

FY 2022-23 & FY 2023-24

# ADOPTED BUDGET



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





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# Message from the General Manager



## Dear Customers, Stakeholders and Commissioners

**O**n behalf of the San Francisco Public Utilities Commissioners, I am presenting the San Francisco Public Utilities Commission's approved budget for fiscal years 2022-23 and 2023-24.

The past two years were a period of upheaval and uncertainty. We saw it as a City, and we saw it firsthand as an agency. Nonetheless, San Franciscans prove time and time again that the challenges we face are opportunities to build a stronger, more resilient, and equitable community.

This two-year budget is reflective of that through historic investments in the City's revitalization, the environment, and our future. We view this budget as a robust economic engine that will benefit residents, workers, and diverse businesses in critical areas, including environmental stewardship, infrastructure investments, access and affordability, and support for our communities.

As we brace for a fourth year of statewide drought, we continue to be prudent when it comes to managing our water supplies. Our approach strikes the right balance. Whether wet or dry, we always release water downstream to protect the natural ecosystems of our watersheds. We are being good environmental stewards while not gambling with the water supply for nearly 3 million Bay Area residents and businesses. Part of this means substantial investments in wildfire mitigation, service reliability, climate change resiliency, and drought response.

Our environmental leadership goes hand in hand with customer affordability. This year we completed our first ever independent study for CleanPowerSF and Hetch Hetchy Power rates. The recommendations from this study pave the way for new customer savings, including decreased monthly electricity bills for the vast majority of CleanPowerSF residential and commercial customers. Our commitment to investing in clean power while maximizing affordability has direct impacts on both people and the planet. After all, the SFPUC is helping the City champion its bold carbon reduction goals thanks to the 385,000 customers enrolled in CleanPowerSF.

Additionally, I'm proud the SFPUC secured \$20 million in state and federal funding to provide bill relief for our customers' past due water, wastewater and electric utility bills that accrued as a result of the pandemic's negative effects on their ability to pay. Many customers have already seen these credits applied to their eligible outstanding account balances. We also extended the moratorium on shutoffs, liens, and late fees for non-payment of bills through June 30, 2023. In March 2022, we launched a new Customer Assistance Program, which

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provides a 25% discount on water and sewer services and a 30% discount on Hetch Hetchy Power services for eligible low-income households.

We are continuing to do the important work toward racial equity, both internally and with the communities we work with. Later this year we will open our new Southeast Community Center at 1550 Evans Avenue. The new center will feature a childcare facility, nonprofit workspace, community meeting rooms and provide a wide range of workforce development and educational opportunities for residents of all ages across the city, but particularly in our southeast neighborhoods.

Simply put, this budget is a local economic jumpstart. It delivers on jobs, infrastructure, and community programs while maintaining our reliable water, wastewater and power services. We continue to provide high-quality water to more than 2.7 million residents, and our Hetch Hetchy Power and CleanPowerSF programs collectively meet more than 70% of the electricity demand in San Francisco through renewable and greenhouse gas-free energy services. Our wastewater team maintains 1,900 miles of pipes throughout San Francisco and manages the City's around-the-clock wastewater collection system.

We're continuing to lead the way as a public utility that puts people and the environment over profits. This budget showcases that. I'm grateful to the Commissioners and staff who work tirelessly to serve our City and build a better future for all.

Dennis Herrera

General Manager,  
San Francisco Public Utilities Commission

# Acknowledgments

SFPUC would like to thank the following individuals who had input into the FY 2022-23 and FY 2023-24 Budget:

## **SFPUC Budget Team:**

- Laura Busch, Budget Director
- Frank McPartland, Capital Budget Manager
- Eric Wong, Operating Budget Manager
- Erick Piedra, Principal Administrative Analyst
- Su Tun, Junior Administrative Analyst
- Hedy Tunggal, IS Business Analyst Principal

## **SFPUC Finance:**

- Charles Perl, Deputy Chief Financial Officer
- Nancy Hom, Deputy Chief Financial Officer
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- Erin Franks, Rates Administrator
- May Yee Yap, Principal Administration Analyst
- Cheryl Huey, Senior Administrative Analyst
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- Mike Brown, Utility Specialist
- Edward Kwong, Senior Administrative Analyst
- Dan Fuchs, Capital Finance Analyst

## **SFPUC Executive Team:**

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- Michael Carlin, Former Deputy General Manager
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- Stephen Robinson, Assistant General Manager Infrastructure
- Wendy Macy, Chief People Officer
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- Sophie Maxwell
- Anson B. Moran
- Tim Paulson

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- **Margaret Hannaford**, Division Manager, Power
- **Tania Fokin**, Principal Administrative Analyst
- **Cheryl Sperry**, Administrative Service Manager
- **Michael Clark**, Power Finance & Administration Manager
- **Mike Hyams**, Director of CleanPowerSF
- **Emily Alt**, Sustainability, Strategy, and Budget Manager
- **Alexandra Johnson**, Budget & Strategic Planning Analyst
- **Kimberly Ja**, Utility Specialist
- **John Cote**, Director of Communications
- **Mojgan Yousefkhani**, Programs Control Manager
- **Donna Courington**, Consultant
- **John Scarpulla**, Government Affairs Manager
- **Jeremy Spitz**, Local and Regional Policy and Government Affairs Manager
- **Rosiana Angel**, Director of Budget and Finance, Infrastructure
- **Karina Leung**, Risk Management & Business Analysis Manager
- **Val Low**, HRS Fiscal Officer
- **Rachael Gardunio**, Deputy People Officer

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- **Anna Duning**, Mayor's Deputy Budget Director
- **Radhika Mehlotra**, Fiscal and Policy Analyst

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- **Todd Rydstrom**, Deputy Controller
- **Ted Egan**, City Economist
- **Michelle Allersma**, Director of Budget & Analysis
- **Risa Sandler**, Citywide Budget Manager
- **Ken Hinton**, Budget and Revenue Analyst

### **Board of Supervisors:**

- **Supervisor Hillary Ronen**, Chair, Budget and Appropriations Committee
- **Severin Campbell, Director**, Budget and Legislative Analyst's Office

### **ReproMail**

- **Mike Ortiz**, Graphic Designer



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

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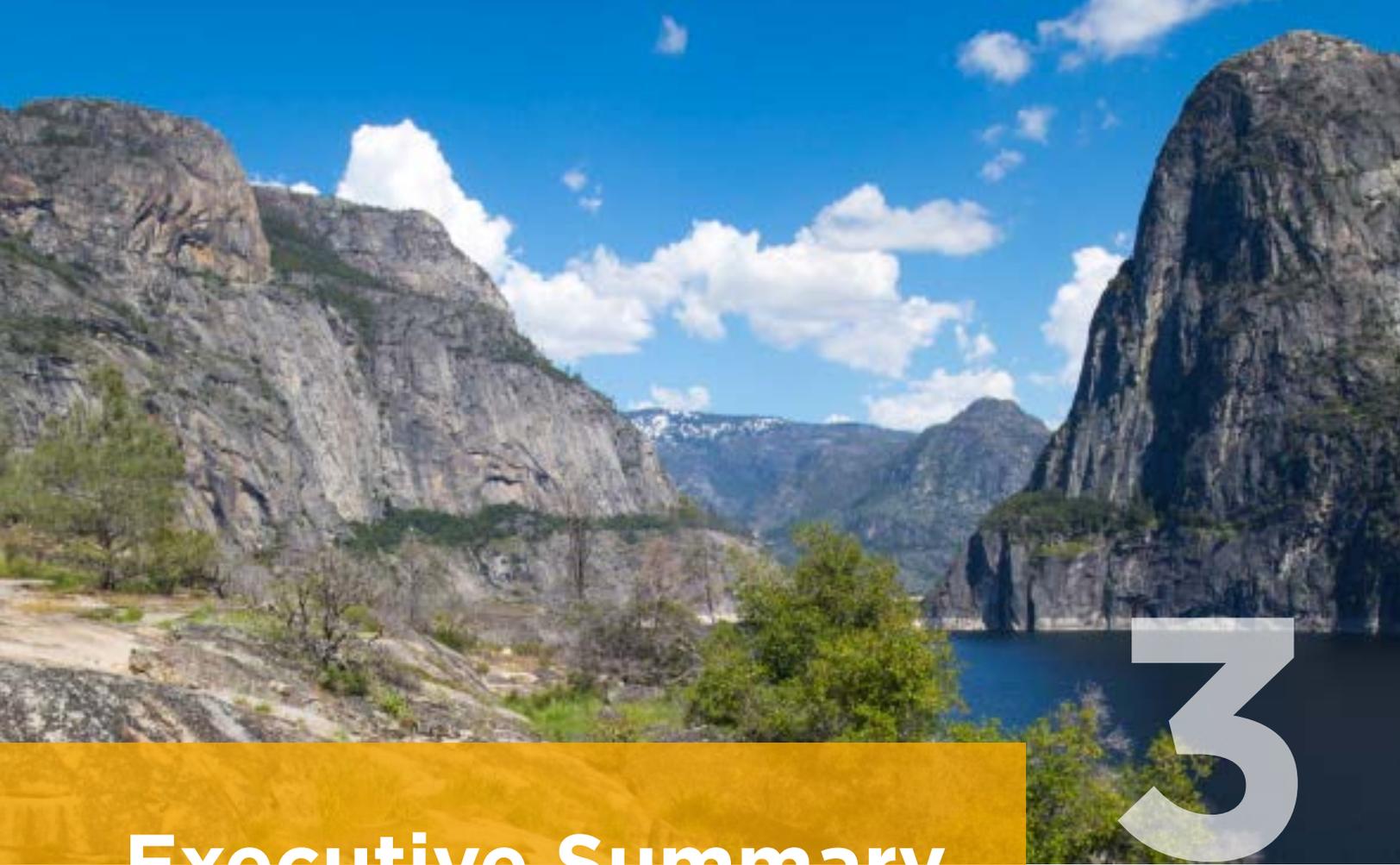
For the Biennium Beginning

**July 1, 2020**

*Christopher P. Morrill*

**Executive Director**





# Executive Summary

The SFPUC’s FY 2022-23 and FY 2023-24 budget ensures that the agency will continue to provide high-quality delivery of essential water, wastewater, and power services. This budget represents an agency-wide collaborative effort over the course of more than a year. It was developed as the agency and our customers face many challenges and uncertainties, from a historic drought to an economy emerging from the COVID-19 pandemic. In addition, an evolving labor market, growing regulatory requirements and the ongoing need for renewal and maintenance of our infrastructure are other factors that have shaped priorities in this year’s budget. The budget includes funding to respond to these challenges, while supporting the agency’s core mission of delivering reliable utility services.

## *Budget Summary*

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	1,503,529,161	1,651,537,786	148,008,625	1,690,963,079	39,425,293
<b>Total FTE</b>	2,655.91	2,720.18	64.27	2,749.06	28.88

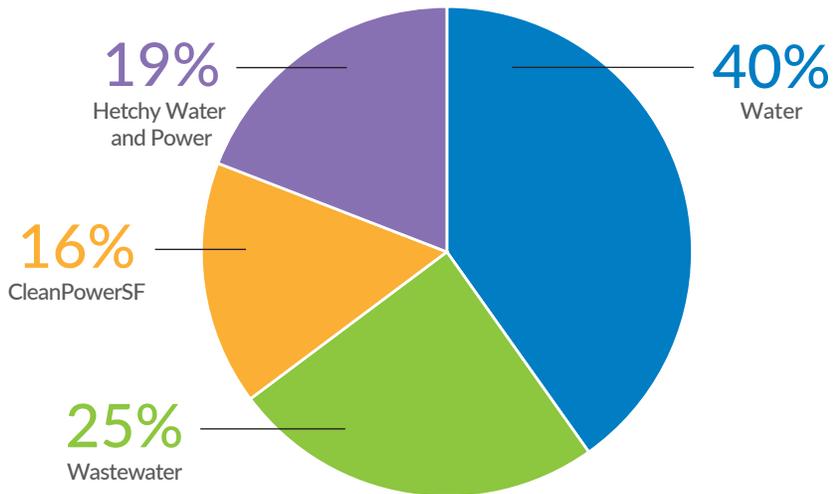
## Summary of Budgetary Trends

The total SFPUC operating budget is \$1.65 billion in FY 2022-23, a \$148.0 million increase from FY 2021-22 or 9.8 percent. In FY 2023-24, the total operating budget is \$1.69 billion, an increase of \$39.4 million or 2.4 percent. The SFPUC’s capital budget (prepared separately from the operating budget) for FY 2022-23 is \$983.3 million.

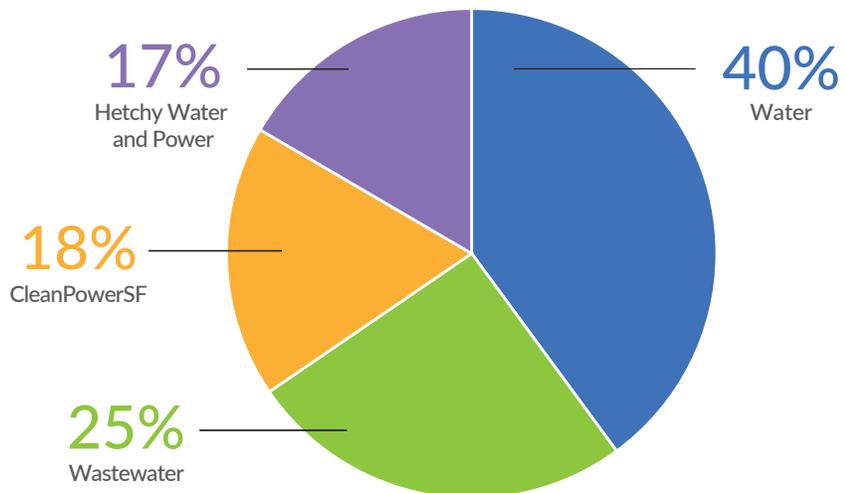
Overall, operating expenditures are trending up over the two-year period mainly driven by increases in Debt Service, Purchase of Power for the CleanPowerSF program, and contributions to General Reserves.

On the operating revenue side, approximately 90% of SFPUC’s revenues are derived from utility sales and increases are driven by a combination of sales volumes and rate changes.

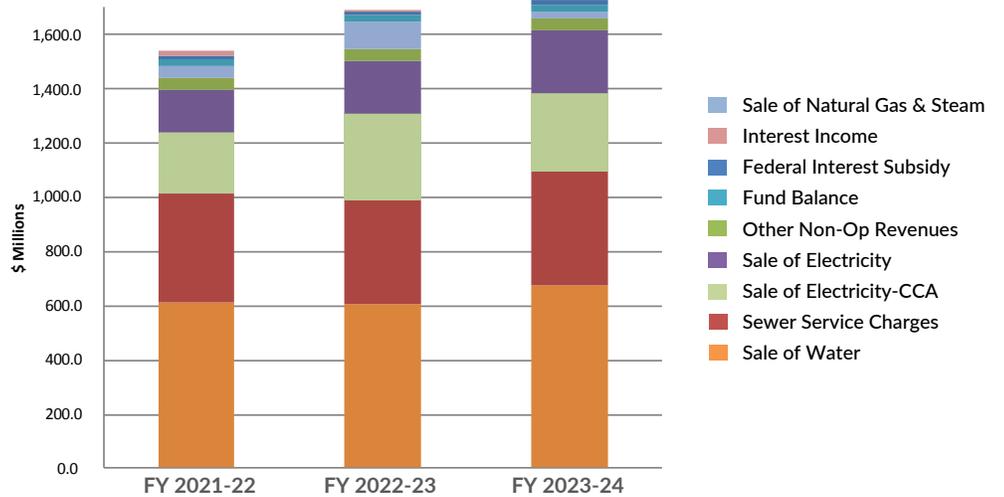
**CHART 3.1**  
SFPUC Budget  
by Enterprise,  
FY 2022-23 Budget.



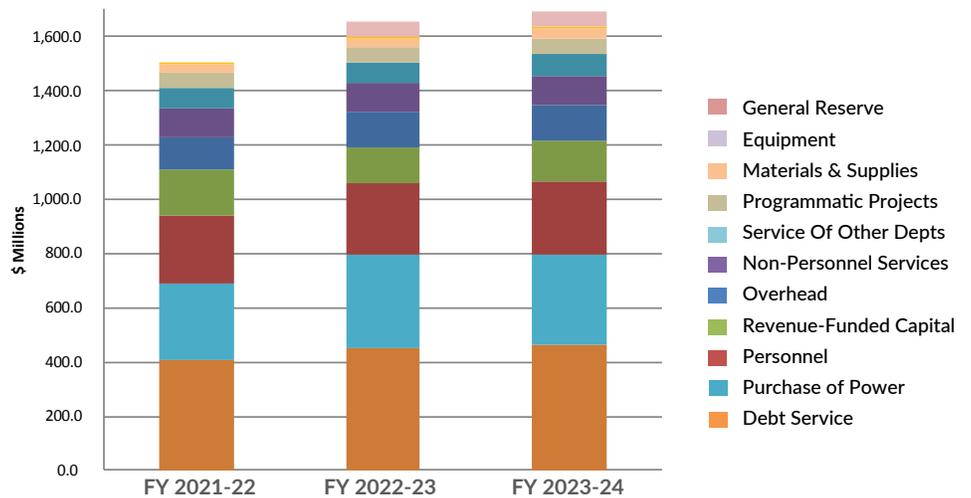
**CHART 3.2**  
SFPUC Budget  
by Enterprise,  
FY 2023-24 Budget.



**CHART 3.3** >  
SFPUC all Sources.



**CHART 3.4** >  
SFPUC all Uses.



## Major Budgetary Initiatives and Service Level Changes

The SFPUC's biennial budget was developed based on the following overarching priorities, which have informed the new investments the SFPUC is making through this budget:

### ***Environmental Stewardship***

The SFPUC has a legacy of ingenuity and stewardship, and now we are building the utility of the future. We strive to be a model of responsible stewardship. That includes the environment, the natural resources entrusted to our care, and our financial sustainability. Protection of the natural ecosystems of our watersheds is a key priority. Part of that commitment includes releasing water downstream even in dry years and making new investments in programs like the Upper Tuolumne River Ecosystem Program, which monitors river ecosystem conditions and develops recommendations for river management to support broad river ecosystem values while maintaining water supply reliability.

In this budget the agency continues to prioritize the acquisition of PG&E's local distribution system. A significant driver of the SFPUC's year-over-year cost increases is power purchase and distribution costs. As Hetch Hetchy Power utilizes the PG&E electricity distribution grid to deliver power to its customers, PG&E fees and tariffs represent a substantial portion of power purchase costs. Acquisition of PG&E's San Francisco electricity distribution network will enable the City to provide electricity that is more cost-effective, cleaner, safer and more reliable. But as we work on that, we continue to supply clean energy to municipal facilities, such as our own wastewater plants, Muni and the airport, as well as to 385,000 retail customers through CleanPowerSF.

The agency is being prudent when it comes to managing our water supplies as we prepare for a fourth year of a drought. We are being good environmental stewards while not gambling with the water supply for nearly 3 million Bay Area residents and businesses. We are being proactive in getting out the message to conserve water. We are also aggressively pursuing different ways to conserve and reuse water, including bringing online our Westside Enhanced Water Recycling Project during 2023 to meet irrigation demands in Golden Gate Park and elsewhere.. We are also

aggressively pursuing different ways to conserve and reuse water, including bringing online our Westside Enhanced Water Recycling Project during FY 2022-23 to meet irrigation demands in Golden Gate Park and elsewhere.

### ***Responsible Management***

Responsible management means being transparent, ensuring public confidence in our work, and focusing on core service delivery. That includes financial sustainability, meeting regulatory requirements, and maintenance of critical infrastructure.

For example, the SFPUC is adding new lab staff to keep up with changing regulations. We are also investing in new equipment that meets stricter emissions standards and will improve air quality and odor control. In addition, increasing funding to the wildfire mitigation program for upcountry operations will improve wildfire resilience. The SFPUC is also bolstering its construction inspection capacity to ensure that the infrastructure investments made meet the required quality. Significant investments to improve cybersecurity will protect critical infrastructure and essential services from increasing cyber threats. The SFPUC is also creating a new Audit Bureau that will centralize internal audit functions, improving internal controls and transparency.

### ***Access and Affordability***

As part of the SFPUC's commitment to ensuring affordability for its customers, the budget includes no retail rate increase for Water and Wastewater in FY 2022-23. There is the temporary drought surcharge, but that automatically goes away when the drought emergency is over. Also, the more customers conserve water, the less they will feel the effect of the surcharge on their pocketbook.

Additionally, we secured approximately \$20 million in federal and state funding to support and provide bill relief to our customers with overdue balances that accrued during the pandemic. Customers have already received these credits on their bills, where eligible. This is debt being paid off, leaving more money in customers' pockets. We further extended the moratorium on shutoffs, liens, and late fees for non-payment of bills through June 30, 2023. To help customers get on a sustainable footing going forward, in March we also launched a new Customer Assistance Program, which provides a 25% discount on water and sewer services and

a 30% discount on Hetch Hetchy Power services for households with low incomes. The updated program and information is featured on our website in eight languages and offers a streamlined application that takes less than 10 minutes to complete online.

This budget includes a one-year capital budget supplemental, rather than our normal two-year capital budget, as we are currently taking a strategic look at project delivery and affordability. We will come back with a fully balanced capital plan and FY 2023-24 budget in the fall, to align with the City's overall capital planning timeline. We are not slowing down any projects in our infrastructure pipeline, but we are rightsizing our overall capital approach based on affordability and delivery capacity. We're designing a more efficient use of capital funding to deliver long-term savings and more affordable rates to our ratepayers.

### ***People and Communities***

One of the most visible and meaningful ways the SFPUC will contribute to the recovery of the economy and restoring the vibrancy of the city is the economic stimulus that will be provided through its capital program, which will invest approximately \$1 billion dollars in FY 2022-23 and \$10 billion over the 10-Year Capital Plan. Nearly six San Francisco jobs are created per million dollars of construction spending. These investments will support local jobs and businesses while improving the City's essential infrastructure. The SFPUC's largest capital investments are the Water Systems Improvement Program (WSIP), and the Sewer System Improvement Program (SSIP). Upgrades to the aging facilities of Hetch Hetchy Water and Power are also under way, including the rehabilitation of several reservoirs and powerhouses. The SFPUC also continues to invest in the diversification of water resources, including completing the San Francisco groundwater supply project and advancing the regional groundwater storage and recovery project. These continued investments will serve as an engine for economic and employment recovery in San Francisco, as well as strengthen the region's essential infrastructure.

The SFPUC is also continuing to do the important work toward Racial Equity, both internally and with the communities we work with. Internally, the

SFPUC is implementing the Racial Equity Action Plan, with Racial Equity working groups and leads in each enterprise and bureau. An exciting example of the SFPUC's community work is the new Southeast Community Center at 1550 Evans Avenue, which will open in October 2022.

The center will feature a childcare center, nonprofit workspace, community meeting rooms and provide a wide range of workforce development and educational opportunities for Southeast residents of all ages.

Even during the height of the pandemic, most of the SFPUC's workforce was on the job at their worksite ensuring everyone had access to critical services when they needed them most. The SFPUC employs more than 2,300 full-time employees, and this budget adds 93 additional positions. However, we face an evolving labor market. Even before the pandemic, we were grappling with an aging workforce and more retirements. On top of that is a pandemic trend seen in many industries, where a number of employees are choosing to leave. The result was a large number of vacancies and difficulties in filling those positions. Internally, the SFPUC is emphasizing retention and recruitment of staff, through a number of ways. Those include converting multiple temporary positions to permanent ones and adding staff to the Human Resources team to fill open positions more quickly. This budget also includes labor cost increases related to the final negotiated cost of living adjustments for all City staff which are 5.25% on July 1, 2022, 2.5% on July 1, 2023 and 2.25% on January 1, 2024

The SFPUC is also investing in its customers by modernizing the customer service experience. That includes a digital self-service platform, a cloud-based customer contact system, and other improvements.

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<sup>1</sup> <https://onesanfrancisco.org/the-plan-2020/appendices-methodology-and-assumptions>





# Introduction to the SFPUC



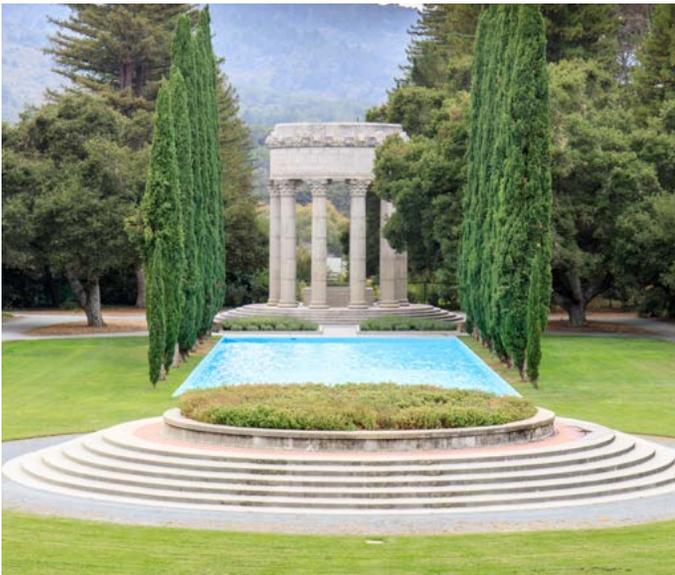
## Overview and Structure:

The San Francisco Public Utilities Commission (SFPUC) provides retail drinking water and wastewater services to the City, wholesale water to three Bay Area counties, and green hydroelectric and solar power to our municipal departments and other retail customers.

The SFPUC supplies water to 2.7 million people in San Francisco and the San Francisco Bay Area. One-third of the water is supplied directly to retail customers primarily in San Francisco, and two-thirds is supplied to wholesale customers through a long-term Water Supply Agreement (WSA). Wastewater services are provided within the City and County of San Francisco as well as to three neighboring districts, including the Bayshore Sanitary District, and the City of Brisbane). Power is supplied primarily to San Francisco City departments and their tenants, as well as to the Turlock and Modesto Irrigation Districts.

The SFPUC is an Enterprise Department of the City and County of San Francisco (CCSF).

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## **Mission:**

The mission of the SFPUC is to provide our customers with high quality, efficient and reliable water, power, and wastewater services in a manner that values environmental and community interests, and sustains the resources entrusted to our care. The SFPUC is an innovative utility leader, recognized for excellent results in service, safety, stewardship and inclusiveness.

## **Structure:**

The SFPUC is comprised of three Enterprises, Infrastructure, and the Bureaus. The three Enterprises are the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power Enterprise (which includes CleanPowerSF). CleanPowerSF, the electrical power community choice aggregation program, initiated in 2015, is a self-contained program that is managed by the Assistant General Manager (AGM) for the Power Enterprise. Infrastructure manages the planning, design and construction of the capital programs. The Bureaus comprised of the Office of the General Manager, Business Services, and External Affairs provide critical support services and oversight to the Enterprises.

## **■ The Water Enterprise**

The Water Enterprise collects, transmits, treats, and distributes pure drinking water to approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. Approximately two-thirds of the water delivered by the Enterprise is to wholesale customers. Retail customers include residential, commercial, industrial, and governmental uses. The Enterprise recovers costs of service through user fees assessed based on water consumption which is collected by smart water meters. Wholesale customers include other cities and water districts, one private utility and one nonprofit university. Services to these customers are provided pursuant to the 25-year Water Supply Agreement (WSA) commencing July 1, 2009, establishing the basis for cost recovery and rates for wholesale water service.



### ■ The Wastewater Enterprise

The Wastewater Enterprise was formally created after San Francisco voters approved a 1976 ballot proposition authorizing the City to issue \$240.0 million in bonds for acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. The Enterprise collects, transports, treats, and discharges sanitary and stormwater flows known as combined sewage, generated within the City for the protection of public health and the bay and ocean environment. The Enterprise provides services on a contractual basis to municipal customers located outside the City limits, including the, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers cost of service in two ways: through user fees which are based on measured volume of water used by residential customers and through volume and strength charges of sanitary flow for commercial and industrial customers measured by meters and type of discharge. The Enterprise serves 163,589 retail accounts.



### ■ Hetch Hetchy Water and Power

Hetch Hetchy Power is San Francisco's clean energy backbone and the source of our municipal power. Services include the collection and distribution of approximately 85.0 percent of the City's water supply and the associated electricity generation and transmission. Approximately 65.0 percent of the electricity generated by the Enterprise is used by the City's municipal customers including the San Francisco International Airport, San Francisco Municipal Transportation Agency, Recreation and Parks, the Port of San Francisco, San Francisco General Hospital, City Hall, streetlights and traffic signals, the Moscone Convention Center, and the SFPUC Water and Wastewater Enterprises. Most of the balance of electricity is sold to other municipal utility districts and the Western System Power Pool (WSPP). The Enterprise includes a system of water and power infrastructure including reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines conveying water over 170 miles and power more than 160 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.



## ■ CleanPowerSF

CleanPowerSF is San Francisco's Community Choice Aggregation program and is a component of the Power Enterprise. Community Choice Aggregation allows cities and counties to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses. Under this program, PG&E continues to maintain the power grid, respond to outages and send customers their monthly bills. CleanPowerSF began delivering cleaner energy to customers in May 2016. CleanPowerSF offers two products: Green and SuperGreen. Green initially contains a target of 50% renewable energy that meets California's strict Renewable Portfolio Standards (RPS). SuperGreen contains 100.0% RPS-eligible electricity.

## ■ Bureaus

The SFPUC Bureaus provide support services to all three Enterprises, and include the Office of the General Manager, Business Services, External Affairs and Infrastructure. The Office of the General Manager includes four sections: Emergency Response and Security, The General Manager's Office, Human Resources, and Real Estate Services. Business Services includes Administration, Strategy, Innovation and Change, Customer Services, Financial Services, the Audit Bureau and Information Technology Services. External Affairs includes Communications, Community Benefits, and Legislative Affairs. Infrastructure manages the planning, design and construction of the capital programs. The Bureaus' budgets are funded through an allocation model that allocates costs of services to the three Enterprises.

