,169 | 18,781 | 18,190 | 19,408 | 18,948 | 17,758 | 18,241 |
| City of Mountain View | 12,691 | 12,407 | 13,750 | 15,340 | 16,791 | 16,248 | 16,790 | 17,415 | 16,358 | 16,895 |
| City of Milpitas | 9,311 | 8,612 | 9,389 | 10,722 | 11,509 | 11,494 | 13,284 | 11,897 | 10,997 | 11,307 |
| ESD/San Jose Municipal Water System | 6,512 | 7,185 | 8,222 | 9,307 | 10,182 | 9,652 | 9,576 | 9,410 | 8,940 | 9,404 |
| Estero Municipal Improvement District | 5,709 | 6,384 | 7,216 | 9,307 | 9,475 | 9,015 | 9,576 | 9,470 | 8,630 | 8,838 |
| **Water Retail Customers** | | | | | | | | | | |
| San Francisco International Airport | 3,046 | 3,095 | 3,220 | 3,907 | 4,452 | 4,880 | 4,748 | 3,685 | 4,420 | 5,298 |
| Lawrence Livermore National Laboratory | N/A | N/A | 1,836 | 211 | 631 | 133 | N/A | 2,636 | 3,214 | 2,776 |
| NASA Shared Services Center (NSSC) | 1,551 | 1,484 | 1,347 | 1,741 | 2,514 | 2,243 | 2,481 | 2,924 | 2,399 | 2,457 |
| University of California, San Francisco | 1,364 | 1,100 | 1,435 | 1,534 | 1,689 | 1,694 | 2,185 | 2,304 | 2,529 | 2,419 |
| Parkmerced Investors Properties, LLC | 1,311 | 1,393 | 1,449 | 1,678 | 1,840 | 2,088 | 2,372 | 1,878 | 2,615* | 2,345 |
| Golden Gate National Cemetery | N/A | 649 | 839 | 836 | 946 | 900 | 1,320 | 1,557 | 1,663 | 1,573 |
| Recreation & Parks Department | N/A | 878 | 578 | 1,393 | 1,397 | 1,353 | 2,679 | 2,481 | 2,927 | 1,432 |
| Public Health Department | 628 | 672 | 808 | 1,040 | 1,168 | 1,157 | 1,318 | 1,223 | 1,261 | 1,243 |
| San Francisco State University | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 896 |
| The Presidio | 376 | 505 | 272 | 367 | 756 | 566 | 1,273 | 1,840 | 991 | 845 |
| **Sewer Retail Customers** | | | | | | | | | | |
| Parkmerced Investors Properties, LLC | 2,281 | 2,326 | 2,248 | 2,493 | 2,790 | 3,098 | 3,477 | 2,779 | 3,878* | 3,476 |
| University of California, San Francisco | 2,078 | 1,882 | 2,266 | 2,068 | 2,360 | 2,414 | 2,852 | 3,068 | 3,378 | 3,152 |
| Public Health Department | 897 | 647 | 1,041 | 1,334 | 1,547 | 1,461 | 1,635 | 1,513 | 1,091 | 1,534 |
| 1169 Market | 671 | 607 | 579 | 640 | 743 | 694 | 614 | 651 | 894 | 1,185 |
| San Francisco State University | 601 | 601 | 618 | 648 | 860 | 810 | 803 | 496 | 804 | 881 |
| NRG Energy Center San Francisco | 779 | 782 | 874 | 926 | 970 | 1,043 | 889 | 653 | 632 | 817 |
| San Francisco Lessee, LLC | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 800 |
| Bayside Village | 315 | 325 | 477 | 461 | 525 | 569 | 641 | 701 | 795 | 793 |
| Hyatt Corporation | 671 | 607 | 579 | 640 | 743 | 694 | N/A | N/A | N/A | 633 |
| The Stonestown Properties | N/A | N/A | N/A | N/A | 595 | 722 | 761 | 831 | 617 | 628 |

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

## Operating Information

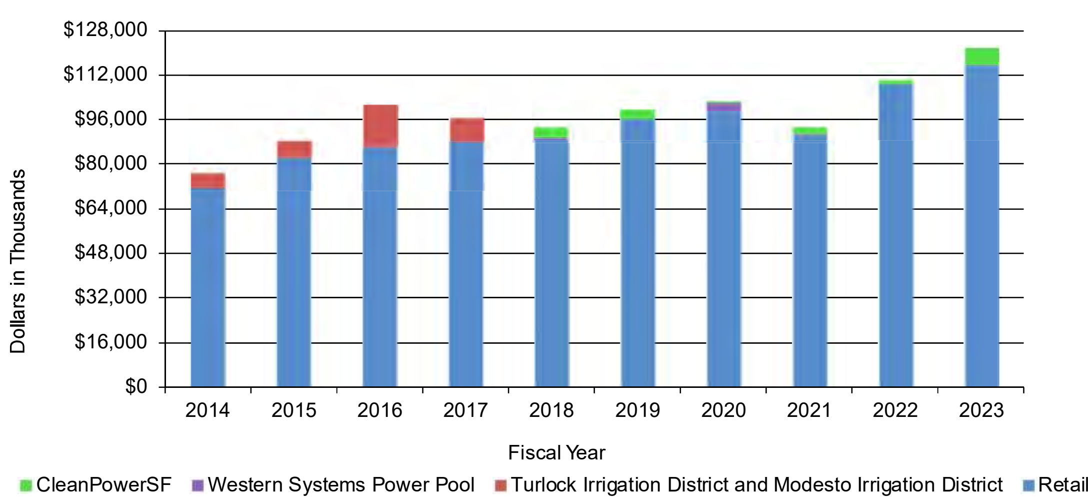
Major Electric Retail and Wholesale Customer Accounts by Revenue
Fiscal Years Ended 2014 to 2023
(Dollars in Thousands)

| Customer Type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Retail Customers** | | | | | | | | | | |
| San Francisco International Airport | $ 39,199 | 41,614 | 42,687 | 43,070 | 43,434 | 44,574 | 46,248 | 41,626 | 51,110 | 46,604 |
| Municipal Transportation Agency | 5,403 | 6,466 | 7,631 | 8,193 | 8,594 | 8,249 | 7,758 | 6,353 | 9,607 | 14,489 |
| SFPUC - Wastewater Enterprise | 8,861 | 9,748 | 9,847 | 10,397 | 9,979 | 10,687 | 10,531 | 10,522 | 10,898 | 13,451 |
| Administrative Services Agency | 3,025 | 4,386 | 5,419 | 5,442 | 5,743 | 9,739 | 9,919 | 8,707 | 9,356 | 11,644 |
| SFPUC - Water Enterprise | 8,582 | 8,640 | 7,954 | 8,950 | 8,592 | 9,369 | 9,831 | 10,130 | 10,796 | 10,662 |
| Department of Public Health | 1,319 | 1,878 | 2,842 | 3,125 | 3,470 | 4,837 | 5,228 | 5,723 | 6,358 | 7,298 |
| San Francisco Unified School District | 1,588 | 1,864 | 2,214 | 2,285 | 2,394 | 2,252 | 2,193 | 1,929 | 3,068 | 4,092 |
| Port of San Francisco | 1,563 | 1,971 | 1,941 | 1,983 | 2,294 | 2,236 | 2,061 | 1,639 | 3,156 | 3,634 |
| Recreation and Parks Department | N/A | N/A | N/A | N/A | N/A | N/A | 1,167 | 1,145 | 1,145 | 2,075 |
| San Francisco Public Library** | 703 | 773 | 860 | 887 | 1,340 | 1,679 | 1,682 | 1,601 | 1,909 | 2,053 |
| **Wholesale Customers** | | | | | | | | | | |
| CleanPowerSF (per WSPP) | $ Data not available for CleanPowerSF | | 367 | 1,893 | See below of details | | | | | 5,846 |
| Energy | | | N/A | N/A | 3,284 | 580 | 299 | 31 | 32 | 5,275 |
| Other | | | N/A | N/A | 217 | 2,446 | 40 | 2,425 | 1,557 | 571 |
| Western Systems Power Pool # (Exclude CPSF) | 127 * | — | 157 | 237 | See below for details | | | | | — |
| Energy | N/A | N/A | N/A | N/A | 668 | — | 2,780 | 1 | — | — |
| Other | N/A | N/A | N/A | N/A | — | — | 325 | 468 | — | — |
| Modesto Irrigation District | 1,879 * | 2,666 | 6,345 | 8,003 | 2,422 | N/A | N/A | N/A | N/A | N/A |
| Turlock Irrigation District | 3,263 * | 3,331 | 8,615 | 387 | N/A | N/A | N/A | N/A | N/A | N/A |

*Reflects reduced power generation and power available for sale.
**Updated to reflect latest data.
#Excludes sales to CleanPowerSF and CAISO.
N/A - No sales in the fiscal year or data not available.
Highlighted data were not part of major customers.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System. Fiscal year 2020 and prior was from Utility Star Billing System.

Electric Retail and Wholesale Revenue



## Operating Information

Performance Measures

Fiscal Year 2023

| | Target | Projection | Actual |
|---|---|---|---|
| **1. Reliable Service and Assets** | | | |
| Number of dry weather main sewer overflows per 100 miles of main sewer | <3 | 1.46 | 1.3 |
| Percent of in-city service connections without water for more than 4 hours due to an unplanned outage | 0.10% | 0.06% | 0.13% |
| Percent of streetlight outages complying with 48-hour SFPUC response goal; complex streetlights evaluated | 100.0% | 80.0% | 95.0% |
| System renewal and replacement rates for in-City water distribution mains | 15 miles | 7.4 miles | 9 miles |
| System renewal and replacement rates for Wastewater pipelines | 11.3 miles | 9.3 miles | 10.1 miles |
| **2. Organizational Excellence** | | | |
| Number of employees over the maximum permissible overtime threshold (25% of straight time) | 10.0 | 16.0 | 18.0 |
| **3. Effective Workforce** | | | |
| Number of promotions | 300 | 286 | 342 |
| Time to hire (days) | 275 | 250 | 235 |
| **4. Financial Sustainability** | | | |
| Average residential Power bill as a percent of median income in San Francisco | 0.76% | 0.70% | 0.72% |
| Average residential Wastewater bill as a percent of median income in San Francisco | 0.70% | 0.72% | 0.69% |
| Average residential Water bill as a percent of median income in San Francisco | 0.58% | 0.60% | 0.57% |
| Operating cost coverage (total operational revenues/total operating costs) for Power | 0.86 | 1.14 | 1.07 |
| Operating cost coverage (total operational revenues/total operating costs) for Wastewater | 2.00 | 1.83 | 1.39 |
| Operating cost coverage (total operational revenues/total operating costs) for Water | 1.91 | 1.89 | 1.50 |
| Power debt service coverage - Indentured Coverage | 1.35x | N/A | 63.29 |
| Wastewater debt service coverage - Indentured Coverage | 1.35x | N/A | 3.17 |
| Water debt service coverage - Indentured Coverage | 1.35x | N/A | 1.85 |
| **5. Stakeholder and Community Interest** | | | |
| Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs | 3,250 | 3,000 | 4,198 |
| Percent of eligible customers enrolled in California Alternate Rates for Energy (CARE) for CleanPowerSF Customers | 90.0% | 82.3% | 78.0% |
| Percent of Eligible electric customers receiving low-income discount rate | 60.0% | 60.0% | 52.0% |
| Percent of eligible households enrolled in Community Assistance Program (CAP) | 17.53% | 19.69% | 17.53% |
| Percent of retail customers rating the SFPUC as "good" or better on a customer survey | 90.0% | 89.0% | 89.0% |
| **6. Environmental Stewardship** | | | |
| Average water used by San Francisco residential customers (Gallons Per Capita Per Day - gpcd) | <= 50 | 42.5 | 42.9 |
| Gallons of stormwater removed annually from the combined sewer system by green infrastructure | 264 million gallons | 255 million gallons | 278 million gallons |
| Percent of biogas going to beneficial uses - Oceanside Plant | 75.0% | 25.0% | 0.0% |
| Percent of biogas going to beneficial uses - Southeast Plant | 50.0% | 50.0% | 36.0% |
| Percent of CleanPowerSF customer account retention rate | >= 90% | 94.8% | 95.0% |
| Percent of water supplied by alternative sources to system as a whole | 3.4% | 3.5% | 3.2% |

Source: SFPUC Strategic Plan

# ANNUAL COMPREHENSIVE FINANCIAL REPORT
## Project Team Acknowledgements

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Deputy Chief Financial Officer

**Laura Busch**
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San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

# Our mission

To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

Cover photo: SEP-Mountain Tunnel 107-inch upstream Flow Control Facility bypass pipe, Moccasin Camp

Back cover photo: Harry Tracy Water Treatment Plant-Filters No. 1 to 6, Biosolids Digester Facilities Project

Photos by: Robin Scheswohl, Marshall Moxom

Date of Publication: January 2024

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

# Delivering Reliability Around the Clock

## Popular Annual Financial Report
## For Fiscal Year Ended June 30, 2023

San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

# San Francisco **Public Utilities Commission**

(AS OF DATE OF PUBLICATION)



# Water

We are the third largest municipal utility in California, serving 2.7 million residential, commercial, and industrial customers in the Bay Area. Approximately one-third of our delivered water goes to retail customers in San Francisco, while wholesale deliveries to 27 suburban agencies in Alameda, Santa Clara, and San Mateo counties comprise the other two-thirds.

# Power

For 100 years, we have been generating greenhouse gas-free hydropower as our city's full-service, publicly owned electric utility. In 2016, we launched CleanPowerSF, a community choice aggregation program, to introduce even more renewable energy from sources like wind and solar to the electric grid. Collectively, the two systems meet more than 70 percent of the electricity demand in San Francisco.

# Sewer

We operate and maintain the City's water pollution control plants, pumping stations and collection system to protect public health and the environment. We maintain 1,900 miles of sewer mains and lateral and 27 pump stations that collect sewage and storm water, moving the wastewater to the three treatment plants for treatment and discharge to the San Francisco Bay and Pacific Ocean.

## Contents

# Message from our **General Manager**

Dear Customers and Interested Parties,

On behalf of the San Francisco Public Utilities Commission (SFPUC), I am pleased to present our Popular Annual Financial Report for Fiscal Year 2022-2023.

This report shares the SFPUC's work, accomplishments, and financial position from July 1, 2022 to June 30, 2023 in an easy-to-use format. It offers insight into how public dollars are spent providing essential water, power, and sewer services 24 hours a day, seven days a week. It also showcases some of the accomplishments our dedicated staff have achieved on behalf of our customers, our communities, and the environment.

As our city and region rebound from the COVID-19 pandemic, we face another challenge.

Climate change has been a driving factor in our work, and we are addressing it head on. During the past year, California went from a historic drought to one of the wettest winters on record. Unprecedented storms delivered half the average annual rainfall in just a matter of days in San Francisco. Staff across our agency are committed to effectively managing the challenges that climate change poses to our communities.

Every day, 2.7 million people in the San Francisco Bay Area depend on water we supply. Through a growing portfolio of power resources, including a new standalone battery-storage project in the Bay Area, both our Hetchy Power and CleanPowerSF now serve about 75% of the electricity demand in San Francisco. We are making generational upgrades to our Southeast Treatment Plant, the workhorse of our combined sewer system, while also delivering other major improvements across that system to enhance seismic safety and climate resiliency.

We are proud to provide reliable services and value to our customers by optimizing the operations, maintenance, and improvement of all our assets. Our approach is strategic, long-term, and focused on cost effectiveness.

We have a robust asset management plan in place, while also continually testing innovative approaches to maximize effectiveness and public investments. Nowhere is the financial health of our agency more evident than when one looks at the improvements we make to our complex infrastructure to ensure the long-term reliability of those vital public assets.

We are also tackling affordability challenges head on. Working to make utility services more affordable for communities that have faced systemic barriers is central to our work.

With a proven track record as a leader in customer affordability, this year we expanded our Customer Assistance Program to provide additional help to low-income customers and those struggling to pay their bills on time. Among the improvements, we increased discounts on water and sewer bills to 40% for customers with very low incomes, exempted low-income customers from shutoffs or liens for late payment of bills, and ended late fees for residential customers.

Additionally, we successfully advocated for the extension of the state's relief program for utility debt accrued during the COVID-19 pandemic. Last year the SFPUC secured millions of dollars for customers who accrued pandemic water and sewer utility debt. We are committed to helping those who need it the most. That's part of what it means to be a utility of the future.

Finally, this year's report showcases not just our financial health and fiscal responsibility, but our commitment to environmental stewardship and the value of our diverse partnerships.

Even during times of adversity, the SFPUC team has continued to deliver. That will not change.

Thank you to the Commissioners and staff who make the SFPUC a utility that we can all be proud of.

Dennis J. Herrera,
SFPUC General Manager

# Resolute and Resiliant

Millions of people and businesses rely on the water the San Francisco Public Utilities Commission supplies through our Hetch Hetchy Regional Water System. The winter of 2022-2023 was an example of what we can expect from climate change. Despite unprecedented wind and rain in every corner of our watersheds, there were no interruptions to water or power deliveries during those historic winter storms.

*Left: Installing new 36-inch (36”) diameter welded steel pipe (WSP) for Potable Emergency Firefighting Water Systems, Right: Harry Tracy Water Treatment Plant (HTWTP), Photos by: Robin Scheswohl*

### Water Quality and Asset Protection

The SFPUC owns and operates over 1,200 miles of pipelines in San Francisco, many of which are 100 years old. We continue to maintain and upgrade our critical water system to serve our customers.

The Linear Asset Management Program identifies the segments of our water network that face the most critical need for replacement, either due to new demand levels, aging infrastructure, or seismic reliability. This past year along 19th Avenue we installed a new 36-inch main that greatly improves service for residents of San Francisco’s west side. At the College Hill Reservoir and along Prospect Avenue we installed new seismically resistant pipeline that reaches as far as City Hall and San Francisco General Hospital. Other projects include residential neighborhoods where existing infrastructure is reaching the end of its expected lifespan.

### Hetch Hetchy Risk Management Pilot Projects

To help us plan for the future, the Hetch Hetchy Regional Water System employs a strategy of pilot projects and initiatives to test concepts for addressing risks, including capital planning and climate change risks, to help ensure reliable service and assets. One example is our Risk Tool, which establishes a risk framework, assigning consequence and likelihood-of-failure scores to all existing and candidate capital projects. The results from that have been integrated into the 10-year capital development process to optimize our future planning efforts.

### Water Supply Reliability and Corrosion Control

To keep our water supply safe and operational, we constantly examine and develop our vast network of supply lines. They stretch 167 miles from the O’Shaughnessy Dam through the Central Valley, to our other reservoirs and facilities in the East Bay, South Bay, and Peninsula before finally reaching San Francisco.

Our Corrosion Control project utilizes basic chemistry to keep our transmission pipelines free from rust. Cathodic protection prevents corrosion from happening to a pipeline and has been installed across dozens of miles of pipeline and continues to be extended to additional sites.

All of our retail and wholesale customers depend on receiving high-quality potable water without interruption. The Harry Tracy Water Treatment Plant, for example, ensures that water deliveries on the Peninsula and in San Francisco are pure and safe. We recently installed new underdrains for six of the plant’s 15 filters in order to maintain full capacity. With more reliable drains now installed, we are able to provide up to 140 million gallons a day.

### Hetch Hetchy Water Strategic Capital Planning and Special Projects Department

Unplanned asset failures and natural disasters can put a strain on the capital program for the Hetch Hetchy regional system. To help streamline, this year the SFPUC established a Strategic Capital Planning & Special Projects Department to help address the most significant challenges affecting the SFPUC’s ability to plan, budget, and deliver water and power capital improvements.

Created as a pilot, this new department complements the centralized project delivery teams by being responsible for architecting a comprehensive capital plan that can be planned, designed, and constructed to meet asset management needs. The specific focus is on scope, schedule, and budget, as well as the contracting and staffing resources required to deliver successful projects.

With many successes already to date, this strategic capital planning group, has allowed Hetch Hetchy Water and Power to address both future and current risks by utilizing a risk-based approach to prioritize capital planning funding, and manage time-sensitive and high-risk projects, including weather-related emergency projects.

# Creating the Clean Energy Future

For more than a century, Hetch Hetchy Power has been generating reliable, clean, 100% greenhouse gas-free electricity. The SFPUC continues to lead the way on cleaner, greener future.



*Left: Electric vehicle (EV) charging stations, Top right: Hetchy Town Hall, Bottom right: Houses built by Habitat for Humanity with electric vehicle charging stations, Photos by: Robin Scheswohl*

## Getting Amped Up with EV Charge SF

Transportation is the largest source of greenhouse gas emissions in the United States, and electrifying vehicles is key to reducing their impact on the planet and our communities. Having reliable electric vehicle charging infrastructure close to home and work is a major factor in deciding to go with an electric vehicle. That's where EV Charge SF can help.

This new SFPUC program provides financial incentives for property owners to install electric vehicle charging infrastructure in new construction, commercial garages, and other projects in San Francisco. Through EV Charge SF, new residential and commercial buildings can take advantage of up to $120,000 in financial incentives to install reliable electric vehicle chargers and related infrastructure.

The Bristol, a new residential development on Yerba Buena Island, is one of the newest EV Charge SF customers. The Bristol was able to take advantage of the new customer program and successfully financed and installed more than 30 new electric vehicle charging stations in their parking structure. New electric vehicle charging projects are underway at several customer sites, and funding is available for more projects for both CleanPowerSF and Hetch Hetchy Power customers.

## Bay Area Battery Storage

Ensuring reliable power service and achieving San Francisco's ambitious climate change goals go hand in hand. This year, the SFPUC's clean energy procurement program, CleanPowerSF, signed its first standalone battery storage project contract in the greater San Francisco Bay Area. Called the Corby Project, the battery storage system allows energy produced in the middle of the day, when solar is abundant and electricity is at its cheapest, to be stored and discharged later at night when electricity is scarcer and costlier to get. Stored energy can also be discharged when demand for electricity is high, like during hot days, contributing to regional power reliability. This will help lessen the grid's reliance on expensive fossil fuels and help reduce costs for CleanPowerSF ratepayers.

## Powering Affordable Housing

Hetch Hetchy Power energized over 700 new units of affordable or public housing this year, helping to ensure that San Franciscans from all walks of life get to benefit from 100% greenhouse gas-free electricity.

To welcome customers into their new homes, the SFPUC coordinated a series of community town hall events providing in-language presentations about Hetch Hetchy Power's services, billing, and customer programs to help residents get acquainted with their new provider. To support customers with low or fixed incomes, the SFPUC was able to enroll eligible customers in discount programs, like the newly revamped Customer Assistance Program, which provides a 30% monthly bill discount for eligible Hetch Hetchy Power customers.

Thanks to its reliable service, Hetch Hetchy Power offers a sense of security for customers inside their new homes. The SFPUC is committed to ensuring that residents in San Francisco continue to receive the benefits of clean, reliable, and affordable public power for generations to come.

# Storms, Floodproofing, and Heroes

San Francisco's combined sewer system is a critical part of our city's work to protect public health and coastal water quality. It collects and treats about 40 billion gallons of combined wastewater and stormwater each year. We're making major infrastructure investments, but as climate change brings increasingly intense storms, it's important for residents and businesses to partner with us to divert more stormwater and make properties flood resilient.


*Left: Temporary sandbag deployment for flooding barrier, Right: Adopt a Drain VIP Volunteer Event at Oceanside Treatment Plant*
*Photos by: Carmen Magana, Robin Scheswohl*

### Green Infrastructure Grant Program

One way in which the SFPUC is making our city's combined sewer system more resilient is through green infrastructure, a set of sustainable stormwater management tools that take advantage of natural processes to capture stormwater and prevent it from overwhelming our sewer system. Examples of green infrastructure include permeable pavement, rain gardens, and rainwater harvesting.

The SFPUC's Green Infrastructure Grant Program provides funding for the construction of green infrastructure on large, highly impervious properties, such as schools, parks, and churches. The primary goal of this program is to reduce the amount of stormwater runoff entering the SFPUC's sewer system, which reduces the burden on our sewer system during intense rain events. This program also requires that projects deliver multiple benefits on top of the stormwater management that they provide, including increased urban greenspace and habitat, neighborhood beautification, community engagement, and environmental education. In addition to protecting our environment and improving properties in the city, making these upgrades provides the added benefit of receiving a discount on the stormwater portion of a customer's bill.

Projects to date have included green schoolyards that integrate nature-play with stormwater management at K-12 schools, new rain gardens and permeable pathways in public parks, and a rainwater harvesting system at an arts cooperative. Twenty Green Infrastructure Grants have been awarded since the program launched in February 2019. Nine of these projects totaling $10.9 million were awarded during the fiscal year 2022-2023. When completed, these projects will collectively capture over 14 million gallons of stormwater each year, providing an important buffer for our sewer system in the face of climate change.

### Floodproofing Grants Benefits Property Owners

The Floodwater Management Grant Program is for San Francisco property owners who have experienced flooding during heavy rains. Awarding over $750,000 in grants since it was launched in 2013, the program provides funding for eligible applicants who install flood protection on their properties. Some projects include deployable flood barriers, raised planters that act as flood walls, backflow preventer valves, regrading of driveways to keep flows out, and much more.

The program has undergone improvements over the years to make it more accessible and equitable to customers. These include the addition of hardship eligibility criteria that allow eligible grantees to receive upfront payments in lieu of only reimbursements, increased technical assistance from SFPUC staff to support the design and delivery of successful projects, and increasing the SFPUC's cost share up to 100% of eligible costs.

The program saw a dramatic increase this fiscal year in participation, receiving 135 interest forms compared to 31 for the previous fiscal year. This has resulted in 65 site visits and 10 grant applications, more than any year prior. The program team is currently working on additional improvements so the program can continue to support homeowners in floodproofing their homes and making our city more resilient to a changing climate.

### Celebrating Adopt a Drain Heroes

Launched in 2016, Adopt a Drain is a SFPUC program that enables San Franciscans to "adopt" one or more of the city's 25,000 storm drains/catch basins and pledge to keep it free of leaves and debris to reduce localized flooding. On the mobile-friendly site at adoptadrain.sfwater.org, users scroll over a map of San Francisco, claim a storm drain, pledge to care for it, and even give it a name. The program helps reduce localized flooding by engaging residents and businesses to take an active role in caring for and improving the neighborhood where they live and work. It also builds a partnership between the SFPUC and community members by enabling residents to take action to keep local storm drains clear of debris and help keep stormwater flowing smoothly.

Adopt a Drain is also an opportunity to educate the public about the combined sewer system, and the importance of stormwater management – a top priority for our organization. To date, there are 6,486 drains adopted by over 4,500 community members. The program is proving popular with our customers. Over one two-week period stretching from New Year's Eve 2022 into 2023, the program added 1,859 new drain heroes and 2,317 newly adopted drains.

# Investing in People and Community

## The SFPUC is committed to being a good neighbor and helping to improve the quality of life in the diverse communities where we operate.

### Diversity, Equity, and Inclusion

The SFPUC hired its first Chief Diversity, Equity, and Inclusion Officer in July 2023 to lead the development and implementation of initiatives to advance racial equity within our organization. This strategic move underscores SFPUC's unwavering commitment to creating and sustaining an inclusive and diverse workplace. Recognizing the importance of addressing systemic inequities, we have embarked on a journey to embed equity into all operations. SFPUC views the pursuit of racial equity as a moral imperative and an essential component for sustainable growth and success. By creating a more inclusive community, we are fulfilling our social responsibility and enhancing our organizational resilience and adaptability in an ever-evolving global landscape.

### Social Impact Partnership Program

The SFPUC is committed to being a good neighbor to communities affected by our contracts, projects, and operations, and our Social Impact Partnership Program allows private contractors we work with to do the same. This past year this impactful program was strengthened and codified into local law with unanimous support from the SFPUC Commission, the San Francisco Board of Supervisors, and Mayor London Breed.

The program invites companies competing for SFPUC qualifying contracts to voluntarily submit a proposal detailing how they would deliver commitments as either volunteer hours and/or financial contributions in the areas of job exposure, awareness, and internships; small business; education; and environmental and community health. If awarded a contract, contractors are then committed to providing those benefits to the community.

Making a difference for more than a decade, the program has led to deep, meaningful, and positive benefits in communities in San Francisco and across our service territory. It has brought more technology into San Francisco public schools; created science, technology, engineering, and math career awareness opportunities for K-12 students; and supported a construction pre-apprenticeship program for women in the trades. There are currently over 90 contracts where companies have voluntarily committed to deliver volunteer hours and financial contributions to local public schools and nonprofit organizations. With the legislation this year, the program now has even stronger tools to maximize transparency and effectiveness. As we invest in our systems, we invest in our communities.

### Support for Low-Income Customers

Recovering from the economic hardships wrought by the global pandemic has been hardest on those who can least afford it. That's why the SFPUC continued to take groundbreaking steps this fiscal year to provide support to our customers who need it the most.

There were three major accomplishments on this front: expanding our discount program for low-income customers, instituting a new shutoff avoidance policy that keeps utility service on for low-income customers who are behind on their bills, and securing additional state funding for debt forgiveness to provide customers relief on past-due bills.

In spring of 2023, the SFPUC approved an expansion of the Customer Assistance Program, deepening water and sewer discounts for residential customers in most need of financial assistance. The SFPUC has long been a leader in ratepayer affordability. We launched our Customer Assistance Program for residential customers in 2004



*Left: Jobs Training and Opportunities Program (JTOP), Top right: Southeast Wastewater Treatment Plant (SEP), Headworks Facility Project: Women in Construction week, Bottom right: Southeast Community Center, Photos by: Robin Scheswohl, Sabrina Wong*

and it has improved and expanded over the years. We also approved a policy to exempt very low-income customers and those with certain extenuating circumstances from facing a shutoff or lien if behind on their bill.

The SFPUC is also working closely with the State of California regarding funding recently made available to address historic customer arrearages accrued through the end of 2022 – a win for public utilities and for customers in need of assistance across the state.

### Conservation Success

Creating partnerships with the San Francisco Giants, San Francisco International Airport and Golden Gate Restaurant Association helped the SFPUC exceed our water conservation goals in the face of a historic drought. Undertaking joint conservation outreach campaigns with these high-profile partners allowed us to reach new audiences as part of a multilingual, regional water conservation outreach campaign.

Outreach methods included electronic billboards along major highways in the Bay Area, restaurant tabletop signage inviting people to request water if needed, advertising on BART stations and trains, as well as a sophisticated digital marketing campaign with ads on Google, Facebook, Twitter, and Spotify. Tailored campaigns focused on Spanish, Cantonese, and Filipino speakers.

The San Francisco Giants partnership was a high-profile campaign that included a water conservation trivia and a prize wheel at select home games that allowed SFPUC staff to have more than 2,000 direct educational interactions with Giants fans. Other program features included in-game announcements, social media posts from Major League Baseball's San Francisco Giants and Oracle Park accounts, Spanish-language ads on Gigantes Radio, and a public service announcement featuring Giants mascot Lou Seal.

The campaign continued our strong track record of environmental stewardship. Overall, this outreach generated a five-fold increase in visits to our water conservation web pages, tripled the amount of water conservation devices distributed, and generated more than 80 million impressions on social media. The goal was a 11% reduction in water use across our system, which serves four Bay Area counties. The result was a 12% reduction in water use systemwide.

### Southeast Communities Partnership

In October 2022 the new state-of-the-art Southeast Community Center opened in the heart of the Bayview-Hunters Point neighborhood. Drawing 700 community members to the grand opening event, the center is a partnership between the SFPUC and San Francisco's southeast communities. Tenant partners in the center provide key services to the community, including in the areas of health, youth development, financial empowerment, workforce skill development, family support, high school and GED programs, economic development, and entrepreneurship.

This vital neighborhood hub features an expanded low-cost childcare center, free Wi-Fi, co-working spaces, an on-site café, more than 30 works of art from local artists, nonprofit workspaces, community meeting rooms, large multi-purpose rooms, and a stand-alone Alex Pitcher Pavilion for community events. The open spaces include an amphitheater, gardens, outdoor dining areas, and play spaces for children. From June to November, the center hosts a farmers' market featuring local fresh produce and baked goods. As of June 2023, more than 25,000 people had visited the center and more than 640 events had been held there, from quinceañeras to graduation celebrations.

This major investment created a key neighborhood asset that will provide valuable services and resources for decades to come.

# Keeping Our Water Rates Affordable

### Single-Family Residential FY 2022-23

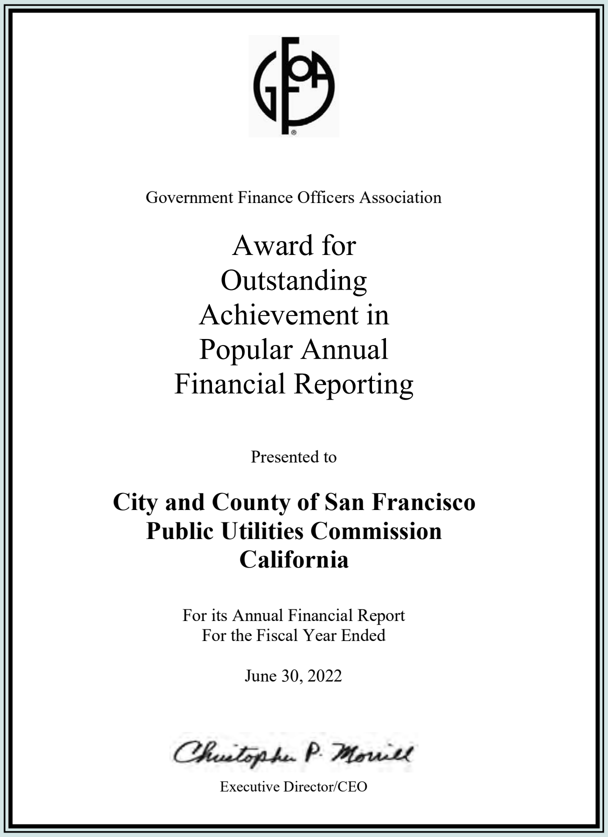
| | |
|---|---|
| Average Monthly Usage (ccf) | 4.60 |
| Average Monthly Bill | $129.30 |
| Cost per Person per Day | $1.88 |
| Total Cost per Gallon | $0.038 |
| Total Combined Bill as % of San Francisco Median Household Income | 1.57% |
| Total Combined Bill as % of San Francisco Low Income Household | 3.81% |

Calculation is based on the average monthly water usage
Average Water/Sewer Bill as % of Typical Household (40th Percentile) Income
Average Water/Sewer Bill as % of Low-Income Household (20th Percentile) Income

# Financial Performance

Since 2010, this report has won the prestigious "Award for Outstanding Achievement in Popular Annual Financial Reporting" from the Government Finance Officers Association.

This award recognizes our commitment to increase public awareness by providing an overview of our financial condition. The financial information for this report is drawn from the audited financial statements in the **SFPUC's Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR)**, using the full accrual basis of accounting and providing complete financial information and disclosures in conformance with generally accepted accounting principles (GAAP). PAFR is not audited and is presented on a non-GAAP basis as note disclosures have been excluded in the report. Our ACFR, which provides complete financial information and disclosures in conformance with GAAP, is available online at http://www.sfpuc.org/about-us/reports.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City and County of San Francisco Public Utilities Commission California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill
Executive Director/CEO

The **Comparative Consolidated Net Position** provide information about the nature and amount of resources and obligations at a specific point in time. SFPUC continued to reflect a strong and healthy financial condition over the last several fiscal years. Investments in capital assets constituted 78% of our net position and represented the amount by which the carrying value of capital assets exceeds capital-related debt, which comprises the outstanding balances of bonds, commercial paper, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. For FY2023, SFPUC net position increased by 6% or $177 million as compared to FY2022, mainly due to increase in unrestricted and net investment in capital assets.

There are five components in the Statement of Net Position, which is intended to present what the entity owns (assets), owes (liabilities) and its residual or net position.

1. Assets are resources with present service capacity that the government presently owns or controls.

2. Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period—for example, amortization of refunding loss to future periods.

3. Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid, such as debts owed, and represent claims against assets.

4. Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period—for example, amortization of net difference in pension projected verses actual earnings.

5. Net position is the residual of all elements presented in a Statement of Net Position, i.e., Total assets plus deferred outflows minus total liabilities minus deferred inflows Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or worsening.

The **Comparative Revenues and Expenses** reflected continued revenue growth. SFPUC strives to achieve strong financial performance and effectively controls its operating costs to not exceed revenues.

Total revenues, transfers in and contributions increased by $224 million when compared to prior year. This is mainly due to higher charges for services attributed to an average rate increase of 15.9% for water wholesale customers and 1.1% increased electricity consumptions for CleanPowerSF.

Total expenses and transfers out increased by $133 million, as compared to prior year. This was primarily due to higher pension expense based on actuarial estimates, higher interest expense due to increased outstanding bond principal balance, and electricity purchased.

## Definitions

- **Capital Assets:** Include depreciable, amortizable, non-amortizable and non-depreciable facilities and buildings, improvement, machinery and equipment, intangible assets, land and rights-of-way as well as construction work in progress, net of depreciation and amortization.

- **Current and Other Assets:** Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.

- **Long-term Debt Outstanding:** Payments due on debt that are more than 12 months in the future.

- **Current Liabilities:** Payments due on obligations owed by SFPUC within the next 12 months.

- **Net Position:** Net difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

- **Change in Net Position:** The total of net income (loss), net of transfers, and cumulative effect of accounting change.

- **Depreciation and Amortization Expense:** Depreciation spreads out the cost of a tangible asset over its useful life, and amortization is the deduction of intangible assets over a specified time period; typically the life of an asset.

- **Income (Loss):** The difference between total revenues less total expenses.

- **Non-operating Revenues and Expenses:** Revenues and expenses that are incidental to SFPUC's main purpose and derived from activities not directly related to SFPUC's operations such as: license fees and penalties, interest earnings and costs associated with debt.

- **Operating Expenses:** Expenses incurred in the provision of water, sewer, and power services

- **Operating Revenues:** Revenues for the sale of water, sewer, and power services to customers, services, inspections, and programs provided by SFPUC.

- **Transfers in:** Funds recovered from other city departments to support various programs and projects.

- **Transfers out:** Funds provided to other city departments to support various programs and projects.

# A Closer Look at the Numbers

## SFPUC 2023 By the Numbers

| | |
|---|---|
| Miles | 1,719 miles of water mains \| 1,131 miles of collection system pipes |
| Millions of gallons (MG) | 264,116 MG water reservoir storage \| 64,446 MG water production \| 62,227 MG water consumption |
| Millions of gallons per day (MGD) | 171.3 MGD water consumption \| 85.2 MGD sewer treatment |
| San Francisco Population | 798,206 |
| San Francisco Personal Income per Capita | $169,758 |
| SFPUC Website | sfpuc.org |

**SFPUC Assets** (DOLLARS IN MILLIONS)

| Fiscal Year | | FY2023 | Restated FY2022^ | FY2021 | 2023-22 $ Change | 2022-21 $ Change |
|---|---|---|---|---|---|---|
| Cash & Investments | $ | 1,448 | 1,225 | 1,287 | 223 | (62) |
| Charges for Services Receivables (net of allowance for doubtful accounts) | | 159 | 162 | 137 | (3) | 25 |
| Capital Assets | | 11,200 | 10,451 | 9,864 | 749 | 587 |
| Others | | 207 | 537 | 192 | (330) | 345 |
| **Total Assets** | **$** | **13,014** | **12,375** | **11,480** | **639** | **895** |

^Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Fiscal year 2023, SFPUC assets increased by $639 million or 5%, mainly due to $749 million additional construction and capital improvements, and $223 million in cash and investments. The increase is offset by decreases of $333 million mainly in receivables from State Water Resources Control Board for various construction projects, and restricted net pension asset based on actuarial estimates.

Fiscal year 2022, SFPUC assets increased by $895 million or 8%, mainly due to $587 million additional construction and capital improvements, $345 million increase in receivables from other government entities and interest income, $25 million higher receivables related to charges for services offset by a decrease of $62 million in cash and investments mainly due higher capital spending and power purchases attributed to volatile and increased pricing in power market.

**SFPUC Liabilities** (DOLLARS IN MILLIONS)

| Fiscal Year | | FY2023 | Restated FY2022^ | FY2021 | 2023-22 $ Change | 2022-21 $ Change |
|---|---|---|---|---|---|---|
| Certificates of Participation | $ | 129 | 134 | 138 | (5) | (4) |
| Commercial Papers | | 488 | 625 | 859 | (137) | (234) |
| Bonds | | 7,639 | 6,987 | 6,631 | 652 | 356 |
| Notes | | 350 | 350 | — | — | 350 |
| State Revolving Fund Loans | | 482 | 424 | 216 | 58 | 208 |
| Water Infrastructure Finance and Innovation Act loans | | 122 | — | — | 122 | — |
| Others | | 951 | 787 | 1,134 | 164 | (347) |
| **Total Liabilities** | **$** | **10,161** | **9,307** | **8,978** | **854** | **329** |

^Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

Fiscal year 2023, SFPUC liabilities increased by $854 million or 9%. The increases included $690 million in outstanding debts due to bonds, WIFIA loans and State loans issuances, and $164 million mainly due to pensions based on actuarial estimates.

Fiscal year 2022, SFPUC liabilities increased by $329 million or 4%. The increases included $676 million in outstanding debts due to bonds and State revolving fund loans issuances, offset by a decrease of $347 million in other liabilities mainly related to net pension liabilities.

# Financials at a Glance

**SFPUC By the Numbers (DOLLARS IN MILLIONS, UNLESS OTHERWISE STATED)**

| | | Water | Wastewater | Hetchy Water | Hetchy Power | CleanPowerSF | SFPUC |
|---|---|---|---|---|---|---|---|
| Standard & Poor's Bond Rating | | AA- | AA | N/A | AA | N/A | N/A |
| Moody's Investors Service | | Aa2 | Aa2 | N/A | N/A | A2 | N/A |
| Fitch | | N/A | N/A | N/A | AA- | N/A | N/A |
| Current Ratio | | 1.90 times | 2.01 times | 8.06 times | 3.86 times | 4.66 times | 2.38 times |
| Debt Ratio | | 91.1% | 73.7% | 13.4% | 45.6% | 24.1% | 78.1% |
| Debt Service Coverage | | 1.85 | 3.17 | N/A | 63.29 | N/A | N/A |
| Average Borrowing Rate[1] | | 3.30% | 2.89% | N/A | 2.88% | N/A | N/A |
| Total Assets[2] | $ | 6,344.0 | 5,260.7 | 310.9 | 941.3 | 157.9 | 13,014.3 |
| Deferred Outflows of Resources | $ | 223.3 | 44.1 | 12.1 | 14.8 | 2.3 | 296.6 |
| Total Liabilities[2] | $ | 5,778.1 | 3,874.9 | 41.6 | 428.9 | 38.0 | 10,161.0 |
| Deferred Inflows of Resources | $ | 97.2 | 31.1 | 7.3 | 8.8 | 4.2 | 148.6 |
| Net Position | $ | 692.0 | 1,398.8 | 274.1 | 518.4 | 118.0 | 3,001.3 |
| Number of Customer Accounts | | 177,613 | 175,680 | 5 | 6,238 | 397,154 | 756,690 |
| Capital Budget | $ | 111.2 | 687.2 | 114.9 | 66.2 | 3.7 | 983.2 |
| Adopted Annual Operating Budget | $ | 663.7 | 406.1 | 95.1 | 170.9 | 315.7 | 1,651.5 |

[1]The SFPUC's high credit ratings helps to reduce high borrowing costs. Average Borrowing Rate is the weighted average interest rate on outstanding bonds as of 6/30/23.

[2]SFPUC total included elimination of $0.5 million interfund payables and receivables between Wastewater and Hetchy Power.

## Definitions

- **Current Ratio:** measures the enterprise's ability to pay short-term obligations with its current assets. It is defined as current assets divided by current liabilities.
- **Debt Ratio:** measures how much of the enterprise's assets are financed by debt. It is defined as total liabilities divided by total assets.
- **Debt Service Coverage:** measures the enterprise's ability to meet both legal and policy-driven revenue obligations associated with debt. To ensure that the SFPUC retains financial flexibility for contingencies, it has adopted and implemented financial policies that impose higher standards than the bond indenture minimum debt service coverage requirements of 1.00x (current) and 1.25x (indenture).

# Five-Year Comparative Consolidated Net Position

(DOLLARS IN MILLIONS)

- Current & other assets
- Capital assets net of accumulated depreciation and amortization
- Deferred outflows of resources
- Current liabilities
- Long-term liabilities
- Deferred inflows of resources
- Net position

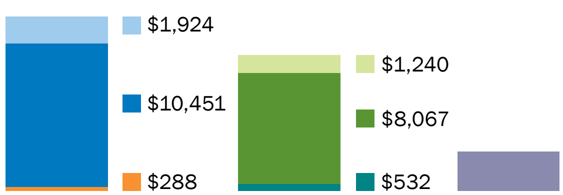
## 2023


**$13,311**
Total assets & deferred outflows of resources

**$10,310**
Total liabilities & deferred inflows of resources

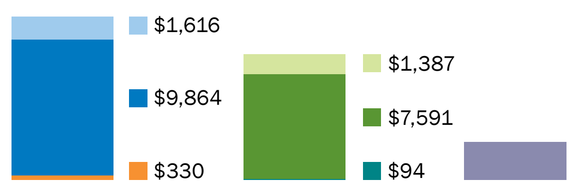
**$3,001**
Total net position

## 2022^



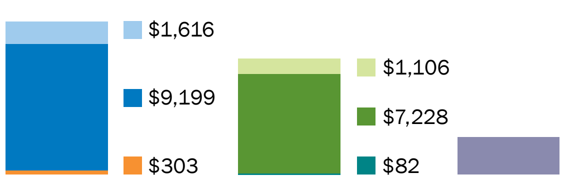

$12,663 | $9,839 | $2,824

## 2021



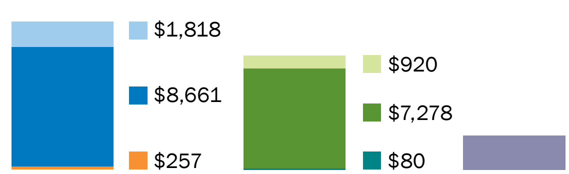

$11,810 | $9,072 | $2,738

## 2020




$11,118 | $8,416 | $2,702

## 2019




$10,736 | $8,278 | $2,458

^Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

# Five-Year Comparative Revenues and Expenses

(DOLLARS IN MILLIONS)

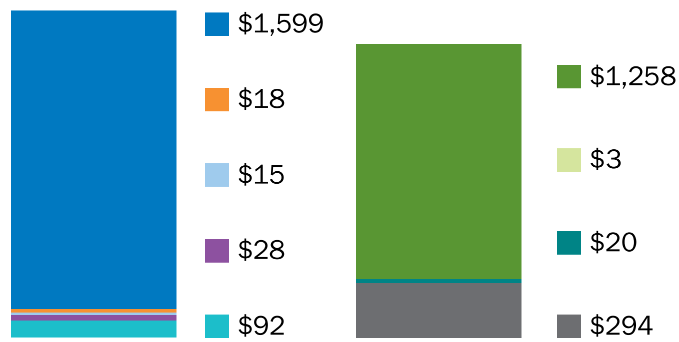
### Revenues, Transfers in and Capital Contributions

- Charges for services
- Interest and investment (loss) income
- Rents & concessions
- Transfers in and capital contribution
- Others

### Expenses & Transfers out

- Operating expenses
- Non-operating expenses
- Transfers out
- Interest expenses, amortization of premium, discount, refunding loss & issuance costs

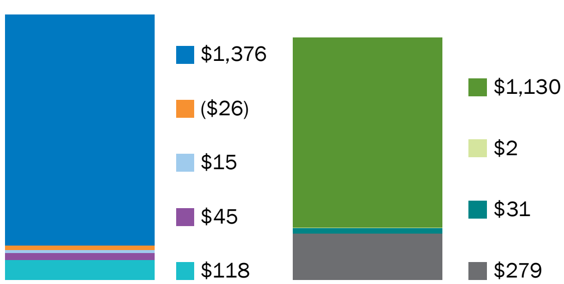
## 2023




**$1,752**
Total Revenues, Transfer In & Capital Contribution

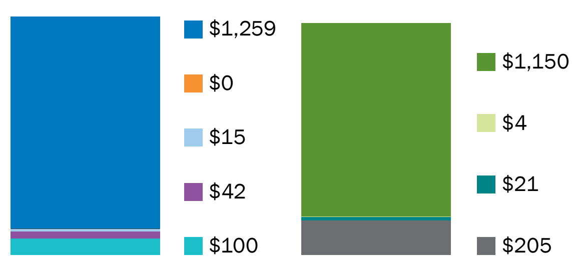
**$1,575**
Total Expenses & Transfers Out

## 2022^



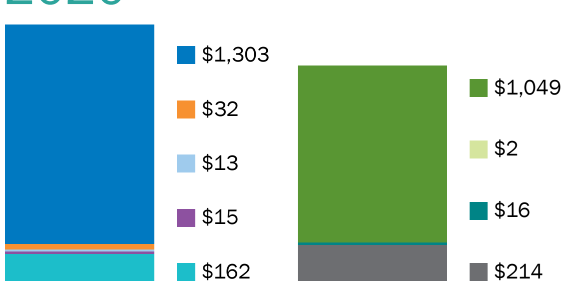

$1,528 | $1,442

## 2021



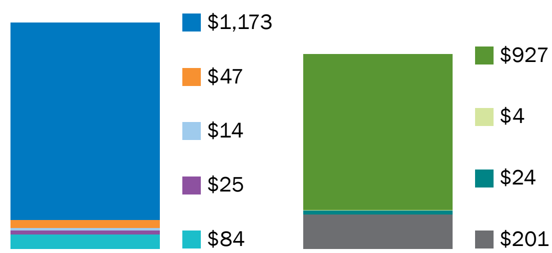

$1,416 | $1,380

## 2020




$1,525 | $1,281

## 2019




$1,343 | $1,156

^Restated due to the implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

# Our mission

To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

Cover photo: Ductile Iron Water Main Replacement, Green infrastructure, Electric Vehicle Charge San Francisco Program

Back cover photo: Harry Tracy Water Treatment Plant-Filters No. 1 to 6, Ductile Iron Water Main Replacement

Photos by: Robin Scheswohl, Sabrina Wong

Date of Publication: January 2024

SFPUC Financial Services
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
sfpuc.org

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| | | | |
|---|---|---|---|
| NCR ID: | **NCR05182** | | |
| Hetch Hetchy Water & Power: | **Hetch Hetchy Water & Power** | | |
| HHWP: | **HHWP** | | |
| Reliability Standards Scope: | **Operations & Planning (FERC Order 693) Standards** | | |
| Compliance Monitoring Process: | **Compliance Audit** | | |
| Distribution: | **Public Version. Confidential Information Has Been Removed, Including Privileged and Critical Energy Infrastructure Information.** | | |
| Regional Entity: | **Western Electricity Coordinating Council (WECC)** | | |
| Date of Opening Presentation: | **June 20, 2023** | Date of Closing Presentation: | **June 30, 2023** |
| Date of Report: | **February 6, 2024** | IP Year: | **2023** |
| Potential Noncompliance: | **None (zero)** | | |
| Jurisdiction: | **United States** | | |

**Date of 2023 Compliance Audit: June 20, 2023 – June 30, 2023**

**Date of Report: February 6, 2024**

# Table of Contents

## Executive Summary

WECC conducted an Operations & Planning Compliance Audit of Hetch Hetchy Water & Power (HHWP), NCR ID NCR05182 from June 20, 2023 to June 30, 2023.

At the time of the Compliance Audit, HHWP was registered for the functions of Generator Operator (GOP), Generator Owner (GO), Transmission Operator (TOP), Transmission Owner (TO), Transmission Planner (TP).

The Reliability Coordinator (RC), Balancing Authority (BA), Transmission Operator (TOP), Planning Authority (PA), Transmission Planner (TP), and Resource Planner (RP) for HHWP are as follows, respectively RC West, CAISO, HHWP, CAISO, HHWP, and RC West.

HHWP performs the functions of Transmission Planner (TP) for itself only (HHWP).

The Compliance Audit team (team) evaluated HHWP for compliance with seven (7) Operations and Planning requirements for the 2023 Electric Reliability Organization (ERO) Enterprise Compliance Monitoring and Enforcement Program (CMEP). The team assessed compliance with the NERC Reliability Standards for the period of May 12, 2020, to February 21, 2023.

HHWP submitted evidence for the team's evaluation of compliance with requirements. The team reviewed and evaluated all evidence provided to assess compliance with Reliability Standards applicable to HHWP at this time.

Based on the evidence provided, no findings were noted for the Reliability Standards and applicable Requirements in scope for this engagement.

The team notified HHWP of one (1) recommendation.

The WECC Compliance Audit team lead certifies that the team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).[1]

[1]This statement replaces the Regional Entity Self-Certification process.

**Date of 2023 Compliance Audit: June 20, 2023 – June 30, 2023**

**Date of Report: February 6, 2024**

## Compliance Audit Process

The Compliance Audit process steps are detailed in the NERC ROP. The CMEP generally conforms to the United States Government Auditing Standards and other generally accepted audit practices.

### Objectives

All registered entities are subject to compliance assessments with all Reliability Standards applicable to the functions for which the registered entity is registered[2] in the Region(s) performing the assessment. The Compliance Audit objectives are designed to:

- Provide reasonable assurance of compliance to the identified applicable Reliability Standards.
- Review compliance with applicable NERC Reliability Standards identified for 2023 ERO Enterprise CMEP.
- Review evidence of self-reported violations and previous self-certifications.
- Review HHWP's internal compliance program and controls.

### Scope

The scope of this Compliance Audit considered the NERC Reliability Standards from the 2023 ERO Enterprise CMEP Implementation Plan, and the Inherent Risk Assessment (IRA) of HHWP completed by WECC. In addition, the scope of the Compliance Audit included a review of Mitigation Plans or Remedial Action Directives that were open during the Compliance Audit.

The Reliability Standards and Requirements in-scope for this Compliance Audit are illustrated in **Table 2** Compliance Audit Scope:

**Table 2: Compliance Audit Scope**

| Registered Function | Standards | Requirement(s) |
|---|---|---|
| GO | MOD-025-2 | R1, R2. |
| GO, TO | MOD-032-1 | R3. |
| GOP | PER-006-1 | R1. |
| TO | PRC-002-2 | R1. |
| GO, TO | PRC-024-3 | R1, R2. |

The team reduced the scope of the Compliance Audit from what was stated in the notification package.

[2] NERC ROP, Appendix 4C, Section 3.1, Compliance Audits.

| Table 2b: Compliance Audit Scope (Reduced) | | |
|---|---|---|
| Registered Function | Standards | Requirement(s) |
| GO, TO | FAC-008-5 | R6. |

## Internal Compliance Program

Within the scope of the Compliance Audit, HHWP's compliance program was not reviewed. Assessment of HHWP's internal compliance program will be performed by WECC on an as-needed basis.

## Controls

The team reviewed HHWP's related internal controls associated with NERC Reliability Standards in scope.

## Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the team are governed under the Regional Delegation Agreements with NERC, and Section 1500 of the NERC ROP. [3] HHWP was informed of WECC's obligations and responsibilities under the agreement and procedures. The work history for each team member was provided to HHWP, which was given an opportunity to object to a team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with a team member's impartial performance of duties. HHWP had not submitted any objections by the stated objection due date based on the ROP and accepted the team member participants without objection. There were no denials or access limitations placed upon this team by HHWP.

## Methodology

The ERO Compliance Monitoring and Enforcement Manual (Manual)[4] documents the ERO Enterprise's current approaches used to assess a registered entity's compliance with the NERC Reliability Standards. The ERO Enterprise uses, "to the extent possible, the Generally Accepted Auditing Standards (GAAS), the Generally Accepted Government Auditing Standards (GAGAS), and standards sanctioned by the Institute of Internal Auditors, as guidance for performing activities under the Compliance Monitoring and Enforcement Program (CMEP)."[5] While the ERO Enterprise does not necessarily perform compliance monitoring activities that must be in accordance with these standards

[3] See NERC ROP

[4] https://www.nerc.com/pa/comp/CAOneStopShop/ERO_Enterprise_Compliance%20Monitoring%20and%20Enforcement%20Manual_v5.0.pdf

[5] NERC ROP, Section 1207 and 126 FERC 61,038, Paragraph 3

recognized in the United States, the ERO Enterprise uses these standards as framework to conduct compliance monitoring activities under the CMEP, and recognizes that these standards provide information used in oversight, accountability, transparency, and improvements in ERO Enterprise operations.

The WECC provided HHWP with a Compliance Audit notification package to commence the Compliance Audit. HHWP provided evidence at the time requested, or as agreed upon, by WECC. The team reviewed the evidence submitted by HHWP and assessed compliance with the requirements of the applicable Reliability Standards. Additional evidence could be submitted until the agreed-upon deadline prior to the exit briefing. After that date, only data or information that was relevant to the content of the report or its finding could be submitted with the agreement of the team lead.

The team reviewed documentation provided by HHWP and requested additional evidence and sought clarification from subject matter experts during the Compliance Audit. The evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. were validated, substantiated, and cross-checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set was determined by a statistical methodology, along with professional judgment as mentioned in the Manual.

The findings were based on the facts and documentation reviewed, the team's knowledge of the Bulk Electric System (BES), the NERC Reliability Standards, and professional judgment. All findings were developed based upon the consensus of the team.

### Company Profile

Hetch Hetchy Water and Power (HHWP) is a division within the San Francisco Public Utilities Commission (SFPUC), which is a department of the City and County of San Francisco. The SFPUC is headed by the General Manager. A five-member commission (the Commission) provides policy direction to and undertakes general oversight of the SFPUC. The Division Manager of HHWP reports to an Assistant General Manager of the SFPUC and is responsible for the operation and maintenance of HHWP Bulk Electric System (BES) facilities.

HHWP owns and operates 385 MW of hydroelectric generation capacity (Holm, Kirkwood and Moccasin), and 160 miles of transmission lines (115kV and 230 kV).

## Compliance Audit Findings

Based on the results of this Compliance Audit, no findings were noted for the Reliability Standards and applicable Requirements in scope for this engagement.

## Areas of Concern, Recommendations and Positive Observations

This information has been redacted.

## Compliance Culture

HHWP's compliance culture was not formally reviewed by the team as part of the compliance audit.

### WECC Contact Information

Any questions regarding this Compliance Audit report can be directed to:

WECC
155 North 400 West, Suite 200
Salt Lake City, UT 84103

On behalf of WECC, this report was prepared and reviewed by:

| Compliance Audit Team Lead | Date |
|---|---|
| David Cronin, Compliance Auditor, Operations & Planning | August 9, 2023 |
| **Management Rep** | **Date** |
| Phil O'Donnell, Interim Manager, Entity Monitoring, Operations & Planning | August 14, 2023 |

## Appendix 1: Compliance Audit Participants

Appendix Table 1: Compliance Audit Team and Appendix Table 2: HHWP Participants list all personnel from the team and HHWP who were directly involved during the meetings and interviews.

| Role | Title | Entity |
|---|---|---|
| Compliance (ATL) | Compliance Auditor, Operations & Planning | WECC |
| Team Member | Compliance Auditor, Operations & Planning | WECC |
| Team Member | Compliance Auditor, Operations & Planning | WECC |
| Team Member | Compliance Program Coordinator | WECC |
| Observer | Manager, Oversight Analysis & Administration | WECC |
| Observer | Director, Entity Monitoring | WECC |
| Observer | Director Oversight Planning & Analysis | WECC |
| Observer | Interim Manager, Entity Monitoring, Operations & Planning | WECC |
| Observer | Compliance Auditor, Operations & Planning | WECC |

| Title | Entity |
|---|---|
| Power Generation and Transmission Manager | HHWP |
| Security Specialist | HHWP |
| Senior Consultant (OP Specialist) | HHWP |
| Operations and Transmission Planning Engineer | HHWP |
| NERC/WECC Compliance Administrator | HHWP |
| Engineer | HHWP |
| Compliance Engineer | HHWP |
| NERC/WECC Compliance Manager | HHWP |

**CITY AND COUNTY OF SAN FRANCISCO**

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2023

mgo. | Certified Public Accountants

**CITY AND COUNTY OF SAN FRANCISCO**
**BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

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## FINANCIAL SECTION



## SINGLE AUDIT SECTION

Macias Gini & O'Connell LLP
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# Independent Auditor's Report

Honorable Mayor and Members of the Board of Supervisors
City and County of San Francisco, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), and Municipal Transportation Agency (major fund), which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

| Opinion Unit | Assets | Net Position/ Fund Balances | Revenues/ Additions |
|---|---|---|---|
| Governmental activities | 1.1% | 2.4% | 1.6% |
| Business-type activities | 53.7% | 56.3% | 41.0% |
| Aggregate discretely presented component unit and remaining fund information | 0.4% | 0.1% | 1.1% |

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 4 to the basic financial statements, effective July 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability/(asset), the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023, except for our report on the schedule of expenditures of federal awards,
as to which the date is February 23, 2024

This section of the City and County of San Francisco's (the City) Single Audit Report presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter.

## FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately $13.40 billion (net position). Of this balance, $10.94 billion represents the City's net investment in capital assets, $4.13 billion represents restricted net position, and unrestricted net position has a deficit of $1.67 billion. The City's total net position increased by $777.8 million, or 6.1 percent, from the previous fiscal year before a cumulative effect of accounting change which reduced net position by $203.8 million, for a change of $574.0 million after restatement. Of this amount, total net investment in capital assets and unrestricted net position increased by $373.3 million or 3.5 percent and $243.1 million or 12.7 percent, respectively, offset by a decrease in restricted net position of $42.4 million or 1.0 percent.

The City's governmental funds reported total revenues of $8.67 billion, which is a $129.9 million or 1.5 percent increase from the prior year. Within this, revenues from property taxes, hotel room tax, other local taxes, interest and investment income and rent and concessions grew by approximately $158.8 million, $104.3 million, $210.9 million, $317.7 million and $52.8 million, respectively, offset by decreases in federal revenues and real property transfer tax of $461.0 million and $334.1 million, respectively. Governmental funds expenditures totaled $8.42 billion for this period, a $663.8 million or 8.6 percent increase, reflecting an increase in demand for governmental services of $729.7 million, offset by decreases in debt service of $36.1 million and capital outlay of $29.8 million.

The City's total short-term debt decreased by $697.0 million in this fiscal year. The increase of $9.0 million in the governmental activities was due to the issuance of Commercial Paper (CP) to finance the City's projects for the acquisition and development of affordable rental housing, critical repair, and improvements to City-owned buildings, to finance and refinance approved capital projects, including the Hope SF properties, Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, and AITC Immunization and Travel Clinic Relocation, and improvement and equipping of certain existing real property including the Hall of Justice facilities, and purchase of police vehicles. The short-term debt in the business-type activities decreased by $706.0 million. The Airport issued $417.3 million to fund its capital improvement projects. The Water Enterprise and the Hetch Hetchy Water and Power issued a total of $487.8 million of CP to fund their capital projects and repaid $206.3 million and $40.0 million of CP, respectively. The Airport, Water Enterprise and the Hetch Hetchy Water and Power reclassed $497.8 million, $371.5 million, and $116.4 million of CP short-term debt repaid by revenue bonds issued in fiscal year 2023-24, to long-term debt. The Wastewater Enterprise paid off its outstanding CP of $379.2 million through the issuance of revenue bonds.

The City's governmental activities long-term debt including lease and subscription liabilities decreased by $123.9 million. A total of $238.6 million in general obligation bonds with bond premium of $5.4 million were issued to provide funds to acquire or improve real property to stabilize, improve and make permanent investment in supportive housing facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and or homelessness, improve parks, open spaces and recreation facilities and condition of the City's streets; to protect the waterfront, BART and Muni infrastructure, buildings, historic piers , and road from earthquakes, flooding and rising sea level by repairing the 100 year-old Embarcadero Seawall; to finance the acquisition, construction and preservation of affordable housing to low and middle income households through programs that will prioritize vulnerable populations such as the City's working families, veterans, seniors and persons with disabilities, to assist in the acquisition, rehabilitation and preservation of affordable housing, assist the City's middle-income residents or workers in obtaining affordable rental or homeownership opportunities. The City, through the Infrastructure and Revitalization Financing District No. 1 (Treasure Island) also issued $29.4 million in tax increment revenue bonds with bond premium of $1.0 million to fund the acquisition of certain public facilities and improvement for the Treasure Island/Yerba Buena Island Development project and to finance the acquisition and construction of affordable housing on Treasure Island. The increase in debt was offset by $346.6 million scheduled debt service payments and amortization of bond premium of $27.8 million. In addition, GASB 87 and GASB 96 requires recognizing lease liabilities of $496.2 million and subscription liabilities of $35.3 million with a net decrease of $15.1 million and $8.8 million, respectively due to principal payments made exceeded any new leases and subscriptions that commenced during the year.

The business-type activities long-term debt including lease and subscription liabilities increased by $1.70 billion. The Airport issued $241.9 million in revenue refunding bonds with bond premium of $21.6 million to refund certain outstanding revenue bonds and repay outstanding CP notes. The Wastewater Enterprise issued $1.11 billion in revenue bonds with bond premium of $178.5 million to refinance the CP notes for Wastewater capital projects and to refund revenue bonds for debt service savings. The Water and the Wastewater Enterprises also drew down additional loan of $60.4 million from the State of California to fund various water and sewer system improvement projects. The Wastewater Enterprise received a loan from the United States Environmental Protection Agency of $122.4 million to fund a portion of the cost of its Biosolids Digester Facility Project. The Airport, Water Enterprise and the Hetch Hetchy Water and Power reclassed $497.8 million, $371.5 million, and $116.4 million of CP short-term debt repaid by revenue bonds issued in fiscal year 2023-24, to long-term debt. The increase in debt was partially offset by $900.6 million in refunded bonds and scheduled debt service payments and $113.6 million of bond premium and discount amortization. In addition, GASB 87 and GASB 96 requires recognizing lease liabilities of $230.2 million and subscription liabilities of $2.8 million with a net decrease of $5.7 million and $0.9 million, respectively due to principal payments made exceeded any new leases and subscriptions that commenced during the year.

The City adopted the provisions of several Governmental Accounting Standards Board (GASB) Statements as of July 1, 2022. Statement No. 91, *Conduit Debt Obligations* clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The net effect of this change was a $106.6 million reduction in the City's beginning net position. Statement No. 96, *Subscription-Based Information Technology Arrangements* clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for arrangements which convey control of the right to use another party's software for a period of time in an exchange or exchange-like transaction. The net effect of this change was a $5.2 million increase in the City's beginning net position. In addition, the City re-evaluated the reporting of Mission Rock Special Tax District (STD) and changed its reporting entity from a fiduciary component unit to a blended component unit. The impact of the change in reporting entity resulted in a decrease of $102.3 million in the City's beginning net position.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the basic financial statements are related as shown in the graphic below.

**Organization of City and County of San Francisco Basic Financial Statements**

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The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

| | Government - wide Financial Statements | Fund Financial Statements | | |
|---|---|---|---|---|
| | | **Governmental Funds** | **Proprietary Funds** | **Fiduciary Funds** |
| **Scope** | Entire entity (except fiduciary funds) | The day-to-day operating activities of the City for basic governmental services | The day-to-day operating activities of the City for business-type enterprises | Instances in which the City administers resources on behalf of others, such as employee benefits |
| **Accounting basis and measurement focus** | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| **Type of balance information** | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | Balances of spendable resources | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | All resources held in a trustee or custodial capacity for others |
| **Type of inflow and outflow information** | All inflows and outflows during year, regardless of when cash is received or paid | Near-term inflows and outflows of spendable resources | All inflows and outflows during year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, distributions to other governments, and general City responsibilities. The business-type activities of the City include an airport, port, transportation system (including parking), water and power operations, an acute care hospital, a long-term care hospital, and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority (Transportation Authority), several infrastructure financing districts and infrastructure and revitalization financing districts, and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency (Successor Agency) and various Community Facilities Districts as fiduciary component units of the City.

## Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available and the constraints for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency, the external portion of the Treasurer's Office investment pool, and the other custodial funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

## Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability (asset), pension contributions, net OPEB liability, and OPEB contributions.

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

## Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

### Condensed Statement of Net Position
### (in thousands)

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 * | 2023 | 2022 * | 2023 | 2022 * |
| **Assets:** | | | | | | |
| Current and other assets | $ 9,823,170 | $ 11,106,323 | $ 8,695,483 | $ 8,664,608 | $ 18,518,653 | $ 19,770,931 |
| Capital assets | 7,803,629 | 7,587,262 | 25,146,242 | 24,258,288 | 32,949,871 | 31,845,550 |
| Total assets | 17,626,799 | 18,693,585 | 33,841,725 | 32,922,896 | 51,468,524 | 51,616,481 |
| **Deferred outflows of resources:** | 1,471,655 | 1,146,971 | 1,194,152 | 1,035,907 | 2,665,807 | 2,182,878 |
| **Liabilities:** | | | | | | |
| Current liabilities | 3,186,880 | 2,794,731 | 2,287,448 | 2,839,086 | 5,474,328 | 5,633,817 |
| Noncurrent liabilities | 9,413,014 | 7,668,025 | 22,575,386 | 19,802,906 | 31,988,400 | 27,470,931 |
| Total liabilities | 12,599,894 | 10,462,756 | 24,862,834 | 22,641,992 | 37,462,728 | 33,104,748 |
| **Deferred inflows of resources:** | 976,014 | 4,046,781 | 2,294,394 | 3,820,651 | 3,270,408 | 7,867,432 |
| **Net position:** | | | | | | |
| Net investment in capital assets ** | 4,491,155 | 4,183,166 | 6,851,218 | 6,763,452 | 10,935,272 | 10,561,965 |
| Restricted ** | 3,062,057 | 3,185,319 | 1,195,544 | 1,168,057 | 4,132,463 | 4,174,837 |
| Unrestricted (deficit) ** | (2,030,666) | (2,037,466) | (168,113) | (435,349) | (1,666,540) | (1,909,623) |
| Total net position | $ 5,522,546 | $ 5,331,019 | $ 7,878,649 | $ 7,496,160 | $ 13,401,195 | $ 12,827,179 |

* Prior Year amounts have not been restated for implementation of GASB Statement Nos. 91, 94, and 96 and the change in reporting entity.
** See Note 10(d) to the basic financial statements.

## Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $13.40 billion at the end of fiscal year 2022-23, a 4.5 percent increase over the prior year. The City's governmental activities account for $5.52 billion of this total and $7.88 billion stem from its business-type activities.

The largest portion of the City's net position is the $10.94 billion in net investment in capital assets (e.g. land, buildings, and equipment) which includes the reclassification of $407.1 million from governmental activities to business-type activities related to the City's general obligation bonds and certificates of participation that fund various enterprise fund department's projects. This reflects a $373.3 million or 3.5 percent increase over the prior year. With that, increases of $308.0 million in the governmental activities and $87.8 million in the business-type activities, highlighted by increases of $214.2 million at SFMTA and $142.5 million at Wastewater Enterprise offset by decreases of $276.4 million at Airport and $8.0 million at Port, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $4.13 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $1.65 billion, which consists of a $2.03 billion deficit in governmental activities and $168.1 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording net liabilities related to pension and other postemployment benefits (see Note 9). The governmental activities deficit also included $532.2 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities and Embarcadero seawall earthquake safety projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

## Condensed Statement of Activities
## (in thousands)

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 * | 2023 | 2022 * | 2023 | 2022 * |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 889,685 | $ 785,299 | $ 4,395,388 | $ 3,848,186 | $ 5,285,073 | $ 4,633,485 |
| Operating grants and contributions | 1,762,809 | 2,185,343 | 444,009 | 545,636 | 2,206,818 | 2,730,979 |
| Capital grants and contributions | 150,625 | 105,459 | 235,952 | 185,816 | 386,577 | 291,275 |
| General revenues: | | | | | | |
| Property taxes | 3,167,382 | 3,004,800 | - | - | 3,167,382 | 3,004,800 |
| Business taxes | 1,290,918 | 1,326,675 | - | - | 1,290,918 | 1,326,675 |
| Sales and use tax | 309,385 | 293,155 | - | - | 309,385 | 293,155 |
| Hotel room tax | 278,961 | 174,609 | - | - | 278,961 | 174,609 |
| Utility users tax | 110,661 | 105,225 | - | - | 110,661 | 105,225 |
| Other local taxes | 564,753 | 676,304 | - | - | 564,753 | 676,304 |
| Interest and investment income (loss) | 157,267 | (160,687) | 108,704 | (108,628) | 265,971 | (269,315) |
| Other | 99,471 | 80,295 | 240,145 | 327,454 | 339,616 | 407,749 |
| Total revenues | 8,781,917 | 8,576,477 | 5,424,198 | 4,798,464 | 14,206,115 | 13,374,941 |
| **Expenses** | | | | | | |
| Public protection | 1,671,702 | 1,252,725 | - | - | 1,671,702 | 1,252,725 |
| Public works, transportation and commerce | 446,286 | 336,059 | - | - | 446,286 | 336,059 |
| Human welfare and neighborhood development | 2,883,425 | 2,332,530 | - | - | 2,883,425 | 2,332,530 |
| Community health | 1,206,314 | 1,151,847 | - | - | 1,206,314 | 1,151,847 |
| Culture and recreation | 537,393 | 398,314 | - | - | 537,393 | 398,314 |
| General administration and finance | 482,618 | 335,772 | - | - | 482,618 | 335,772 |
| Distributions to other governments | 49,113 | 47,296 | - | - | 49,113 | 47,296 |
| General City responsibilities | 175,522 | 129,138 | - | - | 175,522 | 129,138 |
| Unallocated Interest on long-term debt | 155,749 | 155,467 | - | - | 155,749 | 155,467 |
| Airport | - | - | 1,278,517 | 1,175,430 | 1,278,517 | 1,175,430 |
| Transportation | - | - | 1,439,742 | 1,076,249 | 1,439,742 | 1,076,249 |
| Port | - | - | 127,817 | 110,108 | 127,817 | 110,108 |
| Water | - | - | 666,970 | 606,409 | 666,970 | 606,409 |
| Power | - | - | 544,742 | 477,202 | 544,742 | 477,202 |
| Hospitals | - | - | 1,419,409 | 1,300,196 | 1,419,409 | 1,300,196 |
| Sewer | - | - | 343,018 | 326,952 | 343,018 | 326,952 |
| Total expenses | 7,608,122 | 6,139,148 | 5,820,215 | 5,072,546 | 13,428,337 | 11,211,694 |
| Increase/(decrease) in net position before transfers | 1,173,795 | 2,437,329 | (396,017) | (274,082) | 777,778 | 2,163,247 |
| Transfers | (885,106) | (866,631) | 885,106 | 866,631 | - | - |
| Change in net position | 288,689 | 1,570,698 | 489,089 | 592,549 | 777,778 | 2,163,247 |
| Net position at beginning of year, as previously reported | 5,331,019 | 3,759,197 | 7,496,160 | 6,896,026 | 12,827,179 | 10,655,223 |
| Cumulative effect of accounting change | (97,162) | 1,124 | (106,600) | 7,585 | (203,762) | 8,709 |
| Net position at beginning of year, as restated | 5,233,857 | 3,760,321 | 7,389,560 | 6,903,611 | 12,623,417 | 10,663,932 |
| Net position at end of year | $ 5,522,546 | $ 5,331,019 | $ 7,878,649 | $ 7,496,160 | $ 13,401,195 | $ 12,827,179 |

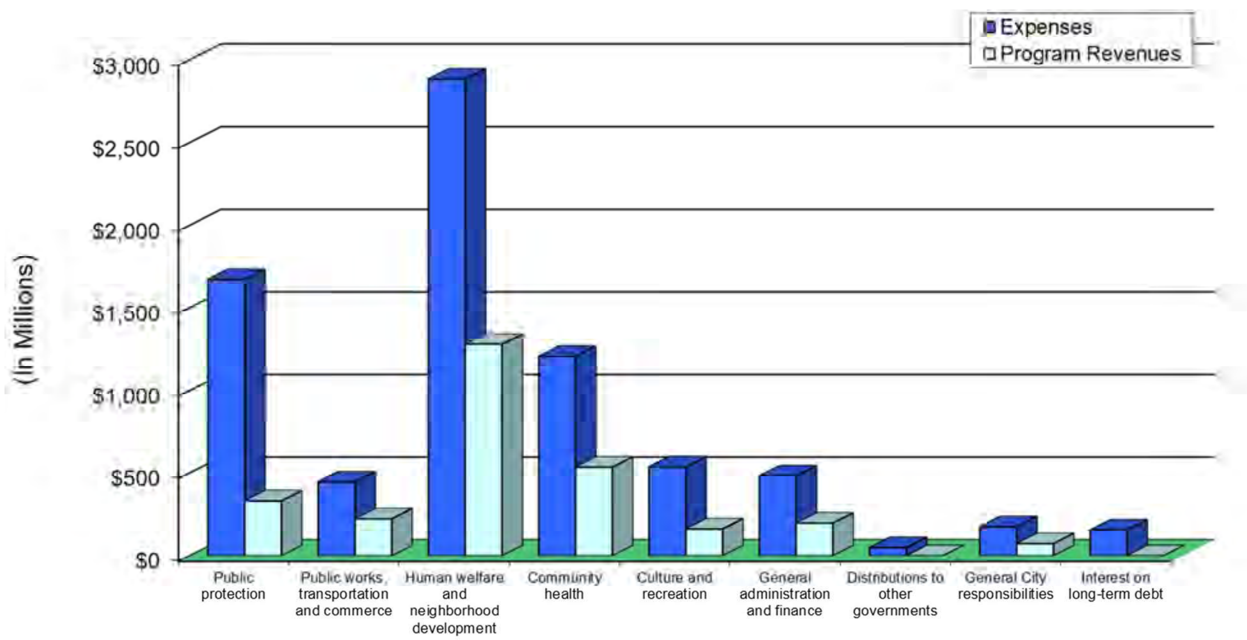
* Prior Year amounts have not been restated for implementation of GASB Statement Nos. 91, 94, and 96 and the change in reporting entity.

## Analysis of Changes in Net Position

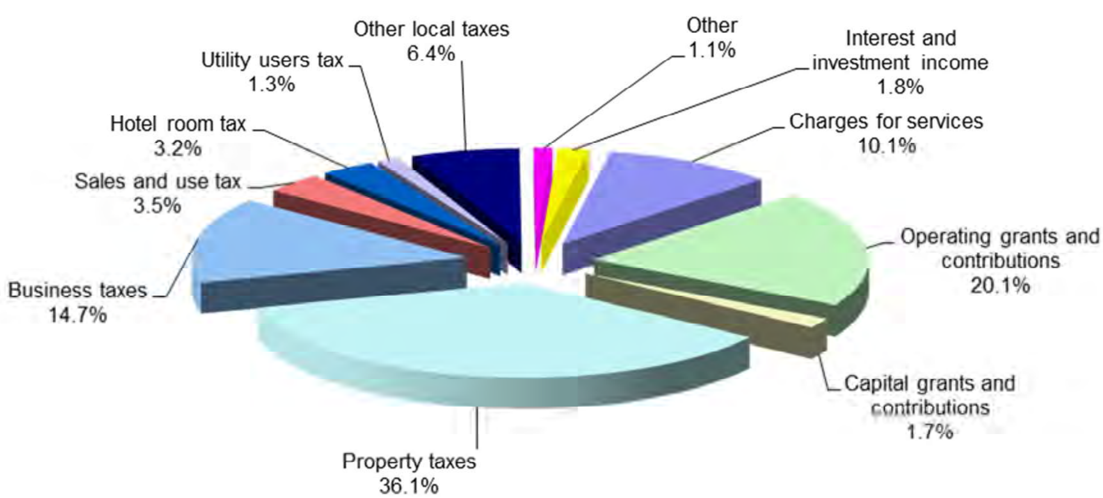
The City's change in net position was $777.8 million in fiscal year 2022-23, a 64.0 percent decrease from the prior fiscal year before the cumulative effect of $203.8 million for the adoption of GASB Statement Nos. 91 and 96 and change of reporting entity effective July 1, 2022, as noted above. The decrease in the change in net position was due to decreases of $1.28 billion and $103.5 million from governmental activities and business-type activities, respectively.

The City's governmental activities experienced a $205.4 million or 2.4 percent growth in total revenues with an increase in total expenses of $1.47 billion or 23.9 percent this fiscal year. Business-type activities revenues increased by $625.7 million or 13.0 percent, and total expenses increased by $747.7 million, or 14.7 percent. The net transfer to business-type activities increased by $18.5 million. The major components of increased revenue Citywide are increased charges for services of $651.6 million, property taxes of $162.6 million and interest and investment income of $535.3 million, offset by decreases of operating grants and contributions of $524.2 million, business taxes of $35.8 million and other local taxes of $111.5 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

**Expenses and Program Revenues - Governmental Activities**




**Revenues By Source - Governmental Activities**



**Governmental Activities.** Governmental activities increased the City's total net position by $288.7 million, excluding the impact of a $97.2 million restatement. Key factors contributing to the changes are discussed below.

Overall, total revenues from governmental activities were $8.78 billion, a $205.4 million or 2.4 percent improvement over the prior year. For the same period, expenses totaled $7.61 billion, a $1.47 billion or 23.9 percent increase before transfers of $885.1 million.

Property tax revenues rose by $162.6 million or 5.4 percent mainly due to $143.0 million increased collections of secured and unsecured property taxes and $17.4 million growth of in-lieu of vehicle license fee. Business tax revenues, however, fell moderately by $35.8 million or 2.7 percent primarily because of increased deferrals related to tax litigation for gross receipt taxes in fiscal year 2022-23.

Other local taxes dropped by $111.6 million, or 16.5 percent, of which the real property transfer tax accounted for $334.1 million decrease. This revenue is one of the most volatile of all sources due to its highly progressive rate structure, and is entirely driven by high-value transfers, predominately commercial properties in the City's downtown core. This tax is also highly sensitive to economic cycles and interest rates. Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, resulting in persistently high office vacancies and reduced commercial real estate values. The rising interest rate environment increased the cost of borrowing and dampened investment in the commercial real sector. Additional factors affecting transfer tax revenue include credit availability, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options. The number of transfers of high-value commercial real estate decreased from 101 in fiscal year 2021-22 to only 55 in fiscal year 2022-23. In addition, the fiscal year 2021-22 revenue included two once-in-a-generation transfers, which together yielded approximately $88.0 million. The decrease in transfer tax revenues was partly offset by $206.0 million of the Overpaid Executive Tax (OET) which was approved by voters in November 2020, and became effective in tax year 2022, with the first collections in fiscal year 2022-23. As pandemic restrictions eased and economic activity increased, the City's parking tax also saw an improvement of $11.6 million, and traffic congestion mitigation tax an increase of $2.3 million.

Hotel room tax was up by $104.4 million owing to the steady and strong levels of domestic and international tourism and the return of some conferences and conventions. Total enplanements at San Francisco International Airport improved by 34.6 percent over fiscal year 2021-22, although still below that of fiscal year 2018-19. By region, international enplanement to Asia, Canada and Oceania had the strongest growth. Revenue per Available Room (RevPAR), a measure highly correlated with hotel tax revenue, is a function of occupancy and average daily room rates (ADR). The annual average RevPAR increased from $108.16 in fiscal year 2021-22 to $154.76 in fiscal year 2022-23, an improvement of $46.60, or 43.1 percent. The annual ADR increased from $194.24 in fiscal year 2021-22 to $243.03 in fiscal year 2022-23, an improvement of $48.79 or 25.1 percent. The annual average occupancy levels also lifted from 54.2 percent to 63.8 percent, or 9.6 percent over the prior year. In addition, there was a total of 33 conferences with over 286,000 attendees that took place in Moscone Center in the current year compared to 23 conferences and 126,000 attendees in the prior year. The effect of convention compression pricing drove the RevPar to spike with each event.

Sales and use tax revenue grew by $16.2 million or 5.5 percent as business rebounded, primarily in restaurants and hotels sector as in-person activities, tourism, conventions and other events increased daytime population. This was followed by fuel and service stations from increased prices of crude oil, jet fuel, diesel and gasoline, consumer consumption and air travel. The gain was, however, slightly offset by decrease of allocation from e-commerce as a major online merchant began to deliver goods to San Franciscans through in-state fulfillment centers, resulting in shifting sales tax revenue from San Francisco to the jurisdictions in which the centers are located.

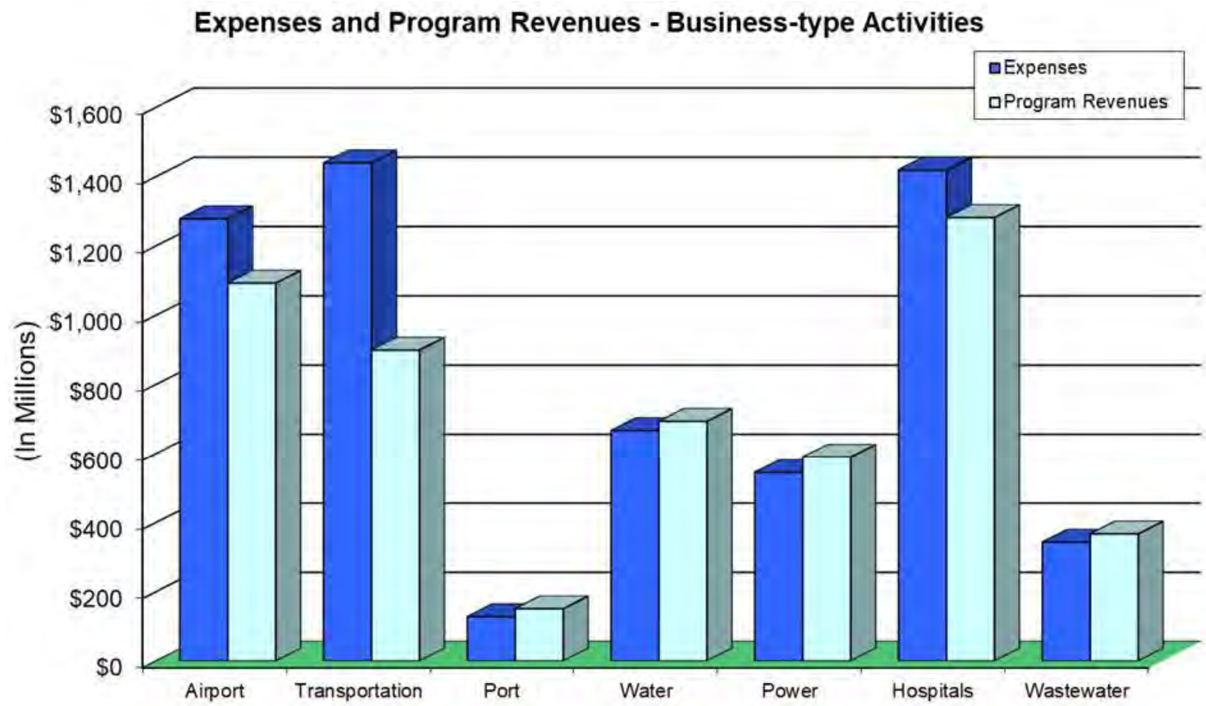
Interest and investment income jumped by $318.0 million, principally because the unrealized loss adjustment of the City Treasury investments pool decreased from $259.7 million with an earned income yield of 0.91% at June 2022 to $17.9 million and 3.01%, at June 2023. The variance is due to the inverted yield curve as the Federal Reserve continued to aggressively increase interest rates to stem surging inflation. Actual interest earnings also improved due to the Pool's higher year-to-date interest earning rate of 2.12% this fiscal year versus 0.6% in the prior year.

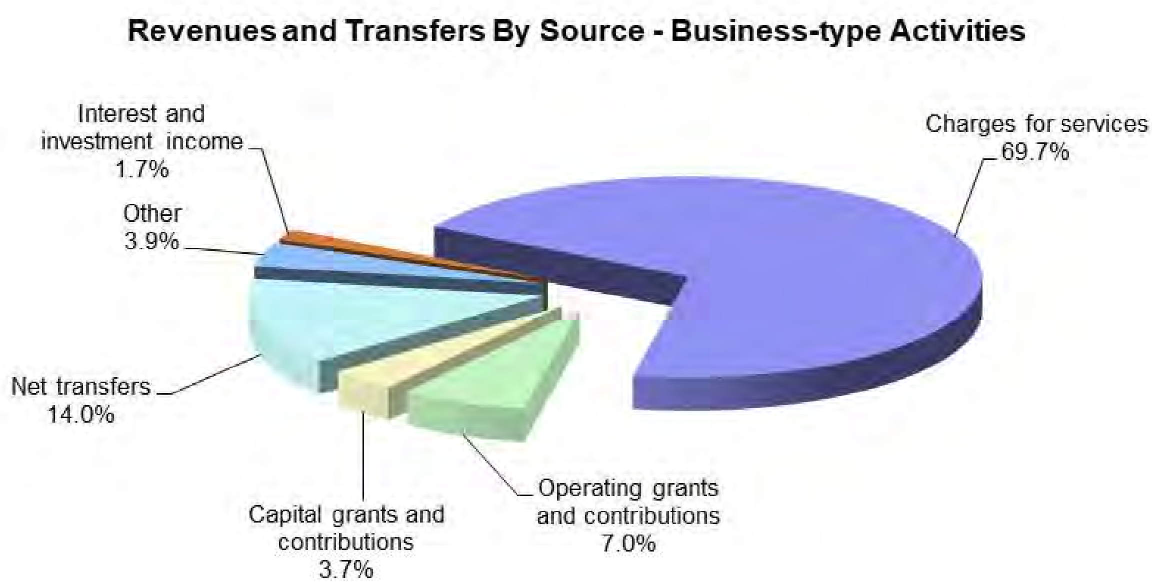
Total grants and contributions decreased by $377.4 million or 16.5 percent. Operating grants and contributions declined by $422.5 million or 19.3 percent primarily due to the reduction and expiration of the significant, one-time COVID disaster relief sources to the City. In fiscal years 2020-21 and 2021-22, the City received $312.4 million of American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund (SLFRF) revenues in each year, and used the aid to replace revenue losses that the City experienced due to business closures and other dynamics related to the COVID-19 emergency. There were no SLFRF revenues in 2023. Additionally, the City received $2.6 million of FEMA reimbursements for COVID-19 expenses compared to $183.4 million in the prior year. The $180.8 million reduction is primarily driven by FEMA's re-prioritization to review submissions of jurisdictions who have not yet received reimbursements of any COVID-related costs. The City expects additional reimbursement from FEMA in future years. Capital grants and contributions increased by $45.2 million or 42.8 percent mostly driven by property acquisitions funded by federal grants for human welfare projects.

Total charges for services rose by $104.4 million or 13.3 percent owing to the continual rebound in economic activity. Gains included $54.0 million in rents and concessions from convention, performance, and recreational facilities, $20.8 million in private grants, and $15.2 million in services to other agencies. Licenses, permits, and other revenues made up the remaining increases.

Net transfers from governmental activities to business-type activities were $885.1 million, a $18.5 million or 2.1 percent increase from the prior year. Major changes included $62.8 million more transfers from General Fund to General Hospital and $23.0 million more to Laguna Honda Hospital, respectively, to support salary, fringe, pharmaceutical and other expenditure increases. The Port also received $39.2 million transfers primarily from Series 2023B General Obligation Bond proceeds for seawall projects. This was partly offset by a decrease of net transfers to SFMTA primarily due to a total of $122.3 million transfers of two general obligation bonds proceeds issued in the Street Improvement Capital Project Funds to fund the transportation and road improvement projects in the prior year versus no similar issuance in this fiscal year. Transfers from General Fund to SFMTA increased by $36.9 million due in part to increased voter mandated funding requirements tied to aggregate discretionary revenue and the opening of the Central subway service in this fiscal year. The net transfers to SFMTA decreased by $77.9 million compared to prior year. Water also received $14.4 million less transfer due to the one-time bond proceeds from the Series 2021E Earthquake Safety and Emergency Response General Obligation Bonds issuance in fiscal year 2021-22. In addition, the transfer from the San Francisco International Airport to the General Fund increased by $10.8 million due to higher concession, parking, and transportation revenues driven by the rise in air travel.

Total governmental expenses grew by $1,469.0 million, or 23.9 percent, mainly attributed to the surge of pension liability expenses of $668.4 million resulting from investment losses and changes in assumption of the discount rate from 7.4 percent to 7.2 percent. Though the loss was slightly offset by the decrease in the Supplemental COLA assumptions, there were liability experience losses that further increased the net pension liability and the related expenses. City grants payments increased by $346.0 million, aid assistance payments and issuance of loans with related allowance have a combined increase of $137.4 million. Salaries, fringe and overhead costs also increased by $223.4 million due to citywide wage increases over the prior year. Departments in human welfare and neighborhood development functions had major combined increases in expenses of $550.9 million, followed by public protection departments of $419.0 million, and general administration and finance and culture and recreation of $146.8 million and $139.1 million, respectively.


Expenses and Program Revenues - Business-type Activities
Expenses
Program Revenues
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
(In Millions)
Airport
Transportation
Port
Water
Power
Hospitals
Wastewater


Revenues and Transfers By Source - Business-type Activities
Interest and investment income 1.7%
Other 3.9%
Net transfers 14.0%
Capital grants and contributions 3.7%
Operating grants and contributions 7.0%
Charges for services 69.7%

**Business-type activities** increased the City's net position by $489.1 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had a decrease in net position at fiscal year-end of $56.1 million, compared to a $165.4 million decrease in the prior year, a $109.3 million difference. Operating revenues totaled $1,064.1 million for fiscal year 2022-23, an increase of $242.9 million or 29.6 percent over the prior year and included an increase of $161.4 million in aviation primarily due to passenger traffic beginning to rebound, $22.9 million in rents and concessions, $51.3 million in parking and transportation, and $7.3 million in other revenues due to increased passenger traffic. For the same period, the Airport's operating expenses increased by $92.9 million, or 11.5 percent, for a net operating income of $161.4 million for the period. Net nonoperating activities saw a deficit of $197.4 million versus $180.0 million deficit in the prior year, a $17.4 million increase. The increase of $92.9 million in operating expenses is primarily due to an increase in personal services of $66.8 million due to an increase in pension expenses as a result of investment losses, and $16.3 million in contractual services due to increased expenses for various professional services contracts, such as parking, shuttle buses, and technology services. The net increase of $17.4 million in nonoperating activities is primarily due to a decrease in other nonoperating revenues of $144.9 million from the Federal ARPA grant being fully expended in fiscal year 2021-22, offset by an increase in interest income and investment income of $106.7 million due to investment fair value adjustments, and an increase of $19.5 million in passenger facility charges from the growth of passenger traffic and the easing of the COVID-19 restrictions. Capital contributions decreased by $12.3 million primarily due to assets transferred from SFO Fuel to Airport in the prior year. Transfers out increased by $10.8 million due to higher service payments to the City resulting from higher revenues.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $58.7 million at the end of fiscal year 2022-23, compared to a decrease of $17.9 million at the end of the previous year, a $76.6 million difference. Operating revenues totaled $691.1 million, operating expenses totaled $460.3 million, nonoperating activities totaled a net expense of $154.9 million and the net decrease from transfers was $20.0 million. Compared to the prior year, operating revenues increased $118.0 million which was mainly due to an adopted rate increase of 15.9 percent for wholesale customers and a 5.0 percent drought surcharge for retail customers beginning July 1, 2022. The enterprise reported a total increase in operating expenses of $58.5 million in fiscal year 2022-23 mostly due to an increase of $52.3 million in personal services from adjustments to pension expenses based on actuarial estimates. Net nonoperating activity decreased by $18.8 million of net expense primarily due to increased interest and investment income of $22.1 million from prior year unrealized losses and higher interest earned on pooled cash. Transfers out increased $20.0 million due to various Mountain Tunnel Improvement projects.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2022-23 with a net position increase of $82.8 million, compared to a $43.5 million increase the prior year, a difference of $39.3 million. This change consisted of an increase in operating income of $37.5 million, an increase in net nonoperating activities of $8.8 million, an increase in capital contributions of $2.5 million, and a decrease in net transfers from the City of $9.5 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $24.9 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $24.2 million increase in change in net position, and CleanPowerSF, which reported a $33.7 million increase in net position. Hetchy Water operating revenues increased by $3.4 million mainly due to an increase in water assessment fees from the Water Enterprise to fund upcountry water-related costs, while operating expenses decreased by $2.3 million mainly due to lower capital spending on the Mountain Tunnel Improvement Project. Hetchy Power's operating revenues increased by $30.8 million mainly due to increases of $19.5 million in wholesale revenue from Congestion Revenue Right credits from California Independent System Operator and $12.2 million in billings from non-work order City departments as a result of increased operations due to easing of COVID-19 restrictions. On the operating expenses side, Hetchy Power reported an increase of $35.2 million mainly attributed to an increase of $20.4 million in purchased electricity and transmission, distribution, and other power costs attributed to volatile and higher pricing in power market and $11.0 million in general and administrative expenses due to higher judgments and claims expenses. CleanPowerSF's operating revenues increased by $68.9 million mostly due to increases in electricity sales to retail and commercial customers resulting from increased consumption. Operating expenses for CleanPowerSF increased by $32.7 million mainly due to increases in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission.

- The City's Wastewater Enterprise's net position increased by $36.2 million, compared to a $60.1 million increase in the prior year, a $23.9 million change. Operating revenues decreased by $4.9 million primarily due to decreases in capacity fees resulting from fewer permits issued. Operating expenses increased by $4.2 million mainly due to expenses related to GASB 68 pension adjustment and 5.25 percent increase in cost of living adjustment. Net nonoperating activities increased by $17.8 million of net expense principally due to $15.0 million federal and state grants received prior year for customer utility arrearage relief and principal forgiveness of capital project improvements for the Southeast Plant.

- The Port ended fiscal year 2022-23 with a net position increase of $79.6 million, $43.2 million more than the $36.4 million increase in the previous year. In fiscal year 2022-23, operating revenues increased by $7.7 million primarily due to increased commercial and industrial, and cruise activity. Operating expenses increased $17.9 million over the prior year. This was primarily due to increases of $6.4 million in personal services from increased pension expenses attributed to investment losses, and $3.5 million of increased spending on contractual services primarily due to an increase in spending on the Waterfront Resilience Program and Mission Rock development project.

- The SFMTA had an increase in net position of $158.1 million for fiscal year 2022-23, compared to an increase of $527.8 million in the prior year, a $369.7 million change. SFMTA's total operating revenues were $350.2 million, while total operating expenses reached $1.42 billion. Operating revenues increased by $34.7 million compared to the prior year and is mainly due to increases in fare collections of $26.8 million and parking of $8.6 million. Operating expenses increased by $363.4 million, primarily due to an increase in personal services by $318.3 million primarily from significant increase in pension expenses and other postemployment benefits obligations based on actuarial reports. Net nonoperating activities decreased by $17.4 million, mainly from a $108.6 million decrease in federal grants, offset by an increase of $55.0 million in interest and investment income and $24.7 million increase in state grants, and $7.8 million increase in development fees. Capital contributions increased by $58.6 million. Transfers in decreased by $82.0 million.

- LHH, the City's skilled nursing care hospital, had an increase in net position of $15.0 million at the end of fiscal year 2022-23, compared to an increase of $61.4 million at the end of the previous year, a $46.4 million difference. The LHH's loss before transfers for the year was $108.1 million versus a loss of $26.3 million for the prior year. This change of $81.8 million was mostly due to a $3.7 million increase in operating revenues, a $96.4 million increase in operating expenses, and a $10.9 million increase in net nonoperating activities. Net transfers increased by approximately $35.4 million, due to a $24.6 million increase in transfers in and a $10.8 million decrease in transfers out.

- SFGH, the City's acute care hospital, ended fiscal year 2022-23 with a net position increase of $114.8 million, compared to an increase of $46.8 million the prior year, a $68.0 million change. Operating revenues increased $42.2 million from prior year, mainly due to a $37.3 million increase in net patient service revenue. Operating expenses increased approximately $34.6 million, mainly due to a $41.6 million increase in contractual services and $16.8 million increase in materials and supplies, offset by a $27.0 million decrease in personal services. Net nonoperating activities increased $10.0 million, mainly due to a decrease in interest expense. Net transfers increased by approximately $50.4 million, due to a $61.7 million increase in transfers in and a $11.3 million decrease in transfers out.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2022-23, the City governmental funds reported combined fund balances of $6.50 billion, a decrease of $276.2 million or 4.1 percent over the prior year. Of the total fund balances, $2.02 billion is assigned and $475.6 million is unassigned. The assigned and unassigned balances of $2.49 billion or 38.3 percent, represents the portion of the total fund balances that the City could potentially take administrative or legislative action to change prior appropriation decisions to make them available to meet the City's needs. Within these fund balance classifications, the General Fund has an assigned fund balance of $1.72 billion. The remainder of the governmental fund balances includes $1.5 million nonspendable for items that are not expected to be converted to cash such as advances, $3.68 billion restricted for programs at various levels and $330.0 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $2.20 billion while total fund balance was $2.65 billion. Combined assigned and unassigned fund balances represent 41.8 percent of total expenditures, while total fund balance represents 50.2 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $867.7 million, before transfers and other items of $1.12 billion, resulting in total fund balance decreasing by $257.0 million. Overall, property tax collections increased by $123.0 million, other local taxes grew by $205.8 million mainly driven by the new OET, and hotel room taxes rose by $94.7 million as the economy and tourism continued to recover. Interest and investment income rebounded from the historic low in prior year with a net increase of $161.8 million primarily due to the significant reduction of the Pool's unrealized loss evaluation of $158.9 million. The Pool's yield rate increased by 3.5 times to 2.12 percent at the end of the fiscal year as the Federal Reserve aggressively raised interest rates to stem surging inflation. State grants revenues also increased by $34.7 million mostly for mental health programs and services. This growth was partly offset by the significant drop in federal grants revenues of $489.2 million as prior year one time ARPA SLFRF revenues went away and FEMA shifted focus to reimbursing other jurisdictions' COVID response cost claims. Real property transfer tax also fell by $334.1 million due to two once-in-a-generation high value property transfers in prior year, coupled with reduced total number of property transfers in current year. In addition, the net transfers out of General Fund were $71.4 million more, largely attributed to increased subsidy to the two hospitals and baseline transfers to SFMTA.

### Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements but with some additional detail.

At the end of fiscal year 2022-23, the unrestricted net position for the proprietary funds was as follows: Airport: $47.1 million, Water Enterprise: $115.9 million, Hetch Hetchy Water and Power: $349.1 million, Wastewater Enterprise: $160.1 million, and Port: $204.8 million. In addition, the following funds had net deficits in unrestricted net position: SFMTA: $354.8 million, San Francisco General Hospital: $473.2 million, and Laguna Honda Hospital: $217.2 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $489.1 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

| | Operating Revenues | Operating Expenses | Operating Income (Loss) | Non-Operating Revenues (Expense) | Capital Contributions | Interfund Transfers, Net | Change In Net Position |
|---|---|---|---|---|---|---|---|
| Airport | $ 1,064,104 | $ 902,750 | $ 161,354 | $ (197,389) | $ 28,679 | $ (48,701) | $ (56,057) |
| Water | 691,091 | 460,253 | 230,838 | (154,882) | 2,717 | (20,027) | 58,646 |
| Hetch Hetchy | 583,477 | 536,343 | 47,134 | 13,161 | 2,535 | 19,968 | 82,798 |
| Municipal Transportation Agency | 350,188 | 1,423,618 | (1,073,430) | 386,506 | 199,145 | 645,927 | 158,148 |
| General Hospital | 993,532 | 1,075,847 | (82,315) | 71,468 | - | 125,658 | 114,811 |
| Wastewater Enterprise | 363,936 | 261,350 | 102,586 | (69,202) | 2,740 | 43 | 36,167 |
| Port | 128,667 | 123,152 | 5,515 | 34,755 | 136 | 39,201 | 79,607 |
| Laguna Honda Hospital | 220,393 | 341,417 | (121,024) | 12,956 | - | 123,037 | 14,969 |
| Total | $ 4,395,388 | $ 5,124,730 | $ (729,342) | $ 97,373 | $ 235,952 | $ 885,106 | $ 489,089 |

### *General Fund Budgetary Highlights*

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were lower than the final budget by $50.3 million. The City realized $152.3 million, $87.3 million, $66.3 million, $64.0 million, $61.3 million and $28.0 million revenues above budget in other local taxes, property taxes, interest and investment income, hotel room tax, state grants and subventions and utility users tax. The greater than expected local taxes were predominately driven by the new OET with tax year 2022 as the first year of collection. The OET, generally, imposes an additional gross receipts tax on taxable gross receipts from businesses in which the highest-paid managerial employee, within or outside of San Francisco, earns more than 100 times the median compensation of employees based in San Francisco. The City did not require any quarterly prepayments in the first tax year, so the entire first year of the tax was due and paid in fiscal year 2022-23. Additionally, two quarterly prepayments for tax year 2023 were collected in this same fiscal period. Property tax was higher primarily due to $43.7 million larger collection on secured annual and escape property tax than budgeted, $25.8 million excess residual property tax increment returned to the City due to obligations to the Successor Agency of the Redevelopment Agency being less than expected, and $16.5 million more Educational Revenue Augmentation Fund monies returned to General Fund than projected. Interest and investment income was better than budgeted by $66.3 million as the City assumed more time lag between interest rate increases and increases to earned income yields in the Pool because the City makes higher-yield investment as lower-yield investment matures. The Pool's interest rates rose 3.5 times to 2.12% at the end of fiscal year 2022-23, as the Federal Reserve aggressively increased interest rates to stem the surge in inflation. The $64.0 million above budget hotel tax was mainly derived from increased hotel stays with strong growth in international tourism and continued domestic recovery. State grants and subventions outperformed budget by $61.3 million, primarily attributed to increased statewide sales tax collection and higher aid payments and caseload than assumed in the budget for the health and welfare realignment segment. As the economy continued to recover, pandemic restrictions lifted and higher prices from inflation, some taxes, including utility users, sales and use, franchise and parking, performed better than projected.

These favorable budget variances were offset by lower than budgeted revenues of $262.2 million, $204.2 million and $51.7 million in federal grants and subventions, real property transfer tax and business taxes. The $262.2 million below budgeted federal grant revenues were predominantly due to FEMA disaster relief reimbursements being reprioritized by FEMA to review claims of jurisdictions who have not yet received the funding. The real property transfer tax, the most volatile revenue stream of the City, was expected to return to the prior long-term rate-adjusted average by fiscal year 2024-25, taking prior year's levels as a low after adjusting for the two once-in-a-generation transfers in fiscal year 2021-22, to reflect a multi-year recovery in the commercial real estate sector. However, commercial transactions slowed substantially in response to higher interest rates and uncertainty about the future value of office space. In addition, the actual impact from the City's tiered property transfer tax was also about $94.0 million less than anticipated. Business taxes were $51.7 million lower than budget mostly driven by the significant increase of deferrals to pay potential refunds related to eight new litigation matters. The rebound in charges for services, rents and concessions and other resources was slightly slower than anticipated.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $181.8 million in expenditure savings. Highlights of the variances include:

- $40.1 million savings for community health primarily in professional services and salaries and fringe for Health Network Services for managed care, Maternal, Child & Adolescent Health, Behavioral Health and Public Health Administration Divisions.

- $26.1 million savings for human welfare and neighborhood development largely due to less than budgeted expenditures for community-based organization services, salaries and fringe benefits and services from other City departments in Human Services Agency, Homelessness and Supporting Housing, Mayor's Office and Children, Youth and Their Families.

- $23.2 million savings for general administration and finance, primarily in salaries and fringe and non-personnel services. General Services Agency - Administrative Services has $5.6 million less spending than the budgeted for general administration, 311 Customer Services Center, Labor Standards, Procurement, Animal Care and Control, and other divisions. This is followed by Treasurer/Tax Collector, Planning and Elections, each with a saving of about $3.0 million, respectively.

- $17.9 million savings for public protection departments for salaries and fringe benefits and non-personnel services.

- Remaining savings for general city responsibilities, public works, transportation and commerce and culture and recreation departments are largely due to lower than budgeted salaries, fringe and overhead, capital outlay and services provided by other departments. The City also has a $46.5 million budgetary reserve and designation for self-insurance funds.

These changes in operating revenues and expenditures, as well as appropriations of reserves, resulted in a net available budgetary fund balance of $852.2 million at the end of fiscal year 2022-23. Within unassigned fund balances, the City's fiscal year 2023-24 and 2024-25 Adopted Original Budget assumed $291.7 million as a source in fiscal year 2024-25 and $499.3 million designated for various purposes, leaving $3.1 million available for future appropriations (see also Note to the Required Supplementary Information for additional budgetary fund balance details). The Adopted 2023-24 and 2024-25 Budget spent $193.5 million of reserves, including $41.3 million of Federal and State Emergency Grant Disallowance Reserve, $21.2 million of Public Health revenue anticipated and spent in FY 2023-24 but received in FY 2022-23, and the remaining balances of a number of other reserves: $90.2 million Fiscal Cliff Reserve, and $29.4 million Business Tax Stabilization Reserve, and $11.4 million in other reserves.

## Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2023, increased by $1.10 billion, 3.5 percent, to $32.95 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $216.4 million or 19.6 percent to this total while $888.0 million or 80.4 percent was from business-type activities. Details are shown in the table below.

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022* | 2023 | 2022* | 2023 | 2022* |
| Land | $ 936,793 | $ 774,213 | $ 360,765 | $ 353,558 | $ 1,297,558 | $ 1,127,771 |
| Construction in progress | 616,327 | 586,526 | 4,864,424 | 5,821,916 | 5,480,751 | 6,408,442 |
| Facilities and improvements | 4,401,005 | 4,400,210 | 14,474,718 | 14,582,595 | 18,875,723 | 18,982,805 |
| Machinery and equipment | 136,864 | 146,321 | 1,905,717 | 1,949,387 | 2,042,581 | 2,095,708 |
| Infrastructure | 1,101,023 | 1,079,859 | 3,273,550 | 1,275,202 | 4,374,573 | 2,355,061 |
| Right-to-use assets* | 512,708 | 502,781 | 222,777 | 228,503 | 735,485 | 731,284 |
| Intangible assets | 98,909 | 97,352 | 44,291 | 47,127 | 143,200 | 144,479 |
| Total | $ 7,803,629 | $ 7,587,262 | $ 25,146,242 | $ 24,258,288 | $ 32,949,871 | $ 31,845,550 |

* See Note 17 to the basic financial statements. Fiscal year 2021-22 balances were not restated for GASB Statement Nos. 94 and 96.

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by $216.4 million or 2.9 percent. About $248.5 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. The completed projects include about $88.2 million in the 333 12th street building for homeless residents project, $41.3 million for Southeast Family Health Center, $13.9 million in the Castro Mission Health Center renovation, $9.6 million for Van Ness Bus Rapid Transit street paving project, $6.1 million in Geary Street facility for public health crisis stabilization unit, $5.8 million in Mission Street permanent supportive housing development to house families exiting homelessness, and $4.8 million for County Jail #2 kitchen complex renovation. The remaining completed projects are mainly public works. Right-to-use assets increased by $9.9 million which included $33.6 million additions from the GASB Statement No. 96 implementation. The increases were offset by the $23.7 million decrease in lease assets primarily caused by lease termination.

- Under business-type activities, net capital assets included right-to-use assets which arose from GASB Statement Nos. 87 and 96 and declined by $5.7 million or 2.5 percent. The decreases were mainly due to $8.7 million lease assets amortization, offset by $3.0 million GASB Statement 96 implementation additions. Additional business-type activities are discussed below.

- The Water Enterprise's net capital assets increased by $30.7 million or 0.5 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Mountain Tunnel Improvements, San Francisco Westside Recycled Water Project, and New Water Utility Service Facilities. Facilities, improvements, machinery, and equipment decreased by $51.1 million mainly due to depreciation and amortization. As of June 30, 2023, Water Enterprise's Water System Improvement Program was 99.0 percent completed with $4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2023, 35 local projects were completed. For regional projects, 48 projects are completed and for the remaining 4 projects the expected completion date is February 2027.

- SFMTA's net capital assets increased by $204.6 million or 3.6 percent mainly from procurement of new revenue vehicles and from the Central Subway Project construction in progress offset by decrease in total leases and subscription IT assets. Equipment cost included light rail vehicles and motor buses procurement, Central Control System upgrades, and parking meters replacement. Infrastructure costs incurred during the fiscal year were primarily for Central Subway Project, Muni Forward Program, traffic signs installation and calming, street improvements, and traffic signal upgrade.

- The Wastewater Enterprise net capital assets reported an increase of $638.2 million or 15.8 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2023, 43 projects were completed, 7 projects in pre-construction phase, 11 projects in construction phase, and 9 projects in close-out phase. The Westside Pump Station Reliability Improvements is on-going construction.

- Hetch Hetchy's net capital assets increased by $80.1 million or 10.2 percent to $867.3 million primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Moccasin Powerhouse Rewind Project and the Mountain Tunnel Improvement Project.

- The Airport's net capital assets decreased by $42.6 million or 0.6 percent primarily due to the disposal of assets. Due to the COVID-19 pandemic and the reduction in travel demand, the Airport has reprioritized its Capital Improvement Plan to focus on projects that are essential to Airport operations and resiliency priorities given the present-day recovery landscape. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departures level security checkpoints. The T1 Redevelopment Program completed the Harvey Milk Boarding Area B, for a total of 22 operational gates, in May 2021. Construction activity continues in the Terminal 1 North area, and this work is forecasted to complete in fiscal year 2023-24. Notable projects that were completed in fiscal year 2022-23 included the completion of the Noise Insulation Program 2019-2023 Phase and the 12KV Cable Replacement and System Upgrade.

At the end of the year, the City's business-type activities had approximately $1.51 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $187.9 million, SFMTA had $353.0 million, Wastewater had $750.1 million, Airport had $40.6 million, Hetch Hetchy had $99.5 million, Port had $12.4 million, Laguna Honda Hospital had $52.5 million, and the General Hospital had $13.4 million.

For government-wide financial statement presentation, all depreciable/amortizable capital assets were depreciated/amortized from acquisition date or lease/subscription inception date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditure.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

## Debt Administration

At June 30, 2023, the City had total long-term and commercial paper debt outstanding of $24.66 billion. Of this amount, $2.84 billion which includes $253.5 million of bond premium represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining $21.82 billion represents revenue bonds, commercial paper notes, certificates of participation, leases and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total debt including all bonds, loans, commercial paper notes, leases and other debts increased by $880.0 million or 3.7 percent during the fiscal year.

For the year ended June 30, 2023, the net decrease in the long-term debt in the governmental activities was $123.9 million and the net increase in business-type activities was $1.70 billion as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City - estimated at $332.02 billion in value as of the close of the fiscal year. As of June 30, 2023, the City had $2.84 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.80 percent of gross (0.86 percent of net) taxable assessed value of property. As of June 30, 2023, there were an additional $1.26 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.16 percent of gross (1.23 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2023, were:

| | |
|---|---|
| S&P Global Ratings | AAA |
| Moody's Investors Service, Inc. | Aaa |
| Fitch Ratings | AA+ |

During the fiscal year, S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings maintained the City's general obligation bonds ratings of "AAA", "Aaa", and "AA+", respectively, with a stable rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "A+" from S&P and "Aa3" from Moody's. Moody's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1" and "A+", respectively. S&P raised its underlying long-term credit ratings on the outstanding debt of the Airport to "A+". The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and S&P, respectively. The Wastewater Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P, respectively. The Hetch Hetchy Power Enterprise's power revenue bonds have been rated "AA-" by Fitch Ratings and "AA" by S&P as of June 30, 2023. In March 2023, S&P affirmed its "A" rating on Port's outstanding revenue bonds and revised its outlook from negative to stable. In April 2023, Fitch affirmed its "A" rating and stable outlook. In May 2023, Moody's affirmed its "Aa3" rating and revised its outlook from negative to stable on Port's outstanding revenue bonds.

Additional information in the City's long-term debt can be found in Note 8 to the basic financial statements.

**Economic factors and future budgets and rates**

Recent trends in economic indicators paint an overall picture of slowing growth. Local job losses reversed between August and October, with a net growth of 3,300 jobs over the two months. Gains were led by the education, health and government sectors, while the tech-heavy information and professional service sectors continued to shed jobs.

Despite the uptick in employment, the unemployment rate stayed flat at 3.4 percent over the two months.

The Kastle return-to-office indicator was also flat from September through mid-November. Other indicators of downtown recovery, including BART and MUNI metro ridership, showed slight declines, as did bridge crossings.

Travel through San Francisco International Airport has nearly recovered to pre-pandemic levels, with both domestic and international travel above 95 percent of normal. City hotel revenues, however, were still pegged at 70 percent of normal in October.

While housing permits spiked in October, apartment asking rents are trending down, and local housing prices are not yet participating in the statewide housing recovery.

The FY 2023-24 and FY 2024-25 budget was balanced with a heavy reliance on one-time solutions, leaving the City with an ongoing structural deficit. To begin addressing the anticipated shortfall, the Mayor's Office issued General Fund mid-year target cuts of 3 percent to City departments in October 2023. Additional cut targets of 10 percent, plus a 5 percent contingency, were issued in December 2023, for the FY 2024-25 and FY 2025-26 budget years.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

***City and County of San Francisco***
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

### Department and Component Unit Financial Statements

***San Francisco International Airport***
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

***San Francisco Water Enterprise***
***Hetch Hetchy Water and Power***
***San Francisco Wastewater Enterprise***
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

***Municipal Transportation Agency***
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

***Zuckerberg San Francisco***
***General Hospital and Trauma Center***
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

***Successor Agency to the***
***San Francisco Redevelopment Agency***
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

***San Francisco County Transportation Authority***
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

***Port of San Francisco***
Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

***Laguna Honda Hospital***
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

***Health Service System***
Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

***San Francisco***
***Employees' Retirement System***
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

***Retiree Health Care Trust***
c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

***San Francisco Finance Corporation***
Office of Public Finance
City Hall, Room 338
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position

Year Ended June 30, 2023

(In Thousands)

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Treasure Island Development Authority |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Deposits and investments with City Treasury | $ 7,927,961 | $ 3,456,847 | $ 11,384,808 | $ - |
| Deposits and investments outside City Treasury | 247,270 | 33,012 | 280,282 | - |
| Receivables (net of allowance for uncollectible amounts of $434,559 for the primary government): | | | | |
| Property taxes and penalties | 190,786 | - | 190,786 | - |
| Other local taxes | 387,442 | - | 387,442 | - |
| Federal and state grants and subventions | 450,784 | 164,406 | 615,190 | 3,431 |
| Charges for services | 152,089 | 361,557 | 513,646 | 3,657 |
| Interest and other | 86,220 | 217,822 | 304,042 | 17 |
| Leases | 4,678 | 168,141 | 172,819 | 2,365 |
| Due from component units | 13,096 | 372 | 13,468 | - |
| Inventories | 14,604 | 117,096 | 131,700 | - |
| Due from primary government | - | - | - | 38 |
| Other assets | 24,253 | 13,228 | 37,481 | 4,206 |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | - | 737,613 | 737,613 | - |
| Deposits and investments outside City Treasury | 6,449 | 181,969 | 188,418 | - |
| Grants and other receivables | - | 113,587 | 113,587 | - |
| Total current assets | 9,505,632 | 5,565,650 | 15,071,282 | 13,714 |
| Noncurrent assets: | | | | |
| Loan receivables (net of allowance for uncollectible amounts of $2,445,643) | 216,166 | - | 216,166 | - |
| Leases receivable | 83,909 | 1,426,181 | 1,510,090 | 16,588 |
| Advance to component unit | - | 6,805 | 6,805 | - |
| Other assets | 101 | 43,914 | 44,015 | - |
| Net pension asset | 17,362 | - | 17,362 | - |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | - | 929,063 | 929,063 | - |
| Deposits and investments outside City Treasury | - | 706,595 | 706,595 | - |
| Grants and other receivables | - | 17,275 | 17,275 | - |
| Capital assets: | | | | |
| Land and other assets not being depreciated/amortized | 1,554,026 | 5,237,232 | 6,791,258 | 34,846 |
| Facilities, infrastructure and equipment, net of depreciation/amortization | 6,249,603 | 19,909,010 | 26,158,613 | 23,180 |
| Total capital assets | 7,803,629 | 25,146,242 | 32,949,871 | 58,026 |
| Total noncurrent assets | 8,121,167 | 28,276,075 | 36,397,242 | 74,614 |
| Total assets | 17,626,799 | 33,841,725 | 51,468,524 | 88,328 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Unamortized loss on refunding of debt | 5,965 | 156,111 | 162,076 | - |
| Pensions | 1,114,295 | 703,972 | 1,818,267 | 16 |
| OPEB | 351,395 | 334,069 | 685,464 | - |
| Total deferred outflows of resources | $ 1,471,655 | $ 1,194,152 | $ 2,665,807 | $ 16 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position (Continued)

Year Ended June 30, 2023

(In Thousands)

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Treasure Island Development Authority |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 680,111 | $ 308,135 | $ 988,246 | $ 2,085 |
| Accrued payroll | 203,580 | 146,686 | 350,266 | 154 |
| Accrued vacation and sick leave pay | 128,356 | 89,830 | 218,186 | - |
| Accrued workers' compensation | 72,304 | 50,502 | 122,806 | - |
| Estimated claims payable | 155,464 | 46,288 | 201,752 | - |
| Bonds, loans, leases, and other payables | 369,811 | 285,803 | 655,614 | - |
| Accrued interest payable | 23,352 | 72,037 | 95,389 | - |
| Unearned grant and subvention revenues | 208,649 | - | 208,649 | - |
| Due to primary government | - | - | - | 9,846 |
| Due to component unit | 38 | - | 38 | - |
| Internal balances | 74,069 | (74,069) | - | - |
| Unearned revenues and other liabilities | 1,271,146 | 941,502 | 2,212,648 | 2,497 |
| Liabilities payable from restricted assets: | | | | |
| Bonds, loans, leases, and other payables | - | 20,075 | 20,075 | - |
| Accrued interest payable | - | 64,062 | 64,062 | - |
| Other | - | 336,597 | 336,597 | - |
| Total current liabilities | 3,186,880 | 2,287,448 | 5,474,328 | 14,582 |
| Noncurrent liabilities: | | | | |
| Accrued vacation and sick leave pay | 117,886 | 75,556 | 193,442 | - |
| Accrued workers' compensation | 305,486 | 225,544 | 531,030 | - |
| Estimated claims payable | 260,222 | 74,073 | 334,295 | - |
| Bonds, loans, leases, and other payables | 4,718,093 | 19,263,656 | 23,981,749 | - |
| Advance from primary government | - | - | - | 6,805 |
| Unearned revenues and other liabilities | - | 144,980 | 144,980 | - |
| Net pension liability | 1,954,150 | 1,113,763 | 3,067,913 | 11 |
| Net other postemployment benefits (OPEB) liability | 2,057,177 | 1,677,814 | 3,734,991 | - |
| Total noncurrent liabilities | 9,413,014 | 22,575,386 | 31,988,400 | 6,816 |
| Total liabilities | 12,599,894 | 24,862,834 | 37,462,728 | 21,398 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unamortized gain on refunding of debt | 79,536 | 12,387 | 91,923 | - |
| Pensions | 401,406 | 251,941 | 653,347 | 3 |
| OPEB | 402,124 | 343,577 | 745,701 | - |
| Leases | 87,017 | 1,686,489 | 1,773,506 | 18,570 |
| Public-private partnerships | 5,931 | - | 5,931 | - |
| Total deferred inflows of resources | 976,014 | 2,294,394 | 3,270,408 | 18,573 |
| **NET POSITION** | | | | |
| Net investment in capital assets, Note 10(d) | 4,491,155 | 6,851,218 | 10,935,272 | 58,026 |
| Restricted for: | | | | |
| Reserve for rainy day | 114,539 | - | 114,539 | - |
| Debt service | 156,851 | 171,232 | 328,083 | - |
| Capital projects, Note 10(d) | 319,105 | 1,014,138 | 1,208,105 | - |
| Community development | 998,679 | - | 998,679 | - |
| Transportation Authority activities | 72,024 | - | 72,024 | - |
| Building inspection programs | 74,418 | - | 74,418 | - |
| Children and families | 669,822 | - | 669,822 | - |
| Culture and recreation | 297,396 | - | 297,396 | - |
| Grants | 174,758 | - | 174,758 | - |
| Other purposes | 184,465 | 10,174 | 194,639 | - |
| Total restricted | 3,062,057 | 1,195,544 | 4,132,463 | - |
| Unrestricted (deficit), Note 10(d) | (2,030,666) | (168,113) | (1,666,540) | (9,653) |
| Total net position | $ 5,522,546 | $ 7,878,649 | $ 13,401,195 | $ 48,373 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Activities
Year Ended June 30, 2023
(In Thousands)

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position – Primary Government | | | Component Unit |
|---|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-Type Activities** | **Total** | **Treasure Island Development Authority** |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Public protection | $ 1,671,702 | $ 103,361 | $ 228,498 | $ 142 | $ (1,339,701) | $ - | $ (1,339,701) | $ - |
| Public works, transportation and commerce | 446,286 | 133,565 | 40,431 | 49,160 | (223,130) | - | (223,130) | - |
| Human welfare and neighborhood development | 2,883,425 | 170,535 | 1,038,243 | 70,845 | (1,603,802) | - | (1,603,802) | - |
| Community health | 1,206,314 | 91,056 | 439,738 | 4,737 | (670,783) | - | (670,783) | - |
| Culture and recreation | 537,393 | 135,998 | 600 | 25,607 | (375,188) | - | (375,188) | - |
| General administration and finance | 482,618 | 188,245 | 8,941 | 134 | (285,298) | - | (285,298) | - |
| Distributions to other governments | 49,113 | - | - | - | (49,113) | - | (49,113) | - |
| General city responsibilities | 175,522 | 66,925 | 6,358 | - | (102,239) | - | (102,239) | - |
| Unallocated interest on long-term debt and cost of issuance | 155,749 | - | - | - | (155,749) | - | (155,749) | - |
| Total governmental activities | 7,608,122 | 889,685 | 1,762,809 | 150,625 | (4,805,003) | - | (4,805,003) | - |
| Business-type activities: | | | | | | | | |
| Airport | 1,278,517 | 1,064,104 | - | 28,679 | - | (185,734) | (185,734) | - |
| Transportation | 1,439,742 | 350,188 | 350,111 | 199,145 | - | (540,298) | (540,298) | - |
| Port | 127,817 | 128,667 | 22,024 | 136 | - | 23,010 | 23,010 | - |
| Water | 666,970 | 691,091 | - | 2,717 | - | 26,838 | 26,838 | - |
| Power | 544,742 | 583,477 | 3,737 | 2,535 | - | 45,007 | 45,007 | - |
| Hospitals | 1,419,409 | 1,213,925 | 67,985 | - | - | (137,499) | (137,499) | - |
| Sewer | 343,018 | 363,936 | 152 | 2,740 | - | 23,810 | 23,810 | - |
| Total business-type activities | 5,820,215 | 4,395,388 | 444,009 | 235,952 | - | (744,866) | (744,866) | - |
| Total primary government | $ 13,428,337 | $ 5,285,073 | $ 2,206,818 | $ 386,577 | (4,805,003) | (744,866) | (5,549,869) | - |
| Component unit: | | | | | | | | |
| Treasure Island Development Authority | $ 21,532 | $ 12,430 | $ 896 | $ - | | | | $ (8,206) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | 3,167,382 | - | 3,167,382 | - |
| Business taxes | | | | | 1,290,918 | - | 1,290,918 | - |
| Sales and use tax | | | | | 309,385 | - | 309,385 | - |
| Hotel room tax | | | | | 278,961 | - | 278,961 | - |
| Utility users tax | | | | | 110,661 | - | 110,661 | - |
| Parking tax | | | | | 82,716 | - | 82,716 | - |
| Real property transfer tax | | | | | 186,247 | - | 186,247 | - |
| Other local taxes | | | | | 295,790 | - | 295,790 | - |
| Interest and investment income | | | | | 157,267 | 108,704 | 265,971 | 109 |
| Other | | | | | 99,471 | 240,145 | 339,616 | 9,403 |
| Transfers - internal activities of primary government | | | | | (885,106) | 885,106 | - | - |
| Total general revenues and transfers | | | | | 5,093,692 | 1,233,955 | 6,327,647 | 9,512 |
| Change in net position | | | | | 288,689 | 489,089 | 777,778 | 1,306 |
| Net position at beginning of year, as previously reported | | | | | 5,331,019 | 7,496,160 | 12,827,179 | 47,067 |
| Cumulative effect of accounting change | | | | | (97,162) | (106,600) | (203,762) | - |
| Net position at beginning of year, as restated | | | | | 5,233,857 | 7,389,560 | 12,623,417 | 47,067 |
| Net position at end of year | | | | | $ 5,522,546 | $ 7,878,649 | $ 13,401,195 | $ 48,373 |

The notes to the financial statements are an integral part of this statement.

## CITY AND COUNTY OF SAN FRANCISCO

**Balance Sheet**
**Governmental Funds**
June 30, 2023
(In Thousands)

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Assets: | | | |
| Deposits and investments with City Treasury | $ 3,709,353 | $ 4,153,137 | $ 7,862,490 |
| Deposits and investments outside City Treasury | 263 | 247,007 | 247,270 |
| Receivables (net of allowance for uncollectible amounts of $366,442): | | | |
| Property taxes and penalties | 182,148 | 8,638 | 190,786 |
| Other local taxes | 277,384 | 110,058 | 387,442 |
| Federal and state grants and subventions | 244,642 | 206,142 | 450,784 |
| Charges for services | 130,109 | 21,761 | 151,870 |
| Interest and other | 56,090 | 29,714 | 85,804 |
| Leases | 81,413 | - | 81,413 |
| Due from other funds | 7,309 | 15,219 | 22,528 |
| Due from component units | 3,603 | 9,493 | 13,096 |
| Loans receivable (net of allowance for uncollectible amounts of $2,445,643 in 2023) | 10,705 | 205,461 | 216,166 |
| Inventories | 14,604 | - | 14,604 |
| Other assets | 7,805 | 16,448 | 24,253 |
| Total assets | $ 4,725,428 | $ 5,023,078 | $ 9,748,506 |
| Liabilities: | | | |
| Accounts payable | $ 417,250 | $ 252,267 | $ 669,517 |
| Accrued payroll | 165,431 | 34,468 | 199,899 |
| Unearned grant and subvention revenues | 33,593 | 175,056 | 208,649 |
| Due to other funds | 210 | 96,387 | 96,597 |
| Due to component units | - | 38 | 38 |
| Unearned revenues and other liabilities | 1,028,387 | 239,644 | 1,268,031 |
| Bonds, loans, leases, and other payables | - | 38,790 | 38,790 |
| Total liabilities | 1,644,871 | 836,650 | 2,481,521 |
| Deferred inflows of resources | 432,420 | 331,103 | 763,523 |
| Fund balances: | | | |
| Nonspendable | 1,174 | 356 | 1,530 |
| Restricted | 114,539 | 3,565,843 | 3,680,382 |
| Committed | 330,010 | - | 330,010 |
| Assigned | 1,724,903 | 291,062 | 2,015,965 |
| Unassigned | 477,511 | (1,936) | 475,575 |
| Total fund balances | 2,648,137 | 3,855,325 | 6,503,462 |
| Total liabilities, deferred inflows of resources and fund balances | $ 4,725,428 | $ 5,023,078 | $ 9,748,506 |

The notes to the financial statements are an integral part of this statement.

## CITY AND COUNTY OF SAN FRANCISCO

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023
(In Thousands)

| | |
|---|---|
| Fund balances – total governmental funds | $ 6,503,462 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 7,770,546 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | (5,972,094) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds. | 677,676 |
| Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. | (22,446) |
| Deferred outflows and inflows of resources in governmental activities related to refunding of debt are not financial resources and, therefore, are not reported in the governmental funds. | (73,971) |
| Net pension asset/liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds. | (1,209,646) |
| Net OPEB asset/liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds. | (2,064,500) |
| Internal service funds are used by management to charge the costs of lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | (86,481) |
| Net position of governmental activities | $ 5,522,546 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Revenues, Expenditures, and Changes in Fund Balances
## Governmental Funds

Year Ended June 30, 2023
(In Thousands)

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Property taxes | $ 2,459,052 | $ 697,986 | $ 3,157,038 |
| Business taxes | 850,593 | 440,325 | 1,290,918 |
| Sales and use tax | 197,911 | 111,474 | 309,385 |
| Hotel room tax | 252,898 | 26,063 | 278,961 |
| Utility users tax | 110,661 | - | 110,661 |
| Parking tax | 82,716 | - | 82,716 |
| Real property transfer tax | 186,247 | - | 186,247 |
| Other local taxes | 278,112 | 17,678 | 295,790 |
| Licenses, permits and franchises | 28,953 | 14,203 | 43,156 |
| Fines, forfeitures, and penalties | 3,191 | 41,131 | 44,322 |
| Interest and investment income | 68,319 | 88,568 | 156,887 |
| Rents and concessions | 11,775 | 172,433 | 184,208 |
| Intergovernmental: | | | |
| Federal | 306,673 | 329,007 | 635,680 |
| State | 1,031,456 | 262,448 | 1,293,904 |
| Other | 1,582 | 7,356 | 8,938 |
| Charges for services | 243,234 | 144,319 | 387,553 |
| Other | 29,677 | 177,669 | 207,346 |
| Total revenues | 6,143,050 | 2,530,660 | 8,673,710 |
| Expenditures: | | | |
| Current: | | | |
| Public protection | 1,654,953 | 94,234 | 1,749,187 |
| Public works, transportation and commerce | 265,019 | 240,402 | 505,421 |
| Human welfare and neighborhood development | 1,577,163 | 1,421,283 | 2,998,446 |
| Community health | 967,381 | 201,222 | 1,168,603 |
| Culture and recreation | 172,832 | 340,295 | 513,127 |
| General administration and finance | 301,748 | 138,019 | 439,767 |
| General City responsibilities | 189,570 | - | 189,570 |
| Distributions to other governments | - | 49,113 | 49,113 |
| Debt service: | | | |
| Principal retirement | 66,707 | 334,253 | 400,960 |
| Interest and other fiscal charges | 7,970 | 173,493 | 181,463 |
| Bond issuance costs | - | 5,747 | 5,747 |
| Capital outlay | 72,033 | 148,884 | 220,917 |
| Total expenditures | 5,275,376 | 3,146,945 | 8,422,321 |
| Excess (deficiency) of revenues over (under) expenditures | 867,674 | (616,285) | 251,389 |
| Other financing sources (uses): | | | |
| Transfers in | 119,361 | 582,869 | 702,230 |
| Transfers out | (1,316,074) | (271,483) | (1,587,557) |
| Issuance of bonds: | | | |
| Face value of bonds issued | - | 267,975 | 267,975 |
| Premium on issuance of bonds | - | 6,364 | 6,364 |
| Inception of leases and subscriptions | 72,033 | - | 72,033 |
| Total other financing sources (uses) | (1,124,680) | 585,725 | (538,955) |
| Net changes in fund balances | (257,006) | (30,560) | (287,566) |
| Fund balances at beginning of year, as previously reported | 2,905,143 | 3,874,527 | 6,779,670 |
| Cumulative effect of accounting change | - | 11,358 | 11,358 |
| Fund balances at beginning of year, as restated | 2,905,143 | 3,885,885 | 6,791,028 |
| Fund balances at end of year | $ 2,648,137 | $ 3,855,325 | $ 6,503,462 |

The notes to the financial statements are an integral part of this statement.

