



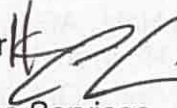
San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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Date: October 8, 2019

To: Commissioner Ann Moller Caen, President
Commissioner Francesca Vietor, Vice President
Commissioner Anson Moran
Commissioner Sophie Maxwell
Commissioner Tim Paulson

Through: Harlan L. Kelly Jr., General Manager 

From: Eric Sandler CFO and AGM Business Services

Subject: SFPUC FY 2018-19 Year-End Budgetary Report

The FY 2018-19 year-end un-audited budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2018-19 Operations

| | Beginning Available Fund Balance | Fund Balance Budgeted to be (Used) | Revenue Surplus / (Shortfall) | Expenditure Savings / (Shortfall) | Net Revenues Surplus / (Shortfall) | General Reserve | Projected Year End Available Fund Balance |
|--------------|---|--|-------------------------------------|---|---|--------------------|---|
| Water | \$ 237.2 | \$ (4.3) | \$ (11.1) | \$ 10.5 | \$ (0.6) | \$ - | \$ 232.3 |
| Wastewater | \$ 208.1 | \$ (6.0) | \$ (2.9) | \$ 8.8 | \$ 5.9 | \$ - | \$ 208.0 |
| Power | \$ 42.6 | \$ (14.1) | \$ (8.6) | \$ 20.6 | \$ 12.0 | \$ - | \$ 40.5 |
| CleanPowerSF | \$ 10.4 | \$ - | \$ 0.4 | \$ 2.8 | \$ 3.2 | \$ 22.1 | \$ 35.7 |

Summary:

- Positive operating results at year-end for Wastewater, Power and CleanPowerSF; negative results for Water.
- Water and Wastewater revenues are below budget primarily due to lower water sales from cooler and wetter than average weather.
- Power revenues are \$12.9M (8.1%) below budget primarily from retail, wholesale and municipal energy usage below forecast; delay in transfer customer loads coming online; lower district

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Mayor

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Anson Moran
Commissioner

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

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General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



transmission cost recovery. The underperformance in operating revenues was offset by the de-obligation of \$15 million in revenue-funded capital, approved by the Commission as part of the mid-cycle capital budget on March 12, 2019

- With city-wide enrollment completed, CleanPowerSF, outperformed budget estimates based on slightly higher revenues combined with expenditure savings.

If you have questions, please contact me at (415) 934-5707.

CC: Michael Carlin, Deputy General Manager, SFPUC
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Kelly Kirkpatrick, Budget Director, Mayor's Office
Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

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

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2018-19 4th Quarter - Budgetary Basis, 5W AAA
(\$ Millions)