## Strategic Goals and Strategies

The SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. This was an agency-wide effort that took into account the different goals of each of its enterprises. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities. The SFPUC's Strategic Plan serves as a roadmap to ensure the agency is equipped to meet the challenges ahead and continue to deliver reliable water, power and sewer services. The Goals and Objectives included in the plan aim to ensure that objectives are met while the organization strives to implement capital programs, diversify the water and energy portfolio and ensure triple bottom line sustainability.

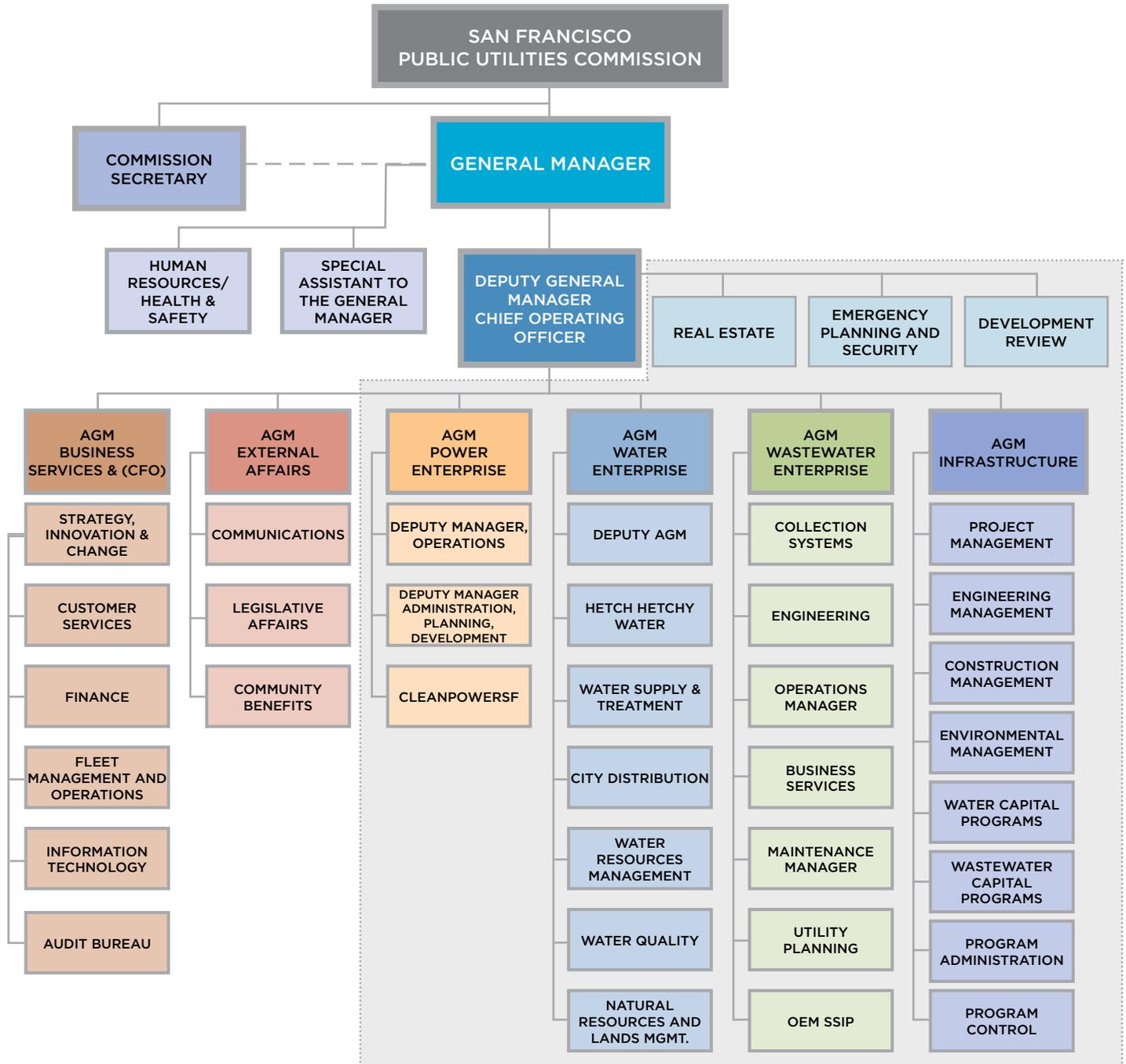
As part of the strategic plan goals, each Enterprise is responsible for meeting specific objectives and performance targets. Each year progress on those performance measures are reported to the Controller and Mayor. More information about how each enterprise will accomplish these goals is described in the respective enterprise chapters of this book.

**The strategic plan goals are as follows:**

### *Strategic Plan Goals and Goals Descriptions*

Strategic Goals	Goal Descriptions
<b>Reliable Service and Assets</b>	We provide reliable service and value to our customers by optimizing the operations, maintenance, and replacement of all assets in the most cost-effective manner.
<b>Organizational Excellence</b>	We are a high performing organization focused on efficiency, effectiveness and accountability across the organization.
<b>Effective Workforce</b>	We attract, retain, and develop an effective workforce, reflective and supportive of our communities, that consistently delivers high quality services to stakeholders.
<b>Financial Sustainability</b>	We assure financial integrity and sustainability, meeting today's operating and capital investment needs while managing risk and long-term affordability for the future.
<b>Stakeholder and Community Interest</b>	We foster trust and engagement with our customers, employees, and the communities we serve through open and timely communication and education.
<b>Environmental Stewardship</b>	We sustainably manage the resources entrusted to our care to ensure environmental and community health.

# SFPUC Organizational Chart



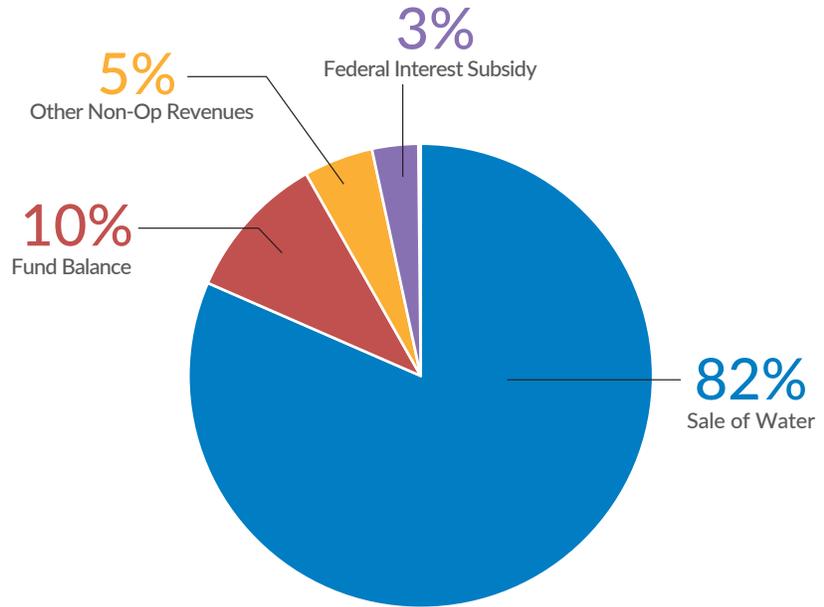
# Revenue Sources and Trends

## Introduction

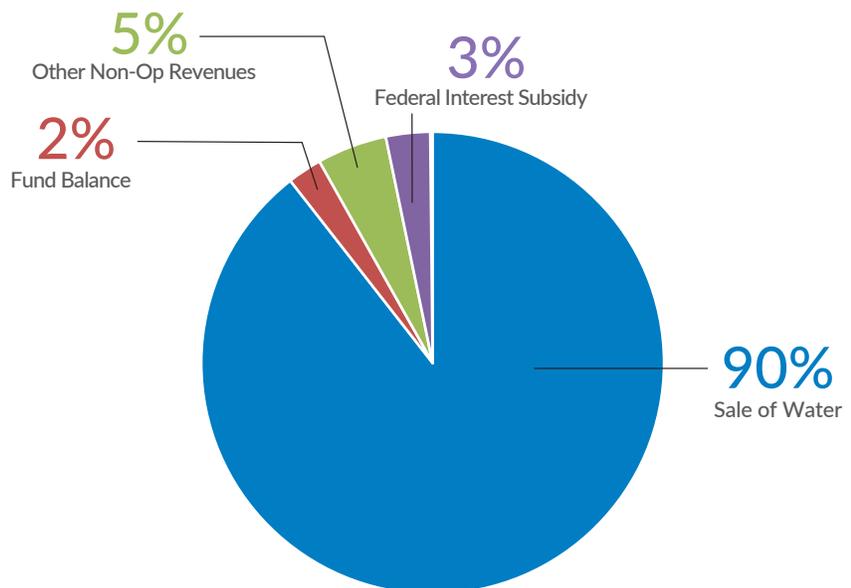
The majority of revenues across the SFPUC's four distinct business lines, are driven by utility sales, a function of the volume of utility units each business line sells and the rates charged per utility unit sold. Across the entire agency's \$1.65 billion of budgeted revenues in FY 2022-23, approximately 90 percent are derived from volumetric utility sales. Below are tables that show the total revenues for the SFPUC across all three Enterprises and the CleanPowerSF program.

### SFPUC's Main Revenues

**CHART 4.1** >  
SFPUC Sources  
FY 2022-23.



**CHART 4.2** >  
SFPUC Sources  
FY 2023-24.



## Water

In FY 2022-23 Water Enterprise budgeted revenues are \$663.7 million, a 4.7 percent increase from FY 2021-22, and budgeted revenues are \$675.1 million in FY 2023-24, a 1.7 percent increase over FY 2022-23. This growth is due to volumetric sales changes and rate increases. Overall, total Water revenues have grown 1.6 percent over the past three fiscal years from 2020 to 2022. The growth in revenues is driven by rate increases averaging 8.0 percent, despite a 6.5 percent decline in water volumes over the same period of time CleanPowerSF is San Francisco's Community Choice Aggregation program and is a component of the Power Enterprise.

In the Water Enterprise, the majority of revenues can be broken up between wholesale sales and retail sales. Wholesale revenues are derived from the Enterprise's 27 wholesale water customers and make up 40 percent of Enterprise revenues. Retail water sales comprise 44 percent of Enterprise revenues. The remaining portion of Water's revenues are comprised largely of federal interest subsidies, City property rentals, water service installation and connection charges, and interest income.

The projected rate adjustments after FY 2021-22 are based on the SFPUC's ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC's ongoing financial obligations. Due to the impacts of the COVID-19 pandemic on local rate payers, SFPUC did not implement any retail water rate increases in FY 2022-23. Wholesale water rates are set on an annual basis and are adopted by the Commission. The annual rate setting process for wholesale water customers is established by contract under the long-term Water Supply Agreement (WSA) with wholesale customers. Based on the wholesale customers' portion of the SFPUC Regional Water System's capital and operating costs under the WSA, known as the Wholesale Revenue Requirement (WRR), the application of a balancing account repayment, and water sales assumptions, wholesale water rates increased 15.9 percent in FY 2022-23 from.

## Wastewater

In FY 2022-23 Wastewater Enterprise budgeted revenues totaled \$406.1 million, a decrease of 1.4 percent from FY 2021-22. In FY 2023-24 budgeted revenues total \$431.7 million, an increase of 6.3 percent from the FY 2022-23 budget. This growth is due to projected increases in volumetric sales and planned rate increases. Overall, total Wastewater revenues have grown 1.6 percent over the past three fiscal years from 2020 to 2022. The modest growth in revenues is a product of two years of 8 percent rate increases offsetting an 11.3 percent decline in billed volumes over the same time frame.

In the Wastewater Enterprise, utility sales are the primary source of revenues, comprising 91.4 percent of revenues in FY 2022-23. Wastewater retail sales are a derivative of water consumption. The remaining portion of Wastewater's budgeted revenues are comprised of wholesale utility sales, capacity charges, interest earnings and federal interest bond subsidies.

Projected retail wastewater rates after FY 2021-22 are based on the SFPUC's ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC's ongoing financial obligations. Due to the impacts of the COVID-19 pandemic on local rate payers, SFPUC did not implement any retail wastewater rate increases in FY 2022-23.

## Hetchy Hetchy

In FY 2022-23 Hetch Hetchy Water and Power revenues total \$266 million, an increase of 15.9 percent from FY 2021-22. In FY 2023-24 Hetch Hetchy Water and Power revenues total \$303.9 million, an increase of 14.2 percent from the FY 2022-23 budget. These changes are the result of load growth from COVID-19 impact on revenues and subsequent projected recovery and new projects coming online as well as rate changes per the results of the 2022 Power Rates Study, aligning rate schedules to cost of service by customer classes. Overall, total Hetch Hetchy revenues have grown about 21 percent over the past three fiscal years from 2020 to 2022. This significant growth in revenues is driven primarily by increases in retail electric sales, due to incremental load recovery from COVID and rates change, particularly from Enterprise tariffs increases in FY 2021-22, as well as the wholesale market price surges in FY 2021-22. Not including electric sales, overall revenues have stayed relatively stable, with a very slight decrease of about 4 percent over the past three fiscal years from 2020 to 2022.

In the Hetch Hetchy Power Enterprise, the primary source of revenues are utility sales, which comprise 97 percent of overall Enterprise budgeted revenues. These sources are a derivative of power load sales. A significant portion, nearly 70 percent of total Enterprise revenues are from electric utility sales to retail power customers, where the vast majority of customers are City departments and other governmental agencies where the Hetch Hetchy Power Enterprise is the electric service provider. Electric utility sales to wholesale power customers comprise about 7 percent of total Enterprise revenues. Water sales make up for about 20 percent of total Enterprise revenues, this is the portion of the budget that is funded by the Water Enterprise, known as the Hetchy Transfer. It pays for the water-related costs. The remaining Enterprise revenues are primarily from gas and steam pass through sales, other non-operating revenues, and interest earnings.

## CleanPowerSF

In FY 2022-23 CleanPowerSF program revenues total \$315.7 million, a 38.5 percent increase from FY 2021-22. The primary driver is rates set at the time of budget adoptions, in which FY 2022-23 rates are informed by the 2022 Power Rates Study to recover costs of surge in near-term power supply market and to increase CleanPowerSF's reserves from the Commission adopted reserves policy in April 2022. In FY 2023-24 revenues total \$280.3 million, a decrease of 11.2 percent from the FY 2022-23 budget. This is mainly due to decreased rates in FY 2023-24, with the market forward pricing curve showing more stabilization to the long-term power supply market at the time of budget development prior to the war in Ukraine. Overall, total CleanPowerSF Program revenues have grown 1.7 percent over the past three fiscal years from 2020 to 2022. The Program has entered a more mature steady state with all phases of significant enrollment having been completed in prior fiscal years. Total customers grew from under 380,000 served in 2020 to approximately 383,000 in 2022.

In the CleanPowerSF Program, electric sales comprise 99.8 percent of overall Program budgeted revenues for FY 2022-23. These sources are a derivative of volumetric power load sales. The remaining portion of Program budgeted revenues in FY 2022-23 are from interest earnings.

## Water and Wastewater Cost of Service Study

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for water and wastewater was completed in 2018 and was the basis for four years of retail water and wastewater rates that were adopted by the Commission for FY 2018-19 through FY 2021-22. The projected rate adjustments after FY 2021-22 are based on the SFPUC's ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC's ongoing financial obligations. Due to the impacts of the COVID-19 pandemic on local rate payers, SFPUC did not implement any retail water and wastewater rate increases in FY 2022-23. SFPUC is currently initiating a new retail cost of service rate study to evaluate any needed adjustments to the rate structure and the projected five-year schedule of rate adjustments.

### ***2022 Power Rates Study***

Per the City Charter for the SFPUC to conduct a cost of service study at least every five years, the 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing Hetchy Hetchy Power FY 2022-23 and FY 2023-24 rates and CleanPowerSF FY 2022-23 rates. The goal of this rates study is to align rate schedules to cost of service by customer classes. This has led to decoupling rates from PG&E comparable tariffs for CleanPowerSF customers as well as Hetch Hetchy Power retail and a subset of municipal customers. The rates study has also modernized Hetch Hetchy rates by moving away from a flat energy rate increase, as has been followed in prior fiscal years, and standardizing the rates structure for the remaining municipal departments. While on a path to aligning rate schedules to cost of service, the rates study has considered the agency's Ratepayer Assurance Policy on affordability for customers, designing rates in an incremental and smoothed manner over the budget years. As such, rates and bill impact on Hetch Hetchy customers vary – some with increases, some with decreases – based on rates schedules as well as usage and demand profiles. For almost all of Hetch Hetchy retail customers whose rates have been increased, they are capped at 10% per fiscal year. The majority of CleanPowerSF customers, on the other hand, have decreasing rates of varying degree in FY 2022-23,

with a potential flat or decreasing rate in FY 2023-24.

### ***COVID-19 Impact on Revenues***

The adopted budget for FY 2022-23 and FY 2023-24 includes a forecast of volumetric utility assumptions which incorporate the significant negative impact due to the COVID-19 pandemic. Revenue projections were developed for FY 2022-23 and FY 2023-24 that were sufficiently conservative but also reasonable and reflective of actual sales data. Economic recovery from the COVID-19 pandemic is expected in FY 2023-24. Based on data from previous recessions, we assume that we will only recover to 90 percent of “pre-pandemic” sales volume levels by FY 2023-24.

### ***Drought Impact on Revenues***

The adopted budget for FY 2022-23 and FY 2023-24 also includes assumptions around drought impacts on revenues. In November 2021, the Mayor of San Francisco announced a water shortage emergency in accordance with recommendations from the SFPUC. As a response to this emergency declaration, on November 23, 2021, the SFPUC called for a 10 percent voluntary water reduction across its service territory, effective immediately. In order to maintain sufficient funding to deliver utility services, on April 1, 2022, the SFPUC instituted a 5 percent drought surcharge on the volumetric portion of retail water and wastewater rates. The drought surcharge is expected to remain in place until the SFPUC rescinds the water shortage emergency declaration. For financial forecasting purposes, the SFPUC projects this declaration will last through the end of FY 2023-24, after which it is projected that sales volumes will gradually return to pre-pandemic levels by FY 2025-26.

### ***Long Term Revenue Trends***

While the nature of the SFPUC's revenue sources are inherently variable, and fluctuate based on many different factors, including weather, or significant changes in behavior, these sources have trended higher in prior years. This is mainly driven by rates increasing to offset the growing cost of operations and maintenance, debt service, and cash capital. The department has historically been moving to recover a greater share of revenues from more fixed charges – contributing to greater longer term revenue predictability and stability in the long term.

## **Change in Fund Balance**

FY 2021-22 year-end fund balance is \$582.8 million. Taking into account budgeted use of fund balance of \$93.0 million, as well as \$51.5 million in contributions to fund balance as revenues exceed planned expenditures, FY 2022-23 ending fund balance is projected to be \$541.3 million.

FY 2023-24 ending fund balance is projected to be \$575.0 million after taking into account budgeted use of fund balance of \$23.0 million and \$56.7 million in contributions to fund balance.

Use of Fund Balance varies across each enterprise. In Water and Wastewater, fund balance is used as a balancing source as planned expenditures exceed projected revenues. These uses of fund balance are to offset lower revenue projections related to COVID-19 and to reduce customer rate increases, and they align with the uses specified in the SFPUC Fund Balance Policy. CleanPowerSF and Hetch Hetchy Water and Power will, however, make contributions to fund balance as revenues exceed planned expenditures. In both enterprises, this contribution is intended to shore up reserve levels.

### **What is Fund Balance?**

*The City and County of San Francisco and the SFPUC are legally required to balance their budgets each year. The San Francisco City Charter requires that proposed budgets be balanced such that the proposed expenditures of each fund do not exceed the projected revenues and available Fund Balance of that Enterprise. When actual spending is determined at the end of fiscal year, the net of actual expenditures and revenues is applied to fund balance. The reverse is true as well, if actual expenditures are greater than revenues, the difference is funded by use of fund balance. Per the SFPUC's Fund Balance Policy, the SFPUC maintains a Fund Balance Reserve. For each enterprise, the SFPUC adopts budgets and establish rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness.*

## **Budgeted Fund Balance**

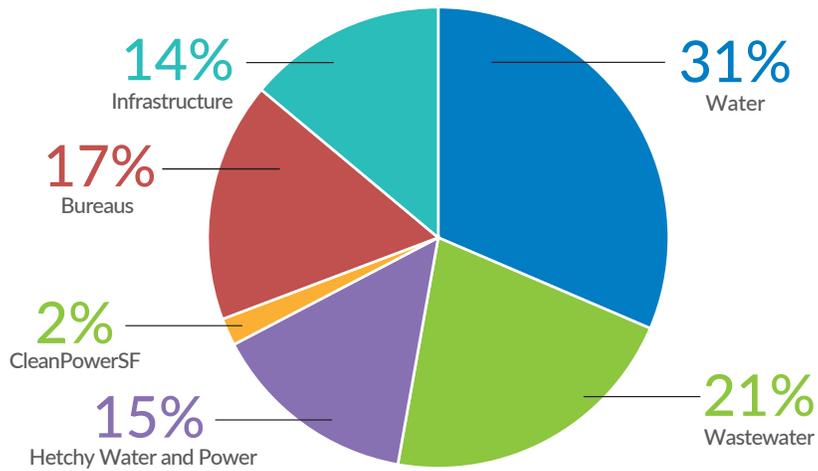
Fund Balance is used on a one-time, planned basis to balance budgeted sources and uses in line with the SFPUC's Fund Balance Policy. In FY 2022-23 there is a net budgeted use of Fund Balance of \$41.5 million. In FY 2023-24, there is a net contribution to fund balance of \$33.7 million. These changes are in line with fund balance policy, described in section 6 of this book.

# Expenditure Trends

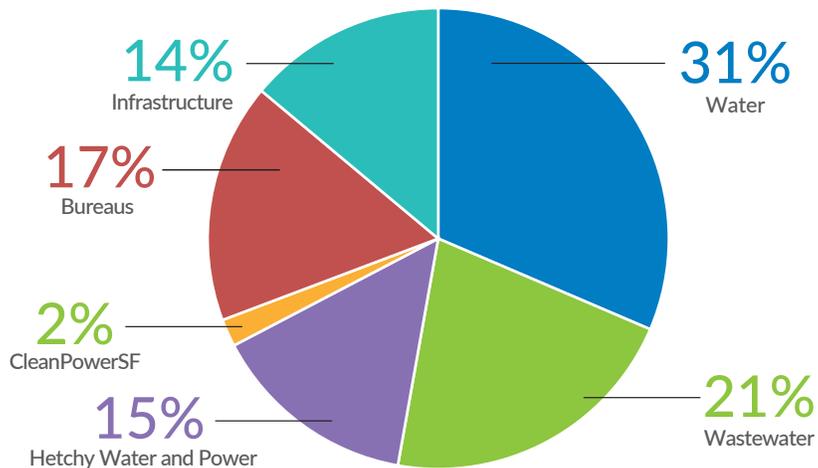
## Overview

Each budget cycle, the SFPUC engages its Enterprises and Bureaus to determine a spending plan for the next two years adhering to certain budget themes and priorities. Each Enterprise and Bureau establishes its operating needs within various constraints including revenue forecasts and non-discretionary expenditures. The total SFPUC operating budget is \$1.65 billion in FY 2022-23, a \$148.0 million increase from FY 2021-22 (9.8%). In FY 2023-24, the total operating budget is \$1.69 billion, an increase of \$39.4 million (2.4%). The capital budget is prepared and approved separately. Overall, operating expenditures are trending up over the two-year period mainly driven by increases in Debt Service, Purchase of Power for the Hetch Hetchy and CleanPowerSF program, and General Reserve.

**CHART 4.3**  
SFPUC FTEs  
FY 2022-23.



**CHART 4.4**  
SFPUC FTEs  
FY 2023-24.



## ***Debt Service***

The largest expenditure item for the SFPUC is debt service which funds the SFPUC's Capital Improvement Program, which has approximately \$458.0 million in debt funded expenditures annually. For example, the Water Enterprise's \$4.8 billion multi-year Water System Improvement Program (WSIP) to enhance the Enterprise's ability to provide high-quality reliable drinking water to local and regional customers, is 99 percent complete. Similarly, the Wastewater Enterprise has recently embarked on their own \$8.1 billion twenty-year Sewer System Improvement Program (SSIP), leading to an increase in budgeted debt service over the period. Both improvement programs are mainly funded through debt financing.

## ***Personnel***

The personnel expenditure line item includes both salary and mandatory fringe benefit costs, with cost increases largely driven by salary increases negotiated between labor Unions and the City, and retirement benefits. The final negotiated cost of living adjustments for all City staff are 5.25% on July 1, 2022, 2.5% on July 1, 2023 and 2.25% on January 1, 2024.

In addition, the SFPUC added just over 65 Full Time Equivalent staff (FTE) through the budget, mainly in the Hetch Hetchy Enterprise for additional staffing to ensure appropriate operational support at existing locations. The Wastewater Enterprise has also taken over the sewer repair and maintenance work from the Department of Public Works, and as such accepted the transfer of 11 positions.

## ***Non-Personnel Services***

The largest driver of increases to the agency's budget over the two-year period is in non-personnel services, which includes professional services, software licensing fees, purchase of power, taxes, payments to other governments, and judgements & claims. The drivers for the increase are mainly purchase of power, software licensing fees and payments to other governments related to watershed protections and environmental stewardship with the National Park Service.

## ***Revenue-Funded Capital***

The only significant decrease to the budget over the two-year period is in revenue-funded capital. SFPUC policy requires that a certain percentage of capital projects be funded by operating revenues each year. As part of the SFPUC's effort to use capital dollars more efficiently, we have been able to rely on unspent project balances for this budget, reducing the need for additional revenue funded capital in the FY 2022-23 budget.

## ***Services of Other Departments***

The services of other departments expenditure line item represent services provided to SFPUC by other City departments. These budgets are a mix of discretionary and non-discretionary items, such as when services are provided to the City as a whole and the budget is allocated to departments based on various cost drivers. The services of other departments budget increased from FY 2021-22 is mainly driven by the cost of power provided by Hetch Hetchy Power to the Water and Wastewater enterprises, and a rise in insurance premiums paid under the city-wide risk management services offset by a decrease to sewer maintenance services provided by the Department of Public Works.

## ***Materials & Supplies***

The materials & supplies expenditure line item will rise over the next two-year period mainly due to increases for water and sewage treatment supplies, as the cost of chemicals continues to increase due to supply chain demands and the costs of raw materials.

## ***Overhead***

The overhead budget represents the recovery of the cost of support services provided by the SFPUC Bureaus. Bureau costs are allocated to each Enterprise based on an overhead allocation model. Changes to the overhead budget mainly represent adjustments made to the Bureaus' budget throughout the budget process.

## ***Programmatic Projects***

Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. The overall Programmatic Projects is budgeted to remain relatively flat in FY 2022-23 & FY 2023-24.

## Capital Outlay

The capital outlay budget represents cost of new equipment that the agency expects to purchase over the next two years. The FY 2022-23 and FY 2023-24 budget mainly includes costs to replace heavy-duty maintenance equipment to meet California emission standards and to replace aging fleet vehicles.

## General Reserve

The general reserve is used to balance budgeted sources and uses, when budgeted revenues exceed budgeted expenditures. Use of general reserve must be approved by the Mayor and Board of Supervisors. The net change in general reserve is mainly due to an increase of projected revenue over expenditures over the budget period for CleanPowerSF and Hetch Hetchy Water & Power and will allow SFPUC to rebuild reserves in those enterprises in line with the fund balance reserve policy.

## FY 2022-23 Sources and Uses of Funds by Division

\$	FY 2022-23 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
<b>SOURCE OF FUNDS</b>					
Sale of Water	541,201,874	-	52,178,705	-	<b>593,380,579</b>
Sewer Service Charges	-	371,278,599	-	-	<b>371,278,599</b>
Sale of Electricity	-	-	189,663,988	-	<b>189,663,988</b>
Sale of Electricity-CCA	-	-	-	315,192,958	<b>315,192,958</b>
Sale of Natural Gas & Steam	-	-	15,911,149	-	<b>15,911,149</b>
Fund Balance	67,948,820	25,072,667	-	-	<b>93,021,487</b>
Other Non-Op Revenues	32,113,189	4,691,313	6,806,724	-	<b>43,611,226</b>
Federal Interest Subsidy	21,289,804	3,470,860	417,136	-	<b>25,177,800</b>
Interest Income	1,109,000	1,600,000	1,034,000	557,000	<b>4,300,000</b>
<b>Total Sources of Funds</b>	<b>663,662,687</b>	<b>406,113,439</b>	<b>266,011,702</b>	<b>315,749,958</b>	<b>1,651,537,786</b>
<b>USE OF FUNDS</b>					
Personnel	114,521,247	87,160,554	54,373,400	7,797,543	<b>263,852,744</b>
Non-Personnel Services	24,334,856	26,885,114	40,284,137	11,916,028	<b>103,420,135</b>
Purchase of Power	-	-	92,603,428	251,109,950	<b>343,713,378</b>
Materials & Supplies	17,753,742	12,188,910	3,548,442	183,000	<b>33,674,094</b>
Equipment	2,431,582	2,159,478	3,232,412	-	<b>7,823,472</b>
Overhead	63,140,408	37,573,094	24,117,058	5,426,644	<b>130,257,204</b>
Debt Service	335,100,663	113,226,023	3,959,626	-	<b>452,286,312</b>
General Reserve	-	-	18,038,611	33,491,619	<b>51,530,230</b>
Service of Other Departments	26,550,874	35,700,349	9,381,453	4,089,128	<b>75,721,804</b>
Revenue-Funded Capital	45,965,926	82,628,000	2,265,000	1,586,046	<b>132,444,972</b>
Programmatic Projects	33,863,389	8,591,917	14,208,135	150,000	<b>56,813,441</b>
<b>Total Uses of Funds</b>	<b>663,662,687</b>	<b>406,113,439</b>	<b>266,011,702</b>	<b>315,749,958</b>	<b>1,651,537,786</b>

\* Please note that Bureaus costs are allocated to enterprises through the overhead model and are not shown here to avoid double counting.