## CITY AND COUNTY OF SAN FRANCISCO

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023
(In Thousands)

| | |
|---|---|
| Net changes in fund balances - total governmental funds | $ (287,566) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, the loss on disposal of capital assets, and contributed capital assets. | 194,830 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. | 532,057 |
| Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. | 10,344 |
| Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. | 57,151 |
| Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. | 14 |
| Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | (340,404) |
| Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 4,930 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, leases and subscriptions consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond, lease and subscription proceeds in the current period. | 60,952 |
| Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period. | (6,364) |
| Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains. | 34,259 |
| The activities of internal service funds are reported with governmental activities. | 28,486 |
| Change in net position of governmental activities | $ 288,689 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position - Proprietary Funds

June 30, 2023

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total | Governmental Activities - Internal Service Funds |
| **ASSETS** | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Deposits and investments with City Treasury........... | $ 998,115 | $ 402,885 | $ 399,864 | $ 722,409 | $ 240,856 | $ 355,770 | $ 336,948 | $ - | $ 3,456,847 | $ 65,471 |
| Deposits and investments outside City Treasury....... | 23,773 | 192 | 154 | 8,708 | 7 | 173 | 5 | - | 33,012 | - |
| Receivables (net of allowance for uncollectible amounts of $68,117): | | | | | | | | | | |
| Federal and state grants and subventions.............. | - | - | 2,369 | 101,278 | 1,879 | - | 450 | 58,430 | 164,406 | - |
| Charges for services............................................ | 67,438 | 69,514 | 54,307 | 4,727 | 82,249 | 40,093 | 18,168 | 25,061 | 361,557 | 219 |
| Interest and other.................................................. | 11,204 | 9,441 | 2,357 | 9,039 | 171,502 | 2,178 | 11,415 | 686 | 217,822 | 416 |
| Leases.................................................................. | 114,523 | 3,521 | - | 7,437 | 375 | 212 | 41,963 | 110 | 168,141 | 15,120 |
| Due from other funds.............................................. | - | 115 | 4,309 | 77,100 | 17 | 128 | - | - | 81,669 | - |
| Due from component unit........................................ | - | - | 372 | - | - | - | - | - | 372 | - |
| Inventories............................................................. | 3,232 | 8,191 | 1,840 | 84,716 | 12,328 | 3,340 | 1,875 | 1,574 | 117,096 | - |
| Other assets.......................................................... | 4,862 | - | 7,312 | 308 | - | 570 | 176 | - | 13,228 | - |
| Restricted assets: | | | | | | | | | | |
| Deposits and investments with City Treasury.......... | 575,751 | - | - | 802 | - | - | 58,686 | 102,374 | 737,613 | - |
| Deposits and investments outside City Treasury..... | 111,574 | 10,863 | 5,371 | 17 | - | 48,717 | 5,402 | 25 | 181,969 | 6,449 |
| Grants and other receivables.................................. | 54,646 | 39,657 | 4,151 | - | - | 15,133 | - | - | 113,587 | - |
| Total current assets........................................... | 1,965,118 | 544,379 | 482,406 | 1,016,541 | 509,213 | 466,314 | 475,088 | 188,260 | 5,647,319 | 87,675 |
| Noncurrent assets: | | | | | | | | | | |
| Other assets.......................................................... | - | 19,103 | 21,105 | - | - | 1,457 | 2,249 | - | 43,914 | - |
| Leases receivable.................................................. | 831,198 | 40,109 | - | 82,081 | 7,426 | 1,245 | 463,121 | 1,001 | 1,426,181 | 75,347 |
| Advance to component unit...................................... | - | - | 6,805 | - | - | - | - | - | 6,805 | - |
| Restricted assets: | | | | | | | | | | |
| Deposits and investments with City Treasury.......... | 545,745 | 21,000 | 28,586 | 295,158 | - | 38,574 | - | - | 929,063 | - |
| Deposits and investments outside City Treasury..... | 565,059 | 66,482 | 3,840 | 4,555 | 220 | 66,439 | - | - | 706,595 | - |
| Grants and other receivables.................................. | 2,650 | 4 | - | 1,957 | - | 417 | - | 12,247 | 17,275 | - |
| Capital assets: | | | | | | | | | | |
| Land and other assets not being depreciated/amortized........................... | 1,036,900 | 640,995 | 377,088 | 739,752 | 28,153 | 2,280,581 | 117,432 | 16,331 | 5,237,232 | 313 |
| Facilities, infrastructure, and equipment, net of depreciation/amortization.......... | 5,897,598 | 5,011,957 | 490,216 | 5,217,077 | 68,692 | 2,405,765 | 375,542 | 442,163 | 19,909,010 | 32,770 |
| Total capital assets............................................... | 6,934,498 | 5,652,952 | 867,304 | 5,956,829 | 96,845 | 4,686,346 | 492,974 | 458,494 | 25,146,242 | 33,083 |
| Total noncurrent assets...................................... | 8,879,150 | 5,799,650 | 927,640 | 6,340,580 | 104,491 | 4,794,478 | 958,344 | 471,742 | 28,276,075 | 108,430 |
| Total assets......................................................... | 10,844,268 | 6,344,029 | 1,410,046 | 7,357,121 | 613,704 | 5,260,792 | 1,433,432 | 660,002 | 33,923,394 | 196,105 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | | | | |
| Unamortized loss on refunding of debt........................ | 30,534 | 124,635 | - | 786 | - | 8 | 148 | - | 156,111 | 602 |
| Pensions.................................................................... | 105,957 | 70,101 | 20,976 | 238,265 | 157,362 | 32,592 | 14,987 | 63,732 | 703,972 | 18,551 |
| OPEB......................................................................... | 38,931 | 28,616 | 8,226 | 124,604 | 87,540 | 11,493 | 5,702 | 28,957 | 334,069 | 9,052 |
| Total deferred outflows of resources.................. | 175,422 | 223,352 | 29,202 | 363,655 | 244,902 | 44,093 | 20,837 | 92,689 | 1,194,152 | 28,205 |

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position - Proprietary Funds (Continued)

June 30, 2023

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total | Governmental Activities - Internal Service Funds |
| **LIABILITIES** | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | $ 78,054 | $ 22,671 | $ 50,347 | $ 87,188 | $ 23,908 | $ 23,207 | $ 6,353 | $ 16,407 | $ 308,135 | $ 10,594 |
| Accrued payroll | 19,383 | 11,807 | 4,836 | 50,364 | 36,497 | 7,631 | 2,695 | 13,473 | 146,686 | 3,681 |
| Accrued vacation and sick leave pay | 12,326 | 7,057 | 3,393 | 31,093 | 21,479 | 6,040 | 1,818 | 6,624 | 89,830 | 2,652 |
| Accrued workers' compensation | 2,710 | 1,914 | 617 | 32,236 | 7,035 | 1,509 | 611 | 3,870 | 50,502 | 256 |
| Estimated claims payable | 122 | 11,125 | 766 | 32,400 | - | 1,650 | 225 | - | 46,288 | - |
| Due to other funds | - | 2,440 | 1,946 | 594 | - | 2,620 | - | - | 7,600 | - |
| Unearned revenues and other liabilities | 461,730 | 13,977 | 12,136 | 62,664 | 312,340 | 6,457 | 19,371 | 52,827 | 941,502 | 2,581 |
| Accrued interest payable | - | 35,104 | 1,599 | 5,447 | 38 | 27,918 | 1,304 | 627 | 72,037 | 906 |
| Bonds, loans, leases, and other payables | 73,941 | 139,951 | 2,233 | 20,695 | 4,726 | 33,000 | 4,567 | 6,690 | 285,803 | 24,694 |
| Liabilities payable from restricted assets: | | | | | | | | | - | |
| Bonds, loans, leases, and other payables | 20,075 | - | - | - | - | - | - | - | 20,075 | - |
| Accrued interest payable | 64,062 | - | - | - | - | - | - | - | 64,062 | - |
| Other | 118,746 | 40,863 | 28,866 | 23,799 | - | 122,825 | - | 1,498 | 336,597 | - |
| Total current liabilities | 851,149 | 286,909 | 106,739 | 346,480 | 406,023 | 232,857 | 36,944 | 102,016 | 2,369,117 | 45,364 |
| Noncurrent liabilities: | | | | | | | | | | |
| Accrued vacation and sick leave pay | 11,861 | 6,528 | 3,332 | 24,991 | 16,555 | 5,622 | 1,684 | 4,983 | 75,556 | 2,953 |
| Accrued workers' compensation | 9,857 | 7,821 | 2,840 | 140,795 | 35,432 | 6,489 | 2,272 | 20,038 | 225,544 | 1,084 |
| Estimated claims payable | 4,150 | 8,500 | 6,118 | 52,200 | - | 2,700 | 405 | - | 74,073 | - |
| Unearned revenues and other liabilities | 24 | 1,271 | 580 | - | - | 7,988 | 135,117 | - | 144,980 | - |
| Bonds, loans, leases, and other payables | 9,414,592 | 5,203,198 | 318,237 | 599,343 | 7,297 | 3,520,696 | 136,244 | 64,049 | 19,263,656 | 88,173 |
| Net pension liability | 162,200 | 115,343 | 33,468 | 372,813 | 258,127 | 49,549 | 21,192 | 101,071 | 1,113,763 | 27,142 |
| Net other postemployment benefits (OPEB) liability | 257,767 | 148,601 | 37,180 | 642,513 | 355,774 | 49,035 | 30,862 | 156,082 | 1,677,814 | 44,150 |
| Total noncurrent liabilities | 9,860,451 | 5,491,262 | 401,755 | 1,832,655 | 673,185 | 3,642,079 | 327,776 | 346,223 | 22,575,386 | 163,502 |
| Total liabilities | 10,711,600 | 5,778,171 | 508,494 | 2,179,135 | 1,079,208 | 3,874,936 | 364,720 | 448,239 | 24,944,503 | 208,866 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | | | |
| Unamortized gain on refunding of debt | - | - | - | - | - | 11,353 | - | 1,034 | 12,387 | 202 |
| Pensions | 37,692 | 28,504 | 10,500 | 80,301 | 57,206 | 10,023 | 4,830 | 22,885 | 251,941 | 5,662 |
| OPEB | 50,948 | 27,075 | 9,775 | 125,493 | 89,337 | 8,286 | 6,573 | 26,090 | 343,577 | 8,207 |
| Leases | 1,042,367 | 41,558 | - | 79,850 | 7,699 | 1,453 | 512,492 | 1,070 | 1,686,489 | 7,101 |
| Total deferred inflows of resources | 1,131,007 | 97,137 | 20,275 | 285,644 | 154,242 | 31,115 | 523,895 | 51,079 | 2,294,394 | 21,172 |
| **NET POSITION** | | | | | | | | | | |
| Net investment in capital assets | (1,603,694) | 545,542 | 556,035 | 5,332,130 | 85,126 | 1,235,215 | 313,084 | 387,780 | 6,851,218 | 6,896 |
| Restricted: | | | | | | | | | | |
| Debt service | 75,798 | 14,625 | 56 | - | - | 3,510 | - | 77,243 | 171,232 | - |
| Capital projects | 653,258 | 15,959 | 5,233 | 275,406 | 13,188 | - | 47,811 | 3,283 | 1,014,138 | - |
| Other purposes | 4,660 | - | - | 3,284 | - | - | - | 2,230 | 10,174 | - |
| Unrestricted (deficit) | 47,061 | 115,947 | 349,155 | (354,823) | (473,158) | 160,109 | 204,759 | (217,163) | (168,113) | (12,624) |
| Total net position | $ (822,917) | $ 692,073 | $ 910,479 | $ 5,255,997 | $ (374,844) | $ 1,398,834 | $ 565,654 | $ 253,373 | $ 7,878,649 | $ (5,728) |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2023
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total | Governmental Activities - Internal Service Funds |
| Operating revenues: | | | | | | | | | | |
| Aviation | $ 630,250 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 630,250 | $ - |
| Water and power service | - | 661,241 | 583,194 | - | - | - | - | - | 1,244,435 | - |
| Passenger fees | - | - | - | 87,803 | - | - | - | - | 87,803 | - |
| Net patient service revenue | - | - | - | - | 975,675 | - | - | 219,592 | 1,195,267 | - |
| Sewer service | - | - | - | - | - | 354,491 | - | - | 354,491 | - |
| Rents and concessions | 165,396 | 13,282 | 283 | 12,606 | 3,183 | 822 | 99,792 | - | 295,364 | 492 |
| Parking and transportation | 183,520 | - | - | 191,911 | - | - | 21,271 | - | 396,702 | - |
| Other charges for services | - | - | - | 30,642 | - | - | - | - | 30,642 | 186,082 |
| Other revenues | 84,938 | 16,568 | - | 27,226 | 14,674 | 8,623 | 7,604 | 801 | 160,434 | - |
| Total operating revenues | 1,064,104 | 691,091 | 583,477 | 350,188 | 993,532 | 363,936 | 128,667 | 220,393 | 4,395,388 | 186,574 |
| Operating expenses: | | | | | | | | | | |
| Personal services | 283,669 | 135,709 | 68,459 | 892,654 | 535,413 | 89,726 | 36,988 | 231,100 | 2,273,718 | 59,920 |
| Contractual services | 97,718 | 16,919 | 20,334 | 155,725 | 317,047 | 20,777 | 21,283 | 54,892 | 704,695 | 62,003 |
| Light, heat and power | 28,771 | - | 344,036 | - | - | - | 5,110 | - | 377,917 | - |
| Materials and supplies | 13,384 | 20,046 | 4,274 | 77,100 | 144,956 | 14,306 | 1,189 | 24,978 | 300,233 | 18,147 |
| Depreciation and amortization | 355,475 | 155,714 | 24,671 | 229,262 | 15,575 | 78,039 | 25,272 | 12,576 | 896,584 | 14,762 |
| General and administrative | 3,883 | 51,955 | 58,201 | (2,249) | 1,154 | 17,503 | 2,120 | - | 132,567 | 442 |
| Services provided by other departments | 27,247 | 79,910 | 16,368 | 93,497 | 59,693 | 40,999 | 27,798 | 17,871 | 363,383 | 16,337 |
| Other | 92,603 | - | - | (22,371) | 2,009 | - | 3,392 | - | 75,633 | 831 |
| Total operating expenses | 902,750 | 460,253 | 536,343 | 1,423,618 | 1,075,847 | 261,350 | 123,152 | 341,417 | 5,124,730 | 172,442 |
| Operating income (loss) | 161,354 | 230,838 | 47,134 | (1,073,430) | (82,315) | 102,586 | 5,515 | (121,024) | (729,342) | 14,132 |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Operating grants: | | | | | | | | | | |
| Federal | - | - | 1,776 | 147,596 | - | 152 | - | - | 149,524 | - |
| State / other | - | - | 1,961 | 202,515 | 66,767 | - | 22,024 | 1,218 | 294,485 | 225 |
| Interest and investment income | 42,540 | 11,156 | 4,603 | 27,561 | 5,163 | 2,556 | 13,950 | 1,175 | 108,704 | 2,321 |
| Interest expense | (350,349) | (204,942) | (7,907) | (16,124) | (462) | (81,133) | (4,530) | (1,683) | (667,130) | (3,146) |
| Other nonoperating revenues | 135,838 | 40,679 | 13,220 | 24,958 | - | 9,758 | 3,446 | 12,246 | 240,145 | 682 |
| Other nonoperating expenses | (25,418) | (1,775) | (492) | - | - | (535) | (135) | - | (28,355) | - |
| Total nonoperating revenues (expenses) | (197,389) | (154,882) | 13,161 | 386,506 | 71,468 | (69,202) | 34,755 | 12,956 | 97,373 | 82 |
| Income (loss) before capital contributions and transfers | (36,035) | 75,956 | 60,295 | (686,924) | (10,847) | 33,384 | 40,270 | (108,068) | (631,969) | 14,214 |
| Capital contributions | 28,679 | 2,717 | 2,535 | 199,145 | - | 2,740 | 136 | - | 235,952 | - |
| Transfers in | - | 5 | 20,000 | 645,927 | 137,399 | 75 | 39,233 | 123,165 | 965,804 | 362 |
| Transfers out | (48,701) | (20,032) | (32) | - | (11,741) | (32) | (32) | (128) | (80,698) | (141) |
| Change in net position | (56,057) | 58,646 | 82,798 | 158,148 | 114,811 | 36,167 | 79,607 | 14,969 | 489,089 | 14,435 |
| Net position (deficit) at beginning of year as previously reported | (660,243) | 633,418 | 827,678 | 5,097,849 | (489,655) | 1,362,662 | 486,047 | 238,404 | 7,496,160 | (20,163) |
| Cumulative effect of accounting change | (106,617) | 9 | 3 | - | - | 5 | - | - | (106,600) | - |
| Net position (deficit) at beginning of year, as restated | (766,860) | 633,427 | 827,681 | 5,097,849 | (489,655) | 1,362,667 | 486,047 | 238,404 | 7,389,560 | (20,163) |
| Net position (deficit) at end of year | $ (822,917) | $ 692,073 | $ 910,479 | $ 5,255,997 | $ (374,844) | $ 1,398,834 | $ 565,654 | $ 253,373 | $ 7,878,649 | $ (5,728) |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2023

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total | Governmental Activities - Internal Service Funds |
| Cash flows from operating activities: | | | | | | | | | | |
| Cash received from customers, including cash deposits | $ 1,136,744 | $ 587,435 | $ 587,802 | $ 395,054 | $ 923,464 | $ 364,866 | $ 34,572 | $ 237,473 | $ 4,267,410 | $ 203,491 |
| Cash received from tenants for rent | - | 13,098 | 287 | 3,190 | 842 | 3,126 | 89,808 | - | 110,351 | - |
| Cash paid for employees' services | (328,397) | (142,866) | (72,404) | (911,461) | (665,007) | (95,895) | (47,090) | (245,672) | (2,508,792) | (65,455) |
| Cash paid to suppliers for goods and services | (280,170) | (174,938) | (420,868) | (362,781) | (519,904) | (95,599) | (61,056) | (84,953) | (2,000,269) | (94,281) |
| Cash paid for judgments and claims | - | (6,927) | (7,604) | (17,608) | - | (5,500) | - | - | (37,639) | - |
| Net cash provided by (used in) operating activities | 528,177 | 275,802 | 87,213 | (893,606) | (260,605) | 170,998 | 16,234 | (93,152) | (168,939) | 43,755 |
| Cash flows from noncapital financing activities: | | | | | | | | | | |
| Operating grants | - | - | 2,108 | 361,529 | 66,304 | 177 | 116,429 | 1,218 | 547,765 | 225 |
| Transfers in | - | 5 | 20,000 | 584,145 | 137,399 | 75 | - | 122,784 | 864,408 | 362 |
| Transfers out | (48,701) | (20,032) | (32) | - | (11,741) | (32) | (32) | (128) | (80,698) | (141) |
| Other noncapital financing sources | 31,692 | 6,750 | 6,551 | 26,986 | - | 5,000 | 3,531 | - | 80,510 | - |
| Other noncapital financing uses | (25,348) | (1,775) | (499) | - | - | (535) | - | - | (28,157) | - |
| Net cash provided by (used in) noncapital financing activities | (42,357) | (15,052) | 28,128 | 972,660 | 191,962 | 4,685 | 119,928 | 123,874 | 1,383,828 | 446 |
| Cash flows from capital and related financing activities: | | | | | | | | | | |
| Capital grants and other proceeds restricted for capital purposes | 8,713 | - | - | 140,109 | - | - | 4,196 | 14,003 | 167,021 | - |
| Transfers in | - | - | - | 61,782 | - | - | 39,233 | 381 | 101,396 | - |
| Bond sale proceeds and loans received | 1,064 | 12,371 | - | - | - | 1,617,314 | - | - | 1,630,749 | - |
| Proceeds from sale/transfer of capital assets | - | 1,370 | 7 | 499 | - | 127 | 1 | - | 2,004 | - |
| Proceeds from commercial paper borrowings | 417,250 | 165,162 | 76,333 | - | - | 177,564 | - | - | 836,309 | - |
| Proceeds from passenger facility charges | 95,856 | - | - | - | - | - | - | - | 95,856 | - |
| Acquisition of capital assets | (259,793) | (172,835) | (98,397) | (457,867) | (12,413) | (681,615) | (8,637) | (7,785) | (1,699,342) | (1,263) |
| Retirement of leases, subscriptions, bonds and loans | (29,308) | (130,320) | (3,020) | (8,837) | (1,957) | (1,016,772) | (5,143) | (6,508) | (1,201,865) | (21,080) |
| Bond issue costs paid | - | - | - | - | - | (3,124) | - | - | (3,124) | - |
| Interest paid on debt | (387,197) | (214,364) | (9,213) | (17,207) | (467) | (89,055) | (4,800) | (2,792) | (725,095) | (2,957) |
| Federal interest income subsidy from Build America Bonds | - | 23,260 | 502 | - | - | 3,991 | - | - | 27,753 | - |
| Other capital financing sources | - | - | - | 1,978 | - | - | 154 | - | 2,132 | - |
| Net cash provided by (used in) capital and related financing activities | (153,415) | (315,356) | (33,788) | (279,543) | (14,837) | 8,430 | 25,004 | (2,701) | (766,206) | (25,300) |
| Cash flows from investing activities: | | | | | | | | | | |
| Purchases of investments with trustees | (659,908) | (348,315) | (10,224) | - | - | (514,288) | - | - | (1,532,735) | - |
| Proceeds from sale of investments with trustees | 628,083 | 348,315 | 10,224 | - | - | 514,288 | - | - | 1,500,910 | - |
| Interest and investment income | 36,369 | 9,141 | 5,784 | 19,839 | 5,163 | 4,948 | 11,053 | 705 | 93,002 | 220 |
| Other investing activities | - | - | - | - | - | - | - | - | - | 79 |
| Net cash provided by investing activities | 4,544 | 9,141 | 5,784 | 19,839 | 5,163 | 4,948 | 11,053 | 705 | 61,177 | 299 |
| Net increase (decrease) in cash and cash equivalents | 336,949 | (45,465) | 87,337 | (180,650) | (78,317) | 189,061 | 172,219 | 28,726 | 509,860 | 19,200 |
| Cash and cash equivalents-beginning of year | 1,810,483 | 560,366 | 364,127 | 1,212,299 | 319,400 | 333,163 | 228,557 | 73,673 | 4,902,068 | 52,720 |
| Cash and cash equivalents-end of year | $ 2,147,432 | $ 514,901 | $ 451,464 | $ 1,031,649 | $ 241,083 | $ 522,224 | $ 400,776 | $ 102,399 | $ 5,411,928 | $ 71,920 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2023

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total | Governmental Activities - Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | |
| Operating income (loss) | $ 161,354 | $ 230,838 | $ 47,134 | $ (1,073,430) | $ (82,315) | $ 102,586 | $ 5,515 | $ (121,024) | $ (729,342) | $ 14,132 |
| Adjustments for non-cash and other activities: | | | | | | | | | | |
| Depreciation and amortization | 355,475 | 155,714 | 24,671 | 229,262 | 15,575 | 78,039 | 25,272 | 12,576 | 896,584 | 14,762 |
| Provision for uncollectibles | - | 4,584 | 4,219 | (54) | - | 5,500 | (114) | - | 14,135 | - |
| Write-off of capital assets | - | 4,628 | 403 | - | - | 911 | - | - | 5,942 | - |
| Other | 532 | 4,832 | 8,725 | - | - | 686 | - | - | 14,775 | 52 |
| Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources: | | | | | | | | | | |
| Receivables, net | 8,026 | (6,946) | 841 | 3,879 | (16,105) | (5,557) | (508) | 26,250 | 9,880 | 13,899 |
| Due from other funds | - | 63 | 345 | - | (17) | 1,208 | 369 | (31,066) | (29,098) | - |
| Inventories | 92 | (1,389) | 37 | 188 | (714) | (382) | (301) | 1,007 | (1,462) | - |
| Other assets | (1,053) | - | 6,152 | 336 | - | - | 44 | - | 5,479 | - |
| Accounts payable | 8,127 | (181) | 1,699 | 5,222 | 5,632 | 830 | 1,400 | 10,404 | 33,133 | 3,851 |
| Accrued payroll | 2,245 | 1,312 | 681 | 6,109 | 4,353 | 1,229 | 522 | 1,233 | 17,684 | 507 |
| Accrued vacation and sick leave pay | 3 | (144) | 413 | 171 | 331 | 761 | 96 | (1,280) | 351 | 272 |
| Accrued workers' compensation | 474 | 762 | (21) | 18,407 | 1,816 | 452 | 336 | 526 | 22,752 | (85) |
| Estimated claims payable | - | (16,444) | 5,202 | (30,063) | - | (7,695) | 130 | - | (48,870) | - |
| Due to other funds | - | 2,440 | 1,566 | 151 | - | 2,102 | - | - | 6,259 | (31) |
| Unearned revenues and other liabilities | 44,677 | (94,080) | (9,516) | (10,038) | (50,763) | 60 | (305) | 23,298 | (96,667) | 2,683 |
| Related to leases | (4,325) | 1,470 | - | - | (2,304) | 2,856 | (6,860) | (24) | (9,187) | (58) |
| Net pension liability/asset and pension related deferred outflows and inflows of resources | (50,910) | (21,699) | (10,557) | (89,497) | (105,011) | (13,551) | (7,109) | (18,358) | (316,692) | (5,805) |
| Net OPEB liability and OPEB related deferred outflows and inflows of resources | 3,460 | 10,042 | 5,219 | 45,751 | (31,083) | 963 | (2,253) | 3,306 | 35,405 | (424) |
| Total adjustments | 366,823 | 44,964 | 40,079 | 179,824 | (178,290) | 68,412 | 10,719 | 27,872 | 560,403 | 29,623 |
| Net cash provided by (used in) operating activities | $ 528,177 | $ 275,802 | $ 87,213 | $ (893,606) | $ (260,605) | $ 170,998 | $ 16,234 | $ (93,152) | $ (168,939) | $ 43,755 |
| Reconciliation of cash and cash equivalents to the statement of net position: | | | | | | | | | | |
| Deposits and investments with City Treasury: | | | | | | | | | | |
| Unrestricted | $ 998,115 | $ 402,885 | $ 399,864 | $ 722,409 | $ 240,856 | $ 355,770 | $ 336,948 | $ - | $ 3,456,847 | $ 65,471 |
| Restricted | 1,121,496 | 21,000 | 28,586 | 295,960 | - | 38,574 | 58,686 | 102,374 | 1,666,676 | - |
| Deposits and investments outside City Treasury: | | | | | | | | | | |
| Unrestricted | 23,773 | 192 | 154 | 8,708 | 7 | 173 | 5 | - | 33,012 | - |
| Restricted | 676,633 | 77,345 | 9,211 | 4,572 | 220 | 115,156 | 5,402 | 25 | 888,564 | 6,449 |
| Total deposits and investments | 2,820,017 | 501,422 | 437,815 | 1,031,649 | 241,083 | 509,673 | 401,041 | 102,399 | 6,045,099 | 71,920 |
| Adjustments: Investments outside City Treasury not meeting the definition of cash equivalents and fair value adjustments | (672,585) | 13,479 | 13,649 | - | - | 12,551 | (265) | - | (633,171) | - |
| Cash and cash equivalents at end of year on statement of cash flows | $ 2,147,432 | $ 514,901 | $ 451,464 | $ 1,031,649 | $ 241,083 | $ 522,224 | $ 400,776 | $ 102,399 | $ 5,411,928 | $ 71,920 |
| Non-cash capital and related financing activities: | | | | | | | | | | |
| Acquisition of capital assets on accounts payable and via leases and subscriptions | $ 110,362 | $ 40,863 | $ 28,866 | $ - | $ - | $ 122,825 | $ 1,038 | $ - | $ 303,954 | $ 3,370 |
| Donated inventory | - | - | - | - | 2,760 | - | - | - | 2,760 | - |
| Capital contributions and other non-cash capital items | - | 2,717 | 2,535 | - | - | 2,740 | 941 | - | 8,933 | - |
| Bond refunding through fiscal agent | 263,976 | - | - | - | - | - | - | - | 263,976 | - |
| Interfund loan | - | 2,440 | - | - | - | 2,620 | - | - | 5,060 | - |
| Sale of land promissory note | - | 11,007 | - | - | - | - | - | - | 11,007 | - |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Fiduciary Net Position
## Fiduciary Funds
June 30, 2023
(In Thousands)

| | Pension, Other Employee and Other Post-Employment Benefit Trust Funds | Private-Purpose Trust Fund | Custodial Funds | |
|---|---|---|---|---|
| | | | External Investment Pool | Other Custodial Funds |
| Assets: | | | | |
| Deposits and investments with City Treasury | $ 122,525 | $ 185,710 | $ 1,433,817 | $ 1,232,871 |
| Deposits and investments outside City Treasury: | | | | |
| Cash and deposits | 17,929 | - | - | 163,776 |
| Short-term investments | 384,206 | - | - | - |
| Debt securities | 2,041,070 | - | - | - |
| Equity securities | 11,018,114 | - | - | - |
| Real assets | 5,243,926 | - | - | - |
| Private equity and other alternative investments | 15,891,557 | - | - | - |
| Foreign currency contracts, net | (1,029) | - | - | - |
| Invested securities lending collateral | 562,491 | - | - | - |
| Receivables: | | | | |
| Employer and employee contributions | 57,545 | - | - | - |
| Brokers, general partners and others | 135,854 | - | - | - |
| Federal and state grants and subventions | - | 1,553 | - | 8,537 |
| Charges for services | - | - | - | 4 |
| Taxes | - | - | - | 155,105 |
| Interest and other | 18,879 | 2,642 | 9,175 | 7,449 |
| Loans (net of allowance for uncollectible amounts) | - | 1,471 | - | - |
| Net OPEB asset | - | 2,118 | - | - |
| Other assets | 5,201 | 2,131 | - | - |
| Restricted assets: | | | | |
| Deposits and investments outside City Treasury | - | 319,563 | - | 28,885 |
| Capital assets: | | | | |
| Land and other assets not being depreciated | - | 4,152 | - | - |
| Total assets | 35,498,268 | 519,340 | 1,442,992 | 1,596,627 |
| Deferred outflows of resources: | | | | |
| Unamortized loss on refunding of debt | - | 33,862 | - | - |
| Pensions | - | 14,513 | - | - |
| OPEB | 2,366 | 3,619 | - | - |
| Total deferred outflows of resources | 2,366 | 51,994 | - | - |
| Liabilities: | | | | |
| Accounts payable | 66,283 | 52,768 | - | 12,160 |
| Estimated claims payable | 38,152 | - | - | - |
| Due to the primary government | - | 3,622 | - | - |
| Custodial obligations to State of California | - | - | - | 690 |
| Taxes payable to other governments | - | - | - | 252,451 |
| Accrued interest payable | - | 12,773 | - | - |
| Payable to brokers | 55,038 | - | - | - |
| Payable to borrowers of securities | 562,408 | - | - | - |
| Other liabilities | 3,999 | 1,067 | - | 117,083 |
| Long-term obligations | - | 876,559 | - | - |
| Net pension liability | - | 37,328 | - | - |
| Net OPEB liability | 11,279 | - | - | - |
| Total liabilities | 737,159 | 984,117 | - | 382,384 |
| Deferred inflows of resources: | | | | |
| Pensions | - | 5,095 | - | - |
| OPEB | 1,878 | 580 | - | - |
| Total deferred inflows of resources | 1,878 | 5,675 | - | - |
| Net position restricted for: | | | | |
| Pensions | 33,688,428 | - | - | - |
| Postemployment healthcare benefits | 968,425 | - | - | - |
| External pool participants | - | - | 1,442,992 | - |
| Individuals, organizations, and other governments | 104,744 | (418,458) | - | 1,214,243 |
| Total net position | $ 34,761,597 | $ (418,458) | $ 1,442,992 | $ 1,214,243 |

The notes to the financial statements are an integral part of this statement.

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
Year Ended June 30, 2023
(In Thousands)

| | Pension, Other Employee and Other Post-Employment Benefit Trust Funds | Private-Purpose Trust Fund | Custodial Funds: External Investment Pool | Custodial Funds: Other Custodial Funds |
|---|---|---|---|---|
| Additions: | | | | |
| Property taxes | $ - | $ 122,603 | $ - | $ 5,596,107 |
| Charges for services | - | 18,391 | - | - |
| Contributions: | | | | |
| Employee contributions | 688,270 | - | - | - |
| Employer contributions | 1,820,021 | - | - | - |
| Contributions to pooled investments | - | - | 3,178,531 | - |
| Total contributions | 2,508,291 | 140,994 | 3,178,531 | 5,596,107 |
| Investment income (expenses): | | | | |
| Interest | 83,464 | 11,280 | 27,129 | 15,424 |
| Dividends | 94,883 | - | - | - |
| Net appreciation in fair value of investments | 1,630,129 | - | - | - |
| Securities lending income | 29,305 | - | - | - |
| Total investment income | 1,837,781 | 11,280 | 27,129 | 15,424 |
| Less investment expenses: | | | | |
| Other investment expenses | (80,465) | - | - | - |
| Net investment income | 1,757,316 | 11,280 | 27,129 | 15,424 |
| Custodial additions | - | - | - | 1,022,757 |
| Other additions | - | 13,040 | - | 51,829 |
| Total additions, net | 4,265,607 | 165,314 | 3,205,660 | 6,686,117 |
| Deductions: | | | | |
| Neighborhood development | - | 86,207 | - | - |
| Interest on debt | - | 40,581 | - | 29,393 |
| Benefit payments | 3,123,304 | - | - | - |
| Refunds of contributions | 24,096 | - | - | - |
| Distribution from pooled investments | - | - | 3,016,296 | - |
| Property taxes distributed to other governments | - | - | - | 5,551,457 |
| Custodial distributions to State | - | - | - | 12,822 |
| Other custodial deductions | - | - | - | 169,761 |
| Administrative expenses | 23,135 | 7,082 | - | - |
| Total deductions | 3,170,535 | 133,870 | 3,016,296 | 5,763,433 |
| Change in net position | 1,095,072 | 31,444 | 189,364 | 922,684 |
| Net position (deficit) at beginning of year, as previously reported | 33,666,525 | (449,902) | 1,253,628 | 302,917 |
| Cumulative effect of accounting change | - | - | - | (11,358) |
| Net position (deficit) at beginning of year, as restated | 33,666,525 | (449,902) | 1,253,628 | 291,559 |
| Net position (deficit) at end of year | $ 34,761,597 | $ (418,458) | $ 1,442,992 | $ 1,214,243 |

The notes to the financial statements are an integral part of this statement.

## (1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

***Blended Component Units***

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

*San Francisco County Transportation Authority (Transportation Authority)* **–** The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

*Infrastructure Financing Districts and Infrastructure and Revitalization Financing Districts (Tax Increment Financing Districts or "TIFD")* **–** An infrastructure financing district (IFD) and an infrastructure and revitalization financing district (IRFD) are legally constituted government entities formed under California law, and with the approval of the Board of Supervisors. Several TIFDs have been established for the purpose of financing public infrastructure and affordable housing. The Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to allocate tax increments to the TIFDs, issue debt, as well as to appoint, hire, reassign, or dismiss City employees who administrate the TIFDs. There is also a financial burden relationship between the City and these TIFDs due to the allocation of tax increment revenues by the City to the TIFDs. As such, TIFDs are a blended component unit of the City. The TIFDs are reported in a special revenue fund in the City's financial statements. Separate financial statements are not prepared for TIFDs. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*Mission Rock Special Tax District (STD)* **–** Mission Rock STD is a legally constituted governmental entity established pursuant to the San Francisco Special Tax Financing Law, which incorporates the State's Mello-Roos law. The Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the STD. Pursuant to the Pledge Agreement between the City and Mission Rock STD, certain increment taxes allocated to the City's Infrastructure Financing District (IFD) No. 2, Project Area I are pledged toward the debt service of Mission Rock STD Special Tax Bonds once a minimum of one hundred thousand dollars in increment taxes have been collected within a Sub-Project Area. In prior years, the increment taxes allocated to the IFD were below the one hundred thousand dollars threshold for each Sub-Project Area. Therefore, Mission Rock STD has historically been reported as a fiduciary component unit in custodial fund. In fiscal year 2023, the increment taxes allocated surpassed the one hundred thousand dollars threshold. Accordingly, the increment taxes collected are pledged towards the debt service of the Mission Rock STD Special Tax Bonds. The allocation of tax increment revenues to the Mission Rock STD created a financial burden relationship between the City and Mission Rock STD. This change in circumstances triggered Mission Rock STD to become a blended component unit reported in a special revenue fund in the City's financial statements. Separate financial statements are not prepared for Mission Rock STD. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*San Francisco City and County Finance Corporation (Finance Corporation)* **–** The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20.0 million (plus 5.0 percent per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*San Francisco Parking Authority (Parking Authority)* **–** The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

***Discretely Presented Component Unit***

*Treasure Island Development Authority (TIDA)* **–** The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

***Fiduciary Component Units***

*Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency)* **–** The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency (Agency) pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

In order to facilitate construction and rehabilitation in the City, seven Community Facilities Districts (CFDs) were formed by the former Agency and Successor Agency. The Successor Agency can impose its will on the CFDs but does not have a financial benefit or burden from the CFDs. The CFDs are fiduciary component units of the Successor Agency and financial activities of the CFDs are included as custodial funds of the City.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City (such members represent a voting majority of the Oversight Board); the Vice Chancellor of the San Francisco Community College District; a Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

*Community Facilities Districts and Special Tax Districts* **–** A community facilities district (CFD) is a legally constituted governmental entity formed under the State's Mello-Roos law and with approval of the Board of Supervisors. A special tax district (STD) is established pursuant to the San Francisco Special Tax Financing Law, which incorporates the Mello-Roos law. Several CFDs and STDs were established for the sole purpose of financing facilities and services. Although there is no financial benefit or burden relation between the City and a CFD or STD, the Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the CFD or STD. CFDs and STDs are fiduciary component units of the City because assets are held by the City for the benefit of the CFD or STD. The combined activities of all CFDs and STDs are presented as a custodial fund. Separate financial statements are not prepared for CFDs and STDs.

Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

### *Non-Disclosed Organizations*

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### (b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City’s policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest and investment income associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City’s primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.

- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.

- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various nonprofit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.

- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system.

- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

- The ***Debt Service Funds*** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal service funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments.

- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.

- The ***Custodial Funds*** account for the external portion of the Treasurer's Office investment pool and resources held by the City in a custodial capacity on behalf of the State of California and other governmental agencies; individuals; and human welfare, community health, and transportation programs. The external portion of the Treasurer's Office investment pool represents funds held for the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### (c) Deposits and Investments

#### *Investment in the Treasurer's Pool*

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the Board of Supervisors, manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System and of the Retiree Health Care Trust Fund are held by trustees.

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2023, involuntary participants accounted for approximately 92.6 percent of the pool. Voluntary participants accounted for 7.4 percent of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and medical reimbursement recipients are external participants of the City's pool. At June 30, 2023, $2.31 billion was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 14.4 percent. Internal participants accounted for 85.6 percent of the pool.

***Investment Valuation***

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposit and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

*Retirement System* **–** Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the partnership interests, which include private equity, real assets, private credit, and some public equity investments are based on net asset values (NAV) provided by the general partners and investment managers.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon underlying investment type but are predominantly derived from observed market prices.

*San Francisco International Airport* **–** The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification. The Airport had an interest rate swap outstanding as of July 1, 2022, which was terminated during the year. As of June 30, 2023, the Airport did not have any outstanding derivative instruments. The Airport will implement the provisions of Statement No. 99 in the future when it is applicable.

*Other funds* **–** Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

***Investment Income***

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, LHH, SFGH, and the internal service funds.

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis is recorded as other income instead of as a transfer on the GAAP basis.

**(d) Loans Receivable**

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2023, it was determined that $2,445.6 million of the $2,661.8 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

### (e) Inventories

Inventories recorded in the governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting.

### (f) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for resale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

### (g) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities prior to July 1, 2021 is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of right-to-use assets under leases and subscriptions is included in depreciation and amortization.

Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Facilities and improvements | 15 to 175 |
| Infrastructure | 15 to 70 |
| Machinery and equipment | 2 to 75 |
| Intangible assets | Varies with type |

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

### (h) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

### (i) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

### (j) Fund Equity

#### *Governmental Fund Balance*

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* **–** includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.

- *Restricted* **–** includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- *Committed* **–** includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

- *Assigned* **–** includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.

- *Unassigned* **–** is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

***Encumbrances***

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year end are recorded as part of restricted or assigned fund balance.

***Net Position***

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* **–** This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* **–** This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* **–** This category represents net position of the City, not restricted for any project or other purpose.

**(k) Interfund Transfers**

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

**(l) Refunding of Debt**

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

### (m) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

### (n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

### (o) Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

### (p) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

### (q) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

### (r) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, amounts related to pensions and OPEB, lease-related items, and items related to public-private partnerships.

## (s) Leases and Subscription-Based Information Technology Arrangements

Leases are defined as the right-to-use an underlying asset for a specified period. The City is a lessee and lessor for various noncancellable leases. Subscription-based information technology arrangements (SBITAs) are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The City has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

### *Measurement of Lease Amounts as Lessee or Subscriber*

As lessee or subscriber, the City recognizes a lease liability or subscription liability and an intangible right-to-use asset at the beginning of a lease or subscription. The lease assets or subscription assets are valued based on the net present value of the future lease payments or subscription payments at inception, using the City's incremental borrowing rate. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized on a straight-line basis over the shorter of the lease or subscription term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease or SBITA, the lease asset or subscription asset will be amortized over the useful life of the underlying asset.

### *Measurement of Lease Amounts as Lessor*

As lessor, at the beginning of the lease term, the City recognizes a lease receivable based on the net present value of future lease payments to be received for the lease term and a deferred inflow of resources based on the net present value plus any payments received at or before the commencement of the lease term that relate to future periods with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease.

### *Remeasurement*

The City monitors changes in circumstances that may require remeasurement of a lease or SBITA. When certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources, lease asset or subscription asset, respectively.

### *Short-term Leases or SBITAs*

For short-term lease contracts or SBITAs, generally those with a maximum possible term of 12 months or less, the City recognizes revenue or expense based on the payment provisions of the lease contract or SBITA. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

## (t) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## (u) Change in the Reporting Entity

In fiscal year 2023, the City re-evaluated the reporting of Mission Rock Special Tax District (STD) and changed its reporting entity from a fiduciary component unit to a blended component unit (see Note 1).

(Dollars in Thousands)

The impact of the change in reporting entity resulted in restatement of assets, liabilities, net position, and fund balance as of July 1, 2022, as follow:

| | Governmental Activities | Total Primary Government |
|---|---|---|
| Assets: | | |
| Deposits and investments outside City Treasury: | | |
| Cash and deposits | $ 11,529 | $ 11,529 |
| Receivables: | | |
| Interest and other | 10 | 10 |
| Liabilities: | | |
| Accounts payable | (181) | (181) |
| Accrued interest payable | (1,592) | (1,592) |
| Bonds, loans, leases, and other payables | (112,107) | (112,107) |
| Change in beginning net position | $ (102,341) | $ (102,341) |

| | Governmental Funds | | Fiduciary Funds | |
|---|---|---|---|---|
| | Other Governmental Funds | Total Governmental Funds | Custodial Funds | Total Fiduciary Funds |
| Assets: | | | | |
| Deposits and investments outside City Treasury: | | | | |
| Cash and deposits | $ 11,529 | $ 11,529 | $ (11,529) | $ (11,529) |
| Receivables: | | | | |
| Interest and other | 10 | 10 | (10) | (10) |
| Liabilities: | | | | |
| Accounts payable | (181) | (181) | 181 | 181 |
| Change in beginning fund balance | $ 11,358 | $ 11,358 | $ (11,358) | $ (11,358) |

(Dollars in Thousands)

## (3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### (a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, $6,503,462, differs from net position of governmental activities, $5,522,546, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

| | Total Governmental Funds | Long-term Assets, Liabilities (1) | Internal Service Funds (2) | Reclassi-fications and Eliminations | Statement of Net Position Totals |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Deposits and investments with City Treasury | $ 7,862,490 | $ - | $ 65,471 | $ - | $ 7,927,961 |
| Deposits and investments outside City Treasury | 247,270 | - | 6,449 | - | 253,719 |
| Receivables, net | | | | | |
| Property taxes and penalties | 190,786 | - | - | - | 190,786 |
| Other local taxes | 387,442 | - | - | - | 387,442 |
| Federal and state grants and subventions | 450,784 | - | - | - | 450,784 |
| Charges for services | 151,870 | - | 219 | - | 152,089 |
| Interest and other | 85,804 | - | 416 | - | 86,220 |
| Leases | 81,413 | - | 7,174 | - | 88,587 |
| Due from other funds | 22,528 | - | - | (22,528) | - |
| Due from component units | 13,096 | - | - | - | 13,096 |
| Loans receivable, net | 216,166 | - | - | - | 216,166 |
| Inventories | 14,604 | - | - | - | 14,604 |
| Capital assets, net | - | 7,770,546 | 33,083 | - | 7,803,629 |
| Net pension asset | - | 17,362 | - | - | 17,362 |
| Other assets | 24,253 | 101 | - | - | 24,354 |
| Total assets | 9,748,506 | 7,788,009 | 112,812 | (22,528) | 17,626,799 |
| **Deferred outflows of resources** | | | | | |
| Unamortized loss on refunding of debt | - | 5,363 | 602 | - | 5,965 |
| Pensions | - | 1,095,744 | 18,551 | - | 1,114,295 |
| OPEB | - | 342,343 | 9,052 | - | 351,395 |
| Total deferred outflows of resources | - | 1,443,450 | 28,205 | - | 1,471,655 |
| **Liabilities** | | | | | |
| Accounts payable | 669,517 | - | 10,594 | - | 680,111 |
| Accrued payroll | 199,899 | - | 3,681 | - | 203,580 |
| Accrued vacation and sick leave pay | - | 240,637 | 5,605 | - | 246,242 |
| Accrued workers' compensation | - | 376,450 | 1,340 | - | 377,790 |
| Estimated claims payable | - | 415,686 | - | - | 415,686 |
| Accrued interest payable | - | 22,446 | 906 | - | 23,352 |
| Unearned grant and subvention revenues | 208,649 | - | - | - | 208,649 |
| Due to other funds | 96,597 | - | - | (22,528) | 74,069 |
| Due to component unit | 38 | - | - | - | 38 |
| Unearned revenues and other liabilities | 1,268,031 | 3,074 | 41 | - | 1,271,146 |
| Bonds, loans, leases, and other payables | 38,790 | 4,936,247 | 112,867 | - | 5,087,904 |
| Net pension liability | - | 1,927,008 | 27,142 | - | 1,954,150 |
| Net OPEB liability | - | 2,013,027 | 44,150 | - | 2,057,177 |
| Total liabilities | 2,481,521 | 9,934,575 | 206,326 | (22,528) | 12,599,894 |
| **Deferred inflows of resources** | | | | | |
| Unavailable revenue | 683,607 | (683,607) | - | - | - |
| Unamortized gain on refunding of debt | - | 79,334 | 202 | - | 79,536 |
| Pensions | - | 395,744 | 5,662 | - | 401,406 |
| OPEB | - | 393,917 | 8,207 | - | 402,124 |
| Leases | 79,916 | - | 7,101 | - | 87,017 |
| PPP | - | 5,931 | - | - | 5,931 |
| Total deferred inflows of resources | 763,523 | 191,319 | 21,172 | - | 976,014 |
| **Fund balances/ net position** | | | | | |
| Total fund balances/ net position | $ 6,503,462 | $ (894,435) | $ (86,481) | $ - | $ 5,522,546 |

(Dollars in Thousands)

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation/amortization, among the assets of the City as a whole.

| | |
|---|---|
| Cost of capital assets | $10,821,006 |
| Accumulated depreciation/amortization | (3,050,460) |
| | $ 7,770,546 |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

| | |
|---|---|
| Accrued vacation and sick leave pay | $ (240,637) |
| Accrued workers' compensation | (376,450) |
| Estimated claims payable | (415,686) |
| Arbitrage rebate liability | (3,074) |
| Bonds, loans, leases, and other payables | (4,936,247) |
| | $(5,972,094) |

| | |
|---|---|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | $ (22,446) |

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Unamortized loss on refunding of debt | $ 5,363 |
| Unamortized gain on refunding of debt | (79,334) |
| | $ (73,971) |

Net pension asset is not received in the current period and, therefore, is not reported in the governmental funds. Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Net pension asset | $ 17,362 |
| Net pension liability | (1,927,008) |
| Deferred outflows of resources related to pensions | 1,095,744 |
| Deferred inflows of resources related to pensions | (395,744) |
| | $(1,209,646) |

Net OPEB asset is not received in the current period and, therefore, is not reported in the governmental funds. Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Net OPEB asset | $ 101 |
| Net OPEB liability | (2,013,027) |
| Deferred outflows of resources related to OPEB | 342,343 |
| Deferred inflows of resources related to OPEB | (393,917) |
| | $(2,064,500) |

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

| | |
|---|---|
| Revenue not collected within 60 days of the end of the current fiscal period | $ 683,607 |
| PPP | (5,931) |
| | $ 677,676 |

(2) Internal service funds are used by management to charge the costs of certain activities, such as lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

| | |
|---|---|
| Net position before adjustments | $ (5,728) |
| Adjustments for internal balances with the San Francisco Finance Corporation: | |
| Receivables from other governmental and enterprise funds | (83,293) |
| Unearned revenues and other liabilities | 2,540 |
| | $ (86,481) |

(Dollars in Thousands)

### (b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, $(287,566), differs from the change in net position for governmental activities, $288,689, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

| | Total Governmental Funds | Long-term Revenues/ Expenses (3) | Capital-related Items (4) | Internal Service Funds (5) | Long-term Debt Transactions (6) | Statement of Activities Totals |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property taxes | $ 3,157,038 | $ 10,344 | $ - | $ - | $ - | $ 3,167,382 |
| Business taxes | 1,290,918 | - | - | - | - | 1,290,918 |
| Sales and use tax | 309,385 | - | - | - | - | 309,385 |
| Hotel room tax | 278,961 | - | - | - | - | 278,961 |
| Utility users tax | 110,661 | - | - | - | - | 110,661 |
| Parking tax | 82,716 | - | - | - | - | 82,716 |
| Real property transfer tax | 186,247 | - | - | - | - | 186,247 |
| Other local taxes | 295,790 | - | - | - | - | 295,790 |
| Licenses, permits and franchises | 43,156 | 1 | - | - | - | 43,157 |
| Fines, forfeitures, and penalties | 44,322 | 102 | - | - | - | 44,424 |
| Interest and investment income | 156,887 | - | - | 380 | - | 157,267 |
| Rents and concessions | 184,208 | 149 | - | - | - | 184,357 |
| Intergovernmental: | | | | | | |
| Federal | 635,680 | 605 | - | - | - | 636,285 |
| State | 1,293,904 | 13,792 | - | 58 | - | 1,307,754 |
| Other | 8,938 | 497 | - | 167 | - | 9,602 |
| Charges for services | 387,553 | 179 | - | - | - | 387,732 |
| Other | 207,346 | 41,826 | 40,055 | 52 | - | 289,279 |
| Total revenues | 8,673,710 | 67,495 | 40,055 | 657 | - | 8,781,917 |
| **Expenditures/ Expenses** | | | | | | |
| Current: | | | | | | |
| Public protection | 1,749,187 | (96,425) | 20,486 | (1,546) | - | 1,671,702 |
| Public works, transportation and commerce | 505,421 | (30,426) | (28,709) | - | - | 446,286 |
| Human welfare and neighborhood development | 2,998,446 | (33,182) | (81,839) | - | - | 2,883,425 |
| Community health | 1,168,603 | (13,038) | 50,749 | - | - | 1,206,314 |
| Culture and recreation | 513,127 | (9,998) | 48,992 | (14,728) | - | 537,393 |
| General administration and finance | 439,767 | (13,612) | 56,463 | - | - | 482,618 |
| Distributions to other governments | 49,113 | - | - | - | - | 49,113 |
| General City responsibilities | 189,570 | 84 | - | (14,132) | - | 175,522 |
| Debt service: | | | | | | |
| Principal retirement | 400,960 | - | - | - | (400,960) | - |
| Interest and other fiscal charges | 181,463 | - | - | 2,798 | (34,259) | 150,002 |
| Bond issuance costs | 5,747 | - | - | - | - | 5,747 |
| Capital outlay | 220,917 | - | (220,917) | - | - | - |
| Total expenditures | 8,422,321 | (196,597) | (154,775) | (27,608) | (435,219) | 7,608,122 |
| Excess (deficiency) of revenues over (under) expenditures | 251,389 | 264,092 | 194,830 | 28,265 | 435,219 | 1,173,795 |
| **Other financing sources (uses) / changes in net position** | | | | | | |
| Net transfers in (out) | (885,327) | - | - | 221 | - | (885,106) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | 267,975 | - | - | - | (267,975) | - |
| Premium on issuance of bonds | 6,364 | - | - | - | (6,364) | - |
| Inception of lease and subscriptions | 72,033 | - | - | - | (72,033) | - |
| Total other financing sources (uses) | (538,955) | - | - | 221 | (346,372) | (885,106) |
| **Net change for the year** | $ (287,566) | $ 264,092 | $ 194,830 | $ 28,486 | $ 88,847 | $ 288,689 |

(Dollars in Thousands)

| | |
|---|---|
| (3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. | $ 10,344 |
| Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. | 57,151 |
| | $ 67,495 |

| | |
|---|---|
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. | $ 532,057 |
| Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as expenditures in governmental funds. | (340,404) |
| Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as expenditures in governmental funds. | 4,930 |
| Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. | 14 |
| | $ 196,597 |

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

| | |
|---|---|
| Capital expenditures | $ 538,086 |
| Depreciation expense | (337,807) |
| Loss on disposal of capital assets | (396) |
| Gain on lease termination | 161 |
| Write-off of construction in progress | (5,214) |
| Difference | $ 194,830 |

| | |
|---|---|
| (5) Internal service funds are used by management to charge the costs of certain activities, such as lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. | $ 28,486 |

(Dollars in Thousands)

(6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. $ (6,364)

Repayment of bond, loans and other debt, lease and subscription principal are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

| | |
|---|---|
| Bond and other debt principal payments made | $ 334,253 |
| Lease principal payments made | 61,744 |
| Subscription principal payments made | 4,963 |
| | 400,960 |

Bond, lease, and subscription proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

| | |
|---|---|
| General obligation bonds | $ (238,585) |
| Increment tax bonds | (29,390) |
| Leases | (70,997) |
| Subscriptions | (1,036) |
| | (340,008) |
| | $ 60,952 |

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, loans, leases and other payables, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

| | |
|---|---|
| Increase in accrued interest | $ (434) |
| Amortization of bond premiums | 28,692 |
| Amortization of bond refunding losses and gains | 9,075 |
| Increase in arbitrage rebate liability | (3,074) |
| | $ 34,259 |

(Dollars in Thousands)

## (4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2023, the City implemented the following accounting standards:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. As a result, the City restated the deferred inflows and beginning net position of the San Franciso International Airport in the City's Business-Type Activities and major enterprise fund as of July 1, 2022 to increase deferred inflows and decrease net position by $106.6 million.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. As a result, the City restated its beginning balances as of July 1, 2022 as follows:

| | Governmental Activities | Total Primary Government |
|---|---|---|
| Building/Facility | $ 3,378 | $ 3,378 |
| Equipment | 277 | 277 |
| Infrastructure | 1,046 | 1,046 |
| Deferred inflows related to PPP | (4,701) | (4,701) |

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. As a result, the City restated its beginning balances as of July 1, 2022 as follows:

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| Right-to-use assets, net | $ 49,277 | $ 3,696 | $ 52,973 |
| Subscription liabilities | (44,098) | (3,653) | (47,751) |
| Accrued interest | - | (26) | (26) |
| Change in beginning net position | $ 5,179 | $ 17 | $ 5,196 |

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the year ended June 30, 2022. The requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022 and did not have a significant impact on the City's for the year ended June 30, 2023. The City is currently analyzing its accounting practices to determine the potential impact of the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 which are effective for fiscal years beginning after June 15, 2023 and effective for the City's year ending June 30, 2024.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 defines various types of accounting changes and prescribes accounting, reporting, and disclosure requirements for accounting changes and error corrections. The new standard is effective for periods beginning after June 15, 2023. Application of this statement is effective for the City's year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this statement is effective for the City's year ending June 30, 2025.

(Dollars in Thousands)

## (5) DEPOSITS AND INVESTMENTS

### (a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total |
| Deposits and investments with City Treasury | $ 7,927,961 | $ 3,456,847 | $ 2,974,923 | $ 14,359,731 |
| Deposits and investments outside City Treasury | 247,270 | 33,012 | 35,322,040 | 35,602,322 |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | - | 1,666,676 | - | 1,666,676 |
| Deposits and investments outside City Treasury | 6,449 | 888,564 | 348,448 | 1,243,461 |
| Total deposits and investments | $ 8,181,680 | $ 6,045,099 | $ 38,645,411 | $ 52,872,190 |
| Cash and deposits | | | | $ 113,406 |
| Investments | | | | 52,758,784 |
| Total deposits and investments | | | | $ 52,872,190 |

### (b) Investment Policies

***Treasurer's Pool***

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated May 2021.

The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

(Dollars in Thousands)

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasuries | 5 years | 100% | 100% |
| Federal Agencies | 5 years | 100% | 100% |
| State and Local Government Agency Obligations | 5 years | 20% * | 5% * |
| Public Time Deposits | 13 months * | None | None |
| Negotiable Certificates of Deposit/Yankee Certificates of Deposit | 5 years | 30% | None |
| Bankers Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% * | 10% |
| Medium Term Notes | 4-5 years* | 5%* | 10%* |
| | 3-4 years* | 5%* | 10%* |
| | 2-3 years* | 5%* | 10%* |
| | Up to 2 years* | Up to 30% | 10%* |
| Repurchase Agreements (Government Securities) | 1 year | None | None |
| Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635) | 1 year | 10% | None |
| Reverse Repurchase Agreements / Securities Lending | 45 days * | None | $75 million * |
| Money Market (Institutional Government Funds) | N/A | 20% | N/A |
| Supranationals | 5 years | 30% | None |
| State of California Local Agency Investment Fund (LAIF) | N/A | Statutory | None |

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

### *Other Funds*

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

### *Employees' Retirement System*

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles.

(Dollars in Thousands)

The Retirement Board's asset allocation policies for the year ended June 30, 2023, are as follow:

| Asset Class | Target Allocation |
|---|---|
| Global Equity | 37.00% |
| Treasuries | 8.00% |
| Liquid Credit | 5.00% |
| Private Credit | 10.00% |
| Private Equity | 23.00% |
| Real Assets | 10.00% |
| Absolute Return | 10.00% |
| Leverage | -3.00% |
| | 100.00% |

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2023, $166,626 (or 29.6% of reinvested cash collateral) consisted of such agreements.

***Retiree Health Care Trust Fund (RHCTF)***

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The investment strategy of the RHCTF is designed to ensure the prudent investment of assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board.

At its February 13, 2023 Board Meeting, the RHCTF Board approved a revised asset allocation policy for the City and County's Sub-Trust.

The asset allocation policy remains the same for the Community College District's Sub-Trust since May 2021. For the Community College District's Sub-Trust, the RHCTF Board anticipated that illiquid investments will not be appropriate given the portfolio liquidity needs. The current allocation offers a higher liquidity, lower risk levels profile for the Community College.

(Dollars in Thousands)

The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

| | Target Allocation Since February 13, 2023 | |
|---|---|---|
| Asset Class | City and County of San Francisco Sub-Trust | Community College District Sub-Trust |
| **Equities** | | |
| U.S. Equity Large Cap | 25.0% | 31.0% |
| U.S. Equity Small Cap | 2.0% | 3.0% |
| Developed Market Equity | 13.0% | 18.0% |
| Emerging Market Equity | 10.0% | 16.0% |
| **Credit** | | |
| High Yield Bonds | 3.0% | 3.0% |
| Bank Loans | 3.0% | 3.0% |
| Emerging Market Bonds | - | 3.0% |
| **Rate Sensitive** | | |
| Short-Term Treasury Inflation-Protected Securities (TIPS) | 5.0% | 3.0% |
| Investment Grade Corporate Bonds | 7.0% | 15.0% |
| **Private Markets** | | |
| Private Equity | 10.0% | - |
| Private Credit | 5.0% | - |
| Core Private Real Estate | 5.0% | - |
| Core Private Infastructure | 2.0% | - |
| **Risk Mitigating Strategies** | | |
| Global Macro | 10.0% | - |
| Long-Term Government Bonds | - | 5.0% |
| | 100.0% | 100.0% |

| | Target Allocation from May 2021 to February 2023 | |
|---|---|---|
| Asset Class | City and County of San Francisco Sub-Trust | Community College District Sub-Trust |
| **Equities** | | |
| U.S. Equity Large Cap | 28.0% | 31.0% |
| U.S. Equity Small Cap | 3.0% | 3.0% |
| Developed Market Equity (Non-U.S.) | 15.0% | 18.0% |
| Emerging Market Equity | 13.0% | 16.0% |
| **Credit** | | |
| Bank Loans/ High Yield Bonds | 6.0% | 6.0% |
| Emerging Market Bonds | 3.0% | 3.0% |
| **Rate Sensitive** | | |
| Short-Term Treasury Inflation-Protected Securities (TIPS) | 4.0% | 3.0% |
| Investment Grade Bonds | 9.0% | 15.0% |
| Long-Term Government Bonds | 4.0% | 5.0% |
| **Private Markets** | | |
| Private Equity | 5.0% | - |
| Private Core Real Estate | 5.0% | - |
| **Risk Mitigating Strategies** | | |
| Global Macro | 5.0% | - |
| | 100.0% | 100.0% |

(Dollars in Thousands)

### (c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City's Treasury pool and investments held by fiscal agents do not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2023:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value 6/30/2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| **Primary Government:** | | | | |
| **Investments in City Treasury:** | | | | |
| U.S. Treasuries | $ 3,374,471 | $ - | $ 3,374,471 | $ - |
| U.S. Agencies - Discount | 1,019,776 | - | 1,019,776 | - |
| U.S. Agencies - Coupon (no call option) | 4,936,264 | - | 4,936,264 | - |
| U.S. Agencies (callable option) | 1,167,062 | - | 1,167,062 | - |
| Negotiable Certificates of Deposit | 1,916,703 | - | 1,916,703 | - |
| Supranationals | 611,207 | - | 611,207 | - |
| Commercial Paper | 396,915 | - | 396,915 | - |
| Public Time Deposits | 30,000 * | - | - | - |
| Money Market Mutual Funds | 2,573,876 * | - | - | - |
| Subtotal Investments in City Treasury | 16,026,274 | $ - | $ 13,422,398 | $ - |
| | | | | |
| **Investments Outside City Treasury:** | | | | |
| U.S. Treasury Bonds | $ 4,698 | $ 4,698 | $ - | $ - |
| U.S. Treasury Notes | 607,351 | 547,250 | 60,101 | - |
| U.S. Agencies | 96,493 | - | 96,493 | - |
| State and Local Agencies | 4,177 | - | 4,177 | - |
| Corporate Notes | 1,563 | - | 1,563 | - |
| Supranationals | 2,382 | - | 2,382 | - |
| Commercial Paper | 19,302 | 1,340 | 17,962 | - |
| U.S. Treasury Money Market Funds | 188,521 * | - | - | - |
| Money Market Mutual Funds | 667,423 * | - | - | - |
| Certificates of Deposit | 265 * | - | - | - |
| Subtotal Investments Outside City Treasury | 1,592,175 | $ 553,288 | $ 182,678 | $ - |

* Not subject to fair value hierarchy

(Dollars in Thousands)

| | Fair Value 6/30/2023 | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Employees' Retirement System Investments** | | | | |
| Short-Term Investments | $ 345,487 | $ 318,714 | $ - | $ 26,773 |
| Debt Securities: | | | | |
| U.S. Government and Agency Securities | 812,141 | 807,738 | 4,403 | - |
| Other Debt Securities | 928,542 | 90,798 | 704,431 | 133,313 |
| Equity Securities: | | | | |
| Domestic Equity | 3,344,356 | 3,338,640 | 5,716 | - |
| International Equity | 1,579,322 | 1,579,322 | - | - |
| Foreign Currency Contracts, net | (1,029) | - | - | (1,029) |
| Invested Securities Lending Collateral | 562,491 | - | 562,500 | (9) |
| Subtotal | 7,571,310 | $ 6,135,212 | $ 1,277,050 | $ 159,048 |
| **Investments measured at the net asset value (NAV)** | | | | |
| Short-Term Investments | 30,801 | | | |
| Fixed Income invested in: | | | | |
| Other Debt Securities | 94,577 | | | |
| Equity Funds invested in: | | | | |
| Domestic | 5,052,646 | | | |
| International | 472,372 | | | |
| Real Assets | 5,207,943 | | | |
| Private Credit | 2,606,909 | | | |
| Private Equity | 10,101,396 | | | |
| Absolute Return | 3,056,626 | | | |
| Total investments measured at the NAV | 26,623,270 | | | |
| Subtotal Investments in Employees' Retirement System | 34,194,580 | | | |
| **Retiree Health Care Trust Investments measured at the NAV** | | | | |
| Short-Term Investments | 7,918 | | | |
| Fixed Income: | | | | |
| Debt Index Funds | 205,810 | | | |
| Equities: | | | | |
| Domestic | 330,691 | | | |
| International | 238,727 | | | |
| Private Equity | 29,838 | | | |
| Real Estate | 35,983 | | | |
| Risk Mitigating Strategies | 96,788 | | | |
| Subtotal Investments in Retiree Health Care Trust | 945,755 | | | |
| **Total Investments** | $ 52,758,784 | | | |

### *Investments Held in City Treasury*

U.S. Treasury Bills and Notes totaling $3.37 billion, U.S. Government Agencies totaling $7.12 billion, Negotiable Certificates of Deposit totaling $1.92 billion, Supranationals totaling $611.2 million and Commercial Paper totaling $396.9 million, in fiscal year 2023, are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and are classified in Level 2 of the fair value hierarchy.

Public Time Deposits totaling $30.0 million and Money Market Funds totaling $2.57 billion, in fiscal year 2023, have maturities of one year or less from fiscal year end and are exempt from Statement No. 72.

***Investments Held Outside City Treasury***

Debt securities classified in Level 1 are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. Debt securities classified in Level 2 are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Certain investments such as Money Market Mutual Funds and Certificates of Deposit are not subject to the fair value hierarchy.