| | FY 2017-18 Actuals | FY 2018-19 | | | |
|--|-----------------------|--------------------|-------------------|----------------------|-----------------|
| | | Original Budget | Revised Budget | Pre-Audit Actuals | Variance |
| Available Fund Balance as a Source | \$ 190.3 | \$ 4.3 | \$ 1.8 | \$ 234.7 | \$ 232.9 |
| Sources | | | | | |
| Retail Water Sales | 256.7 | 277.1 | 277.1 | 270.1 | (7.0) A |
| Wholesale Water Sales | 260.4 | 264.2 | 264.2 | 255.8 | (8.4) B |
| Interest Income | 1.8 | 2.3 | 2.3 | 4.6 | 2.3 C |
| Rental Income | 12.3 | 12.7 | 12.7 | 12.7 | - |
| Miscellaneous Income | 25.2 | 19.1 | 19.1 | 21.2 | 2.0 D |
| Departmental Transfer Adjustment | (32.6) | (33.6) | (33.6) | (33.6) | - |
| Federal Bond Interest Subsidy | 24.0 | 23.9 | 23.9 | 23.9 | - |
| Total Sources | 547.8 | 565.8 | 565.8 | 554.7 | (11.1) |
| Operating Uses | | | | | |
| Personnel | 91.6 | 97.9 | 95.9 | 94.0 | 1.9 E |
| Non-Personnel Services | 23.6 | 17.8 | 20.5 | 17.7 | 2.8 F |
| Materials and Supplies | 15.0 | 14.0 | 13.9 | 13.9 | - |
| Equipment | 3.8 | 4.7 | 3.5 | 3.5 | - |
| Light, Heat, and Power | 9.0 | 9.9 | 9.5 | 9.5 | - |
| Overhead (SFPUC Bureaus) | 48.3 | 46.8 | 42.9 | 38.7 | 4.3 G |
| Services of Other Departments | 14.4 | 12.7 | 15.1 | 13.6 | 1.5 H |
| Total Operating Uses | 205.8 | 204.0 | 201.4 | 190.9 | 10.5 |
| Debt Service | 254.4 | 283.7 | 283.7 | 283.7 | - |
| Capital Projects | 27.8 | 51.8 | 51.8 | 51.8 | - |
| Facilities Maintenance/Programmatic | 24.4 | 30.6 | 30.6 | 30.6 | - |
| General Reserve | - | - | - | - | - |
| Total Uses - Operating, Debt Service, Capital & Other | \$ 512.4 | \$ 570.1 | \$ 567.5 | \$ 557.1 | \$ 10.5 |
| Net FY 2018-19 Results | | | | | \$ (0.6) |
| Available Fund Balance as of Fiscal Year-End | \$ 237.2 | | | | \$ 232.3 |
| Available Fund Balance, % of Operating Uses (I) 25-68% | 103.0% | 99.3% | | 103.7% | |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35 | 2.14 | 2.01 | | 2.01 | |
| Current Basis (K) ≥ 1.10 | 1.34 | 1.20 | | 1.21 | |

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2018-19 4th Quarter - Budgetary Basis, 5W AAA (\$ Millions)

Revenue Variances

- A. Retail water sales were 59.5 MGD, a 2.3% decrease from budget of 60.9 MGD and a 2.6% decrease from prior year actuals of 61 MGD.
- B. Wholesale water sales were 125 MGD, a 3.8% decrease from budget of 129.9 MGD and a 3.1% decrease from prior year actuals of 128.9 MGD. The decrease is partially offset by \$3.2M in one-time minimum purchase revenue from the prior year.
- C. Interest income increased from budget due to actual interest rates of 2.32% vs. budget assumption of 1.6%.
- D. Miscellaneous income increased from budget; the major drivers include greater than budget water service installation charges, sale of land and miscellaneous charges.

Expenditure Variances

- E. Salary savings due to vacant positions.
- F. Savings reflect delays in customer rebate and incentive programs.
- G. Savings reflect closeout of unspent funds.
- H. Savings reflects lower spending from other City departments.

Other Notes

- I. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- J. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- K. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2018-19 4th Quarter - Budgetary Basis, 5C AAA
(\$ Millions)