## FY 2023-24 Sources and Uses of Funds by Division

\$	FY 2023-24 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
<b>SOURCE OF FUNDS</b>					
Sale of Water	603,910,170	-	51,859,348	-	<b>655,769,518</b>
Sewer Service Charges	-	415,115,102	-	-	<b>415,115,102</b>
Sale of Electricity	-	-	225,327,522	-	<b>225,327,522</b>
Sale of Electricity-CCA	-	-	-	279,636,972	<b>279,636,972</b>
Sale of Natural Gas & Steam	-	-	17,997,808	-	<b>17,997,808</b>
Fund Balance	16,248,410	6,715,777	-	-	<b>22,964,187</b>
Other Non-Op Revenues	32,996,959	4,838,577	7,223,046	-	<b>45,058,582</b>
Federal Interest Subsidy	20,840,818	3,356,167	389,403	-	<b>24,586,388</b>
Interest Income	1,133,000	1,654,000	1,105,000	615,000	<b>4,507,000</b>
<b>Total Sources of Funds</b>	<b>675,129,357</b>	<b>431,679,623</b>	<b>303,902,127</b>	<b>280,251,972</b>	<b>1,690,963,079</b>

<b>USE OF FUNDS</b>					
Personnel	116,940,812	88,584,816	56,669,667	8,020,286	<b>270,215,581</b>
Overhead	64,047,698	38,145,082	24,360,342	5,468,773	<b>132,021,895</b>
Purchase of Power	-	-	95,545,826	237,762,466	<b>333,308,292</b>
Non-Personnel Services	24,078,870	27,577,617	44,041,929	11,964,028	<b>107,662,444</b>
Materials & Supplies	17,768,676	13,214,682	3,551,842	229,358	<b>34,764,558</b>
Equipment	2,647,308	2,038,175	2,598,647	-	<b>7,284,130</b>
Debt Service	339,924,129	119,470,820	3,813,501	-	<b>463,208,450</b>
General Reserve	-	-	46,388,642	10,286,660	<b>56,675,302</b>
Service of Other Departments	27,599,020	41,213,880	9,779,527	4,182,401	<b>82,774,828</b>
Revenue-Funded Capital	48,856,658	93,048,000	2,847,000	2,188,000	<b>146,939,658</b>
Programmatic Projects	33,266,186	8,386,551	14,305,204	150,000	<b>56,107,941</b>
<b>Total Uses of Funds</b>	<b>675,129,357</b>	<b>431,679,623</b>	<b>303,902,127</b>	<b>280,251,972</b>	<b>1,690,963,079</b>

\* Please note that Bureaus costs are allocated to enterprises through the overhead model and are not shown here to avoid double counting.

### Difference from Proposed to Adopted Budget

As described in section 5, The SFPUC's budget is first proposed to the Mayor's office before going through the Mayor and Board of Supervisors phases of the budget process. During this time, numerous changes are made to the budget. The net change from the proposed budget is \$42.4 million for FY 2022-23 and \$36.9 million for FY 2023-24, or approximately 2% more in each year. This is mainly driven by increases in general reserve contributions in the power enterprise as a result of changes to power rates as adopted by the Commission in May 2022, as well as labor cost increases, and changes to workorders with other city departments that occurred during the Mayor's phase.





# Financial Planning and Policies

## Overview

This section presents SFPUC’s financial structure, relevant financial policies, and long-range planning approach. It also includes a detailed description of the budget process including the budget’s preparation and adoption.

The SFPUC’s financial structure and operating budget is organized by each of its enterprises plus support bureaus. Each of the SFPUC enterprises are operated and managed as independent financial entities and separate enterprise funds are maintained. The bureaus are funded through a model that allocates costs to each of the enterprises.

To ensure that the SFPUC balances its immediate needs with long term considerations and rate affordability, the agency develops budgets alongside multi-year financial plans. The SFPUC operates on a two-year budget, which is guided by two main long-term planning documents. The first is the Ten-Year Financial Plan which consolidates revenue and expenditure projections and is updated annually alongside the budget

*Continued on next page...*

development process. The second is the SFPUC Strategic Plan which sets overall strategic direction, key priorities and serves as a roadmap for the agency to ensure it meets the challenges ahead and continues to deliver reliable water, power and sewer services. In addition, the SFPUC's long term capital needs are assessed through long term capital planning, with a Ten-Year Capital Plan, updated annually alongside the SFPUC's capital budget.

The budget development process begins in August and concludes the following July with the Mayor of San Francisco's signature and adoption of the City-wide budget. Other financial policies described in this section include the fund balance reserve policy, rate setting policy and the debt policy. Full text of relevant financial policies can be found in the appendix of this document.

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## Fund Structure

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

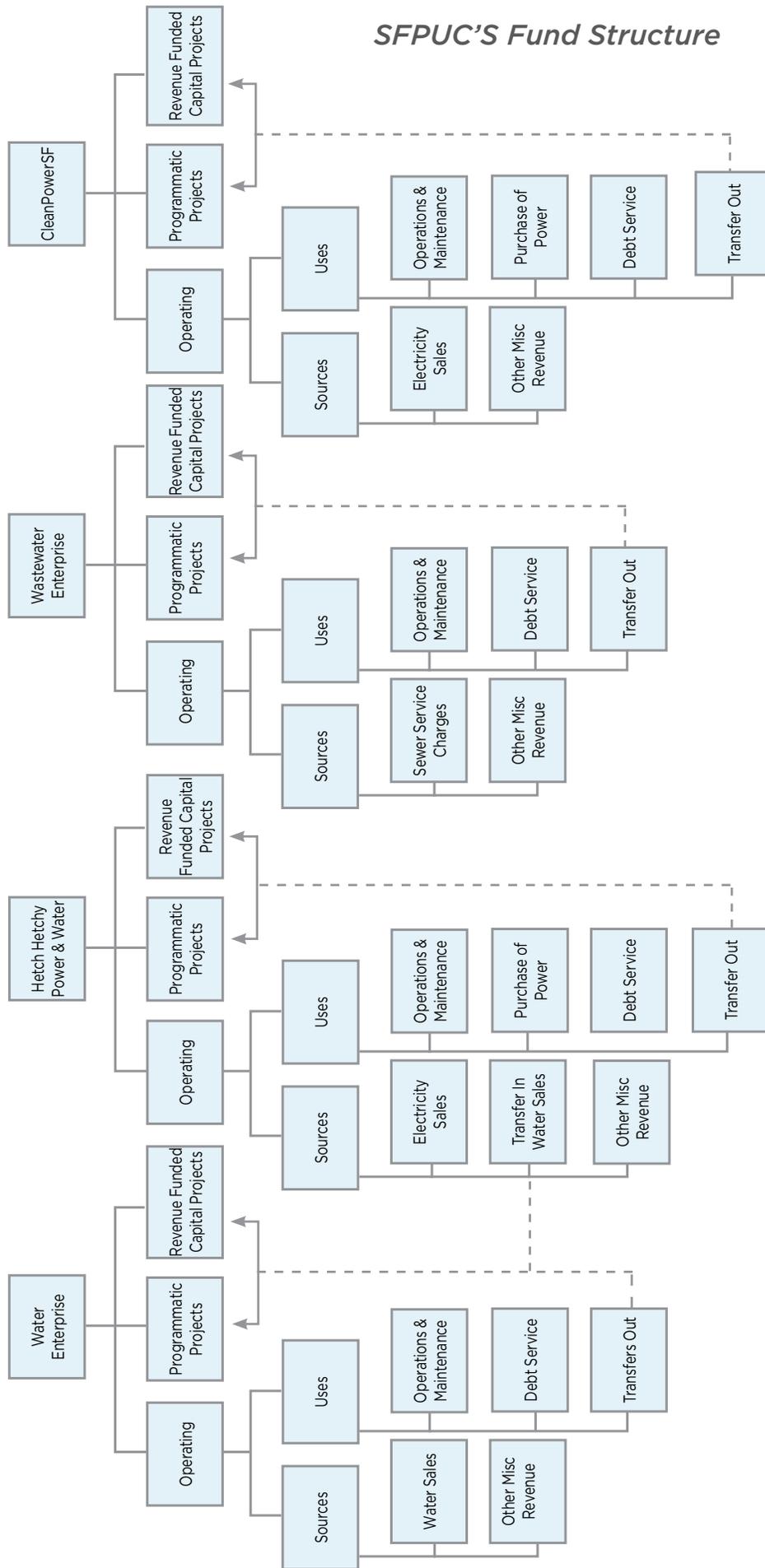
At its most basic level, a budget is divided into revenues (sources) and expenses (uses). The fund structure organizes both revenues and expenditures into a system of layers, each offering a different level and type of detail. These layers can be queried in a number of different ways, depending on what type of information is sought.

A **fund** is a high-level classification unit that is organized according to its purpose.

An **account** is a unique six-digit code that identifies the general nature of a source or use, at its lowest level of detail. A value between 400000 and 499999 denotes a source, while a value between 500000 and 599999 denotes a use.

Accounts can be summarized at different levels. For the reports contained in this book, accounts are summarized at Level 5, into a 4-digit code. For example, accounts 501010 - Permanent Salaries and 501070 - Holiday Pay roll up to an Account Level 5 of 5010 - Salaries.

## SFPUC'S Fund Structure



## Funds Subject to Appropriation

The SFPUC is comprised of three Enterprises, Office of the General Manager, two support Bureaus and Infrastructure.

The Enterprises are Water, Wastewater, and Hetch Hetchy Water and Power. The Enterprises support the management, operations, facilities maintenance, and capital needs of each utility.

The Business Services and External Affairs bureaus provide support and oversight services to the Enterprises. The Office of the General Manager, Business Services and External Affairs budgets are funded by the three Enterprises through an allocation model. Infrastructure provides the planning, design and construction services for Enterprise capital facilities; thus, the budget is funded through capital project appropriation.

## Department and Fund Relationship

The SFPUC uses a cost-allocation model to determine the amount of funds to recover from the three Enterprises for the cost of services provided by the Office of the General Manager, Business Services and External Affairs. Costs are allocated from both the operating and capital funds depending on whether the services provided are to support Enterprise operations/maintenance or for capital programs or projects. As in past years, the Business Services Division has the larger budget of the bureaus and so represents the largest amount of funds from the cost-allocation model.

The sources of funds for Infrastructure are from capital project budgets, either directly for Infrastructure expenses to capital projects, or indirectly through an overhead rate that is applied to capital projects.

CleanPowerSF is a financially independent program funded through customer energy rates.

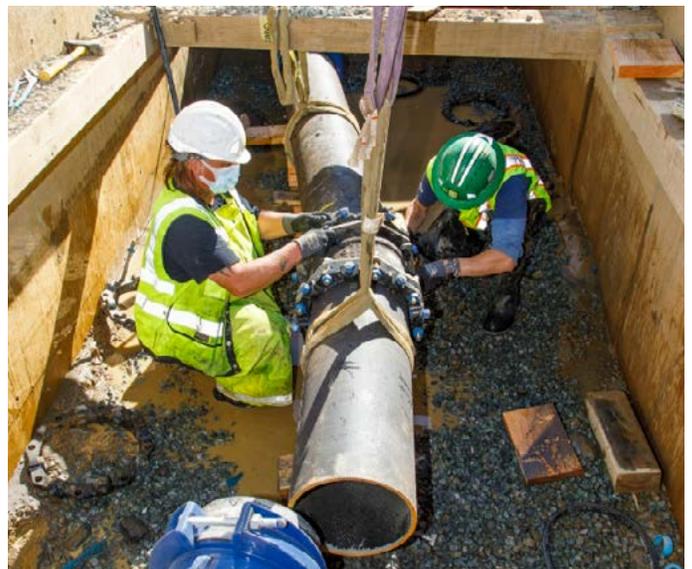
## Budgeting Basis

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

## Accounting Basis

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

The financial activities of each Enterprise and the year-end audited financial statements are accounted for using an economic resources measurement, with a full accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the Statement of Net Position; revenues are recorded when earned, and expenses recorded when liabilities are incurred. The SFPUC Enterprises apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.



## Calendar and Budget Process

SFPUC's biennial budget cycle begins in August and ends in July. The two-year fixed budget is prepared, reviewed, enacted by the Commission and Board of Supervisors (BOS), signed by the Mayor, and then implemented by the department. SFPUC's two-year budget is comprised of two, single-year spending plans. The Board of Supervisors approves both years together and may amend the second year through supplemental budget adjustments if increases or decreases in revenues or expenditures are significant. Normally, the SFPUC would amend the budget mid-cycle only if revenue or expenditure changes are greater than five percent.<sup>1</sup>

In FY 2010-11, the City adopted two-year budgets for the SFPUC and three other pilot departments (the Airport, the Port, and the Municipal Transportation Agency), in accordance with Proposition A passed in 2009. FY 2022-23 & FY 2023-24 represent SFPUC's seventh biennial budget. The budget process is described below.

### Stakeholders

- The Public is invited to all public meetings, notified in advance to ensure stakeholder awareness of any budget items. This includes SFPUC's Citizen Advisory Committee.
- The SFPUC Commission holds publicly-noticed Budget meetings, during business hours for public comment on the proposed budget.
- The Committee on Information Technology (COIT) evaluates all departmental technology plans and makes recommendations for approval and funding of the departmental technologies budget requests.
- The Capital Planning Committee (CPC) reviews SFPUC proposed 10-Year Capital Plan and two-year capital project budget specifics along with associated funding requirements and provides recommendations to the Board of Supervisors' on City-wide priorities for capital and the level of investment needed to meet the priorities identified.
- The Mayor prepares and submits a balanced SFPUC budget to the Board of Supervisors for review and approval on a biennial basis.

- The Board of Supervisors is the City's legislative body and is responsible for budget review and may amend then approve the Mayor's proposed budget. As a function of this review, the Board's Budget and Legislative Analyst examines SFPUC's proposed budget as well as spending and financial projections.
- The Controller is the City's Chief Accounting and Auditing Officer and ensures the accuracy of the final budget.

### Calendar and Process

Beginning in August and concluding the following July, the biennial two-year budget cycle can be divided into four major stages.

- 1. Commission Budget Policy Review:** budget policy review and implementation.
- 2. Budget Preparation:** budget development and submission to the Commission.
- 3. Approval:** budget review and enactment by the SFPUC, Mayor and Board of Supervisors.
- 4. Implementation:** department execution and budget adjustments.

### Preparation

The SFPUC's budgetary process precedes the citywide budgeting process as managed by the Mayor's Office. SFPUC implemented a "Project Charter" which governs the entire scope of the budget development and adoption cycle, up to and including final adoption by the Board of Supervisors.

### Two categories of budgets are prepared:

#### **Enterprise and Bureau Operating Budgets:**

Enterprise departments generate budgets to support operations based on the projected non-discretionary revenue primarily from charges for services. Operations include personnel, non-personnel services, materials and supplies, equipment, and services of other departments.

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

**Capital Budgets:** Comprised of an annual capital budget for each of the three enterprise departments and CleanPowerSF and also includes an annually updated Ten-Year Capital Plan. Capital projects must result in the addition of new capital assets and/or improvements to existing assets which extend the asset's service life by at least five years. Capital projects may include associated costs of acquisition or construction of new assets and/or expenditures for activities that enhance the function, improve the performance and/or extend the service life of existing assets.

Beginning in October, SFPUC Enterprises prepare both their operating and capital budget requests which are then submitted to SFPUC's Budget Team. From October to December, the Assistant General Managers (AGM), the Deputy General Manager, and the General Manager review these requests. In December and early January, the General Manager's proposed budget, which includes all the Enterprises, CleanPowerSF, the Bureaus and Infrastructure, is consolidated and submitted to the SFPUC Commission for deliberation. From January to February, the Commission holds public hearings to review and ultimately approve the operating and capital budget requests, Ten-Year Capital Plan, and Ten-Year Financial Plan. By mid-February, the SFPUC approved budget requests are submitted to the Controller's Office. The Controller consolidates, verifies, and refines all the information the SFPUC has submitted. The Controller submits the SFPUC proposed budget requests to the Mayor's Office of Public Policy and Finance for review by mid-March. The Mayor's Office meets with community groups to provide budget updates and to hear concerns and requests for funding to improve public services. The Controller ensures that the Mayor's final budget request is balanced, accurate, and based on reasonable assumptions.

## Approval

On May 1, the Mayor's proposed budget, which includes the SFPUC's budget is submitted to the Board of Supervisors. The Budget and Finance Committee of the Board of Supervisors holds public hearings during the months of May and June to review the Mayor's proposed budget and to solicit public input. The Board of Supervisors' Budget Analyst then develops recommendations on the budget proposal which are shared and discussed with departments. Based on these

discussions, the Board's Budget Analyst forwards budget recommendations to the Budget and Finance Committee for public review. If the Board of Supervisors' budget review lapses into the new fiscal year beginning July 1st, a continuing resolution adopting an Interim Budget--the Mayor's proposed budget with some limitations--is passed by the Board and serves as the operating budget until the budget is adopted. The Mayor typically signs the budget ordinance into law no later than the end of July.

**Original Budget Amendments:** City Charter requires that the Board of Supervisors vote on the budget amendments twice between July 15 and August 1. The first reading occurs the first Tuesday after July 15, and amendments may be proposed. These amendments are added to the budget if they are passed by a simple majority. Amendments may be proposed by any member of the Board of Supervisors and can reflect further public input and/or Board policy priorities. The Board votes on the amended budget during the second reading and if the budget is passed, it is sent to the Mayor for final signature. If other amendments are proposed during the second reading, there is a further reading a week later. The Board of Supervisors must pass a final budget before the August 1st deadline.

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

## Implementation

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

**Supplemental Budget Adjustments:** Budget adjustments during the fiscal year can be made through surplus transfers, if available. A surplus transfer moves funds from one budget line item to another (such as from materials & supplies to non-personnel services) to reflect realignment of priorities, duties or reorganization or to meet budget estimates related to actual operating realities. Adjustments to the budget can also be made through a supplemental appropriation requests, when a department has budget authority for the remainder of the fiscal year or when additional appropriation is needed for operating or capital project funding, grants appropriation legislation, or when a third-party awards funding to a department. Budget adjustments for the second year of the biennial budget can be made through a supplemental appropriation, when increases or decreases in revenues or expenditures between the adopted and projected budget are significant. These adjustment requests require Board of Supervisors approval before going to the Mayor for final signature. The Commission approves any budget adjustments in advance of it being presented to the Board of Supervisors. The public is informed and has the opportunity to engage in the budget amendment process through the agenda and public meetings scheduled with the SFPUC Commission and the Board of Supervisors.

## Year two of the fixed two-year budget re-opening

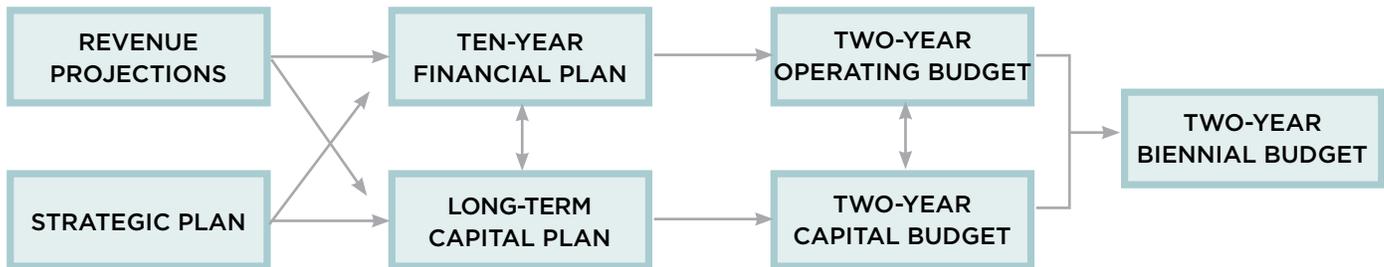
From January to March of the first year of the budget, if necessary, the SFPUC submits budget adjustments to the Controller's Office for changes greater than five percent between the projected and adopted budgets. From March to April, the Controller's Office submits a report to the Mayor and Board of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

## Budget Calendar

	Normal Budget Cycle
<b>August 2021</b>	<ul style="list-style-type: none"> <li>• SFPUC FY 2022-23 and FY 2023-24 budget process launch</li> <li>• Commission budget policy discussion</li> </ul>
<b>October 2021</b>	<ul style="list-style-type: none"> <li>• Staff review and analysis:               <ul style="list-style-type: none"> <li>o Operating and capital budget proposals</li> <li>o Ten-Year Capital Plan</li> <li>o Ten-Year Financial Plan</li> </ul> </li> </ul>
<b>October 2021 – November 2021</b>	<ul style="list-style-type: none"> <li>• General Manager and Deputy General Manager review of budget proposals and plans</li> </ul>
<b>December 2021</b>	<ul style="list-style-type: none"> <li>• Budget approved by General Manager</li> </ul>
<b>January 2022</b>	<ul style="list-style-type: none"> <li>• Commission budget workshops</li> <li>• Departmental technology plans submitted to COIT</li> <li>• Biennial Capital budget requests submitted Capital Planning Committee</li> <li>• Ten-Year Capital Plan submitted to Capital Planning Commission</li> </ul>
<b>February 2022</b>	<ul style="list-style-type: none"> <li>• Commission adopts Operating Budget, Ten-Year Capital Plan, and Ten-Year Financial Plan</li> <li>• Operating and Capital budget requests submittal to Controller and Mayor</li> </ul>
<b>March 2022 – April 2022</b>	<ul style="list-style-type: none"> <li>• Mayor’s Office and Controller’s Office review of budget</li> <li>• CPC reviews Ten-Year Capital Plan and staff recommendations</li> </ul>
<b>May 2022</b>	<ul style="list-style-type: none"> <li>• Operating and capital budget requests submitted to Board of Supervisors by Mayor</li> </ul>
<b>June 2022</b>	<ul style="list-style-type: none"> <li>• Board review of operating and capital budget</li> </ul>
<b>July 2022</b>	<ul style="list-style-type: none"> <li>• Mayor signs budget</li> </ul>
<b>August 2022</b>	<ul style="list-style-type: none"> <li>• Final budget adoption by Board of Supervisors and Mayor</li> </ul>

## Long Term Financial Planning and Effect on Budget Development

To ensure that the SFPUC balances its immediate needs with long term considerations and rate affordability, the agency has adopted a process that develops annual budgets alongside multi-year financial plans. This process assumed its current form with the passage of Proposition A on November 3, 2009, which replaced annual budgeting with two-year budgeting, and required additional long-term financial planning. This section describes the processes that guide SFPUC's multi-year financial and strategic plans and how those effect the budget process.



**CHART 5.1** Illustration of the linkages between the various long range planning documents and the budget.

### ***Multi-Year Financial Planning Process***

The SFPUC operates on a two-year budget, which is guided by two fundamental long-term planning documents. The first is the Ten-Year Financial Plan which consolidates revenue and expenditure projections and is updated annually alongside the budget development process. The second is the SFPUC strategic plan which is developed by the Executive Team to set overall strategic direction, identify key priorities and serve as a roadmap for the SFPUC to ensure we meet the challenges ahead and continue to deliver reliable water, power and sewer services. In addition, the SFPUC's long term capital needs are assessed through long term capital planning, with a Ten-Year Capital Plan, updated annually alongside the SFPUC's capital budget.

### ***Two-Year Budget***

Starting in FY 2010-11, SFPUC has implemented fixed two-year (biennial) budgets. FY 2022-23 & FY 2023-24 represent SFPUC's seventh biennial budget. Normally, the SFPUC would amend the budget mid-cycle only if revenue or expenditure changes are greater than five percent. The budget process is guided by operating revenue and expenditure projections for the budget period which are developed through the Ten-Year Financial Plan and Ten-Year Capital Plan. These plans also allow the budget to be developed to take account of longer-term financial issues such as fund balance, rate

affordability, meeting financial policy targets and debt service capacity. In addition, budget priorities are guided by the SFPUC's Strategic Plan.

### ***Ten-Year Financial Plan***

The SFPUC's Ten-Year Financial Plan as required by City and County of San Francisco Charter Section 8B.123, includes a ten-year financial summary (FY 2022-23 through FY 2030-31), describing projected sources and uses, resulting fund balances and associated financial reserve ratios. The Ten-Year Financial Plan is updated annually and adopted by the Commission. This is a planning document intended to inform the development of the Ten-Year Capital Plan, water and power utility rates and the biennial budget. The revenue and cost estimates should be viewed as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisors' and Commission policies, goals, and objectives representing management's best estimates.

The biennial budget is developed alongside Ten-Year Financial Plan and allows the SFPUC to have insights into the long term financial sustainability of the agency and longer term issues that affect current planning and priorities. In addition, the Ten-Year Financial Plan allows budgeting to be done with a view to long term rate impacts on customers.

## ***Ten-Year Capital Plan***

The Ten-Year Capital Plan is developed every year by the SFPUC and approved by the Commission. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investment. The Ten-Year Capital Plan also guides the development of the Ten-Year Financial Plan and associated rate implications of the planned capital spending. The Ten-Year Capital Plan guides the biennial capital budget development. As the budget process progresses through the Spring and final adoption in the Summer, the updated Capital Improvement Programs (CIPs) are revised forming the biennial capital budget.

## **Strategic Plan**

The SFPUC's Strategic Plan serves as a roadmap to ensure the agency is equipped to meet the challenges ahead and continue to deliver reliable water, power and sewer services.

The Goals and Objectives included in the plan aim to ensure that objectives are met while the organization strives to implement capital programs, diversify the water and energy portfolio and ensure triple bottom line sustainability.

The strategic plan goals are detailed in section 4, **Introduction to the SFPUC**

## **Budget Management**

Throughout each fiscal year, SFPUC develops 4 budgetary projections at the end of each quarter which provide an insight into how the agency is spending against budget. These Quarterly Budget Variance Reports are presented to the Commission and published on the SFPUC website. These reports, (in addition to year-end financial statements) allow the agency to monitor performance against the budget and make adjustments to actual spending if necessary. These reports also inform budget development by giving managers a view on actual spending in prior years.

Each enterprise has its own strategic goals and objectives that are tied to the SFPUC's overall strategic plan. These are described in more detail in the enterprise sections of this book.

## **Other Financial Policies**

Financial policies governing the budget include long range financial planning and reporting policies and budget development policies that have been described in the previous section. In addition, other key financial policies that affect the budget include, fund balance policy and ratepayer assurance policy are summarized here. The full text of all relevant financial policies can be found in the Appendix of this book. The adopted budget conforms with all of the SFPUC's financial policies.

## ***Definition of a Balanced Budget***

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

## Mission Driven Budgeting

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

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

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

## Debt Coverage Policy

Debt issuance is a significant funding source for the SFPUC's capital programs. Pursuant to SFPUC bond covenants entered into with bondholders, enterprise revenues pledged for the repayment of debt service must meet certain financial ratios. To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC has a policy to adopt budgets, rates and financial plans that generate revenues to meet even more stringent coverage ratios.

To monitor compliance with this policy, SFPUC Finance staff will present this information to the Commission as part of the biennial budget process and the annual 10-Year Financial Plan.

**The bond covenant and SFPUC policy ratios are shown in the following table:**

### SFPUC Policy Ratios

Ratio	Bond covenants	SFPUC policy	What is it?
Indenture coverage	1.25x	1.35x	Ratio of net revenue (Annual Revenues - Operating Expenses + Unappropriated Fund Balance) to debt service
Current coverage	1.00x	1.10x	Ratio of annual revenue (Annual Revenues - Operating Expenses) to debt service

## ***Fund Balance Reserve Policy***

The SFPUC faces a number of risks to revenue stability, including multi-year rate packages, drought, weather variability, and highly volumetric rates. In addition, the COVID-19 pandemic and ensuring economic disruption has created more uncertainty for the future. To manage these risks and reduce susceptibility to emergency rate increases, the SFPUC ensures adequate ratepayer protection in the form of a Fund Balance Reserve policy.

For each enterprise, the SFPUC adopts budgets and establishes rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness in compliance with the San Francisco Charter. Specifically, for the time period covered in the SFPUC's Charter mandated 10-Year Financial Plan, operating and capital budgets and rates will be proposed for adoption such that the Fund Balance Reserve totals a minimum of 90 days or 25% of Operations & Maintenance Expenses (including programmatic projects, and excluding debt service and revenue funded capital) throughout the forecast period. Amounts in excess of the minimum will be considered for contingencies and rate stabilization.

The FY 2022-23 and 2023-24 budget ensures that the SFPUC will meet the minimum fund balance policy across all enterprises.

In FY2021-22 the Fund Balance Reserve Policy was amended to incorporate CleanPowerSF. This Fund Balance Reserve for CleanPowerSF will be established at the following funding levels to mitigate short-term, unanticipated loss of revenues or increase in expenses; stabilize rates; and support the growth of the program:

1. Operating Reserve Fund Minimum: equal to 150 days cash on hand (or 41%) of annual operating expenditures; and
2. Operating Reserve Fund Target: equal to 180 days cash on hand (or 49%) of annual operating expenditures.

The FY 2022-23 and 2023-24 budget ensures that the SFPUC will meet the minimum fund balance policy across all enterprises.

## ***Rate setting Policies and Process***

The SFPUC recovers the cost to do business and serve its customers through the rates it charges on utilities purchased by customers. Rates typically change on an annual basis at the start of the fiscal year and any changes to rates require an action by the SFPUC Commission. The rationale which support the rates charged include long term operating and capital assumptions, projected volumetric sales by business line, and are verified by independent cost of service studies. Rates have been adopted on a multi-year basis for retail water, and wastewater customers; while rates for all other business lines are adopted or change on a biennial or annual basis.

In November 2002, voters passed Proposition E, establishing Article 8B of the Charter, which, among other things, outlined procedural and substantive requirements for setting rates and charges. Procedural requirements specified by Charter Section 8B.125, include the Commission's authority to set rates, fees and other charges for utility services under its jurisdiction, subject to rejection – within 30 days of submission – by resolution of the Board of Supervisors.