***Employees' Retirement System Investments***

**Investments at Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

**Investments at Net Asset Value (NAV)**

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private equity, real assets, private credit, absolute return, and some public equity investments are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investment strategies include capital preservation, return maximization and opportunistic. Investments in the asset class are achieved through commingled funds and separate account partnerships. Private credit investments are mostly illiquid and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules. There are seventeen public equity investments held in commingled funds valued at NAV. Two investments, value at $175.5 million, are currently put in full redemption with proceeds expected in the next fiscal year. The remaining investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled funds and separate account partnerships, but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. Investments are achieved through limited partnerships. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

(Dollars in Thousands)

The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its debt and equity funds, private equity, real assets, private credit, and absolute return investments.

| Investment Type | NAV as of June 30, 2023 | Unfunded Commitment | Redemption Frequency | Redemption Notice Period | NAV Lock Up and Years |
|---|---|---|---|---|---|
| Debt securities | $ 44,379 | N/A | Monthly | On a business day (BD) at least 15 days prior to the last BD of the month | |
| | 49,393 | | Daily | 2 business days | |
| | 805 | | N/A | N/A | |
| Total: | $ **94,577** | | | | |
| Domestic equity securities | 328,459 | N/A | Semi-monthly | 6 business days | |
| | 841,811 | | Semi-monthly | 9 business days | |
| | 165,704 | | Semi-annually<br>* SFERS has requested full redemption as of 6/30/2023. Proceeds are expected in fiscal year 2023-2024. | 60 calendar days | |
| | 9,836 | | Semi-annually<br>* SFERS has requested full redemption as of 6/30/2023. Proceeds are expected in fiscal year 2023-2024. | 90 calendar days | |
| | 184,470 | | Semi-annually | 60 calendar days | |
| | 596,971 | | Semi-annually | 90 calendar days | |
| | 325,636 | | Quarterly | 30 calendar days | |
| | 677,181 | | Quarterly | 45 calendar days | |
| | 80,171 | | Quarterly | 60 calendar days | |
| | 883,518 | | Quarterly | 90 calendar days | |
| | 621,425 | | Monthly | 30 calendar days | |
| | 337,464 | | Annually | 60 calendar days | |
| Total: | $ **5,052,646** | | | | |
| International equity securities | $ 472,372 | N/A | Monthly | 30 calendar days | |
| Absolute return | 1,384,321 | 62,674 | Monthly | 5-95 Days | No Lock Up |
| | 1,068,669 | | Quarterly | 45-180 Days | $969,505 / No Lock Up<br>$99,164 / Less than 1 Year |
| | 566,070 | | Semi-annually | 60-90 Days | No Lock Up |
| | 57,566 | | N/A | N/A | No Lock Up |
| Total: | $ **3,056,626** | | | | |
| Real assets | 52,039 | 1,871,190 | Annually, subject to available liquidity | No later than June 30 of applicable fiscal year | N/A |
| | 772,528 | | Quarterly, subject to available liquidity | 90 calendar days | N/A |
| | 4,383,376 | | Illiquid | N/A | N/A |
| Total: | $ **5,207,943** | | | | |
| Private credit | 116,031 | 2,408,911 | Capital returned on a realized basis | 90 days | One year hard lock followed by one year soft lock (both expired) |
| | 203,579 | | Capital returned on a realized basis | 90 days | One year hard lock (expired) |
| | 423,265 | | Capital returned on a realized basis subject to 3-year maximum | 180 days | N/A |
| | 61,142 | | Quarterly, subject to 33% investor-level gate | 30 days | One year hard lock (expired) |
| | 1,802,892 | | Illiquid | N/A | N/A |
| Total: | $ **2,606,909** | | | | |
| Private equity | $ 10,101,396 | 3,517,233 | Illiquid | N/A | N/A |

***Retiree Health Care Trust Fund***

**Investments at Net Asset Value (NAV)**

At June 30, 2023, the RHCTF had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2023, one debt security investment, valued at $64.3 million, has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment, valued at $111.9 million, has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. In addition, $96.8 million of RHCTF's risk mitigating strategies allows redemptions on a weekly basis with four-day notice. There are no redemption restrictions for the remaining commingled funds.

The fair value of the RHCTF's investments in private equity and real estate are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the RHCTF's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the RHCTF's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners. The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

**(d) Investment Risks**

***Custodial Credit Risk - Deposits***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by FDIC insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. At June 30, 2023, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

(Dollars in Thousands)

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

| | | | Investment Maturities | | | |
|---|---|---|---|---|---|---|
| | S&P Rating | Fair Value | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years |
| **Primary Government:** | | | | | | |
| Investments in City Treasury: | | | | | | |
| U.S. Treasury Notes | AA+ | $ 3,374,471 | $ 734,713 | $ 2,639,758 | $ - | $ - |
| U.S. Agencies | NR, AA+ | 7,123,102 | 2,881,869 | 4,241,233 | - | - |
| Negotiable Certificates of Deposit | A-1, A-1+ | 1,916,703 | 1,916,703 | - | - | - |
| Money Market Mutual Funds | AAAm | 2,573,876 | 2,573,876 | - | - | - |
| Public time deposits | NR | 30,000 | 30,000 | - | - | - |
| Supranationals | AAA | 611,207 | 122,255 | 488,952 | | |
| Commercial Paper | A-1, A-1+ | 396,915 | 396,915 | - | - | - |
| Less: Retiree Health Care Trust Investments with City Treasury | n/a | (2,558) | (2,558) | - | - | - |
| Subtotal pooled investments | | 16,023,716 | $ 8,653,773 | $ 7,369,943 | $ - | $ - |
| Investments Outside City Treasury: (Governmental and Business - Type) | | | | | | |
| U.S. Treasury Bonds | AA+ | $ 4,698 | $ - | $ - | $ - | $ 4,698 |
| U.S. Treasury Money Market Funds | AAAm, | 188,521 | 188,521 | - | - | - |
| U.S. Treasury Notes | AA+, A-1+ | 607,351 | 188,872 | 418,479 | - | - |
| U.S. Agencies | AA+ | 96,493 | 17,972 | 78,521 | - | - |
| State and Local Agencies | NR, AAA, AA+, AA, AA- | 4,177 | 1,979 | 2,198 | - | - |
| Supranationals | AAA | 2,382 | 441 | 1,942 | - | - |
| Corporate notes | AA, A+ | 1,563 | - | 1,563 | - | - |
| Money Market Mutual Funds | AAAm, A-1+,A-1 | 667,423 | 667,423 | - | - | - |
| Commercial Paper | AAAm, A-1 | 19,302 | 19,302 | - | - | - |
| Negotiable Certificates of Deposit | n/a | 265 | 265 | - | - | - |
| Subtotal investments outside City Treasury | | 1,592,175 | $ 1,084,774 | $ 502,703 | $ - | $ 4,698 |
| Retiree Health Care Trust Investments | | 948,313 | | | | |
| Employees' Retirement System investments | | 34,194,580 | | | | |
| **Total Investments** | | **$ 52,758,784** | | | | |

As of June 30, 2023, the investments in the City Treasury had a weighted average maturity of 442 days.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The S&P Global Ratings (S&P) rating for each of the investment types are shown in the table above.

***Custodial Credit Risk - Investments***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

***Concentration of Credit Risk***

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2023, the City Treasurer has investments that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank................................................................20.5%
Federal Home Loan Bank ................................................................18.4%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2023:

Airport:
Federal National Mortgage Association ......................................6.6%

(Dollars in Thousands)

**(e) Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2023:

| | |
|---|---|
| **Statement of Net Position** | |
| Net position held in trust for all pool participants | $ 16,026,407 |
| Equity of internal pool participants | $ 14,592,590 |
| Equity of external pool participants | 1,433,817 |
| Total equity | $ 16,026,407 |
| **Statement of Changes in Net Position** | |
| Net position at July 1, 2022 | $ 14,471,926 |
| Net change in investments by pool participants | 1,554,481 |
| Net position at June 30, 2023 | $ 16,026,407 |

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2023:

| Type of Investment | Rates | Maturities | Par Value | Carrying Value |
|---|---|---|---|---|
| Pooled Investments: | | | | |
| U.S. Treasury Notes | 0.20% - 5.40% | 07/31/2023 - 03/31/2027 | $ 3,625,000 | $ 3,374,471 |
| U.S. Agencies | 0.19% - 5.94% | 07/05/2023 - 08/23/2027 | 7,373,032 | 7,123,102 |
| Public Time Deposits | 4.85% - 5.46% | 07/10/2023 - 12/18/2023 | 30,000 | 30,000 |
| Negotiable CDs | 3.73% - 5.89% | 07/03/2023 - 06/28/2024 | 1,920,000 | 1,916,703 |
| Commercial Paper | 5.05% - 5.61% | 07/03/2023 - 11/06/2023 | 400,000 | 396,915 |
| Money Market Mutual Funds | 4.99% - 5.04% | 07/01/2023 - 07/01/2023 | 2,573,876 | 2,573,876 |
| Supranationals | 0.57% - 5.75% | 10/04/2023 - 06/15/2026 | 636,156 | 611,207 |
| | | | $ 16,558,064 | 16,026,274 |
| Carrying amount of deposits with Treasurer | | | | 133 |
| Total cash and investments with Treasurer | | | | $ 16,026,407 |

(Dollars in Thousands)

### (f) Retirement System's Investments

The Retirement System's investments as of June 30, 2023, are summarized as follows:

| | |
|---|---|
| Fixed Income Investments: | |
| Short-term investments | $ 376,288 |
| Debt securities: | |
| U.S. government and agency securities | 812,141 |
| Other debt securities | 1,023,119 |
| Subtotal debt securities | 1,835,260 |
| Total fixed income investments | 2,211,548 |
| Equity securities: | |
| Domestic | 8,397,002 |
| International | 2,051,694 |
| Total equities securities: | 10,448,696 |
| Real assets | 5,207,943 |
| Private credit | 2,606,909 |
| Private equity | 10,101,396 |
| Absolute return | 3,056,626 |
| Foreign currency contracts, net | (1,029) |
| Invested securities lending collateral | 562,491 |
| Total Retirement System Investments | $ 34,194,580 |

***Interest Rate Risk***

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2023:

**Investments at Fair Value as of June 30, 2023**

| | | Maturities | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 year | 1-5 years | 6-10 years | 10+ years |
| Asset-Backed Securities | $ 12,625 | $ - | $ 820 | $ 1,114 | $ 10,691 |
| Bank Loans | 131,153 | 1,533 | 82,751 | 46,869 | - |
| Collateralized Bonds | 11,502 | - | - | 3,526 | 7,976 |
| Commercial Mortgage-Backed | 73,494 | 1,027 | 2,120 | 2,227 | 68,120 |
| Commingled and Other Fixed Income Funds | 179,481 | (6,375) | - | 50,198 | 135,658 |
| Corporate Bonds | 345,818 | 4,867 | 140,757 | 129,106 | 71,088 |
| Corporate Convertible Bonds | 104,829 | 1,046 | 89,616 | 13,362 | 805 |
| Government Bonds | 885,862 | 3,663 | 503,161 | 327,642 | 51,396 |
| Government Mortgage-Backed Securities | 3,456 | - | - | - | 3,456 |
| Municipal/Provincial Bonds | 946 | - | 607 | 339 | - |
| Non-Government Backed Collateralized Mortgage Obligations | 74,732 | - | - | - | 74,732 |
| Options | 10 | - | 10 | - | - |
| Short-Term Investment Funds | 376,288 | 376,288 | - | - | - |
| Swaps* | 10,962 | 12,795 | (1,754) | (175) | 96 |
| Total | $ 2,211,158 | $ 394,844 | $ 818,088 | $ 574,208 | $ 424,018 |

* $390 Credit default swaps are excluded because they are not subject to interest rate risk.

(Dollars in Thousands)

***Credit Risk***

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2023. Investments issued or explicitly guaranteed by the U.S. government of $807,737 as of June 30, 2023, are exempt from the credit rating disclosures and are excluded from the table below.

| Credit Rating | Fair Value | Fair Value as a Percentage of Total |
|---|---|---|
| AAA | $ 14,240 | 1.0% |
| AA | 9,573 | 0.7% |
| A | 49,135 | 3.5% |
| BBB | 128,182 | 9.1% |
| BB | 145,855 | 10.4% |
| B | 214,804 | 15.3% |
| CCC | 28,942 | 2.1% |
| CC | 3,504 | 0.2% |
| D | 6,461 | 0.5% |
| Not Rated | 803,115 | 57.2% |
| Total | $ 1,403,811 | 100.0% |

The securities listed as "Not Rated" include short-term investment funds, government mortgage-backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "not rated" component of credit would be approximately 11.0% for 2023.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2023, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2023, $146,106 of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

(Dollars in Thousands)

### *Foreign Currency Risk*

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity, real assets, and private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2023, are as follows:

**Foreign Currency Risk Analysis as of June 30, 2023**

| Currency | Cash | Equities | Fixed Income | Private Equities | Real Assets | Private Credit | Foreign Currency Contracts | Total |
|---|---|---|---|---|---|---|---|---|
| Argentina peso | $ - | $ - | $ 28 | $ - | $ - | $ - | $ - | $ 28 |
| Australian dollar | - | 11,281 | 96 | 29,683 | 2,247 | - | 3,750 | 47,057 |
| Brazil real | - | 16,852 | 4,357 | - | - | - | 4,495 | 25,704 |
| Canadian dollar | - | 20,105 | 193 | - | - | - | 6,964 | 27,262 |
| Chilean peso | - | 1,699 | 2,282 | - | - | - | 67 | 4,048 |
| Chinese r yuan HK | - | - | - | - | - | - | (5,494) | (5,494) |
| Chinese yuan renminbi | 42,763 | 220,576 | 5,419 | - | - | - | (13,784) | 254,974 |
| Colombian peso | - | - | 5,877 | - | - | - | (2,302) | 3,575 |
| Czech koruna | - | - | (220) | - | - | - | 2,317 | 2,097 |
| Danish krone | - | 55,215 | - | - | - | - | (64) | 55,151 |
| Dominican Rep peso | - | - | 1,355 | - | - | - | (1,061) | 294 |
| Euro | - | 516,428 | 44,790 | 100,233 | 436,236 | 122,022 | (43,537) | 1,176,172 |
| Hong Kong dollar | - | 62,255 | - | - | - | - | (204) | 62,051 |
| Hungarian forint | - | 1,865 | 1,940 | - | - | - | 1,107 | 4,912 |
| Indian rupee | - | 28,079 | - | - | - | - | 367 | 28,446 |
| Indonesian rupiah | - | 5,707 | 5,564 | - | - | - | 553 | 11,824 |
| Israeli shekel | - | 1,027 | - | - | - | - | - | 1,027 |
| Japanese yen | - | 62,830 | 1,874 | - | 48,532 | - | 15,209 | 128,445 |
| Malaysian ringgit | - | 2,617 | 3,682 | - | - | - | 157 | 6,456 |
| Mexican peso | - | 2,017 | 7,627 | - | - | - | 798 | 10,442 |
| New Taiwan dollar | - | 31,319 | - | - | - | - | - | 31,319 |
| Norwegian krone | - | 1,713 | - | - | - | - | - | 1,713 |
| Peruvian sol | - | - | 1,094 | - | - | - | (441) | 653 |
| Philippines peso | - | - | - | - | - | - | 28 | 28 |
| Polish zloty | - | - | 1,360 | - | - | - | 3,108 | 4,468 |
| Pound sterling | - | 148,565 | 5,761 | 94,364 | 61,580 | - | (9,958) | 300,312 |
| Romanian leu | - | - | 562 | - | - | - | 763 | 1,325 |
| Singapore dollar | - | 4,864 | - | - | - | - | (415) | 4,449 |
| South African rand | - | 6,027 | 7,587 | - | - | - | (2,542) | 11,072 |
| South Korean won | - | 19,237 | - | - | - | - | - | 19,237 |
| Swedish krona | - | 39,222 | - | - | - | - | - | 39,222 |
| Swiss franc | - | 81,422 | - | - | - | - | - | 81,422 |
| Thailand baht | - | 5,574 | 2,226 | - | - | - | 1,457 | 9,257 |
| Turkish lira | - | 960 | - | - | - | - | - | 960 |
| UAE dirham | - | 9,380 | - | - | - | - | - | 9,380 |
| **Total** | $ 42,763 | $ 1,356,836 | $ 103,454 | $ 224,280 | $ 548,595 | $ 122,022 | $ (38,662) | $ 2,359,288 |

(Dollars in Thousands)

### *Money-Weighted Rate of Return*

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was 5.26%.

### *Derivative Instruments*

As of June 30, 2023, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments or by an external pricing service using various proprietary methods.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2023.

| Derivative Type / Contracts | Notional Amount | Fair Value | Net Appreciation (Depreciation) in Fair Value |
|---|---|---|---|
| Forwards | | | |
| Foreign Exchange Contracts | $ 196,874 | $ (1,029) | $ (832) |
| Futures | | | |
| Bond Futures Long | 9,493 | (93) | (12) |
| Equity Index Futures Long | 898 | 28 | 28 |
| Treasury Futures Long | 25,373 | (129) | 4,766 |
| Treasury Futures Short | (8,038) | 102 | 69 |
| Options | | | |
| Credit Contracts | - | - | 1 |
| Foreign Exchange Contracts | 200 | 10 | (1) |
| Swaps | | | |
| Credit Contracts | 23,853 | 391 | 116 |
| Currency Contracts | 440 | 416 | 106 |
| Interest Rate Contracts | 152,092 | (2,458) | (260) |
| Total Return Contracts | 227,227 | 13,004 | 9,803 |
| Rights/Warrants | | | |
| Equity Contracts | 61,328 shares | 80,566 | 11,495 |
| Total | | $ 90,808 | $ 25,279 |

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights, warrants, and equity index futures are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

(Dollars in Thousands)

### *Counterparty Credit Risk*

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The table below presents those investments being classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

| Credit Rating | Fair Value |
|---|---|
| AA | $ 202 |
| A | 16,278 |
| BBB | 1,563 |
| Not Rated | 31 |
| Total | $ 18,074 |

### *Custodial Credit Risk*

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2023, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

### *Interest Rate Risk*

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2023.

| | | Maturities | | | |
|---|---|---|---|---|---|
| **Derivative Type / Contracts** | **Fair Value** | **Less than 1 year** | **1-5 years** | **6-10 years** | **10+ years** |
| Futures | | | | | |
| Treasury Futures Long | $ (129) | $ (129) | $ - | $ - | $ - |
| Treasury Futures Short | 102 | 102 | - | - | - |
| Options | | | | | |
| Foreign Exchange Contracts | 10 | - | 10 | - | - |
| Swaps | | | | | |
| Currency Contracts | 416 | 307 | 109 | - | - |
| Interest Rate Contracts | (2,458) | (516) | (1,863) | (175) | 96 |
| Total Return Contracts | 13,004 | 13,004 | - | - | - |
| Total | $ 10,945 | $ 12,768 | $ (1,744) | $ (175) | $ 96 |

(Dollars in Thousands)

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2023:

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Fixed 0.00%, Pay Variable 1-Day SOFR | $ 22,800 | $ (178) |
| Interest Rate Swap | Receive Fixed 0.25%, Pay Variable 1-Day SOFR | 46,800 | (2,386) |
| Interest Rate Swap | Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR | 684 | (65) |
| Interest Rate Swap | Receive Fixed 0.57%, Pay Variable 6-Month WIBOR | 1,255 | (124) |
| Interest Rate Swap | Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR | 1,221 | (194) |
| Interest Rate Swap | Receive Fixed 2.00%, Pay Variable 1-Day BUBOR | 1,002 | (59) |
| Interest Rate Swap | Receive Fixed 2.56%, Pay Variable 1-Day BUBOR | 2,041 | (331) |
| Interest Rate Swap | Receive Fixed 3.34%, Pay Variable 3-Month KLIBOR | 214 | (5) |
| Interest Rate Swap | Receive Fixed 3.36%, Pay Variable 1-Day SOFR | 11,230 | (290) |
| Interest Rate Swap | Receive Fixed 4.68%, Pay Variable 6-Month PRIBOR | 620 | 24 |
| Interest Rate Swap | Receive Fixed 4.72%, Pay Variable 6-Month PRIBOR | 726 | 6 |
| Interest Rate Swap | Receive Fixed 4.74%, Pay Variable 6-Month PRIBOR | 872 | 9 |
| Interest Rate Swap | Receive Fixed 4.81%, Pay Variable 28-Day MXIBR | 1,533 | (102) |
| Interest Rate Swap | Receive Fixed 4.87%, Pay Variable 1-Day BIDOR | 3,524 | (454) |
| Interest Rate Swap | Receive Fixed 5.26%, Pay Variable 3-Month JIBAR | 609 | (36) |
| Interest Rate Swap | Receive Fixed 5.60%, Pay Variable 1-Day COOVIBR | 81 | (11) |
| Interest Rate Swap | Receive Fixed 7.13%, Pay Variable 28-Day MXIBR | 204 | (19) |
| Interest Rate Swap | Receive Fixed 9.06%, Pay Variable 28-Day MXIBR | 991 | 16 |
| Interest Rate Swap | Receive Fixed 11.91%, Pay Variable 1-Day BIDOR | 1,244 | 50 |
| Interest Rate Swap | Receive Fixed 11.98%, Pay Variable 1-Day BIDOR | 4,436 | 16 |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 1.20% | 778 | 81 |
| Interest Rate Swap | Receive Variable 1-Day SOFR, Pay Fixed 0.36% | 22,800 | 1,305 |
| Interest Rate Swap | Receive Variable 1-Day SOFR, Pay Fixed 2.94% | 2,630 | 126 |
| Interest Rate Swap | Receive Variable 3-Month BBA, Pay Fixed 0.00% | 22,800 | 175 |
| Interest Rate Swap | Receive Variable 3-Month CLICP, Pay Fixed 5.67% | 997 | (12) |
| Total Interest Rate Swaps | | $ 152,092 | $ (2,458) |

(Dollars in Thousands)

### *Foreign Currency Risk*

At June 30, 2023, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2023:

| Currency | Forwards | Rights/ Warrants | Swaps | Futures | Total |
|---|---|---|---|---|---|
| Argentina peso | $ - | $ - | $ (27) | $ - | $ (27) |
| Australian dollar | 3,750 | - | - | - | 3,750 |
| Brazil real | 4,495 | - | (388) | - | 4,107 |
| Canadian dollar | 6,964 | - | - | (11) | 6,953 |
| Chilean peso | 67 | - | (12) | - | 55 |
| Chinese r yuan HK | (5,494) | - | - | - | (5,494) |
| Chinese yuan renminbi | (13,784) | - | - | - | (13,784) |
| Colombian peso | (2,302) | - | 70 | - | (2,232) |
| Czech koruna | 2,317 | - | (220) | - | 2,097 |
| Danish krone | (64) | - | - | - | (64) |
| Dominican Rep peso | (1,061) | - | - | - | (1,061) |
| Euro | (43,537) | 82 | 35 | (76) | (43,496) |
| Hong Kong dollar | (204) | - | - | - | (204) |
| Hungarian forint | 1,107 | - | (390) | - | 717 |
| Indian rupee | 367 | - | - | - | 367 |
| Indonesian rupiah | 553 | - | - | - | 553 |
| Japanese yen | 15,209 | - | - | - | 15,209 |
| Malaysian ringgit | 157 | - | (5) | - | 152 |
| Mexican peso | 798 | - | (105) | - | 693 |
| Peruvian sol | (441) | - | - | - | (441) |
| Philippines peso | 28 | - | - | - | 28 |
| Polish zloty | 3,108 | - | (124) | - | 2,984 |
| Pound sterling | (9,958) | - | - | (7) | (9,965) |
| Romanian leu | 763 | - | - | - | 763 |
| Singapore dollar | (415) | - | - | - | (415) |
| South African rand | (2,542) | - | (36) | - | (2,578) |
| Swiss franc | - | 11 | - | - | 11 |
| Thailand baht | 1,457 | - | - | - | 1,457 |
| Total | $ (38,662) | $ 93 | $ (1,202) | $ (94) | $ (39,865) |

### *Contingent Features*

At June 30, 2023, the Retirement System held no positions in derivatives containing contingent features.

### *Securities Lending*

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

(Dollars in Thousands)

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2023, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2023, the Retirement System has lent $1,243,298 in securities and received collateral of $562,409 and $760,562 in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $562,491. The net unrealized gain of $82 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2023 are summarized in the following table.

| Investment Type | Fair Value of Loaned Securities | Cash Collateral | Non-Cash Collateral |
|---|---|---|---|
| **Securities on Loan for Cash Collateral** | | | |
| U.S. Corporate Fixed Income | $ 84,817 | $ 86,851 | $ - |
| U.S. Equities | 228,462 | 231,649 | - |
| U.S. Government Fixed Income | 223,974 | 229,057 | - |
| International Fixed Income | 10,263 | 10,816 | - |
| International Equities | 3,685 | 4,036 | - |
| **Securities on Loan for Non-Cash Collateral** | | | |
| U.S. Corporate Fixed Income | 1,497 | - | 1,529 |
| U.S. Equities | 229,768 | - | 242,733 |
| U.S. Government Fixed Income | 297,101 | - | 332,691 |
| International Fixed Income | 3,234 | - | 3,387 |
| International Equities | 160,497 | - | 180,222 |
| | $ 1,243,298 | $ 562,409 | $ 760,562 |

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2023.

| Investment Type | Fair Value | Maturities<br>Less Than 1 Year |
|---|---|---|
| Floating Rate Notes | $ 379,128 | $ 379,128 |
| Commercial Paper | 16,746 | 16,746 |
| Repurchase Agreements | 166,626 | 166,626 |
| Payable/Receivable | (9) | (9) |
| Total | $ 562,491 | $ 562,491 |

(Dollars in Thousands)

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2023 is as follows:

| Credit Rating | | Fair Value | Fair Value as a Percentage of Total |
|---|---|---|---|
| A-1 | $ | 59,289 | 10.5% |
| AA | | 128,026 | 22.8% |
| A | | 208,559 | 37.1% |
| Not Rated * | | 166,617 | 29.6% |
| Total | $ | 562,491 | 100.0% |

* This figure includes $166,626 in repurchase agreements and $9 in payable.

***Investments in Real Assets***

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2023, are summarized as follows:

| | | |
|---|---|---|
| Beginning of the year | $ | 5,113,451 |
| Capital investments | | 593,518 |
| Equity in net earnings | | 103,109 |
| Net depreciation in fair value | | (73,552) |
| Capital distributions | | (528,583) |
| End of the year | $ | 5,207,943 |

**(g) Retiree Health Care Trust Fund**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2023, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

| Investment Type | Weighted Average Maturity in Years |
|---|---|
| US Debt Index Fund | 8.7 |
| Government Bond Index Fund | 22.5 |
| Inflation Protected Debt Index Fund | 2.6 |
| Emerging Markets Debt Fund | 11.6 |
| Multi-Sector Debt Fund | 6.2 |
| City Investment Pool | 1.2 |
| Treasury Money Market Fund | 0.03 |

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, Government Bond Index Fund, Inflation Protected Debt Index Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. Government are excluded from this disclosure. As of June 30, 2023, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal to or greater than 5% at the issuer level and likely very little, if any, overlap.

### *Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2023, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the custodian bank's trust department or agent. Investments in the City pool are held by the City's custodial agent and are not subject to custodial credit risk.

### *Foreign Currency Risk*

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

### *Rate of Return*

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 10.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## (6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1.0% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $354.0 million for the year ended June 30, 2023.

Taxable valuation for the year ended June 30, 2023, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $309.84 billion, an increase of 8.61% compared to the prior fiscal year. The secured tax rate was $1.1797 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and $0.1797 for voter-approved bond debt service for four of the taxing entities. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.79% and 1.93%, respectively, of the current year tax levy, for an average delinquency rate of 0.85% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured annual and escape property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the custodial fund. To the extent the custodial fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2023, was $38.0 million, which is included in the custodial fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(Dollars in Thousands)

## (7) CAPITAL ASSETS

### *Primary Government*

Capital asset activity of the primary government for the year ended June 30, 2023, was as follows:

| Governmental Activities: | Balance July 1, 2022 [1] | Increases [2] | Decreases [2] | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated/amortized: | | | | |
| Land | $ 774,213 | $ 162,830 | $ (250) | $ 936,793 |
| Intangible assets | 906 | - | - | 906 |
| Construction in progress | 586,526 | 283,466 | (253,665) | 616,327 |
| Total capital assets, not being depreciated/amortized | 1,361,645 | 446,296 | (253,915) | 1,554,026 |
| Capital assets, being depreciated/amortized: | | | | |
| Facilities and improvements [3] | 6,120,159 | 147,357 | (431) | 6,267,085 |
| Machinery and equipment [3] | 646,323 | 22,694 | (2,710) | 666,307 |
| Infrastructure [3] | 1,539,804 | 90,121 | - | 1,629,925 |
| Right-to-use assets [3] | 626,100 | 75,093 | (31,603) | 669,590 |
| Intangible assets | 142,224 | 10,839 | - | 153,063 |
| Total capital assets, being depreciated/amortized | 9,074,610 | 346,104 | (34,744) | 9,385,970 |
| Less accumulated depreciation/amortization for: | | | | |
| Facilities and improvements [3] | 1,716,571 | 149,940 | (431) | 1,866,080 |
| Machinery and equipment [3] | 499,725 | 32,282 | (2,564) | 529,443 |
| Infrastructure [3] | 458,899 | 70,003 | - | 528,902 |
| Right-to-use assets [3] | 74,042 | 91,062 | (8,222) | 156,882 |
| Intangible assets | 45,778 | 9,282 | - | 55,060 |
| Total accumulated depreciation/amortization | 2,795,015 | 352,569 | (11,217) | 3,136,367 |
| Total capital assets, being depreciated/amortized, net | 6,279,595 | (6,465) | (23,527) | 6,249,603 |
| Governmental activities capital assets, net | $ 7,641,240 | $ 439,831 | $ (277,442) | $ 7,803,629 |

(1) Balance of July 1, 2022, as restated due to implementation of GASB 96 SBITAs and GASB 94 Public-Private Partnership. See Note 17 for additional information.

(2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

(3) See Note 17 for additional information.

(Dollars in Thousands)

| Total Business-type Activities: | Balance July 1, 2022 (1) | Increases (2) | Decreases (2) | | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated/amortized: | | | | | |
| Land | $ 353,558 | $ 7,326 | $ (119) | | $ 360,765 |
| Intangible assets | 12,043 | - | - | | 12,043 |
| Construction in progress | 5,821,916 | 1,781,861 | (2,739,353) | (4) | 4,864,424 |
| Total capital assets, not being depreciated/amortized | 6,187,517 | 1,789,187 | (2,739,472) | | 5,237,232 |
| Capital assets, being depreciated/amortized: | | | | | |
| Facilities and improvements | 22,878,575 | 444,913 | (16,511) | | 23,306,977 |
| Machinery and equipment | 4,107,985 | 217,254 | (155,821) | (5) | 4,169,418 |
| Infrastructure | 2,123,636 | 2,054,518 | (907) | | 4,177,247 |
| Right-to-use assets (3) | 264,230 | 15,290 | (10,459) | | 269,061 |
| Intangible assets | 120,709 | 3,070 | (478) | | 123,301 |
| Total capital assets, being depreciated/amortized | 29,495,135 | 2,735,045 | (184,176) | | 32,046,004 |
| Less accumulated depreciation/amortization for: | | | | | |
| Facilities and improvements | 8,295,980 | 552,791 | (16,512) | | 8,832,259 |
| Machinery and equipment | 2,158,598 | 257,912 | (152,809) | (5) | 2,263,701 |
| Infrastructure | 848,434 | 55,263 | - | | 903,697 |
| Right-to-use assets (3) | 32,031 | 24,712 | (10,459) | | 46,284 |
| Intangible assets | 85,625 | 5,906 | (478) | | 91,053 |
| Total accumulated depreciation/amortization | 11,420,668 | 896,584 | (180,258) | | 12,136,994 |
| Total capital assets, being depreciated/amortized, net | 18,074,467 | 1,838,461 | (3,918) | | 19,909,010 |
| Business-type activities capital assets, net | $ 24,261,984 | $ 3,627,648 | $ (2,743,390) | | $ 25,146,242 |

(1) Balance of July 1, 2022, as restated due to implementation of GASB 96 SBITAs. See Note 17 for additional information.
(2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
(3) See Note 17 for additional information.
(4) For fiscal year 2023, decreases in construction in progress were higher than increases to the total capital assets primarily due to $41.1 million in capital project write-offs.
(5) The decreases include equipment transfers between departments.

(Dollars in Thousands)

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

| | | |
|---|---|---|
| Governmental Activities: | | |
| Public protection | $ | 31,293 |
| Public works, transportation and commerce | | 95,621 |
| Human welfare and neighborhood development | | 26,898 |
| Community health | | 55,034 |
| Culture and recreation | | 60,930 |
| General administration and finance | | 68,031 |
| Capital assets held by the City's internal service funds charged to the various functions on a prorated basis | | 14,762 |
| Total depreciation/amortization expense - governmental activities | $ | 352,569 |
| | | |
| Business-type Activities: | | |
| Airport | $ | 355,475 |
| Water | | 155,714 |
| Power | | 24,671 |
| Transportation | | 229,262 |
| Hospitals | | 28,151 |
| Wastewater | | 78,039 |
| Port | | 25,272 |
| Total depreciation/amortization expense - business-type activities | $ | 896,584 |

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $5.37 billion as of June 30, 2023. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2023. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2023.

(Dollars in Thousands)

***Component Unit***

Capital asset activity of the component unit for the year ended June 30, 2023, was as follows:

| **Treasure Island Development Authority:** | **Balance July 1, 2022** | **Increases** | **Decreases** | **Balance June 30, 2023** |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 34,344 | $ - | $ - | $ 34,344 |
| Construction in progress | 13,093 | 1,995 | (14,586) | 502 |
| Total capital assets, not being depreciated | 47,437 | 1,995 | (14,586) | 34,846 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | 4,844 | - | - | 4,844 |
| Machinery and equipment | 36 | - | - | 36 |
| Infrastructure | 6,854 | 14,586 | - | 21,440 |
| Total capital assets, being depreciated | 11,734 | 14,586 | - | 26,320 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | 514 | 109 | - | 623 |
| Machinery and equipment | 35 | 1 | - | 36 |
| Infrastructure | - | 2,481 | - | 2,481 |
| Total accumulated depreciation | 549 | 2,591 | - | 3,140 |
| Total capital assets, being depreciated, net | 11,185 | 11,995 | - | 23,180 |
| Component unit capital asssets, net | $ 58,622 | $ 13,990 | $ (14,586) | $ 58,026 |

During the year ended June 30, 2023, TIDA recorded construction in progress for the building improvements. The Southgate Road project was completed in fiscal year 2022-23. For the overall Treasure Island Development Project, construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(Dollars in Thousands)

## (8) BONDS, LOANS, LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2023, are as follows:

| Commercial Paper | July 1, 2022 | Additional Obligation | Current Maturities | June 30, 2023 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Multiple Capital Projects | $ 29,771 | $ 240,491 | $ (231,472) | $ 38,790 |
| Governmental activities short-term obligations | $ 29,771 | $ 240,491 | $ (231,472) | $ 38,790 |
| Business-type activities: | | | | |
| San Francisco International Airport * | $ 85,975 | $ 417,250 | $ - | $503,225 |
| San Francisco Water Enterprise** | 206,297 | 371,459 | (206,297) | 371,459 |
| Hetch Hetchy Water and Power*** | 40,019 | 116,352 | (40,019) | 116,352 |
| San Francisco Wastewater Enterprise | 379,157 | - | (379,157) | - |
| Business-type activities short-term obligations | $ 711,448 | $ 905,061 | $ (625,473) | $991,036 |

* The $503.2 million in outstanding CP by the Airport includes $497.8 million CP that was repaid by the Series 2023CD bonds that were issued in November 2023. The $497.8 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

** The $371.5 million outstanding CP by the Water Enterprise was repaid by the Series 2023AB bonds that were issued in July 2023. The $371.5 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

*** The $116.4 million outstanding CP by the Hetch Hetchy Water and Power Enterprise was repaid by the Series 2023A bonds that were issued in October 2023. The $116.4 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

### City and County of San Francisco Commercial Paper Program

The City launched a commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09) in March 2009, when the Board of Supervisors established a $150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from $150.0 million to $250.0 million in July 2013. The City currently has revolving credit agreements (RCA) supporting the $250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 14 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility. The City's CP program has had several credit facilities, which included two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank National Association, that supported the issuance of Commercial Paper Certificates of Participation Series 1&2 (Series 1&2). In March 2023, the two RCAs supporting Series 1&2 were replaced by an RCA issued by Wells Fargo Bank (WFB RCA) in the maximum principal and interest commitment not to exceed $150.0 million and $13.5 million, respectively. The WFB RCA will only support the Commercial Paper Certificates of Participation Series 2 and it will not support in any respect the payment of the principal of and interest with respect to any

Series 1/1-T Commercial Paper Certificates. Additionally, no letter of credit, revolving line of credit, or similar facility established by any bank or financial institution with respect to any other obligation of the City is anticipated to be available in any respect to pay the principal of and interest with respect to any Series 1/1-T Commercial Paper Certificates. The WFB RCA stipulates a quarterly commitment fee of 0.25%, on the maintenance of ratings of at least “AA+” by Fitch, “AA+” by S&P, and “Aa1” by Moody’s. The WFB RCA is scheduled to expire on March 30, 2026.

The Commercial Paper Certificates of Participation Series 3 (Series 3) is supported by an RCA with Bank of the West (BOTW RCA), in the maximum principal and interest commitment not to exceed $100.0 million and $9.0 million, respectively. The BOTW RCA stipulates a semiannual commitment fee of 0.12%, on the maintenance of ratings at least “AA-” by Fitch, “AA-” by S&P, and “Aa3” by Moody’s. The BOTW RCA is scheduled to expire on April 30, 2026.

In fiscal year 2023, the City issued $240.5 million and retired $231.5 million of CP notes to provide interim financing for the development, acquisition, construction or rehabilitation of affordable rental housing projects; to finance and refinance capital projects at certain HOPE SF properties; to fund approved capital improvement projects, including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, and AITC Immunization and Travel Clinic Relocation; to finance critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments; to provide financing for the acquisition of police vehicles; and to finance and refinance improvement and equipping of certain existing real property including the existing Hall of Justice facilities and related facilities. As of June 30, 2023, the outstanding principal of taxable and tax-exempt CP of governmental activities was $20.1 million and $18.7 million with an interest rate of 5.25% and 3.20%, respectively.

Events of default under the RCA for Commercial Paper Series 2, consist of failure by the City to pay any Reimbursement Obligation or interest thereon to the Bank; failure by the City to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; the City fails to make payment on any other Special Lease Obligation Debt; City files for bankruptcy or has certain types of involuntary cases or proceedings filed against it that remain undismissed or unstayed for 60 days; a non-appealable judgment or legislation or order or decree invalidates the Agreement or Certificates; City is downgraded below investment grade; City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence and during the continuance of an Event of Default, advances and all other amounts outstanding under the credit facility shall bear interest at the default rate, the Commitment shall automatically and immediately terminate with respect to all outstanding Certificates and the Bank’s obligation to make any Revolving Loan or Advances shall terminate; the Bank may exercise any other rights or remedies available by law or under contract. The RCA for Series 2 has no acceleration provision.

Events of default under the RCA for Commercial Paper Series 3, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure by the City to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; the City fails to make payment on any other material debt; City or trustee files for bankruptcy or has certain types of involuntary cases or proceedings filed against it that remain undismissed or unstayed for 60 days; City is downgraded below “BBB+/Baa1”; City sustains unsatisfied judgment of $25.0 million or more; the IRS declares the interest taxable with respect to any Certificate issued as tax-exempt; any governmental authority of appropriate jurisdiction declares a moratorium with respect to any of the debt of the City. Upon the occurrence of an event of default under the RCA, the Credit Bank may terminate the RCA. No additional Certificates shall be issued, the available Commitment shall immediately be reduced to the then outstanding principal amount of Certificates, and the available Commitment shall further be reduced in a similar manner as and when such Certificates mature. Revolving Bank Certificate, and some or all of Reimbursement Obligations or other Obligations may be converted to Term Loans at the Default Rate. For any special event of default, the RCA shall automatically and immediately terminate with respect to all outstanding Certificates and the Bank shall have no obligation to make any revolving loan. The RCA for Series 3 has no acceleration provision.

(Dollars in Thousands)

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended, and supplemented (the 1997 Note Resolution), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $600.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airport's Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the 1997 Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the 1997 Note Resolution), less Operation and Maintenance Expenses (as defined in the 1997 Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the 1997 Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the 1997 Note Resolution.

As of June 30, 2023, the CP program was supported by six direct-pay LOC with a combined maximum stated principal amount of $600.0 million, from State Street Bank and Trust Company ($100.0 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires April 7, 2027), Barclays Bank PLC ($100.0 million, expires May 24, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires June 6, 2028), Barclays Bank PLC ($125.0 million, expires April 23, 2027), and Bank of America, N.A. ($75.0 million, expires May 4, 2026). Each of the LOC supports a separate subseries of CP notes.

The following table summarizes CP activity during the year ended June 30, 2023:

| Commercial Paper | Interest rate | July 1, 2022 | Increases | Decreases | June 30, 2023 |
|---|---|---|---|---|---|
| Commercial paper (Taxable) - short-term... | 3.50% - 5.45% | $ 2,700 | $ 2,750 | $ - | $ 5,450 |
| Commercial paper (AMT) - long-term......... | 2.32% - 3.42% | 65,225 | 392,000 | - | 457,225 |
| Commercial paper (Non-AMT) - long-term.. | 2.42% - 3.35% | 18,050 | 22,500 | - | 40,550 |
| Total | | $ 85,975 | $417,250 | $ - | $ 503,225 |

The table presents the CP notes' net increase and decrease activity during the fiscal year 2022-23. This excludes the issuance of CP notes to repay maturing CP notes.

As of June 30, 2023, the Airport had $503.2 million in outstanding CP including $497.8 million that was repaid by Series 2023CD bonds that were issued in November 2023. The $497.8 million has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

As of June 30, 2023, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2022-23, the Airport issued new money CP notes in the aggregate principal amount of $392.0 million (AMT), $22.5 million (Non-AMT), and $2.8 million (Taxable) to fund capital improvement projects.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the LOC supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting $100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2023, the amount outstanding under Proposition E was $371.5 million. CP interest rates ranged from 1.2% to 5.3%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had $128.5 million in unused authorization as of June 30, 2023.

As of June 30, 2023, the Water Enterprise had $371.5 million in outstanding CP which was repaid by the 2023 Series AB Water Revenue Bonds issued in July 2023. The $371.5 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 1.1% to 3.2% in fiscal year 2022-23. Hetch Hetchy Water and Power had $116.4 million CP outstanding and $133.6 million in unused authorization as of June 30, 2023.

As of June 30,2023, The Hetch Hetchy Water and Power had $116.4 million CP which was repaid by the 2023 Series A bonds issued in October 2023. The $116.4 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

Events of default as specified in the Reimbursement Agreements include non-payment; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise has no CP outstanding as of June 30, 2023.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment defaults, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

(Dollars in Thousands)

**Long-Term Obligations**

The following is a summary of long-term obligations of the City as of June 30, 2023:

GOVERNMENTAL ACTIVITIES

| Type Of Obligation and Purpose | Final Maturity Date | Remaining Interest Rates | Amount |
|---|---|---|---|
| GENERAL OBLIGATION BONDS [a]: | | | |
| Affordable housing | 2048 | 0.396% - 6.00% | $ 421,865 |
| Earthquake safety and emergency response | 2046 | 2.25% - 5.00% | 315,685 |
| Clean and safe neighborhood parks | 2037 | 2.00% - 6.26% | 86,025 |
| Health and recovery | 2048 | 4.00% - 5.00% | 193,180 |
| Preservation and seismic safety (PASS) program | 2060 | 0.616% - 4.321% | 162,280 |
| Public health and safety | 2045 | 3.00% - 5.00% | 205,125 |
| Road repaving and street safety | 2035 | 2.25% - 5.00% | 30,095 |
| San Francisco General Hospital | 2030 | 5.30% - 6.26% | 117,950 |
| Seismic safety loan program | 2031 | 3.36% - 5.83% | 12,173 |
| Transportation and road improvement | 2046 | 2.00% - 5.00% | 302,655 |
| Refunding | 2035 | 4.00% - 5.00% | 740,765 |
| General obligation bonds | | | 2,587,798 |
| LEASE REVENUE BONDS: | | | |
| San Francisco Finance Corporation [(b), (e) & (f)] | 2030 | 2.20% - 5.00% * | 83,085 |
| SALES TAX REVENUE BONDS | | | |
| SFCTA revenue bonds [g] | 2034 | 3.00% - 4.00% | 194,185 |
| CERTIFICATES OF PARTICIPATION: | | | |
| Certificates of participation [(c) & (d)] | 2050 | 2.00% - 5.00% | 1,102,005 |
| SPECIAL TAX BONDS: | | | |
| Development special tax bonds [h] | 2052 | 3.00% - 5.25% | 106,230 |
| INCREMENT TAX BONDS: | | | |
| Tax increment revenue bonds [i] | 2053 | 5.00% | 29,390 |
| OTHER LONG-TERM OBLIGATIONS: | | | |
| Loans [(d), (f)] | 2045 | 4.50% | 19,900 |
| Lease purchase - Public Safety Radio Replacement [d] | 2027 | 1.6991% | 12,619 |
| Governmental activities total long-term obligations | | | $ 4,135,212 |

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008-1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2023 for Series 2008-1 & 2 averaged 2.20%.

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General and Special Revenue Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General and Special Revenue Funds.
(g) Sales tax revenues by the San Francisco County Transportation Authority.
(h) Certain tax increment revenue by Infrastructure Financing District and special tax revenue by Special Tax District.
(i) Tax increment revenue by the Infrastructure and Revitalization Financing District.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

| Entity and Type of Obligation | Final Maturity Date | Remaining Interest Rates | Amount |
|---|---|---|---|
| San Francisco International Airport: | | | |
| Revenue bonds * | 2058 | 1.98% - 5.50%* | $ 8,049,665 |
| San Francisco Water Enterprise: | | | |
| Revenue bonds | 2051 | 0.26% - 6.95% | 4,459,365 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 92,499 |
| State Revolving fund loans | 2051 | 1.00% - 1.10% | 163,627 |
| Hetch Hetchy Water and Power: | | | |
| Energy and revenue bonds | 2052 | 3.00% - 5.00% | 162,984 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 12,593 |
| Municipal Transportation Agency: | | | |
| Revenue bonds | 2051 | 0.389% - 5.00% | 430,365 |
| Loans | 2047 | 3.30% | 10,934 |
| San Francisco General Hospital: | | | |
| Certificates of participation | 2026 | 5.55% | 5,388 |
| San Francisco Wastewater Enterprise: | | | |
| Revenue bonds | 2052 | 1.00% - 5.82% | 2,397,670 |
| Revenue notes | 2027 | 1.00% | 347,465 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 24,458 |
| State Revolving fund loans | 2056 | 0.80% - 1.80% | 318,689 |
| WIFIA Loans | 2059 | 1.45% | 122,357 |
| Port of San Francisco: | | | |
| Revenue bonds | 2044 | 1.79% - 5.0% | 38,490 |
| Certificates of participation | 2043 | 4.75% - 5.25% | 24,765 |
| Loans | 2037 | 4.50% | 6,229 |
| Laguna Honda Hospital: | | | |
| Certificates of participation | 2031 | 3.00% - 5.00% | 63,120 |
| Business-type activities total long-term obligations | | | $ 16,730,663 |

* Includes Second Series Revenue Bonds Issue 2018B and 2018C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2023, the average interest rates on Issue 2018B and 2018C, were 1.99% and 2.03%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2023, the City's general obligation bond debt limit (3% of valuation subject to taxation) was $9.96 billion. The total amount of debt applicable to the debt limit was $2.84 billion. The resulting legal debt margin was $7.12 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City has recognized an arbitrage liability of $3.1 million, and the Finance Corporation does not have an arbitrage liability as of June 30, 2023. Each enterprise fund has performed a similar analysis of its debt which was subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

**Conduit Debt Obligations**

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related project revenues and other sources of funds, and are not considered obligations of the City. No commitments beyond the maintenance of the tax-exempt status of the conduit debt obligation were extended by the City for any of the mortgage revenue bonds. As of June 30, 2023, the total obligation outstanding was $2.20 billion.

San Francisco International Airport Special Facilities Lease Revenue Bonds

In February 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (Fuel Bonds), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Airport for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. As of June 30, 2023, the outstanding balance was $96.7 million. The 2019 Fuel Bonds have a final maturity of January 1, 2047.

SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Airport and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport and are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel.

(Dollars in Thousands)

**Community Facilities Districts and Special Tax Districts Bonds**

Community Facilities District No. 2014-1 (Transbay Transit Center)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) as of June 30, 2023:

| Bonds | Remaining Interest Rates | Final Maturity Date | Amount |
|---|---|---|---|
| Special Tax Bonds Series 2017A | 2.750% - 4.00% | 2049 | $ 34,710 |
| Special Tax Bonds Series 2017B | 2.750% - 4.00% | 2049 | 164,865 |
| Special Tax Bonds Series 2019A | 3.038% - 4.25% | 2050 | 32,485 |
| Special Tax Bonds Series 2019B | 3.028% - 4.371% | 2050 | 151,975 |
| Special Tax Bonds Series 2020B | 1.683% - 3.572% | 2051 | 80,060 |
| Special Tax Bonds Series 2021B | 0.645% - 3.482% | 2051 | 33,450 |
| Special Tax Bonds Series 2022A | 5.00% | 2053 | 31,190 |
| Special Tax Bonds Series 2022B | 4.798% - 6.332% | 2052 | 47,380 |
| Total obligations | | | $ 576,115 |

In December 2022, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) issued Special Tax Bonds, Series 2022A (Tax-Exempt) and Series 2022B (Federally Taxable – Green Bonds) in the par amounts of $31.2 million and $47.4 million, respectively. The 2022A Bonds were issued to fund streetscape and pedestrian improvements around the Salesforce Transit Center, acquisition of transit vehicles, and enhancements at BART Embarcadero Station. The 2022B Bonds were issued to fund planning, design, engineering, right of way acquisition and construction of certain capital improvements that are part of the Transbay Program's Downtown Rail Extension. The 2022A Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear interest rates ranging from 4.798% to 6.332%, with principal amortizing from September 1, 2023, through September 1, 2051.

The Special Tax Bonds of CFD 2014-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of CFD 2014-1.

Community Facilities District No. 2016-1 (Treasure Island)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2016-1 (CFD 2016-1) as of June 30, 2023:

| Bonds | Remaining Interest Rates | Final Maturity Date | Amount |
|---|---|---|---|
| Improvement Area No.1 Special Tax Bonds Series 2020 | 3.00% - 4.00% | 2051 | $ 16,825 |
| Improvement Area No.1 Special Tax Bonds Series 2021 | 4.00% | 2052 | 41,340 |
| Improvement Area No.2 Special Tax Bonds Series 2022A | 4.00% | 2053 | 25,130 |
| Total obligations | | | $ 83,295 |

(Dollars in Thousands)

The Special Tax Bonds of CFD 2016-1 Improvement Area No. 1 and Improvement Area No. 2 were issued in order to finance infrastructure and development costs for the Treasure Island/Yerba Buena Island Development Project. The bonds are secured under the provisions of their respective Fiscal Agent Agreements and will be payable solely from Special Tax Revenues and funds pledged under those agreements. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of CFD 2016-1.

### Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2023, are as follows:

| | Restated July 1, 2022 | Additional Obligations, and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | $ 2,625,533 | $ 238,585 | $ (276,320) | $ 2,587,798 | $ 179,681 |
| Lease revenue bonds | 96,340 | - | (13,255) | 83,085 | 14,455 |
| Sales tax revenue bonds | 208,310 | - | (14,125) | 194,185 | 14,545 |
| Certificates of participation | 1,140,925 | - | (38,920) | 1,102,005 | 40,985 |
| Special tax bonds* | 106,230 | - | - | 106,230 | - |
| Increment tax bonds | - | 29,390 | - | 29,390 | 465 |
| Subtotal | 4,177,338 | 267,975 | (342,620) | 4,102,693 | 250,131 |
| Issuance premiums: | | | | | |
| Add: unamortized premiums* | 403,789 | 6,364 | (27,785) | 382,368 | - |
| Total bonds payable, net | 4,581,127 | 274,339 | (370,405) | 4,485,061 | 250,131 |
| Loans | 20,418 | - | (518) | 19,900 | 542 |
| Others | 16,089 | - | (3,470) | 12,619 | 3,530 |
| Accrued vacation and sick leave pay | 243,885 | 166,974 | (164,617) | 246,242 | 128,356 |
| Accrued w orkers' compensation | 359,835 | 86,314 | (68,359) | 377,790 | 72,304 |
| Estimated claims payable | 296,919 | 182,206 | (63,439) | 415,686 | 155,464 |
| Lease liabilities | 511,317 | 74,057 | (89,178) | 496,196 | 62,481 |
| Subscription liabilities ** | 44,098 | 1,036 | (9,796) | 35,338 | 14,337 |
| Arbitrage rebate liability | - | 3,074 | - | 3,074 | 3,074 |
| Governmental activities long-term obligations | $ 6,073,688 | $ 788,000 | $ (769,782) | $ 6,091,906 | $ 690,219 |

* Restated 7/1/2022 balance due to change of reporting entity for Mission Rock Special Tax District

**Restated 7/1/2022 balance due to implementation of GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs)

(Dollars in Thousands)

| | Restated July 1, 2022 | Additional Obligations, and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | $15,027,450 | $ 1,353,375 | $ (881,270) | $15,499,555 | $ 267,525 |
| Revenue notes | 347,465 | - | - | 347,465 | - |
| Clean renewable energy bonds | 40,956 | - | (1,972) | 38,984 | 710 |
| Certificates of participation | 236,940 | - | (14,117) | 222,823 | 14,073 |
| Subtotal | 15,652,811 | 1,353,375 | (897,359) | 16,108,827 | 282,308 |
| Issuance premiums / discounts: | | | | | |
| Add: unamortized premiums | 1,528,556 | 200,058 | (113,636) | 1,614,978 | - |
| Less: unamortized discounts | (130) | - | 15 | (115) | - |
| Total bonds payable, net | 17,181,237 | 1,553,433 | (1,010,980) | 17,723,690 | 282,308 |
| Commercial paper notes - long-term * | - | 985,586 | - | 985,586 | - |
| Notes, loans, and other payables | 442,353 | 182,734 | (3,251) | 621,836 | 3,333 |
| Accrued vacation and sick leave pay | 165,036 | 70,908 | (70,558) | 165,386 | 89,830 |
| Accrued workers' compensation | 253,294 | 83,459 | (60,707) | 276,046 | 50,502 |
| Estimated claims payable | 167,117 | 37,195 | (83,951) | 120,361 | 46,288 |
| Lease liabilities | 235,905 | 17,122 | (22,842) | 230,185 | 13,100 |
| Subscription liabilities ** | 3,653 | 2,697 | (3,563) | 2,787 | 1,687 |
| Arbitrage rebate liability | - | 188 | - | 188 | - |
| Business-type activities long-term obligations | $18,448,595 | $ 2,933,322 | $ (1,255,852) | $20,126,065 | $ 487,048 |

* CP notes repaid by long-term debt in fiscal year 2024 were reclassed to long-term debt

**Restated 7/1/2022 balance due to implementation of GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs)

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers' compensation and compensated absences are generally liquidated by the General Fund.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2023, for governmental and business-type activities are as follows:

**Notes to Basic Financial Statements (Continued)**
June 30, 2023
(Dollars in Thousands)

**Governmental Activities** (1)

| Fiscal Year Ending June 30 | General Obligation Bonds | | Lease Revenue Bonds | | Other Long-Term Obligations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest (2) | Principal | Interest (3) | Principal | Interest | Principal | Interest |
| 2024............ | $ 179,681 | $ 104,758 | $ 14,455 | $ 2,682 | $ 60,067 | $ 58,952 | $ 254,203 | $ 166,392 |
| 2025............ | 181,456 | 96,441 | 13,105 | 2,166 | 63,629 | 56,302 | 258,190 | 154,909 |
| 2026............ | 168,787 | 88,137 | 13,730 | 1,721 | 64,794 | 53,540 | 247,311 | 143,398 |
| 2027............ | 175,771 | 80,526 | 14,375 | 1,256 | 65,889 | 50,659 | 256,035 | 132,441 |
| 2028............ | 182,379 | 72,846 | 8,735 | 808 | 66,983 | 47,823 | 258,097 | 121,477 |
| 2029-2033... | 793,649 | 252,750 | 18,685 | 680 | 378,821 | 194,950 | 1,191,155 | 448,380 |
| 2034-2038.. | 432,100 | 130,609 | - | - | 308,542 | 128,661 | 740,642 | 259,270 |
| 2039-2043.. | 230,790 | 72,238 | - | - | 266,743 | 68,839 | 497,533 | 141,077 |
| 2044-2048... | 172,265 | 29,092 | - | - | 120,846 | 28,457 | 293,111 | 57,549 |
| 2049-2053... | 28,690 | 10,734 | - | - | 68,015 | 5,489 | 96,705 | 16,223 |
| 2054-2058... | 34,325 | 5,102 | - | - | - | - | 34,325 | 5,102 |
| 2059-2060... | 7,905 | 368 | - | - | - | - | 7,905 | 368 |
| Total........ | $ 2,587,798 | $ 943,601 | $ 83,085 | $ 9,313 | $ 1,464,329 | $ 693,672 | $ 4,135,212 | $ 1,646,586 |

**Business-Type Activities** (1)

| Fiscal Year Ending June 30 | Revenue Bonds and Revenue Notes (4) (5) | | Certificates of Participation (5) | | Other Long-Term Obligations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024............ | $ 268,235 | $ 717,051 | $ 14,073 | $ 12,289 | $ 3,333 | $ 2,116 | $ 285,641 | $ 731,456 |
| 2025............ | 358,989 | 707,251 | 14,754 | 11,502 | 6,428 | 3,311 | 380,171 | 722,064 |
| 2026............ | 632,138 | 689,491 | 14,297 | 10,681 | 10,324 | 5,397 | 656,759 | 705,569 |
| 2027............ | 586,791 | 667,627 | 13,775 | 9,918 | 13,943 | 7,920 | 614,509 | 685,465 |
| 2028............ | 485,680 | 645,047 | 14,430 | 9,150 | 14,149 | 7,715 | 514,259 | 661,912 |
| 2029-2033... | 2,349,351 | 2,893,474 | 61,994 | 35,424 | 77,720 | 36,890 | 2,489,065 | 2,965,788 |
| 2034-2038.. | 2,723,395 | 2,303,994 | 44,475 | 21,309 | 81,853 | 31,178 | 2,849,723 | 2,356,481 |
| 2039-2043.. | 3,188,525 | 1,621,606 | 45,025 | 6,183 | 86,262 | 25,436 | 3,319,812 | 1,653,225 |
| 2044-2048... | 3,040,330 | 920,428 | - | - | 111,234 | 18,851 | 3,151,564 | 939,279 |
| 2049-2053... | 2,174,150 | 211,849 | - | - | 120,444 | 11,014 | 2,294,594 | 222,863 |
| 2054-2058... | 78,420 | 7,839 | - | - | 85,263 | 3,629 | 163,683 | 11,468 |
| 2059-2060... | - | - | - | - | 10,883 | 119 | 10,883 | 119 |
| Total........ | $ 15,886,004 | $ 11,385,657 | $ 222,823 | $ 116,456 | $ 621,836 | $ 153,576 | $ 16,730,663 | $ 11,655,689 |

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately $10.2 million and $2.1 million, respectively, through the year ending 2030. The federal sequester reduction was 5.7% in fiscal year 2023. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 2.20%, together with liquidity fee of 0.27% and remarketing fee of 0.05% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $190.8 million less.

(5) The interest is before the federal subsidy for the Revenue Bonds, Certificates of Participation, Clean Renewable Energy, and Energy Conservation Bonds by the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidy was reduced by 5.7% or a total reduction of $18.8 million, $2.5 million, and $201, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

(Dollars in Thousands)

***Governmental Activities Long-term Liabilities***

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2023, are as follows:

**Governmental Activities - General Obligation Bonds**

| | |
|---|---|
| Authorized and unissued as of June 30, 2022 | $ 1,496,115 |
| Bonds issued: | |
| Series 2023A Health and Recovery | (28,785) |
| Series 2023B Embarcadero Seawall Earthquake Safety | (39,020) |
| Series 2023C Social Bonds - Affordable Housing | (170,780) |
| Net authorized and unissued as of June 30, 2023 | $ 1,257,530 |

In April 2023, the City issued Tax-Exempt General Obligation Bonds Series 2023A (Health and Recovery), and Taxable General Obligation Series 2023B (Embarcadero Seawall Earthquake Safety) and Series 2023C (Social Bonds – Affordable Housing) with the par value of $28.8 million, $39.0 million, and $170.8 million, respectively.

The proceeds of the Series 2023A bonds will be used to finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other right-of-way and related assets; and to pay certain costs related to the issuance of the Series 2023A bonds. The Series 2023A bonds bear interest rates of 4.0% and 5.0% and with maturities from June 2024 through June 2048.

The proceeds of the Series 2023B bonds will be used to finance projects to protect the waterfront, BART and MUNI infrastructure, buildings, historic piers, and roads from earthquakes, flooding and rising sea level by repairing the 100-year-old Embarcadero Seawall, strengthening the Embarcadero roadway, fortifying transit infrastructure and utilities serving residents and businesses and to pay certain costs related to the issuance of the Series 2023B bonds. The Series 2023B bonds bear an interest rate of 6.0% and finally matured in June 2023.

The proceeds of the Series 2023C bonds will be used to finance the construction, development, acquisition, and preservation of affordable housing to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations such as the City's working families, veterans, seniors, and persons with disabilities; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs on the issuance of the Series 2023C bonds. The Series 2023C bonds bear interest rates ranging from 4.45% to 6.0% with principal amortizing from June 2023 through June 2048.

(Dollars in Thousands)

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

As of June 30, 2023, the City has a total of $1.10 billion of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund has been established for payment of certain COP issuances, equivalent to either 50% or 100% of the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original principal amount of the COPs. The total debt service requirement on the certificates of participation is $1.62 billion payable through April 1, 2050. For the year ended June 30, 2023, principal and interest paid by the City totaled $38.9 million and $46.6 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2023, were as follows:

**Governmental Activities - Lease Revenue Bonds**

| | |
|---|---|
| Authorized and unissued as of June 30, 2022 | $ 204,916 |
| Increase in authorization in this fiscal year: | |
| Current year annual increase in Finance Corporation's equipment program | 4,538 |
| Authorized and unissued as of June 30, 2023 | $ 209,454 |

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment, and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the Finance Corporation for the use of equipment and facilities acquired, constructed, and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $92.4 million payable through June 2030. For the year ended June 30, 2023, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled $13.3 million and $2.7 million, respectively.

*Equipment Lease Program* - In the June 5, 1990, election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a nonprofit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2023, all the previously issued equipment lease revenue bonds have been repaid. $95.3 million of unused authorization is still available for new issuance.

***Events of Default and Remedies***

*Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-*2 - Events of default as specified in the Letter of Credit Agreements include: (i) the City fails to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise fails to pay the Credit Bank when due; (ii) the City fails to observe any covenant under Credit Agreement; (iii) the San Francisco Finance Corporation fails to observe any covenant or warranty under Credit Agreement; (iv) the City defaults on any appropriation debt; (v) the City files for bankruptcy; (vi) downgrade of the City's rating on the Bonds or any other Lease Obligation Debt below "BBB" (or its equivalent). Upon the occurrence of an Event of Default, the bank's remedies are as follows: (i) by notice require the City to post collateral up to the Available Amount of the letter of credit (except the City has no such right upon bankruptcy event), (ii) declare all Obligations due and payable (except such declaration is automatic upon bankruptcy event), (iii) by notice to Trustee declare Event of Default and cause a mandatory tender of bonds, thereby causing the letter of credit to expire 15 days thereafter; (iv) pursue other rights under the Indenture and otherwise available under equity and law.

*Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1* - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

*Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B* - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due, (ii) or failure to observe covenants under the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or sue each year for rent. The bonds are not subject to acceleration.

<u>San Francisco County Transportation Authority Long-Term Debt</u>

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) with a par value of $248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street, and traffic facilities and other transportation projects, repay a portion of the outstanding amount of a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 Bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. The outstanding principal on June 30, 2023, is $194.2 million. The Series 2017 Bonds are repaid and secured by a pledge of Prop K half-cent sales tax and other legally available revenues of the SFCTA. Based on the total sales tax revenue of $111.5 million for the year ended June 30, 2023, the total debt service payments of $21.3 million on the Series 2017 Bonds, the SFCTA's senior debt service coverage ratio was 522% or 5.22x. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

(Dollars in Thousands)

In October 2021, the SFCTA entered into a Revolving Credit Agreement (RCA) with U.S. Bank National Association for $125.0 million. The RCA is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the Series 2017 Bonds and will expire in October 2024.The SFCTA will use the RCA to fund the capital projects and programs included in the Prop K Expenditure Plan. As of June 30, 2023, the SFCTA has no outstanding balance in the RCA. Events of Default under the RCA include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below "Baa2" by Fitch, "BBB" by Moody's or "BBB" by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the RCA.

*Events of Default and Remedies - Other Long-Term Obligations*

*Marina West Harbor Loans* - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways by the State of California includes the repossession of the project area, declaring that the loan is immediately due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

*Public Safety Radio Lease Financing* - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

The following is a summary of long-term obligations of the City and County of San Francisco Special Tax District No. 2020-1 as of June 30, 2023:

| Bonds | Remaining Interest Rates | Final Maturity Date | Amount |
|---|---|---|---|
| Development Special Tax Bonds Series 2021A | 3.00% - 4.00% | 2052 | $ 41,950 |
| Development Special Tax Bonds Series 2021B | 4.00% - 5.25% | 2050 | 54,280 |
| Development Special Tax Bonds Series 2021C | 4.00% | 2052 | 10,000 |
| Total obligations | | | $ 106,230 |

The Development Special Tax Bonds of STD 2020-1 were issued in order to finance infrastructure and development costs for the Mission Rock Development Project. The bonds are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from the Revenues and funds pledged under that agreement. Revenues generally consist of Special Tax Revenues and certain tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to the bonds under a Pledge Agreement.

In fiscal year 2022-23, tax increment revenues collected from the City's Infrastructure Financing District No. 2, Project Area I surpassed the one hundred thousand dollars threshold stipulated in the Pledge Agreement. Accordingly, the taxes increment revenues collected were pledged by the City to the Special Tax District. The pledge of allocated tax increment revenues to the STD created a financial burden relationship between the City and the STD. This change in circumstance triggered Mission Rock STD to become a blended component unit reported in a special revenue fund in the City's financial statements. These bonds are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of STD 2020-1.

(Dollars in Thousands)

The District is obligated to fund the 2021A Reserve Fund for the benefit of the 2021A bonds, the 2021C Bonds and any other 2021A Related parity Bonds in an amount equal to the 2021A Reserve Requirement, or the lesser of: (i) maximum annual debt service on the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds; (ii) 125% of average annual debt service on the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds; or (iii) 10% of the outstanding principal amount of the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds.

The District is obligated to fund the 2021B Reserve Fund for the benefit of the 2021B bonds and any 2021B Related Parity Bonds in an amount equal to the 2021B Reserve Requirement, or the lesser of: (i) maximum annual debt service on the 2021B Bonds and any 2021B Related Parity Bonds; (ii) 125% of average annual debt service on the 2021B bonds and any 2021B Related Parity Bonds; or (iii) 10% of the outstanding principal amount of the 2021B Bond and any 2021B Related Parity Bonds.