| | FY 2017-18 Actuals | FY 2018-19 | | | |
|--|-----------------------|--------------------|-------------------|----------------------|-----------------|
| | | Original Budget | Revised Budget | Pre-Audit Actuals | Variance |
| Available Fund Balance as a Source | \$ 178.4 | \$ 6.0 | \$ 49.9 | \$ 252.1 | \$ 202.1 |
| Sources | | | | | |
| Sewer Service Charges | 308.2 | 327.7 | 327.7 | 322.0 | (5.7) A |
| Interest Income | 1.5 | 1.8 | 1.8 | 4.2 | 2.4 B |
| Miscellaneous Income | 4.0 | 3.7 | 3.2 | 4.1 | 0.3 C |
| Federal Bond Interest Subsidy | 4.0 | 4.0 | 4.0 | 4.0 | - |
| Total Sources | 317.6 | 337.2 | 336.7 | 334.2 | (2.9) |
| Operating Uses | | | | | |
| Personnel | 66.0 | 71.6 | 71.3 | 66.1 | 5.2 D |
| Non-Personnel Services | 22.7 | 18.2 | 19.9 | 20.2 | (0.4) E |
| City Grant Programs | 0.2 | 0.3 | 0.3 | 0.0 | 0.2 F |
| Materials and Supplies | 12.3 | 10.8 | 9.9 | 9.7 | 0.2 G |
| Equipment | 1.6 | 1.8 | 0.8 | 0.8 | - |
| Light, Heat, and Power | 10.8 | 11.3 | 11.1 | 10.9 | 0.2 H |
| Overhead (SFPUC Bureaus) | 30.6 | 28.4 | 29.6 | 26.7 | 2.9 I |
| Services of Other Departments | 26.0 | 22.8 | 22.9 | 22.4 | 0.5 J |
| Total Operating Uses | 170.2 | 165.1 | 165.7 | 156.9 | 8.8 |
| Debt Service | 50.5 | 63.2 | 63.2 | 63.2 | - |
| Capital Projects | 56.8 | 106.8 | 146.4 | 146.4 | - |
| Facilities Maintenance/Programmatic | 10.5 | 8.2 | 11.4 | 11.4 | - |
| Total Uses - Operating, Debt Service, Capital & Other | \$ 287.9 | \$ 343.2 | \$ 386.7 | \$ 377.9 | \$ 8.8 |
| Net FY 2018-19 Results | | | | | \$ 5.9 |
| Available Fund Balance as of Fiscal Year-End | \$ 208.1 | | | | \$ 208.0 |
| Available Fund Balance, % of Operating Uses (K) 25-68% | 115.2% | 116.6% | | 126.4% | |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35 | 7.20 | 6.18 | | 6.15 | |
| Current Basis (M) ≥ 1.10 | 3.93 | 2.96 | | 2.90 | |

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2018-19 4th Quarter - Budgetary Basis, 5C AAA (\$ Millions)

Revenue Variances

- A.** Wastewater billed discharges were lower than budget due to lower water sales volumes.
- B.** Interest income increased from budget due to actual interest rates of 2.32% vs. budget assumption of 1.6%.
- C.** Miscellaneous income increased from budget due to greater than budgeted biofuel revenues and higher fees and recoveries.

Expenditure Variances

- D.** Personnel savings resulting from vacant positions.
- E.** Costs for sludge hauling were higher than planned.
- F.** City Flood grants applications lower than planned.
- G.** Savings resulting from chemical costs lower than planned.
- H.** Power and gas rates and consumption were lower than planned.
- I.** Savings reflect closeout of unspent funds.
- J.** Savings reflect lower spending from other City departments.

Other Notes

- K.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- L.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- M.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2018-19 4th Quarter - Budgetary Basis, 5T AAA
(\$ Millions)