The Charter change also established the requirement for an independent cost of service study for each utility at least every five years. Charter section 8B.125 also includes the substantive requirement to set retail rates and charges, based on cost of service, to provide sufficient resources for the operation, maintenance and continued financial health, including appropriate reserves, of each enterprise.

Finally, section 8B.125 established the Rate Fairness Board (RFB) as the oversight body for SFPUC rates and charges. The Rate Fairness Board may hold public hearings on rate proposals and provide recommendations to the Commission regarding those rate proposals.

## ***SFPUC Ratepayer Assurance Policy***

In addition to the aforementioned substantive and procedural requirements to adopt rates, rates must also comport with the Ratepayer Assurance Policy revised and adopted by the Commission in 2017. This policy sets out principles to guide the development of rates and charges. The policy references the tradeoffs that are made amongst these principles that are inherent to the rate-setting process.

The Ratepayer Assurance Policy, adopted September 12, 2017, sets out principles to guide the development of rates and charges. The Ratepayer Assurance Policy principles are:

- **Revenue Sufficiency.** The Commission will aim to establish rates sufficient to cover the full cost of all SFPUC activities.
- **Environmental Sustainability.** The Commission will aim to establish rates in a manner that values environmental sustainability and preserves the natural resources entrusted to the SFPUC's care.
- **Affordability.** The Commission will consider SFPUC service affordability for all its customers. Prudent operating and capital planning ties annual spending to system demand and intergenerational equity, enabling financial engineering and reducing costly emergency expenditures.
- **Predictability.** The Commission will aim to establish rates designed to minimize bill fluctuations, enabling ratepayers to plan ahead for their personal finances.
- **Simplicity.** The Commission will aim to establish rates that are easy for ratepayers to understand.

In addition to the rate making principles listed above, the SFPUC has a goal that the average combined water and sewer bill does not exceed 2.5 percent of the median household income in San Francisco. This affordability index is consistent with the Federal Environmental Protection Agency guideline for utility cost affordability.

Throughout the most recent rate-setting process, SFPUC staff worked closely with the Rate Fairness Board during the development of rates to follow rate making principles and meet Charter and Commission objectives. SFPUC staff also participated in an extensive public outreach program, reaching out to over 400 organizations to describe SFPUC services, explain why rate increases are needed and the impact of the rate increases on monthly bills. Over 50 community presentations were delivered to organizations representing a wide spectrum of community, environmental, business, labor and other interests. Outreach was also made through the SFPUC's website, which includes tools for customers to estimate bill impacts based on their current usage. In compliance with California's Proposition 218 which requires proposed rates be publicized through specific mailings, the proposed rates

were mailed more than 45 days prior to the April 10, 2018 hearing to approximately 238,000 ratepayers and property owners; in response, the SFPUC received approximately 194 formal protest letters. Through the rate adoption, the Commission affirmed that the SFPUC met all requirements of the City Charter and Proposition 218.

### ***Cost of Service Studies***

As required by the City Charter (Sections 8B.125), the SFPUC must complete a cost of service study by an independent consultant at least once every five years. In Spring of 2018 the SFPUC completed its last Retail Rate Study for the Water and Wastewater Enterprises. The Water and Wastewater Retail Rate Study informed the four-year rate package that was approved by the Commission in May of 2018. Water and Wastewater rate increases were adopted for FY 2018-19 through FY 2021-22. Retail Rates increases were zero (no rate increase) for FY 2022-23, and the rate study is now underway for the next four-year rate package beginning in FY 2023-24.

A Power Rate Study was completed in spring 2022 for the Hetchy Power Enterprise and CleanPowerSF Program has informed Hetchy Rate Increases in the FY 2022-23 and FY 2023-24 budget.

## **Debt Policy**

The SFPUC has established Debt Management Policies and Procedures for debt financings associated with the Water, Wastewater and Power Enterprises. The purpose of these Policies is to provide SFPUC officials and staff a comprehensive guide to SFPUC's issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. The Policies primarily address debt instruments/securities issued by the SFPUC in public and/or private bond markets. This is consistent with examples of debt policies of other comparable municipalities, Government Finance Officers Association (GFOA) best practices and rating agency guidelines.

These Policies govern the issuance and management of all bonds and other forms of indebtedness of the SFPUC, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (Bonds).

## **SFPUC Debt Policy Goals**

The aim of the established policies and procedures is to assist the SFPUC in furthering the following goals and objectives related to debt financing activities:

- Maintain cost-effective access to capital markets through prudent debt management policies and practices;
- Ensure that the SFPUC's debt is consistent with the SFPUC's long-term financial planning goals and objectives and capital improvement program or budget, as applicable;
- Finance significant capital acquisitions or improvements in a timely and cost-effective manner;
- Ensure that judicious debt service commitments are made through effective planning and cash management;
- Maintain the highest practical credit ratings to ensure efficient access to capital markets at the lowest prevailing interest rates;
- Support strong internal controls through support of bond oversight committees;
- Structure long-term financings to minimize transaction specific risk and total debt portfolio risk to the SFPUC;
- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the SFPUC; and
- Promote financial sustainability by adhering to sound debt management practices that are consistent with the SFPUC's mission and guiding principles.

A copy of the full Debt Management Policies and Procedures is included at the Appendix of this document.





# Capital Budget

## Introduction

In addition to the SFPUC's operating budget (the main focus of this book), the FY 2022-23 Capital Budget and Ten-Year Capital Plan was prepared. A separate book describing the capital budget and Ten-Year Capital Plan is forthcoming.

The capital budget for FY 2022-23 is \$983.3 million. In addition, the overall capital program includes programmatic projects that are funded as part of the operating budget.

The programmatic budget for FY 2022-23 is \$53.5 million, and in FY 2023-24 is \$53.5 million. The total size of the Ten-Year Capital Plan, including programmatic projects, is \$ 10.5 billion.

## A new approach to Capital Planning

This year the SFPUC took a different approach to Capital Planning that will ultimately allow the agency to budget and spend resources more efficiently, resulting in long-term savings for ratepayers and timely completion of projects in our pipeline. The goal in this process is to execute a plan that is both affordable to the ratepayer in the long term and delivers capital projects in the timeframe they are budgeted for.

During the budget process, the capital plan grew significantly due to cost increases, expanding scope and identified investment needs. However, it was clear based on prior delivery challenges and unspent project balances that there was a historical mismatch between proposed expenditure and delivery capacity. This has occurred for multiple reasons such as lack of project management capacity, contracting delays, market for constructions services, COVID etc.

Rightsizing the capital plan to a deliverable level, however, is a long-term project. It requires understanding of our existing capacity, addressing staffing and contracting challenges and other operational matters. This was not an issue that could be solved during the fall 2021 budget process. So, instead of balancing the Capital Plan by simply assuming long term rate increases, the decision was taken to move forward with an unbalanced 10 Year Capital Plan and to only proposed a one-year balanced capital budget for FY 2022-23, as the agency continued to work on refining our capital plan. The plan is to revisit the both the FY 2023-24 capital budget and 10 Year Capital Plan in fall 2022.

This means that when you look at the capital plans, beyond the FY 2022-23 budget year, uses exceed sources and the capital plans are unbalanced. As a result, a portion of each of the Capital plans is “unfunded”. Having a portion of a capital plan “unfunded” is a common practice in government budgeting. The City and County of San Francisco’s overall Capital Plan also includes an unfunded portion.

The plan is to take time over subsequent budget cycles (beginning in fall 2022) to optimize capital spending around an affordable rate trajectory and delivery capacity. It will ultimately mean a

more efficient use of ratepayer funds, and more affordable rates for SFPUC customers. Possible outcomes of this process could be a right-sized capital plan that better aligns with actual deliverability, or a recommended strategy to invest in building our delivery capacity.

## What is the Capital Plan

Capital investments are essential for the reliable delivery of clean drinking water, the protection of public health and the environment, including the San Francisco Bay and Pacific Ocean of San Francisco and the continued delivery of clean energy for municipal services. Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. The SFPUC Ten-Year Capital Plan provides an assessment of the agency’s capital needs aligned with the Commission’s Strategic Plan goals, as well as the required investments to meet those needs. The purpose of the capital investment is to extend the useful life of the infrastructure and provide continued reliable and compliant operation of the system components. Therefore, understanding the long-term capital needs of the system and determining how to finance these capital needs are essential to the mission of the SFPUC.

Each Enterprise has a capital budget and Ten-Year Capital Plan, which illustrates continued total growth in capital investments through FY 2031-32. Each enterprises’ s capital plan and budget are described in more detail in the respective enterprise sections of this book.

### **What is a Capital Expenditure?:**

*SFPUC’s Capital Budget is comprised of a biennial capital budget for each of the three enterprise departments and an annually updated Ten-Year Capital Plan. Capital projects must result in the addition of new capital assets and/or improvements to existing assets which extend the asset’s service life by at least five years. Capital projects may include associated costs of acquisition or construction of new assets and/or expenditures for activities that enhance the function, improve the performance and/or extend the service life of existing assets.*

## Capital Expenditures Impact on Operating Budgets

Supporting capital expenditures is the most significant portion the SFPUC operating budget for FY 2022-23 and FY 2023-24. Debt service to support capital expenditures as well as revenue-funded (i.e. cash funded) capital expenditures make up around 36 percent of the total operating budget.

The SFPUC's single biggest operating cost driver is debt service, which supports around two thirds percent of capital expenditures. Debt Service comprises \$452.3 million or 27.4 percent of the total operating budget in FY 2022-23. In addition, revenue-funded capital accounts for \$132.4 million or 8.0 percent of the FY 2022-23 operating budget. In FY 2023-24 the total debt service increases to \$463.2 million which is 27.4 percent of the total budget, and revenue-funded capital increases to \$146.9 million which is 8.7 percent of the total budget.

In the longer term, the 10-year Capital and Financial Plans assume significant debt financing of capital needs over the next ten-year period. The plans assume a financing strategy that utilizes short-term financing via the existing Commercial Paper (CP) program to calibrate financing needs with project spending. Long-term (30-year) 5 percent fixed rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing typically at lower interest rates than longer term debt, which minimizes costs.

In addition, programmatic projects are considered part of the SFPUC's capital program but are part of the operating budget. Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. Projects include planned maintenance of various watershed structures and facilities maintenance at the SFPUC's 525 Golden Gate headquarters.

The capital programs are intended to support a defined Level of Service for each utility enterprise based on the SFPUC Strategic Plan. This level of capital investment has changed the SFPUC from an operating-based utility, that was primarily focused on service delivery, to a utility that is focused on

reliable service delivery, while at the same time ensuring that the environmental, community and resource management components of the mission are at the forefront. For example, an essential outcome of the capital investment is the implementation of local hire, job training and job creation programs to benefit the community that pays for the capital program. Due to the nature of utility operations, which rely on personnel, chemicals and electricity, these multi-billion-dollar investments are not expected to reduce the annual operating budgets, rather to make the system reliable and resilient in the face of earthquakes, sea-level rise, droughts and other severe weather.

## Ten-Year Capital Plan Process

Charter Section 8B.123 requires that the Commission hold public hearings on an annual basis to review, update, and adopt a Long-Term Capital Improvement Program (the Ten-Year Capital Plan) and a Long- Range Financial Plan (Ten-Year Financial Plan). The Capital Plan is to contain a list of projects to be executed during the 10 year planning horizon, including cost estimates and schedules. The Financial Plan is to contain estimates of operations and maintenance expenses, repair and replacement costs, debt costs and projected rate increases. Together, the two plans provide visibility into the capital investment required to meet service levels and the rate impacts of these investments. In addition, they serve as a basis and supporting documentation for the Commission's capital budget and the issuance of revenue bonds and other indebtedness to support the SFPUC capital program.

Also, as required by the City & County of San Francisco Charter, the San Francisco Public Utilities Commission (SFPUC) prepares a biennial operating and capital budget, as well as Ten-Year Capital and Financial Plans, for each of its three enterprises.

The development of the plans occurred from June through December 2021 and was directed by the Budget Steering Committee comprised of the SFPUC executive team. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials, and the public by providing the proposed long-term capital program, projects, and investments. The Ten-Year Capital Plan also guides the Ten-Year Financial Plan and the rate analysis approved every five years. The Ten-Year Capital Plan is not a budget; it is the plan that

guides the annual capital budget. As the budget process progresses through the spring and into final adoption in the summer, the annual CIPs can be revised, and final projects, costs, and totals for the two annual CIPs can change. The annual CIPs are based on the Ten-Year Capital Plan, but they do not always match by project or dollar amount.

### ***Project Selection and Scheduling***

As a preliminary step to Capital Plan development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs. This important step focused on capital project delivery and reduced the FY 2022-23 capital budget request resulting in a more efficient use of financial resources.

The Capital planning decision making process includes prioritizing project submittals and allocating limited resources. The SFPUC's capital planning tool (Unifier) established a project prioritization methodology to assist in the efficient allocation of limited capital resources. The prioritization process included a project criticality score based on a set of factors including:

- 1. Probability and Consequence of Failure** - how likely to fail and potential to result in interruption of service should the asset fail
- 2. Strategic Priority** - does the project advance SFPUC towards meeting agency's overall Strategic Plan goals and objectives
- 3. Project Status** - projects already in progress receive priority over those not yet started
- 4. Dependencies** - are there other projects that require initiation or completion of the project in question
- 5. Regulatory Requirements** - is there a regulatory requirement driving the project, and if so, what is the timeframe for meeting the requirement without penalty
- 6. Impact to Operations** - if the project is not completed are there impacts to Productivity/ Quality/ Reliability/ Revenue/ Supply/ Safety

Capital Plan project submissions were reviewed and validated by the SFPUC Infrastructure Bureau, resulting in a consistent and comprehensive capital planning approach across the agency comprised

of individual project datasheets describing the project budget, schedule and scope. This capital planning effort helps assure the 10-Year Capital Plan meets the Enterprises' long-range capital needs, reflects a sound project prioritization process and supports affordability by promoting efficient use of ratepayer funds.

### **FY 2022-23 Capital Budget Development**

The FY 2022-23 Capital Budget is developed along with and is consistent with the Ten-Year Capital Plan. As a preliminary step to Capital budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs. This important step focused on capital project delivery and reduced to the amount of funding request in the FY 2022-23 Capital budget and more efficient use of existing project appropriations, commercial paper and bond funding issuances.

The budget development and baseline review resulted in project budget re-appropriations and closeouts. The Water Enterprise is re-appropriating \$38.3 million of prior year project appropriations to fund the FY 2022-23 budget request.

A description of SFPUC's significant capital and programmatic expenditures is provided within the enterprise sections of this book.

### **Capital Budget Sources**

SFPUC's capital program is mostly supported by debt financing. In fact, as a result of this, The SFPUC's single biggest operating cost driver is debt service.

In FY 2022-23, SFPUC's \$983.3 million capital budget is funded by \$838.6 million of debt, or 85%, and \$144.6 million in cash (revenue funding), or 15%. Of the Debt funding, in the majority is Wastewater bonds, with the remainder met by local and regional revenue bonds. Revenue funding includes general sales revenues as well as specific sources in Power such as Cap and Trade and Distributed Antenna revenues. The approximately \$53.5 million annual programmatic project budget is majority cash funded, with about 17% coming from other operating sources including Federal bond interest subsidies and recovery capital.

## Debt

Debt is a major component of SFPUC’s budget, with debt service comprising around 27% of total operating costs. In FY 2022-23 debt service costs \$452 million, rising to \$463 million in FY 2023-24. This debt supports about two-thirds of SFPUC’s capital budget over the next two years. In the longer term, the Ten-Year Capital and Financial Plans assume significant debt financing of capital needs. The plans assume a financing strategy that utilizes short-term financing via the existing Commercial Paper (CP) program to calibrate financing needs with project spending. Long-term (30-year) 5 percent fixed rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing typically at lower interest rates than longer term debt, which minimizes costs.

The following table details the of budgeted principle and interest payments for each year, in aggregate and by enterprise. This table also includes allocated charges from Certificates of Participation (COPs).

Amount of principal and interest payments presented through maturity for each fund  
The following table details (in \$ thousands) the future principal and interest payments for debt issues, excluding commercial paper, through maturity for each of the major funds and in total.

### Debt Cost Through Maturity (per latest ACFR)

#### Debt Cost Through Maturity

\$ Thousands	Water		Wastewater		
	Interest	Total Principal and Interest	Principal	Interest	Total Principal and Interest
Principal					
4,899,150	2,690,593	7,589,743	1,599,688	976,894	2,576,582
	Power		SFPUC Total		
Principal	Interest	Total Principal and Interest	Principal	Interest	Total Principal and Interest
56,307	34,424	90,731	6,555,145	3,701,911	10,257,056

## Purpose of the different debt obligations

The Water and Wastewater Enterprise’s outstanding revenue bonds, notes and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued revenue bonds. The Power Enterprise’s outstanding revenue bonds and tax credit bonds provided financing for various capital construction and facility energy efficiency projects. The outstanding 2009 Certificates of Participation (COPs) Series C and D financed the construction of the headquarters building of the SFPUC at 525 Golden Gate Ave in San Francisco; each of the three enterprises is responsible for a portion of the annual payments based on their ownership percentages less contributed equity (Water-71.4%, Wastewater-18.9% and Power-9.7%.)

## Budgeted Principal and Interest Payments

\$ millions	FY 2022-23 Adopted Budget	FY 2023-24 Adopted Budget
<b>Water</b>		
Interest	210.9	205.7
Principal	133.4	143.4
Allocated Charges (COPs)	(9.2)	(9.1)
<b>Subtotal</b>	<b>335.1</b>	<b>340.0</b>
<b>Wastewater</b>		
Interest	77.0	80.4
Principal	38.7	41.5
Allocated Charges (COPs)	(2.4)	(2.4)
<b>Subtotal</b>	<b>113.3</b>	<b>119.5</b>
<b>Hetch Hetchy Water &amp; Power</b>		
Interest	2.8	3.1
Principal	2.4	2.0
Allocated Charges (COPs)	(1.2)	(1.2)
<b>Subtotal</b>	<b>4.0</b>	<b>3.9</b>
<b>CleanPowerSF</b>		
Interest	-	-
Principal	-	-
Allocated Charges (COPs)	-	-
<b>Subtotal</b>	<b>0</b>	<b>0</b>
<b>SFPUC Aggregate</b>		
Interest	290.7	289.2
Principal	174.5	186.9
<b>Total</b>	<b>452.4</b>	<b>463.4</b>

**Total outstanding debt as of June 30, 2022 is as follows:**

	Water	Wastewater	Power
<b>Revenue Bonds</b>	\$4.6B	\$2.1B	\$159.8M
SRF & WIFIA Loans (Executed/Drawn)	\$409.4M/\$129.0M	\$1.5B/\$115.3M -	
<b>Tax Credit Bonds</b>	-	-	\$5.2M
Commercial Paper (Authorized/Drawn)	\$500M/\$206.3M	\$750M/\$379.2M	\$250M/\$40.0

## Policies Governing SFPUC’s Debt

SFPUC’s debt management mission is to serve, within the financial objectives and parameters established by the Commission, the capital financing needs of the respective enterprises in a cost effective, low risk and flexible manner, through the implementation of sound financial decision making and the use of appropriate financing tools. The Debt Policy of the City and County of San Francisco, established by the Mayor’s Office of Public Finance and Business Affairs, summarizes the City’s existing debt polices and formally establishes them for all future debt. From time to time, the Mayor’s Office of Public Finance and Business Affairs may deviate from policies herein. The following policies are relevant and are detailed in then Appendix of this document.

- San Francisco Public Utilities Commission Debt Management Policy and Procedures
- Fund Balance Reserve Policy
- City and County of San Francisco Debt Policy - May 2017
- Debt Service Coverage Policy - March 2017
- Capital Financing Policy - March 2017

**SFPUC’s Credit Ratings:**

SFPUC’s Credit ratings are shown in the following table

**SFPUC Credit Ratings**  
As of June 30,2022

	Moody’s		Standard and Poor’s		Fitch	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
<b>Water Enterprise</b>	Aa2	P-1	AA-	A-1	N/A	N/A
<b>Wastewater Enterprise</b>	Aa2	P-1	AA	A-1+	N/A	N/A
<b>Power Enterprise</b>	N/A	N/A	AA	A-1	AA+	F1+
<b>CleanPowerSF*</b>	A2	N/A	A N/A 2	N/A	N/A	N/A

\*On December 9, 2020, Moody’s Investors Service, (“Moody’s”) assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook.

The ratings issued reflect only the views of such rating agencies to be considered in evaluating various of the SFPUC’s debt obligations. No assurance can be given that any rating issued by the rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agencies.

Solely for the convenience of the user, below are links to various rating agencies. The SFPUC undertakes no responsibility to publish or otherwise disseminate any revision or withdrawal of the ratings. Please click on the links below to proceed to the selected rating agency site. The SFPUC does not endorse or adopt this website, its sponsor, or any of the policies, activities, products, or services offered on the site or by any advertiser on the site. The SFPUC has not participated in the compilation, or selection of information on any other Web Site, and assumes no responsibility or liability for the contents thereof. The SFPUC is rated by three municipal bond rating services. They are:

<http://www.FitchRatings.com>

<http://www.moodys.com/>

<https://www.spglobal.com/ratings/en/>

**Current legal debt limit and authorizations (as of June 30, 2022) are as follows:**

**Water:**

Pursuant to the Charter Section 8B.124, the 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, 2022, the Board of Supervisors has authorized the issuance of \$4.6 billion in revenue bonds under Proposition E, with \$3.9 billion issued against this authorization. The Enterprise can also incur indebtedness of up to \$1.6 billion for improvements to the water system pursuant to Proposition A that was approved by the voters in November 2002. As of June 30, 2022, \$1.5 billion of the \$1.6 billion Proposition A authorized debt was issued. The Enterprise is also authorized to issue up to \$500 million in commercial paper with \$206.3 million outstanding as of June 30, 2022.

**Wastewater:**

Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2022, the Enterprise had \$4.6 billion in combined debt issuance authorization from the Board of Supervisors under Proposition E, with \$3.4 billion issued against this authorization. The Enterprise has a \$750 million authorized commercial paper program, with \$379.2 million in tax-exempt commercial paper outstanding as of June 30, 2022.

**Power Enterprise:**

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, 2022, \$163.6 million of Hetchy Power revenue bonds were issued against existing authorization of \$555.0 million. The Enterprise is also authorized to issue up to \$250.0 million in commercial paper with \$40.0 million outstanding as of June 30, 2022.

**Debt Service Coverage Policy**

In addition to debt limits, SFPUC also imposes policy limits on debt service coverage. Pursuant to SFPUC bond covenants entered into with bondholders, enterprise revenues pledged for the repayment of debt service must meet the following financial ratios.

- **Indenture Coverage:** Net Revenues must equal a minimum of 1.25 x annual debt service
- **Current Coverage:** Annual Revenues must equal a minimum of 1.00 x annual debt service

To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC adopt budgets, rates and financial plans that generate revenues such that:

- Indenture Coverage shall be at least 1.35x
- Current Coverage shall be at least 1.10x

To monitor compliance with this policy, SFPUC presents this information as part of the budget process and the 10-year financial plan. SFPUC is forecast to meet these policy minimums in the FY 2022-23 and FY 2023-24 budget and throughout the 10-year Financial Plan period.

## Debt to be issued during the budget period

In the FY 2022-23 and FY 2023-24 period, the SFPUC anticipates issuing the following debt:

Description	Approximate Transaction Size <sup>1</sup>	Estimated Closing <sup>1</sup>
<b>Water</b> - Revenue Bonds	Up to \$406M	Jan-Dec 2023
<b>Wastewater</b> - Revenue Bonds	Up to \$953M	Two or more issuances Jan 2023- June 2024
<b>Wastewater</b> - Revenue Notes	Up to \$672M	Two or more issuances Jan 2023- June 2024
<b>Power</b> - Power Debt Transaction	Up to \$210M	Jan-Dec 2023
<b>Wastewater and Power</b> - Approve renewal or replacement of bank credit facilities for interim funding programs	\$125M-Power \$150M-Wastewater \$200M Wastewater \$150M-Wastewater	3/2023 4/2023 10/2023 3/2024

## SFPUC Ten-Year Capital Plan (continued on next page...)

USES	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
Water Enterprise	111,223,052	389,651,970	489,658,633	364,245,056	219,302,205	121,284,956	134,592,882	109,038,159	102,013,708	86,928,129
Wastewater Enterprise	687,196,456	953,132,925	1,014,813,811	934,442,542	580,666,390	455,161,603	374,001,340	352,015,889	352,993,960	422,568,404
Hetch Hetchy Enterprise	181,123,342	184,530,192	286,661,059	231,858,972	168,046,778	148,798,038	111,570,650	88,357,070	102,640,297	81,904,749
CleanPowerSF Enterprise	3,727,592	2,188,000	1,883,000	1,943,000	1,603,000	1,553,000	1,553,000	1,785,000	20,036,000	28,258,400
<b>Total SFPUC USES</b>	<b>983,270,442</b>	<b>1,529,503,087</b>	<b>1,793,016,503</b>	<b>1,532,489,570</b>	<b>969,618,373</b>	<b>726,797,597</b>	<b>621,717,872</b>	<b>551,196,118</b>	<b>577,683,965</b>	<b>619,659,682</b>

## SOURCES

### Water Enterprise

#### Debt

Regional Bonds	22,578,471	189,946,045	197,051,518	138,608,055	58,069,846	24,883,797	38,149,017	16,682,207	12,597,161	741,933
Local Bonds	40,617,900	99,798,716	153,979,890	101,048,757	73,599,144	30,320,274	18,172,037	19,251,307	32,545,598	24,665,271
<b>Subtotal</b>	<b>63,196,371</b>	<b>289,744,761</b>	<b>351,031,408</b>	<b>239,656,812</b>	<b>131,668,989</b>	<b>55,204,071</b>	<b>56,321,054</b>	<b>35,933,513</b>	<b>45,142,758</b>	<b>25,407,204</b>

#### Revenue

Capacity Fee	2,152,686	2,211,000	1,520,000	1,520,000	1,580,000	1,644,000	1,644,000	1,634,000	1,554,000	1,520,000
Local Revenue	20,923,995	23,165,658	52,100,000	57,100,000	38,545,000	30,000,000	42,000,000	40,327,975	27,600,000	35,698,998
Regional Revenue	24,950,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	20,000,000	19,958,681
<b>Subtotal</b>	<b>48,026,681</b>	<b>50,376,658</b>	<b>78,620,000</b>	<b>83,620,000</b>	<b>65,125,000</b>	<b>56,644,000</b>	<b>68,644,000</b>	<b>66,961,975</b>	<b>49,154,000</b>	<b>57,177,679</b>

<b>Total Water SOURCES</b>	<b>111,223,052</b>	<b>340,121,419</b>	<b>429,651,408</b>	<b>323,276,812</b>	<b>196,793,989</b>	<b>111,848,071</b>	<b>124,965,054</b>	<b>102,895,488</b>	<b>94,296,758</b>	<b>82,584,883</b>
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## SFPUC Ten-Year Capital Plan (continued)

SOURCES	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
<b>Wastewater Enterprise</b>										
Revenue Funding										
Revenue	82,462,744	92,038,000	122,657,438	125,110,586	127,612,798	130,165,054	132,768,355	135,423,722	138,132,197	140,894,841
Capacity Fee	6,164,646	6,329,000	5,695,000	5,695,000	5,695,000	5,695,000	5,695,000	5,695,000	5,695,000	5,695,000
<b>Subtotal</b>	<b>88,627,390</b>	<b>98,367,000</b>	<b>128,352,438</b>	<b>130,805,586</b>	<b>133,307,798</b>	<b>135,860,054</b>	<b>138,463,355</b>	<b>141,118,722</b>	<b>143,827,197</b>	<b>146,589,841</b>
Debt Funding										
Revenue Bonds	598,569,066	658,379,009	682,792,263	618,997,186	344,575,629	245,940,358	181,421,908	162,442,447	161,109,612	212,571,053
<b>Subtotal</b>	<b>598,569,066</b>	<b>658,379,009</b>	<b>682,792,263</b>	<b>618,997,186</b>	<b>344,575,629</b>	<b>245,940,358</b>	<b>181,421,908</b>	<b>162,442,447</b>	<b>161,109,612</b>	<b>212,571,053</b>
<b>Total Wastewater SOURCES</b>	<b>687,196,456</b>	<b>756,746,009</b>	<b>811,144,701</b>	<b>749,802,772</b>	<b>477,883,427</b>	<b>381,800,412</b>	<b>319,885,263</b>	<b>303,561,169</b>	<b>304,936,809</b>	<b>359,160,894</b>
<b>Hetch Hetchy Enterprise</b>										
Revenue										
Power Revenue	0	2,200,000	2,200,000	7,300,000	14,812,500	14,684,500	18,000,000	18,000,000	20,000,000	20,000,000
Distributed Antenna System	2,258,910	2,847,000	2,961,000	3,079,500	3,202,500	3,330,500	3,463,500	3,602,000	3,746,038	3,746,038
Power - Cap and Trade Auction Revenue	780,000	890,000	1,349,767	1,349,767	1,349,767	1,349,767	1,349,767	1,349,767	1,349,767	1,349,767
Low Carbon Fuel Standard	1,220,000	1,643,274	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
<b>Subtotal</b>	<b>4,258,910</b>	<b>7,580,274</b>	<b>7,810,767</b>	<b>13,029,267</b>	<b>20,664,767</b>	<b>20,664,767</b>	<b>24,113,267</b>	<b>24,251,767</b>	<b>26,395,805</b>	<b>26,395,805</b>
Debt										
Water Bonds	57,009,331	90,046,237	112,535,807	67,301,096	41,389,853	29,757,472	24,539,180	16,938,989	23,726,944	16,262,480
Power Bonds - Up-country	57,934,558	61,796,518	91,031,815	78,954,440	41,331,998	41,165,516	35,961,421	25,533,032	35,713,304	25,512,220
Power Bonds - Local	61,920,543	18,098,122	54,266,383	52,314,001	46,609,306	41,239,174	19,431,392	15,594,027	12,113,087	9,900,124
<b>Subtotal</b>	<b>176,864,432</b>	<b>169,940,877</b>	<b>257,834,005</b>	<b>198,569,537</b>	<b>129,331,157</b>	<b>112,162,162</b>	<b>79,931,993</b>	<b>58,066,048</b>	<b>71,553,335</b>	<b>51,674,824</b>
<b>Total Hetch Hetchy SOURCES</b>	<b>\$181,123,342</b>	<b>177,521,151</b>	<b>265,644,772</b>	<b>211,598,804</b>	<b>149,995,924</b>	<b>132,826,929</b>	<b>104,045,260</b>	<b>82,317,815</b>	<b>97,949,140</b>	<b>78,070,629</b>
<b>CleanPowerSF Enterprise</b>										
Revenues/Reserve	3,727,592	2,188,000	1,883,000	1,943,000	1,603,000	1,553,000	1,553,000	1,785,000	20,036,000	28,258,400
<b>Total Wastewater SOURCES</b>	<b>3,727,592</b>	<b>2,188,000</b>	<b>1,883,000</b>	<b>1,943,000</b>	<b>1,603,000</b>	<b>1,553,000</b>	<b>1,553,000</b>	<b>1,785,000</b>	<b>20,036,000</b>	<b>28,258,400</b>
<b>Total SFPUC SOURCES</b>	<b>\$983,270,442</b>	<b>1,276,576,578</b>	<b>1,508,323,881</b>	<b>1,286,621,389</b>	<b>826,276,340</b>	<b>628,028,412</b>	<b>550,448,577</b>	<b>490,559,471</b>	<b>517,218,707</b>	<b>548,074,805</b>
<b>Surplus/ (Shortfall)</b>	<b>0</b>	<b>(252,926,509)</b>	<b>(284,692,622)</b>	<b>(245,868,181)</b>	<b>(143,342,032)</b>	<b>(98,769,185)</b>	<b>(71,269,295)</b>	<b>(60,636,647)</b>	<b>(60,465,258)</b>	<b>(71,584,876)</b>

<sup>1</sup> Note: Dates and amounts are approximate and subject to change. FY2023 Debt Issuances currently under development.