As authorized under the Special Tax Financing Law, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Development Special Tax or installment thereof not paid when due. If by May 1 of each fiscal year, the City determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Taxes is delinquent in the payment of one or more installments, then the City shall cause notice to be sent to the owner of the Leasehold Interest within 45 days of such determination, and (if the delinquency remains unsecured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. The City may defer any of such actions if (i) the District is participating in the Teeter Plan, (ii) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement and (iii) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds is at least equal to the required amount. The principal of the Bonds shall not be subject to acceleration.

Infrastructure and Revitalization Financing District No. 1 (Treasure Island)

The following is a summary of long-term obligations of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) as of June 30, 2023:

| Bonds | Remaining Interest Rates | Final Maturity Date | Amount |
|---|---|---|---|
| Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) | 5.00% | 2053 | $ 24,270 |
| Tax Increment Revenue Bonds, Series 2022B (Housing Increment) | 5.00% | 2053 | 5,120 |
| Total obligations | | | $ 29,390 |

In September 2022, the City, on behalf of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment) (the 2022A Bonds and 2022B Bonds) in the original par amounts of $24.3 million and $5.1 million, respectively. The 2022A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2022B Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2022A Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052.

The 2022A Bonds and 2022B Bonds are secured under the provisions of separate Indentures of Trust and will be payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. These bonds are not a debt of the City, the State, or any political subdivision (other than the IRFD).

The District is obligated to fund the 2022 Facilities Reserve Requirement in an amount equal to the least of (a) Maximum Annual Debt Service on the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds, if any, (b) 125% of average Annual Debt Service on the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds, if any and (c) 10% of the original principal of the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds.

The District is also obligated to fund the 2022 Housing Reserve Requirement in an amount equal to the least of (a) Maximum Annual Debt Service on the Series 2022B Housing Bonds and 2022 Related Housing Bonds, if any, (b) 125% of average Annual Debt Service on the Series 2022B Housing Bonds and 2022 Related Housing Bonds, if any and (c) 10% of the original principal of the Series 2022B Housing Bonds and 2022 Related Housing Bonds.

Events of default as specified in the Indenture of Trust for the Facilities Bonds consist of (i) default by the IRFD in the due and punctual payment of principal and interest or redemption premium (if any) on the Bonds when due and payable; (ii) default by the IRFD in the observance of any of the covenants, agreements, or conditions in the Indenture or Facilities Bonds; and (iii) IRFD files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the U.S. In an Event of Default, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Facilities Bonds then Outstanding the Trustee shall (i) declare the principal of the Facilities Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Facilities Bonds to the contrary notwithstanding, and (ii) exercise any other remedies available to the Trustee and the Owners of the Facilities Bonds in law or at equity.

Events of default as specified in the Indenture of Trust for the Housing Bonds consist of (i) default by the IRFD in the due and punctual payment of principal and interest or redemption premium (if any) on the Bonds when due and payable; (ii) default by the IRFD in the observance of any of the covenants, agreements, or conditions in the Indenture or Housing Bonds; and (iii) IRFD files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the U.S. In an Event of Default, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Housing Bonds then Outstanding the Trustee shall (i) declare the principal of the Housing Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Housing Bonds to the contrary notwithstanding, and (ii) exercise any other remedies available to the Trustee and the Owners of the Housing Bonds in law or at equity.

### ***Business-Type Activities Long-Term Liabilities***

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

(Dollars in Thousands)

**San Francisco International Airport**

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2022, as of June 30, 2023, the Airport has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, funding capitalized interest, and for paying costs of issuance. As of June 30, 2023, $4.2 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2023, as of June 30, 2023, the Airport has authorized the issuance of up to $17.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding CP, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2023, $7.2 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2022-23, the Airport issued the following bonds for refunding and other purposes under the 1991 Master Bond Resolution:

In March 2023, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2023A (AMT), and Second Series Revenue Bonds, Series 2023B (Non-AMT/Governmental Purpose), in an aggregate principal amount of $241.9 million to refund a combined $261.5 million of its Series 2010A Bonds, Series 2013A Bonds, and Series 2013B Bonds, to fund the termination payment of an interest rate swap, and to pay costs of issuance.

The proceeds of the Series 2023A, and Series 2023B, (consisting of $241.9 million par amount and original issue premium of $21.6 million, less underwriters' discount of $0.5 million), together with $8.6 million accumulated in the debt service fund were used to deposit $265.0 million into redemption accounts and escrow funds with the Senior Trustee to refund $261.5 million in revenue bonds as described below, $5.5 million to fund the swap termination to payment, and $1.1 million to pay costs of issuance.

The Series 2010A bonds were redeemed on March 31, 2023, and Series 2013A and Series 2013B bonds identified in the table below were redeemed on May 1, 2023.

| | Interest Rate | June 30, 2022 | Amount Refunded | June 30, 2023 |
|---|---|---|---|---|
| Second Series Revenue Bonds Issue: | | | | |
| Series 2010A1 (AMT) | variable | $ 71,845 | $ 71,845 | $ - |
| Series 2010A2 (AMT) | variable | 47,900 | 47,900 | - |
| Series 2013A (AMT) | 5.00%-5.50% | 295,650 | 53,860 | 241,790 |
| Series 2013B (Non-AMT/Governmental Purpose) | 5.00% | 87,860 | 87,860 | - |
| Total | | $ 503,255 | $ 261,465 | $ 241,790 |

In aggregate, the Series 2023A/B refundings resulted in the recognition of a deferred accounting loss of $3.5 million for the year ended June 30, 2023. The Series 2023A/B refundings decreased the Airport's aggregate gross debt service payments by approximately $23.9 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $10.6 million.

(Dollars in Thousands)

Variable Rate Demand Bonds

As of June 30, 2023, the Airport had outstanding aggregate principal amount of $276.3 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.34% and 0.37% per annum. As of June 30, 2023, there were no unreimbursed draws under these facilities.

The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2023, are as follows:

| | Series 2018B | Series 2018C |
|---|---|---|
| Principal amount | $ 138,170 | $ 138,170 |
| Expiration date | June 3, 2026 | April 5, 2027 |
| Credit provider | Barclays (1) | SMBC (2) |

(1) Barclays Bank PLC
(2) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport Hotel. These resolutions also designated the on-Airport Hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (Hotel Special Facility Bonds), in the aggregate principal amount of $260.0 million to finance the on-Airport Hotel and to fund a capitalized interest account.

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (Hotel Trust Agreement). In February 2021, the Hotel Special Facility Bonds, and the trust agreement pursuant to which they were issued were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020, through September 30, 2023. The interest rate will then increase incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020, is no longer an interest payment date, and there is no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility Bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport Hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport Hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel.

Because the Airport is the issuer of the Hotel Special Facility Bonds and the sole beneficiary of the trust entity serving as holder of the Hotel Special Facility Bonds, neither the Hotel Special Facility Bonds debt service payments nor the Airport's receipts from the trust are included in the accompanying financial statements. The financial statements net the interest income received from the trust against the combined interest expenses of the Hotel Special Facility Bonds and the Series 2018B/C Bonds.

As of June 30, 2023, the Airport had $260.0 million of outstanding Hotel Special Facility Bonds.

Interest Rate Swaps

The Airport entered into forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, on February 10, 2010. The swap structure was intended as a means to increase the Airport's debt service savings by setting a low synthetic fixed rate in advance of the first date that tax-exempt variable rate refunding bonds could be issued in the future to refinance callable bonds.

The Airport terminated these interest rate swaps in August 2019 and March 2023.

Debt Service Reserves and Requirements

*Issue 1 Reserve Account* - As of June 30, 2023, the reserve requirement for the Issue 1 Reserve Account was $534.9 million, which was satisfied by $539.5 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $108.6 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, $27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

*2017 Reserve Account* - As of June 30, 2023, the reserve requirement for the 2017 Reserve Account was $40.6 million, which was satisfied by $57.1 million in cash and investment securities.

*Series Not Secured by Reserve Accounts* - The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2018B/C, all of which are secured by letters of credit.

(Dollars in Thousands)

Cash Defeasance of Bonds

In June 2023, the Airport legally defeased $28.8 million of its Series 2019D Bonds, using monies previously deposited by the Airport in the Debt Service Fund.

The outstanding balance of Series 2019D Bonds for the year ended June 30, 2023, is as follows:

| Bond Series | June 30, 2022 | Cash Defeasance Amount | June 30, 2023 |
|---|---|---|---|
| 2019D | $ 402,115 | $ 28,820 | $ 373,295 |

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

**San Francisco Water Enterprise**

*Clean Water State Revolving Fund (CWSRF) Loan and Grant*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $186.2 million, which includes $15.0 million of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2023, was $131.5 million. In addition, there was $15.0 million of principal forgiveness.

*Drinking Water State Revolving Fund (DWSRF) Loan*

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of $238.2 million. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2023, was $32.1 million.

*Events of Default and Remedies*

*Water Revenue Bonds, and State Revolving Fund Loans* - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners, by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

**Hetch Hetchy Water and Power**

*Events of Default and Remedies*

*Power Revenue Bonds and Energy Bonds* - Significant events of default as specified in the Power Enterprise Indenture and Equipment Lease/Purchase Agreement include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations) declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

**Wastewater Enterprise**

*Wastewater Revenue Refunding Bonds 2022 Series B*

In July 2022, the Wastewater Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate amount of $137.1 million on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024, and October 1, 2025, and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024, through October 1, 2034.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5.0% and have a final maturity in 2034. The refunding resulted in the recognition of a deferred accounting gain of $6.9 million, gross debt service savings of $12.4 million and an economic gain of $12.0 million or 8.0% of refunded bonds.

*Wastewater Revenue Refunding Bonds 2023 Series ABC*

In April 2023, the Wastewater Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in an aggregate principal amount of $974.4 million to refund approximately $557.8 million aggregate principal amount of CP notes, finance various capital projects of the Wastewater Enterprise, and refund certain outstanding revenue bonds.

The $530.6 million 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400.9 million of CP notes for SSIP capital projects and finance certain capital projects benefitting the Wastewater Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042.

The $278.1 million 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1, 2035, through October 1, 2039, refund approximately $156.9 million of CP notes for certain capital projects benefitting the Wastewater Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The refunding resulted in the recognition of a deferred accounting gain of $5.3 million and gross debt service savings of $10.6 million.

The $165.7 million 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The refunding resulted in the recognition of a deferred accounting gain of $1.0 million, gross debt service savings of $24.6 million, and an economic gain of $15.8 million or 8.8% of refunded bonds.

*Lake Merced Green Infrastructure Project CWSRF Loan*

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6.1 million and a construction period interest of $0.17 million transferred to principal. As of June 30, 2023, the principal amount outstanding of the loan was $5.9 million.

*Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan*

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39.7 million. As of June 30, 2023, the principal amount outstanding of the loan was $36.4 million.

*North Point Facility Outfall Rehabilitation Project CWSRF Loan*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17.7 million. As of June 30, 2023, the principal amount outstanding of the loan was $15.2 million.

*Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project CWSRF Loan*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34.4 million. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29.2 million. As of June 30, 2023, the principal amount outstanding of the loan was $25.3 million.

*Oceanside (OSP) Digester Gas Utilization Upgrade Project*

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54.4 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $33.2 million, which included a loan forgiveness grant of $4.0 million. As of June 30, 2023, the principal amount outstanding of the loan was $29.2 million.

*Southeast Plant (SEP) Biosolids Digester Facilities Project*

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132.0 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132.0 million, which includes a $4.0 million loan forgiveness grant. As of June 30, 2023, the principal amount outstanding of the loan was $128.0 million.

*Southeast Plant (SEP) New Headworks (Grit) Replacement Project*

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112.0 million. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in March 2024. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $64.7 million and a receivable for reimbursement of $13.9 million. As of June 30, 2023, the principal amount outstanding of the loan was $78.6 million.

*WIFIA Loan Agreement-Biosolids Digester Facility Project*

In July 2018, the SFPUC entered into a Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement (WIFIA Loan) with the United States Environmental Protection Agency in the amount of $699.2 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and CWSRF Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bears a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of the project construction. In June 2020, the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of the WIFIA Loan Agreement were unchanged.

In March of 2023, the SFPUC received disbursement of $122.3 million in respect to eligible project costs and a capitalized interest of $74 added to principal. As of June 30, 2023, the principal amount of loan outstanding was $122.4 million.

*WIFIA Loan Agreement-Southeast Treatment Plant Improvements*

In June 2020, the SFPUC entered into a WIFIA Loan with the United States Environmental Protection Agency in the amount of $513.9 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and CWSRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

*WIFIA Master Loan Agreement and Project 1 Loan Agreement*

In April 2023, the SFPUC entered into a Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the WIFIA authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791.3 million to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369.3 million will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and CWSRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. The SFPUC has not yet submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

*Events of Default and Remedies*

*Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan* - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

## (9) EMPLOYEE BENEFIT PROGRAMS

### (a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at http://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and State law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and State governmental agencies within the State of California . Benefit provisions and other requirements are established by State statute, employer contract with CalPERS, by City resolution and resolution of component units. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

***Benefits***

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

*Miscellaneous Non-Safety Members* who became members prior to July 1, 2010, qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Miscellaneous Non-Safety Members* who became members on or after July 1, 2010, and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Miscellaneous Non-Safety Members* who became members on or after January 7, 2012, qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Sheriff's Department Members and Miscellaneous Safety Members* who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members before November 2, 1976, qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members on or after November 2, 1976, and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members on or after July 1, 2010, and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members on or after January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

*Death benefit prior to retirement* generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receive continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

*Death benefit after retirement* generally, upon the death of a retired member, the Retirement System provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in the Consumer Price Index (CPI) with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the

(Dollars in Thousands)

Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996, will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996, and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when there are sufficient "excess" investment earnings in the Plan and the Plan is also fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost-of-living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013, are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2023, are summarized as follows:

CalPERS' Provisions and Benefits

| | **City Safety Plan** | |
|---|---|---|
| | Prior to | On or after |
| Hire date | January 1, 2013 | January 1, 2013 |
| Benefit formula | 2% @ 50, 2% @ 55, or 3% @ 55 | 2% @ 57 or 2.7% @ 57 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Required employee contribution rates | 7.00% to 9.00% | 11.50% to 14.50% |
| Required employer contribution rates | 23.70% | 23.70% |

** For the City Miscellaneous Plan and the Treasure Island Miscellaneous Plan there are no current active employees.*

| | **Transportation Authority Miscellaneous Plan** | | **Successor Agency Miscellaneous Plan** | |
|---|---|---|---|---|
| | Prior to | On or after | Prior to | On or after |
| Hire date | January 1, 2013 | January 1, 2013 | January 1, 2013 | January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life | Monthly for life |
| Required employee contribution rates | 6.91% | 6.75% | 6.92% | 7.25% |
| Required employer contribution rates | 10.87% | 7.47% | 11.65% | 7.65% |

(Dollars in Thousands)

At June 30, 2023, the following current and former employees were covered by the benefit terms under each pension plan:

| | SFERS Plan | City CalPERS Miscellaneous Plan | City CalPERS Safety Plan | Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | Treasure Island Development Authority CalPERS Miscellaneous Plan |
|---|---|---|---|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits............. | 32,104 | 62 | 1,270 | 16 | 189 | 1 |
| Inactive employees entitled to but not yet receiving benefits..................... | 12,657 | 1 | 250 | 65 | 100 | - |
| Active employees.............................. | 34,017 | - | 660 | 39 | 43 | - |
| Total............................................ | 78,778 | 63 | 2,180 | 120 | 332 | 1 |

### *Contributions*

For the year ended June 30, 2023, the City's actuarial determined contributions were as follows:

| | |
|---|---|
| SFERS Plan.......................................................................................... | $ 638,003 |
| City CalPERS Miscellaneous Plan................................................................ | - |
| City CalPERS Safety Plan............................................................................ | 50,754 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans........ | 689 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.............. | 2,934 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan................ | 2 |
| Total.......................................................................................... | $ 692,382 |

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2022-23 varied from 7.5% to 12.0% as a percentage of gross covered salary. For the year ended June 30, 2023, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2021, actuarial report, the required employer contribution rates for fiscal year 2022-23 were 17.85% to 21.35%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4.5 million replacement benefits in the year ended June 30, 2023.

Pension liabilities are financed by governmental funds, enterprise funds, fiduciary funds and discrete component unit that are responsible for the charges.

(Dollars in Thousands)

### *Net Pension Liability (Asset)*

The table below shows how the net pension liability (NPL) or (net pension asset) (NPA) as of June 30, 2023, is distributed.

| | Net Pension Asset | Net Pension Liability | Total |
|---|---|---|---|
| Governmental activities | $ (17,362) | $ 1,954,150 | $ 1,936,788 |
| Business-type activities | - | 1,113,763 | 1,113,763 |
| Fiduciary funds | - | 37,328 | 37,328 |
| Component Unit - Treasure Island Development Authority | - | 11 | 11 |
| Total | $ (17,362) | $ 3,105,252 | $ 3,087,890 |

As of June 30, 2023, the City's NPL/(NPA) is comprised of the following:

| | Proportionate Share | Share of Net Pension Liability (Asset) |
|---|---|---|
| SFERS Plan | 94.8676% | $ 2,552,996 |
| City CalPERS Miscellaneous Plan | -0.1503% | (17,362) |
| City CalPERS Safety Plan | N/A | 355,592 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 0.0294% | 3,394 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 0.3232% | 37,328 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 0.0001% | 11 |
| Replacement Benefits Plan | N/A | 155,931 |
| Total | | $ 3,087,890 |

The City's NPL/(NPA) for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL/(NPA). The City's NPL/(NPA) for each of its cost-sharing plans is measured as of June 30, 2022, and the total pension liability for each cost-sharing plan used to calculate the NPL/(NPA) was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The City's proportion of the NPL/(NPA) for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL/(NPA) for the CalPERS plans were actuarially determined as of the valuation date.

(Dollars in Thousands)

The City's proportionate share and NPL/(NPA) of each of its cost-sharing plans as of June 30, 2022 and 2021 were as follows:

| | June 30, 2022 (Measurement Date) | | June 30, 2021 (Measurement Date) | |
|---|---|---|---|---|
| | Proportionate Share | Share of Net Pension Liability (Asset) | Proportionate Share | Share of Net Pension Liability (Asset) |
| SFERS Plan | 94.8676% | $ 2,552,996 | 94.6421% | $ (2,446,565) |
| City CalPERS Miscellaneous Plan | -0.1503% | (17,362) | -0.4126% | (22,316) |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 0.0294% | 3,394 | 0.0160% | 868 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 0.3232% | 37,328 | 0.4073% | 22,028 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 0.0001% | 11 | 0.0001% | 6 |
| Total | | $ 2,576,367 | | $ (2,445,979) |

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2021 (MD) | $ 1,590,799 | $ 1,446,527 | $ 144,272 |
| Change in year: | | | |
| Service cost | 27,820 | - | 27,820 |
| Interest on the total pension liability | 109,898 | - | 109,898 |
| Changes of assumptions | 45,696 | - | 45,696 |
| Differences between expected and actual experience | (19,162) | - | (19,162) |
| Contributions from the employer | - | 55,172 | (55,172) |
| Contributions from employees | - | 7,885 | (7,885) |
| Net investment loss | - | (109,224) | 109,224 |
| Benefit payments, including refunds of employee contributions | (77,028) | (77,028) | - |
| Administrative expense | - | (901) | 901 |
| Net changes during measurement period | 87,224 | (124,096) | 211,320 |
| Balance at June 30, 2022 (MD) | $ 1,678,023 | $ 1,322,431 | $ 355,592 |

(Dollars in Thousands)

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in the plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

| | Increase (Decrease) Total Pension Liability |
|---|---|
| Balance at June 30, 2021 (MD) | $ 219,574 |
| Change in year: | |
| Service cost | 2,894 |
| Interest | 4,726 |
| Differences between expected and actual experience | (24,639) |
| Assumption changes | (42,151) |
| Benefit payments | (4,473) |
| Net changes during measurement period | (63,643) |
| Balance at June 30, 2022(MD) | $ 155,931 |

### *Pension Expenses/(Benefits) and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2023, the City recognized pension expense/(benefit) including amortization of deferred outflows/inflows related to pension items as follows:

| | Primary Government | | | Component Unit | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Treasure Island Development Authority | Total |
| SFERS Plan | $ (5,916) | $ (7,280) | $ - | $ - | $ (13,196) |
| City CalPERS Miscellaneous Plan | 18,937 | - | - | - | 18,937 |
| City CalPERS Safety Plan | 47,305 | - | - | - | 47,305 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 1,415 | - | - | - | 1,415 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | - | - | (7,327) | - | (7,327) |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | - | - | - | (1) | (1) |
| Replacement Benefits Plan | 8,101 | 6,866 | - | - | 14,967 |
| Total pension expense/(benefit) | $ 69,842 | $ (414) | $ (7,327) | $ (1) | $ 62,100 |

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)
June 30, 2023
(Dollars in Thousands)

At June 30, 2023, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| | SFERS Plan | | CalPERS City Miscellaneous Plan | | CalPERS Transportation Authority Miscellaneous Plan | | CalPERS Successor Agency Miscellaneous Plan | |
|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 638,003 | $ - | $ - | $ - | $ 689 | $ - | $ 2,934 | $ - |
| Change in assumptions | 663,373 | 317,349 | - | 1,779 | 348 | - | 3,825 | 502 |
| Difference between expected and actual experience | 233,032 | - | - | 115 | 68 | 46 | 750 | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 73,364 | 55,246 | 10,641 | 2,401 | 492 | 111 | 166 | 4,593 |
| Net difference between projected and actual earnings on plan investments | - | 199,056 | - | 3,180 | 622 | - | 6,838 | - |
| Total | $ 1,607,772 | $ 571,651 | $ 10,641 | $ 7,475 | $ 2,219 | $ 157 | $ 14,513 | $ 5,095 |

| | CalPERS Treasure Island Development Authority Miscellaneous Plan | | City CalPERS Safety Plan | | Replacement Benefits Plan | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 2 | $ - | $ 50,754 | $ - | $ - | $ - | $ 692,382 | $ - |
| Change in assumptions | 1 | - | 23,936 | - | 25,082 | 33,721 | 716,565 | 353,351 |
| Difference between expected and actual experience | 8 | - | 264 | 10,039 | 20,567 | 19,711 | 254,689 | 29,911 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 3 | 3 | - | - | 10,593 | 10,593 | 95,259 | 72,947 |
| Net difference between projected and actual earnings on plan investments | 2 | - | 66,439 | - | - | - | 73,901 | 202,236 |
| Total | $ 16 | $ 3 | $ 141,393 | $ 10,039 | $ 56,242 | $ 64,025 | $ 1,832,796 | $ 658,445 |

(Dollars in Thousands)

At June 30, 2023, the City reported $692.4 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the reporting year as follows:

| Year Ending June 30 | SFERS Plan | CalPERS City Miscellaneous Plan | CalPERS Transportation Authority Miscellaneous Plan | CalPERS Successor Agency Miscellaneous Plan | CalPERS Treasure Island Development Authority Miscellaneous Plan | CalPERS Safety Plan | Replacement Benefits Plan | Total |
|---|---|---|---|---|---|---|---|---|
| 2024....... | $ (136,819) | $ 1,703 | $ 447 | $ 913 | $ 4 | $ 23,510 | $ 10,599 | $ (99,643) |
| 2025....... | (178,373) | 2,014 | 359 | 869 | 3 | 10,750 | 1,969 | (162,409) |
| 2026....... | (382,574) | 1,394 | 187 | 520 | 2 | 4,657 | (6,994) | (382,808) |
| 2027....... | 1,095,884 | (1,945) | 380 | 4,182 | 2 | 41,683 | (13,357) | 1,126,829 |
| Total | $ 398,118 | $ 3,166 | $ 1,373 | $ 6,484 | $ 11 | $ 80,600 | $ (7,783) | $ 481,969 |

### *Actuarial Assumptions*

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2022 is provided below, assumptions were consistent with the July 1, 2021 actuarial valuation.

| | SFERS Plan | | CalPERS Miscellaneous and Safety Plans |
|---|---|---|---|
| Valuation date | June 30, 2021 updated to June 30, 2022 | | June 30, 2021 |
| Measurement date | June 30, 2022 | | June 30, 2022 |
| Actuarial cost method | Entry-age normal cost method | | Entry-age normal cost method |
| Investment rate of return | 7.20%, net of pension plan investment expenses | | 6.90%, net of pension plan investment expenses, includes inflation |
| Municipal bond yield | 3.54% as of June 30, 2022<br>Bond Buyer 20-Bond GO Index, June 30, 2022 | | |
| Inflation | 2.50% | | 2.30% |
| Projected salary increases | 3.25% plus merit component based employee classification and years of service | | Varies by Entry Age and Service |
| Discount rate | 7.20% as of June 30, 2022 | | 6.90% as of June 30, 2022 |
| Basic COLA | Old Miscellaneous and | | |
| | All New Plans | 2.00% | Miscellaneous Contract COLA up to 2.30% until Purchasing |
| | Old Police and Fire: | | Protection Allowance Floor on Purchasing Power applies. |
| | Pre 7/1/75 Retirements | 1.90% | Safety standard COLA 2.0% |
| | Chapters A8.595 and A8.596 | 2.50% | |
| | Chapters A8.559 and A8.585 | 3.60% | |

For SFERS, mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used in the SFERS valuation at the June 30, 2022, measurement date were based upon the results of an experience study for the period July 1, 2014, through June 30, 2019, and an economic experience study as of July 1, 2021.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The rates incorporate generational mortality to capture ongoing mortality improvements using 80% of Scale MP 2020 published by the Society of Actuaries. All other actuarial assumptions were based on the results of the 2021 actuarial experience study. The Experience Study report can be obtained at CalPERS' website.

(Dollars in Thousands)

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 6.90% as of the June 30, 2022, measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2021.

***Discount Rates***

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2022, was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021, actuarial valuation.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996, and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996, and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2022, of the probability and amount of Supplemental COLA for each future year. No Supplemental COLA was payable as of July 1, 2022 due to the unfavorable investment returns for fiscal year 2021-22.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

**Assumed Supplemental COLA for Members with a 2.00% Basic COLA**

| Year Ending June 30 | 96 - Prop C | Before 11/6/96 or After Prop C |
|---|---|---|
| 2024 | 0.75% | 0.70% |
| 2025 | 0.75% | 0.60% |
| 2026 | 0.75% | 0.60% |
| 2027+ | 0.75% | 0.50% |

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in Thousands)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2022, is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 4.8% |
| Treasuries | 8.0% | 0.6% |
| Liquid Credit | 5.0% | 3.5% |
| Private Credit | 10.0% | 5.8% |
| Private Equity | 23.0% | 7.9% |
| Real Assets | 10.0% | 4.7% |
| Hedge Funds/Absolute Return | 10.0% | 3.4% |
| Leverage | -3.0% | 0.6% |

<u>CalPERS</u> - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

(Dollars in Thousands)

The table below reflects long-term expected real rates of return by asset class.

| Asset Class | Target Allocation | Real Return[(1),(2)] |
|---|---|---|
| Global equity - cap-weighted | 30.00% | 4.54% |
| Global equity - non-cap-weighted | 12.00% | 3.84% |
| Private equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed securities | 5.00% | 0.50% |
| Investment grade corporates | 10.00% | 1.56% |
| High yield | 5.00% | 2.27% |
| Emerging market debt | 5.00% | 2.48% |
| Private debt | 5.00% | 3.57% |
| Real estate | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

(1) An expected price inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study.

Replacement Benefits Plan – The discount rate was 3.54% as of June 30, 2022. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yield is the Bond Buyer 20-Year GO Index as of June 30, 2022. This is the rate used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $245 thousand was used for the 2022 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2023, the membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits.

(Dollars in Thousands)

***Sensitivity of Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate***

The following presents the City's proportionate share of the NPL/(NPA) for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| Cost-Sharing Pension Plans<br>Proportionate Share of Net Pension Liability | 1% Decrease Share of NPL/(NPA) @ 6.20% | Current Share of NPL/(NPA) @ 7.20% | 1% Increase Share of NPL/(NPA) @ 8.20% |
|---|---|---|---|
| SFERS | $ 6,991,061 | $ 2,552,996 | $ (1,105,652) |

| | 1% Decrease Share of NPL/(NPA) @ 5.90% | Current Share of NPL/(NPA) @ 6.90% | 1% Increase Share of NPL/(NPA) @ 7.90% |
|---|---|---|---|
| City CalPERS Miscellaneous Plan | $ (14,925) | $ (17,362) | $ (19,367) |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 5,908 | 3,394 | 1,324 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 52,513 | 37,328 | 24,834 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 22 | 11 | 2 |

The following presents the NPL/(NPA) for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| Agent Pension Plan | 1% Decrease @ 5.90% | Measurement Date @ 6.90% | 1% Increase @ 7.90% |
|---|---|---|---|
| City CalPERS Safety Plan | $ 575,864 | $ 355,592 | $ 173,450 |

| Single Employer Plan | 1% Decrease @ 2.54% | Measurement Date @ 3.54% | 1% Increase @ 4.54% |
|---|---|---|---|
| Replacement Benefits Plan | $ 184,981 | $ 155,931 | $ 133,074 |

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

### Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(Dollars in Thousands)

**Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $873.6 million in fiscal year 2022-23. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is $257.2 million to provide postemployment health care benefits for 30,788 retired participants, of which $215.5 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

**(b) Postemployment Health Care Benefits**

***City (excluding the Transportation Authority and the Successor Agency)***

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

**San Francisco Health Service System OPEB Plan**

| | |
|---|---|
| Valuation Date (VD) | June 30, 2022 |
| Measurement Date (MD) | June 30, 2022 |
| Measurement Period (MP) | July 1, 2021 to June 30, 2022 |

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

(Dollars in Thousands)

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009, must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

*City and County of San Francisco's Retirement System (SFERS)*

| | | |
|---|---|---|
| Normal Retirement | Miscellaneous | Age 50 with 20 years of credited service [1] |
| | | Age 60 with 10 years of credited service |
| | Safety | Age 50 with 5 years of credited service |
| Disabled Retirement [2] | Any age with 10 years of credited service | |
| Terminated Vested | 5 years of credited service at separation | |

*California Public Employees' Retirement System (CalPERS)*

| | |
|---|---|
| Normal Retirement | Age 50 with 5 years of credited service |
| Disabled Retirement [2] | Any age with 5 years of credited service |
| Terminated Vested | 5 years of credited service at separation |

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded), and Health Net (flex-funded)

Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2022, valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

| | City Plan |
|---|---|
| Active plan members | 31,621 |
| Inactive employees entitled to but not yet receiving benefit payments | 2,211 |
| Inactive employees or beneficiaries currently receiving benefit payments | 23,624 |
| Total | 57,456 |

(Dollars in Thousands)

***San Francisco County Transportation Authority and Successor Agency***

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2022, actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

| | Transportation Authority | Successor Agency |
|---|---|---|
| Active plan members | 39 | 36 |
| Inactive employees entitled to but not yet receiving benefit payments | - | - |
| Inactive employees or beneficiaries currently receiving benefit payments | 9 | 103 |
| Total | 48 | 139 |

### Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009, until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the

(Dollars in Thousands)

RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $45.2 million to the RHCTF. The "pay-as-you-go" portion paid by the City was $215.4 million for a total contribution subsequent to the measurement date of $260.6 million for the year ended June 30, 2023.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2023, the Transportation Authority contributed $105 thousand to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2023, the Successor Agency contributed $2.4 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

OPEB liabilities are financed by governmental funds, enterprise funds and fiduciary funds that are responsible for the charges.

### Net OPEB Liability/(Asset)

The table below shows how the net OPEB liability/(asset) as of June 30, 2023, is distributed.

| | Net OPEB Asset | Net OPEB Liability | Total |
|---|---|---|---|
| Governmental activities................ | $ (101) * | $ 2,057,177 | $ 2,057,076 |
| Business-type activities............... | - | 1,677,814 | 1,677,814 |
| Fiduciary funds.......................... | (2,118) | 11,279 | 9,161 |
| Total.................................... | $ (2,219) | $ 3,746,270 | $ 3,744,051 |

* Amount is reported in other assets on the statement of net position.

As of June 30, 2023, the City's net OPEB liability (asset) is comprised of the following:

| | Share of Net OPEB Liability (Asset) |
|---|---|
| City defined benefit healthcare plan................................................ | $ 3,746,270 |
| Transportation Authority defined benefit healthcare plan................... | (101) |
| Successor Agency defined benefit healthcare plan.......................... | (2,118) |
| Total........................................................................... | $ 3,744,051 |

(Dollars in Thousands)

The changes in the City OPEB Plan's net OPEB liability are as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2021 (MD)...................................... | $ 4,409,899 | $ 718,778 | $ 3,691,121 |
| Changes during the measurement period......................... | | | |
| Service cost............................................................ | 154,800 | - | 154,800 |
| Interest.................................................................. | 306,758 | - | 306,758 |
| Differences between expected and actual experience... | (224,065) | - | (224,065) |
| Changes of assumptions........................................... | 49,784 | - | 49,784 |
| Contributions - employer.......................................... | - | 252,866 | (252,866) |
| Contributions - member............................................. | - | 66,455 | (66,455) |
| Net investment loss.................................................. | - | (87,003) | 87,003 |
| Benefit payments, including refunds of member contributions............................................. | (211,025) | (211,025) | - |
| Administrative expense............................................. | - | (190) | 190 |
| Net changes during the measurement period................... | 76,252 | 21,103 | 55,149 |
| Balance at June 30, 2022 (MD).................................. | $ 4,486,151 | $ 739,881 | $ 3,746,270 |

The changes in net OPEB liability (asset) for the plans of the Transportation Authority and Successor Agency are as follows:

| | Transportation Authority | | | Successor Agency | | |
|---|---|---|---|---|---|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| Balance at June 30, 2021 (MD)...................................... | $ 1,956 | $ 2,493 | $ (537) | $ 11,217 | $ 14,740 | $ (3,523) |
| Changes during the measurement period......................... | | | | | | |
| Service cost............................................................ | 123 | - | 123 | 314 | - | 314 |
| Interest.................................................................. | 150 | - | 150 | 694 | - | 694 |
| Differences between expected and actual experience... | (3) | - | (3) | - | - | - |
| Changes of assumptions........................................... | (99) | - | (99) | - | - | - |
| Contributions from the employer................................ | - | 70 | (70) | - | 1,689 | (1,689) |
| Benefit payments..................................................... | (70) | (70) | - | (854) | (854) | - |
| Administrative expense............................................. | - | (1) | 1 | - | (6) | 6 |
| Net investment loss.................................................. | - | (334) | 334 | - | (2,080) | 2,080 |
| Net changes during the measurement period................... | 101 | (335) | 436 | 154 | (1,251) | 1,405 |
| Balance at June 30, 2022 (MD).................................. | $ 2,057 | $ 2,158 | $ (101) | $ 11,371 | $ 13,489 | $ (2,118) |

(Dollars in Thousands)

### *OPEB Expenses/(Benefits) and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2023, the City recognized OPEB expense/(benefit) including amortization of deferred outflows/inflows related to OPEB items as follows:

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total |
| City defined benefit healthcare plan | $ 147,653 | $ 109,259 | $ 62 | $ 256,974 |
| Transportation Authority defined benefit healthcare plan | 86 | - | - | 86 |
| Successor Agency defined benefit healthcare plan | - | - | (291) | (291) |
| Total OPEB expense/ (benefit) | $ 147,739 | $ 109,259 | $ (229) | $ 256,769 |

As of June 30, 2023, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

| | City Plan | | Transportation Authority | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions subsequent to measurement date | $ 260,649 | $ - | $ 105 | $ - |
| Differences between expected and actual experience | 83,173 | 623,707 | 160 | 451 |
| Changes in assumptions | 159,935 | - | - | 139 |
| Changes in proportion | 123,282 | 123,282 | - | - |
| Net difference between projected and actual earnings on plan investments | 60,306 | - | 220 | - |
| Total | **$ 687,345** | **$ 746,989** | **$ 485** | **$ 590** |

| | Successor Agency | | Total | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions subsequent to measurement date | $ 2,429 | $ - | $ 263,183 | $ - |
| Differences between expected and actual experience | - | 501 | 83,333 | 624,659 |
| Changes in assumptions | - | 79 | 159,935 | 218 |
| Changes in proportion | - | - | 123,282 | 123,282 |
| Net difference between projected and actual earnings on plan investments | 1,190 | - | 61,716 | - |
| Total | **$ 3,619** | **$ 580** | **$ 691,449** | **$ 748,159** |

(Dollars in Thousands)

At June 30, 2023, the City reported $260.6 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2024.

Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

| Year ending June 30: | City | Transportation Authority | Successor Agency | Total |
|---|---|---|---|---|
| 2024................ | $ (84,576) | $ 8 | $ (272) | $ (84,840) |
| 2025................ | (83,580) | 4 | 122 | (83,454) |
| 2026................ | (45,951) | (11) | 150 | (45,812) |
| 2027................ | (55,431) | 67 | 610 | (54,754) |
| 2028................ | (50,755) | (38) | - | (50,793) |
| Thereafter........ | - | (240) | - | (240) |
| Total | $ (320,293) | $ (210) | $ 610 | $ (319,893) |

(Dollars in Thousands)

## Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2022 (measurement date) is provided below:

**Key Actuarial Assumptions**

| | |
|---|---|
| **Valuation Date** | June 30, 2022 |
| **Measurement Date** | June 30, 2022 |
| **Actuarial Cost Method** | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| **Healthcare Cost Trend Rates** | Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 |
| | Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 |
| | 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 |
| | Vision and dental expenses trend remains a flat 3.0% for all years |
| **Expected Rate of Return on Plan Assets** | 7.00% |
| **Discount Rate** | 7.00% |
| **Salary Increase Rate** | Wage Inflation Component: 3.25% |
| | Additional Merit Component (dependent on years of service): |
| | Police: 0.50% - 7.50% |
| | Fire: 0.50% - 14.00% |
| | Muni Drivers: 0.00% - 16.00% |
| | Craft: 0.50% - 3.75% |
| | Misc: 0.30% - 5.50% |
| **Inflation Rate** | Wage Inflation: 3.25% compounded annually |
| | Consumer Price Inflation: 2.50% compounded annually |
| **Mortality Tables** | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019. |

Non-Annuitants

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 0.834 | 0.866 |
| Safety | PubS-2010 Employee | 1.011 | 0.979 |

Healthy Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubS-2010 Employee | 0.947 | 1.044 |

Disabled Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.045 | 1.003 |
| Safety | PubS-2010 Employee | 0.916 | 0.995 |

Beneficiaries

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubG-2010 Employee | 1.031 | 0.977 |

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2019 projection scale.

(Dollars in Thousands)

The Transportation Authority net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined using an actuarial valuation as of June 30, 2021. The Successor Agency's net OPEB asset was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

| | June 30, 2022 Measurement Date | |
|---|---|---|
| **Key Actuarial Assumptions** | **Transportation Authority** | **Successor Agency** |
| Actuarial Valuation Date | June 30, 2021 | June 30, 2021 |
| Discount Rate | 7.59% | 6.25% |
| General Inflation | 2.75% per annum | 2.50% |
| Salary Increases | 2.75% per annum, in aggregate | 2.75%; Merit based on 2017 CalPERS Experience Study |
| Investment Rate of Return | 7.59% | 6.25% |
| Mortality, Turnover, Disability, and Retirement | CalPERS 2017 Experience Study for the period from 1997 to 2015 | CalPERS 2017 Experience Study for the period from 1997 to 2015<br>Post-retirement mortality projected fully generational with Scale MP-2020 |
| Healthcare Cost Trend Rate | Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0% | Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076;<br>Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076;<br>Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 |

### Sensitivity of Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability (asset) for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

| | June 30, 2022 (measurement year) | | |
|---|---|---|---|
| **Plan** | **1% Decrease** | **Healthcare Trend** | **1% Increase** |
| City Defined Benefit Plan | $ 3,204,874 | $ 3,746,270 | $ 4,417,804 |
| Transportation Authority | (408) | (101) | 290 |
| Successor Agency | (3,269) | (2,118) | (748) |

### Discount Rate

**City OPEB Plan -** The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Dollars in Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Large Cap | 28.0% | 6.8% |
| U.S. Small Cap | 3.0% | 7.4% |
| Developed Market Equity (non-U.S.) | 15.0% | 7.5% |
| Emerging Market Equity | 13.0% | 8.4% |
| **Credit** | | |
| Bank Loans | 3.0% | 4.0% |
| High Yield Bonds | 3.0% | 4.4% |
| Emerging Market Bonds | 3.0% | 4.2% |
| **Rate Securities** | | |
| Investment Grade Bonds | 9.0% | 2.4% |
| Long-term Government Bonds | 4.0% | 2.8% |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0% | 1.9% |
| **Private Markets** | | |
| Private Equity | 5.0% | 10.0% |
| Core Private Real Estate | 5.0% | 6.1% |
| **Risk Mitigating Strategies** | | |
| Global Macro | 5.0% | 5.0% |
| Total | 100.0% | |

**Transportation Authority and Successor Agency** - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.59% and 6.25%, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

(Dollars in Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | Transportation Authority | | Successor Agency | |
|---|---|---|---|---|
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| Global Equity | 59.00% | 5.25% | 49.00% | 4.56% |
| Fixed Income | 25.00% | 0.99% | 23.00% | 1.56% |
| Treasury Inflation Protection Securities | 5.00% | 0.45% | 5.00% | -0.08% |
| Real Estate Investment Trusts | 8.00% | 4.50% | 20.00% | 4.06% |
| Commodities | 3.00% | 3.00% | 3.00% | 1.22% |
| Total | 100.00% | | 100.00% | |

The following presents the net OPEB liability (asset) calculated using the discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

| | June 30, 2022 (measurement year) | | |
|---|---|---|---|
| **Plan** | **1% Decrease 6.00%** | **Discount Rate 7.00 %** | **1% Increase 8.00%** |
| City Defined Benefit Plan | $ 4,361,388 | $ 3,746,270 | $ 3,241,613 |

| | June 30, 2022 (measurement year) | | |
|---|---|---|---|
| | **1% Decrease 6.59%** | **Discount Rate 7.59%** | **1% Increase 8.59%** |
| Transportation Authority | $ 211 | $ (101) | $ (357) |

| | June 30, 2022 (measurement year) | | |
|---|---|---|---|
| | **1% Decrease 5.25%** | **Discount Rate 6.25%** | **1% Increase 7.25%** |
| Successor Agency | $ (957) | $ (2,118) | $ (3,100) |

(Dollars in Thousands)

## (10) FUND EQUITY

### (a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2023, were distributed as follows:

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Nonspendable | | | |
| Imprest Cash, Advances, and Long-Term Receivables | $ 1,174 | $ 356 | $ 1,530 |
| Restricted | | | |
| Rainy Day | 114,539 | - | 114,539 |
| Public Protection | | | |
| Police | - | 12,316 | 12,316 |
| Sheriff | - | 1,177 | 1,177 |
| Other Public Protection | - | 41,789 | 41,789 |
| Public Works, Transportation & Commerce | - | 236,623 | 236,623 |
| Human Welfare & Neighborhood Development | - | 1,883,783 | 1,883,783 |
| Affordable Housing | - | 216,773 | 216,773 |
| Community Health | - | 72,100 | 72,100 |
| Culture & Recreation | - | 333,166 | 333,166 |
| General Administration & Finance | - | 46,191 | 46,191 |
| Capital Projects | - | 486,946 | 486,946 |
| Debt Service | - | 234,979 | 234,979 |
| Total Restricted | 114,539 | 3,565,843 | 3,680,382 |
| Committed | | | |
| Budget Stabilization | 330,010 | - | 330,010 |
| Assigned | | | |
| Public Protection | | | |
| Police | 17,039 | 3,835 | 20,874 |
| Sheriff | 11,167 | 722 | 11,889 |
| Other Public Protection | 68,721 | - | 68,721 |
| Public Works, Transportation & Commerce | 98,692 | 88,420 | 187,112 |
| Human Welfare & Neighborhood Development | 85,960 | 155,141 | 241,101 |
| Affordable Housing | 367,496 | - | 367,496 |
| Community Health | 237,714 | - | 237,714 |
| Culture & Recreation | 22,158 | 21,335 | 43,493 |
| General Administration & Finance | 85,554 | 21,609 | 107,163 |
| General City Responsibilities | 74,249 | - | 74,249 |
| Self-Insurance | 46,496 | - | 46,496 |
| Capital Projects | 196,299 | - | 196,299 |
| Litigation and Contingencies | 262,730 | - | 262,730 |
| Subsequent Year's Budget | 150,628 | - | 150,628 |
| Total Assigned | 1,724,903 | 291,062 | 2,015,965 |
| Unassigned | 477,511 | (1,936) | 475,575 |
| Total | $ 2,648,137 | $ 3,855,325 | $ 6,503,462 |

### (b) General Fund Stabilization and Other Reserves

***Rainy Day Reserve***

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the City Reserve) and the San Francisco Unified School District (the School Reserve). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2023-24 through 2027-28.

***Budget Stabilization Reserve***

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2023-24 through 2027-28.

### (c) Encumbrances

At June 30, 2023, encumbrances recorded in the General Fund and nonmajor governmental funds were $424.3 million and $869.8 million, respectively.

### (d) Restricted Net Position

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the seismic strengthening and repair of the Embarcadero Seawall managed by the Port and for the retrofit and improvement work to ensure a reliable water supply managed by the Water Enterprise in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $532.2 million of unrestricted net position of governmental activities, of which $407.1 million reduced net investment in capital assets and $125.1 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

### (e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of $1.5 million as of June 30, 2023. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2023.

The Street Improvement Fund had a $0.4 million deficit as of June 30, 2023. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2023.

The Central Shops Internal Service Fund had a deficit in total net position of $20.0 million as of June 30, 2023, mainly due to the accrual of other postemployment benefits liability. The operating deficit is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2023, the Successor Agency has a deficit of $418.5 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(Dollars in Thousands)

## (11) Unavailable Resources in Governmental Funds

The deferred inflows of resources balance in governmental funds as of June 30, 2023, consists of the following unavailable resources:

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Grant and subvention revenues | $ 113,283 | $ 118,086 | $ 231,369 |
| Property tax | 179,335 | 7,556 | 186,891 |
| Teeter Plan | 40,685 | - | 40,685 |
| SB 90 | 4,634 | - | 4,634 |
| PG&E franchise tax | 3,862 | - | 3,862 |
| Loans | 10,705 | 205,461 | 216,166 |
| Leases | 79,916 | - | 79,916 |
| Total | $ 432,420 | $ 331,103 | $ 763,523 |

California Senate Bill 90 (SB90) was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

## (12) San Francisco County Transportation Authority

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the California Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

**Sales Tax Program.** San Francisco voters in November 2022 approved Proposition L, the Sales Tax for Transportation Projects measure that will direct $2.60 billion (2020 dollars) in half-cent sales tax funds over 30 years to help deliver safer, smoother streets, more reliable transit, continue paratransit services for seniors and persons with disabilities, reduce congestion, and improve air quality. Proposition L replaced the 2003 Proposition K Expenditure Plan with a new 30-year Expenditure Plan. The Prop L Expenditure Plan includes investments in five major categories: 1) Major Transit Projects (such as Muni Rail Core Capacity, BART Core Capacity, and the Caltrain Downtown Rail Extension); 2) Transit Maintenance and Enhancements; 3) Paratransit (services for seniors and people with disabilities); 4) Streets and Freeways (including funds for pedestrian and bicycle improvements, signals and traffic calming, street repaving); and 5) Transportation System Development and Management (including funds for transportation demand management, neighborhood and equity-focused planning and implementation). Under Proposition L legislation, the Transportation Authority directs the use of the Sales Tax and may issue up to $1.91 billion in bonds secured by the Sales Tax.

**Congestion Management Agency (CMA) Programs.** On November 6, 1990, the Transportation Authority was designated under State law as the CMA for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming, and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

**Transportation Fund for Clean Air (TFCA) Program.** On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District, come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

**Vehicle Registration Fee for Transportation Improvements Program.** On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco, and to use the proceeds to fund transportation projects identified in the 30-year Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues, designated for each category over the 30-year Expenditure Plan period, is shown in parentheses for the following category name: Street Repair and Reconstruction (50%); Pedestrian Safety (25%); and Transit Reliability and Mobility Improvements (25%).

**Treasure Island Mobility Management Authority (TIMMA).** The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981, Leno) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141 (Ammiano), establishing TIMMA as a legal entity, distinct from the Transportation Authority, to help firewall the Transportation Authority's other functions. The 11 members of the Transportation Authority Board act as the Commissioners for TIMMA Board. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

**Traffic Congestion Mitigation Tax.** The Traffic Congestion Mitigation Tax was approved by San Francisco voters on November 5, 2019, through approval of Proposition D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to support transit and street safety improvements on San Francisco's roadways, helping to mitigate the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant. The measure also takes into account rides provided by autonomous vehicles that are taxed in this same manner and rides provided by private transit companies, if a company were to enter the market. The tax is in effect until November 2045. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals upgrades and retimings.

(Dollars in Thousands)

## (13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

### (a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2022-23, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

| | |
|---|---|
| Bonds issued with revenue pledge | $ 241,915 |
| Bond principal and interest remaining due at end of the fiscal year | 14,950,425 |
| Bond principal and interest paid in the fiscal year | 400,509 |
| Commercial paper issued with subordinate revenue pledge | 417,250 |
| Commercial paper principal and interest remaining due at end of the fiscal year | 504,135 |
| Commercial paper principal, interest and fees paid in the fiscal year | 6,291 |
| Net revenues | 511,495 |

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the Revenues of the on-Airport Hotel and certain other assets pledged under the Amended and Restated Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2057-58 and are subject to mandatory sinking fund redemption each year starting in 2025. The Hotel Special Facility Bonds are not payable from or secured by the Net Revenues of the Airport.

***Reserves and Debt Service -*** Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established two reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2023, only the Series 2017D, 2019B, and 2019D

(Dollars in Thousands)

Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

(ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

**Passenger Facility Charges –**The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2023, the FAA has approved Airport applications (PFC #2 to PFC #9) for collection and use within a total cumulative collection amount of $2.3 billion. The final charge expiration date is estimated to be December 1, 2030. For the year ended June 30, 2023, the Airport reported approximately $99.4 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

**Commitments and Contingencies** - Purchase commitments for construction, material and services as of June 30, 2023, are as follows:

| | |
|---|---|
| Construction | $ 40,615 |
| Operating | 47,693 |
| Total | $ 88,308 |

**Transactions with Other Funds.** Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2023, was $48.7 million and was recorded as a transfer. In addition, the Airport pays for the cost of certain direct services provided by City departments to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2023, was $186.4 million.

**Business Concentrations** - In addition to the Lease and Use Agreements with the airlines, the Airport leases other businesses to operate concessions at the Airport. For the year ended June 30, 2023, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines ............................................. 26.2%

### (b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation (Burton Act) ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

**Pledged Revenues –** The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under the public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. As of June 30, 2023, the total principal and interest remaining to be paid on the bonds is $55.2 million. The principal and interest payments made in 2023 were $3.3 million and net revenue for the year ended June 30, 2023, was $60.6 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. The total principal and interest remaining to be paid on this loan is $1.4 million. Annual principal and interest payments were $0.2 million in 2023 and pledged harbor revenues were $0.2 million for the year ended June 30, 2023.

**Commitments and Contingencies –** The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2023, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $12.4 million for capital projects and $3.8 million for general operations.

**Transactions with Other Funds –** The Port receives from, and provides services to, various City departments. In fiscal year 2022-23, the $27.8 million in services provided by other City departments included $8.8 million of insurance premiums and $1.0 million in workers' compensation expense.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). In August 2019, the Port received $15.0 million from MOHCD, which included additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2023, the Port has a deferred inflow balance in the amount of $13.7 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply a hundred percent rent credits toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2023, rent credits of $0.7 million have been provided to SFFD.

In December 2019, the Port and San Francisco Fire Department (SFFD) entered into an MOU for the installation of the newly constructed Fireboat Station 35, a floating first response facility, at Pier 22½. This MOU replaced the existing License 501 for the use of the Pier 22½ shed as a firehouse building. In 2022, the Port authorized SFFD to apply $0.9 million of rent credits toward the lease payments for the tenant improvements to the existing marginal wharf and substructure as part of the Project for a dedicated public access area. As of June 30, 2023, rent credits of $0.08 million have been provided to SFFD.

**South Beach Harbor Project Commitments –** On May 1, 2019, the Successor Agency transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20) requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40.

**Pollution Remediation Obligations –** The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to Port property, including polychlorinated biphenyls, polycyclic aromatic hydrocarbons and other oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

(Dollars in Thousands)

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

The Port evaluates cost estimates annually based on additional information and transaction events that may impact the pollution remediation outlays. The accrued cost for pollution remediation at Pier 70 is estimated to be $3.5 million at June 30, 2023. These are obligations not assumed by the Port development partners. In addition, the Port estimates the cost to install a sediment cap offshore along the former Pier 70 Shipyard and adjacent to Crane Cove Park at $2.5 million and the cost to perform studies and risk assessments involving the Pier 70 Undeveloped Upland area at $0.8 million.

The Port's Mission Bay Ferry Landing (MBFL) project is located adjacent to the south side of the former Pier 64. The MBFL project consists of approximately eight acres of in-water area, dredging, ferry berths, and a few hundred feet of armored shoreline. The Port completed phase one of MBFL construction in November 2020. A marine mattress and additional sand layer will be part of the phase two construction to protect the sand layer from erosion. Construction for phase two is scheduled for fiscal year 2024-25. As of June 30, 2023, the Port estimated this pollution remediation obligation to be $3.7 million. This estimate is not intended to reflect an admission of liability.

Other environmental conditions on Port property include polycyclic aromatic hydrocarbons and oil contamination at various sites. As of June 30, 2023, pollution remediation liabilities are estimated at $3.7 million for the rest of the Port's properties.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2023, is as follows:

| | Environmental Remediation |
|---|---|
| Environmental liabilities at July 1, 2022…………… | $ 9,683 |
| Current year claims and changes in estimates…. | 1,242 |
| Environmental liabilities at June 30, 2023………… | $ 10,925 |

**(c) San Francisco Water Enterprise**

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2022-23, the Water Enterprise sold water, approximately 62,227 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission, established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

(Dollars in Thousands)

**Pledged Revenues –** The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2057-58.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2023 and applicable revenues for 2023 are as follows:

| | |
|---|---|
| Bonds issued with revenue pledge ... | $ 4,882,130 |
| Principal and interest remaining due at end of the fiscal year ... | 7,193,317 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge... | 163,627 |
| Bond principal and interest paid in the fiscal year ... | 307,062 |
| Net revenues ... | 372,689 |
| Funds available for revenue bond debt service ... | 566,764 |

**Water Balancing Account –** During fiscal year 2022-23, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $300.5 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2023, the Wholesale Customers owed the Enterprise $10.1 million under the Water Supply Agreement.

**Commitments and Contingencies –** As of June 30, 2023, the Water Enterprise had outstanding commitments with third parties of $220.7 million for various capital projects and other purchase agreements.

**Environmental Issue –** As of June 30, 2023, the total pollution remediation liability was $1.3 million, for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area.

**Transactions with Other Funds –** The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $49.6 million and $11.4 million, respectively, for the year ended June 30, 2023, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $18.7 million for the year ended June 30, 2023 and have been included in services provided by other departments.

**(d) Hetch Hetchy Enterprise**

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 61.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 39.0% balance of electricity is sold to CleanPowerSF and the wholesale electric market . As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts (Modesto Irrigation District and Turlock Irrigation District) to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, State and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

(Dollars in Thousands)

**Segment Information –** Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

| Condensed Statements of Net Position | Hetch Hetchy Water | Hetch Hetchy Power | CleanPowerSF | Total |
|---|---|---|---|---|
| Assets*: | | | | |
| Current assets | $ 79,709 | $ 251,534 | $ 146,482 | $ 477,725 |
| Receivables from other funds and component units | - | 11,486 | - | 11,486 |
| Noncurrent restricted cash and investments | 10,980 | 21,446 | - | 32,426 |
| Other noncurrent assets | 423 | 9,832 | 11,454 | 21,709 |
| Capital assets | 219,754 | 646,946 | - | 866,700 |
| Total assets | 310,866 | 941,244 | 157,936 | 1,410,046 |
| Deferred outflows of resources: | | | | |
| Pensions | 8,858 | 10,826 | 1,292 | 20,976 |
| Other postemployment benefits | 3,248 | 3,969 | 1,009 | 8,226 |
| Total deferred outflows of resources | 12,106 | 14,795 | 2,301 | 29,202 |
| Liabilities: | | | | |
| Current liabilities | 9,888 | 65,390 | 31,461 | 106,739 |
| Noncurrent liabilities | 31,730 | 363,468 | 6,557 | 401,755 |
| Total liabilities | 41,618 | 428,858 | 38,018 | 508,494 |
| Deferred inflows of resources: | | | | |
| Pensions | 4,142 | 5,062 | 1,296 | 10,500 |
| Other postemployment benefits | 3,084 | 3,769 | 2,922 | 9,775 |
| Total deferred inflows of resources | 7,226 | 8,831 | 4,218 | 20,275 |
| Net position: | | | | |
| Net investment in capital assets | 219,754 | 336,281 | - | 556,035 |
| Restrictricted for capital projects | 5,233 | - | - | 5,233 |
| Restricted for debt service | - | 56 | - | 56 |
| Unrestricted | 49,141 | 182,013 | 118,001 | 349,155 |
| Total net position | $ 274,128 | $ 518,350 | $ 118,001 | $ 910,479 |

* Certain amounts presented herein have been reclassified from the Statement of Net Position

| Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position | Hetch Hetchy Water | Hetch Hetchy Power | CleanPowerSF | Total |
|---|---|---|---|---|
| Operating revenues | $ 52,697 | $ 204,003 | $ 326,777 | $ 583,477 |
| Depreciation expense | (6,524) | (17,877) | (270) | (24,671) |
| Other operating expenses | (43,487) | (173,675) | (294,510) | (511,672) |
| Operating income | 2,686 | 12,451 | 31,997 | 47,134 |
| Nonoperating revenues (expenses): | | | | |
| Federal and state grants | 1,627 | 937 | 1,173 | 3,737 |
| Interest and investment income | 457 | 3,741 | 405 | 4,603 |
| Interest expense | (4) | (9,486) | (1) | (9,491) |
| Other nonoperating revenues net of expenses | 180 | 14,025 | 107 | 14,312 |
| Capital contributions | - | 2,535 | - | 2,535 |
| Transfer in (out), net | 20,000 | (32) | - | 19,968 |
| Change in net position | 24,946 | 24,171 | 33,681 | 82,798 |
| Net position at beginning of year, as restated | 249,182 | 494,179 | 84,320 | 827,681 |
| Net position at end of year | $ 274,128 | $ 518,350 | $ 118,001 | $ 910,479 |

| Condensed Statements of Cash Flows | Hetch Hetchy Water | Hetch Hetchy Power | CleanPowerSF | Total |
|---|---|---|---|---|
| Net cash provided by (used in): | | | | |
| Operating activities | $ (933) | $ 48,520 | $ 39,626 | $ 87,213 |
| Noncapital financing activities | 20,535 | 4,244 | 3,349 | 28,128 |
| Capital and related financing activities | (26,042) | (7,474) | (272) | (33,788) |
| Investing activities | 914 | 3,663 | 1,207 | 5,784 |
| Increase (decrease) in cash and cash equivalents | (5,526) | 48,953 | 43,910 | 87,337 |
| Cash and cash equivalents at beginning of year | 97,383 | 208,857 | 57,887 | 364,127 |
| Cash and cash equivalents at end of year | $ 91,857 | $ 257,810 | $ 101,797 | $ 451,464 |

(Dollars in Thousands)

**Pledged Revenues –** Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), and the 2015 New Clean Renewable Energy Bonds (NCREBs). Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB and 2021 Series AB power revenue bonds are payable through fiscal year 2045-46 and 2051-52, respectively, and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2022-23, applicable net revenues, and funds available for debt service are as follows:

| **Hetch Hetchy Power** | |
|---|---|
| Bonds issued with revenue pledge | $ 182,271 |
| Bond principal and interest remaining due at end of the fiscal year | 281,546 |
| Bond principal and interest paid in the fiscal year* | 3,905 |
| Net revenues | 52,195 |
| Funds available for revenue bond debt service | 162,399 |

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds net of capitalized interest if any, which have a senior lien on Power Enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was $2,567, net of capitalized interest.

**Commitments and Contingencies –** As of June 30, 2023, Hetch Hetchy had outstanding commitments with third parties of $136.3 million for various capital projects and other purchase agreements for materials and services.

**Hetch Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District and Turlock Irrigation District (collectively the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were $5.3 million in fiscal year 2022-23. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

**Hetch Hetchy Power**

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal year 2022-23, Hetch Hetchy Power purchased distribution services for $29.0 million from PG&E under the terms of the service agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2022-23, Hetchy Power purchased $3.7 million of power and other related products. There was $1.2 million or 155,000 MWh of excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2022-23.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2022-23, the facility generated 6,006 MWh and rate was at $344/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2022-23, purchases of energy under the PPA were $2.0 million or 6,006 MWh.

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134.7 million to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $0.5 million as of June 30, 2023. CleanPowerSF's share was $0.2 million June 30, 2023.

On January 6, 2023, Amendment No. 1 was requested and approved to increase this contact by $125.0 million, increasing the total contract to $259.7 million, with no change to the agreement duration. On March 17, 2023, Amendment No. 2, was approved to increase the contract by $636.0 million for a total not to exceed contract amount of $895.7 million, with no change to the agreement duration. The drivers for these Amendments were higher than anticipated power prices, due to extreme weather, draught conditions, and global energy shortages.

**CleanPowerSF**

CleanPowerSF regularly adds new short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.4% of all enrolled accounts. The total power purchase cost, net of wholesale sales, was $259.5 million in fiscal year 2022-23.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal year 2022-23, amount paid was $4.7 million.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022, CleanPowerSF received cash collateral of $9.0 million for Development Assurance and Performance Assurance from the Seller. The $9.0 million cash collateral was returned to the seller as of June 30, 2023.

In March 2018, CleanPowerSF entered into a five-year, $75.0 million Credit Agreement with JPMorgan Chase Bank, National Association (Bank) to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021, the Credit Agreement decreased the available amount from $75.0 million to $20.0 million, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022, CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $6.2 million for fiscal year ended June 30, 2023. CleanPowerSF did not draw on the Credit Agreement during fiscal year 2022-23. Accordingly, the uncommitted credit capacity under the Credit Agreement was $13.8 million during fiscal year 2022-23.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2023.

Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

In June 2018. the CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2025-26, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2023, CleanPowerSF received $0.9 million from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

**Transactions with Other Funds –** The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $49.6 million and purchased electricity for $11.4 million for the year ended June 30, 2023. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2022-23, $49.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $14.9 million for the year ended June 30, 2023. Included in 2023 operating revenues are sales of power to departments within the City of $121.0 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately $16.4 million for the year ended June 30, 2023 and have been included in services provided by other departments.

For the year ended June 30, 2023, operating expenses include purchase of power from Hetchy Power were $5.8 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $2.9 million for the year ended June 30, 2023.

**(e) San Francisco Municipal Transportation Agency**

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors, who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department and to provide the transportation system with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided $500 million in general obligation bonds for transportation and street infrastructure; (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

(Dollars in Thousands)

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The SFMTA approves and oversees the budget and capital improvements and as authorized by the City Charter, set the parking rates in garages under SFMTA's jurisdiction including the two parking garages. The financial statements of these nonprofit garages, which are audited by other auditors, are provided to the SFMTA and accounted for in the parking garages account. The nonprofit corporations' annual financial statements are publicly available.

***Pledged Revenue –*** In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and refunded previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through fiscal year 2050-51.

Annual principal and interest payments for fiscal year 2022-23 were 62.4% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2022-23, applicable net revenues, and funds available for bond debt service are as follows:

| | |
|---|---|
| Bonds issued with revenue pledge | $ 457,065 |
| Principal and interest remaining due at end of the year | 670,657 |
| Principal and interest paid during the year | 22,838 |
| Net revenues for the year | 13,744 |
| Funds available for revenue bond debt service | 36,582 |

**Operating and Capital Grants and Subsidies –** The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received. The amount of General Fund subsidy to the SFMTA reflected in the accompanying financial statements was $556.4 million in fiscal year 2022-23. The General Fund support from the City includes total revenue baseline transfer of $427.1 million and $66.2 million allocation in lieu of parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Fund subsidy to address transportation needs tied to the City's population growth. The SFMTA received $58.0 million from this source, of which $30.0 million was allocated for operations and $28.0 million for capital projects. The SFMTA also received an additional General Fund allocation of $4.8 million for the Chase Event Center and mixed-use development project and $0.3 million for the Community Building Program.

The SFMTA also receives operating assistance from various federal, State, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2023, the SFMTA had various operating grants receivable of $20.2 million. The SFMTA received operating assistance from BART's Americans with Disability Act related support of $1.9 million, and other federal, State, and local grants of $4.7 million, to fund project expenses that are operating in nature.

The operating assistance from federal sources includes funds received from FTA in response to the COVID-19 pandemic. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, which provided the SFMTA with supplemental appropriation for emergency transit operations. The SFMTA received $138.1 million in fiscal year 2022-23 while $339.5 million remains to be accessed in fiscal year 2023-24.

Proposition 1B is a $20 billion transportation infrastructure bond that was approved by State voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program. The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 reappropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. The SFMTA did not receive cash in the fiscal year 2022-23 from PTMISEA. During fiscal year 2022-23, drawdowns for various eligible projects costs were made from PTMISEA funds for $11.9 million. All PTMISEA appropriations other than interest earned were fully spent during the year.

**Commitments and Contingencies**

***(i) Grants and Subventions***

Receipts from federal and state grants and other similar programs are subject to audit to determine if the funds were expended in accordance with appropriate statutes, grant terms, and regulations. The SFMTA believes that no significant liabilities will result from any such audits.

***(ii) Other Commitments***

As of June 30, 2023, the SFMTA has outstanding commitments of approximately $353.0 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately $75.0 million with third parties for noncapital expenditures. Various local funding sources are used to finance these expenditures.

In addition, the SFMTA is involved in various lawsuits, claims, and disputes that have arisen in SFMTA's routine conduct of business. In the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the SFMTA.

**(f) Laguna Honda Hospital**

**General Fund Subsidy -** The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2023, the subsidy for LHH was $94.9 million.

**Net Patient Services Revenue -** Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and State government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

(Dollars in Thousands)

**Third-Party Payor Agreements** - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2023, LHH's patient receivables and charges for services were as follows:

**Patient Receivables, Net**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Accounts Receivable............................ | $ 71,943 | $ 5,623 | $ (28) | $ 77,538 |
| Less: | | | | |
| Contractual Allowance............................ | (48,690) | (3,806) | 19 | (52,477) |
| Total, Net Accounts Receivable....................... | $ 23,253 | $ 1,817 | $ (9) | $ 25,061 |

**Net Patient Service Revenue**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Patient Service Revenue....................... | $ 406,966 | $ 26,748 | $ (132) | $ 433,582 |
| Less: | | | | |
| Contractual Allowance............................ | (192,108) | (20,968) | (914) | (213,990) |
| Total, Net Patient Service Revenue.................. | $ 214,858 | $ 5,780 | $ (1,046) | $ 219,592 |

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2023, LHH accrued and recognized $58.4 million of revenue as a result of matching federal funds to local funds.

**Unearned Credits and Other Liabilities** - As of June 30, 2023, LHH recorded approximately $52.8 million in other liabilities for third-party payor payable.

**Transactions with Other Funds –** A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $17.9 million for the year ended June 30, 2023 and have been included in services provided by other departments.

As of June 30, 2023, LHH has entered into various purchase contracts totaling $52.5 million that are related to the old building remodel.