| | | FY 2018-19 | | | | |
|---|-----------------------|--------------------|-------------------|----------------------|----------------|---|
| | FY 2017-18 Actuals | Original Budget | Revised Budget | Pre-Audit Actuals | Variance | |
| Available Fund Balance as a Source | \$ 57.1 | \$ 14.1 | \$ 202.8 | \$ 231.3 | \$ 28.5 | |
| Sources | | | | | | |
| Electric Sales - City Work Orders - General Fund Depts. | 22.6 | 25.6 | 25.6 | 24.6 | (1.0) | A |
| Electric Sales - City Work Orders - Enterprise Depts. | 67.5 | 75.6 | 75.6 | 73.2 | (2.4) | B |
| Electric Sales - Wholesale (Districts, CAISO, CleanPowerSF, WSPP, Riverbank) | 7.2 | 22.1 | 22.1 | 16.5 | (5.6) | C |
| Electric Sales - Non-City Depts. (SFUSD, Community College) | 18.5 | 19.3 | 19.3 | 18.8 | (0.5) | D |
| Electric Sales - Retail | 4.0 | 11.7 | 11.7 | 8.7 | (3.0) | E |
| Electric Sales - Treasure Island | 2.5 | 3.5 | 3.5 | 3.2 | (0.3) | F |
| Subtotal - Electric Revenues | 122.4 | 157.7 | 157.7 | 144.8 | (12.9) | |
| Water Sales - Transfer from Water Department | 32.6 | 33.6 | 33.6 | 33.6 | - | |
| Water Sales - Groveland, Lawrence Livermore Labs | 0.8 | 2.7 | 2.7 | 0.3 | (2.4) | G |
| Subtotal - Water Revenues | 33.4 | 36.3 | 36.3 | 33.9 | (2.4) | |
| Natural Gas & Steam - City Work Orders | 9.7 | 10.2 | 13.3 | 12.1 | (1.2) | H |
| Interest Income | 1.3 | 0.6 | 0.6 | 4.7 | 4.1 | I |
| Federal Interest Subsidy - Power Bonds | 0.6 | 0.6 | 0.6 | 0.6 | - | |
| Miscellaneous Income | 5.3 | 3.5 | 3.5 | 7.3 | 3.8 | J |
| Total Sources | 173.4 | 209.0 | 212.0 | 203.4 | (8.6) | |
| Operating Uses | | | | | | |
| Personnel | 38.1 | 45.0 | 42.9 | 41.9 | 1.0 | K |
| Non-Personnel Services | 17.9 | 29.4 | 33.9 | 33.9 | - | |
| Power Purchases | 12.2 | 10.6 | 13.1 | 20.9 | (7.8) | L |
| Transmission Distribution & Related Charges | 28.0 | 36.0 | 38.9 | 32.9 | 6.0 | M |
| Materials and Supplies | 2.7 | 2.8 | 3.1 | 3.1 | - | |
| Equipment | 0.8 | 1.0 | 1.5 | 1.5 | - | |
| Overhead (SFPUC Bureaus) | 17.5 | 16.8 | 18.2 | 17.1 | 1.2 | N |
| Services of Other Departments | 8.4 | 7.9 | 7.8 | 7.8 | - | |
| Natural Gas & Steam | 9.7 | 10.2 | 13.3 | 12.1 | 1.2 | O |
| Total Operating Uses | 135.3 | 159.7 | 172.6 | 171.1 | 1.6 | |
| Debt Service | 4.8 | 4.8 | 4.8 | 4.8 | - | |
| Capital Projects | 33.0 | 42.5 | 202.8 | 187.8 | 15.0 | P |
| Facilities Maintenance/Programmatic | 14.8 | 15.3 | 30.6 | 30.6 | - | |
| Contingency/Purchase of Power | - | 4.0 | 4.0 | - | 4.0 | Q |
| Total Uses - Operating, Debt Service, Capital & Other | \$ 187.9 | 226.3 | \$ 414.8 | \$ 394.3 | \$ 20.6 | |

Net FY 2018-19 Results

Available Fund Balance as of Fiscal Year-End \$ 42.6

\$ 12.0

\$ 40.5

Available Fund Balance, % of Operating Uses (R) 25-68%

22.0%

19.9%

29.2%

Debt Service Coverage... Year-End Budgetary Basis

Indenture Basis (includes Available Fund Balance) (S) ≥ 1.35

26.15

22.21

11.13

Current Basis (T) ≥ 1.10

6.36

8.90

5.51

Revenue Variances

A. General Fund workorder sales lower than budget due to streetlight volume decreases from LED conversion.

B. Lower sales mainly driven by lower load volume.

C. Sales below budget mainly driven by \$4.2M lower irrigation district transmission cost recovery.

D. Lower sales mainly driven by lower load volume.

E. Lower sales mainly driven by delays in transfer customer accounts, partially offset by higher load from redevelopment customers.