## SFPUC Ten Year Programmatic Project Budget

USES	FY 22-23 Requested	FY 23-24 Requested	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
Water Enterprise	32,798,389	32,496,186	39,486,712	37,463,521	36,812,458	35,864,168	34,939,641	35,189,807	35,250,807	35,584,807
Wastewater Enterprise	6,655,917	6,685,551	6,685,551	6,665,330	6,644,655	6,623,405	6,601,462	6,615,790	6,631,242	6,631,242
Hetch Hetchy Enterprise	14,067,541	14,305,204	20,517,793	21,153,148	21,812,207	22,516,909	23,249,721	24,008,082	24,780,082	25,578,082
<b>Total USES</b>	<b>53,521,847</b>	<b>53,486,941</b>	<b>66,690,056</b>	<b>65,281,999</b>	<b>65,269,320</b>	<b>65,004,482</b>	<b>64,790,824</b>	<b>65,813,679</b>	<b>66,662,131</b>	<b>67,794,131</b>

SOURCES	FY 22-23 Requested	FY 23-24 Requested	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
<b>Water Enterprise</b>										
Infrastructure - Recovery Capital (O&M)	1,211,000	1,248,000	1,248,000	1,248,000	1,285,000	1,324,000	1,324,000	1,324,000	1,324,000	1,324,000
Infrastructure - Recovery Capital (Lease)	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000
Federal Bond Interest Subsidy	1,945,000	1,910,000	1,942,000	1,770,000	1,695,000	1,616,000	1,616,000	1,616,000	1,616,000	1,616,000
<b>Subtotal</b>	<b>5,806,000</b>	<b>5,808,000</b>	<b>5,840,000</b>	<b>5,668,000</b>	<b>5,630,000</b>	<b>5,590,000</b>	<b>5,590,000</b>	<b>5,590,000</b>	<b>5,590,000</b>	<b>5,590,000</b>

<b>Revenue</b>	26,992,389	26,688,186	29,646,712	30,795,521	31,182,458	30,274,168	29,349,641	29,599,807	29,660,807	29,994,807
<b>Subtotal</b>	<b>26,992,389</b>	<b>26,688,186</b>	<b>29,646,712</b>	<b>30,795,521</b>	<b>31,182,458</b>	<b>30,274,168</b>	<b>29,349,641</b>	<b>29,599,807</b>	<b>29,660,807</b>	<b>29,994,807</b>

<b>Water Total</b>	<b>32,798,389</b>	<b>32,496,186</b>	<b>35,486,712</b>	<b>36,463,521</b>	<b>36,812,458</b>	<b>35,864,168</b>	<b>34,939,641</b>	<b>35,189,807</b>	<b>35,250,807</b>	<b>35,584,807</b>
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<b>Wastewater Enterprise</b>										
Infrastructure - Recovery Capital (O&M)	265,000	268,000	268,000	268,000	276,000	284,000	284,000	284,000	284,000	284,000
Infrastructure - Recovery Capital (Lease)	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000	1,872,000
Federal Bond Interest Subsidy	514,000	505,000	487,000	468,000	448,000	427,000	427,000	427,000	427,000	427,000
<b>Revenue</b>	<b>4,004,917</b>	<b>4,040,551</b>	<b>4,058,551</b>	<b>4,057,330</b>	<b>4,048,655</b>	<b>4,040,405</b>	<b>4,018,462</b>	<b>4,032,790</b>	<b>4,048,242</b>	<b>4,048,242</b>
<b>Wastewater Total</b>	<b>6,655,917</b>	<b>6,685,551</b>	<b>6,685,551</b>	<b>6,665,330</b>	<b>6,644,655</b>	<b>6,623,405</b>	<b>6,601,462</b>	<b>6,615,790</b>	<b>6,631,242</b>	<b>6,631,242</b>

<b>Hetch Hetchy Enterprise</b>										
Infrastructure - Recovery Capital (O&M)	88,000	90,000	90,000	90,000	93,000	96,000	96,000	96,000	96,000	86,000
Infrastructure - Recovery Capital (Lease)	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000
Federal Bond Interest Subsidy	265,000	265,000	260,000	251,000	241,000	230,000	230,000	230,000	230,000	267,589
<b>Subtotal</b>	<b>591,000</b>	<b>593,000</b>	<b>588,000</b>	<b>579,000</b>	<b>572,000</b>	<b>564,000</b>	<b>564,000</b>	<b>564,000</b>	<b>564,000</b>	<b>591,589</b>

<b>Revenue</b>										
Treasure Island	4,217,000	4,428,000	4,649,000	4,788,000	4,930,000	5,077,000	5,229,000	5,386,000	5,548,000	5,714,000
Revenue - Power	9,259,541	9,284,204	7,383,793	7,946,148	8,539,207	9,180,909	9,838,721	10,523,082	10,523,082	9,284,185
<b>Subtotal</b>	<b>13,476,541</b>	<b>13,712,204</b>	<b>12,032,793</b>	<b>12,734,148</b>	<b>13,469,207</b>	<b>14,257,909</b>	<b>15,067,721</b>	<b>15,909,082</b>	<b>16,071,082</b>	<b>\$14,998,185</b>

<b>Hetch Hetchy Total</b>	<b>14,067,541</b>	<b>14,305,204</b>	<b>12,620,793</b>	<b>13,313,148</b>	<b>14,041,207</b>	<b>14,821,909</b>	<b>15,631,721</b>	<b>16,473,082</b>	<b>16,635,082</b>	<b>15,589,774</b>
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<b>Total SOURCES</b>	<b>53,521,847</b>	<b>53,486,941</b>	<b>54,793,056</b>	<b>56,441,999</b>	<b>57,498,320</b>	<b>57,309,482</b>	<b>57,172,824</b>	<b>58,278,679</b>	<b>58,517,131</b>	<b>57,805,823</b>
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<b>Surplus/ (Shortfall)</b>	<b>0</b>	<b>0</b>	<b>(11,897,000)</b>	<b>(8,840,000)</b>	<b>(7,771,000)</b>	<b>(7,695,000)</b>	<b>(7,618,000)</b>	<b>(7,535,000)</b>	<b>(8,145,000)</b>	<b>(9,988,308)</b>
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7

# Operating Budget Tables

## Overview and Structure

### Overview

This section includes tables summarizing major types of revenues and expenditures in aggregate as well as by major fund and division. These tables include summaries of revenues and of expenditures for the prior year budget and actuals (FY 2021- 22), and both the two proposed budget years (FY 2022-23 and FY 2023-24). In addition, tables showing changes in staffing levels (Full Time Equivalents/FTEs) are shown. Lastly, this section includes tables describing projected changes in fund balances in aggregate and for each major fund. This section contains no narrative, and is intended to be a simple reference point in the book for the main budgetary numbers. Explanation and discussion of the line items and numbers in these tables can be found in section 4 (Introduction to the SFPUC), and in the respective enterprise and bureaus sections (8, 9, 10 , 11 and 12).

### *SFPUC High Level Budget Summary*

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	1,503,529,161	1,651,537,786	148,008,625	1,690,963,079	39,425,293
<b>Total FTE</b>	2,655.91	2,720.18	64.27	2,749.06	28.88

## Sources and Uses of Funds

\$	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>SOURCES OF FUNDS</b>						
Sale of Water	571,768,702	598,228,102	593,380,579	(4,847,523)	655,769,518	62,388,939
Sewer Service Charges	362,148,826	388,657,507	371,278,599	(17,378,908)	415,115,102	43,836,503
Sale of Electricity	177,754,278	151,174,650	189,663,988	38,489,338	225,327,522	35,663,534
Sale of Electricity-CCA	257,971,882	224,126,365	315,192,958	91,066,593	279,636,972	(35,555,986)
Sale of Natural Gas & Steam	16,858,327	12,936,052	15,911,149	2,975,097	17,997,808	2,086,659
Fund Balance	172,502,136	41,545,044	93,021,487	51,476,443	22,964,187	(70,057,300)
Other Non-Op Revenues	59,826,043	45,309,372	43,611,226	(1,698,146)	45,058,582	1,447,356
Federal Interest Subsidy	25,533,513	25,553,069	25,177,800	(375,269)	24,586,388	(591,412)
Interest Income	5,189,698	15,999,000	4,300,000	(11,699,000)	4,507,000	207,000
<b>Total Sources of Funds</b>	<b>1,649,553,404</b>	<b>1,503,529,161</b>	<b>1,651,537,786</b>	<b>148,008,625</b>	<b>1,690,963,079</b>	<b>39,425,293</b>

<b>USES OF FUNDS</b>						
Personnel	224,477,399	251,500,194	263,852,744	12,352,550	270,215,581	6,362,837
Overhead	107,070,930	120,762,246	130,257,204	9,494,958	132,021,895	1,764,691
Purchase of Power	317,616,513	280,229,754	343,713,378	63,483,624	333,308,292	(10,405,086)
Non-Personnel Services	84,083,478	102,556,193	103,420,135	863,942	107,662,444	4,242,309
Materials & Supplies	30,197,866	31,673,430	33,674,094	2,000,664	34,764,558	1,090,464
Equipment	6,312,507	7,497,091	7,823,472	326,381	7,284,130	(539,342)
Service of Other Departments	72,379,466	75,638,356	75,721,804	83,448	82,774,828	7,053,024
Debt Service	406,010,416	406,820,533	452,286,312	45,465,779	463,208,450	10,922,138
General Reserve	-	-	51,530,230	51,530,230	56,675,302	5,145,072
Programmatic Projects	49,405,104	56,087,466	56,813,441	725,975	56,107,941	(705,500)
Revenue-Funded Capital	176,256,080	170,763,898	132,444,972	(38,318,926)	146,939,658	14,494,686
<b>Total Uses of Funds</b>	<b>1,473,809,759</b>	<b>1,503,529,161</b>	<b>1,651,537,786</b>	<b>148,008,625</b>	<b>1,690,963,079</b>	<b>39,425,293</b>

*Sources and Uses of Funds by Major Fund (continued on next page...)*

\$	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>WATER</b>						
<b>SOURCES OF FUNDS</b>						
Sale of Water	571,560,702	598,020,102	590,837,874	(7,182,228)	653,152,170	62,314,296
Less Water Costs to Hetchy	(45,815,000)	(45,815,000)	(49,636,000)	(3,821,000)	(49,242,000)	394,000
Federal Interest Subsidy	21,574,916	21,574,916	21,289,804	(285,112)	20,840,818	(448,986)
Other Non-Op Revenues	43,377,661	33,823,650	32,113,189	(1,710,461)	32,996,959	883,770
Interest Income	1,617,886	4,460,000	1,109,000	(3,351,000)	1,133,000	24,000
Fund Balance	72,781,218	21,977,373	67,948,820	45,971,447	16,248,410	(51,700,410)
<b>Total Sources of Funds</b>	<b>665,097,382</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>

<b>USES OF FUNDS</b>						
Personnel	100,745,624	110,041,385	114,521,247	4,479,862	116,940,812	2,419,565
Non-Personnel Services	14,500,405	24,586,774	24,334,856	(251,918)	24,078,870	(255,986)
Materials & Supplies	15,479,381	15,990,958	17,753,742	1,762,784	17,768,676	14,934
Equipment	3,403,222	3,093,539	2,431,582	(661,957)	2,647,308	215,726
Overhead	52,628,411	59,841,046	63,140,408	3,299,362	64,047,698	907,290
Debt Service	306,911,012	307,721,129	335,100,663	27,379,534	339,924,129	4,823,466
Service of Other Departments	24,032,717	25,089,991	26,550,874	1,460,883	27,599,020	1,048,146
Programmatic Projects	27,258,632	32,018,540	33,863,389	1,844,849	33,266,186	(597,203)
Revenue-Funded Capital	54,574,726	55,657,679	45,965,926	(9,691,753)	48,856,658	2,890,732
<b>Total Uses of Funds</b>	<b>599,534,130</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>

<b>WASTEWATER</b>						
<b>SOURCES OF FUNDS</b>						
Sewer Service Charges	362,148,826	388,657,507	371,278,599	(17,378,908)	415,115,102	43,836,503
Federal Interest Subsidy	3,519,245	3,519,245	3,470,860	(48,385)	3,356,167	(114,693)
Other Non-Op Revenues	6,350,813	4,345,109	4,691,313	346,204	4,838,577	147,264
Interest Income	1,781,445	5,802,000	1,600,000	(4,202,000)	1,654,000	54,000
Fund Balance	40,874,799	9,619,006	25,072,667	15,453,661	6,715,777	(18,356,890)
<b>Total Sources of Funds</b>	<b>414,675,127</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>

<b>USES OF FUNDS</b>						
Personnel	72,013,875	82,129,751	87,160,554	5,030,803	88,584,816	1,424,262
Non-Personnel Services	28,863,285	26,546,190	26,885,114	338,924	27,577,617	692,503
Materials & Supplies	11,546,095	11,954,672	12,188,910	234,238	13,214,682	1,025,772
Equipment	1,710,354	3,184,042	2,159,478	(1,024,564)	2,038,175	(121,303)
Overhead	32,211,540	36,397,758	37,573,094	1,175,336	38,145,082	571,988
Debt Service	95,158,798	95,158,798	113,226,023	18,067,225	119,470,820	6,244,797
Service of Other Departments	38,049,363	37,722,114	35,700,349	(2,021,765)	41,213,880	5,513,531
Programmatic Projects	8,132,269	8,597,152	8,591,917	(5,235)	8,386,551	(205,366)
Revenue-Funded Capital	72,723,755	110,252,390	82,628,000	(27,624,390)	93,048,000	10,420,000
<b>Total Uses of Funds</b>	<b>360,409,334</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>

## Sources and Uses of Funds by Major Fund (continued)

\$	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>HETCH HETCHY WATER AND POWER</b>						
<b>SOURCES OF FUNDS</b>						
Sale of Water	46,023,000	46,023,000	52,178,705	6,155,705	51,859,348	(319,357)
Sale of Electricity	177,754,278	151,174,650	189,663,988	38,489,338	225,327,522	35,663,534
Sale of Natural Gas & Steam	16,858,327	12,936,052	15,911,149	2,975,097	17,997,808	2,086,659
Other Non-Op Revenues	10,097,569	7,140,613	6,806,724	(333,889)	7,223,046	416,322
Interest Income	1,398,243	4,805,000	1,034,000	(3,771,000)	1,105,000	71,000
Federal Interest Subsidy	439,352	458,908	417,136	(41,772)	389,403	(27,733)
Fund Balance	45,415,816	7,071,813	-	(7,071,813)	-	-
<b>Total Sources of Funds</b>	<b>297,986,585</b>	<b>229,610,036</b>	<b>266,011,702</b>	<b>36,401,666</b>	<b>303,902,127</b>	<b>37,890,425</b>
<b>USES OF FUNDS</b>						
Personnel	47,626,553	51,368,847	54,373,400	3,004,553	56,669,667	2,296,267
Non-Personnel Services	29,484,063	39,369,906	40,284,137	914,231	44,041,929	3,757,792
Purchase of Power	76,362,769	82,371,868	92,603,428	10,231,560	95,545,826	2,942,398
Materials & Supplies	3,163,747	3,498,442	3,548,442	50,000	3,551,842	3,400
Equipment	1,198,931	1,219,510	3,232,412	2,012,902	2,598,647	(633,765)
Overhead	19,715,926	21,794,394	24,117,058	2,322,664	24,360,342	243,284
Debt Service	3,940,606	3,940,606	3,959,626	19,020	3,813,501	(146,125)
Service of Other Departments	6,962,818	9,168,689	9,381,453	212,764	9,779,527	398,074
General Reserve		-	18,038,611	18,038,611	46,388,642	28,350,031
Programmatic Projects	13,651,982	14,456,774	14,208,135	(248,639)	14,305,204	97,069
Revenue-Funded Capital	48,606,160	2,421,000	2,265,000	(156,000)	2,847,000	582,000
<b>Total Uses of Funds</b>	<b>250,713,555</b>	<b>229,610,036</b>	<b>266,011,702</b>	<b>36,401,666</b>	<b>303,902,127</b>	<b>37,890,425</b>

*Sources and Uses of Funds by Major Fund (continued)*

\$	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>CLEANPOWERSF</b>						
<b>SOURCES OF FUNDS</b>						
Sale of Electricity-CCA	257,971,882	224,126,365	315,192,958	91,066,593	279,636,972	(35,555,986)
Interest Income	392,125	932,000	557,000	(375,000)	615,000	58,000
Fund Balance	13,430,303	2,876,852		(2,876,852)		
<b>Total Sources of Funds</b>	<b>271,794,310</b>	<b>227,935,217</b>	<b>315,749,958</b>	<b>87,814,741</b>	<b>280,251,972</b>	<b>(35,497,986)</b>
<b>USES OF FUNDS</b>						
Personnel	4,091,347	7,960,211	7,797,543	(162,668)	8,020,286	222,743
Non-Personnel Services	11,235,725	12,053,323	11,916,028	(137,295)	11,964,028	48,000
Purchase of Power	241,253,744	197,857,886	251,109,950	53,252,064	237,762,466	(13,347,484)
Materials & Supplies	8,643	229,358	183,000	(46,358)	229,358	46,358
Overhead	2,515,053	2,729,048	5,426,644	2,697,596	5,468,773	42,129
Service of Other Departments	3,334,568	3,657,562	4,089,128	431,566	4,182,401	93,273
General Reserve		-	33,491,619	33,491,619	10,286,660	(23,204,959)
Programmatic Projects	362,221	1,015,000	150,000	(865,000)	150,000	-
Revenue-Funded Capital	351,439	2,432,829	1,586,046	(846,783)	2,188,000	601,954
<b>Total Uses of Funds</b>	<b>263,152,740</b>	<b>227,935,217</b>	<b>315,749,958</b>	<b>87,814,741</b>	<b>280,251,972</b>	<b>(35,497,986)</b>

*Sources and Uses of Funds by Major Fund (continued)*

\$	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>BUREAUS, INCLUDING INFRASTRUCTURE</b>						
<b>USES OF FUNDS</b>						
Personnel	96,457,923	152,380,448	169,089,441	16,708,993	172,255,463	3,166,022
Non-Personnel	15,231,981	21,956,848	23,493,804	1,536,956	24,225,996	732,192
Materials & Supplies	1,969,016	3,412,269	2,915,257	(497,012)	2,878,423	(36,834)
Equipment	1,238,220	1,638,707	1,681,256	42,549	1,007,477	(673,779)
Service of Other Departments	23,358,938	24,842,243	29,363,050	4,520,807	28,951,312	(411,738)
Internal SFPUC Over-head Recovery	(136,222,114)	(203,669,377)	(225,846,670)	(22,177,293)	(228,622,533)	(2,775,863)
<b>Total Uses of Funds</b>	<b>2,033,964</b>	<b>561,138</b>	<b>696,138</b>	<b>135,000</b>	<b>696,138</b>	<b>-</b>
<b>SOURCES OF FUNDS</b>						
Non SFPUC Recoveries	215,022	561,138	696,138	135,000	696,138	-
<b>Total Sources of Funds</b>	<b>215,022</b>	<b>561,138</b>	<b>696,138</b>	<b>135,000</b>	<b>696,138</b>	<b>-</b>



**SFPUC Uses of Funds by Division and Section (continued on next page...)**

\$	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>WATER - USES OF FUNDS</b>					
Administration	86,193,676	89,188,421	2,994,745	91,048,269	1,859,848
Debt Service	46,545,948	48,237,921	1,691,973	49,023,017	785,096
City Distribution	21,463,949	22,151,196	687,247	22,768,370	617,174
Water Quality	60,749,602	64,750,263	4,000,661	65,448,251	697,988
Water Supply & Treatment	14,051,035	14,526,326	475,291	14,857,503	331,177
Natural Resources	9,639,483	9,878,582	239,099	9,936,974	58,392
Water Resources	307,721,129	335,100,663	27,379,534	339,924,129	4,823,466
Programmatic Projects	32,018,540	33,863,389	1,844,849	33,266,186	(597,203)
Revenue-Funded Capital	55,657,679	45,965,926	(9,691,753)	48,856,658	2,890,732
<b>Total Water</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>

<b>WASTEWATER - USES OF FUNDS</b>					
Administration, Planning & Regulation	61,887,234	63,219,244	1,332,010	64,754,362	1,535,118
Maintenance	37,380,940	38,931,809	1,550,869	41,226,448	2,294,639
Bayside Operations	49,894,719	50,232,881	338,162	55,534,930	5,302,049
Environmental Engineering	7,635,732	7,936,037	300,305	8,074,652	138,615
Collection System	35,585,057	35,402,232	(182,825)	35,056,551	(345,681)
Laboratory	5,550,845	5,945,296	394,451	6,127,309	182,013
Debt Service	95,158,798	113,226,023	18,067,225	119,470,820	6,244,797
Programmatic Projects	8,597,152	8,591,917	(5,235)	8,386,551	(205,366)
Revenue-Funded Capital	110,252,390	82,628,000	(27,624,390)	93,048,000	10,420,000
<b>Total Wastewater</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>



*SFPUC Uses of Funds by Division and Section (continued)*

\$	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>HETCH HETCHY WATER AND POWER - USES OF FUNDS</b>					
Light, Heat and Power	127,556,831	140,201,484	12,644,653	149,810,946	9,609,462
Water Operations	81,234,825	87,338,846	6,104,021	86,736,834	(602,012)
Debt Service	3,940,606	3,959,626	19,020	3,813,501	(146,125)
General Reserve	-	18,038,611	18,038,611	46,388,642	28,350,031
Programmatic Projects	14,456,774	14,208,135	(248,639)	14,305,204	97,069
Revenue-Funded Capital	2,421,000	2,265,000	(156,000)	2,847,000	582,000
<b>Total Hetch Hetchy Water and Power</b>	<b>229,610,036</b>	<b>266,011,702</b>	<b>36,401,666</b>	<b>303,902,127</b>	<b>37,890,425</b>
<b>CLEANPOWERSF - USES OF FUNDS</b>					
CleanPowerSF	224,487,388	280,522,293	56,034,905	267,627,312	(12,894,981)
General Reserve	-	33,491,619	33,491,619	10,286,660	(23,204,959)
Programmatic Projects	1,015,000	150,000	(865,000)	150,000	-
Revenue-Funded Capital	2,432,829	1,586,046	(846,783)	2,188,000	601,954
<b>Total CleanPowerSF</b>	<b>227,935,217</b>	<b>315,749,958</b>	<b>87,814,741</b>	<b>280,251,972</b>	<b>(35,497,986)</b>
<b>Total Bureaus</b>	<b>561,138</b>	<b>696,138</b>	<b>135,000</b>	<b>696,138</b>	<b>-</b>
<b>Total SFPUC</b>	<b>1,504,090,299</b>	<b>1,652,233,924</b>	<b>148,143,625</b>	<b>1,691,659,217</b>	<b>39,425,293</b>

## FY 2022-23 Sources and Uses of Funds by Division

\$	FY 2022-23 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
<b>SOURCE OF FUNDS</b>					
Sale of Water	541,201,874	-	52,178,705	-	<b>593,380,579</b>
Sewer Service Charges	-	371,278,599	-	-	<b>371,278,599</b>
Sale of Electricity	-	-	189,663,988	-	<b>189,663,988</b>
Sale of Electricity-CCA	-	-	-	315,192,958	<b>315,192,958</b>
Sale of Natural Gas & Steam	-	-	15,911,149	-	<b>15,911,149</b>
Fund Balance	67,948,820	25,072,667	-	-	<b>93,021,487</b>
Other Non-Op Revenues	32,113,189	4,691,313	6,806,724	-	<b>43,611,226</b>
Federal Interest Subsidy	21,289,804	3,470,860	417,136	-	<b>25,177,800</b>
Interest Income	1,109,000	1,600,000	1,034,000	557,000	<b>4,300,000</b>
<b>Total Sources of Funds</b>	<b>663,662,687</b>	<b>406,113,439</b>	<b>266,011,702</b>	<b>315,749,958</b>	<b>1,651,537,786</b>
<b>USE OF FUNDS</b>					
Personnel	114,521,247	87,160,554	54,373,400	7,797,543	<b>263,852,744</b>
Non-Personnel Services	24,334,856	26,885,114	40,284,137	11,916,028	<b>103,420,135</b>
Purchase of Power	-	-	92,603,428	251,109,950	<b>343,713,378</b>
Materials & Supplies	17,753,742	12,188,910	3,548,442	183,000	<b>33,674,094</b>
Equipment	2,431,582	2,159,478	3,232,412	-	<b>7,823,472</b>
Overhead	63,140,408	37,573,094	24,117,058	5,426,644	<b>130,257,204</b>
Debt Service	335,100,663	113,226,023	3,959,626	-	<b>452,286,312</b>
General Reserve	-	-	18,038,611	33,491,619	<b>51,530,230</b>
Service of Other Departments	26,550,874	35,700,349	9,381,453	4,089,128	<b>75,721,804</b>
Revenue-Funded Capital	45,965,926	82,628,000	2,265,000	1,586,046	<b>132,444,972</b>
Programmatic Projects	33,863,389	8,591,917	14,208,135	150,000	<b>56,813,441</b>
<b>Total Uses of Funds</b>	<b>663,662,687</b>	<b>406,113,439</b>	<b>266,011,702</b>	<b>315,749,958</b>	<b>1,651,537,786</b>

## FY 2023-24 Sources and Uses of Funds by Division

\$	FY 2023-24 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
<b>SOURCE OF FUNDS</b>					
Sale of Water	603,910,170	-	51,859,348	-	<b>655,769,518</b>
Sewer Service Charges	-	415,115,102	-	-	<b>415,115,102</b>
Sale of Electricity	-	-	225,327,522	-	<b>225,327,522</b>
Sale of Electricity-CCA	-	-	-	279,636,972	<b>279,636,972</b>
Sale of Natural Gas & Steam	-	-	17,997,808	-	<b>17,997,808</b>
Fund Balance	16,248,410	6,715,777	-	-	<b>22,964,187</b>
Other Non-Op Revenues	32,996,959	4,838,577	7,223,046	-	<b>45,058,582</b>
Federal Interest Subsidy	20,840,818	3,356,167	389,403	-	<b>24,586,388</b>
Interest Income	1,133,000	1,654,000	1,105,000	615,000	<b>4,507,000</b>
<b>Total Sources of Funds</b>	<b>675,129,357</b>	<b>431,679,623</b>	<b>303,902,127</b>	<b>280,251,972</b>	<b>1,690,963,079</b>
<b>USE OF FUNDS</b>					
Personnel	116,940,812	88,584,816	56,669,667	8,020,286	<b>270,215,581</b>
Overhead	64,047,698	38,145,082	24,360,342	5,468,773	<b>132,021,895</b>
Purchase of Power	-	-	95,545,826	237,762,466	<b>333,308,292</b>
Non-Personnel Services	24,078,870	27,577,617	44,041,929	11,964,028	<b>107,662,444</b>
Materials & Supplies	17,768,676	13,214,682	3,551,842	229,358	<b>34,764,558</b>
Equipment	2,647,308	2,038,175	2,598,647	-	<b>7,284,130</b>
Debt Service	339,924,129	119,470,820	3,813,501	-	<b>463,208,450</b>
General Reserve	-	-	46,388,642	10,286,660	<b>56,675,302</b>
Service of Other Departments	27,599,020	41,213,880	9,779,527	4,182,401	<b>82,774,828</b>
Revenue-Funded Capital	48,856,658	93,048,000	2,847,000	2,188,000	<b>146,939,658</b>
Programmatic Projects	33,266,186	8,386,551	14,305,204	150,000	<b>56,107,941</b>
<b>Total Uses of Funds</b>	<b>675,129,357</b>	<b>431,679,623</b>	<b>303,902,127</b>	<b>280,251,972</b>	<b>1,690,963,079</b>

## FY 2022-23 Beginning and Ending Available Fund Balance

\$ Millions	FY 2022-23				
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF
Beginning Available Fund Balance, July 1, 2022	582.8	244.7	158.4	128.3	51.3
<b>Total Sources of Funds</b>	<b>1,651.5</b>	663.7	406.1	266.0	315.7
<b>Total Uses of Funds</b>	<b>1,651.5</b>	663.7	406.1	266.0	315.7
Budgeted Use of Reserves	(93.0)	(67.9)	(25.1)	-	-
Budgeted Contribution to Reserves	51.5	-	-	18.0	33.5
<b>Ending Available Fund Balance, June 30, 2023</b>	<b>541.3</b>	176.8	133.3	146.4	84.8

## FY 2023-24 Beginning and Ending Available Fund Balance

\$ Millions	FY 2023-24				
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF
Beginning Available Fund Balance, July 1, 2023	541.3	176.8	133.3	146.4	84.8
<b>Total Sources of Funds</b>	<b>1,691.0</b>	675.1	431.7	303.9	280.3
<b>Total Uses of Funds</b>	<b>1,691.0</b>	675.1	431.7	303.9	280.3
Budgeted Use of Reserves	(23.0)	(16.2)	(6.7)	-	-
Budgeted Contribution to Reserves	56.7	-	-	46.4	10.3
<b>Ending Available Fund Balance, June 30, 2024</b>	<b>575.0</b>	160.5	126.6	192.8	95.1

## Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	1,645.00	1,643.25	(1.75)	1,659.59	16.34
Temporary Positions	62.90	75.14	12.24	76.19	1.05
<b>Subtotal Operating-Funded</b>	<b>1,707.90</b>	<b>1,718.39</b>	<b>10.49</b>	<b>1,735.78</b>	<b>17.39</b>
Project-Funded	365.21	395.20	29.99	406.24	11.04
Infrastructure Positions	377.00	375.00	(2.00)	375.00	-
Unfunded Positions (Attrition)	205.80	231.59	25.79	232.04	0.45
<b>Total SFPUC</b>	<b>2,655.91</b>	<b>2,720.18</b>	<b>64.27</b>	<b>2,749.06</b>	<b>28.88</b>



# Water Enterprise

## Mission

The SFPUC serves as the retail water supplier for the City of San Francisco and is responsible for water deliveries to residents and businesses within the City limits, as well as to a number of retail customers outside of the City limits. The SFPUC also sells water to 27 Wholesale Customer entities in San Mateo, Alameda and Santa Clara Counties.