**(g) San Francisco General Hospital**

**General Fund Subsidy -** San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2023, the subsidy for SFGH was $137.4 million.

**Net Patient Service Revenue -** Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and State government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payments received as a percentage of gross charges.

**Third-Party Payor Agreements -** SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

(Dollars in Thousands)

During the year ended June 30, 2023, SFGH's patient receivables and charges for services were as follows:

**Patient Receivables, Net**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Accounts Receivable............................ | $ 301,645 | $ 192,116 | $ 112,401 | $ 606,162 |
| Less: | | | | |
| Provision for Contractual Allowances......... | (266,716) | (171,152) | (72,728) | (510,596) |
| Provision for Bad Debts............................ | - | - | (13,317) | (13,317) |
| Total, Net Accounts Receivable....................... | $ 34,929 | $ 20,964 | $ 26,356 | $ 82,249 |

**Net Patient Service Revenue**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Patient Service Revenue....................... | $ 2,197,579 | $ 1,202,046 | $ 971,995 | $ 4,371,620 |
| Less: | | | | |
| Provision for Contractual Allowances......... | (1,847,279) | (977,041) | (487,211) | (3,311,531) |
| Provision for Bad Debts............................ | - | - | (84,414) | (84,414) |
| Total, Net Patient Service Revenue.................. | $ 350,300 | $ 225,005 | $ 400,370 | $ 975,675 |

California's Section 1115 Medicaid Waiver (Waiver), titled "Medi-Cal 2020" expired on December 31, 2021. Medi-Cal 2020 was replaced by a new Waiver entitled “CalAIM”, California’s “…long-term commitment to transform and strengthen Medi-Cal, offering Californians a more equitable, coordinated, and person-centered approach to maximizing their health and life trajectory”.

In addition to fee-for-service cost-based reimbursements for inpatient hospital services, CalAIM includes a wide range of patient centered care programs, including Enhanced Care Management, Community Supports, and the renewal of the Global Payment Program (GPP) among other service delivery and payment reform initiatives.

Payments received under CalAIM’s GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments.

Revenues recognized under current and previous Medi-Cal Waivers is approximately $87.4 million for the year ended June 30, 2023.

In addition, SFGH is reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2023, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

**Unearned Revenues and Other Liabilities** - As of June 30, 2023, SFGH recorded approximately $312.3 million in unearned credits and other liabilities, which was comprised of $239.2 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the Medicare Accelerated payment program and AB915 programs, and $71.9 million in Third Party Settlements payable.

**Charity Care -** SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $287.9 million and estimated costs and expenses to provide charity care were $74.3 million in fiscal year 2022-23.

**Other Nonoperating Revenues -** SFGH recognized $67.9 million of realignment funding for the year ended June 30, 2023.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. $0 was withheld in fiscal year 2020-21 and a final reconciliation has been conducted for fiscal year 2020-21 showing $0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2024 for fiscal year 2021-22.

**Contract with the University of California San Francisco -** The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2023, was approximately $247.2 million.

**SFGH Rebuild -** The Rebuild projects have been completed and the General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Project Funds.

**Gift -** From fiscal year 2014-15 through fiscal year 2015-16, SFGH received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2023, SFGH has spent $49.2 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $13.2 million as Restricted Net Position.

**Commitments and Contingencies -** As of June 30, 2023, SFGH had outstanding commitments with third parties for capital projects totaling $13.4 million.

### (h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2023, the Wastewater Enterprise serves approximately 148,598 residential accounts, which discharge about 15.4 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 27,082 non-residential accounts, which discharge about 5.6 million units of sanitary flow per year.

(Dollars in Thousands)

**Pledged Revenues –** Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds, revenue notes, State Revolving Fund (SRF) loans, and Water Infrastructure Finance and Innovation Act (WIFIA) loans. Proceeds from the bonds, notes, SRF, and WIFIA loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds, notes, SRF, and WIFIA loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2052, 2027, 2056, and 2059, respectively.

The original amount of revenue bonds issued, notes issued, State Revolving Fund loans, and WIFIA loans, total principal and interest remaining, principal and interest paid during fiscal year 2022-23 applicable net revenues, and funds available for bond debt service are as follows:

| | |
|---|---|
| Bonds issued with revenue pledge | $ 3,029,385 |
| Notes issued with revenue pledge | 347,465 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | 328,776 |
| WIFIA loans with revenue pledge | 122,357 |
| Principal and interest remaining due at end of the fiscal year | 4,872,238 |
| Principal and interest paid in the fiscal year | 98,811 |
| Net revenues | 178,850 |
| Funds available for revenue bond and loans debt service | 313,443 |

**Commitments and Contingencies –** As of June 30, 2023, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $762.1 million.

**Pollution Remediation Obligations –** As of June 30, 2023, the Wastewater Enterprise recorded $7.8 million in pollution remediation liability, consisting of $7.8 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

**Transactions with Other Funds –** The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $14.9 million for the year ended June 30, 2023. The Wastewater Enterprise purchased water from Water Enterprise totaling $1.6 million for the year ended June 30, 2023. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $9.2 million for the year ended June 30, 2023. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $15.4 million for the year ended June 30, 2023 and have been included in services provided by other departments.

(Dollars in Thousands)

## (14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

### (a) Summary of the Successor Agency's Long-Term Obligations

| Type of Obligation | Final Maturity Date | Remaining Interest Rate | Amount |
|---|---|---|---|
| Hotel tax revenue bonds [a] | 2025 | 5.00% | $ 8,675 |
| Tax allocation revenue bonds [b] | 2047 | 1.01% - 8.41% | 757,038 |
| Total long-term bonds | | | $ 765,713 |

Debt service payments are made from the following sources:

(a) Hotel occupancy tax revenues from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

(Dollars in Thousands)

**Issuance of Successor Agency Bonds –** Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency.

**Pledged Revenues for Bonds –** The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.23 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2023, were $122.6 million against the total debt service payment of $94.5 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $9.3 million. The hotel tax revenue recognized during the year ended June 30, 2023, was $4.5 million against the total debt service payment of $4.5 million.

**Events of Default and Remedies –** The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2023, are as follows:

| | July 1, 2022 | Additional Obligations, Interest Accretion and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2023 |
|---|---|---|---|---|
| Bonds payable: | | | | |
| Tax revenue bonds | $ 806,046 | $ - | $ (49,008) | $ 757,038 |
| Hotel Tax Revenue Bonds | 12,540 | - | (3,865) | 8,675 |
| Less unamortized amounts: | | | | |
| For issuance premiums | 37,887 | - | (2,313) | 35,574 |
| For issuance discounts | (2,521) | - | 142 | (2,379) |
| Total bonds payable | 853,952 | - | (55,044) | 798,908 |
| Accreted interest payable | 80,746 | 8,653 | (13,791) | 75,608 [1] |
| Accrued vacation and sick leave pay | 1,842 | 940 | (739) | 2,043 |
| Successor Agency - long-term obligations | $ 936,540 | $ 9,593 | $ (69,574) | $ 876,559 |

[1] Amounts represent interest accretion on Capital Appreciation Bonds.

(Dollars in Thousands)

As of June 30, 2023, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

| | Tax Revenue Bonds | | Hotel Tax Revenue Bonds | |
|---|---|---|---|---|
| **June 30,** | **Principal** | **Interest *** | **Principal** | **Interest** |
| 2024 | $ 33,464 | $ 46,113 | $ 4,220 | $ 434 |
| 2025 | 36,896 | 45,784 | 4,455 | 223 |
| 2026 | 41,859 | 34,102 | - | - |
| 2027 | 42,547 | 32,850 | - | - |
| 2028 | 43,625 | 31,749 | | |
| 2029-2033 | 240,136 | 135,895 | - | - |
| 2034-2038 | 156,917 | 92,080 | - | - |
| 2039-2043 | 116,144 | 42,394 | - | - |
| 2044-2047 | 45,450 | 7,548 | - | - |
| Total | $ 757,038 | $ 468,515 | $ 8,675 | $ 657 |

* Including payment of accreted interest

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make a payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of $1.1 million to the City during the year ended June 30, 2023 to fully pay off the outstanding payable balance.

### (b) Commitments and Contingencies Related to the Successor Agency

**Encumbrances -** At June 30, 2023, the Successor Agency had outstanding encumbrances totaling approximately $7.2 million.

**Risk Management -** The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million per occurrence for automobile liability and an annual aggregate limit of $5.0 million for employment practices liability) and a $25 deductible.

**Notes and Mortgages Receivable –** During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aid the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2023, the Successor Agency disbursed $37.1 million to the developers through this arrangement and recorded an allowance against these receivables. At June 30, 2023, the gross value of the notes and mortgage receivable was $220.9 million and the allowance for uncollectible amounts was $219.4 million.

**Special Assessment Debt without Commitment -** Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2023, the Successor Agency had outstanding community facility district bonds totaling $141.5 million.

**Transbay Transit Center Agreements -** In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2023, the Successor Agency distributed $27.3 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

## (15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by the seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the City's Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI) now called One Treasure Island.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

The development plan for the project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers from 2016 through 2019. The full conveyance of the former base is not anticipated prior to 2025, as TIDA and the Navy are currently reviewing the future conveyance schedule.

Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island, including the new water reservoirs and new roadways were completed in the third quarter of 2021, and utilities and street improvements are complete.

(Dollars in Thousands)

The first residential project on Yerba Buena Island called the Bristol, a 124-unit condominium building, began construction in June 2019, received its Temporary Certificate of Occupancy in spring 2022, and move-ins began in June 2022. Two additional residential flats and townhome sites on Yerba Buena Island broke ground in 2022 and are currently under construction anticipated to receive its Temporary Certificate of Occupancy in 2025.

On Treasure Island, geotechnical improvement of soil conditions in the first subphase area on Treasure Island were substantially completed in 2020, and new roadway, sewer, storm water, water, power, and electrical infrastructure is nearly complete, and TICD is seeking acceptance of the new infrastructure from the City. The developer has begun geotechnical improvement in the second subphase area. The geotechnical improvement of the site of the new wastewater treatment plant and electrical switchyard on Treasure Island is complete, the new electrical switchyard is operational, and the San Francisco Public Utilities Commission (SFPUC) has approval from its Commission to negotiate with the top-ranked proposer for a design-build contract. Construction of the new plant is anticipated to be complete in 2025.

The first residential project on Treasure Island, Maceo May Apartment, a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares broke ground in the fall of 2020 and had its grand opening in May 2023. Four other residential sites on Treasure Island broke ground in 2022, including Star View Court, a 100% affordable 138-unit building being developed by Mercy Housing in partnership with Catholic Charities. Star View Court broke ground in fall 2022 and is scheduled for completion in mid-2024. Pre-development funding was approved for the next affordable housing site on Treasure Island Parcel E1.2 where two separate buildings – a senior housing site and a behavioral health program site – will be developed. A 2024 start of construction is targeted with occupancy in 2026.

Several market rate housing projects on Treasure Island are under construction, including the Isle House (250-unit building) expected for completion in fall 2024, Hawkins (178-unit building) expected for completion in late 2024, and Portico (148-unit building) expected for completion in early 2025.

The first park on Yerba Buena Island, the Boulders Dog Park, has been completed. Construction is underway for other first phase parks including Hilltop/Infinity Point Park on Yerba Buena Island, and Causeway Park, Waterfront Plaza, and the Clipper Cove Beach Park located on Treasure Island. The first installation under the Treasure Island Art Program, a sculpture called the Point of Infinity by artist Hiroshi Sugimoto, was finished and installed at Hilltop Park in May 2023.

The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2023, TIDA has the following payable to other City departments:

| Payable to | Purpose | Current | Noncurrent | Total |
|---|---|---|---|---|
| SFCTA | YBI and mobility management expenses | $ 5,871 | $ - | $ 5,871 |
| General Fund | Cash Coverage | 3,603 | - | 3,603 |
| Hetch Hetchy | Energy efficiency project | - | 6,805 | 6,805 |
| Hetch Hetchy | Utility operations | 372 | - | 372 |
| | | $ 9,846 | $ 6,805 | $ 16,651 |

As of June 30, 2023, TIDA has the following receivable from other City department:

| Receivable from | Purpose | Amount |
|---|---|---|
| SFCTA | Vista Point and Pier management expenses | $ 38 |

## (16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2023, is as follows:

**Due to/from other funds (in thousands):**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 7,309 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 14,625 |
| | Municipal Transportation Agency | 594 |
| | | 15,219 |
| General Hospital Medical Center | Nonmajor Governmental Funds | 17 |
| San Francisco Water Enterprise | Nonmajor Governmental Funds | 115 |
| Hetch Hetchy Water and Power Enterprise | General Fund | 210 |
| | Nonmajor Governmental Funds | 3,581 |
| | San Francisco Wastewater Enterprise | 518 |
| | | 4,309 |
| Municipal Transportation Agency | Nonmajor Governmental Funds | 70,612 |
| | Hetch Hetchy Water and Power | 1,946 |
| | San Francisco Water Enterprise | 2,440 |
| | San Francisco Wastewater Enterprise | 2,102 |
| | | 77,100 |
| San Francisco Wastewater Enterprise | Nonmajor Governmental Funds | 128 |
| **Total** | | $ 104,197 |

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2023, Hetch Hetchy loaned $3.6 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of $52.2 million for capital and operating grants.

**Due from component units:**

| Receivable Entity | Payable Entity | Amount | |
|---|---|---|---|
| General Fund | Component unit – TIDA | $ 3,603 | (1) |
| Nonmajor Governmental Funds | Component unit – TIDA | 5,871 | (1) |
| Hetch Hetchy Water and Power Enterprise | Component unit – TIDA | 372 | (1) |
| Nonmajor Governmental Funds | Successor Agency | 3,622 | |

**Advance to component units:**

| Receivable Entity | Payable Entity | Amount | |
|---|---|---|---|
| Hetch Hetchy Water and Power Enterprise | Component unit – TIDA | $ 6,805 | (1) |

(1) See discussion at Note 15.

| | Transfers In: Funds (in thousands) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Transfers Out: Funds** | General Fund | Nonmajor Govern-mental Funds | Internal Service Funds | Water Enterprise | Hetch Hetchy Water and Power Enterprise | Municipal Transporta-tion Agency | San Francisco General Hospital Medical Center | Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total |
| General Fund | $ - | $ 501,010 | $ 362 | $ 5 | $ - | $ 556,423 | $ 137,399 | $ 75 | $ 500 | $ 120,300 | $ 1,316,074 |
| Nonmajor governmental funds | 61,134 | 81,731 | - | - | - | 89,504 | - | - | 38,733 | 381 | 271,483 |
| Internal Service Funds | 141 | - | - | - | - | - | - | - | - | - | 141 |
| San Francisco International Airport | 48,701 | - | - | - | - | - | - | - | - | - | 48,701 |
| Water Enterprise | - | 32 | - | - | 20,000 | - | - | - | - | - | 20,032 |
| Hetch Hetchy Water and Power Enterprise | - | 32 | - | - | - | - | - | - | - | - | 32 |
| San Francisco General Hospital Medical Center | 9,257 | - | - | - | - | - | - | - | - | 2,484 | 11,741 |
| Wastewater Enterprise | - | 32 | - | - | - | - | - | - | - | - | 32 |
| Port of San Francisco | - | 32 | - | - | - | - | - | - | - | - | 32 |
| Laguna Honda Hospital | 128 | - | - | - | - | - | - | - | - | - | 128 |
| Total transfers out | $ 119,361 | $ 582,869 | $ 362 | $ 5 | $ 20,000 | $ 645,927 | $ 137,399 | $ 75 | $ 39,233 | $ 123,165 | $ 1,668,396 |

The $1.32 billion General Fund transfer out includes a total of $788.7 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $501.0 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $48.7 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). General Fund received $128 from Laguna Honda Hospital, $105 for project management services and $23 for fiscal year 2022-23 shortfall, and $700 from SFGH to reappropriate funds. General Fund also received $8.6 million from SFGH for interest earned by the General Fund but credited to SFGH.

Laguna Honda Hospital received from SFGH $2.0 million for a shared project, $500 for fiscal year 2022-23 shortfall and $381 from nonmajor governmental funds for relocation project.

SFMTA received $89.5 million transfers from nonmajor governmental funds, of which $61.8 million was for capital activities, $27.7 million was for operating activities.

The Water Enterprise transferred $20.0 million to Hetch Hetchy Water and Power Enterprise to fund various Mountain Tunnel Improvement projects, and $32 to nonmajor governmental funds for the Surety Bond Program. In turn, the Water Enterprise received $5 from General Fund for Mayor's Office's minimum compensation ordinance.

The Wastewater Enterprise received $75 from General Fund for the Wastewater Add-backs Master Project, and transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise transferred $32 to the Office of the City Administrator for the Surety Bond Program and received $20.0 million from the Water Enterprise to fund various Mountain Tunnel Improvement projects.

The Port of San Francisco received $500 from General Fund for the Add-backs Project and $38.7 million from nonmajor governmental funds to support early projects, adaptation strategies, and San Francisco Waterfront Coastal Flood Study general investigation. In turn, Port of San Francisco transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Internal Service Funds received $300 from General Fund for the DT project and $62 for interest earned by the Internal Service Funds but credited to the General Fund. Internal Service Funds transferred $141 to General Fund for interest earned by the General Fund but credited to the Internal Service Funds.

## (17) LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

### Leases and Similar Subscription-Based Information Technology Arrangements

#### *Primary Government*

City as Lessee and Subscriber

The City has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for theses leases varies, which ranges between 1 – 80 years. The City also has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for theses subscriptions varies, which ranges between 1 – 10 years.

A summary of intangible right-to-use assets during the year ended June 30, 2023, is as follows (in thousands):

| Governmental Activities: | Balance July 1, 2022, as restated | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Right-to-use assets: | | | | |
| Land | $ 1,675 | $ - | $ - | $ 1,675 |
| Building/Facility | 571,793 | 74,057 | (30,627) | 615,223 |
| Equipment | 2,141 | - | (976) | 1,165 |
| Others | 1,214 | - | - | 1,214 |
| Subscription assets | 49,277 | 1,036 | - | 50,313 |
| Total right-to-use assets | 626,100 | 75,093 | (31,603) | 669,590 |
| Less accumulated amortization: | | | | |
| Right-to-use assets: | | | | |
| Land | 139 | 139 | - | 278 |
| Building/Facility | 72,349 | 73,116 | (7,246) | 138,219 |
| Equipment | 1,149 | 661 | (976) | 834 |
| Others | 405 | 405 | - | 810 |
| Subscription assets | - | 16,741 | - | 16,741 |
| Total accumulated amortization | 74,042 | 91,062 | (8,222) | 156,882 |
| Governmental activities right-to-use assets, net | $ 552,058 | $ (15,969) | $ (23,381) | $ 512,708 |

| Business-Type Activities: | Balance July 1, 2022, as restated | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Right-to-use assets: | | | | |
| Land | $ 24,029 | $ - | $ - | $ 24,029 |
| Building/Facility | 214,728 | 8,099 | (976) | 221,851 |
| Equipment | 20,017 | 4,494 | (9,483) | 15,028 |
| Others | - | - | - | - |
| Subscription assets | 5,456 | 2,697 | - | 8,153 |
| Total lease assets | 264,230 | 15,290 | (10,459) | 269,061 |
| Less accumulated amortization: | | | | |
| Right-to-use assets: | | | | |
| Land | 722 | 536 | - | 1,258 |
| Building/Facility | 20,280 | 14,244 | (976) | 33,548 |
| Equipment | 9,269 | 6,563 | (9,483) | 6,349 |
| Others | - | - | - | - |
| Subscription assets | 1,760 | 3,369 | - | 5,129 |
| Total accumulated amortization | 32,031 | 24,712 | (10,459) | 46,284 |
| Business-type activities right-to-use assets, net | $ 232,199 | $ (9,422) | $ - | $ 222,777 |

(Dollars in Thousands)

Future annual lease and subscription payments are as follows:

Governmental Activities

| Fiscal Years | Principal | Interest | Total |
|---|---|---|---|
| 2024............ | $ 76,818 | $ 8,492 | $ 85,310 |
| 2025............ | 65,701 | 7,433 | 73,134 |
| 2026............ | 55,986 | 6,472 | 62,458 |
| 2027............ | 47,940 | 5,604 | 53,544 |
| 2028............ | 42,825 | 4,781 | 47,606 |
| 2029-2033.... | 122,798 | 16,060 | 138,858 |
| 2034-2038.... | 102,183 | 5,948 | 108,131 |
| 2039-2043.... | 17,283 | 385 | 17,668 |
| Total............ | $ 531,534 | $ 55,175 | $ 586,709 |

Business-type Activities

| Fiscal | Airport | | | Port | | | General Hospital Medical Center | | | Municipal Transportation Agency | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Years | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024........... | $ 816 | $ 25 | $ 841 | $ 1,555 | $ 1,598 | $ 3,153 | $ 2,659 | $ 56 | $ 2,715 | $ 6,430 | $ 2,648 | $ 9,078 |
| 2025........... | 346 | 5 | 351 | 1,574 | 1,561 | 3,135 | 1,522 | 38 | 1,560 | 6,774 | 2,536 | 9,310 |
| 2026........... | - | - | - | 1,777 | 1,521 | 3,298 | 1,037 | 25 | 1,062 | 5,925 | 2,417 | 8,342 |
| 2027........... | - | - | - | 2,052 | 1,474 | 3,526 | 977 | 11 | 988 | 6,166 | 2,321 | 8,487 |
| 2028........... | - | - | - | 2,102 | 1,424 | 3,526 | 440 | 2 | 442 | 5,550 | 2,224 | 7,774 |
| 2029-2033.... | - | - | - | 11,301 | 6,330 | 17,631 | - | - | - | 25,544 | 9,751 | 35,295 |
| 2034-2038.... | - | - | - | 12,740 | 4,888 | 17,628 | - | - | - | 31,483 | 7,177 | 38,660 |
| 2039-2043.... | - | - | - | 14,363 | 3,261 | 17,624 | - | - | - | 38,898 | 3,916 | 42,814 |
| 2044-2048.... | - | - | - | 16,192 | 1,428 | 17,620 | - | - | - | 725 | 2,154 | 2,879 |
| 2049-2053.... | - | - | - | 3,780 | 46 | 3,826 | - | - | - | - | 2,495 | 2,495 |
| 2054-2058.... | - | - | - | - | - | - | - | - | - | - | 2,893 | 2,893 |
| 2059-2063.... | - | - | - | - | - | - | - | - | - | - | 3,354 | 3,354 |
| 2064-2068.... | - | - | - | - | - | - | - | - | - | - | 3,888 | 3,888 |
| 2069-2073.... | - | - | - | - | - | - | - | - | - | - | 4,507 | 4,507 |
| Thereafter..... | - | - | - | - | - | - | - | - | - | 23,207 | 11,824 | 35,031 |
| Total............ | $ 1,162 | $ 30 | $ 1,192 | $ 67,436 | $ 23,531 | $ 90,967 | $ 6,635 | $ 132 | $ 6,767 | $ 150,702 | $ 64,105 | $ 214,807 |

| Fiscal | San Francisco Water Enterprise | | | Hetch Hetchy Water and Power | | | San Francisco Wastewater Enterprise | | | Total Business-type Activities | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Years | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024........... | $ 1,589 | $ 89 | $ 1,678 | $ 198 | $ 8 | $ 206 | $ 1,540 | $ 10 | $ 1,550 | $ 14,787 | $ 4,434 | $ 19,221 |
| 2025........... | 1,181 | 59 | 1,240 | 96 | 8 | 104 | 93 | 2 | 95 | 11,586 | 4,209 | 15,795 |
| 2026........... | 701 | 34 | 735 | 98 | 5 | 103 | 93 | 1 | 94 | 9,631 | 4,003 | 13,634 |
| 2027........... | 135 | 26 | 161 | 36 | 4 | 40 | - | - | - | 9,366 | 3,836 | 13,202 |
| 2028........... | 122 | 23 | 145 | 37 | 3 | 40 | - | - | - | 8,251 | 3,676 | 11,927 |
| 2029-2033.... | 416 | 86 | 502 | 68 | 9 | 77 | - | - | - | 37,329 | 16,176 | 53,505 |
| 2034-2038.... | 445 | 39 | 484 | 42 | 4 | 46 | - | - | - | 44,710 | 12,108 | 56,818 |
| 2039-2043.... | 129 | 3 | 132 | 18 | - | 18 | - | - | - | 53,408 | 7,180 | 60,588 |
| 2044-2048.... | - | - | - | - | - | - | - | - | - | 16,917 | 3,582 | 20,499 |
| 2049-2053.... | - | - | - | - | - | - | - | - | - | 3,780 | 2,541 | 6,321 |
| 2054-2058.... | - | - | - | - | - | - | - | - | - | - | 2,893 | 2,893 |
| 2059-2063.... | - | - | - | - | - | - | - | - | - | - | 3,354 | 3,354 |
| 2064-2068.... | - | - | - | - | - | - | - | - | - | - | 3,888 | 3,888 |
| 2069-2073.... | - | - | - | - | - | - | - | - | - | - | 4,507 | 4,507 |
| Thereafter..... | - | - | - | - | - | - | - | - | - | 23,207 | 11,824 | 35,031 |
| Total............ | $ 4,718 | $ 359 | $ 5,077 | $ 593 | $ 41 | $ 634 | $ 1,726 | $ 13 | $ 1,739 | $ 232,972 | $ 88,211 | $ 321,183 |

In fiscal year 2022-23, the City’s governmental activities and business-type activities recognized $8.7 million and $4.9 million, respectively, in interest expense for the related leases and subscriptions.

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred.

(Dollars in Thousands)

Certain equipment or facility rental leases require the City to make variable lease payments that based on usage, index, and insurance payments made by the lessor, these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for governmental activities and business-type activities were $10.0 million and $1.6 million, respectively, during the year ended June 30, 2023.

As of June 30, 2023, no variable subscription payments were noted for the City's subscription IT arrangements.

City as Lessor

The City has leased facilities, easements, communication site and equipment to varies tenants. The terms and conditions for these leases vary, which range between 1- 75 years.

The Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which is non-cancellable and terminate at various dates as late as 2053.

Principal and interest requirements to maturity for the lease receivable at June 30, 2023, are as follows:

Governmental Activities

| Fiscal Years | Principal | Interest | Total |
|---|---|---|---|
| 2024……….. | $ 4,678 | $ 1,653 | $ 6,331 |
| 2025……….. | 4,779 | 1,573 | 6,352 |
| 2026……….. | 4,769 | 1,488 | 6,257 |
| 2027……….. | 4,306 | 1,405 | 5,711 |
| 2028……….. | 4,090 | 1,328 | 5,418 |
| 2029-2033…. | 18,140 | 5,574 | 23,714 |
| 2034-2038…. | 16,762 | 3,934 | 20,696 |
| 2039-2043…. | 16,704 | 2,289 | 18,993 |
| 2044-2048…. | 11,608 | 667 | 12,275 |
| 2049-2053…. | 454 | 258 | 712 |
| 2054-2058…. | 503 | 209 | 712 |
| 2059-2063…. | 556 | 155 | 711 |
| 2064-2068…. | 616 | 96 | 712 |
| 2069-2073…. | 622 | 29 | 651 |
| Total………… | $ 88,587 | $ 20,658 | $ 109,245 |

(Dollars in Thousands)

Business-type Activities -excluded regulated leases

| Fiscal Years | Airport Principal | Airport Interest | Airport Total | Port Principal | Port Interest | Port Total | General Hospital Medical Center Principal | General Hospital Medical Center Interest | General Hospital Medical Center Total | Laguna Honda Hospital Principal | Laguna Honda Hospital Interest | Laguna Honda Hospital Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024........... | $ 114,523 | $ 26,454 | $ 140,977 | $ 41,963 | $ 10,687 | $ 52,650 | $ 375 | $ 144 | $ 519 | $ 110 | $ 20 | $ 130 |
| 2025........... | 113,953 | 23,350 | 137,303 | 35,510 | 10,022 | 45,532 | 353 | 141 | 494 | 116 | 17 | 133 |
| 2026........... | 112,953 | 20,175 | 133,128 | 32,453 | 9,396 | 41,849 | 276 | 138 | 414 | 122 | 15 | 137 |
| 2027........... | 112,262 | 16,974 | 129,236 | 28,400 | 8,804 | 37,204 | 161 | 136 | 297 | 128 | 13 | 141 |
| 2028........... | 114,649 | 13,709 | 128,358 | 21,378 | 8,300 | 29,678 | 51 | 134 | 185 | 135 | 11 | 146 |
| 2029-2033.... | 306,703 | 30,988 | 337,691 | 87,119 | 35,871 | 122,990 | 242 | 658 | 900 | 500 | 16 | 516 |
| 2034-2038.... | 39,255 | 4,745 | 44,000 | 68,220 | 27,316 | 95,536 | 268 | 632 | 900 | - | - | - |
| 2039-2043.... | 9,265 | 3,235 | 12,500 | 41,565 | 21,286 | 62,851 | 297 | 603 | 900 | - | - | - |
| 2044-2048.... | 10,445 | 2,055 | 12,500 | 34,534 | 16,969 | 51,503 | 328 | 572 | 900 | - | - | - |
| 2049-2053.... | 11,713 | 725 | 12,438 | 13,352 | 13,817 | 27,169 | 363 | 537 | 900 | - | - | - |
| 2054-2058.... | - | - | - | 15,064 | 12,203 | 27,267 | 402 | 498 | 900 | - | - | - |
| 2059-2063.... | - | - | - | 18,966 | 10,308 | 29,274 | 445 | 455 | 900 | - | - | - |
| 2064-2068.... | - | - | - | 22,063 | 7,280 | 29,343 | 493 | 407 | 900 | - | - | - |
| 2069-2073.... | - | - | - | 22,989 | 4,202 | 27,191 | 546 | 354 | 900 | - | - | - |
| Thereafter..... | - | - | - | 21,508 | 868 | 22,376 | 3,201 | 775 | 3,976 | - | - | - |
| Total............ | $ 945,721 | $ 142,410 | $ 1,088,131 | $ 505,084 | $ 197,329 | $ 702,413 | $ 7,801 | $ 6,184 | $ 13,985 | $ 1,111 | $ 92 | $ 1,203 |

| Fiscal Years | Municipal Transportation Agency Principal | Municipal Transportation Agency Interest | Municipal Transportation Agency Total | San Francisco Water Enterprise Principal | San Francisco Water Enterprise Interest | San Francisco Water Enterprise Total | San Francisco Wastewater Enterprise Principal | San Francisco Wastewater Enterprise Interest | San Francisco Wastewater Enterprise Total | Total Business-type Activities Principal | Total Business-type Activities Interest | Total Business-type Activities Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024........... | $ 7,437 | $ 2,026 | $ 9,463 | $ 3,521 | $ 869 | $ 4,390 | $ 212 | $ 38 | $ 250 | $ 168,141 | $ 40,238 | $ 208,379 |
| 2025........... | 8,079 | 1,866 | 9,945 | 3,610 | 821 | 4,431 | 226 | 32 | 258 | 161,847 | 36,249 | 198,096 |
| 2026........... | 10,176 | 1,651 | 11,827 | 3,046 | 756 | 3,802 | 241 | 26 | 267 | 159,267 | 32,157 | 191,424 |
| 2027........... | 9,506 | 1,392 | 10,898 | 2,721 | 698 | 3,419 | 257 | 19 | 276 | 153,435 | 28,036 | 181,471 |
| 2028........... | 9,698 | 1,128 | 10,826 | 2,423 | 645 | 3,068 | 215 | 12 | 227 | 148,549 | 23,939 | 172,488 |
| 2029-2033.... | 12,292 | 3,587 | 15,879 | 10,951 | 2,571 | 13,522 | 306 | 13 | 319 | 418,113 | 73,704 | 491,817 |
| 2034-2038.... | 3,114 | 3,136 | 6,250 | 9,941 | 1,477 | 11,418 | - | - | - | 120,798 | 37,306 | 158,104 |
| 2039-2043.... | 3,447 | 2,803 | 6,250 | 828 | 914 | 1,742 | - | - | - | 55,402 | 28,841 | 84,243 |
| 2044-2048.... | 3,816 | 2,434 | 6,250 | - | 1,027 | 1,027 | - | - | - | 49,123 | 23,057 | 72,180 |
| 2049-2053.... | 4,224 | 2,026 | 6,250 | - | 1,191 | 1,191 | - | - | - | 29,652 | 18,296 | 47,948 |
| 2054-2058.... | 4,676 | 1,574 | 6,250 | 117 | 1,263 | 1,380 | - | - | - | 20,259 | 15,538 | 35,797 |
| 2059-2063.... | 5,176 | 1,074 | 6,250 | 832 | 768 | 1,600 | - | - | - | 25,419 | 12,605 | 38,024 |
| 2064-2068.... | 5,730 | 520 | 6,250 | 1,208 | 647 | 1,855 | - | - | - | 29,494 | 8,854 | 38,348 |
| 2069-2073.... | 2,147 | 40 | 2,187 | 1,676 | 475 | 2,151 | - | - | - | 27,358 | 5,071 | 32,429 |
| Thereafter..... | - | - | - | 2,756 | 250 | 3,006 | - | - | - | 27,465 | 1,893 | 29,358 |
| Total............ | $ 89,518 | $ 25,257 | $ 114,775 | $ 43,630 | $ 14,372 | $ 58,002 | $ 1,457 | $ 140 | $ 1,597 | $ 1,594,322 | $ 385,784 | $ 1,980,106 |

In fiscal year 2022-23, the City's governmental activities recognized $5.4 million in lease revenue and $1.7 million in interest income for the related leases and the City's business-type activities recognized $151.1 million in lease revenue and $27.4 million in interest income for the related leases.

Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The City did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable for governmental activities and business-type activities were $9.4 million and $13.4 million, respectively, during the year ended June 30, 2023.

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from the GASB 87 recognition, subject to the conditions that:

(a) Lease rates cannot exceed a reasonable amount.

(b) Lease rates should be similar for similar situated lessees, and

(c) The lessor cannot deny potential lessees if facilities are available.

(Dollars in Thousands)

Such regulated leases at the Airport include:

(a) The Lease and Use Agreements with certain airlines regarding the use of terminal building and equipment on an exclusive or preferential use basis, among other uses among other uses, which expired on June 30, 2023.

(b) Non-terminal aeronautical buildings and land leases. Based on the airlines' operation needs, an airline may lease terminal space such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Commission provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreements. For the year ended June 30, 2023, United Airlines accounted for 46.7 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (12.3%), Delta Air Lines (7.9%), and American Airlines (6.3%), with no other airlines accounting for more than 5 percent of enplaned passengers. Non-terminal buildings and lands are leased on an exclusive basis. The Airport has entered new Lease and Use Agreements that became effective on July 1, 2023 and expire on June 30, 2033.

The payments under the Lease and Use Agreements are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during year ended June 30, 2023, was $215.6 million, including approximately $47.3 million of fixed payments and $168.3 million of variable payments. The additional exclusive and preferential use payments are the actual billed amount during fiscal year 2022-23, which was adjusted down $14.5 million during the year-end true-up process.

Below is a summary of the total number of regulated leases for fiscal year 2022-23, including which assets are subject to preferential or exclusive use by counterparties:

| | Number of Leases |
|---|---|
| AULA [(a)] | |
| Preferential and exclusive rental | 7 |
| Exclusive rental only | 28 |
| Non-space rental, only common use | 3 |
| Subtotal - AULA | 38 |
| Other Regulated [(b)] | 8 |
| Total | 46 |

Notes:
[(a)] Airline-airport lease and use agreements.
[(b)] Includes cargo, fuel, fixed-base facility leases, hangar leases, and ground leases.

(Dollars in Thousands)

Lease revenues and interest revenues recognized during the year ended June 30, 2023, for regulated leases is presented below:

| | | |
|---|---|---|
| Expected Minimum Payments [a] | $ | 45,277 |
| Additional Fixed Payments [b] | | 2,024 |
| Total Fixed Payments | | 47,301 |
| Additional Exclusive Use Payments [c] | | 127,086 |
| Additional Preferential Use Payments [d] | | 55,666 |
| Year-end True-ups | | (14,465) |
| Total Regulated Lease Payments | $ | 215,588 |

Notes:

[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

[b] Includes additional rent above the expected minimum payments after adjusmet by CPI and reappraisals.

[c] Includes AULA exclusive use rental revenues, other regulated leases that were charged by airport's rates and charges rate, and percentage fee revenues above minimum annual guarantee.

[d] Includes AULA preferential use rental revenues

Below is a schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter:

| Fiscal Years | | Expected Future Minimum Payments [a] |
|---|---|---|
| 2024.................. | $ | 19,286 |
| 2025.................. | | 18,092 |
| 2026.................. | | 5,462 |
| 2027.................. | | 1,644 |
| 2028.................. | | 1,644 |
| 2029-2033........... | | 8,221 |
| 2034-2038........... | | 8,221 |
| 2039-2043........... | | 8,221 |
| 2044-2048........... | | 6,166 |
| Total.................. | $ | 76,957 |

Note:

[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

(Dollars in Thousands)

Sublease

City has a non-cancellable building lease at the 555-575 Polk Street location. The second floor is the City's community justice court/center and the ground floor is subleased to the State's Administrative Office of the Courts (State AOC) for use by the Superior Courts. The 15-year master lease and sublease will both end in 2026. City's rental payments in fiscal year 2022-23 were $0.6 million and received $0.4 million from State AOC.

The Port has a non-cancelable lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right in 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. On February 1, 2021, the sublease adopted a market rate adjustment, resulting in an increase in future minimum annual payments. The Port's rental payments in fiscal year 2022-23 were $4.1 million.

***Component Unit***

Component Unit as Lessor

The component unit has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

| | Treasure Island Development Authority | | |
|---|---|---|---|
| **Fiscal Years** | **Principal** | **Interest** | **Total** |
| 2024............... | $ 2,365 | $ 322 | $ 2,687 |
| 2025............... | 2,061 | 284 | 2,345 |
| 2026............... | 1,090 | 257 | 1,347 |
| 2027............... | 823 | 237 | 1,060 |
| 2028............... | 600 | 225 | 825 |
| 2029-2033...... | 3,097 | 964 | 4,061 |
| 2034-2038...... | 3,307 | 691 | 3,998 |
| 2039-2043...... | 2,200 | 419 | 2,619 |
| 2044-2048...... | 194 | 353 | 547 |
| 2049-2053...... | 234 | 323 | 557 |
| 2054-2058...... | 275 | 290 | 565 |
| 2059-2063...... | 316 | 260 | 576 |
| 2064-2068...... | 362 | 226 | 588 |
| 2069-2073...... | 413 | 186 | 599 |
| Thereafter....... | 1,616 | 264 | 1,880 |
| Total............... | $ 18,953 | $ 5,301 | $ 24,254 |

The total amount for lease revenue and interest income recognized during fiscal year 2022-23 were $1.9 million and $0.3 million, respectively, related to these leases. Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The component unit did not incur revenue related to residual value guarantees or lease termination penalties. As of June 30, 2023, no variable lease payments were noted.

### Public-Private Partnership Arrangement for the Yerba Buena Gardens

As of June 30, 2023, capital improvements were completed on the Yerba Buena Gardens pursuant to a public-private partnership arrangement with Yerba Buena Gardens Conservancy (Conservancy), under which the Conservancy manages, operates, repairs, maintains, and improves the premises for 40 years. The Conservancy collects all revenues during the 40-year operations period. The City reported the completed capital improvements as capital assets with a carrying amount of $5.9 million and a related deferred inflow of resources of $5.9 million.

A summary of public-private partnership capital assets during the year ended June 30, 2023, is as follows (in thousands):

| Governmental Activities: | Balance July 1, 2022, as restated | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Building/Facility | $ 3,378 | $ 768 | $ - | $ 4,146 |
| Equipment | 277 | - | - | 277 |
| Infrastructure | 1,046 | 596 | - | 1,642 |
| Total public-private partnership assets | 4,701 | 1,364 | - | 6,065 |
| Less accumulated amortization: | | | | |
| Building/Facility | - | 122 | - | 122 |
| Equipment | - | 20 | - | 20 |
| Infrastructure | - | 43 | - | 43 |
| Total accumulated amortization | - | 185 | - | 185 |
| Governmental activities public-private partnership, net | $ 4,701 | $ 1,179 | $ - | $ 5,880 |

### Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $1.87 billion, private equity in the amount of $3.52 billion, private credit in the amount of $2.41 billion, and absolute return investments in the amount of $62.7 million, which totaled $7.86 billion as of June 30, 2023.

The Retiree Health Care Trust Fund has unfunded commitments to contribute capital for private equity in the amount of $40.2 million as of June 30, 2023.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

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## (18) RISK MANAGEMENT

### Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport is not required to, nor does it carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport has an ongoing loss prevention program, a safety officer, property loss control, and ongoing employee training programs. The Airport has instituted an Enterprise Risk Management Program by implementing a comprehensive risk identification, assessment, and treatment protocol to address key risks that may adversely affect the Airport's ability to meet its business goals and objectives. The Airport carries aviation liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per occurrence. Immediately following the events of September 11, 2001, insurers canceled the coverage for war, terrorism, and hijacking for all airports, including the Airport. A number of insurers now provide this coverage through the Federal Government Terrorism Risk Insurance Act. However, the scope of the coverage is limited, and the premiums are high. Due to these factors, the Airport, in consultation with the City's Director of Risk Management, has elected not to secure such coverage but to purchase War Perils Liability Coverage as part of its aviation liability program.

The Airport also carries commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per occurrence subject to a deductible of $500 per occurrence. This policy includes flood coverage up to a $10.0 million sub-limit. The Airport also carries business interruption and extra expenses insurance up to a $100.0 million pooled sub-limit.

Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts, naming the Airport as additionally insured. The Airport carries public officials' liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per occurrence for public officials' and public entity liability matters, and $250 per occurrence for each employment practices' liability matters. The Airport also carries insurance for excess auto, public employee dishonesty, fine arts, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2023): 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence, inclusive of hull protection and indemnity coverage of $1.0 million per occurrence; 2) machinery and equipment breakdown coverage, including business interruption, of $100.0 million, subject to a deductible of $25; 3) commercial property insurance for Port facilities, subject to a maximum coverage of $300.0 million and a deductible of $5.0 million per occurrence (increased from a maximum of $140.0 million and a deductible of $10.0 million per occurrence before July 1, 2022); 4) public officials and employee practices liability coverage of $5.0 million, subject to a deductible of $50 per occurrence; and 5) special events for cruise terminals at Pier 27, 29 and 35 coverage of $1.0 million and no deductible. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

| Risks | Coverage |
|---|---|
| a. General/Transit Liability | Self-insured |
| b. Workers' Compensation | Self-insured |
| c. Property | Self-insured and purchase insurance |
| d. Employee (transit operators) | Purchase insurance |
| e. Directors and Officers | Purchase insurance |
| f. Active Assailant | Purchase insurance |

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA's general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. As of June 30, 2023, the reserve was $36.5 million. In addition, the annual budget for claims was $8.6 million for fiscal year 2022-23. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management. SFMTA has purchased an active assailant insurance to cover third party bodily injury, property damage, business interruption and crisis management.

Settlements have not exceeded insurance coverage during the past three years.

**Estimated Claims Payable**

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2023, has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

(Dollars in Thousands)

Changes in the reported estimated claims payable since July 1, 2021, resulted from the following activity:

| Fiscal Year | Beginning Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|---|---|---|---|---|
| 2021-2022 | $ 390,355 | $ 168,306 | $ (94,625) | $ 464,036 |
| 2022-2023 | 464,036 | 219,401 | (147,390) | 536,047 |

Breakdown of the estimated claims payable on June 30, 2023, is follows:

| | |
|---|---|
| Governmental activities: | |
| Current portion of estimated claims payable…………………… | $ 155,464 |
| Long-term portion of estimated claims payable………………… | 260,222 |
| Total ……………………………………………………………… | $ 415,686 |
| Business-type activities: | |
| Current portion of estimated claims payable…………………… | $ 46,288 |
| Long-term portion of estimated claims payable………………… | 74,073 |
| Total ……………………………………………………………… | $ 120,361 |

**Workers' Compensation**

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2023, has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2023, was $653.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2021, resulted from the following activity:

| Fiscal Year | Beginning Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|---|---|---|---|---|
| 2021-2022 | $ 536,939 | $ 195,741 | $ (119,551) | $ 613,129 |
| 2022-2023 | 613,129 | 169,773 | (129,066) | 653,836 |

Breakdown of the accrued workers' compensation liability on June 30, 2023, is as follows:

| | |
|---|---|
| Governmental activities: | |
| Current portion of accrued workers' compensation liability…… | $ 72,304 |
| Long-term portion of accrued workers' compensation liability.. | 305,486 |
| Total ……………………………………………………………… | $ 377,790 |
| Business-type activities: | |
| Current portion of accrued workers' compensation liability…… | $ 50,502 |
| Long-term portion of accrued workers' compensation liability.. | 225,544 |
| Total ……………………………………………………………… | $ 276,046 |

## (19) SUBSEQUENT EVENTS

### (a) Debt Issuance

In July 2023, the Water Enterprise issued its San Francisco Water Revenue Bonds, 2023 Sub-Series A (Regional and Local Water, Tax-exempt) and Sub-Series B (Hetch Hetchy Water, Tax-exempt) in the aggregate principal amount of $414.0 million to (i) refund principal and interest on Commercial Paper Notes issued to finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, (ii) finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, and (iii) fund capitalized interest through May 1, 2025 and other financing costs.

In July 2023, the Water Enterprise entered into new CP dealer agreements with BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association for the offering and sale, and remarketing from time to time of water commercial paper program notes. The new CP dealer agreements with BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association are scheduled to expire on July 10, 2028.

In August 2023, the Water Enterprise issued its San Francisco Water Revenue Bonds, 2023 Sub-Series C (Tax-exempt Refunding – WSIP, Green Bonds), and Sub-Series D (Tax-exempt Refunding-Local Water) an aggregate principal amount of $514.9 million to refund all or a portion of various series of the SFPUC's outstanding bonds.

In October 2023, Hetch Hetchy issued its San Francisco Power Revenue Bonds, 2023 Series A with a principal of $123.9 million to finance or refinance Power Enterprise projects through the refunding and retirement of CP issued as interim financing for such projects in furtherance of the Power Capital Improvement Program.

In November 2023, the City issued Certificates of Participation Series 2023A (Affordable Housing and Community Projects) (2023A Certificates) and Series 2023B (Multiple Capital Improvement Projects) (2023B Certificates) with the principal amount of $103.4 million and $80.0 million, respectively. The 2023A certificates were issued to finance and refinance certain capital improvement, affordable housing, and community facilities projects within the City and to pay the cost of issuance of the 2023A Certificates. The 2023B Certificates, together with the 2023A Certificates were issued to finance and refinance certain capital improvement projects within the City, including retirement of certain commercial paper notes of the City issued for such purpose and to pay the cost of issuance of the 2023B Certificates. The 2023A Certificates bear interest rates ranging from 6.0% to 6.375% to mature from October 2024 through October 2043. The 2023B Certificates bear interest rates ranging from 5.0% to 4.5% to mature from October 2024 through October 2043.

In November 2023, the Airport issued $794.3 million of its Series 2023C and Series 2023D Bonds for the purpose of refunding $497.8 million in outstanding CP notes, refunding $241.8 million in outstanding Series 2013A bonds, funding deposits to a debt service reserve account, and paying costs of issuance. The financial statements reflected the refunded amounts as noncurrent liabilities. Moody's and Fitch assigned credit ratings of "A1" and "A+" to these bonds.

In December 2023, the City, on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) issued Special Tax Bonds, Series 2023A (Development Special Tax Bonds), Series 2023B (Office Special Tax Bonds), and Series 2023C (Shoreline Tax Zone 1 Special Tax Bonds) (the 2023A Bonds, 2023B Bonds, and 2023C Bonds) in the original par amounts of $8.8 million, $19.1 million, and $18.0 million, respectively. The 2023A Bonds, 2023B Bonds, and 2023C Bonds were issued to fund horizonal improvements for Phase 1A and 1B of the Mission Rock Project. The 2023A Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2050. The 2023B Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2053. The 2023C

Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2053.

The 2023A Bonds, 2023B Bonds, and 2023C Bonds are secured under provisions of their respective Fiscal Agent Agreements, and will be payable solely from the revenues and funds pledged under those agreements. The 2023A Bonds were issued on a parity basis to the outstanding City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A and Development Special Tax Bonds, Series 2021B and 2021C. Revenues for the 2023A Bonds, 2023B Bonds, and 2023C Bonds generally consist of Development Special Tax Revenues, Office Special Tax Revenues, and Shoreline (tax zone 1) Special Tax Revenues, respectively. Additionally, the 2023A Bonds are secured by tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to such obligations under a Pledge Agreement (among the IFD, City on behalf the District, and the Fiscal Agent). The 2023A Bonds, 2023B Bonds, and 2023C Bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2023A Bonds, 2023B Bonds, or the 2023C Bonds.

In December 2023, the City, on behalf of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) issued Special Tax Bonds, Series 2023A in the par amount of $17.0 million (2023A IA2 Bonds). The 2023A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project. The 2023A Bonds bear interest rates ranging from 5.0% to 5.5%, with principal amortizing from September 2024 through September 2053.

The 2023A IA2 Bonds were issued on a parity basis to the outstanding of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) issued Special Tax Bonds, Series 2022A. The 2023A IA2 Bonds are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. The 2023 IA2 Bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2023 IA2 Bonds.

In December 2023, the City, on behalf of the and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2023A (Facilities Increment) and Series 2023B (Housing Increment) (2023A IRFD Bonds and 2023B IRFD Bonds) in the par amounts of $7.6 million and $1.6 million, respectively. The 2023A IRFD Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2023B IRFD Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2023A IRFD Bonds bear interest rates ranging from 5.0% to 5.5%, with principal amortizing from September 2024 through September 2053. The 2023B IRFD Bonds bear an interest rate of 5.5%, with principal amortizing from September 2024 through September 2053.

The 2023A IRFD Bonds and 2023B IRFD Bonds were issued on a parity basis to the outstanding City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment), respectively. The 2023A IRFD Bonds and 2023B IRFD Bonds are secured under provisions of separate Indentures of Trust and are payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. The 2023A IRFD Bonds and 2023B IRFD Bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2023A IRFD Bonds or 2023B IRFD Bonds.

**(b) Others**

**Ratings Downgrade**

In July 2023, Moody's revised the rating outlook on the City's long-term ratings from stable to negative while concurrently affirming the "Aaa" ratings on the City's issuer rating and on approximately $2.59 billion in outstanding general obligation bonds. Moody's also affirmed the "Aa1" and "Aa2" rating on the City's approximately $1.4 billion in lease-backed obligations. The City also has approximately $19.5 billion in additional debt outstanding across its governmental and enterprise activities unaffected by this rating action.

**Laguna Honda Hospital Settlement Agreement**

In November 2022, Laguna Honda Hospital (LHH) reached a settlement with the California Department of Public Health (CDPH) and the federal Centers for Medicare and Medicaid Services (CMS) to allow LHH to continue to receive funding through November 2023.

In August 2023, LHH was recertified, effective immediately, in the Medicaid Provider Program. In September 2023, LHH applied for Medicare recertification and is anticipating completion of a CMS survey by December 2023.

A new admission timeline and census projections cannot be developed until the facility is certified by both Medi-Cal and Medicare, as a result revenue projections for fiscal year 2023-24 have not been updated from fiscal year 2023-24 budget to reflect the recertification.

**Airport New Lease and Use Agreement**

A new ten-year 2023 Lease and Use Agreement became effective on July 1, 2023, and is set to expire on June 30, 2033.

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) –
## Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset)

June 30, 2023
(Dollars in Thousands)

| | For the year ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability (asset) | 94.8676% | -0.1503% | 0.0294% | 0.3232% | 0.0001% |
| Proportionate share of the net pension liability (asset) | $ 2,552,996 | $ (17,362) | $ 3,394 | $ 37,328 | $ 11 |
| Covered payroll | $ 3,553,859 | $ - | $ 4,706 | $ 6,633 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 71.84% | N/A | 72.12% | 562.76% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 92.40% | 76.68% | 76.68% | 76.68% | 76.68% |

| | For the year ended June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability (asset) | 94.6421% | -0.4126% | 0.0160% | 0.4073% | 0.0001% |
| Proportionate share of the net pension liability (asset) | $ (2,446,565) | $ (22,316) | $ 868 | $ 22,028 | $ 6 |
| Covered payroll | $ 3,434,713 | $ - | $ 4,826 | $ 7,430 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | -71.23% | N/A | 17.99% | 296.47% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 107.80% | 88.29% | 88.29% | 88.29% | 88.29% |

| | For the year ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.3903% | -0.1489% | 0.0244% | 0.2967% | 0.0002% |
| Proportionate share of the net pension liability (asset) | $ 5,107,273 | $ (16,206) | $ 2,659 | $ 32,279 | $ 21 |
| Covered payroll | $ 3,378,945 | $ 179 | $ 4,423 | $ 6,745 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 151.15% | -9053.63% | 60.12% | 478.56% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 83.10% | 75.10% | 75.10% | 75.10% | 75.10% |

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) –
## Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)

June 30, 2023
(Dollars in Thousands)

| | For the year ended June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.1288% | -0.1541% | 0.0230% | 0.2908% | 0.0002% |
| Proportionate share of the net pension liability (asset) | $ 4,213,809 | $ (15,793) | $ 2,352 | $ 29,803 | $ 25 |
| Covered payroll | $ 3,186,405 | $ 359 | $ 4,396 | $ 6,384 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 132.24% | -4399.16% | 53.50% | 466.84% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 85.30% | 75.26% | 75.26% | 75.26% | 75.26% |

| | For the year ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.1042% | -0.1573% | 0.0215% | 0.2820% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 4,030,207 | $ (15,154) | $ 2,069 | $ 27,178 | $ 28 |
| Covered payroll | $ 3,045,153 | $ 390 | $ 4,039 | $ 5,742 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 132.35% | -3885.64% | 51.22% | 473.32% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 85.20% | 75.26% | 75.26% | 75.26% | 75.26% |

| | For the year ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.0674% | -0.1388% | 0.0216% | 0.2751% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 4,697,131 | $ (13,766) | $ 2,142 | $ 27,280 | $ 28 |
| Covered payroll | $ 2,880,112 | $ 344 | $ 4,202 | $ 5,042 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 163.09% | -4001.74% | 50.97% | 541.05% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 81.78% | 73.31% | 73.31% | 73.31% | 73.31% |

# CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)**
June 30, 2023*
(Dollars in Thousands)

| | For the year ended June 30, 2017 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.2175% | -0.1469% | 0.0204% | 0.2691% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 5,476,654 | $ (12,711) | $ 1,765 | $ 23,281 | $ 27 |
| Covered payroll | $ 2,681,695 | $ 329 | $ 3,644 | $ 3,769 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 204.22% | -3863.53% | 48.44% | 617.70% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 77.61% | 74.06% | 74.06% | 74.06% | 74.06% |

| | For the year ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 93.9032% | -0.2033% | 0.0188% | 0.2413% | 0.0004% |
| Proportionate share of the net pension liability (asset) | $ 2,156,049 | $ (13,956) | $ 1,288 | $ 16,563 | $ 24 |
| Covered payroll | $ 2,529,879 | $ 319 | $ 3,684 | $ 3,427 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 85.22% | -4374.92% | 34.96% | 483.31% | 0.00% |
| Plan fiduciary net position as a percentage of total pension liability | 89.90% | 78.40% | 78.40% | 78.40% | 78.40% |

| | For the year ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 93.7829% | -0.1829% | 0.0208% | 0.2550% | N/A |
| Proportionate share of the net pension liability (asset) | $ 1,660,365 | $ (11,381) | $ 1,299 | $ 15,870 | $ - |
| Covered payroll | $ 2,398,979 | $ 303 | $ 3,264 | $ 3,962 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 69.21% | -3756.11% | 39.80% | 400.56% | - |
| Plan fiduciary net position as a percentage of total pension liability | 91.84% | 80.43% | 80.43% | 80.43% | - |

**Required Supplementary Information (Unaudited) –**
**Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)**
June 30, 2023*
(Dollars in Thousands)

**Notes to Schedule:**

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2022, 2021, 2020, 2019 and 2018. The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the measurement period ended June 30, 2022, the discount rate was decreased from 7.40% to 7.20%. There were no changes in the discount rate for the measurement period ended June 30, 2021 and 2020. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40% There were no changes in the discount rate for the measurement period ended June 30, 2018. For the measurement ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – For the measurement period ended June 30, 2022, the discount rate was decreased from 7.15% to 6.90%. There were no changes in the discount rate for the measurement period ended June 30, 2021.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine years of information is shown

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) – Schedules of Changes in Net Pension Liability and Related Ratios

June 30, 2023

(Dollars in Thousands)

| City CalPERS Safety Plan | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| **Total pension liability:** | | | | |
| Service cost | $ 27,820 | $ 27,940 | $ 29,508 | $ 30,109 |
| Interest on the total pension liability | 109,898 | 107,607 | 102,990 | 98,555 |
| Changes of assumptions | 45,696 | - | - | - |
| Differences between expected and actual experience | (19,162) | 2,028 | (1,465) | (7,134) |
| Benefit payments, including refunds of employee contributions | (77,028) | (71,533) | (66,815) | (62,934) |
| Net change in total pension liability | 87,224 | 66,042 | 64,218 | 58,596 |
| Total pension liability, beginning | 1,590,799 | 1,524,757 | 1,460,539 | 1,401,943 |
| Total pension liability, ending | $1,678,023 | $1,590,799 | $1,524,757 | $1,460,539 |
| **Plan fiduciary net position:** | | | | |
| Plan to plan resource movement | $ - | $ - | $ - | $ - |
| Contributions from the employer | 55,172 | 51,620 | 49,455 | 43,789 |
| Contributions from employees | 7,885 | 8,342 | 8,947 | 9,141 |
| Net investment income/(loss) | (109,224) | 269,621 | 57,048 | 71,212 |
| Benefit payments, including refunds of employee contributions | (77,028) | (71,533) | (66,815) | (62,934) |
| Administrative expenses | (901) | (1,188) | (1,611) | (772) |
| Other miscellaneous income/(expense) | - | - | - | 2 |
| Net change in plan fiduciary net position | (124,096) | 256,862 | 47,024 | 60,438 |
| Plan fiduciary net position, beginning | 1,446,527 | 1,189,665 | 1,142,641 | 1,082,203 |
| Plan fiduciary net position, ending | $1,322,431 | $1,446,527 | $1,189,665 | $1,142,641 |
| **Plan net pension liability, ending** | $ 355,592 | $ 144,272 | $ 335,092 | $ 317,898 |
| Plan fiduciary net position as a percentage of the total pension liability | 78.81% | 90.93% | 78.02% | 78.23% |
| Covered payroll | $ 85,571 | $ 93,702 | $ 92,968 | $ 94,522 |
| Plan net pension liability as a percentage of the covered payroll | 415.55% | 153.97% | 360.44% | 336.32% |

**Required Supplementary Information (Unaudited) –**
**Schedules of Changes in Net Pension Liability and Related Ratios (Continued)**
June 30, 2023*
(Dollars in Thousands)

| City CalPERS Safety Plan | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Total pension liability:** | | | | | |
| Service cost | $ 34,006 | $ 33,886 | $ 31,141 | $ 30,987 | $ 32,688 |
| Interest on the total pension liability | 94,305 | 88,729 | 85,094 | 80,057 | 76,177 |
| Changes of assumptions | 2,492 | 75,057 | - | (19,949) | - |
| Differences between expected and actual experience | 6,909 | (14,353) | 950 | (14,218) | - |
| Benefit payments, including refunds of employee contributions | (56,625) | (51,579) | (47,774) | (44,699) | (41,387) |
| Net change in total pension liability | 81,087 | 131,740 | 69,411 | 32,178 | 67,478 |
| Total pension liability, beginning | 1,320,856 | 1,189,116 | 1,119,705 | 1,087,527 | 1,020,049 |
| Total pension liability, ending | $1,401,943 | $1,320,856 | $1,189,116 | $ 1,119,705 | $ 1,087,527 |
| **Plan fiduciary net position:** | | | | | |
| Plan to plan resource movement | $ (3) | $ - | $ - | $ (4) | $ - |
| Contributions from the employer | 31,189 | 30,575 | 23,640 | 20,718 | 20,613 |
| Contributions from employees | 9,359 | 10,307 | 14,310 | 15,061 | 15,216 |
| Net investment income | 85,351 | 104,383 | 4,731 | 20,469 | 138,628 |
| Benefit payments, including refunds of employee contributions | (56,625) | (51,579) | (47,774) | (44,699) | (41,387) |
| Administrative expenses | (1,585) | (1,366) | (567) | (1,048) | - |
| Other miscellaneous income/(expense) | (3,011) | - | - | - | - |
| Net change in plan fiduciary net position | 64,675 | 92,320 | (5,660) | 10,497 | 133,070 |
| Plan fiduciary net position, beginning | 1,017,528 | 925,208 | 930,868 | 920,371 | 787,301 |
| Plan fiduciary net position, ending | $1,082,203 | $1,017,528 | $ 925,208 | $ 930,868 | $ 920,371 |
| **Plan net pension liability, ending** | $ 319,740 | $ 303,328 | $ 263,908 | $ 188,837 | $ 167,156 |
| Plan fiduciary net position as a percentage of the total pension liability | 77.19% | 77.04% | 77.81% | 83.14% | 84.63% |
| Covered payroll | $ 106,765 | $ 107,812 | $ 110,139 | $ 109,462 | $ 111,311 |
| Plan net pension liability as a percentage of the covered payroll | 299.48% | 281.35% | 239.61% | 172.51% | 150.17% |

## Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred on or after the June 30, 2021, valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – The discount rate decreased from 7.15% to 6.90% for the measurement period ended June 30, 2022. None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine years of information is shown

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Schedules of Changes in Total Pension Liability and Related Ratios

June 30, 2023*
(Dollars in Thousands)

| City Replacement Benefits Plan | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| **Plan total pension liability:** | | | | | | | |
| Service cost | $ 2,894 | $ 2,571 | $ 1,976 | $ 1,286 | $ 1,298 | $ 1,605 | $ 956 |
| Interest | 4,726 | 4,076 | 4,776 | 3,538 | 2,998 | 2,218 | 2,112 |
| Changes of benefits | - | - | - | - | - | - | 10,310 |
| Differences between expected and actual experience | (24,639) | 24,547 | 7,800 | 13,588 | 564 | 15,326 | - |
| Changes of assumptions | (42,151) | 7,274 | 37,013 | 29,565 | 5,540 | (10,290) | 11,516 |
| Benefit payments | (4,473) | (4,097) | (3,634) | (2,958) | (2,442) | (3,164) | (1,332) |
| Net change in total pension liability | (63,643) | 34,371 | 47,931 | 45,019 | 7,958 | 5,695 | 23,562 |
| Total pension liability, beginning | 219,574 | 185,203 | 137,272 | 92,253 | 84,295 | 78,600 | 55,038 |
| **Plan total pension liability, ending:** | $ 155,931 | $ 219,574 | $ 185,203 | $ 137,272 | $ 92,253 | $ 84,295 | $ 78,600 |
| Covered-employee payroll | $ 3,589,396 | $ 3,470,495 | $ 3,414,923 | $ 3,225,854 | $ 3,082,273 | $ 2,919,519 | $ 2,719,691 |
| Plan total pension liability as a percentage of the covered-employee payroll | 4.34% | 6.33% | 5.42% | 4.26% | 2.99% | 2.89% | 2.89% |

**Notes to Schedule:**

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2022.