F. Treasure Island utility sales decreased from budget due to lower gas and electric usage by TIDA customers.

- G. Water sales below budget from Lawrence Livermore Labs with no water purchases from July to April.
- H. Gas and steam sales below budget due to lower usage.
- I. Interest income increased from budget due to actual interest rates of 2.32% vs. budget assumption of 1.6%.
- J. Miscellaneous revenues increased from budget, primarily due to Transbay Cable revenues higher-than-budget, unbudgeted Rim Fire insurance payments and unbudgeted service installations.

Expenditure Variances

- K. Salary savings due to vacant positions.
- L. Mainly driven by greater energy purchases due to system shutdown and higher than expected purchase price.
- M. CAISO charges and distribution costs lower than budget partly due to less load than planned.
- N. Savings reflect closeout of unspent funds.
- O. Savings due to lower usage (pass-through).
- P. Savings from project closeout.
- Q. Contingency reserve for dry year/power price volatility for purchase of power unused.

Other Notes

- R. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Power Operating Uses plus Power Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- S. Calculated as the ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- T. Calculated as ratio between (a) Operating Sources plus Fund Balance as a Source, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D
CleanPowerSF
FY 2018-19 4th Quarter - Budgetary Basis, 5Q
(\$ Millions)

| | FY 2018-19 | | | | |
|---|-----------------------|--------------------|-------------------|----------------------|----------------|
| | FY 2017-18 Actuals | Original Budget | Revised Budget | Pre-Audit Actuals | Variance |
| Beginning Fund Balance as a Source | \$ 9.7 | \$ - | \$ (5.6) | \$ 4.8 | \$ 10.4 |
| Operating Sources | | | | | |
| Electric Sales - Green Product | 40.0 | 155.0 | 159.1 | 159.6 | 0.4 A |
| Electric Sales - SuperGreen Product | 0.5 | 1.7 | 6.0 | 7.5 | 1.5 B |
| Wholesale Sales | | - | 4.5 | 2.9 | (1.6) C |
| Subtotal - Electric Revenues | 40.5 | 156.6 | 169.6 | 170.0 | 0.3 |
| Interest Income | - | 0.4 | 0.4 | 0.5 | 0.1 D |
| Total Sources | 40.5 | 157.0 | 170.1 | 170.5 | 0.4 |
| Operating Uses | | | | | |
| Personnel | 1.3 | 4.7 | 4.7 | 1.9 | 2.8 E |
| Overhead | 1.5 | 2.0 | 2.0 | 2.0 | - |
| Non Personnel Services | 3.5 | 10.5 | 7.7 | 7.7 | - |
| Materials & Supplies | - | 0.1 | 0.1 | 0.1 | - |
| Power Purchases | 30.3 | 119.1 | 122.6 | 122.6 | - |
| Services of Other Departments | 1.6 | 2.6 | 2.6 | 2.6 | - |
| Total Operating Uses | 38.1 | 139.1 | 139.9 | 137.0 | 2.8 |
| Debt Service | 1.7 | - | 2.0 | 2.0 | - |
| Programmatic | - | 0.1 | 0.1 | 0.1 | - |
| General Reserve | - | 17.9 | 22.1 | - | 22.1 F |
| Total Uses | \$ 39.8 | \$ 157.0 | \$ 164.0 | \$ 139.1 | \$ 25.0 |
| Net FY 2018-19 Results | | | | \$ 25.4 | |
| Available Fund Balance as of Fiscal Year-End | \$ 10.4 | | | \$ <u>35.7</u> * | |
| Beginning Fund Balance | | | | | |

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

Revenue Variances

- A. Electric sales are greater than budget due to higher sales volume than planned.
- B. Electric sales are greater than budget due to higher sales volume than planned.
- C. Lower revenues resulted from lower wholesale prices than planned.
- D. Interest income increased from budget due to actual interest rates of 2.32% vs. budget assumption of 1.6%.

Expenditure Variances

- E. Savings resulting from vacant positions.

Other Notes

- F. General Reserve was intentionally budgeted and planned to go unspent to build reserves.