The Water Enterprise operates the Hetch Hetchy Regional Water 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 entering the San Joaquin Pipelines, the Tesla Ultraviolet Treatment Facility, and the Coast Range Tunnel on its journey to the Bay Area.

*Continued on next page...*

## Water High Level Budget Summary

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	634,041,041	663,662,687	29,621,646	675,129,357	11,466,670
<b>Total FTE</b>	849.90	855.22	5.32	859.38	4.16

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 including: 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 distribution system in the City encompasses more than 1,250 miles of distribution pipelines, as well as 12 in-City reservoirs and eight water tanks with a total storage capacity of approximately 413 million gallons. Since June 2011, the Water Enterprise has operated the City's Emergency Firefighting Water System (EFWS, formerly known as the Auxiliary Water Supply System (AWSS)), an independent, high-pressure water supply system for fire suppression.

*SFPUC's Water enterprise is the third largest municipal utility in California. 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.*

Wholesale sales are made under the under the Water Supply Agreement (WSA) and related individual contractual agreements. Collectively, except for the Cordilleras Mutual Water Company, the Wholesale Customers are represented by BAWSCA, which is a public agency, separate and apart from the 27 Wholesale Customers.

The majority of the drinking water 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 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.

The San Francisco Public Utilities Commission operates the facilities of its Water Enterprise to optimize the reliability and quality of its water deliveries. The SFPUC is making significant Water Enterprise infrastructure capital investments, designed to maximize the Water Enterprise's ability to deliver water sufficient to meet the needs of its customers following the occurrence of a major seismic event or during an extended period of drought.

## Services and Divisions

The Water Enterprise of the San Francisco Public Utilities Commission is responsible for the distribution and sale of high-quality water to customers in San Francisco and the surrounding Bay Area. The Enterprise operates and maintains the Hetch Hetchy Regional Water 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 Water Enterprise is comprised of the following six divisions:

### **Water Administration**

The Administrative Division provides direction and administrative support to the Water Enterprise. The budget funds Enterprise-wide expenses including debt service, travel/training, memberships, and administrative services from other City departments.

### **City Distribution Division**

The City Distribution Division (CDD) distributes high quality treated water to San Francisco customers. On average, approximately 68-70 million gallons per day are delivered to nearly 875,000 people in San Francisco. CDD maintains and operates four separate water systems within the City: the potable system which consists of 11 reservoirs, 24 pumping stations, 1,272 miles of mains, 44,190 valves/appurtenances and 8,500 fire hydrants; the Emergency Firefighting Water System (EFWS) which consists of three reservoirs, two pumping station, 183 miles of main, 232 cisterns and 1,685 high pressure fire hydrants; The groundwater system which consists of four wells/pumping stations and four miles of mains; and the recycled water system which consists of two reservoirs, two pumping stations and eight miles of mains.

### **Water Quality Division**

The Water Quality Division’s (WQD) mission is to ensure that the SFPUC complies with all current and future water quality regulations and customer expectations through: sample collection; field and laboratory analyses; process engineering; applied research; inspections; quality control/assurance programs; regulatory liaison and reporting; and on-site support to source/treatment/distribution operations. In addition, the WQD’s mission

includes analysis of discharges (into the sewer system, Bay and Ocean) for the Wastewater Enterprise, and treatment performance samples, assessing environmental impacts, recommending/overseeing any necessary mitigation, and responding to and resolving customer inquiries about the quality of drinking and receiving waters.

### **Facilities Maintained by the Water Enterprise**

	Regional Water System	In-City Distribution System
<b>Pipelines</b>	389 miles	1467 miles
<b>Tunnels</b>	74 miles	none
<b>Pump Stations</b>	5	32
<b>Reservoirs</b>	11	16
<b>Treatment Plants</b>	3	none

### **Water Supply and Treatment Division**

The Water Supply & Treatment (WST) Division is one of the three largest operating divisions in the Water Enterprise and a key part of the third largest municipal utility in California, serving 2.7 million residential, commercial, and industrial customers in the Bay Area. WST is responsible for managing the storage, transmission, and treatment of potable water to San Franciscans and 27 water agencies in three Bay Area counties – San Mateo, Santa Clara and Alameda. WST manages a complex water supply system stretching from the Tesla Treatment Facility in San Joaquin County to the San Francisco Bay Area, featuring a series of reservoirs, tunnels, pipelines, and treatment systems. Two unique stand-out features of the system include the purest drinking water in the world and most of the delivery system is gravity fed, requiring almost no fossil fuel consumption to move water from the mountains to the tap.

## Natural Resources Division

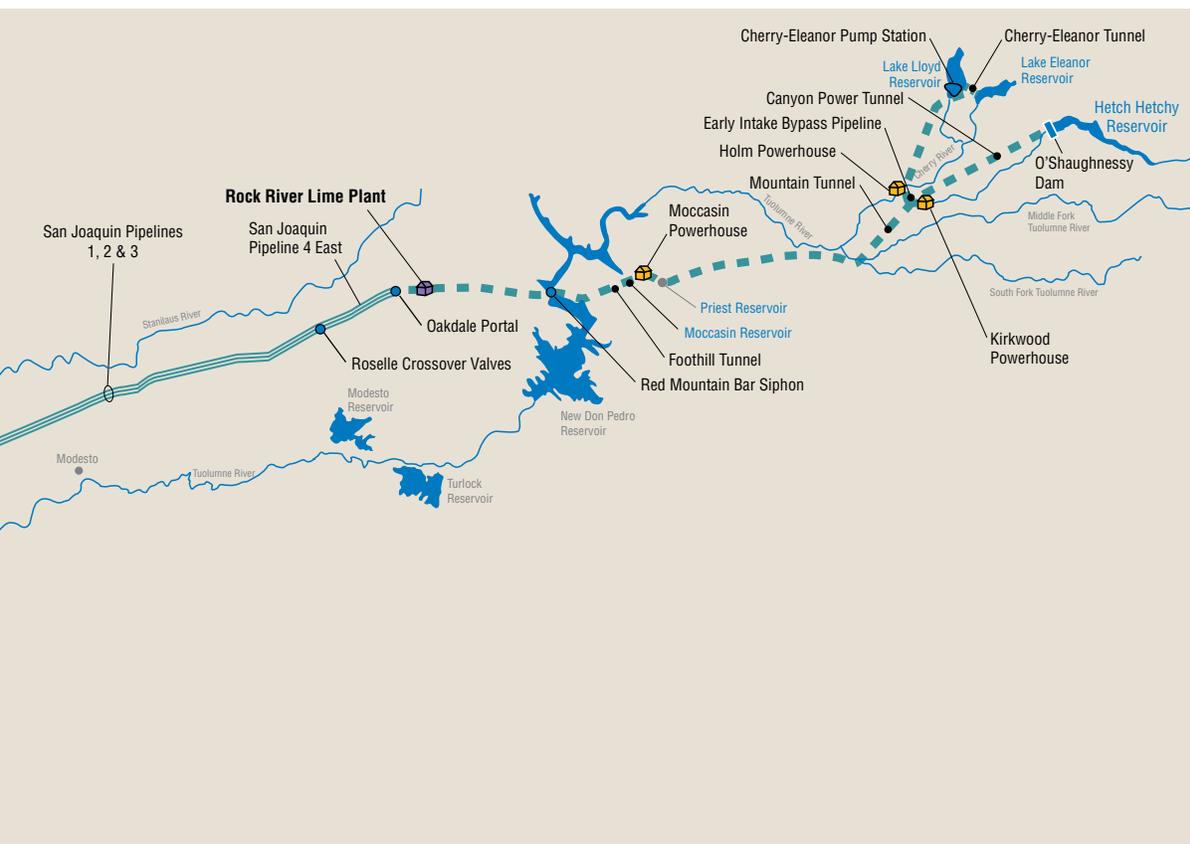
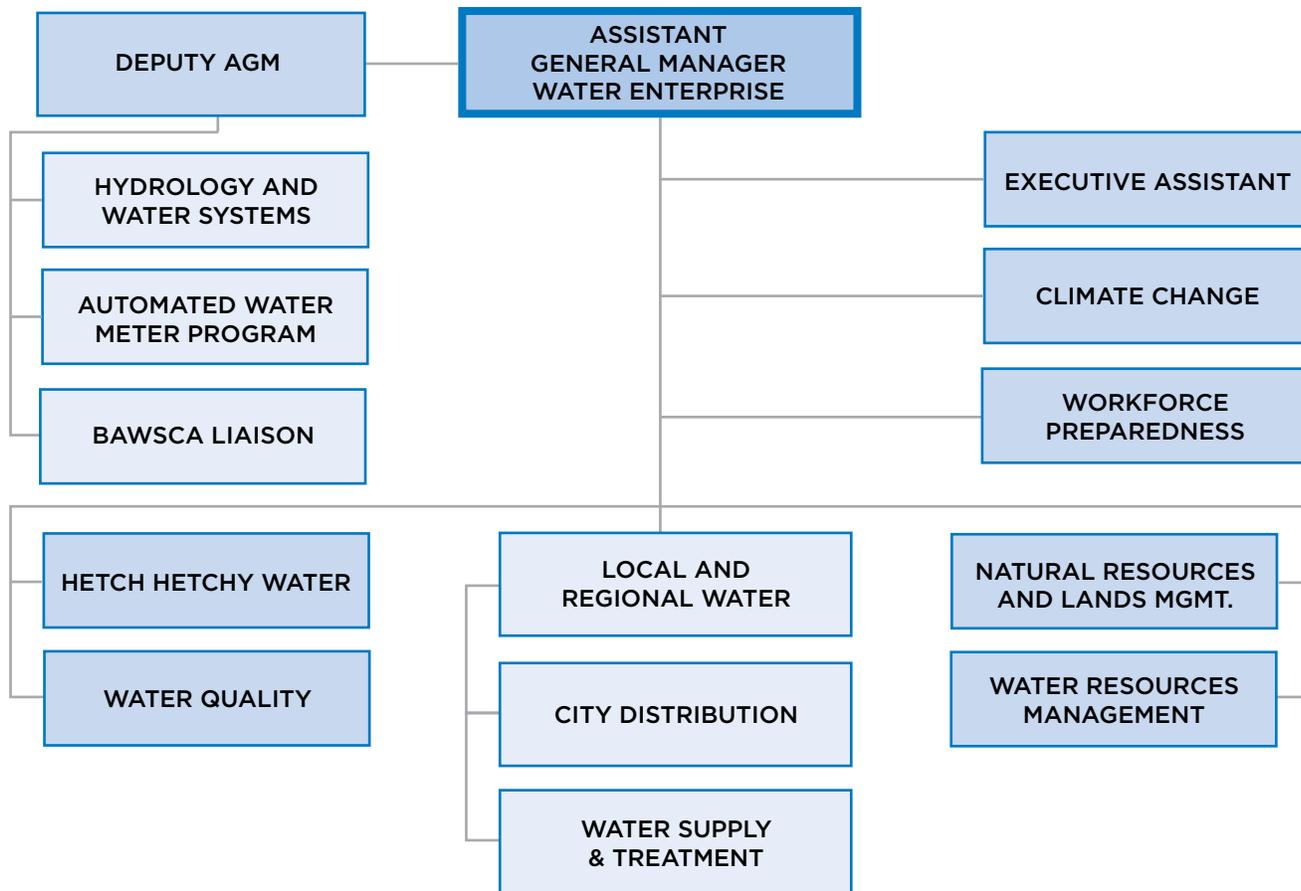
The Natural Resources Division is responsible for federal and state environmental compliance for the Hetch Hetchy Regional Water System and approximately 60,000 acres of watershed lands and 210-miles of Right of way in the Bay Area. The Natural Resources Division is also responsible for biological monitoring of the significant ecological resources in the Tuolumne River, Alameda Creek, San Mateo Creek, and Pilarcitos Creek watersheds, and management of the Bay Area watershed and Right of Way lands, including annual fire risk reduction activities, daily patrols, and operations and maintenance of the roads, gates, fences, and mitigation sites.

## Water Resources Division

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



# Water Enterprise Organization Chart



## Goals and Objectives

As noted in the Financial Planning and Policies section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities.

### The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

As part of the strategic plan goals, each Enterprise is responsible for meeting specific objectives and performance targets. Each year progress on those performance measures are reported to the Controller and Mayor. Reported performance for FY 2021-22 for the Water Enterprise and agency-wide goals are as follows:

Goal Area	Performance Measure	Target	FY 2021-22 Actuals
Reliable Service and Assets	Number of unplanned water system outage events lasting for more than 4 hours in duration and affecting more than 0.1% of service connections.	Less than or equal to 0.1	0
Reliable Service and Assets	System renewal and replacement rates for In-City water distribution mains	Greater than or equal to 15 miles/year.	4.2
Effective Workforce	Number of Promotions	168	229
Effective Workforce	Time to Hire	233 average days to hire	289
Financial Sustainability	Average residential Water bill as a percent of median income in San Francisco	.70%	0.69%
Financial Sustainability	Operating cost coverage (total operational revenues/total operating costs) for Water	1.91	1.91
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	4,600	2,533
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP).	Greater than or equal to 4.84%	9.93%
Environmental Stewardship	Average water used by San Francisco residential customers (Gallons Per Capita Day - gpcd)	Less than or equal to 50 gpcd	43.1
Environmental Stewardship	Percent of water supplied by alternative sources to system as a whole	Greater than or equal to 3.4%	3.6%

## Water Sources and Uses of Funds

	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>SOURCES OF FUNDS</b>						
Sale of Water	571,560,702	598,020,102	590,837,874	(7,182,228)	653,152,170	62,314,296
Less Water Costs to Hetchy	(45,815,000)	(45,815,000)	(49,636,000)	(3,821,000)	(49,242,000)	394,000
Federal Interest Subsidy	21,574,916	21,574,916	21,289,804	(285,112)	20,840,818	(448,986)
Other Non-Op Revenues	43,377,661	33,823,650	32,113,189	(1,710,461)	32,996,959	883,770
Interest Income	1,617,886	4,460,000	1,109,000	(3,351,000)	1,133,000	24,000
Fund Balance	72,781,218	21,977,373	67,948,820	45,971,447	16,248,410	(51,700,410)
<b>Total Uses of Funds</b>	<b>665,097,382</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>
<b>USES OF FUNDS</b>						
Personnel	100,745,624	110,041,385	114,521,247	4,479,862	116,940,812	2,419,565
Non-Personnel Services	14,647,756	24,586,774	24,334,856	(251,918)	24,078,870	(255,986)
Materials & Supplies	15,479,381	15,990,958	17,753,742	1,762,784	17,768,676	14,934
Equipment	3,403,222	3,093,539	2,431,582	(661,957)	2,647,308	215,726
Overhead	52,628,411	59,841,046	63,140,408	3,299,362	64,047,698	907,290
Debt Service	306,911,012	307,721,129	335,100,663	27,379,534	339,924,129	4,823,466
Service of Other Departs	24,032,717	25,089,991	26,550,874	1,460,883	27,599,020	1,048,146
Programmatic Projects	27,258,632	32,018,540	33,863,389	1,844,849	33,266,186	(597,203)
Revenue-Funded Capital	54,574,726	55,657,679	45,965,926	(9,691,753)	48,856,658	2,890,732
<b>Total Uses of Funds</b>	<b>599,681,481</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>

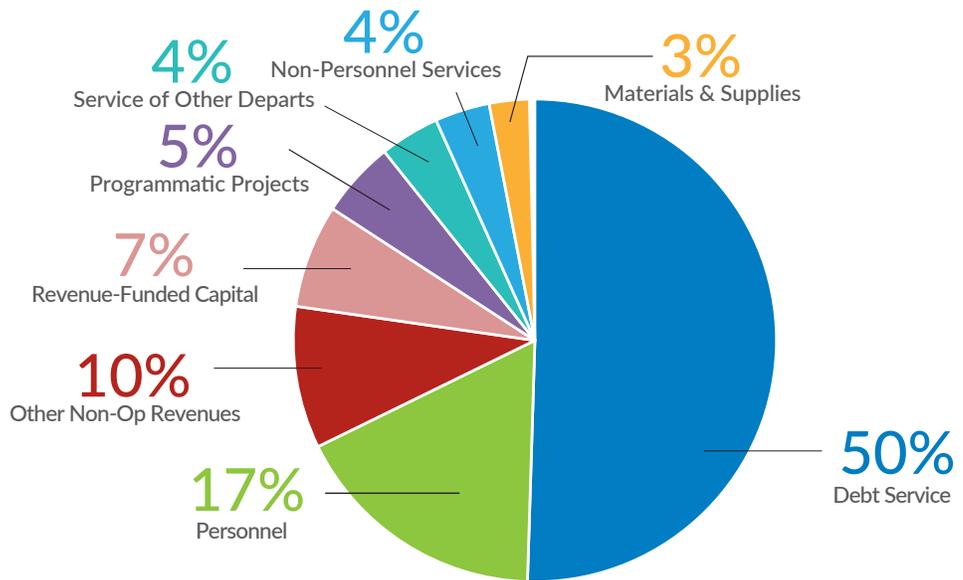
## Water Uses of Funds by Section

	FY 2020-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>USES OF FUNDS</b>					
Administration	86,193,676	89,188,421	2,994,745	91,048,269	1,859,848
City Distribution	46,545,948	48,237,921	1,691,973	49,023,017	785,096
Water Quality	21,463,949	22,151,196	687,247	22,768,370	617,174
Water Supply & Treatment	60,749,602	64,750,263	4,000,661	65,448,251	697,988
Natural Resources	14,051,035	14,526,326	475,291	14,857,503	331,177
Debt Service	9,639,483	9,878,582	239,099	9,936,974	58,392
Water Resources	307,721,129	335,100,663	27,379,534	339,924,129	4,823,466
Programmatic Projects	32,018,540	33,863,389	1,844,849	33,266,186	(597,203)
Revenue-Funded Capital	55,657,679	45,965,926	(9,691,753)	48,856,658	2,890,732
<b>Total Water</b>	<b>634,041,041</b>	<b>663,662,687</b>	<b>29,621,646</b>	<b>675,129,357</b>	<b>11,466,670</b>

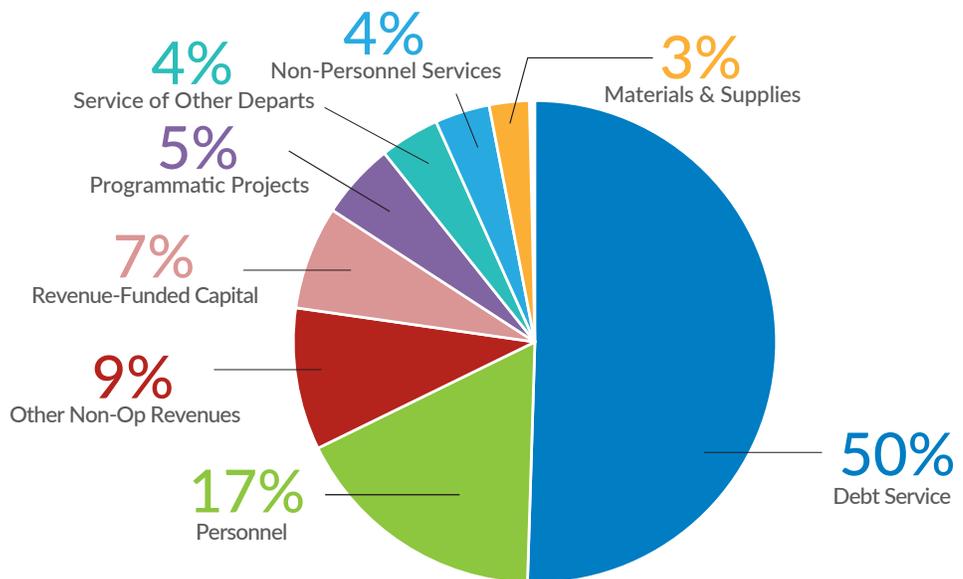
## Water Revenues

In FY 2022-23 Water Enterprise budgeted revenues are \$663.7 million, a 4.7 percent increase from FY 2021-22, and budgeted revenues are \$675.1 million in FY 2023-24, a 1.7 percent increase over FY 2022-23. This growth is due to volumetric sales changes and rate increases. The charts below show the Water Enterprise's total revenue budgets broken out amongst major revenue categories in FY 2022-23 and FY 2023-24.

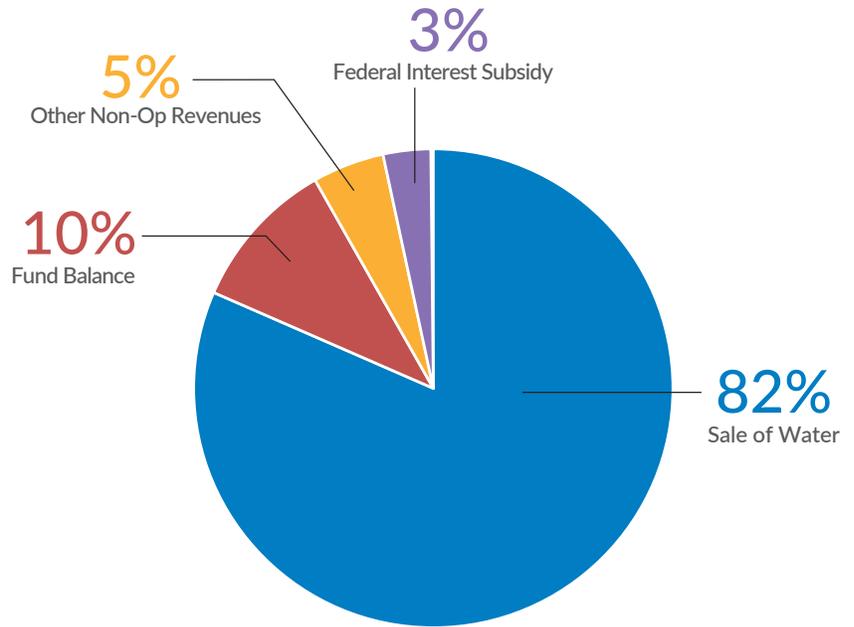
**CHART 8.1** >  
Water FY 2022-23  
Uses.



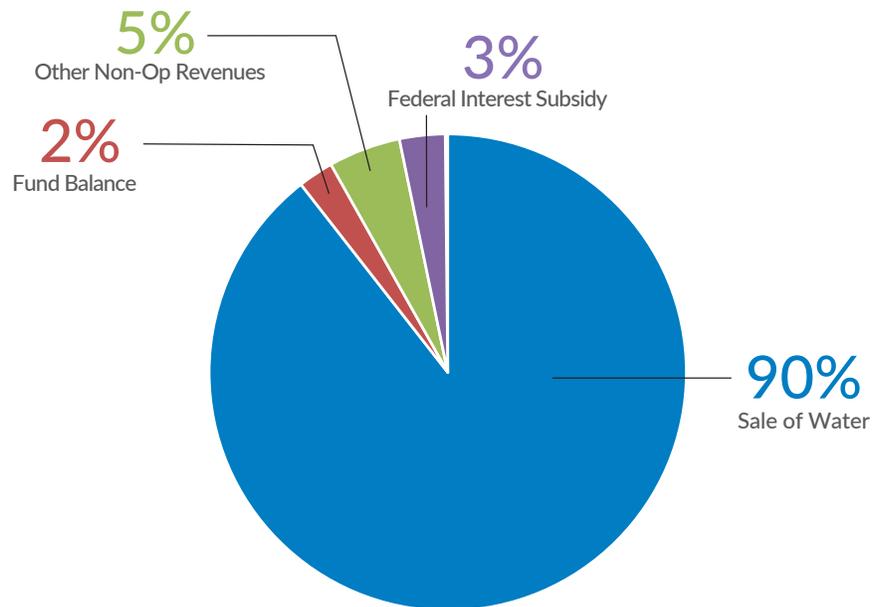
**CHART 8.2** >  
Water FY 2023-24  
Uses.



**CHART 8.3** >  
**Water FY 2022-23**  
**Sources.**



**CHART 8.4** >  
**Water FY 2023-24**  
**Sources.**



## ***Water and Wastewater Cost of Service Study***

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for water and wastewater was completed in 2018 and was the basis for four years of retail water and wastewater rates that were adopted by the Commission for FY 2018-19 through FY 2021-22. The projected rate adjustments after FY 2021-22 are based on the SFPUC's ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC's ongoing financial obligations. Due to the impacts of the COVID-19 pandemic on local rate payers, SFPUC did not implement any retail water and wastewater rate increases in FY 2022-23. SFPUC is currently initiating a new retail cost of service rate study to evaluate any needed adjustments to the rate structure and the projected five-year schedule of rate adjustments.

## ***How Forecasts Were Developed***

The SFPUC ensures that it conforms with key assumptions that reflect current Mayor and Commission policies, goals, and objectives. For FY 2022-23 and FY 2023-24, forecasting assumptions reflect drought conditions and calls for water conservation, as well as volumetric sales recoveries from the impact of the COVID-19 pandemic and its effects on the overall economy.

## ***Drought Assumptions***

In November 2021, the Mayor of San Francisco announced a water shortage emergency in accordance with recommendations from the SFPUC. As a response to this emergency declaration, on November 23, 2021, the SFPUC called for a 10 percent voluntary water reduction across its service territory, effective immediately. In order to maintain sufficient funding to deliver utility services, the SFPUC responded by instituting a drought surcharge for retail water and wastewater customers of up to 5 percent on their bills as incorporated into current rate schedules. The drought surcharge was effective starting April 1, 2022 and will end when the SFPUC rescinds the water shortage emergency declaration. For financial forecasting purposes, the SFPUC projects this declaration will last through the end of FY 2023-24.

Over the next two years, the drought declaration is expected to have significant impact on water and wastewater sales volumes. In order to achieve the 10 percent reduction to water volumetric sales, the SFPUC projects a 5 percent sales volume decrease among retail customers, a 10 percent decrease among retail irrigation customers, and a 13.7 percent decrease among wholesale customers will be necessary through the end of FY 2023-24 to meet Agency wide water conservation targets. Along with this, the SFPUC assumed a two year recovery until FY 2025-26, after which sales volumes will return to pre-pandemic levels.

## ***Economic Recovery Assumptions***

The impact the SFPUC continues to see on commercial sales revenues as residents stay home and businesses remain closed in response to the surge of new variants is significant. General economic recovery is forecasted in utility sales volumes gradually returning to pre-pandemic volumetric averages for residential and commercial customer classes in FY 2023-24.

When compared to pre-pandemic averages (March 2018-June 2019), retail water usage during the COVID-19 shelter-in-place orders (March 2020-June 2021) for commercial customers was down 35 percent, municipal customers' usage decreased by 26 percent, and residential customers had 3 percent higher water usage. These observed volumetric trends were the basis for forecasting sales volumes in addition to city-wide projections for economic recovery post-pandemic.

## ***Water Sales***

In the Water Enterprise, the majority of revenues are comprised of utility sales, making up 89.0 percent of total revenues in FY 2022-23 and 96.7 percent of total revenues in FY 2023-24. The water utility sales revenues can be broken up between retail sales and wholesale sales. Retail water sales revenues, a derivative of volumetric water sales to retail customers, make up 44.3 percent of overall Enterprise budgeted revenues in FY 2022-23.