Changes of Assumptions – The discount rate was changed from 2.16% to 3.54% in the measurement period ended June 30, 2022. No changes in discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 2.21% in the measurement period ended June 30, 2020, to 2.16% in the measurement period ended June 30, 2021. The discount rate was changed from 3.87% in the measurement period ended June 30, 2018, to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only seven years of information is shown

# CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedules of Employer Contributions – Pension Plans**
June 30, 2023
(Dollars in Thousands)

For the year ended June 30, 2023

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 638,003 | $ - | $ 689 | $ 2,934 | $ 2 | $ 50,754 |
| Contributions in relation to the actuarially determined contributions | (638,003) | - | (689) | (2,934) | (2) | (50,754) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,810,429 | $ - | $ 5,088 | $ 6,405 | $ - | $ 81,754 |
| Contributions as a percentage of covered payroll | 16.74% | N/A | 13.54% | 45.81% | N/A | 62.08% |

For the year ended June 30, 2022

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 729,578 | $ - | $ 628 | $ 2,611 | $ 9 | $ 49,808 |
| Contributions in relation to the actuarially determined contributions | (729,578) | - | (628) | (2,611) | (9) | (49,808) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,553,859 | $ - | $ 4,706 | $ 6,633 | $ - | $ 85,571 |
| Contributions as a percentage of covered payroll | 20.53% | N/A | 13.34% | 39.36% | N/A | 58.21% |

For the year ended June 30, 2021

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 791,736 | $ - | $ 606 | $ 2,299 | $ 8 | $ 51,185 |
| Contributions in relation to the actuarially determined contributions | (791,736) | - | (606) | (2,299) | (8) | (51,185) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,434,713 | $ - | $ 4,826 | $ 7,430 | $ - | $ 93,702 |
| Contributions as a percentage of covered payroll | 23.05% | N/A | 12.56% | 30.94% | N/A | 54.63% |

For the year ended June 30, 2020

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 701,307 | $ 10 | $ 539 | $ 2,012 | $ 7 | $ 40,778 |
| Contributions in relation to the actuarially determined contributions | (701,307) | (10) | (539) | (2,012) | (7) | (40,778) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,378,945 | $ 179 | $ 4,423 | $ 6,745 | $ - | $ 92,968 |
| Contributions as a percentage of covered payroll | 20.76% | 5.59% | 12.19% | 29.83% | N/A | 43.86% |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2023

(Dollars in Thousands)

For the year ended June 30, 2019

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 607,408 | $ 28 | $ 479 | $ 1,637 | $ 7 | $ 34,933 |
| Contributions in relation to the actuarially determined contributions | (607,408) | (28) | (479) | (1,637) | (7) | (34,933) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,186,405 | $ 359 | $ 4,396 | $ 6,384 | $ - | $ 94,522 |
| Contributions as a percentage of covered payroll | 19.06% | 7.80% | 10.89% | 25.64% | N/A | 36.96% |

For the year ended June 30, 2018

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 582,568 | $ 42 | $ 403 | $ 1,283 | $ 6 | $ 30,743 |
| Contributions in relation to the actuarially determined contributions | (582,568) | (42) | (403) | (1,283) | (6) | (30,743) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,045,153 | $ 390 | $ 4,039 | $ 5,742 | $ - | $ 106,765 |
| Contributions as a percentage of covered payroll | 19.13% | 10.77% | 9.99% | 22.34% | N/A | 28.80% |

For the year ended June 30, 2017

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 519,073 | $ 35 | $ 293 | $ 970 | $ 2 | $ 27,190 |
| Contributions in relation to the actuarially determined contributions | (519,073) | (35) | (293) | (970) | (2) | (27,190) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,880,112 | $ 344 | $ 4,202 | $ 5,042 | $ - | $ 107,812 |
| Contributions as a percentage of covered payroll | 18.02% | 10.17% | 6.97% | 19.24% | N/A | 25.22% |

For the year ended June 30, 2016

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 496,343 | $ 33 | $ 280 | $ 828 | $ 2 | $ 23,640 |
| Contributions in relation to the actuarially determined contributions | (496,343) | (33) | (280) | (828) | (2) | (23,640) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,681,695 | $ 329 | $ 3,644 | $ 3,769 | $ - | $ 110,139 |
| Contributions as a percentage of covered payroll | 18.51% | 10.03% | 7.68% | 21.97% | N/A | 21.46% |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2023*

(Dollars in Thousands)

| | For the year ended June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | | |
| | City SFERS Plan | City | Transportation Authority | Successor Agency | Treasure Island | CalPERS Safety Plan |
| Actuarially determined contributions [1] ** | $ 556,511 | $ 31 | $ 400 | $ 598 | $ 2 | $ 20,718 |
| Contributions in relation to the actuarially determined contributions [1] | (556,511) | (31) | (400) | (598) | (2) | (20,718) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,529,879 | $ 319 | $ 3,684 | $ 3,427 | $ - | $ 109,462 |
| Contributions as a percentage of covered payroll | 22.00% | 9.72% | 10.86% | 17.45% | N/A | 18.93% |

[1] Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2022-23 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2020 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.40% (net of investment expenses) |
| Inflation......................................... | 2.50% |
| Projected salary increase............... | Wage inflation component: 3.25% |

**Methods and assumptions used to determine FY 2021-22 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2019 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.40% (net of investment expenses) |
| Inflation......................................... | 2.75% |
| Projected salary increase............... | Wage inflation component: 3.50% |

**Methods and assumptions used to determine FY 2020-21 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2018 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.40% (net of investment expenses) |
| Inflation......................................... | 3.00% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.50% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2017 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.50% (net of investment expenses) |
| Inflation......................................... | 3.00% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.50% |

**Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2016 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.50% (net of investment expenses) |
| Inflation......................................... | 3.25% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.75% |

**Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2015 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.50% (net of investment expenses) |
| Inflation......................................... | 3.25% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.75% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2014 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Closed 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.50% (net of investment expenses) |
| Inflation......................................... | 3.25% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.75% |

**Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2013 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Rolling 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.58% (net of investment expenses) |
| Inflation......................................... | 3.33% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.83% |

**Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date............................... | July 1, 2012 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level annual percentage of payroll |
| Remaining amortization period........ | Rolling 15-year period |
| Asset valuation method.................. | 5 year smoothed market |
| Investment rate of return................. | 7.58% (net of investment expenses) |
| Inflation......................................... | 3.33% compounded annually |
| Projected salary increase............... | Wage inflation component: 3.83% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2022-23 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date.............................. | June 30, 2020 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method.................. | Actuarial Value of Assets |
| Investment rate of return................ | 7.00%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | Varies by Entry-Age and Service |
| Inflation........................................ | 2.500% |
| Payroll growth.............................. | 2.750% |

**Methods and assumptions used to determine FY 2021-22 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date.............................. | June 30, 2019 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method.................. | Actuarial Value of Assets |
| Investment rate of return................ | 7.00%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | Varies by Entry-Age and Service |
| Inflation........................................ | 2.500% |
| Payroll growth.............................. | 2.750% |

**Methods and assumptions used to determine FY 2020-21 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date.............................. | June 30, 2018 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method.................. | Actuarial Value of Assets |
| Investment rate of return................ | 7.00%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | Varies by Entry-Age and Service |
| Inflation........................................ | 2.500% |
| Payroll growth.............................. | 2.750% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.25%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.625% |
| Payroll growth | 2.875% |

**Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2016 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.375%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.75% |
| Payroll growth | 3.00% |

**Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2015 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.75% |
| Payroll growth | 3.00% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date............................... | June 30, 2014 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method.................. | Actuarial Value of Assets |
| Investment rate of return................. | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | Varies by Entry-Age and Service |
| Inflation......................................... | 2.75% |
| Payroll growth............................... | 3.00% |

**Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date............................... | June 30, 2013 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)<br>Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method.................. | Market Value |
| Investment rate of return................. | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | 3.30% to 14.20% depending on age, service, and type of employment |
| Inflation......................................... | 2.75% |
| Payroll growth............................... | 3.00% |
| Individual salary growth................... | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. |

**Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date............................... | June 30, 2012 |
| Actuarial cost method.................... | Entry-age normal cost method |
| Amortization method...................... | Level percent of payroll |
| Amortization period........................ | 7 years as of the valuation date (Miscellaneous)<br>25 years as of the valuation date (Safety) |
| Asset valuation method.................. | 15-year smoothed market |
| Investment rate of return................. | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase............... | 3.30% to 14.20% depending on age, service, and type of employment |
| Inflation......................................... | 2.75% |
| Payroll growth............................... | 3.00% |
| Individual salary growth................... | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
### Other Postemployment Healthcare Benefits Plan

June 30, 2023
(Dollars in Thousands)

| | 2023 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 154,800 | $ 314 | $ 123 |
| Interest (includes interest on service cost) | 306,758 | 694 | 150 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (224,065) | - | (3) |
| Changes of assumptions | 49,784 | - | (99) |
| Benefit payments, including refunds of member contributions | (211,025) | (854) | (70) |
| **Net change in total OPEB liability** | **76,252** | **154** | **101** |
| **Total OPEB liability - beginning** | **4,409,899** | **11,217** | **1,956** |
| **Total OPEB liability - ending** | **$ 4,486,151** | **$ 11,371** | **$ 2,057** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 252,866 | $ 1,689 | $ 70 |
| Contributions - member | 66,455 | - | - |
| Net investment loss | (87,003) | (2,080) | (334) |
| Benefit payments, including refunds of member contributions | (211,025) | (854) | (70) |
| Administrative expense | (190) | (6) | (1) |
| **Net change in plan fiduciary net position** | **21,103** | **(1,251)** | **(335)** |
| **Plan fiduciary net position - beginning** | **718,778** | **14,740** | **2,493** |
| **Plan fiduciary net position - ending** | **739,881** | **13,489** | **2,158** |
| **Net OPEB liability/(asset) - ending** | **$ 3,746,270** | **$ (2,118)** | **$ (101)** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 16.5% | 118.6% | 104.9% |
| **Covered payroll** | $ 4,184,087 | $ 6,633 | $ 5,032 |
| **Net OPEB liability/(asset) as a percentage of covered payroll** | 89.5% | -31.9% | -2.0% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2023
(Dollars in Thousands)

| | 2022 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 155,840 | $ 348 | $ 90 |
| Interest (includes interest on service cost) | 300,122 | 831 | 124 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (151,949) | (1,337) | 183 |
| Changes of assumptions | - | (164) | - |
| Benefit payments, including refunds of member contributions | (206,439) | (880) | (63) |
| **Net change in total OPEB liability** | **97,574** | **(1,202)** | **334** |
| **Total OPEB liability - beginning** | **4,312,325** | **12,419** | **1,622** |
| **Total OPEB liability - ending** | **$ 4,409,899** | **$ 11,217** | **$ 1,956** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 245,994 | $ 2,259 | $ 63 |
| Contributions - member | 61,582 | - | - |
| Net investment income | 128,916 | 3,039 | 538 |
| Benefit payments, including refunds of member contributions | (206,439) | (880) | (63) |
| Administrative expense | (265) | (6) | (1) |
| **Net change in plan fiduciary net position** | **229,788** | **4,412** | **537** |
| **Plan fiduciary net position - beginning** | **488,990** | **10,328** | **1,956** |
| **Plan fiduciary net position - ending** | **718,778** | **14,740** | **2,493** |
| **Net OPEB liability/(asset) - ending** | **$ 3,691,121** | **$ (3,523)** | **$ (537)** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 16.3% | 131.4% | 127.5% |
| **Covered payroll** | $ 3,955,498 | $ 7,430 | $ 4,420 |
| **Net OPEB liability/(asset) as a percentage of covered payroll** | 93.3% | -47.4% | -12.1% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2023
(Dollars in Thousands)

| | 2021 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 141,642 | $ 344 | $ 92 |
| Interest (includes interest on service cost) | 314,907 | 830 | 114 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (381,922) | - | (1) |
| Changes of assumptions | 151,725 | (248) | - |
| Benefit payments, including refunds of member contributions | (196,445) | (902) | (61) |
| **Net change in total OPEB liability** | **29,907** | **24** | **144** |
| **Total OPEB liability - beginning** | **4,282,418** | **12,395** | **1,478** |
| **Total OPEB liability - ending** | **$ 4,312,325** | **$ 12,419** | **$ 1,622** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 235,963 | $ 2,901 | $ 61 |
| Contributions - member | 60,236 | - | - |
| Net investment income | 22,746 | 285 | 67 |
| Benefit payments, including refunds of member contributions | (196,445) | (902) | (61) |
| Administrative expense | (113) | (7) | (1) |
| **Net change in plan fiduciary net position** | **122,387** | **2,277** | **66** |
| **Plan fiduciary net position - beginning** | **366,603** | **8,051** | **1,890** |
| **Plan fiduciary net position - ending** | **488,990** | **10,328** | **1,956** |
| **Net OPEB liability/(asset) - ending** | **$ 3,823,335** | **$ 2,091** | **$ (334)** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 11.3% | 83.2% | 120.6% |
| **Covered payroll** | $ 3,951,792 | $ 6,745 | $ 4,355 |
| **Net OPEB liability/(asset) as a percentage of covered payroll** | 96.7% | 31.0% | -7.7% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2023
(Dollars in Thousands)

| | 2020 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 133,736 | $ 335 | $ 118 |
| Interest (includes interest on service cost) | 283,520 | 812 | 143 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 194,068 | - | (596) |
| Changes of assumptions | - | - | (63) |
| Benefit payments, including refunds of member contributions | (185,839) | (906) | (60) |
| **Net change in total OPEB liability/(asset)** | **425,485** | **241** | **(458)** |
| **Total OPEB liability - beginning** | **3,856,933** | **12,154** | **1,936** |
| **Total OPEB liability - ending** | **$ 4,282,418** | **$ 12,395** | **$ 1,478** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 218,625 | $ 2,967 | $ 138 |
| Contributions - member | 51,024 | - | - |
| Net investment income | 26,959 | 407 | 106 |
| Benefit payments, including refunds of member contributions | (185,839) | (906) | (60) |
| Administrative expense | (132) | (3) | (1) |
| **Net change in plan fiduciary net position** | **110,637** | **2,465** | **183** |
| **Plan fiduciary net position - beginning** | **255,966** | **5,586** | **1,707** |
| **Plan fiduciary net position - ending** | **366,603** | **8,051** | **1,890** |
| **Net OPEB liability/(asset) - ending** | **$ 3,915,815** | **$ 4,344** | **$ (412)** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 8.6% | 65.0% | 127.9% |
| **Covered payroll** | $ 3,763,446 | $ 6,384 | $ 4,039 |
| **Net OPEB liability/(asset) as a percentage of covered payroll** | 104.0% | 68.1% | -10.2% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2023
(Dollars in Thousands)

| | 2019 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 127,850 | $ 164 | $ 122 |
| Interest (includes interest on service cost) | 290,029 | 701 | 129 |
| Changes of benefit terms | - | - | (5) |
| Differences between expected and actual experience | (385,732) | 267 | - |
| Changes of assumptions | 111,119 | 1,572 | - |
| Benefit payments, including refunds of member contributions | (178,019) | (812) | (58) |
| **Net change in total OPEB liability** | **(34,753)** | **1,892** | **188** |
| **Total OPEB liability - beginning** | **3,891,686** | **10,262** | **1,748** |
| **Total OPEB liability - ending** | **$ 3,856,933** | **$ 12,154** | **$ 1,936** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 203,858 | $ 2,145 | $ 144 |
| Contributions - member | 41,682 | - | - |
| Net investment income | 14,105 | 339 | 119 |
| Benefit payments, including refunds of member contributions | (178,019) | (812) | (58) |
| Administrative expense | (137) | (11) | (1) |
| **Net change in plan fiduciary net position** | **81,489** | **1,661** | **204** |
| **Plan fiduciary net position - beginning** | **174,477** | **3,925** | **1,503** |
| **Plan fiduciary net position - ending** | **255,966** | **5,586** | **1,707** |
| **Net OPEB liability - ending** | **$ 3,600,967** | **$ 6,568** | **$ 229** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 6.6% | 46.0% | 88.2% |
| **Covered payroll** | $ 3,583,448 | $ 5,742 | $ 4,045 |
| **Net OPEB liability as a percentage of covered payroll** | 100.5% | 114.4% | 5.7% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2023*
(Dollars in Thousands)

| | 2018 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 125,195 | $ 159 | $ 122 |
| Interest (includes interest on service cost) | 272,942 | 692 | 117 |
| Benefit payments, including refunds of member contributions | (165,470) | (797) | (64) |
| **Net change in total OPEB liability** | **232,667** | **54** | **175** |
| **Total OPEB liability - beginning** | **3,659,019** | **10,208** | **1,573** |
| **Total OPEB liability - ending** | **$ 3,891,686** | **$ 10,262** | **$ 1,748** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 183,898 | $ 1,097 | $ 166 |
| Contributions - member | 31,686 | - | - |
| Net investment income | 17,368 | 353 | 134 |
| Benefit payments, including refunds of member contributions | (165,470) | (797) | (64) |
| Administrative expense | (109) | (3) | (1) |
| **Net change in plan fiduciary net position** | **67,373** | **650** | **235** |
| **Plan fiduciary net position - beginning** | **107,104** | **3,275** | **1,268** |
| **Plan fiduciary net position - ending** | **174,477** | **3,925** | **1,503** |
| **Net OPEB liability - ending** | **$ 3,717,209** | **$ 6,337** | **$ 245** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 4.5% | 38.2% | 86.0% |
| **Covered payroll** | $ 3,393,658 | $ 5,042 | $ 3,946 |
| **Net OPEB liability as a percentage of covered payroll** | 109.5% | 125.7% | 6.2% |

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only six years of information is shown.

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plan

Year Ended June 30, 2023
(Dollars in Thousands)

| | For the year ended June 30, 2023 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 260,649 | $ 116 | $ 64 |
| Contributions in relation to the charter required contribution or ADC | (260,649) | (2,429) | (105) |
| Contribution deficiency/(excess) | $ - | $ (2,313) | $ (41) |
| Covered payroll | $ 4,600,228 | $ 6,405 | $ 4,854 |
| Contributions as a percentage of covered payroll | 5.67% | 37.92% | 2.16% |

| | For the year ended June 30, 2022 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 252,866 | $ 824 | $ 55 |
| Contributions in relation to the charter required contribution or ADC | (252,866) | (1,689) | (64) |
| Contribution deficiency/(excess) | $ - | $ (865) | $ (9) |
| Covered payroll | $ 4,184,087 | $ 6,633 | $ 5,032 |
| Contributions as a percentage of covered payroll | 6.04% | 25.46% | 1.27% |

| | For the year ended June 30, 2021 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 245,994 | $ 813 | $ 51 |
| Contributions in relation to the charter required contribution or ADC | (245,994) | (2,259) | (63) |
| Contribution deficiency/(excess) | $ - | $ (1,446) | $ (12) |
| Covered payroll | $ 3,955,498 | $ 7,430 | $ 4,420 |
| Contributions as a percentage of covered payroll | 6.22% | 30.40% | 1.43% |

| | For the year ended June 30, 2020 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 235,962 | $ 802 | $ 138 |
| Contributions in relation to the charter required contribution or ADC | (235,962) | (2,901) | (61) |
| Contribution deficiency/(excess) | $ - | $ (2,099) | $ 77 |
| Covered payroll | $ 3,951,792 | $ 6,745 | $ 4,355 |
| Contributions as a percentage of covered payroll | 5.97% | 43.01% | 1.40% |

| | For the year ended June 30, 2019 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 218,625 | $ 812 | $ 138 |
| Contributions in relation to the charter required contribution or ADC | (218,625) | (2,967) | (138) |
| Contribution deficiency/(excess) | $ - | $ (2,155) | $ - |
| Covered payroll | $ 3,763,446 | $ 6,384 | $ 4,039 |
| Contributions as a percentage of covered payroll | 5.81% | 46.48% | 3.42% |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Schedules of Employer Contributions
### Other Postemployment Healthcare Benefits Plans (Continued)

Year Ended June 30, 2023*
(In Thousands)

| | For the year ended June 30, 2018 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 203,858 | $ 813 | $ 143 |
| Contributions in relation to the charter required contribution or ADC | (203,858) | (2,145) | (143) |
| Contribution deficiency/(excess) | $ - | $ (1,332) | $ - |
| Covered payroll | $ 3,583,448 | $ 5,742 | $ 4,045 |
| Contributions as a percentage of covered payroll | 5.69% | 37.36% | 3.54% |

| | For the year ended June 30, 2017 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 183,898 | $ 804 | $ 165 |
| Contributions in relation to the charter required contribution or ADC | (183,898) | (1,097) | (165) |
| Contribution deficiency/(excess) | $ - | $ (293) | $ - |
| Covered payroll | $ 3,393,658 | $ 5,042 | $ 3,946 |
| Contributions as a percentage of covered payroll | 5.42% | 21.76% | 4.18% |

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only seven years of information is available for the City plan, Successor Agency plan and the Transportation Authority plan.

**Required Supplementary Information (Unaudited) –**
**Schedules of Employer Contributions**
**Other Postemployment Healthcare Benefits Plans (Continued)**
Year Ended June 30, 2023
(In Thousands)

## Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2022-23 contribution rates for the plans are as follows:

| Actuarial Assumptions | City Plan for the year ended June 30, 2022 |
|---|---|
| **Valuation Date** | June 30, 2022 |
| **Measurement Date** | June 30, 2022 |
| **Actuarial Cost Method** | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| **Healthcare Cost Trend Rates** | Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 |
| | Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 |
| | 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 |
| | Vision and expenses trend remains a flat 3.0% for all years |
| **Expected Rate of Return on Plan Assets** | 7.00% |
| **Discount Rate** | 7.00% |
| **Salary Increase Rate** | Wage Inflation Component: 3.25% |
| | Additional Merit Component (dependent on years of service): |
| | Police: 0.50% - 7.50% |
| | Fire: 0.50% - 14.00% |
| | Muni Drivers: 0.00% - 16.00% |
| | Craft: 0.50% - 3.75% |
| | Misc: 0.30% - 5.50% |
| **Inflation Rate** | Wage Inflation: 3.25% compounded annually |
| | Consumer Price Inflation: 2.50% compounded annually |
| **Mortality Tables** | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019. |

Non-Annuitants

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 0.834 | 0.866 |
| Safety | PubS-2010 Employee | 1.011 | 0.979 |

Healthy Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubS-2010 Employee | 0.947 | 1.044 |

Disabled Retirees

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.045 | 1.003 |
| Safety | PubS-2010 Employee | 0.916 | 0.995 |

Beneficiaries

| | | Adjustment Factor | |
|---|---|---|---|
| | **Published Table** | **Male** | **Female** |
| Miscellaneous | PubG-2010 Employee | 1.031 | 0.977 |
| Safety | PubG-2010 Employee | 1.031 | 0.977 |

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) –
## Schedules of Employer Contributions
## Other Postemployment Healthcare Benefits Plans (Continued)

Year Ended June 30, 2023
(In Thousands)

| Actuarial Assumptions | Transportation Authority | Successor Agency |
|---|---|---|
| Actuarial Valuation Date | June 30, 2021 | June 30, 2021 |
| Actuarial Cost Method | Entry age normal cost method | Entry age normal cost method |
| Asset Valuation Method | | Actuarial value of assets |
| General Inflation | 2.75% per annum | 2.50% |
| Salary Increases | 2.75% per annum, in aggregate | 2.75%; Merit based on 2017 CalPERS Experience Study |
| Investment Rate of Return | 7.59% | 6.25% |
| Mortality, Turnover, Disability, and Retirement | CalPERS Experience Study for the period from 1997 to 2015 | CalPERS 2017 Experience Study for the period from 1997 to 2015<br>Post-retirement mortality projected fully generational with Scale MP-2020 |
| Healthcare Cost Trend Rate | Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0% | Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076;<br>Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076;<br>Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 |

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **Budgetary Fund Balance, July 1** | $ 395,409 | $ 3,214,031 | $ 3,214,031 | $ - |
| **Resources (Inflows):** | | | | |
| Property taxes | 2,379,530 | 2,379,530 | 2,466,863 | 87,333 |
| Business taxes | 902,300 | 902,246 | 850,593 | (51,653) |
| Other local taxes: | | | | |
| Sales and use tax | 182,870 | 182,870 | 197,911 | 15,041 |
| Hotel room tax | 188,880 | 188,880 | 252,898 | 64,018 |
| Utility users tax | 82,630 | 82,630 | 110,661 | 28,031 |
| Parking tax | 80,180 | 80,180 | 82,716 | 2,536 |
| Real property transfer tax | 390,480 | 390,480 | 186,248 | (204,232) |
| Other local taxes | 125,780 | 125,780 | 278,112 | 152,332 |
| Licenses, permits and franchises: | | | | |
| Licenses and permits | 12,476 | 12,407 | 11,881 | (526) |
| Franchise tax | 14,342 | 14,342 | 17,074 | 2,732 |
| Fines, forfeitures, and penalties | 3,088 | 3,088 | 3,177 | 89 |
| Interest and investment income | 44,467 | 38,660 | 104,967 | 66,307 |
| Rents and concessions: | | | | |
| Garages - Recreation and Park | 6,684 | 6,684 | 6,807 | 123 |
| Rents and concessions - Recreation and Park | 5,497 | 5,497 | 5,130 | (367) |
| Other rents and concessions | 950 | 732 | 554 | (178) |
| Intergovernmental: | | | | |
| Federal grants and subventions | 560,424 | 565,341 | 303,124 | (262,217) |
| State subventions: | | | | |
| Social service subventions | 159,518 | 148,414 | 140,722 | (7,692) |
| Health / mental health subventions | 249,475 | 267,489 | 279,568 | 12,079 |
| Health and welfare realignment | 350,314 | 350,314 | 398,123 | 47,809 |
| Public safety sales tax | 89,740 | 89,740 | 94,897 | 5,157 |
| Other grants and subventions | 98,763 | 111,750 | 115,722 | 3,972 |
| Other | 3,051 | 3,179 | 1,582 | (1,597) |
| Charges for services: | | | | |
| General government service charges | 91,221 | 96,489 | 80,730 | (15,759) |
| Public safety service charges | 39,194 | 39,078 | 43,262 | 4,184 |
| Recreation charges - Recreation and Park | 28,313 | 28,422 | 25,079 | (3,343) |
| MediCal, Medicare and health service charges | 78,196 | 79,309 | 93,802 | 14,493 |
| Other financing sources: | | | | |
| Transfers from other funds | 203,001 | 194,984 | 194,388 | (596) |
| Other resources (inflows) | 19,420 | 23,307 | 14,969 | (8,338) |
| Subtotal - Resources (Inflows) | 6,390,784 | 6,411,822 | 6,361,560 | (50,262) |
| Total amounts available for appropriation | 6,786,193 | 9,625,853 | 9,575,591 | (50,262) |

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2023
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **Budgetary Fund Balance, July 1** | $ 395,409 | $ 3,214,031 | $ 3,214,031 | $ - |
| **Charges to Appropriations (Outflows):** | | | | |
| **Public Protection** | | | | |
| Adult Probation | $ 51,180 | $ 50,984 | $ 44,389 | $ 6,595 |
| District Attorney | 75,175 | 74,722 | 74,301 | 421 |
| Emergency Management | 85,768 | 72,763 | 69,003 | 3,760 |
| Fire Department | 451,951 | 465,445 | 465,296 | 149 |
| Juvenile Probation | 32,703 | 29,704 | 28,389 | 1,315 |
| Police Accountability | 9,648 | 9,945 | 9,945 | - |
| Police Department | 621,723 | 646,033 | 645,980 | 53 |
| Public Defender | 48,309 | 48,306 | 47,989 | 317 |
| Sheriff | 257,648 | 248,124 | 244,027 | 4,097 |
| Sheriff Accountability | 2,472 | 2,110 | 1,015 | 1,095 |
| Superior Court | 33,363 | 33,353 | 33,239 | 114 |
| Subtotal - Public Protection | 1,669,940 | 1,681,489 | 1,663,573 | 17,916 |
| **Public Works, Transportation and Commerce** | | | | |
| Appeals Board | 1,195 | 1,210 | 1,210 | - |
| Building Inspection | - | 450 | 200 | 250 |
| Economic and Workforce Development | 148,462 | 154,445 | 145,560 | 8,885 |
| Municipal Transportation Agency | - | 421 | 421 | - |
| Port | - | 105 | 105 | - |
| Public Utilities Commission | - | 635 | 635 | - |
| Public Works | 113,076 | 118,675 | 117,671 | 1,004 |
| Subtotal - Public Works, Transportation and Commerce | 262,733 | 275,941 | 265,802 | 10,139 |
| **Human Welfare and Neighborhood Development** | | | | |
| Children, Youth and Their Families | 90,850 | 89,688 | 87,642 | 2,046 |
| Early Childhood | 39,059 | 35,032 | 34,620 | 412 |
| Environment | - | 2 | 2 | - |
| Homelessness and Supportive Housing | 313,138 | 309,626 | 303,764 | 5,862 |
| Human Rights Commission | 15,021 | 18,868 | 18,698 | 170 |
| Human Services | 1,000,811 | 1,009,182 | 996,038 | 13,144 |
| Rent Arbitration Board | 1,000 | 122 | 122 | - |
| Mayor's Office | 100,393 | 144,927 | 140,813 | 4,114 |
| Status of Women | 14,534 | 14,534 | 14,140 | 394 |
| Subtotal - Human Welfare and Neighborhood Development | 1,574,806 | 1,621,981 | 1,595,839 | 26,142 |
| **Community Health** | | | | |
| Public Health | 1,162,956 | 1,118,010 | 1,077,922 | 40,088 |
| **Culture and Recreation** | | | | |
| Academy of Sciences | 7,422 | 7,377 | 6,812 | 565 |
| Arts Commission | 13,951 | 11,784 | 11,784 | - |
| Asian Art Museum | 10,703 | 10,727 | 10,723 | 4 |
| Fine Arts Museums | 19,903 | 20,531 | 20,528 | 3 |
| Law Library | 2,132 | 2,142 | 1,883 | 259 |
| Library | - | 73 | 73 | - |
| Recreation and Park Commission | 133,965 | 127,447 | 122,852 | 4,595 |
| War Memorial | 424 | 394 | 394 | - |
| Subtotal - Culture and Recreation | 188,500 | 180,475 | 175,049 | 5,426 |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2023
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **Budgetary Fund Balance, July 1** | $ 395,409 | $ 3,214,031 | $ 3,214,031 | $ - |
| **General Administration and Finance** | | | | |
| Assessor/Recorder | $ 30,324 | $ 37,159 | $ 36,295 | $ 864 |
| Board of Supervisors | 21,934 | 22,376 | 22,021 | 355 |
| City Attorney | 29,339 | 29,623 | 28,863 | 760 |
| Civil Service | 1,017 | 1,039 | 852 | 187 |
| Controller | 13,733 | 14,512 | 13,641 | 871 |
| Elections | 23,236 | 26,508 | 23,527 | 2,981 |
| Ethics | 7,587 | 8,236 | 6,809 | 1,427 |
| General Services Agency - Administrative Services | 78,711 | 81,578 | 75,946 | 5,632 |
| Health Service System | 459 | 565 | - | 565 |
| Human Resources | 18,615 | 21,414 | 18,842 | 2,572 |
| Mayor's Office | 7,934 | 7,608 | 6,712 | 896 |
| Planning | 52,615 | 47,452 | 44,434 | 3,018 |
| Retirement System | 1,598 | 1,280 | 1,280 | - |
| Telecommunications and Information Services | 6,301 | 12,410 | 12,410 | - |
| Treasurer/Tax Collector | 35,944 | 39,978 | 36,911 | 3,067 |
| Subtotal - General Administration and Finance | 329,347 | 351,738 | 328,543 | 23,195 |
| **General City Responsibilities** | | | | |
| General City Responsibilities | 194,477 | 201,727 | 189,544 | 12,183 |
| Other financing uses: | | | | |
| Debt service | 25,270 | 232 | 12 | 220 |
| Transfers to other funds | 1,279,970 | 1,315,702 | 1,315,702 | - |
| Budgetary reserves and designations | 98,194 | 46,496 | - | 46,496 |
| Total charges to appropriations | 6,786,193 | 6,793,791 | 6,611,986 | 181,805 |
| Total Sources less Current Year Uses | $ - | $ 2,832,062 | $ 2,963,605 | $ 131,543 |

| | |
|---|---|
| **Budgetary fund balance, June 30 before reserves and designations** | $ 2,963,605 |
| Reserves and designations made from budgetary fund balance not available for appropriation | (1,787,521) |
| Reserve for Litigation and Contingencies and General Reserve | (323,937) |
| **Net Available Budgetary Fund Balance, June 30** | $ 852,147 |

| | |
|---|---|
| Sources/inflows of resources | |
| Actual amounts (budgetary basis) "available for appropriation" | $ 9,575,591 |
| Difference - budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes | (3,214,031) |
| Property tax revenue - Teeter Plan net change from prior year | (7,811) |
| Change in unrealized gain/(loss) on investments | (2,456) |
| Interest earnings / charges from other funds assigned to General Fund as interest adjustment | (35,808) |
| Interest earnings from other funds assigned to General Fund as other revenues | 15,571 |
| Grants, subventions and other receivables received after 60-day recognition period | 6,299 |
| Change in prepaid lease revenue, leases receivable, and deferred inflows related to leases | 83 |
| Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes | (194,388) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund | $ 6,143,050 |
| Uses/outflows of resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" | $ 6,611,986 |
| Difference - budget to GAAP: | |
| Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund | 2,795 |
| Intergovernmental expense offset | (95,736) |
| Recognition of expenditures at lease initiation | 72,033 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (1,315,702) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund | $ 5,275,376 |

**Notes to Budgetary Schedule:**

**(a) Budgetary Data**

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which 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.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

***Original Budget***

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

### *Final Budget*

The final budgetary data presented in the budgetary comparison schedule reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented as required supplementary information for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

### (b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

# CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Budgetary Comparison Schedule - General Fund (Continued)**
Year Ended June 30, 2023
(In Thousands)

The fund balance of the General Fund as of June 30, 2023, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

| | | |
|---|---|---|
| Fund Balance - Budget Basis | $ | 2,963,605 |
| Unrealized Gains/ (Losses) on Investments | | (158,859) |
| Cumulative Excess Property Tax Revenues Recognized on a Budget Basis | | (40,685) |
| Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis | | (111,163) |
| Pre-paid Lease Revenue, Lease Receivables, and Deferred Inflows (net) | | (5,935) |
| Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation) | | 1,174 |
| Fund Balance - GAAP basis | $ | 2,648,137 |

General Fund budget basis fund balance as of June 30, 2023 is composed of the following:

| | | | | |
|---|---|---|---|---|
| Not available for appropriations: | | | | |
| Restricted Fund Balance: | | | | |
| Rainy Day - Economic Stabilization Reserve | $ | 114,539 | | |
| Committed Fund Balance: | | | | |
| Budget Stabilization Reserves | | 330,010 | | |
| Assigned for Encumbrances | | 424,301 | | |
| Assigned for Appropriation Carryforward | | 840,748 | | |
| Assigned for Self-Insurance | | 46,496 | | |
| Assigned for Hotel Tax Loss Contingency | | 3,500 | | |
| Assigned for Subsequent Years' Budgets: | | | | |
| Salaries and Benefits Costs (MOU) | | 27,927 | | |
| Subtotal | | | $ | 1,787,521 |
| Available for appropriations: | | | | |
| Assigned for Litigation and Contingences | | 259,230 | | |
| Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2023-24 | | 122,701 | | |
| Unassigned - General Reserve | | 64,707 | | |
| Unassigned - Federal & State Emergency Revenue Reserve | | 81,300 | | |
| Unassigned - Fiscal Cliff Reserve | | 220,432 | | |
| Unassigned - Business Tax Stabilization Reserve | | 29,454 | | |
| Unassigned - For Public Health use in fiscal year 2023-24 | | 21,213 | | |
| Unassigned - Other Reserves | | 1,021 | | |
| Unassigned - Budgeted for use in fiscal year 2024-25 | | 291,710 | | |
| Unassigned - For balancing future budget shortfalls in fiscal year 2024-25 and later | | 81,190 | | |
| Unassigned - Available for future appropriations | | 3,126 | | |
| Subtotal | | | | 1,176,084 |
| Fund Balance, June 30, 2023 - Budget basis | | | $ | 2,963,605 |

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| **Direct Program** | | | | |
| Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants | 10.580 | -- | $ 105,808 | $ 14,702 |
| **Passed through State of California Department of Education** | | | | |
| Child Nutrition Cluster | | | | |
| Summer Food Service Program for Children | 10.559 | 04029-SFSP-38 | 177,496 | - |
| **Passed through State of California Department of Public Health** | | | | |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 19-10182 | 784,639 | - |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 22-10282 | 1,960,697 | - |
| Subtotal WIC Special Supplemental Nutrition Program for Women, Infants, and Children | | | 2,745,336 | - |
| SNAP Cluster | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 19-10345 | 725,566 | - |
| **Passed through State of California Department of Aging** | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | SP-2122-06 | 86,966 | 86,966 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CF-2223-06 | 156,892 | 155,754 |
| **Passed through State of California Department of Social Services** | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | none | 47,899,276 | 2,514,733 |
| COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | none | 19,297 | - |
| Subtotal SNAP Cluster | | | 48,887,997 | 2,757,453 |
| Child and Adult Care Food Program | 10.558 | 04029-CACFP-38 | 457,300 | - |
| **Passed through State of California Department of Food and Agriculture** | | | | |
| Senior Farmers Market Nutrition Program | 10.576 | none | 87,500 | 87,500 |
| **U.S. DEPARTMENT OF AGRICULTURE Total** | | | **52,461,437** | **2,859,655** |
| **U.S. DEPARTMENT OF COMMERCE** | | | | |
| **Direct Program** | | | | |
| Economic Development Cluster | | | | |
| Economic Adjustment Assistance | 11.307 | -- | 293,574 | - |
| COVID-19 Economic Adjustment Assistance | 11.307 | -- | 628,593 | 196,643 |
| Subtotal Economic Development Cluster | | | 922,167 | 196,643 |
| **U.S. DEPARTMENT OF COMMERCE Total** | | | **922,167** | **196,643** |
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | |
| **Direct Program** | | | | |
| CDBG - Entitlement Grants Cluster | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | -- | 22,347,950 | 16,420,878 |
| COVID-19 Community Development Block Grants/Entitlement Grants | 14.218 | -- | 10,670,563 | 10,670,563 |
| Subtotal CDBG - Entitlement Grants Cluster | | | 33,018,513 | 27,091,441 |
| Emergency Solutions Grant Program | 14.231 | -- | 1,615,975 | 1,455,206 |
| COVID-19 Emergency Solutions Grant Program | 14.231 | -- | 18,294,183 | 4,746,107 |
| Subtotal Emergency Solutions Grant Program | | | 19,910,158 | 6,201,313 |
| Home Investment Partnerships Program | 14.239 | -- | 13,208,542 | - |
| Housing Opportunities for Persons with AIDS | 14.241 | -- | 8,224,792 | 7,497,824 |
| COVID-19 Housing Opportunities for Persons with AIDS | 14.241 | -- | 349,423 | 349,423 |
| Subtotal Housing Opportunities for Persons with AIDS | | | 8,574,215 | 7,847,247 |
| Continuum of Care Program | 14.267 | -- | 38,245,817 | 34,073,882 |
| **Passed through San Francisco Housing Authority** | | | | |
| Housing Voucher Cluster | | | | |
| COVID-19 Section 8 Housing Choice Vouchers | 14.871 | EHV | 1,548,958 | 1,548,958 |
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Total** | | | **114,506,203** | **76,762,841** |
| **U.S. DEPARTMENT OF INTERIOR** | | | | |
| **Direct Program** | | | | |
| NPS Cooperative Agreement | 15.unknown | -- | 956,313 | - |
| **Passed through State of California Coastal Conservancy** | | | | |
| Coastal Wetlands Planning, Protection and Restoration | 15.614 | F22AP00603 | 91,899 | - |
| **U.S. DEPARTMENT OF INTERIOR Total** | | | **1,048,212** | **-** |

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF JUSTICE** | | | | |
| **Direct Program** | | | | |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | -- | $ 280,553 | $ 31,292 |
| Bulletproof Vest Partnership Program | 16.607 | -- | 73,145 | - |
| Public Safety Partnership and Community Policing Grants | 16.710 | -- | 125,000 | - |
| Special Data Collections and Statistical Studies | 16.734 | -- | 3,229,311 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | -- | 577,833 | - |
| DNA Backlog Reduction Program | 16.741 | -- | 372,132 | - |
| Criminal and Juvenile Justice and Mental Health Collaboration Program | 16.745 | -- | 230,218 | - |
| Justice Reinvestment Initiative | 16.827 | -- | 181,571 | - |
| Equitable Sharing Program | 16.922 | -- | 690,416 | - |
| **Passed through State of California Board of State and Community Corrections** | | | | |
| COVID-19 Coronavirus Emergency Supplemental Funding Program | 16.034 | 5227-BSCC11920 | 88,759 | - |
| **Passed through State of California Governor's Office of Emergency Services** | | | | |
| Crime Victim Assistance | 16.575 | HA 21 04 0380 | 76,625 | - |
| Crime Victim Assistance | 16.575 | VW21 40 0380 | 430,591 | - |
| Crime Victim Assistance | 16.575 | KI 21 04 0380 | 86,773 | - |
| Crime Victim Assistance | 16.575 | XC21 04 0380 | 180,157 | - |
| Crime Victim Assistance | 16.575 | UV21 04 0380 | 93,122 | - |
| Crime Victim Assistance | 16.575 | XE21 04 0380 | 103,587 | - |
| Crime Victim Assistance | 16.575 | HA 22 05 0380 | 64,228 | - |
| Crime Victim Assistance | 16.575 | VW22 41 0380 | 928,758 | - |
| Crime Victim Assistance | 16.575 | UV22 01 0380 | 64,586 | - |
| Crime Victim Assistance | 16.575 | XE22 05 0380 | 79,527 | - |
| Crime Victim Assistance | 16.575 | KI 22 05 0380 | 74,699 | - |
| Crime Victim Assistance | 16.575 | XC22 05 0380 | 189,067 | - |
| Subtotal Crime Victim Assistance | | | 2,371,720 | - |
| Violence Against Women Formula Grants | 16.588 | VV21 04 0380 | 119,275 | - |
| Violence Against Women Formula Grants | 16.588 | PU21 040380 | 36,060 | - |
| Violence Against Women Formula Grants | 16.588 | PU22 01 0380 | 55,137 | - |
| Violence Against Women Formula Grants | 16.588 | VV22 05 0380 | 139,862 | - |
| Subtotal Violence Against Women Formula Grants | | | 350,334 | - |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | CQ21 04 0380 | 49,690 | - |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | CQ22 05 0380 | 8,436 | - |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | CQ21 17 0380 | 66,821 | - |
| Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program | | | 124,947 | - |
| **U.S. DEPARTMENT OF JUSTICE Total** | | | **8,695,939** | **31,292** |
| **U.S. DEPARTMENT OF LABOR** | | | | |
| **Passed through Jobs for the Future** | | | | |
| H-1B Job Training Grants | 17.268 | 21-197 | 143,447 | 25,000 |
| **Passed through State of California Department of Employment Development** | | | | |
| Workforce Innovation and Opportunity Act (WIOA) Cluster | | | | |
| WIOA Adult Program | 17.258 | AA111035 | 212,315 | 124,071 |
| WIOA Adult Program | 17.258 | AA211035 | 489,212 | 90,377 |
| WIOA Adult Program | 17.258 | AA311035 | 573,507 | 573,507 |
| Subtotal WIOA Adult Program | | | 1,275,034 | 787,955 |
| WIOA Youth Activities | 17.259 | AA211035 | 1,112,671 | 590,082 |
| WIOA Youth Activities | 17.259 | AA311035 | 283,490 | 283,490 |
| Subtotal WIOA Youth Activities | | | 1,396,161 | 873,572 |
| WIOA Dislocated Worker Formula Grants | 17.278 | AA211035 | 623,647 | 258,722 |
| WIOA Dislocated Worker Formula Grants | 17.278 | AA311035 | 449,891 | 271,127 |
| Subtotal WIOA Dislocated Worker Formula Grants | | | 1,073,538 | 529,849 |
| Subtotal WIOA Cluster | | | 3,744,733 | 2,191,376 |
| WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | AA011035 | 18,394 | 18,394 |
| **Passed through NOVA** | | | | |
| WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | 001-2064-22 | 401,084 | 351,152 |
| Subtotal WIOA National Dislocated Worker Grants / WIA National Emergency Grants | | | 419,478 | 369,546 |
| **U.S. DEPARTMENT OF LABOR Total** | | | **4,307,658** | **2,585,922** |
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | | |
| **Passed through State of California Department of Transportation (CALTRANS)** | | | | |
| Highway Planning and Construction | 20.205 | BRLS-5934(177) | 91,044 | - |
| Highway Planning and Construction | 20.205 | ER-32L0(204) | 174,790 | - |
| Highway Planning and Construction | 20.205 | STPL5934(171) | 1,486,715 | - |
| Highway Planning and Construction | 20.205 | STPL5934(174) | 53,265 | - |
| Highway Planning and Construction | 20.205 | BUILDL-5934(185) | 512,242 | - |
| Highway Planning and Construction | 20.205 | FERPL18-5934(186) | 6,306 | - |
| Subtotal Highway Planning and Construction | | | 2,324,362 | - |
| **Passed through State of California Office of Traffic Safety** | | | | |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety | 20.600 | PT22071 | 12,986 | - |
| State and Community Highway Safety | 20.600 | PT23169 | 54,173 | - |
| Subtotal Highway Safety Cluster | | | 67,159 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | PT22071 | 50,070 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | PT23169 | 22,906 | - |
| Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | 72,976 | - |
| **U.S. DEPARTMENT OF TRANSPORTATION Total** | | | **2,464,497** | - |

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF THE TREASURY** | | | | |
| **Direct Program** | | | | |
| Equitable Sharing | 21.016 | -- | $ 6,000 | $ - |
| COVID-19 Emergency Rental Assistance Program | 21.023 | -- | 3,523,934 | 3,523,934 |
| COVID-19 Local Assistance and Tribal Consistency Fund | 21.032 | -- | 50,000 | - |
| **Passed through State of California Department of Social Services** | | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | -- | 5,683,065 | - |
| **Passed through State of California Department of Community Services and Development** | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 00001039 | 1,266,504 | - |
| **Passed through State of California Department of Housing and Community Development** | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | L4JQPJ7N5NT4 | 48,850,000 | - |
| Subtotal COVID-19 Coronavirus State and Local Fiscal Recovery Funds | | | 50,116,504 | - |
| **U.S. DEPARTMENT OF THE TREASURY Total** | | | **59,379,503** | **3,523,934** |
| **U.S. NATIONAL ENDOWMENT FOR THE ARTS** | | | | |
| **Direct Program** | | | | |
| Promotion of the Arts Grants to Organizations and Individuals | 45.024 | -- | 25,000 | - |
| **U.S. NATIONAL ENDOWMENT FOR THE ARTS Total** | | | **25,000** | **-** |
| **U.S. SMALL BUSINESS ADMINISTRATION** | | | | |
| **Passed through Humboldt State University Sponsored Programs** | | | | |
| Small Business Development Centers | 59.037 | F3256 | 33,750 | - |
| Small Business Development Centers | 59.037 | F3310 | 101,489 | - |
| Subtotal Small Business Development Centers | | | 135,239 | - |
| **U.S. SMALL BUSINESS ADMINISTRATION Total** | | | **135,239** | **-** |
| **U.S. ENVIRONMENTAL PROTECTION AGENCY** | | | | |
| **Direct Program** | | | | |
| Geographic Programs - San Francisco Bay Water Quality Improvement Fund | 66.126 | -- | 558,292 | - |
| Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | 66.818 | -- | 22,989 | - |
| Water Infrastructure Finance and Innovation (WIFIA) | 66.958 | -- | 122,282,825 | - |
| **Passed through State of California Water Resources Control Board** | | | | |
| Clean Water State Revolving Fund Cluster | | | | |
| Clean Water State Revolving Fund | 66.458 | C-06-8372-110 | 132,000,000 | - |
| Clean Water State Revolving Fund | 66.458 | C-06-8111-110 | 7,552,825 | - |
| Subtotal Clean Water State Revolving Fund Cluster | | | 139,552,825 | - |
| **U.S. ENVIRONMENTAL PROTECTION AGENCY Total** | | | **262,416,931** | **-** |
| **U.S. DEPARTMENT OF ENERGY** | | | | |
| **Direct Program** | | | | |
| Conservation Research and Development | 81.086 | -- | 77,419 | - |
| **U.S. DEPARTMENT OF ENERGY Total** | | | **77,419** | **-** |
| **U.S. DEPARTMENT OF EDUCATION** | | | | |
| **Passed through State of California Department of Rehabilitation** | | | | |
| Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | 32023 | 127,414 | - |
| **U.S. DEPARTMENT OF EDUCATION Total** | | | **127,414** | **-** |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| **Direct Program** | | | | |
| Environmental Public Health and Emergency Response | 93.070 | -- | 239,329 | - |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | -- | 927,683 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | -- | 87,970 | 87,970 |
| Viral Hepatitis Prevention and Control | 93.270 | -- | 122,800 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | -- | 67,531 | - |
| COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | -- | 1,921,195 | - |
| COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | -- | 4,929,578 | - |
| Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B | 93.686 | -- | 2,096,260 | 1,848,577 |
| Capacity Building Assistance (CBA) for High-Impact HIV Prevention | 93.834 | -- | 866,266 | - |
| Allergy and Infectious Diseases Research | 93.855 | -- | 133,873 | - |
| HIV Emergency Relief Project Grants | 93.914 | -- | 14,838,281 | 13,033,877 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | -- | 292,040 | 122,345 |
| HIV Prevention Activities Health Department Based | 93.940 | -- | 7,736,265 | 961,064 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | -- | 974,064 | - |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | -- | 31,249 | - |
| Block Grants for Community Mental Health Services | 93.958 | -- | 652,076 | - |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants | 93.977 | -- | 1,959,338 | - |

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)** | | | | |
| **Passed through State of California Department of Aging** | | | | |
| Aging Cluster | | | | |
| Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | AP-2223-06 | $ 12,027 | $ 12,027 |
| Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | AP-2223-06 | 38,355 | 38,355 |
| COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | AP-2122-06 | 14,532 | 14,532 |
| Subtotal Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | | | 52,887 | 52,887 |
| Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | AP-2223-06 | 69,365 | 69,365 |
| COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | AP-2122-06 | 105,516 | 105,516 |
| Subtotal Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | | | 174,881 | 174,881 |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | AP-2223-06 | 955,118 | 483,529 |
| COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | AP-2122-06 | 76,942 | 76,942 |
| Subtotal Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | | | 1,032,060 | 560,471 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | AP-2223-06 | 1,918,156 | 1,726,629 |
| COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | AP-2122-06 | 1,560,102 | 1,560,102 |
| Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services | | | 3,478,258 | 3,286,731 |
| National Family Caregiver Support, Title III, Part E | 93.052 | AP-2223-06 | 446,608 | 446,608 |
| COVID-19 National Family Caregiver Support, Title III, Part E | 93.052 | AP-2122-06 | 27,895 | 27,895 |
| Subtotal National Family Caregiver Support, Title III, Part E | | | 474,503 | 474,503 |
| Nutrition Services Incentive Program | 93.053 | AP-2122-06 | 2,080,168 | 2,080,168 |
| Subtotal Aging Cluster | | | 7,304,784 | 6,641,668 |
| Medicare Enrollment Assistance Program | 93.071 | MI-2122-06 | 25,044 | 25,044 |
| Medicare Enrollment Assistance Program | 93.071 | MI-2223-06 | 65,197 | 65,197 |
| Subtotal Medicare Enrollment Assistance Program | | | 90,241 | 90,241 |
| State Health Insurance Assistance Program | 93.324 | HI-2122-06 | 102,551 | 102,551 |
| **Passed through Regents of the University of California** | | | | |
| Global AIDS | 93.067 | 13184sc | 23,076 | - |
| Global AIDS | 93.067 | 11580sc03 | 10,312 | - |
| Global AIDS | 93.067 | 11626sc04 | 10,312 | - |
| Global AIDS | 93.067 | 12518sc01 | 14,240 | - |
| Global AIDS | 93.067 | 11644sc04&05 | 3,437 | - |
| Global AIDS | 93.067 | 11580sc04 | 32,771 | - |
| Global AIDS | 93.067 | 11626sc05 | 28,381 | - |
| Global AIDS | 93.067 | 12518sc02 | 7,295 | - |
| Global AIDS | 93.067 | 11644sc06, 11644sc07, 11644sc08 | 21,740 | - |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | 10259sc-04 | 2,687 | - |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | 13788sc | 79,441 | - |
| Subtotal Coordinated Services and Access to Research for Women, Infants, Children, and Youth | | | 82,128 | - |
| Mental Health Research Grants | 93.242 | 12855sc01 | 8,660 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 12263sc01 | 4,488 | - |
| Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security | 93.318 | 13215sc | 21,300 | - |
| Allergy and Infectious Diseases Research | 93.855 | 11324sc | 74,294 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13083sc | 23,474 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13603sc | 2,965 | - |
| Allergy and Infectious Diseases Research | 93.855 | 10612sc04 | 4,492 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13793sc | 13,477 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13250sc | 5,745 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13832sc | 69,033 | - |
| Allergy and Infectious Diseases Research | 93.855 | 13800sc | 15,570 | - |
| **Passed through University of California San Francisco** | | | | |
| Global AIDS | 93.067 | 13199sc | 6,677 | - |
| Global AIDS | 93.067 | 12668sc | 6,272 | - |
| Global AIDS | 93.067 | 13199sc01 | 7,182 | - |
| Global AIDS | 93.067 | 14113sc & 14113sc01 | 10,870 | - |
| Mental Health Research Grants | 93.242 | 14171sc | 25,166 | - |
| Allergy and Infectious Diseases Research | 93.855 | 14429sc | 6,700 | - |
| **Passed through State of California Department of Public Health** | | | | |
| Public Health Emergency Preparedness | 93.069 | 22-10678 | 796,547 | - |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 19-10807 | 51,242 | - |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 19-10808 | 21,204 | - |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 21-10808 | 178,283 | - |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 19-10807 A1 | 107,977 | - |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 19-10808 A1 | 95,453 | - |
| Immunization Cooperative Agreements | 93.268 | 22-11052 | 360,796 | - |
| COVID-19 Immunization Cooperative Agreements | 93.268 | 22-11052 | 1,491,471 | - |
| Subtotal Immunization Cooperative Agreements | | | 1,852,267 | - |

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)** | | | | |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | ELCPHLSHARP-08 | $ 17,595 | $ - |
| COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | COVID-19ELC38 | 674,712 | - |
| COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | COVID-19ELC96 | 7,341,589 | - |
| COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | WFD-038 | 86,569 | - |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | 22-38-90899-00 | 77,651 | - |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | 22-38-90893-00 | 47,420 | - |
| Maternal, Infant and Early Childhood Home Visiting Grant | 93.870 | CHVP 22-38 | 830,030 | - |
| National Bioterrorism Hospital Preparedness Program | 93.889 | 22-10678 | 473,459 | - |
| HIV Care Formula Grants | 93.917 | 18-10886 | 3,309,737 | 3,071,419 |
| Preventive Health and Health Services Block Grant | 93.991 | 22-38-90234-00 | 36,366 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 21-10791 | 395,500 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 202238 | 366,631 | - |
| Subtotal Maternal and Child Health Services Block Grant to the States | | | 762,131 | - |
| Medicaid Cluster | | | | |
| Medical Assistance Program | 93.778 | 20-10543 | 257,076 | - |
| Medical Assistance Program | 93.778 | 202238 | 6,688,925 | - |
| **Passed through State of California Department of Health Care Services** | | | | |
| Medical Assistance Program | 93.778 | 22-01 | 444,141 | - |
| Medical Assistance Program | 93.778 | 22-03 | 805,214 | - |
| **Passed through State of California Department of Social Services** | | | | |
| Medical Assistance Program | 93.778 | none | 92,880,136 | 3,437,396 |
| Subtotal Medicaid Cluster | | | 101,075,492 | 3,437,396 |
| Guardianship Assistance | 93.090 | none | 2,843,311 | - |
| COVID-19 Guardianship Assistance | 93.090 | none | 274,494 | - |
| Subtotal Guardianship Assistance | | | 3,117,805 | - |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | none | 665,674 | 284,405 |
| Temporary Assistance for Needy Families | 93.558 | none | 63,624,680 | 8,478,141 |
| COVID-19 Temporary Assistance for Needy Families | 93.558 | none | 143,149 | - |
| Subtotal Temporary Assistance for Needy Families | | | 63,767,829 | 8,478,141 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | none | 2,278,806 | - |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | RESS1906 | 16,316 | 9,822 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | RSS20-07 | 117,553 | 38,539 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | ORSA2006 | 3,096 | 1,990 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | ORSA2106 | 1,373 | - |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | RSS21-06 | 142,815 | 34,452 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | RSS22-06 | 20,929 | - |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | SOR22-06 | 697 | - |
| COVID-19 Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | RSS20-07 Augmentation | 8,190 | 8,190 |
| CCDF Cluster | | | | |
| Child Care and Development Block Grant | 93.575 | CAPP-1049 | 68,230 | 68,230 |
| Child Care and Development Block Grant | 93.575 | C2AP-2045 | 2,291,646 | 2,291,646 |
| Child Care and Development Block Grant | 93.575 | CAPP-2048 | 1,196,508 | 1,196,508 |
| Child Care and Development Block Grant | 93.575 | 22-24130 | 206,723 | 193,411 |
| Child Care and Development Block Grant | 93.575 | 22/23-15534-22380 | 43,880 | 43,880 |
| Child Care and Development Block Grant | 93.575 | CLPC-2036 | 56,647 | 56,647 |
| Child Care and Development Block Grant | 93.575 | 22/23-24130-22380 | 424,606 | 424,606 |
| Child Care and Development Block Grant | 93.575 | 22-24092 | 61,748 | 57,772 |
| COVID-19 Child Care and Development Block Grant | 93.575 | none | 396,188 | 396,188 |
| Subtotal Child Care and Development Block Grant | | | 4,746,176 | 4,728,888 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CAPP-1049 | 35,430 | 35,430 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CAPP-2048 | 241,360 | 241,360 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CLPC-2036 | 64,215 | 64,215 |
| Subtotal Child Care Mandatory and Matching Funds of the Child Care and Development Fund | | | 341,005 | 341,005 |
| Subtotal CCDF Cluster | | | 5,087,181 | 5,069,893 |
| Community-Based Child Abuse Prevention Grants | 93.590 | none | 45,772 | - |
| COVID-19 Community-Based Child Abuse Prevention Grants | 93.590 | none | 196,282 | - |
| Subtotal Community-Based Child Abuse Prevention Grants | | | 242,054 | - |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | none | 4,820 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | none | 1,567,911 | 52,260 |
| Foster Care Title IV-E | 93.658 | none | 25,493,038 | 4,838,874 |
| COVID-19 Foster Care Title IV-E | 93.658 | none | 527,596 | 370,083 |
| Subtotal Foster Care Title IV-E | | | 26,020,634 | 5,208,957 |
| Adoption Assistance | 93.659 | none | 10,958,746 | 84,951 |
| COVID-19 Adoption Assistance | 93.659 | none | 1,026,981 | 10,197 |
| Subtotal Adoption Assistance | | | 11,985,727 | 95,148 |
| Social Services Block Grant | 93.667 | none | 1,086,157 | - |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | none | 485,474 | 368,671 |
| COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | none | 152,180 | 152,180 |
| Subtotal John H. Chafee Foster Care Program for Successful Transition to Adulthood | | | 637,654 | 520,851 |
| COVID-19 Elder Abuse Prevention Interventions Program | 93.747 | none | 132,113 | 82,712 |

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)** | | | | |
| **Passed through Public Health Foundation Enterprise** | | | | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 0890.0101 | $ 36,806 | $ - |
| Mental Health Research Grants | 93.242 | 0618.0103 | 4,546 | - |
| Mental Health Research Grants | 93.242 | 0597.0104 | 143,908 | - |
| Mental Health Research Grants | 93.242 | 0963.0101 | 7,252 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 0526.0105 | 49,887 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 0752.0103 | 77,714 | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 0187.2209 | 9,275 | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 0187.2210 | 43,856 | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 0187.3408 | 16,237 | - |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | 93.421 | 0950.0101 | 17,586 | - |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | 93.421 | 0849.0101 | 11,784 | - |
| Allergy and Infectious Diseases Research | 93.855 | 0689.0101 | 30,878 | - |
| Allergy and Infectious Diseases Research | 93.855 | 0014.0110 | 76,415 | - |
| Allergy and Infectious Diseases Research | 93.855 | 0014.0111 | 78,031 | - |
| **Passed through State of California Department of Health and Human Services Agency** | | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 68-0317191 | 489,070 | 489,070 |
| **Passed through Essential Access Health** | | | | |
| Family Planning Services | 93.217 | 380-5320-71219-22 | 46,428 | - |
| **Passed through SF Community Clinic Consortium** | | | | |
| Health Center Program Cluster | | | | |
| Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | H8OCS00049 | 338,900 | - |
| Grants for New and Expanded Services under the Health Center Program | 93.527 | H8OCS00049 | 871,456 | - |
| Subtotal Health Center Program Cluster | | | 1,210,356 | - |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | H7CHA37299 | 156,606 | - |
| **Passed through Oregon Health & Science University** | | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | 1017225-SFDPH | 20,997 | - |
| **Passed through the University of Texas Southwestern** | | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | GMO230401 PO0000002962 | 48,181 | - |
| **Passed through Sentient Research** | | | | |
| Minority Health and Health Disparities Research | 93.307 | SR073644-2022 | 1,204 | - |
| **Passed through National Association of County and City Health Officials** | | | | |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | 93.421 | 2022-011401 | 370,727 | - |
| **Passed through State of California Department of Education** | | | | |
| Every Student Succeeds Act/Preschool Development Grants | 93.434 | 21-15548-0-00 | 71,889 | 55,283 |
| Every Student Succeeds Act/Preschool Development Grants | 93.434 | 22-15548-0-00 | 67,875 | 52,197 |
| Subtotal Every Student Succeeds Act/Preschool Development Grants | | | 139,764 | 107,480 |
| **Passed through State of California Department of Child Support Services** | | | | |
| Child Support Enforcement | 93.563 | none | 8,373,946 | - |
| **Passed through Family Health International (FHI360)** | | | | |
| Allergy and Infectious Diseases Research | 93.855 | PO21000680 | 23,059 | - |
| **Passed through Fred Hutchinson Cancer Research Center** | | | | |
| Allergy and Infectious Diseases Research | 93.855 | 0001117416 | 23,809 | - |
| Allergy and Infectious Diseases Research | 93.855 | 0001140338 | 50,380 | - |
| Allergy and Infectious Diseases Research | 93.855 | 0001148463 | 4,113 | - |
| **Passed through RTI International** | | | | |
| Allergy and Infectious Diseases Research | 93.855 | 2-312-0217681-66232L | 31,584 | - |
| **Passed through Florida State University** | | | | |
| Child Health and Human Development Extramural Research | 93.865 | R000003157 | 19,280 | - |
| **Passed through State of California Department of Health Care Services** | | | | |
| Block Grants for Community Mental Health Services | 93.958 | Letters dated 12/6/21 & 8/26/22 | 1,565,883 | - |
| Block Grants for Community Mental Health Services | 93.958 | Letter dated 8/29/22 | 3,467,344 | 1,044,123 |
| COVID-19 Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Letter dated 11/15/2021 | 2,024,464 | 1,302,292 |
| **Passed through State of California Department of Alcohol and Drug Programs** | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | none | 8,664,659 | 8,664,659 |
| Subtotal Block Grants for Prevention and Treatment of Substance Abuse | | | 10,689,123 | 9,966,951 |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Total** | | | **307,990,518** | **60,890,092** |

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing | Pass-Through Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | | |
| **Direct Program** | | | | |
| Assistance to Firefighters Grant | 97.044 | -- | $ 636,364 | $ - |
| Port Security Grant Program | 97.056 | -- | 195,542 | - |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | -- | 4,520,840 | - |
| Securing the Cities Program | 97.106 | -- | 1,713,177 | - |
| Regional Catastrophic Preparedness Grant Program (RCPGP) | 97.111 | -- | 1,707,695 | - |
| Financial Assistance for Targeted Violence and Terrorism Prevention | 97.132 | -- | 868,644 | - |
| **Passed through State of California Governor's Office of Emergency Services** | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4158-DR-CA | 531,196 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4482 | 1,605,962 | 1,368,881 |
| Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | 2,137,158 | 1,368,881 |
| Hazard Mitigation Grant | 97.039 | 4344-459-102r | 537,461 | - |
| Emergency Management Performance Grants | 97.042 | 2021-0015 | 280,383 | - |
| COVID-19 Emergency Management Performance Grants | 97.042 | 2021-0014 | 66,761 | - |
| Subtotal Emergency Management Performance Grants | | | 347,144 | - |
| Homeland Security Grant Program | 97.067 | 2019-0035 | 434,603 | - |
| Homeland Security Grant Program | 97.067 | 2020-0095 | 13,692,481 | 3,443,012 |
| Homeland Security Grant Program | 97.067 | 2021-0081 | 12,919,847 | 7,412,092 |
| Homeland Security Grant Program | 97.067 | 2022-0043 | 3,211,811 | 1,153,202 |
| Subtotal Homeland Security Grant Program | | | 30,258,742 | 12,008,306 |
| **U.S. DEPARTMENT OF HOMELAND SECURITY Total** | | | **42,922,767** | **13,377,187** |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | **$ 857,480,904** | **$ 160,227,566** |

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CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

## 1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4).

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2023. Federal expenditures for these entities are separately audited.

## 2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the Economic Adjustment Assistance Program described in Note 5. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

## 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

## 4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (Assistance Listing Number 93.778).

## 5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, the Economic Adjustment Assistance Program (Assistance Listing Number 11.307) reports non-loan expenditures and grants for revolving loan funds (RLF). Federal expenditures for RLF loans are calculated as the federal share of the sum of RLF loans outstanding and cash and investment balance in the RLF at the end of the fiscal year or through or the date of release by the U.S. Department of Commerce of its federal interest in the RLF award, and administrative expenses paid out of RLF income and the unpaid principal of all loans written off during the year. The table below provides the breakdown of expenditures included in the Schedule.

| | Mayor's Office of Housing | Office of Economic and Workforce Development |
|---|---|---|
| Non-loan expenditures | $ - | $ 408,593 |
| Outstanding RLF loans | 262,221 | 167,104 |
| Cash and investments in RLF | 190,825 | 52,896 |
| Administrative expenses | - | - |
| Principal written off | - | - |
| Total reported in the Schedule | 293,574 | 628,593 |
| Federal share of RLF | 64.8% | 100% |

## 6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

| Federal Grantor<br>Pass-through Grantor<br>Program Title | Grant /<br>Contract No. | Assistance<br>Listing<br>No. | | Expenditures<br>State | <br>Federal |
|---|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | | |
| *Passed through State of California, Department of Aging:* | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | SP-2122-06 | 10.561 | * | $ - | $ 86,966 |
| *Passed through State of California, Department of Aging:* | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | CF-2223-06 | 10.561 | | - | 156,892 |
| **U.S. Department of Health and Human Services** | | | | | |
| *Passed through State of California, Department of Aging:* | | | | | |
| Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation | AP-2223-06 | 93.041 | * | - | 12,027 |
| Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals | AP-2223-06 | 93.042 | * | - | 38,355 |
| Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services | AP-2223-06 | 93.043 | * | - | 69,365 |
| Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers | AP-2223-06 | 93.044 | * | - | 955,118 |
| Special Programs for the Aging-Title III, Part C - Nutrition Services | AP-2223-06 | 93.045 | * | 295,637 | 967,767 |
| Special Programs for the Aging-Title III, Part C - Nutrition Services | AP-2223-06 | 93.045 | * | 1,729,094 | 950,389 |
| National Family Caregiver Support, Title III, Part E | AP-2223-06 | 93.052 | * | - | 446,608 |
| Nutritional Services Incentive Program | AP-2223-06 | 93.053 | * | - | 2,080,168 |
| Medicare Enrollment Assistance Program | MI-2122-06 | 93.071 | | - | 25,044 |
| Medicare Enrollment Assistance Program | MI-2223-06 | 93.071 | | - | 65,197 |
| State Health Insurance Assistance Program | HI-2122-06 | 93.324 | | 281,844 | 102,551 |
| Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals - COVID-19 Robotic Companion Pet Project | AP-2122-06-A2 | 93.042 | * | - | 3,423 |
| Special Programs for the Aging-Title III, Part C - Nutrition Services - COVID-19 Consolidated Appropriations Act | AP-2122-06-A2 | 93.045 | * | - | 87,376 |
| Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals - COVID-19 American Rescue Plan Act | AP-2122-06-A3 | 93.042 | * | - | 11,109 |
| Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services - COVID-19 American Rescue Plan Act | AP-2122-06-A3 | 93.043 | * | - | 105,516 |
| Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers - COVID-19 American Rescue Plan Act | AP-2122-06-A3 | 93.044 | * | - | 76,942 |
| Special Programs for the Aging-Title III, Part C - Nutrition Services - - COVID-19 American Rescue Plan Act | AP-2122-06-A3 | 93.045 | * | - | 1,472,726 |
| National Family Caregiver Support, Title III, Part E - COVID-19 American Rescue Plan Act | AP-2122-06-A3 | 93.052 | * | - | 27,895 |
| | | | | 2,306,575 | $ 7,497,576 |
| **State Award - California Department of Aging** | | | | | |
| State Health Facilities Citation Penalties Account, General Fund Allocation | AP-2223-06 | | | 41,532 | |
| Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF) Allocation | AP-2223-06 | | | 21,903 | |
| Ombudsman State General Fund | AP-2223-06 | | | 129,479 | |
| Baseline Admin State General Fund | AP-2223-06 | | | 100,000 | |
| Ombudsman Public Health L&C Program Fund | AP-2223-06 | | | 4,611 | |
| Total Expenditures of CDA Awards | | | | $ 2,604,100 | |

* The Aging Cluster reflected on the City's SEFA includes the assistance listing numbers defined by the State of California Department of Aging. This is different from part 5 of the OMB Compliance Supplement, as permitted by the Uniform Guidance in 2 CFR 200.217.

## 7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

| | ALN / Program Title / Federal Grantor or Pass-Through Grantor | Pass-Through Identifying Number | Federal Expenditures |
|---|---|---|---|
| (1) | **ALN no. 93.067 - Global AIDS** | | |
| | Regents of the University of California | 11580sc03 | $ 10,312 |
| | Regents of the University of California | 11626sc04 | 10,312 |
| | Regents of the University of California | 13184sc | 23,076 |
| | Regents of the University of California | 12518sc01 | 14,240 |
| | Regents of the University of California | 11644sc04&05 | 3,437 |
| | Regents of the University of California | 11580sc04 | 32,771 |
| | Regents of the University of California | 11626sc05 | 28,381 |
| | Regents of the University of California | 12518sc02 | 7,295 |
| | Regents of the University of California | 11644sc06, 11644sc07, 11644sc08 | 21,740 |
| | University of California San Francisco | 12668sc | 6,272 |
| | University of California San Francisco | 13199sc | 6,677 |
| | University of California San Francisco | 13199sc01 | 7,182 |
| | University of California San Francisco | 14113sc & 14113sc01 | 10,870 |
| | | Program Total | $ 182,565 |
| (2) | **ALN no. 93.136 - Injury Prevention and Control Research and State and Community Based Programs** | | |
| | Public Health Foundation Enterprise | 0890.0101 | $ 36,806 |
| | State of California Department of Public Health | 19-10807 | 51,242 |
| | State of California Department of Public Health | 19-10808 | 21,204 |
| | State of California Department of Public Health | 21-10808 | 178,283 |
| | State of California Department of Public Health | 19-10807 A1 | 107,977 |
| | State of California Department of Public Health | 19-10808 A1 | 95,453 |
| | | Program Total | $ 490,965 |
| (3) | **ALN no. 93.242 - Mental Health Research Grants** | | |
| | Public Health Foundation Enterprise | 0618.0103 | $ 4,546 |
| | Public Health Foundation Enterprise | 0597.0104 | 143,908 |
| | Public Health Foundation Enterprise | 0963.0101 | 7,252 |
| | Regents Of The University Of California | 12855sc01 | 8,660 |
| | University Of California San Francisco | 14171sc | 25,166 |
| | | Program Total | $ 189,532 |
| (4) | **ALN no. 93.279 - Drug Abuse and Addiction Research Programs** | | |
| | U.S. Department of Health and Human Services | -- | $ 67,531 |
| | Oregon Health & Science University | 1017225-SFDPH | 20,997 |
| | Public Health Foundation Enterprise | 0526.0105 | 49,887 |
| | Public Health Foundation Enterprise | 0752.0103 | 77,714 |
| | Regents of the University of California | 12263sc01 | 4,488 |
| | The University of Texas Southwestern | GMO230401 PO0000002962 | 48,181 |
| | | Program Total | $ 268,798 |
| (5) | **ALN no. 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)** | | |
| | Public Health Foundation Enterprise | 0187.2209 | $ 9,275 |
| | Public Health Foundation Enterprise | 0187.2210 | 43,856 |
| | Public Health Foundation Enterprise | 0187.3408 | 16,237 |
| | State of California Department of Public Health | COVID-19ELC38 | 674,712 |
| | State of California Department of Public Health | COVID-19ELC96 | 7,341,589 |
| | State of California Department of Public Health | ELCPHLSHARP-08 | 17,595 |
| | | Program Total | $ 8,103,264 |
| (6) | **ALN no. 93.421 - Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health** | | |
| | National Association of County and City Health Officials | 2022-011401 | $ 370,727 |
| | Public Health Foundation Enterprise | 0950.0101 | 17,586 |
| | Public Health Foundation Enterprise | 0849.0101 | 11,784 |
| | | Program Total | $ 400,097 |

## 7. PROGRAM TOTALS (Continued)

| | ALN / Program Title / Federal Grantor or Pass-Through Grantor | Pass-Through Identifying Number | Federal Expenditures |
|---|---|---|---|
| (7) | **ALN no. 93.566 - Refugee and Entrant Assistance State/Replacement Designee Administered Programs** | | |
| | State of California Department of Public Health | 22-38-90899-00 | $ 77,651 |
| | State of California Department of Public Health | 22-38-90893-00 | 47,420 |
| | State of California Department of Social Services | none | 2,278,806 |
| | State of California Department of Social Services | RESS1906 | 16,316 |
| | State of California Department of Social Services | RSS20-07 | 117,553 |
| | State of California Department of Social Services | RSS20-07 Augmentation | 8,190 |
| | State of California Department of Social Services | ORSA2006 | 3,096 |
| | State of California Department of Social Services | ORSA2106 | 1,373 |
| | State of California Department of Social Services | RSS21-06 | 142,815 |
| | State of California Department of Social Services | RSS22-06 | 20,929 |
| | State of California Department of Social Services | SOR22-06 | 697 |
| | | Program Total | $ 2,714,846 |
| (8) | **ALN no. 93.855 - Allergy and Infectious Diseases Research** | | |
| | U.S. Department of Health and Human Services | -- | $ 133,873 |
| | Family Health International (FHI360) | PO21000680 | 23,059 |
| | Fred Hutchinson Cancer Research Center | 0001117416 | 23,809 |
| | Fred Hutchinson Cancer Research Center | 0001140338 | 50,380 |
| | Fred Hutchinson Cancer Research Center | 0001148463 | 4,113 |
| | Public Health Foundation Enterprise | 0014.0110 | 76,415 |
| | Public Health Foundation Enterprise | 0689.0101 | 30,878 |
| | Public Health Foundation Enterprise | 0014.0111 | 78,031 |
| | Regents of the University of California | 10612sc04 | 4,492 |
| | Regents of the University of California | 11324sc | 74,294 |
| | Regents of the University of California | 13083sc | 23,474 |
| | Regents of the University of California | 13603sc | 2,965 |
| | Regents of the University of California | 13793sc | 13,477 |
| | Regents of the University of California | 13250sc | 5,745 |
| | Regents of the University of California | 13832sc | 69,033 |
| | Regents of the University of California | 13800sc | 15,570 |
| | RTI International | 2-312-0217681-66232L | 31,584 |
| | University of California San Francisco | 14429sc | 6,700 |
| | | Program Total | $ 667,892 |
| (9) | **ALN no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease** | | |
| | U.S. Department of Health and Human Services | -- | $ 292,040 |
| | San Francisco Community Clinic Consortium | H7CHA37299 | 156,606 |
| | | Program Total | $ 448,646 |
| (10) | **ALN no. 93.958 - Block Grants for Community Mental** | | |
| | U.S. Department of Health and Human Services | -- | $ 652,076 |
| | State of California Department of Health Care Services | Letters dated 12/6/21 & 8/26/22 | 1,565,883 |
| | State of California Department of Health Care Services | Letter dated 8/29/22 | 3,467,344 |
| | | Program Total | $ 5,685,303 |

## 8. CALIFORNIA DEPARTMENT OF EDUCATION (CDE) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDE require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDE grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately.

| Federal Grantor<br>Pass-through Grantor<br>Program Title | Grant /<br>Contract No. | ALN | Award Amount<br>State | Award Amount<br>Federal | Expenditures<br>State | Expenditures<br>Federal |
|---|---|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | | | |
| *Passed through State of California, Department of Education:* | | | | | | |
| Summer Food Service Program for Children | 04029-SFSP-38 | 10.559 | $ - | $ 177,496 | $ - | $ 177,496 |
| **U.S. Department of Health and Human Services** | | | | | | |
| *Passed through State of California, Department of Education:* | | | | | | |
| Every Student Succeeds Act/Preschool Development Grants | 21-15548-0-00 | 93.434 | - | 140,668 | - | 71,889 |
| Every Student Succeeds Act/Preschool Development Grants | 22-15548-0-00 | 93.434 | - | 67,875 | - | 67,875 |
| | | | - | $ 386,039 | - | $ 317,260 |
| **State Award - California Department of Education** | | | | | | |
| California State Preschool Program Quality Rating and Improvement System Block Grant | 22-25276-68478-00 | | 1,205,183 | | 1,205,183 | |
| Total Expenditures of CDE Awards | | | $ 1,205,183 | | $1,205,183 | |

## 9. CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDSS require agencies to display State-funded expenditures discretely along with the related federal expenditures for assistance listing numbers 10.558, 93.575 and 93.596 whose contracts were previously administered by the California Department of Education. CDSS grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. Additionally, for subawards connected to child care services, entities must report the name of the subawardees and the related contracts, including contract numbers and amounts. This information is reflected in the supplemental table below:

| Fedral Grantor / Pass-through Grantor | Assitance | Award Amount | | Expenditures | |
|---|---|---|---|---|---|
| Program Title / Grant/Contract Number | Listing No. | State | Federal | State | Federal |
| **U.S. Department of Agriculture** | | | | | |
| *Passed through State of California, Department of Social Services:* | | | | | |
| Child and Adult Care Food Program | | | | | |
| 04029-CACFP-38 | 10.558 | $ - | $ 457,300 | $ - | $ 457,300 |
| **U.S. Department of Health and Human Services** | | | | | |
| *Passed through State of California, Department of Social Services:* | | | | | |
| Child Care and Development Block Grant [1] | | | | | |
| [1] 22/23-15534-22380 | 93.575 | - | 43,880 | - | 43,880 |
| [2] 22/23-24130-22380 | 93.575 | - | 424,606 | - | 424,606 |
| [3] 22-24092 | 93.575 | - | 61,748 | - | 61,748 |
| [4] 22-24130 | 93.575 | - | 206,723 | - | 206,723 |
| [5] C2AP-2045 | 93.575 | 3,245,357 | 2,291,646 | 2,994,797 | 2,291,646 |
| [6] CAPP-1049 | 93.575 | 476,442 | 495,985 | 65,541 | 68,230 |
| [7] CAPP-2048 | 93.575 | 768,771 | 1,230,475 | 618,150 | 1,196,508 |
| [8] CLPC-2036 | 93.575 | 8,072 | 56,647 | 8,072 | 56,647 |
| [9] none | 93.575 | 110,270 | 602,703 | 89,619 | 396,188 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | | | | | |
| [6] CAPP-1049 | 93.596 | - | 257,560 | - | 35,430 |
| [7] CAPP-2048 | 93.596 | - | 257,560 | - | 241,360 |
| [8] CLPC-2036 | 93.596 | - | 64,215 | - | 64,215 |
| Total Expenditures of CDSS Awards | | $ 4,608,912 | $ 6,451,048 | $ 3,776,179 | $ 5,544,481 |

| Grant / Contract No. | Subrecipient | Expenditures | |
|---|---|---|---|
| | | State | Federal |
| [1] 22/23-15534-22380 | Children's Council of San Francisco | $ - | $ 43,880 |
| [2] 22/23-24130-22380 | Children's Council of San Francisco | - | 424,606 |
| [3] 22-24092 | Children's Council of San Francisco | - | 31,308 |
| | Instituto Familiar de la Raza | - | 4,548 |
| | Support for Families of Children with Disabilities | - | 14,950 |
| | Wu Yee Children's Services | - | 6,966 |
| [4] 22-24130 | Children's Council of San Francisco | - | 104,817 |
| | Instituto Familiar de la Raza | - | 15,225 |
| | Support for Families of Children with Disabilities | - | 50,050 |
| | Wu Yee Children's Services | - | 23,319 |
| [5] C2AP-2045 | Children's Council of San Francisco | 2,994,797 | 2,291,646 |
| [6] CAPP-1049 | Children's Council of San Francisco | 65,541 | 103,660 |
| [7] CAPP-2048 | Children's Council of San Francisco | 618,150 | 1,437,868 |
| [8] CLPC-2036 | Children's Council of San Francisco | 8,072 | 120,862 |
| [9] none | Children's Council of San Francisco | 89,619 | 396,188 |
| | | $ 3,776,179 | $ 5,069,893 |

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members of the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2023, except for our report on the schedule of expenditures of federal awards, as to which the date is February 23, 2024. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, and Municipal Transportation Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Macias Gini & O'Connell LLP
2121 N California Blvd. Suite 750
Walnut Creek, CA 94596

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023

MGO. | Certified Public Accountants

## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members of the Board of Supervisors
City and County of San Francisco, California

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### *Other Matter – Federal Expenditures Not Included in the Compliance Audit*

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2023. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with the Uniform Guidance, and report on the results separately to the Successor Agency. The Authority, the Airport, and the MTA engaged other auditors to perform an audit in accordance with the Uniform Guidance.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
February 23, 2024

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**CITY AND COUNTY OF SAN FRANCISCO**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

## Section I – Summary of Auditor's Results

Financial Statements:

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | None reported |
| • Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|---|---|
| Internal control over major federal programs: | |
| • Material weakness(es) identified? | None reported |
| • Significant deficiency(cies) identified? | Yes |
| Type of auditor's report issued on compliance for major federal programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

Identification of major federal programs:

| Name of Federal Program or Cluster | Assistance Listing Number(s) |
|---|---|
| Home Investment Partnerships Program | 14.239 |
| Special Data Collections and Statistical Studies | 16.734 |
| WIOA Cluster | 17.258, 17.259, 17.278 |
| Emergency Rental Assistance Program | 21.023 |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Water Infrastructure Finance and Innovation (WIFIA) | 66.958 |
| Clean Water State Revolving Fund | 66.458 |
| Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 |
| Child Support Enforcement | 93.563 |
| Adoption Assistance | 93.659 |
| Medical Assistance Program | 93.778 |

| | |
|---|---|
| Dollar threshold used to distinguish between Types A and B programs | $3,000,000 |
| Auditee qualified as a low-risk auditee? | Yes |

## Section II - Financial Statement Findings

None reported.

## Section III - Federal Awards Findings

| | |
|---|---|
| **Finding Reference:** | **2023-001** |
| **Federal Agency:** | **U.S. Department of Health and Human Services** |
| **Federal Program Title:** | **Adoption Assistance** |
| **Assistance Listing Number:** | **93.659** |
| **Pass Through Entity:** | **California Department of Social Services** |
| **Grant Number:** | **None** |
| **Category of Finding:** | **Eligibility** |
| **Classification of Finding:** | **Significant Deficiency in Internal Control over Compliance** |

### Criteria

States are required to adopt and adhere to their own statutes and regulations for Adoption Assistance Program (AAP) implementation, consistent with the requirements of Title IV-E of the Social Security Act and the approved Title IV-E Plan. California Code of Regulations, Title 22, Division 2, section 35333 *Determination of Amount and Duration of AAP Benefit for All Children* states that "reassessment of the AAP benefit shall be required every two (2) years beginning from the date of a signed Adoption Assistance Program Agreement (AD 4320) between the agency and the adoptive parents."

CFR Title 75, section 75.303 *Internal Controls* requires the non-federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

### Condition

The City's Human Services Agency (Department) administers the program and oversees the assessments and continued reassessments of participant eligibility. We tested a statistically valid sample of 60 participants selected from a population of 1,087 receiving AAP benefits for the period of July 1, 2022 through June 30, 2023. Of the 60 cases tested, seven cases did not contain documentary evidence of supervisory review of reassessments performed by eligibility caseworkers.

### Cause of Condition

The Department's policy is for eligibility supervisors to review the assessments and reassessments performed by the eligibility caseworkers for the Adoptions Assistance program. Checklists are maintained to document the necessary steps and files to be retained for each reassessment performed. However, supervisor reviews were not consistently performed on all reassessments and the checklists used by the caseworkers were not consistently applied. This was primarily due to program personnel having limited accessibility to physical files during the restrictions of the COVID-19 pandemic.

### Effect

There is a potential for not identifying ineligible participants in a timely manner.

### Questioned Costs

There are no questioned costs. Program participants are considered to be eligible for benefits once they are initially determined to be eligible through the point when they reach age 18, the adoptive parents are no longer legally responsible for the support of the child or the adoptive parents are no longer providing support to the child. None of the seven cases met one of these triggering events.

### Identification of Repeat Findings

This is not a repeat finding from the prior year audit.

### Recommendation

We recommend that the Human Services Agency revisit and implement a more robust review process for eligibility reassessment reviews and ensure that documentation of reviews is consistently maintained.

### View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**

No prior year findings were reported.

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## San Francisco AAP FY 2022/2023 Corrective Action Plan

The Adoption Assistance Program (AAP) was selected as a major program in the City's FY 2022/23 single audit. The Auditor tested AAP's compliance with eligibility requirements. The audit sample consisted of 55 on-going active cases, and 5 intake samples for the Fiscal year 2022-2023 from a random sampling.

### Findings

The Auditor tested a statistically valid sample of 60 participants selected from a population of 1,087 cases receiving benefits under the AAP program for the period of July 1, 2022 through June 30, 2023, the Period under review (PUR). The Auditor noted 7 case findings needing improvement. All case findings were from the on-going active case samples. All of the intake cases sampled were correct with no error. There were no findings found to have any dollar amount errors.

The auditor identified the following issues: renewal checklists were not submitted with physical files on a consistent basis. It could not be verified that Supervisor reviews were done consistently on all reassessments as the checklists used by the caseworkers, were not consistently found in the case files.

### Response to findings

The Family & Children’s Services Foster Care Eligibility (FCE) unit recognizes the need for improvements through the Auditor’s findings. Inconsistencies were in large part due to the circumstances of the COVID-19 Pandemic. We have changed our previous business practices to improve deficiencies and maintain program integrity.

### Root Causes

- **COVID-19 pandemic**
  The pandemic’s restrictions significantly altered FCE’s traditional in-office schedules and business processes, prompting a significant shift towards remote work arrangements and digital transformation. FCE adapted quickly to these operations changes while trying to maintain employee safety. This transition necessitated the need for flexible working hours, increased reliance on virtual communication, implementation of new technologies, and business processes to streamline workflows.

- **Physical files**
  - FCE, during the PUR of this audit, used physical case files. Digital case files offer many advantages that FCE wasn’t able to access, such as easier accessibility, improved organization capabilities through search functions, greater security measures to protect sensitive data from unauthorized access or loss, and better oversight capabilities. Overall, transitioning from physical case files to digital files will result in having files easily accessible and will increase effectiveness and efficiency.

- **Staffing issues**
  During the PUR, there were a variety of staffing issues that included leaves, promotions, and shortages. These staffing changes significantly impacted the administration of FCE program benefits.

**Corrective Actions**

- **Future Staff training**
  - We have recognized the need to develop refresher training for staff that will provide a thorough understanding of our AAP business processes. These trainings will ensure that AAP case reassessments are processed uniformly across the program. By investing in the development of these refresher staff trainings, we aim to equip our staff with the knowledge and skills necessary to perform their roles effectively and contribute positively towards achieving our organizational goals.
  - Time frame to implement trainings will be no later than 6/1/2024 with completion by 10/2024.

- **Digital Files**
  - FCE recognizes the need to move from physical case files to digital case files. The COVID-19 pandemic provided the catalyst to speed up the transition to digital files. With the change to digital imaged files, future case reviews and tasks completed by workers and supervisors can, and will, be done more efficiently and will provide the necessary oversight.
    - Imaging case files conversion project was created in 4/2023.
    - FCE is currently at 70% percent converted to digital case files since the implementation of CalSAWS (11/1/2023).
    - FCE plans to convert to 100% digital files by the end of June 30, 2024.

- **Systematic Reporting**
  - Reports generated from CalSAWS and case tasking will help improve our program's overall efficiency.
    - Effective 11/2023, implementation of new task reports generated from CalSAWS will aid staff with reminders of tasks and will improve overall case review.
    - CalSAWS provides unit Supervisors with reports of overdue, pending and future case actions needed, including AAP reassessments.
    - By June 30, 2024, FCE will provide unit Supervisors and staff with additional tools to support them with their case tracking and reporting. This includes developing detailed reports accessible through our eligibility system CalSAWS.

The AAP Corrective Action plan will be administered by FCE Program Specialist Justin Hyun and overseen by Program Manager, Juliet Halverson.

# Public Integrity Review

## Preliminary Assessment:

### Criminal Conduct by Former San Francisco Public Utilities Commission General Manager Harlan Kelly Undermined the Integrity of City Procurements Despite Existing Rules Governing Gifts, Disclosures, and Sole Source Waivers

**CITY & COUNTY OF SAN FRANCISCO**

Controller's Office

March 27, 2024

# Assessment Summary

The Controller's Office (Controller), in conjunction with the City Attorney's Office, conducted this preliminary limited-scope assessment of three specific procurements of the San Francisco Public Utilities Commission (SFPUC) under former General Manager (GM) Harlan Kelly:

- San Francisco Online Invoicing System (SOLIS)[1]
- Smart Streetlights Project[2]
- Holiday Lights[2]

These three procurements were at issue in a federal criminal investigation of former GM Kelly. The first procurement was identified in the federal grand jury subpoena to SFPUC. The other two procurements were identified in a federal criminal complaint against former GM Kelly filed in November 2020. All three of these procurements were conducted under the San Francisco Administrative Code, Chapter 21 (Chapter 21).

Chapter 21 procurement is under the authority of the Office of Contract Administration (OCA), which was overseen during the time of these procurements by City Administrator Naomi Kelly, former GM Kelly's spouse.

This assessment examines SFPUC's compliance with city contracting regulations in the three procurements and makes preliminary recommendations to further increase accountability and compliance with applicable city rules.

[1] U.S. Department of Justice's Grand Jury Subpoena to SFPUC, June 15, 2020.
[2] Criminal complaint against Harlan Kelly, November 25, 2020.

# Assessment Summary – Preliminary Findings

This preliminary assessment finds that former GM Kelly provided selective assistance to vendors with whom he had a personal relationship and/or from whom he was accepting gifts. As the department head, he had access to information from staff about the procurement processes and was able to influence the decisions of his subordinates.

In July 2023 a federal jury found former GM Kelly guilty of charges that he accepted bribes and gifts in a scheme to provide confidential information about the City's bidding process and steer contracts to a local businessman.[1] When leaders of an organization engage in criminal conduct, it compromises their ability to enforce rules and procedures and hold others in the organization accountable.

We did not find evidence that other SFPUC employees were aware of former GM Kelly's criminal conduct in these three procurements, including his receipt of gifts and sharing of confidential bid information.

In the competitive Smart Streetlights procurement, SFPUC generally followed Chapter 21 processes and the contract was ultimately not awarded to Walter Wong (Wong), despite former GM Kelly's efforts to steer the contract to Wong. In the SOLIS and Holiday Lights procurements, however, former GM Kelly was able to influence the outcome of the awards.

[1] U.S. Attorney's Office, Northern District of California, press release, July 17, 2023.

# Assessment Summary – Preliminary Findings *(continued)*

Former GM Kelly's failure to disclose gifts from and relationships with vendors seeking city contracts violated multiple local, state, and federal laws. In addition to violating the federal prohibition on accepting bribes, former GM Kelly violated state and local laws, including provisions of the California Government Code and San Francisco Campaign and Governmental Conduct Code.

Former GM Kelly's actions included:

- Participating in official government decisions related to Melanie Lok (Lok) and her company Mlok Consulting without disclosing his personal and financial relationship with Lok as required by city law. [1]

- Providing selective assistance to Wong,[2] in violation of city law, by providing insider information and intentionally delaying procurements. Because he provided selective assistance in exchange for gifts to Wong, this conduct also violated city law prohibiting bribery[3] and receipt of gifts from restricted sources.[4]

[1] San Francisco Campaign and Government Conduct code, Section 3.214.
[2] San Francisco Campaign and Government Conduct code, Section 3.218, and SFPUC's Statement of Incompatible Activities.
[3] San Francisco Campaign and Government Conduct code, Section 3.216(a)
[4] San Francisco Campaign and Government Conduct code, Section 3.216(b)(1)

## Assessment Summary – Recommendations

For the Smart Streetlights procurement, which was subject to a competitive bidding process, former GM Kelly could not influence the outcome of the procurement. Although we make recommendations to SFPUC and OCA regarding sole source and delegated departmental purchases, we find that the misuse of these procurement tools was caused by GM Kelly's corrupt conduct rather than inadequate controls or complicit SFPUC employees.

However, there are still areas of procurement in which the City can improve. SFPUC should better monitor its procurement process, so the department does not violate city rules on order splitting. SFPUC should also ensure it only submits, and OCA only approves, requests to waive competitive solicitation requirements that fully meet the intent of city contracting regulations, including demonstrating sufficient planning for the procurement.

Further, SFPUC and its Commission should foster an ethical organizational culture of transparency in which policy compliance is valued and create controls to restrict senior management's ability to override departmental and city policies. This includes reminding its employees of the Controller's anonymous Whistleblower Program and creating an environment in which employees feel safe to come forward with concerns.

# Assessment Summary – Recommendations *(continued)*

SFPUC should also reinforce the importance of departmentwide compliance with city rules regarding:

- Restrictions on accepting gifts from restricted sources (per the Campaign and Governmental Conduct Code, Section 3.216).
- Prohibitions against affording competitive advantages to one supplier (per the Campaign and Government Conduct Code, Section 3.218 and the department's Statement of Incompatible Activities).
- Regulations around waiving competitive solicitation requirements and restrictions on delegated departmental purchasing authority, including the prohibition on order splitting.

Under new leadership, SFPUC and OCA report that they have initiated departmental reforms to strengthen procurement oversight, as referenced on slides 16 and 17.

# Federal Criminal Charges Alleging Public Corruption Prompted Joint Controller/City Attorney Investigation

In January 2020 former Public Works Director Mohammed Nuru was criminally charged with a scheme to defraud the City of his honest services by providing official action in exchange for bribes. In response to those criminal charges, the City Attorney and Controller launched a joint investigation into public corruption identified in the criminal complaint. While the City Attorney focused on employee and contractor wrongdoing across multiple departments, the Controller undertook a Public Integrity review of city contracts, purchase orders, and grants to identify red flags possibly indicating process failures. The Controller also created a Public Integrity Tip Line to facilitate the anonymous reporting of any information regarding the joint Public Integrity investigation.

Since the corruption charges against former Public Works Director Nuru were filed in January 2020, the U.S. Attorney's Office has criminally charged 18 other city employees and contractors of the City. Among those charged are **former GM Kelly,** who had served in this capacity since 2012 and previously had been the SFPUC's assistant general manager of infrastructure since May 2003.

# Former General Manager Kelly Accepted Bribes from Walter Wong in Exchange for Assistance with City Contracting

In June 2020 **Wong** was criminally charged with conspiracy to commit honest services fraud and conspiracy to commit money laundering with former Public Works Director Nuru and other city officials. In July 2020 Wong pled guilty and agreed to cooperate with the federal investigation.

In November 2020 federal criminal charges were filed against **former GM Kelly** alleging that he and **Wong** engaged in a scheme[1] wherein Wong provided gifts and services to **former GM Kelly**, including meals, flights, lodging, jewelry, private transportation, and discounted construction services in exchange for confidential bid information for SFPUC contracts, such as pre-proposal information, deadline extensions, other bidders' proposals, and respective bid scores. On November 20, 2020, **former GM Kelly** resigned as SFPUC general manager.

In July 2023 a federal jury found former GM Kelly guilty of one count of conspiracy to commit honest services wire fraud through bribery and kickbacks in breach of his fiduciary duty, and one count of wire fraud related to receipt of a $615 meal at a restaurant in Hong Kong. The jury heard evidence about work Wong's employees performed on former GM Kelly's personal residence, Wong's assistance with visas for entry into China, as well as how Wong's personal assistant scheduled the family's travel and accommodations. Evidence at trial also showed former GM Kelly had access to confidential information about city contract bidding processes and the ability to influence the awarding of some city contracts.[2]

[1] Criminal complaint against Harlan Kelly, November 25, 2020.
[2] United States Attorney's Office press release, July 17, 2023.

# Former General Manager Kelly Accepted Bribes from Walter Wong in Exchange for Assistance with City Contracting *(continued)*

In June 2021 the City and Wong reached a settlement in which he agreed not to do business with the City for five years, the maximum debarment period allowed under city law, and to pay restitution and ethics fines to the City for contracts his companies obtained through bribery.

In October 2021 former GM Kelly was criminally charged with loan fraud. Former GM Kelly and Victor Makras (Makras), a real estate developer, were charged with defrauding Quicken Loans on an application for financing for former GM Kelly's personal residence.[1] Since the 1990s, Makras has served on San Francisco boards and commissions, including the Port Commission, the Police Commission, the Fire Commission, the Retirement Board, and the SFPUC Commission. In August 2022 a federal jury found Makras guilty, and he has appealed the conviction. In July 2023 a federal jury found former GM Kelly guilty of four counts of bank fraud related to the loan application. On March 18th, 2024, former GM Kelly was sentenced to four years in prison and ordered to pay a $10,000 fine.

[1] Kelly and Makras Indictment. This matter is outside of this assessment's scope and is not analyzed here.

# Overview of SFPUC’s Oversight and Organization

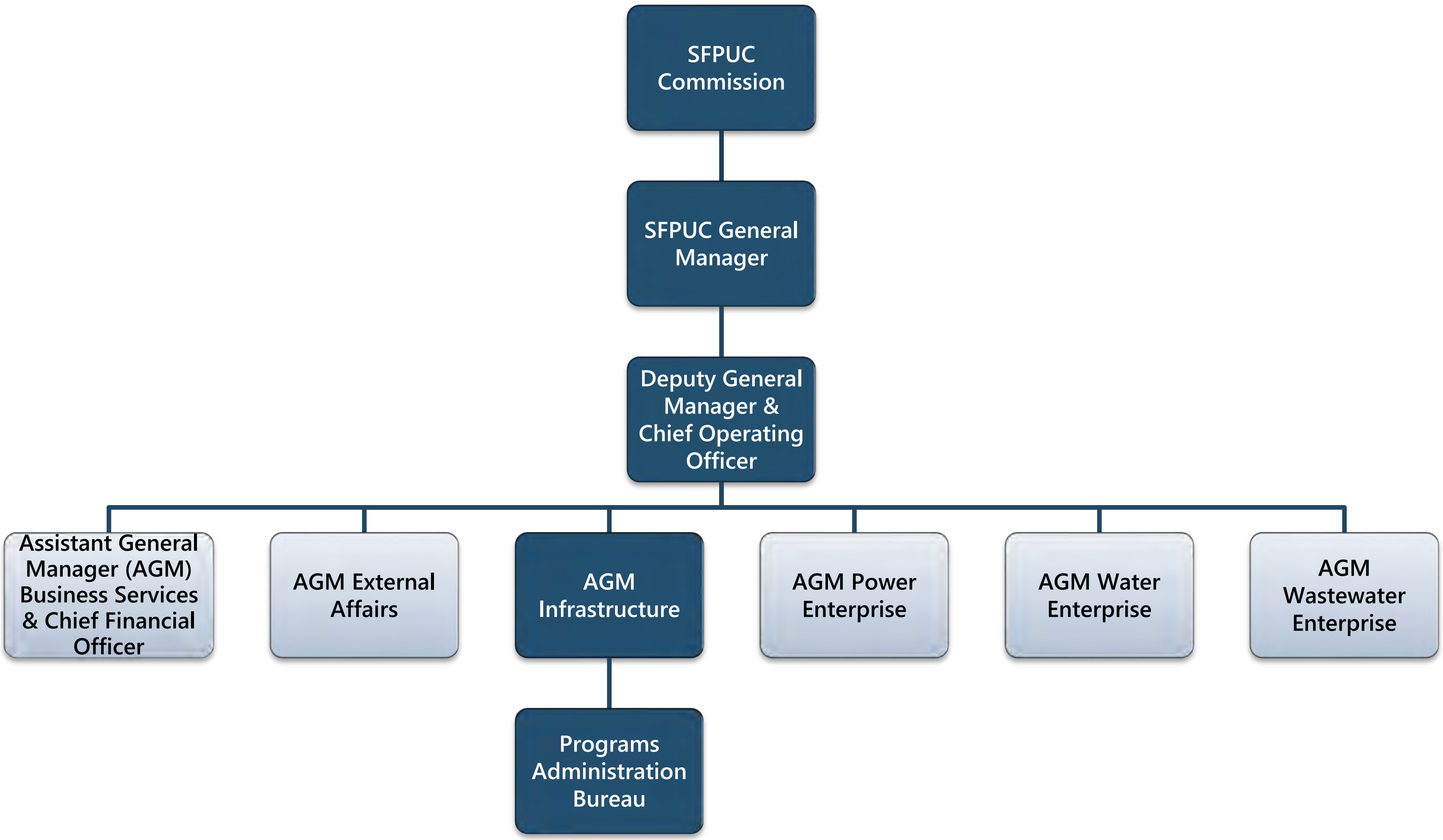
**San Francisco Public Utilities Commission (SFPUC):** SFPUC provides retail drinking water and wastewater services to San Francisco residents, wholesale water to three Bay Area counties, green hydroelectric and solar power to Hetch Hetchy electric customers, and power to city residents and businesses.

**Commission Oversight:** SFPUC is headed by a five-member board, nominated by the mayor and approved by the Board of Supervisors. The board provides operational oversight (in areas such as rates and charges for services), approval of contracts, and organizational policy.

SFPUC consists of three enterprises (Water, Power, and Wastewater), which are supported by the Business Services, Infrastructure, and External Affairs Divisions. The Infrastructure Division and the Programs Administration Bureau are relevant to this assessment and are shown on the organization chart on the next slide.

- **Infrastructure Division:** Responsible for implementing the $4.6 billion Water System Improvement Program, the Sewer System Improvement Program, and other capital programs and projects, this division houses the Programs Administration Bureau, among other bureaus.
- **Programs Administration Bureau:** Oversees Chapter 21 procurement — from initiation of solicitation through contract award—for SFPUC’s construction and professional services contracts.

# Overview of SFPUC's Oversight and Organization *(continued)*




Note: [SFPUC Adopted Biennial Budget 2020-2022](). Chart adapted to focus on units of interest to this assessment and is not comprehensive.

# Overview of City Administrator’s Role in Procurement

**Office of the City Administrator (City Administrator):** The City Administrator oversees over 25 departments and programs that provide a broad range of services to the public and other city departments, including the Office of Contract Administration and the Contract Monitoring Division.

**Office of Contract Administration (OCA):** The San Francisco Administrative Code, Chapter 21 (Chapter 21), governs the purchase of non-construction commodities, professional services, and general services. OCA is responsible for administering Chapter 21 procurement, which includes establishing rules and regulations for sole source and delegated department purchasing (Proposition Q). The City Purchaser is the department head of OCA.

**Contract Monitoring Division (CMD):** CMD operates the Chapter 14B Local Business Enterprise (LBE) program, which maximizes opportunities for local small businesses to compete for city contracts by implementing policies such as bid discounts and rating bonuses for certified local small businesses on public contracts. To qualify for LBE benefits, local businesses must be certified by CMD by demonstrating, among other things, they have a fixed location in San Francisco and have gross receipts that fall below certain threshold limits.

Former City Administrator Kelly served as City Purchaser and deputy City Administrator before 2012 when former Mayor Ed Lee appointed her City Administrator. In these roles, she gained significant expertise in the types of procurement identified in the criminal complaint against former GM Kelly.

# Impact of Tone at the Top on SFPUC's Organizational Culture

**Preliminary Finding: Despite the numerous citywide and departmental ethics rules former GM Kelly was bound to uphold, he abused his official position as General Manager of the SFPUC to provide selective assistance in exchange for bribes or in consideration of his undisclosed personal and business relationships.**

As discussed in our previous Controller's Office public integrity reviews, tone at the top is the ethical atmosphere created in the workplace by the organization's leadership.[1] Management's tone has a trickle-down effect on employees. A tone that upholds professional ethical standards and integrity will encourage employees to uphold those same values. Compliance with ethics rules must start at the top.[2] Moreover, when a department head is ethically compromised, they are less able and willing to hold others in the organization accountable.

As discussed in this report, former GM Kelly provided insider knowledge and selective assistance regarding SFPUC procurements to both Wong and Lok without disclosing his personal and business relationship with them. Furthermore, former GM Kelly provided the selective assistance to Wong in exchange for his personal financial gain. Former GM Kelly's official actions and instructions to staff to ensure that both Wong and Lok received advantages over other prospective bidders set an unethical tone for SFPUC. Although some SFPUC staff admitted to being aware of a prior relationship between former GM Kelly and Lok and did not report it, our preliminary assessment did not find evidence that SFPUC staff was aware of any gifts received by former GM Kelly. Subordinates will ordinarily be reluctant to confront or question a department head, so SFPUC should reinforce the options for its employees to report any concerns anonymously.

[1] Tone at the Top: How Management Can Prevent Fraud in the Workplace," Dannible & McKee, LLP; "Tone at the Top Conveying Responsibility and Accountability, ACFE, Suzanne Mahadeo.
[2] A Resource Guide to the U.S. Foreign Corrupt Practices Act, Second Edition, U.S. Department of Justice and U.S. Securities and Exchange Commission, July 2020.

# Former General Manager Kelly Accepted Unreported Gifts From Restricted Sources

**Preliminary Finding: Former GM Kelly, as a department head, was responsible for setting an ethical climate at SFPUC. Instead, he accepted gifts without reporting them and, worse, accepted gifts from restricted sources.**

City officers are prohibited from receiving gifts from a person whom they know or have reason to know is a restricted source.[1]

A **restricted source** is a person (or company):

- Doing business with or seeking to do business with the public official's department; or
- Who during the previous 12 months knowingly attempted to influence the public official in any legislative or administrative action.

Wong and his companies were a restricted source for former GM Kelly because, since 2010 or earlier, Wong and his companies had sought to contract with SFPUC. In exchange for the insider information and assistance about the Smart Streetlights procurement from former GM Kelly, Wong provided former GM Kelly and his family with almost $16,000 worth of gifts in 2016 and 2017, including international travel, jewelry, cash, and meals.[2] However, former GM Kelly did not report the gifts he received on the annually required Statement of Economic Interest (Form 700) in those two years.

[1] San Francisco Campaign and Governmental Conduct Code, Section 3.216(b)(1); SFPUC Statement of Incompatible Activities (2015)
[2] Federal complaint, Harlan Kelly Jr. , issued November 30, 2020; SFPUC public records of former GM Kelly's text and e-mail messages with Wong.

# Former General Manager Kelly Accepted Unreported Gifts From Restricted Sources *(continued)*

Former GM Kelly accepted these gifts despite the fact that, as a department head, he provided annual reminders to SFPUC staff regarding mandatory compliance with the department's Statement of Incompatible Activities, as well as annual reporting requirements related to the Form 700. He also regularly certified that he received mandatory ethics training required of department heads, which covered limits on gifts, disclosure requirements, and conflicts of interest.

# SFPUC Efforts to Improve Internal Controls

**Preliminary Finding: SFPUC reports it has made changes to strengthen its internal controls and ethical environment.**

In response to the federal allegations against the former general manager, SFPUC reports it implemented additional practices and procedures to ensure an appropriate tone at the top exists at the department:

- Ending the former general manager's practice of meeting informally with contractors or vendors
- Requiring potential contracts to include a memorandum to the general manager explaining the business need and procurement method to be used.
- Established the Audit Bureau in 2022, with oversight over the department's compliance with applicable rules and regulations.

## Changes at the City Administrator

In January 2021 Naomi Kelly resigned as City Administrator, and Mayor London Breed appointed Carmen Chu to the position. Since she took office in February 2021, City Administrator Chu has made changes including:

- Restructured the organization and streamlined the reporting structure and organization of functions.

- Implemented improvements at OCA, including:
  - Developed a checklist for Proposition Q procurements to ensure departments use this procurement authority in accordance with city rules and regulations.
  - Launched the ServiceNow contracting application to process all Chapter 21 solicitation waivers and contract reviews, and all other contracting program waiver approvals (12B, 12O, 12P, 14B, etc.) to increase transparency, accountability, and compliance with contracting regulations.
  - Updated contract and solicitation templates that clearly identify the department's responsibilities.
  - Implemented Chapter 21 contracting training curriculum, with online trainings available to any city employee.

- Hired a new CMD director.

# San Francisco Online Invoice System (SOLIS)

# Background on San Francisco Online Invoicing System

During 2006 and 2007 SFPUC's Infrastructure Division and former GM Kelly, then assistant general manager, sought to create an online invoicing system to ensure prompt payment of vendors, a functionality that the City's financial system could not provide at that time. This system later became SFPUC's **San Francisco Online Invoicing System (SOLIS)**.

Former GM Kelly privately discussed his interest in creating an online invoicing system with, **Melanie Lok**, the president and chief executive officer of **mlok consulting, inc.,** (mlok consulting), and a financial partner with whom he also owned a home. Lok previously developed a payment system integration in another jurisdiction with a firm called **Stellar Services, Inc.,** (Stellar Services). As discussed below, former GM Kelly failed to disclose his personal and business relationship with Lok and actively participated in multiple government decisions to award her firm multiple contracts, the first three as a subcontractor and the last as the prime contractor. These contracts are valued at almost $20 million.[1]

[1] Because it was a subcontractor for the first three SOLIS projects, mlok consulting did not earn $20 million. The amount mlok consulting received as a subcontractor is unknown because the City's financial system did not previously capture this data.

# The Former General Manager Failed to Disclose His Personal Relationship When Making Procurement Decisions

**Preliminary Finding: Contrary to city law, former GM Kelly failed to disclose a close personal relationship with Lok, despite participating in official government decisions that benefited Lok financially.**

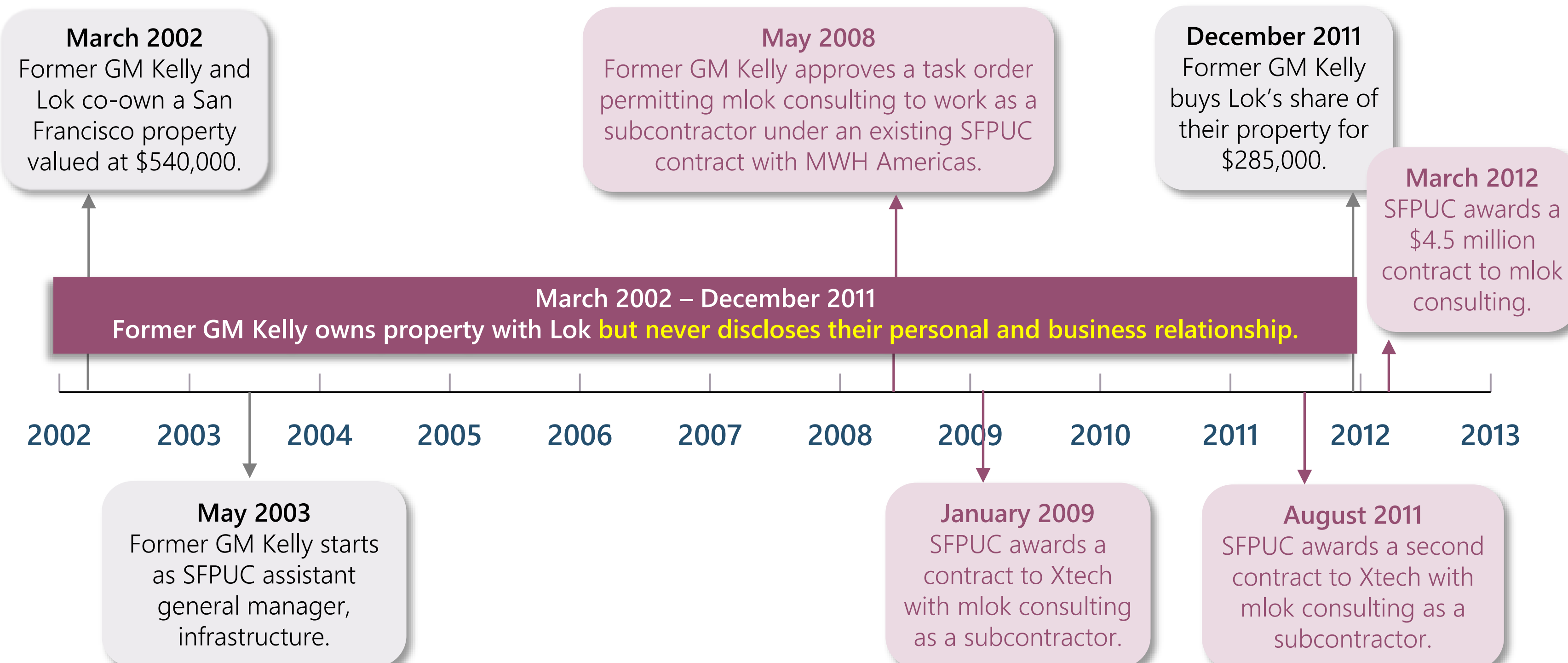
**City employees must disclose on the public record any personal, professional, or business relationship** with any individual who has a financial interest in the government decision being made by the employee, where the employee's ability to act for the public's benefit could be questioned.[1]

Former GM Kelly and Lok had a close personal relationship, but **GM Kelly did not disclose** this relationship. Despite this, **former GM Kelly made government decisions** that financially enriched Lok via her firm, mlok consulting, which was a subcontractor and, eventually, the prime contractor on the three SFPUC contracts addressed by this assessment.[2]

[1] San Francisco Campaign and Governmental Conduct Code, Section 3.214(a).
[2] After amendments increasing the contract amount, the City ultimately paid $9.5 million to mlok consulting as a prime contractor.

# The Former General Manager Failed to Disclose His Personal Relationship When Making Procurement Decisions *(continued)*

As the timeline below shows, from 2008 through 2011, former GM Kelly served the role of assistant general manager of SFPUC leading its Infrastructure Division, during which time he participated in at least three contract decisions involving Lok and her firm, mlok consulting, despite owning real property with Lok in San Francisco that he also did not disclose.



# SFPUC afforded Melanie Lok a competitive advantage over other suppliers for the SOLIS procurements

**Preliminary Finding: Melanie Lok received a competitive advantage from former General Manager Kelly, which allowed mlok consulting to gain experience in designing a major SFPUC invoicing system with minimal competition, thereby providing a significant competitive advantage for future development and ongoing maintenance of SOLIS.**

Through former GM Kelly, SFPUC repeatedly gave Lok an unfair competitive advantage by:

- Privately communicating with Lok regarding her experience developing an invoice system with another jurisdiction (2007).
- Approving Lok (and the vendor she worked with in the other jurisdiction) as subcontractors on an as-needed contract with a broad scope to design the SOLIS pilot project under an existing as-needed contract (2008).
- Ensuring the award of contracts to Xtech with mlok consulting as a subcontractor (2009, 2011), by constructing a solicitation that unfairly advantaged mlok consulting as the original designer of the system.[1]

The selective assistance former GM Kelly provided to Lok from 2008 to 2011 gave her a significant bidding advantage in the competitive award of a $4.5 million SOLIS contract to mlok consulting in 2012. By the time mlok consulting had to compete with other vendors, mlok consulting had already worked on SOLIS for five years as a result of non-competitive awards.

Statements of Incompatible Activities (SIA) did not appear to exist at city departments before 2008. SFPUC's SIA, which prohibits its employees from providing selective assistance that confers a competitive advantage on a bidder competing for a city contract[2], was therefore not in effect when former GM Kelly first began providing selective assistance to Lok in 2008. However, his failure to disclose his personal and business relationship with Lok as required by city law calls into question whether he appropriately exercised his public duties to the City when he made these government decisions.

In March 2024, voters approved Proposition D, which repealed all existing departmental SIAs and codified a uniform set of prohibited activities in San Francisco Campaign and Governmental Conduct Code that apply to all departments citywide.

[1] Because their document retention policies do not require them to retain records for a decade or more, neither OCA nor SFPUC could provide evidence that SFPUC reached out to all of the City's Computer Store vendors, which was a recommended best practice for city departments at the time.
[2] San Francisco Campaign and Governmental Conduct Code, Section 3.218; SFPUC Statement of Incompatible Activities.

# SFPUC afforded Melanie Lok a competitive advantage over other suppliers for the SOLIS procurements *(continued)*

SFPUC approved at least three contracts under which Lok participated in the development of SOLIS as a subcontractor. Former GM Kelly ensured mlok consulting was a subcontractor under a pre-existing contract with MWH Americas to assess and design the schematics for the system that would become SOLIS. Mlok consulting later became part of a Computer Store[1] contract as a subcontractor for Xtech for subsequent design and implementation of the system. Further, the request for quote preceding the 2011 Computer Store contract required that vendors have at least three years of experience in programming the SOLIS system. This would have restricted the pool of potential bidders because SOLIS was a custom system developed specifically for SFPUC invoicing and payments, making mlok consulting one of the few vendors that met the qualifications. **Ultimately, this could have only occurred because of former GM Kelly's personal relationship with Lok and the selective assistance he provided by approving Lok to be added as a subcontractor on the initial pilot project.**

The table on the following slide summarizes the relevant SOLIS procurements involving Lok.

[1] The City established the Technology Marketplace, formerly known as the Computer Store, in 1998 to serve as the City's primary method for procuring information technology commodities and services. Under this procurement program, departments are typically required to conduct a competitive solicitation to the pool of Technology Marketplace prime contractors.

# SFPUC afforded Melanie Lok a competitive advantage over other suppliers for the SOLIS procurements *(continued)*

| Year | Contract | Role of mlok consulting | Events | Contract Value to Prime Supplier |
|---|---|---|---|---|
| 2008 | **MWH Americas Contract**<br>*(Pilot Phase)* | Subcontractor | Former GM Kelly approved SFPUC task order permitting mlok consulting to serve as a subcontractor on an MWH Americas contract for as-needed engineering and design contract. | $4.5 million |
| 2009 | **Xtech Contract SOLIS I**<br>*(Development Phase)* | Subcontractor | SFPUC awards contract to Xtech with mlok consulting as its subcontractor. | $980,631 |
| 2011 | **Xtech Contract SOLIS I**<br>*(Integration Phase)* | Subcontractor | SFPUC awards contract to Xtech with mlok consulting as its subcontractor. | $5 million |
| 2012 | **SOLIS II**<br>*(Administration Phase)* | Prime | SFPUC awards two separate agreements: a $4.5 million contract to both mlok consulting and Westland Management Solutions, Inc. SFPUC later amends mlok consulting’s contract to add $5 million, for a total of $9.5 million. | $9.5 million |

# Smart Streetlights Project

# Background on SFPUC’s Smart Streetlights Procurements

The City owns—and SFPUC manages—over 18,500 smart streetlights, which use light-emitting diode (LED) technology. In August 2010, SFPUC initiated efforts to replace the City’s LED smart streetlights. In June 2012 SFPUC issued a request for proposal (RFP) to pilot test up to five solutions for operationalizing wirelessly controlled LED smart streetlights.

As a result of the RFP, SFPUC awarded four contracts for the pilot project. One of the contracts was awarded to Wong’s company, Alternate Choice, LLC, for a not-to-exceed amount of $15,000. Following the pilot phase, SFPUC worked with OCA on a formal procurement for LED smart streetlights. The timeline, starting on slide 27, provides an overview of the entire procurement process.

# Former General Manager Kelly Disclosed Confidential Bid Information and Delayed the Smart Streetlights RFP for Walter Wong

**Preliminary Finding: In exchange for gifts, former General Manager Kelly intentionally delayed the procurement of smart streetlights to support Walter Wong's bid and overrode key controls by sharing confidential information with Walter Wong.**

San Francisco Campaign and Governmental Conduct Code, Section 3.216, and Ethics Commission regulations state that no city officer or employee may solicit or receive any gift from any person or entity doing business with or seeking to do business with the department of the officer or employee. Also, SFPUC's Statement of Incompatible Activities states that **no city employee may knowingly provide selective assistance** to individuals or entities in a way that confers a competitive advantage on a bidder or proposer who is competing for a city contract.

As SFPUC general manager, former GM Kelly overrode these restrictions and took various actions to support Wong's bids from September 2014 through November 2016. Based on a limited review of this procurement, it appears that SFPUC generally followed its procedures, such as scoring bids appropriately. **However, as alleged in the criminal complaint and supported by evidence admitted at trial, former GM Kelly provided confidential information about the Smart Streetlights procurement to Wong to inform his bid, in violation of city law.** Support from former GM Kelly included sharing: (1) the amended RFP before it was publicly released, (2) confidential bid review documents identifying the type of LED fixtures in other bidders' proposals, and (3) the costs associated with each proposal.

According to multiple SFPUC employees involved in this procurement, they did not intend for information they provided former GM Kelly to be shared with anyone outside of the City.

# Former General Manager Kelly Disclosed Confidential Bid Information and Delayed the Smart Streetlights RFP for Walter Wong *(continued)*

For Wong's benefit, former GM Kelly also delayed the process to procure smart streetlights, which took almost seven years from initial pilot (issued August 2010) to final contract award (signed February 2017). **RFPs were delayed, canceled, and reissued eight times.** The timeline below outlines SFPUC's efforts to solicit bids for the project, highlighting the delays and former GM Kelly's inappropriate, selective assistance to Wong.

| Date | Action |
|---|---|
| August 2010 | SFPUC Issues first RFP for LED smart streetlights. |
| November 2010 | **Delay:** SFPUC cancels first RFP because no bid meets minimum qualifications. |
| April 2011 | SFPUC issues second RFP for LED smart streetlights. |
| June 2011 | **Delay:** SFPUC cancels second RFP after deciding to pursue a "design-build" procurement, which entails contracting with a single vendor responsible for both designing and constructing a project. |
| June 2012 | SFPUC issues an RFP to pilot test up to five innovative ways to operationalize wirelessly controlled LED smart streetlights. |
| January 2013 | SFPUC awards contracts for the pilot project to four proposers, one of which is Wong's company, Alternate Choice, LLC. |

# Former General Manager Kelly Disclosed Confidential Bid Information and Delayed the Smart Streetlights RFP for Walter Wong *(continued)*

| Date | Event |
|---|---|
| September 2014 | OCA issues RFP 79002 on behalf of SFPUC for LED streetlights with wireless control system capabilities and receives 31 proposals.<br><br>**Selective Assistance:** Former GM Kelly texts Wong that the RFP is out and that he should keep former GM Kelly apprised of any problems with his proposal. Former GM Kelly also informs Wong that the evaluation panel is the next step. |
| November 2014 | **Delay:** OCA cancels RFP 79002.<br><br>**Selective Assistance:** Former GM Kelly texts Wong to provide RFP bid review documents before the RFP (now RFP 79002-A) is re-issued to the public. Former GM Kelly provides a memorandum with price differentials, the names of other bidders, types of LED fixtures and controls proposed by other bidders, and costs associated with each bid.<br><br>OCA re-issues RFP 79002-A, which now offers a 10 percent rating bonus to bidders that qualify as a Local Business Enterprise (LBE), as required by San Francisco Administrative Code, Section 14B.7(E)(1). |
| January 15, 2015 | **Selective Assistance:** Former GM Kelly texts Wong that bid due dates will be delayed and tells him who to speak to for advice about the bid. Wong states that he will apply to be a LBE and reveals that his light prototype is not available yet. Former GM Kelly replies ***"You told me that you had everything? I don't know how to stop the process anymore."*** |

# Former General Manager Kelly Disclosed Confidential Bid Information and Delayed the Smart Streetlights RFP for Walter Wong *(continued)*

| Date | Event |
|---|---|
| February 2015 | **Delay:** The bid due date for RFP 79002-A, which now incorporates an LBE rating bonus, is postponed to late February, then postponed again to early March.<br><br>Wong texted former GM Kelly requesting assistance with the LBE application for his company, Green Source Trading, LLC (separate from his company, Alternate Choice, LLC). Subsequently, SFPUC's LBE program manager communicated with CMD staff regarding the status of CMD's review of the LBE application for Wong's company. Less than two months later, that same manager became the director of CMD and signed CMD's letter formally certifying Green Source Trading, LLC as a minority-owned LBE on February 27, 2015. This means the employee transitioned from a role that reported directly to former GM Kelly to a new role that reported to former City Administrator Naomi Kelly shortly before certifying Wong's company as an LBE.<br><br>Wong texted former GM Kelly to let him know that Green Source Trading, LLC had been certified as an LBE. |
| March 2015 | OCA receives 20 proposals, **including a bid from Green Source Trading, LLC.**<br><br>**Selective Assistance:** Former GM Kelly gives Wong SFPUC's RFP scoring sheet and notes. |

# Former General Manager Kelly Disclosed Confidential Bid Information and Delayed the Smart Streetlights RFP for Walter Wong *(continued)*

| Date | Event |
|---|---|
| July 2015 | **Selective Assistance:** Former GM Kelly gives Wong a Summary Score Sheet that ranks bids by their scores and the bidder's LBE discount, if any. The bid of Wong's company ranks near the bottom. |
| September 2015 | **Delay:** SFPUC decides not to award the contract to any bidder due to inconsistencies in the proposals submitted. |
| September 2016 | SFPUC issues a new RFP (RFP 79004), opting to procure LED fixtures without a wireless control system due to technical challenges. |
| October 2016 | **Delay:** SFPUC twice postpones bid due date for RFP 79004. |
| November 2016 | **Selective Assistance:** Former GM Kelly gives Wong bid documents. |
| November 2016 | OCA receives 15 bids. Bid of **Green Source Trading, LLC, is deemed non-responsive.** |
| February 2017 | Contract is awarded to Maltby Electric Supply Co. |

# Holiday Lights

# Background on SFPUC's Holiday Lights Procurements

In 2012 the Third Street Merchants Association gave SFPUC 60 LED holiday light fixtures in the shape of bells and snowflakes. SFPUC installed these fixtures on San Francisco's 3rd Street during the holiday season. In 2019 SFPUC undertook three procurements to obtain more custom holiday light fixtures, asserting that Wong's company, Alternate Choice, LLC, was the only vendor able to provide these fixtures. The table below provides an overview of these three procurements.

| Requisition Date | Procurement Authority | Items | Value |
|---|---|---|---|
| August 12, 2019 | San Francisco Administrative Code, Section 21.5(b): Sole source request to waive competitive solicitation requirements | 77 | $43,000 |
| November 15, 2019 | San Francisco Administrative Code, Section 21.03(a): Delegated departmental authority (Proposition Q) | 18 | $8,780 |
| November 21, 2019 | San Francisco Administrative Code, Section 21.03(a): Delegated departmental authority (Proposition Q) | 10 | $5,291 |
| | | **TOTAL** | **$57,071** |

# SFPUC Awarded Walter Wong the Holiday Lights Contract in Exchange for Gifts Given to Former General Manager Kelly

**Preliminary Finding: Former General Manager Kelly steered the Holiday Lights contract to ensure its award to Wong.**

According to the federal criminal complaint, Wong received the 2019 holiday lights contract in exchange for items of value he provided to former GM Kelly. In March 2019 Wong sent a quote for the holiday lights to former GM Kelly's personal e-mail account. SFPUC then requested, and OCA approved, a sole source waiver of solicitation requirements to procure the holiday lights from Wong's company in April 2019, as discussed further on the next slide. Later in November 2019, it appears that former GM Kelly directed his staff to procure these items from Wong's company. According to OCA and SFPUC, at the time of this procurement no one among the purchasing staff at either department knew about the private communication between former GM Kelly and Wong.

This procurement demonstrates some of the risks inherent in procurement, including that a bad actor can steer contracts to preferred vendors while avoiding detection, in exchange for gifts and other benefits.

# SFPUC Awarded Walter Wong the Holiday Lights Contract in Exchange for Gifts Given to Former General Manager Kelly *(continued)*

**Preliminary Finding: SFPUC must better adhere to sole source contracting rules to ensure its requests meet the intent of OCA's regulations.**

In some cases, the City's competitive solicitation requirements can be waived, including under the sole source purchasing authority.[1] This authority exists for instances in which goods or services can only be obtained from a single source. OCA has oversight over these requests. Departments must submit a **solicitation waiver** to OCA to waive competitive solicitation requirements for these purchases and document the reason the vendor is the sole source of the good or service.

In August 2019 SFPUC submitted a **sole source request to waive competitive solicitation requirements** to procure 77 holiday light fixtures. SFPUC provided documentation that the original manufacturer had stopped manufacturing these bell-shaped fixtures, and stated in its request that Alternate Choice, LLC, was the only vendor that had these fixtures in stock and that it would not be as cost-effective or logistically sound to initiate a new procurement for them. However, SFPUC's reasoning implies that it did not properly plan for this procurement, which is an inappropriate justification for submitting a sole source request to waive competitive solicitation requirements. In August 2019 OCA approved the sole source request to allow the department to procure fixtures that match the existing holiday lights, and SFPUC paid $43,000 to Alternate Choice, LLC, for 77 of the holiday light fixtures.

[1] San Francisco Administrative Code, Section 21.5(b) and OCA Rules and Regulations

# SFPUC Awarded Walter Wong the Holiday Lights Contract in Exchange for Gifts Given to Former General Manager Kelly *(continued)*

Former GM Kelly was involved in the additional holiday light purchases, for which requisitions were issued in November 2019. In September 2019, a month after SFPUC's sole source request for holiday lights was approved, Wong sent a second quote for additional holiday lights to former GM Kelly's personal e-mail account. The events of November 2019 included the following.

- **November 13:** SFPUC senior personnel e-mail SFPUC purchasing staff to ask about the additional purchases: **"Did we already buy the remaining snowflake lights from Alternate Choice LLC? This vendor has only these 28 remaining, so Harlan wants to know if we're going to purchase them."**
- **November 15:** SFPUC approved its first Proposition Q purchase order of 18 holiday lights for $8,700.
- **November 21:** SFPUC approved its second Proposition Q purchase order of 10 holiday lights for $4,900.

# SFPUC Split an Order for Holiday Lights, Thereby Avoiding City Rules

**Preliminary Finding: SFPUC circumvented city procurement rules by splitting its orders of holiday lights from Alternate Choice, LLC.**

Departments have "delegated departmental purchasing" (**Proposition Q**) authority to acquire commodities and services under $10,000.[1] Consistent with this delegation of authority, OCA does not review these purchases. Because departments have discretion in the use of this authority and because this process bypasses the City's competitive solicitation requirements for commodities over $10,000, departments must meet OCA's guidelines for this process. The guidelines include a prohibition on order splitting. The City's Accounting Policies and Procedures defines **order splitting as the procurement of the same item through separate requests within two to three weeks**.[2]

Despite having executed a contract for holiday lights less than three months earlier, SFPUC submitted requests in November 2019 to buy more holiday lights using Proposition Q purchasing authority and, in violation of city rules, split its order into two purchases, despite foreknowledge of its intent to purchase an additional 28 lights, which it knew would cost over $10,000. This order splitting occurred despite OCA's prior approval of a solicitation waiver for the same items. SFPUC inappropriately used its delegated departmental purchasing authority and should have instead requested a second solicitation waiver for the additional 28 lights from OCA or included those lights in the initial solicitation waiver request.

[1] San Francisco Administrative, Section. 21.03(a)
[2] San Francisco City and County Controller's Office's Accounting Policies and Procedures (August 2020), Section 3.8.

# Recommendations

Given the findings of our preliminary assessment, we offer the following preliminary recommendations:

1. **The San Francisco Public Utilities Commission and its oversight Commission should:**
   - **Foster an ethical organizational culture of transparency in which policy compliance is valued and create controls to restrict the ability of senior management to override departmental and city policies.**
   - **Remind employees of the availability of the Controller's Whistleblower Program and stress the need to protect the anonymity of whistleblowers.**

2. **The San Francisco Public Utilities Commission should reinforce the importance of department-wide compliance with the following city laws and rules:**
   - **Campaign and Governmental Conduct Code, Section 3.214, as it requires city employees to disclose relationships with individuals who have a financial interest in a governmental decision being made by the employee.**
   - **Campaign and Governmental Conduct Code, Section 3.216, as it addresses acceptance of gifts from restricted sources.**
   - **Campaign and Governmental Conduct Code, Section 3.218, which prohibit affording competitive advantages to one supplier.**
   - **City contracting regulations around competitive solicitation waivers and delegated departmental purchasing authority restrictions, including the prohibition of order splitting.**

3. **The Office of Contract Administration should update its guidance to clarify what may or may not constitute justification for a sole source waiver. This guidance should include that poor planning for procurements is not an appropriate justification.**

# Department Response

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February 23, 2024

Mark de la Rosa
Director of Audits
Office of the Controller
City Hall, Room 476
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San Francisco, CA 94102

Subject: Public Integrity Review: Criminal Conduct by Former SFPUC General Manager Harlan Kelly Affected City Procurements Despite Existing Rules Governing Gifts, Disclosures, and Waivers of the Competitive Procurement Process

Dear Mr. de la Rosa,

Thank you for conducting the public integrity review of the SFPUC, entitled, *Criminal Conduct by Former SFPUC General Manager Harlan Kelly Affected City Procurements Despite Existing Rules Governing Gifts, Disclosures, and Waivers of the Competitive Procurement Process.* The SFPUC acknowledges and appreciates the effort placed in this preparation of this report by the Controller's Office City Services Auditor.

We are pleased to agree with the recommendations listed. In addition to taking any added actions agency wide, the Audit Bureau will work with the internal Communications and Human Resources teams to include reminders of the Controller's Whistleblower Program with existing communication campaigns and training to agency personnel related to SFPUC's Annual Statement of Incompatibility attestation, Form 700 filers, and ethics requirements.

As General Manager, I have led SFPUC in taking significant steps to increase internal oversight efforts, and most importantly, changing the "top at the top" to one with emphasis on integrity and accountability. This message has been communicated clearly to all staff, consultants, and suppliers that SFPUC will conduct business in adherence to City & County of San Francisco policies and ethics and legal requirements.

We have improved activities in key organization areas, inclusive of the following:

- Expanded oversight through the SFPUC Audit Bureau. The Audit Bureau formalized its charter in December 2022 with expanded authority to facilitate and implement performance audits, inclusive of enforcing implementation of resulting audit recommendations. Oversight includes the agency's compliance with internal and



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external policies, procedures, and regulations, including adherence to industry best practices, standards, and workplace ethics. Activities are communicated in a regular and transparent process for the Commission, ratepayers, and public.

- Improved internal controls for contract administration. The SFPUC Contract Administration Bureau (CAB), who handles all agency construction and professional service contracts, provides routine and transparent communications to me which include: an explanatory memorandum for each contract award and modification that details the need for the contract, procurement method, and justification for any amendment; regular meetings with the CAB manager to discuss and inquire on specific contracts, and assure the agency's commitment to integrity and accountability is priority in how we conduct business. In addition, SFPUC enhanced internal controls by improving documentation requirements throughout the contracting process, including a signed conflict-of-interest form for all participants in the solicitation process.

- Commitment to ethics and integrity. Competitive processes and contract administration must be free of even the perception of favoritism, fraud, or corruption. SFPUC has procedures in place for managing communications with prospective and current contractors and vendors, that I require staff and outside parties to comply with. I also do not meet informally with representatives of prospective or current contractors and vendors.

We continue to seek ways to bolster compliance, oversight, and accountability at the SFPUC and look forward to our continued partnership with the Controller's City Services Auditor.

If there are any questions or additional information is needed, please do not hesitate to contact me at 415-554-1600.

Sincerely,

Dennis J. Herrera
General Manager

cc: Ronald P. Flynn, Deputy General Manager
Nancy L. Hom, Chief Financial Officer and AGM, Business Services
Irella Blackwood, Audit Director

# Completed and Upcoming Public Integrity Reporting

The Controller’s Public Integrity Review, performed in consultation with the City Attorney, will continue to assess selected city policies and procedures to evaluate their adequacy in preventing abuse and fraud. Completed, current, and future assessments and reports address the following topics:

- San Francisco Public Works Contracting (June 29, 2020)
- Gifts to Departments Through Non-City Organizations Lack Transparency and Create “Pay-to-Play” Risk (September 24, 2020)
- San Francisco’s Debarment Process (November 5, 2020)
- Ethical Standards for Contract Award Processes of the Airport Commission and Other Commissions and Boards (January 11, 2021)
- Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards (April 14, 2021)
- 12-Month Status on Public Integrity Recommendations (August 4, 2021)
- Department of Building Inspection Permitting and Inspection Processes (September 16, 2021)
- Public Integrity Audit - SFPUC's Social Impact Partnership Program (December 9, 2021)

## Completed and Upcoming Public Integrity Reporting *(continued)*

- Public Integrity Review - San Francisco Department of the Environment's Relationship with Recology and Lack of Compliance with Ethics Rules (April 8, 2022)
- Public Integrity Review - Preliminary Assessment - Refuse Rate-Setting Process - Update Based on Additional Reviews and Meetings with Recology (May 16, 2022)
- Public Integrity Reviews 2022 Update: Implementation Status of Recommendations From Assessments to Date (December 21, 2022)
- Public Integrity Audit – Review of the Landfill Disposal Agreement (July 13, 2023)
- Public Integrity Review – The Community Challenge Grant Program's 2023 Solicitation Process Was Deeply Flawed and Needs to Be Redone Properly (October 17, 2023)

The Controller's Office, in consultation with the City Attorney's Office, will continue to perform these reviews and assessments when appropriate to assess criminal conduct by City employees, officials, and vendors, and to transparently describe the City's efforts to root out and prevent corruption in all its forms. Future assessments will include an update on the status of City contracting with suspended entities affiliated with Dwayne Jones and a review of processes related to grant solicitation, monitoring, and oversight.

# Any questions or comments?

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