Wholesale sales revenues are derived from the Enterprise's 27 wholesale water customers. These wholesale revenues make up 40.1 percent of overall Enterprise budgeted revenues in FY 2022-23. A portion of these revenues are guaranteed revenues provided by four wholesale water customers that have contractual minimum purchase requirements,

where, regardless of the actual amount of water used by these customers, there is a guaranteed minimum financial obligation that they must meet annually. This provides a minimum guaranteed revenue stream amongst wholesale customer water sales, despite fluctuation in volumetric consumption. However, in FY 2021-22, the Mayor of San Francisco announced a water shortage emergency in accordance with recommendations from the SFPUC. As a response to this emergency declaration, the SFPUC called for a 10 percent voluntary water reduction across its service territory, effective immediately. In accordance with the Wholesale Supply Agreement (WSA), Section 3.07(C), the minimum purchase requirement for these four wholesale water customers is waived during a drought or other period of water shortage if the water San Francisco makes available to these Wholesale Customers is less than its minimum purchase quantity. For financial forecasting purposes, the SFPUC projects this declaration will last through the end of FY 2023-24.

The main drivers of Water Enterprise revenue budget increases are from utility sales revenue growth and an increase in the budgeted use of fund balance as a revenue source. There is no retail rate increase in FY 2022-23, while average projected annual rate changes increase to 2.3 percent for subsequent years, reflecting regular escalation of ongoing operating and maintenance costs and continued investments in capital infrastructure. Wholesale water rates are set on an annual basis and are adopted by the Commission. The annual rate setting process for wholesale water customers is established by contract under the long-term WSA with wholesale customers. Wholesale water rates increased 15.9 percent in FY 2022-23, in order to meet the estimated FY 2022-23 Regional operating and capital costs that are consistent with the financial reserve needs and requirements, as well as obtaining funds for capital projects necessary to maintain service within the water service area.

### ***Federal Interest Subsidy***

The Enterprise is budgeted to receive \$21.3 million in federal interest rate subsidy in FY 2022-23, or 3.2 percent of Enterprise revenues in the same year. The Enterprise's FY 2023-24 budget for federal interest rate subsidy is \$20.8 million, or 3.1 percent of total revenues in the same year. The revenues are a federally provided interest rate subsidy provided to cover a portion of the interest

rates paid on Water Enterprise Build America Bonds (BABs). The revenues budgeted are based upon the debt service to be paid on BABs and the expected rate of interest rate subsidy received.

### ***Other Non-Operating Revenues***

Included in the Water Enterprise's total FY 2022-23 revenues are \$32.1 million in other non-operating revenues, or 4.8 percent of budget. And in FY 2023-24 total non-operating revenues are \$33.0 million or 4.9 percent of total Water Enterprise budgeted revenues. Included in other non-operating revenues are property rentals and water service installation charges. The other non-operating revenue budgets were developed using historical actual performance multiplied by an inflationary growth assumption.

### ***Interest Earnings***

Interest earnings are budgeted at \$1.1 million, or 0.2 percent of total revenues for both FY 2022-23 and FY 2023-24. Interest earnings are budgeted assuming a 0.5 percent interest rate earned on unaudited and projected cash balances at the time of budget development.

### ***Budgeted Fund Balance***

Fund Balance is used in the event that revenues are not sufficient to meet total expenses and is in line with the SFPUC's Fund Balance Policy. In FY 2022-23 use of Fund Balance as a source totals \$67.9 million or 10.2 percent of total sources. In FY 2023-24, use of fund balance decreases to \$16.2 million or 2.4 percent of sources.

### ***Change in Fund Balance***

FY 2021-22 year-end fund balance is \$258.4 million. Taking into account budgeted use of fund balance in FY 2021-22 of \$67.9 million, FY 2022-23 ending fund balance is projected to be \$190.5 million. FY 2023-24 ending fund balance is projected to be \$174.2 million after taking into account budgeted use of fund balance of \$16.2 million.

# Expenditures

## Summary

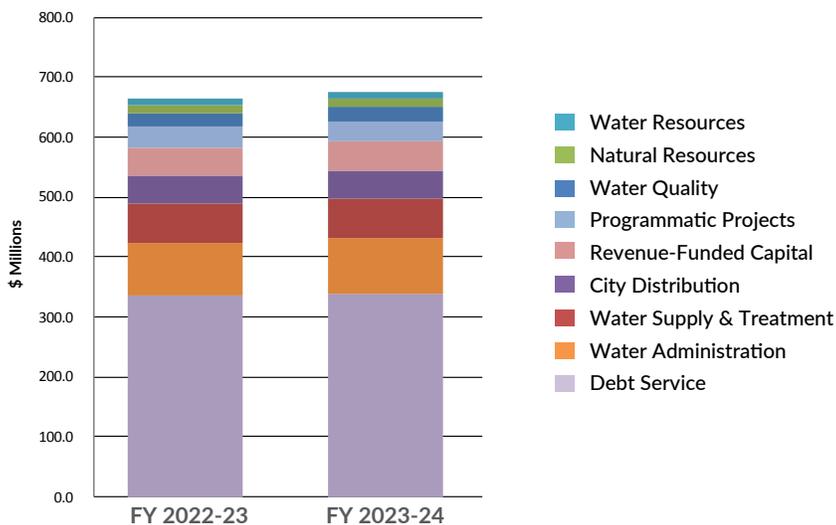
The Water Enterprise’s annual operating budget includes debt service on revenue bonds used to finance capital improvements, operation and maintenance costs, and repair and replacement costs funded from current revenues. Operation and maintenance expenses include personnel costs, material and supplies, power and energy, and services of the other City Departments including SFPUC Bureaus. The annual operating budget for the Water Enterprise is \$663.7 million in FY 2022-23 and \$675.1 million in FY 2023-24. The budget has increased by \$29.6 million (4.7 percent) in FY 2022-23 and \$11.5 million (1.7 percent) in FY 2023-24. The net increase from FY 2022-23 through FY 2023-24 is mainly due to debt service and personnel costs offset by decreases in revenue funded capital.

## Debt Service

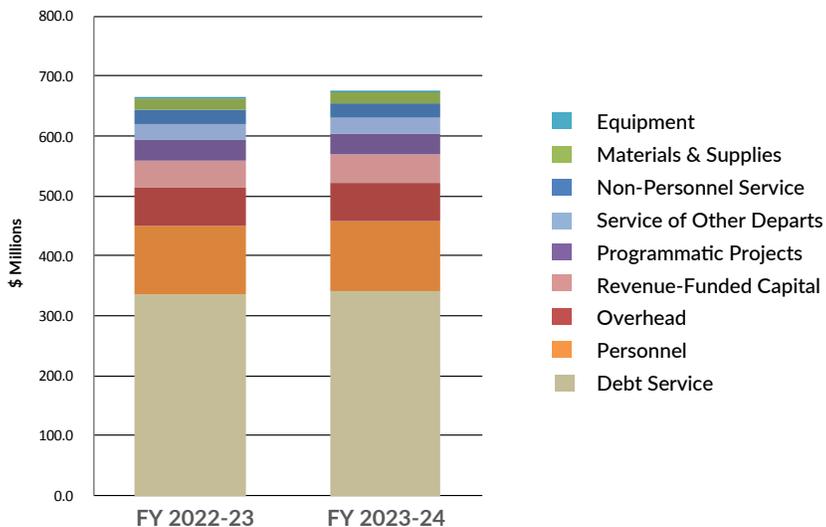
Debt Service is based on the principal and interest scheduled payments on revenue bonds to finance the Water System Improvement Program (WSIP) and other Water Enterprise capital programs, as well as the lease payment of the SFPUC’s headquarters (partially offset by Infrastructure’s expense recovery).

The FY 2022-23 Debt Service is budgeted at \$335.1 million and reflects an increase of approximately \$27.4 million (8.9 percent). The increase is primarily due to debt service savings from the issuance of the 2020 Water Revenue Bonds, Series EFGH, Taxable advance refunding offset by increased principal amortization on the Series 2010E, 2016A, 2016B, 2017A, 2017B, and 2017G, and interest expense for Series 2020ABCD, revenue bonds.

**CHART 8.5** >  
**Water Enterprise**  
**Total Uses of Funds**  
**by Division.**



**CHART 8.6** >  
**Water**  
**Enterprise Total**  
**Uses.**



The FY 2023-24 Debt Service is budgeted at \$339.9 million and reflects an increase of approximately \$4.8 million (1.4 percent). The increase is primarily due to principal amortization on the Series 2015A and 2020EFGH Water Revenue Bonds offset by decreased principal payments on the Series 2016A .

Actual annual debt service has increased approximately 8.7 percent per year on average from FY 2015-16 to FY 2019-20 and is currently expected to increase by an average of 5.3 percent per year from FY 2022-23 through FY 2026-27, primarily due to issuance of additional revenue bonds to fund capital improvement projects. These increases may be offset by debt service decreases from future refunding opportunities and lower than projected new debt service subject to favorable market conditions.

### ***Personnel***

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The budget has increased by \$4.5 million (4.1 percent) to \$114.5 million in FY 2022-23 and increased by \$2.4 million (2.1 percent) to \$116.9 million in FY 2023-24. Adjustments to attrition savings were made to reflect slower hiring and long-term vacant positions were eliminated. These reductions were offset by the addition of new operating and project funded staff for regulatory requirements, laboratory support and facilities management in the watersheds, as well as cost of living adjustments required under various labor agreements, retirement and health benefit costs.

The FY 2023-24 increase is driven by the addition of new operating and project funded staff for regulatory requirements, laboratory support and facilities management in the Regional Water System, as well as cost of living adjustments required by various labor agreements, retirement and health benefit costs.

### ***Authorized and Funded Full-Time Equivalents (FTEs)***

The Water Enterprise's total authorized and funded full-time equivalents (FTEs) in FY 2022-23 is 767.54, an increase of 2.81. The increase represents the addition new operating and project funded staff for regulatory requirements, laboratory support and facilities management in the watersheds, offset by the enterprise's effort to eliminate long-term vacant positions.

The Water Enterprise's total authorized and funded full-time equivalents (FTEs) in FY 2023-24 is 772.04, an increase of 4.50. The increase is driven by the addition new operating and project funded staff for regulatory requirements, laboratory support and facilities management in the watersheds.

### ***Overhead***

The Overhead budget funds the Water Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2022-23 Overhead budget is \$63.1 million, an increase of \$3.3 million (5.5 percent) and the FY 2023-24 Overhead budget is \$64.0 million, an increase of \$0.9 million (1.4 percent). The overhead rate is based on SFPUC's 2018 Indirect Cost Study and the increase reflects adjustments to the SFPUC Bureaus FY 2022-23 and FY 2023-24 budget.

### ***Services of Other Departments***

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the Water Enterprise. These services include City-wide ITS, City Attorney services, sewer and street cleaning, facilities maintenance, and fleet maintenance among others. The FY 2022-23 budget is \$26.5 million, an increase of \$1.5 million (5.8 percent) and the FY 2023-24 budget is \$27.6 million, an increase of \$1.0 million (3.9 percent). The increase is mainly driven by the cost of power utilities provided by the Hetch Hetchy Power Enterprise.

### ***Revenue-Funded Capital***

Revenue-funded capital expenditures may include minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements. The FY 2022-23 Revenue-Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$46.0 million, a reduction of \$9.7 million (-17.4 percent), and the Revenue-Funded Capital FY 2023-24 budget is \$48.9 million, an increase of \$2.9 million (6.3 percent). The net decrease represents a shift of funding from revenues to debt.

## Programmatic Projects

Programmatic Projects are annually appropriated projects that are revenue funded in support of routine maintenance, most of which were initiated in support of the capital program. These projects include monitoring, mitigation, watershed protection, community benefits, and the Water Enterprise’s share of the lease payment and operation of the SFPUC headquarters at 525 Golden Gate Avenue. The FY 2022-23 Programmatic Project budget is \$33.9 million, an increase of \$1.8 million (5.8 percent) and the FY 2023-24 budget is \$33.3 million, a decrease of \$0.6 million (1.8 percent). The FY 2022-23 increase supports facilities improvements needed at 525 Golden Gate, support for the Emergency Firefighting Water System (EFWS), watersheds structures and the Personnel Safety Program.

The FY 2023-24 decrease reflects reductions to the Long-term Monitoring Program and a one-time spending reduction for the Personnel Safety Program.

## Non-Personnel Services

The Non-Personnel Services budget for the Enterprise includes maintenance for equipment and facilities, travel & training, memberships, utilities, professional services, and rent among others. The FY 2022-23 Non-Personnel Services budget is \$24.3 million, a decrease of \$0.3 million (-1.0 percent) and the FY 2023-24 budget is \$24.1 million, a decrease of \$0.3 million (-1.1 percent). The net decrease reflects a minimal reallocation of resources.

## Material and Supplies

This budget funds Materials & Supplies for equipment maintenance, water treatment chemicals, office and safety supplies, fuel and software licenses. The FY 2022-23 and FY 2023-24 Materials and Supplies budgets are \$17.8 million, an increase of \$1.8 million (1.1 percent) from FY 2021-22. The net increase reflects the projected costs of chemicals for the treatment of water due to supply chain demands and the costs of raw materials.

## Equipment

This budget funds equipment required to support the Enterprise’s operations. The FY 2022-23 Equipment budget is \$2.4 million, a decrease of \$0.7 million (-21.4 percent) and the FY 2023-24 budget is \$2.6 million, an increase of \$0.2 million (8.9 percent). The decrease in FY 2022-23 represents one-time equipment funding from the previous fiscal year. The increase in FY 2023-24 represents the Enterprises effort to modernize its fleet of heavy-duty maintenance vehicles as well as the replacement of outdated laboratory equipment.

## Water Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	563.80	559.41	(4.39)	562.53	3.13
Temporary Positions	11.69	13.77	2.08	13.72	(0.05)
<b>Subtotal Operating-Funded</b>	<b>575.49</b>	<b>573.17</b>	<b>(2.32)</b>	<b>576.25</b>	<b>3.08</b>
Project-Funded	189.24	194.37	5.13	195.79	1.42
Unfunded Positions (Attrition)	85.17	87.67	2.50	87.34	(0.34)
<b>Total Water</b>	<b>849.90</b>	<b>855.22</b>	<b>5.32</b>	<b>859.38</b>	<b>4.16</b>

## **New Initiatives**

**Chemical Costs** - This initiative supports the additional costs (\$2 million) projected to procure water treatment chemicals. Chemicals needed include but are not limited to sodium hypochlorite, aluminum sulfate, aqua ammonia, hydrofluorosilicic acid, liquid oxygen, polymers, sodium bisulfite, ferric chloride, calcium thiosulfate, carbon dioxide, and sodium hydroxide. Due to supply chain delays and the unanticipated costs associated with raw materials (in the production of chemicals), cost are projected to increase by as much as eighty percent.

**Facilities Management** - This initiative supports the management of watershed cottages under the Natural Resources and Land Management Division. Four positions will be added to support the resources needed to maintain the Watershed Cottages throughout the San Francisco Peninsula and Alameda Watersheds. In addition, construction of the Alameda Creek Watershed Center is underway and will also be supported by this initiative when completed.

**Regulatory Requirements and Laboratory Support** - The California State Water Resource Control Board's Environmental Laboratory Accreditation Program has developed and adopted regulations requiring all California environmental testing laboratories comply with The National Environmental Laboratory Accreditation Counsel Institute (TNI) standards. The TNI standard is a nationally recognized and used to evaluate laboratory procedures. The TNI standard includes a quality management system that documents processes and procedures and requires annual internal audits of analytical methods performed by the laboratory. This initiative adds two staff members to support the regulatory requirements for SFPUC's five laboratories.

Federal and state environmental regulatory permits for the completed Calaveras Dam Project include requirements for long-term fisheries monitoring and mitigation. This initiative includes one staff biologist to participate in the ongoing fisheries monitoring effort as required under the terms and conditions of environmental permits within the Southern Alameda Creek watershed.

Moccasin Laboratory operates year-round and is certified by the California State Water Resource Control Board's Environmental Laboratory Accreditation Program. It performs microbiological and chemistry analyses to support Hetch Hetchy operations. Moccasin Lab provides client services for Hetch Hetchy to receive samples, coordinate off-site analyses and respond to special sampling requests for projects and unusual events. This initiative has added one staff member to support the Moccasin Laboratory

The East Bay Operations workgroup under the Water Quality Division is responsible for providing process engineering and laboratory support for the operation of the Sunol Valley Water Treatment Plant and other facilities in the east bay region. This workgroup maintains a satellite office, two water quality laboratories, and a mobile pilot plant for treatment testing and research. The workgroup provides UV maintenance at the Tesla Treatment Facility and Thomas Shaft, taste and odor monitoring, and algae monitoring. This initiative has added one staff member to support of the East Bay Operations work group.

## Water Enterprise Capital Budget

In addition to the operating budget, the Water enterprise also prepares a Capital budget and Ten-Year Capital Plan.

In FY 2022-23, the Water Enterprise's capital budget is \$111.2 million, of which \$63.2 million or 57.0 percent is funded by debt and \$48.0 million or 43.0 percent is revenue funded. Debt funding includes local and regional bonds. The majority of the revenue funding is from local and regional water sales revenues.

The Water Enterprises annual programmatic project budget, which is funded in the operating budget but forms part of the capital program, is \$32.8 million in FY 2022-23 and \$32.5 million in FY 2023-24 with the majority revenue funded and the balance coming from Federal bond interest subsidies and recovery capital.

### Overview

The Water Enterprise of the San Francisco Public Utilities Commission is responsible for the distribution of high quality water to San Francisco and Bay Area Customers. The Water Distribution System consists of three Regional Water Systems: the Hetch Hetchy System; the Regional Water System (East Bay), Regional Water System (Peninsula/West Bay) and the Local Water distribution which includes an In-City Distribution System.

**Hetch Hetchy System:** Water is diverted from Hetch Hetchy Reservoir into a series of tunnels and aqueducts from the Sierra Nevada to the San Joaquin Pipelines that cross the San Joaquin Valley to the Coast Range Tunnel which connects to the Alameda system at the Alameda East Portal.

### Regional Water System (East Bay):

This includes two reservoirs, San Antonio Reservoir and Calaveras Reservoir, which collect water from the upper Alameda and San Antonio Creek watersheds in Alameda County plus conveyance facilities connecting the Hetch Hetchy System and Alameda water sources to the Peninsula System. These conveyance facilities include pipelines known as the Alameda Siphons that connect the Coast Range Tunnel to the Irvington Tunnel.

### Regional Water System (Peninsula/West Bay):

This includes conveyance facilities connecting the Bay Division Pipelines to the In-City Distribution System and to other SFPUC customers on the Peninsula. Three reservoirs, Crystal Springs, San Andreas, and Pilarcitos collect runoff from the San Mateo Creek and Pilarcitos watersheds. Water from these reservoirs serves all wholesale customers, including the Coastside County Water District.

**In-City Distribution System:** The City's retail water supply is delivered to the City in several major pipelines. Two pipelines provide water to the eastside of the In-City Distribution System and three pipelines serve the west side of the In-City Distribution System. The "In-City Distribution System" delivers water to homes and businesses in the City. Several major pipelines convey water from the Peninsula System to the City.

### Water Enterprise Ten-Year Capital Plan

The adopted capital project costs for the Water Enterprise total approximately \$2.1 billion over the next ten years. Identified capital needs will be financed with a combination of bonds and Water Enterprise revenues. Project timelines may be adjusted to match available funding.

As discussed in the overall capital planning section of this book, the SFPUC is in the process of rightsizing its capital plan for deliverability and affordability. As a result, beyond the FY 2022-23 budget year, uses exceed sources and the capital plans are unbalanced. As a result, a portion of each of the Capital plans is "unfunded". Having a portion of a capital plan "unfunded" is a common practice in government budgeting. The City and County of San Francisco's overall Capital Plan also includes an unfunded portion.

The plan is to take time over subsequent budget cycles (beginning in fall 2022) to optimize capital spending around an affordable rate trajectory and delivery capacity. It will ultimately mean a more efficient use of ratepayer funds, and more affordable rates for SFPUC customers.

## Water Ten-Year Capital Plan

"\$ Thousands Program/Project"	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2028-32	Plan Total
<b>Spending Plan</b>							
<b>Regional Costs</b>							
Water Treatment Program	17,166	137,220	103,533	10,972	14,820	29,581	313,291
Water Transmission Program	14,182	68,611	39,376	34,590	12,246	33,033	202,037
Water Supply & Storage Program	0	17,249	33,287	59,965	50,866	128,700	290,067
Watersheds & Land Management	0	11,146	3,853	4,068	433	2,053	21,553
Communication and Monitoring Program	0	2,149	3,700	3,750	3,200	7,850	20,649
Long Term Monitoring & Permit Program	0	400	1,682	3,907	2,288	7,352	15,629
Buildings and Grounds Program	16,181	10,642	70,306	70,051	9,143	15,352	191,675
<b>Regional Total</b>	<b>47,528</b>	<b>247,416</b>	<b>255,737</b>	<b>187,302</b>	<b>92,997</b>	<b>223,920</b>	<b>1,054,901</b>
<b>Local Costs</b>							
Water Supply Projects	0	675	1,966	240	0	0	2,881
Water Conveyance /Distribution System	60,160	84,107	93,103	58,440	55,742	291,102	642,655
Systems Monitoring and Control	998	2,318	3,794	3,399	600	600	11,709
Local Tanks/ Reservoir Improvements	0	1,485	1,665	1,649	1,649	2,086	8,534
Pump Station Improvements	0	608	4,583	573	0	0	5,763
Groundwater Project	0	4,410	4,586	0	0	0	8,996
Automated Meter Reading System	0	2,498	2,498	1,624	1,624	35,069	43,313
Buildings & Grounds Improvements	2,537	46,135	121,727	111,018	66,691	1,081	349,188
<b>Local Total</b>	<b>63,695</b>	<b>142,236</b>	<b>233,922</b>	<b>176,943</b>	<b>126,306</b>	<b>329,938</b>	<b>1,073,038</b>
<b>Total Regional &amp; Local</b>	<b>111,223</b>	<b>389,652</b>	<b>489,659</b>	<b>364,245</b>	<b>219,302</b>	<b>553,858</b>	<b>2,127,939</b>
<b>Sources</b>							
Water Revenue	45,874	48,166	77,100	82,100	63,545	290,586	607,370
Water Bonds	63,196	289,745	351,031	239,657	131,669	218,009	1,293,307
Capacity Fee	2,153	2,211	1,520	1,520	1,580	7,996	16,980
<b>Total</b>	<b>111,223</b>	<b>340,121</b>	<b>429,651</b>	<b>323,277</b>	<b>196,794</b>	<b>516,590</b>	<b>1,917,657</b>
<b>Surplus/(Shortfall)</b>	<b>0</b>	<b>(49,531)</b>	<b>(60,007)</b>	<b>(40,968)</b>	<b>(22,508)</b>	<b>(37,268)</b>	<b>(210,282)</b>

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

## Regional Water

**The Regional Water Ten-Year Capital Plan is \$1,054.9 million and funds the following projects:**

### ***Regional Water Treatment Program, \$313.3 million***

This program provides funding for major improvements to the Sunol and Millbrae Yards Projects are identified through condition assessments, operating staff review, level of service and feasibility studies, and alternatives analysis at each plan. Major projects include Sunol Valley Water Treatment Plant (SVWTP) Ozone project to install ozone treatment facilities as a long-term solution to control taste and odor events encountered in the raw water supply from both the San Antonio and Calaveras Reservoir sources. This project will improve the reliability to meet water quality goals especially during warm months and during Hetch Hetchy shutdowns. The SVWTP Short Term Improvements project to improve regional delivery reliability by addressing various conditions and deficiencies of the SVWTP.

### ***Regional Water Transmission Program, \$202.0 million***

This program will provide upgrades to the Transmission System including pipeline inspection and repairs, valve replacements, metering upgrades, corrosion protection, and pump station and vault upgrades. As part of the pipeline improvement program, funding is included to monitor, strengthen, and replace older pipeline to achieve higher level performance and reliability. Funding included for the Crystal Springs Pipeline 2 & 3 Rehabilitation This project will relocate approximately 1.5 miles of 60-inch diameter pipe into Crystal Springs Road by removing the abandoned-in-place pipe and replacing with cement mortar lining, and upgrade appurtenances to meet current standards.

### ***Regional Water Supply & Storage Program, \$290.1 million***

This program includes upgrades to structures to meet State Division of Safety of Dams requirements including geotechnical work, installation of monitoring systems, and a regional desalination project. The automated data acquisition system in the monitoring system will provide timely, accurate data related to inspections at various dams. The program also includes funding for projects that increase regional water supply diversification and explore alternative methods for expanding water sources including purified water, recycled water and desalination projects.

The program also includes the Daly City Recycled Water Expansion Project to provide 3.4 MGD of recycled water to customers of the Regional Water System and help offset groundwater pumping in the Westside Basin and the Los Vaqueros Reservoir Expansion Project that will enlarge the existing reservoir located in northeastern Contra Costa County from 160,000 acre-feet to 275,000 acre-feet. The main objectives of the expansion include increasing water supply reliability for municipal, industrial, and agricultural customers as well as ecosystem benefits to south-of-Delta wildlife refuges and Delta fisheries

### ***Regional Watersheds & Land Management, \$21.6 million***

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

### ***Regional Communications & Monitoring Program, \$20.6 million***

This project will provide much needed redundant emergency communications capability and increased bandwidth for security data transfer. Specifically, it will build a microwave backbone to link the entire SFPUC regional water system from the O'Shaughnessy Dam site in Yosemite to the rest of the SFPUC sites (San Francisco, San Mateo, Santa Clara, and Alameda counties).

**Long Term Monitoring and Permit Program  
\$15.6 million**

The purpose of this program is to meet the long-term monitoring and permit requirements associated with capital projects and the operation and maintenance of the SFPUC water supply system and watershed/right-of-way lands within the Bay Area. Projects with long-term monitoring required by environmental permits include WSIP-related environmental mitigation and permit requirements (i.e., Bioregional Habitat Mitigation Program) and non-WSIP capital projects.

**Regional Buildings & Grounds Programs,  
\$191.7 million**

This program provides funding for major improvements to the Sunol and Millbrae Yards. Sunol Yard improvements include LEED replacement facilities for maintenance shops and equipment storage, a new fueling center and administration building, re-surfacing of the yard, demolition of six dilapidated structures, and on-going renewal and replacement of worn or aging equipment. Millbrae Yard improvements include a new laboratory and office building to update the lab facilities and consolidate staff from the Rollins Road facility, maintenance shop, and equipment storage, demolition of a large unused abandoned building, a new parking lot, and a new vehicle wash site. The upgrades address occupational safety, reliability, and functional regulatory compliance.

## Local Water

As shown in the table, the Local Water Ten-Year Capital Plan is \$1,073.0 million and funds the following projects:

**Water Supply Projects, \$2.9 million**

This program includes planning for local water diversification to explore alternative methods for expanding local water sources. Such sources include the Eastside Water Purification Project and Innovations for San Francisco ratepayers that highlight innovative water supplies and technologies.

**Local Water Conveyance/Distribution System,  
\$642.7 million**

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

The Renew Services Program provides funding to renew assets between the water main and the customer's service connection, identify lead service lines still in use and the Water Loss Reduction Program to implement of cost-effective and comprehensive strategies to reduce water loss

Additional projects include the Sunset Pipeline/Potable AWSS, Automated Water Meter Program, New Services Connection Program and Town of Sunol Pipeline projects.

**System Monitoring and Control \$11.7 million**

Projects include an upgrade to the Customer Service Center Systems that will modernize current existing technology to optimize business processes aligning with current and future Customer Service needs and increased operational effectiveness. Continued improvements to facilities for controlling and monitoring San Francisco's water distribution system including enhancements to the Supervisory Control and Data Acquisition (SCADA) system for remote monitoring of pressure, flow, and valve position status at key locations throughout the distribution system Local Tanks/Reservoir Improvements \$8.5 million

Provides long-term funding for renewal and rehabilitation of water storage reservoirs and tanks, within the San Francisco Distribution System. Projects included improvements to the Sunset South and University Mound reservoirs and roof repairs at multiple locations to extend the useful service life of the reservoir.

***Local Pump Station Improvements, \$5.8 million***

The SFPUC's 12 major water pump stations and seven hydropneumatics tanks that boost pressure within the San Francisco distribution system need ongoing renewal and rehabilitation. This program provides long term funding for renewal and rehabilitation of the water pump stations and hydro-pneumatic tanks that boost water pressure within the distribution system including the automation of the five pump suction valves at Lake Merced Pump Station.

***Groundwater Project \$9.0 million***

Funding for the Lake Merced Water Level Restoration Project including improvements to the Vista Grande Drainage Basin to address storm related flooding and diverting recycled water from the new Westside Recycled Water facility into Lake Merced to increase and stabilize lake levels.

***Automated Meter Reading System (AWMP)- \$43.3 million***

This program will provide funding to complete the Automated Water Meter Program (AWMP) and for replacement planning of the AWMP System by the end of useful life. This project provides funding for AWMP Renewals needed through the 20-year system life (ending in 2031) and metering equipment (including automation) for all renewals and new services through 2031.

***Local Buildings & Grounds Improvements, \$349.2 million***

This provides funding for capital improvements at CDD facilities and structures. Projects include yard improvements to address health and safety issues and security, continuing renewal and replacement of aging assets at existing buildings and grounds including vehicle and pedestrian gates, fencing at reservoirs, exterior lighting improvements at reservoirs and pump stations

Additional funding is included for a new CDD Headquarters at 2000 Marin to address life safety standards for seismic events, building code requirements and facilities that are past useful life. The 2017 Condition Assessment found all buildings aged, water-damaged, and deficient in meeting seismic, ADA, electrical and other building code standards. Existing facilities include administrative offices, warehouse, shops, materials and equipment storage and vehicle fleet.

## FY 2022-23 Capital Project Budget

The Water Enterprise FY 2022-23 budget shows a decrease of about \$90 million from the FY 2021-22 budget. A baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs

resulting in a reduction to the amount of funding request in FY 2022-23 in the Capital budget.

The table shows the Water Enterprise's capital budget for FY and FY 2021-22 and FY 2022-23 by major programs.

### Water One Year Capital Budget

\$ Millions	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget
<b>REGIONAL COSTS</b>		
Water Treatment Program	12.5	17.2
Water Transmission Program	0.0	14.2
Water Supply & Storage Program	29.8	0.0
Watersheds & Land Management	14.9	0.0
Communication and Monitoring Program	0.5	0.0
Long Term Monitoring & Permit Program	4.0	0.0
Buildings and Grounds Program	2.0	16.2
<b>Regional Total</b>	<b>63.7</b>	<b>47.5</b>
<b>LOCAL COSTS</b>		
Water Supply Project	6.7	0.0
Local Water Conveyance /Distribution System	71.4	60.2
Systems Monitoring & Control	0.0	1.0
Local tanks/Reservoir Improvements	5.3	0.0
Pump Station Improvements	0.2	0.0
Westside Recycled Water Projects/Other	4.7	0.0
Automated Meter Reading System	3.0	0.0
Buildings & Grounds Improvements	34.5	2.5
<b>Local Total</b>	<b>125.7</b>	<b>63.7</b>
Financing Cost	23.3	11.2
<b>Total Regional &amp; Local</b>	<b>212.7</b>	<b>122.4</b>
<b>SOURCES</b>		
Water Revenue	55.7	45.9
Water Bonds	155.5	74.3
Capacity Fee	1.5	2.2
<b>Total Sources</b>	<b>212.7</b>	<b>122.4</b>

## Water Enterprise capital budget by Major Program

The capital budget includes continuing Renewal and Replacement Projects for the Regional and Local Water Enterprise along with nonrecurring major capital upgrades such as the New CDD Headquarters and Millbrae Yard Projects.

The capital budget is funded by a combination of Water Enterprise revenues, water revenue bonds and capacity fees. Revenue Bonds account for 61 percent of budget sources. The capital budget for FY 2022-23 totals \$122.4 million.

### FY 2022-23

As shown in the table, the FY 2022-23 Water Enterprise Capital Budget” is \$122.4 million, which includes financing costs, and decreased \$90.3 million from the FY 2021-22 approved CIP of \$212.7 million.

Major projects in the Water Enterprise FY 2022-23 CIP include:

#### ***Regional Water Costs***

\$17.2 million for Water Treatment Program including and major improvements to the Sunol Valley Water Treatment Plant (SVWTP) to achieve a higher level of performance and reliability, the SVWTP Ozone Project to install ozone treatment facilities as a long-term solution to control taste odor events encountered in the raw water supply from both the San Antonio and Calaveras Reservoir sources and Polymer Feed Facility Project to build a polymer feed facility that will serve all five sedimentation basins to optimize plant water production.

\$14.2 million for Water Transmission Program including the inspection and rehabilitation and repair of large diameter pipelines and tunnels to minimizing pipeline failures and repair segments of the Bay Division Pipeline #4 where there are high concentrations of breaks, wide circumferential cracks and active leaks.

\$16.2 million for the Buildings & Grounds Programs including redevelopment of the existing Sunol Yard and construction of a Watershed Center near the Sunol Water Temple and the Millbrae Warehouse Settlement project to repair the displacement (settlement) of the slab between the loading dock and the offices.

#### ***Local Water Costs***

\$60.2 million for the Local Water Conveyance and Distribution program to fund the management of all linear assets in the local water distribution system. Projects to install, replace, and renew pipelines and service connections for the 1,230-mile drinking water distribution system in San Francisco with the goal of replacing 15 miles per year to minimize main breaks and meet customer level of service goals for uninterrupted service.

Additional projects include the Renew Services Program to renew assets between the water main and the customer’s service connection and the Lead Component Services program including the inspection and removal of all known lead user service lines as well as identify all unknown user service lines and Joint Transit projects that coordinate water main replacement with other City Departments.

\$1.0 million for System Monitoring & Control Projects upgrade to the Customer Service Center Systems that will modernize current existing technology to optimize business processes aligning with current and future Customer Service needs and increased operational effectiveness.

\$2.5 million for Local Buildings & Grounds Improvements to fund the New CDD Headquarters Project to address life safety standards for seismic events, building code requirements and facilities that are past useful life existing facilities needed to be replaced include administrative offices, warehouse, shops, materials and equipment storage and vehicle fleet.

Included in the FY 2022-23 budget is \$11.2 million of financing costs.

#### ***Water Programmatic Projects***

The table shows the Water Enterprise Programmatic Projects, for FY 2021-22, FY 2022-23, and FY 2023-2024, by major programs. Programmatic projects are annually appropriated projects in support of routine maintenance of programs most of which were initiated in support of the capital program. These programmatic projects include monitoring, mitigation, watershed protection, community benefits, and the Water Enterprise share of lease payment and operation of the SFPUC headquarters at 525 Golden Gate Avenue.

## Water Two-Year Programmatic Projects Budget

\$ Millions Program/Project	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	FY 2023-24 Adopted Budget
<b>REGIONAL COSTS</b>			
Watershed Protection	1.0	1.2	0.9
WSIP-Related Mitigation & Monitoring	7.8	7.0	4.9
Watershed Structures	3.5	4.5	5.5
Water Resource Planning and Development	0.5	0.1	0.5
<b>Total Cost</b>	<b>12.7</b>	<b>12.7</b>	<b>11.8</b>
<b>LOCAL COSTS</b>			
Landscape Conservation Program	0.0	0.0	1.0
AWSS Maintenance	1.5	2.5	2.5
Treasure Island Facilities Maintenance	1.4	1.4	1.4
Youth Employment Program	1.3	1.3	1.3
Retrofit Grant Program	0.5	0.0	0.5
525 Golden Gate - Operations and Maintenance	4.2	4.3	4.4
525 Golden Gate - Lease Payment	9.8	9.2	9.1
Drought Response Program	0.0	0.5	0.5
Personnel Safety Program	0.0	1.0	0.0
<b>Total Sources</b>	<b>18.6</b>	<b>20.1</b>	<b>20.7</b>
<b>Total Regional &amp; Local</b>	<b>31.4</b>	<b>32.8</b>	<b>32.5</b>
<b>SOURCES</b>			
Infrastructure - Recovery Capital	3.8	3.9	3.9
Federal Bond Interest Subsidy	2.0	1.9	1.9
Water Enterprise Revenue	25.6	27.0	26.7
<b>Total Sources</b>	<b>31.4</b>	<b>32.8</b>	<b>32.5</b>

The Water Enterprise Programmatic Project budget is \$32.8 million in FY 2022-23 and \$32.5 million in FY 2023-24. This level of funding is consistent with the amount of programmatic funding in the prior fiscal years and in FY 2021-22.

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# Wastewater Enterprise

## Mission

The Mission of the Wastewater Enterprise (WWE) is to operate and maintain the City’s water pollution control plants, pumping stations and collection system in full compliance with our Discharge Permits to protect public health and the environment. The WWE maintains 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.

## Wastewater High Level Budget Summary

*Continued on next page...*

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	411,942,867	406,113,439	(5,829,428)	431,679,623	25,566,184
<b>Total FTE</b>	563.83	581.19	17.36	585.59	4.40

Wastewater Enterprise is committed to the principles of quality service and environmental stewardship, as outlined in the WWE mission statement:

- Ensure reliability and optimize the life-cycle of physical assets
- Comply with all applicable laws, regulations, permits and policies relating to wastewater and stormwater
- Protect, recover, conserve and reuse resources
- Advance business practices through optimization, coordination, communication and accountability
- Forecast, communicate and manage funding for Enterprise operational and capital needs
- Recruit develop and retain a motivated, diverse and highly qualified and supported workforce to ensure effective services
- Ensure the safety and security of personnel and facilities, and maintain emergency response capabilities
- Promote strong customer service and ethic
- Foster constructive relationships with neighborhoods contribute to the community and promote local employment, training and business opportunities.

San Francisco is the only major coastal city in California that operates a city-wide combined sewer system that collects and treats both sewage and stormwater. The sanitary wastewater and stormwater services extend across eight distinct urban watersheds, with one all-weather wastewater treatment plant with two effluent discharge outfall locations, and one wet-weather treatment plant with one effluent outfall location serving the North Shore, Channel, Islais, Sunnyside, and Yosemite urban watersheds with effluent outfalls to the San Francisco Bay (the “Bayside Watersheds”) and a separate all-weather wastewater treatment plant serving the Richmond, Sunset, and Lake Merced urban watersheds with an effluent outfall to the Pacific Ocean (the “Westside Watersheds”). The combined system also has 36 nearshore overflow outfall locations around the perimeter of the City.

Of an estimated total combined wastewater flow of 40 billion gallons per year throughout the entire system, aggregating all watersheds, approximately 34 billion gallons per year receive full secondary treatment, 4.5 billion gallons per year receive primary or decant treatment and are discharged to deep-water outfalls, and 1.5 billion gallons per year receive the equivalent to wet weather primary treatment and are discharged through nearshore outfalls. There are nearly 1,000 miles of sewers and 29 pump stations in the San Francisco sewer system.

Our Water Pollution Program works to keep pollutants from entering the City’s sewer system and ultimately the San Francisco Bay and Pacific Ocean. Our facilities and many programs have received both state and national recognition from agencies like the U.S.

Environmental Protection Agency, National Association of Clean Water Agencies and California Water Environment Association.

The Wastewater Enterprise serves residential, commercial and industrial users, making up a daytime “population equivalent” of over 1 million. The service area of the Wastewater Enterprise encompasses - approximately 29,773 acres and includes residents of San Francisco (City) and of northern San Mateo County through long-term contracts with three municipal sewer service providers: North San Mateo County Sanitation District, the Bayshore Sanitary District and the City of Brisbane (collectively, the “Municipal Customers”). The SFPUC also currently provides waste treatment service on Treasure Island pursuant to contract, and after redevelopment expects to expand its service area to include Treasure Island.

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## Services and Divisions

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

### ***Administration, Planning and Regulatory***

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

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

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

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

The Urban Watershed Management group is responsible for developing, implementing and managing stormwater policy, protocols, and projects. In addition, the group performs project review and enforcement in the City’s separate storm and sanitary areas to ensure that developments have adequate stormwater control measures necessary for compliance with regulatory permit requirements.

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

### ***Maintenance***

The Maintenance Division is responsible for repairs and improvements to Wastewater’s treatment process equipment and facilities, ensuring Wastewater meets permit standards safely, efficiently and effectively. Additionally, conveyance and pumping require maintaining a network of 27 pump stations designed to move combined sewage/runoff flows to treatment plants, transport/storage boxes, and outfalls. The Division also maintains 29 minor pump stations on Treasure Island. The entire system consists of more than

10,000 individual assets, including pumps, motors, valves, bar screens, digesters, fans, centrifuges, tanks, pipes and instrumentation. Treatment and conveyance maintenance activities focus on preventative maintenance, repairs, and overhaul work.

## ***Operations***

The Operations Division is responsible for the 24/7 operation of the Wastewater Enterprise's treatment facilities, pump stations and discharge facilities. The Operations Division's primary mission is to protect public health and the environment by treating an average dry weather daily flow of 57 million gallons. The Operations Division treats all combined sewage, 565 MGD during peak wet weather, at the treatment facilities and associated discharge sites and stores approximately 200 MG in transport/storage boxes ringing the City, while meeting all the regulatory standards and discharge requirements. Wastewater treatment is performed at the Southeast Water Pollution Control Plant and the Oceanside Water Pollution Control Plant, while the North Point Wet Weather Facility is used during wet weather. The SPUC is a contract operator of the Treasure Island Wastewater Treatment Plant.

## ***Environmental Engineering***

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

Environmental Engineering support services include process design, design review, design/construction coordination, research and pilot testing, process performance optimization and troubleshooting, and regulatory supports services.

Maintenance support services include vibration monitoring, equipment failure troubleshooting, and developing, procurement specifications, and service contracts.

Design support services include design and contract preparation for small to medium-size projects (approximately \$5M), updating as-built records, document management and archiving, asset management support, and other drafting, documentation and technical services.

Planning and Compliance support services include the development and implementation of the SSIP Program, and compliance with special studies, reports and analyses as required by NPDES permits.

## ***Collection Systems***

The Collection System Division is responsible for collecting and transporting an average daily flow of 57 MGD and up to 565 MGD during peak wet weather of wastewater to treatment plants that support one million residents, business and visitors. Sewage reaches the treatment plants through a conveyance system that starts with side sewers that connect public or private property to local public sewers in the streets.

Proper operation and regular maintenance of the sewer system is a result of the Sewer Collection Systems' preventive maintenance program. Preventive maintenance occurs year-round and includes cleaning and condition assessment. The program keeps all sewers on a regular maintenance cycle to ensure that lines are in good working order and free of debris, thus minimizing their potential to clog and malfunction. In addition to the pipelines, the collection system contains 19,500 catch basins and 25,000 manholes. Activities within this program include cleaning, inspection, and repair of sewers; responding to public service requests; control of odors in the sewers system; and hydraulic analysis and modeling. To support regulatory compliance in the wastewater system, both pretreatment and pollution prevention (P2) programs are implemented to focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: street sweeping, control discharge of fats, oils and grease (FOG) into the sewers, mercury reduction, pesticides/integrated pest management, and stormwater P2 program to control construction runoff which carries pollutants to surface waters.

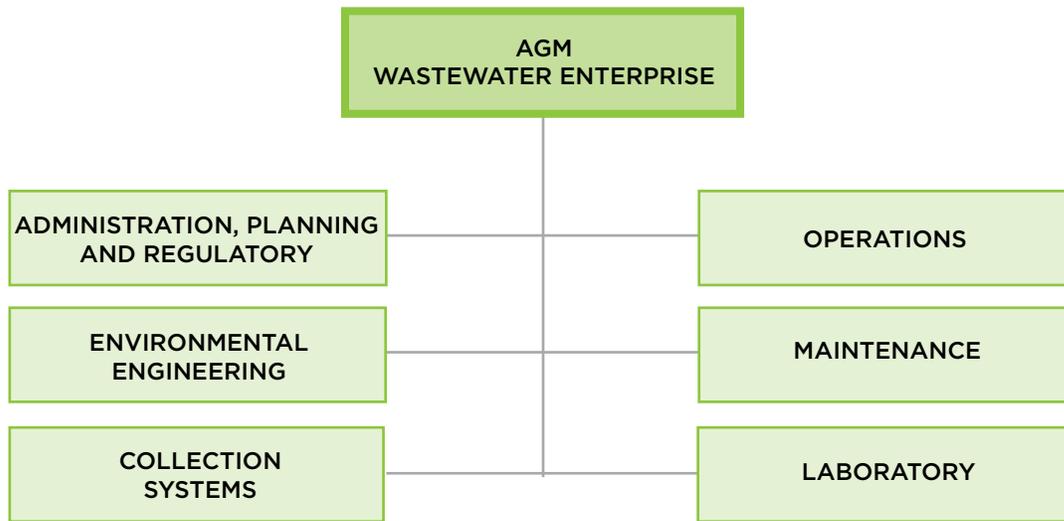
## Laboratory

The Laboratory Division consists of a network of full-service, state-certified laboratories that provide quality analytical and advisory services through advanced measurement science and standards. The Division is responsible for analytical testing for real-time wastewater process control, regulatory compliance, and industrial source control purposes. In addition, the Division provides technical consulting on the interpretation of analytical data for Wastewater staff, regulatory compliance report generation for SFPUC, National Pollution Discharge Elimination System (NPDES) permits, and interfacing with regulatory agencies concerning analytical data issues. The Division also actively participates in special projects with analytical applications. Staff operates from three laboratory facilities located at the Southeast, Oceanside and Treasure Island Treatment Plants.

## Map of combined sewer system



## Wastewater Enterprise Organization Chart



## Goals and Objectives

As noted in the Financial Planning and Policies section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities.

### The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

As part of the strategic plan goals, each Enterprise is responsible for meeting specific objectives and performance targets. Each year progress on those performance measures are reported to the Controller and Mayor. Reported performance for FY 2021-22 for the Wastewater Enterprise and agency-wide goals are as follows:

Goal Area	Performance Measure	Target	FY 2021-22 Actuals
Reliable Service and Assets	Number of dry weather main sewer overflows per 100 miles of main sewer	Less than or equal to 2.6	1.2
Effective Workforce	Number of Promotions	168	229
Effective Workforce	Time to Hire	233 average days to hire	289
Financial Sustainability	Average residential Wastewater bill as a percent of median income in San Francisco	0.85%	0.84%
Financial Sustainability	Operating cost coverage (total operational revenues/ total operating costs) for Wastewater	1.91	1.87
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	4,600	2,533
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 4.84%	9.93%
Environmental Stewardship	Gallons of stormwater removed annually from the combined sewer system by green infrastructure	Greater than or equal to 107 million gallons	240 million gallons
Environmental Stewardship	Percent of biogas going to beneficial uses - Oceanside Plant	Greater than or equal to 75%	0%
Environmental Stewardship	Percent of biogas going to beneficial uses - Southeast Plant	Greater than or equal to 55%	44%
Effective Workforce	Number of Unique Users of Recognition Tools	400	313
Effective Workforce	Percent of Completed Occupational Competency Models	26%	23%
Effective Workforce	Staff Turnover	9.4%	8.6%
Effective Workforce	Time to Hire	150 average days to hire	178
Effective Workforce	Workforce Planning Function Maturity	0.9	0.8

## Wastewater Sources and Uses of Funds

	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>SOURCES OF FUNDS</b>						
Sewer Service Charges	362,148,826	388,657,507	371,278,599	(17,378,908)	415,115,102	43,836,503
Federal Interest Subsidy	3,519,245	3,519,245	3,470,860	(48,385)	3,356,167	(114,693)
Other Non-Op Revenues	6,350,813	4,345,109	4,691,313	346,204	4,838,577	147,264
Interest Income	1,781,445	5,802,000	1,600,000	(4,202,000)	1,654,000	54,000
Fund Balance	40,874,799	9,619,006	25,072,667	15,453,661	6,715,777	(18,356,890)
<b>Total Sources of Funds</b>	<b>414,675,127</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>

<b>USES OF FUNDS</b>						
Personnel	72,013,875	82,129,751	87,160,554	5,030,803	88,584,816	1,424,262
Non-Personnel Services	28,863,285	26,546,190	26,885,114	338,924	27,577,617	692,503
Materials & Supplies	11,546,095	11,954,672	12,188,910	234,238	13,214,682	1,025,772
Equipment	1,710,354	3,184,042	2,159,478	(1,024,564)	2,038,175	(121,303)
Overhead	32,211,540	36,397,758	37,573,094	1,175,336	38,145,082	571,988
Debt Service	95,158,798	95,158,798	113,226,023	18,067,225	119,470,820	6,244,797
Service of Other Departs	38,049,363	37,722,114	35,700,349	(2,021,765)	41,213,880	5,513,531
Programmatic Projects	8,132,269	8,597,152	8,591,917	(5,235)	8,386,551	(205,366)
Revenue-Funded Capital	72,723,755	110,252,390	82,628,000	(27,624,390)	93,048,000	10,420,000
<b>Total Uses of Funds</b>	<b>360,409,334</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>

## Wastewater Uses of Funds by Section

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>USES OF FUNDS</b>					
Administration, Planning & Regulation	61,887,234	63,219,244	1,332,010	64,754,362	1,535,118
Maintenance	37,380,940	38,931,809	1,550,869	41,226,448	2,294,639
Bayside Operations	49,894,719	50,232,881	338,162	55,534,930	5,302,049
Environmental Engineering	7,635,732	7,936,037	300,305	8,074,652	138,615
Collection System	35,585,057	35,402,232	(182,825)	35,056,551	(345,681)
Laboratory	5,550,845	5,945,296	394,451	6,127,309	182,013
Debt Service	95,158,798	113,226,023	18,067,225	119,470,820	6,244,797
Programmatic Projects	8,597,152	8,591,917	(5,235)	8,386,551	(205,366)
Revenue-Funded Capital	110,252,390	82,628,000	(27,624,390)	93,048,000	10,420,000
<b>Total Wastewater</b>	<b>411,942,867</b>	<b>406,113,439</b>	<b>(5,829,428)</b>	<b>431,679,623</b>	<b>25,566,184</b>

## ***Water and Wastewater Cost of Service Study***

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for water and wastewater was completed in 2018 and was the basis for four years of retail water and wastewater rates that were adopted by the Commission for FY 2018-19 through FY 2021-22. The projected rate adjustments after FY 2021-22 are based on the SFPUC's ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC's ongoing financial obligations. Due to the impacts of the COVID-19 pandemic on local rate payers, SFPUC did not implement any retail water and wastewater rate increases in FY 2022-23. SFPUC is currently initiating a new retail cost of service rate study to evaluate any needed adjustments to the rate structure and the projected five-year schedule of rate adjustments.

## ***How Forecasts Were Developed***

The SFPUC ensures that it conforms with key assumptions that reflect current Mayor and Commission policies, goals, and objectives. For FY 2022-23 and FY 2023-24, forecasting assumptions reflect drought conditions and calls for water conservation, as well as volumetric sales recoveries from the impact of the COVID-19 pandemic and its effects on the overall economy.

## ***Drought Assumptions***

In November 2021, the Mayor of San Francisco announced a water shortage emergency in accordance with recommendations from the SFPUC. As a response to this emergency declaration, on November 23, 2021, the SFPUC called for a 10 percent voluntary water reduction across its service territory, effective immediately. In order to maintain sufficient funding to deliver utility services, the SFPUC responded by instituting a drought surcharge for retail water and wastewater customers of up to 5 percent on their bills as incorporated into current rate schedules. The drought surcharge was effective starting April 1, 2022 and will end when the SFPUC rescinds the water shortage emergency declaration. For financial forecasting purposes, the SFPUC projects this declaration will last through the end of FY 2023-24.

Over the next two years, the drought declaration is expected to have significant impact on water and wastewater sales volumes. In order to achieve the 10 percent reduction to water volumetric sales, the SFPUC projects a 5 percent sales volume decrease among retail customers, a 10 percent decrease among retail irrigation customers, and a 13.7 percent decrease among wholesale customers will be necessary through the end of FY 2023-24 to meet Agency wide water conservation targets. These changes, which were also used as a proxy for Wastewater Enterprise volumetric projections, informed the budget volume re-forecasts for both Enterprises.

## ***Economic Recovery Assumptions***

The impact the SFPUC continues to see on commercial sales revenues as residents stay home and businesses remain closed in response to the surge of new variants is significant. General economic recovery is forecasted in water, wastewater, and Hetchy Power utility sales volumes gradually returning to pre-pandemic volumetric averages for residential and commercial customer classes in FY 2023-24.

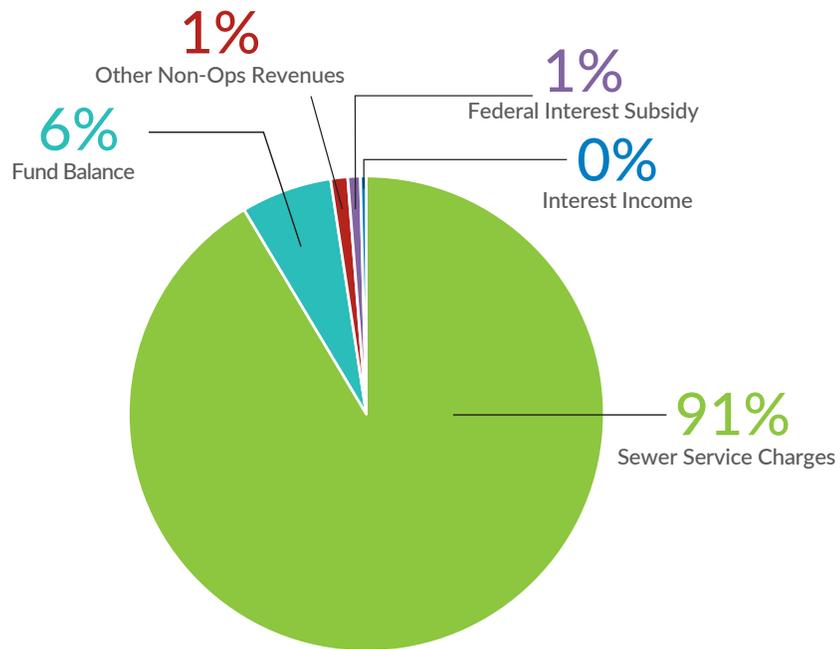
When compared to pre-pandemic averages (March 2018-June 2019), retail water usage during the COVID-19 shelter-in-place orders (March 2020-June 2021) for commercial customers was down 35 percent, municipal customers' usage decreased by 26 percent, and residential customers had 3 percent higher water usage. These observed volumetric trends were the basis for forecasting sales volumes in addition to city-wide projections for economic recovery post-pandemic.

# Wastewater Revenues

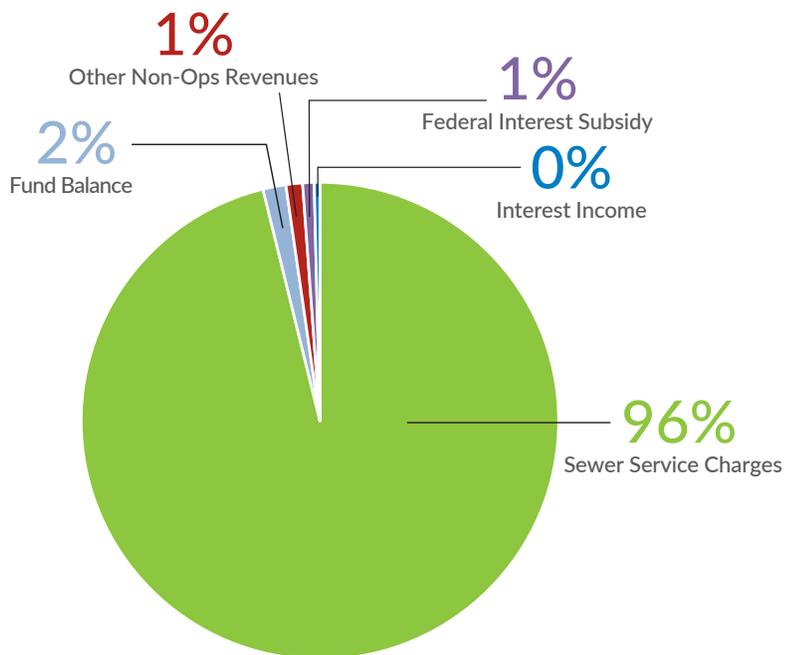
## Introduction

The FY 2022-23 Wastewater Enterprise budgeted revenues total \$406.1 million, a decrease of 1.4 percent from FY 2021-22. FY 2023-24 budgeted revenues total \$431.7 million, an increase of 6.3 percent from the FY 2022-23 budget. The growth in the FY 2023-24 budget is due largely to projected increases in volumetric sales changes and rate increases. The charts below show the Wastewater Enterprise's total revenue budgets broken out amongst major revenue categories in FY 2022-23 and FY 2023-24.

**CHART 9.1**  
Wastewater  
FY 2022-23  
Sources.



**CHART 9.2**  
Wastewater  
FY 2023-24  
Sources.



## ***Sewer Service Charges***

The majority of Wastewater Enterprise revenues are from sewer service charges, which make up 91.4 percent of total revenues in FY 2022-23 and 96.2 percent of revenues in FY 2023-24. Sewer service charges are comprised of billed rate revenue paid by retail and wholesale customers for their connection to and use of the Sewer System. For all customers sewer service charges include a fixed monthly service charge and a volumetric charge calculated based on the volume of water discharged. The volumetric fee amount is calculated using the customer's monthly water consumed multiplied by an assumed return to sewer flow factor that has been prepared for each customer class. Non-residential customers volumetric rates are broken down into flow and three sewage loading categories (Chemical Oxygen Demand, Total Suspended Solids, and Oil & Grease), which are measured on a per pound basis. A schedule of assumed loading characteristics is used by SFPUC for various business types based on the Standard Industrial Classification of that account.

## ***Federal Interest Subsidy***

The Wastewater Enterprise is budgeted to receive \$3.5 million in federal interest rate subsidies in FY 2022-23 and \$3.4 million in FY 2023-24, which comprises 0.9 percent and 0.8 percent of total Enterprise budgeted revenues, respectively. The revenues are a federally provided interest rate subsidy intended to cover a portion of the interest rates paid on Wastewater Enterprise Build America Bonds (BABs). The budgeted revenues are projected to decline over time as the interest portion of our bond repayments decrease.

## ***Other Non-Operating Revenues***

The Wastewater Enterprise is budgeted to receive \$4.7 million in other non-operating revenues in FY 2022-23 and \$4.8 million in FY 2023-24, which comprises 1.2 percent and 1.1 percent of total Enterprise budgeted revenues, respectively. Included in non-operating revenues are rental income and stormwater management fees. The other non-operating revenue budgets were developed using historical actual performance multiplied by an inflationary growth assumption.

## ***Interest Income***

The Wastewater Enterprise is budgeted to receive \$1.6 million in interest earnings in FY 2022-23 and \$1.7 million in FY 2023-24, which comprises 0.4 percent of total Enterprise budgeted revenues for both fiscal years. Interest earnings are budgeted assuming a 0.5 percent interest rate earned on unaudited and projected cash balances at the time of budget development.

## ***Budgeted Fund Balance***

Fund Balance is used in the event that revenues are not sufficient to meet total expenses and is in line with the SFPUC's Fund Balance Policy. In FY 2022-23 use of Fund Balance as a source totals \$25.1 million or 6.2 percent of sources. In FY 2023-24, use of fund balance totals \$6.7 million or 1.6 percent of sources. This use of Fund Balance driven by funding needs for Revenue-Funded Capital as well as to cover the drop in revenues caused by the COVID-19 pandemic. These uses, combined with the fact that Fund Balance is well above the minimum target of 25 percent of operations & maintenance expenses, are aligned with the Fund Balance Policy.

## ***Change in Fund Balance***

FY 2021-22 year-end fund balance is \$158.4 million. Taking into account budgeted use of fund balance in FY 2022-23 of \$25.1 million, FY 2022-23 ending fund balance is projected to be \$133.3 million. FY 2023-24 ending fund balance is projected to be \$126.6 million after taking into account \$6.7 million budgeted use of fund balance.

## Expenditures

### Summary

The Wastewater Enterprise annual operating budget is \$406.1 million in FY 2022-23 and \$431.7 million in FY 2023-24. The budget decreased by \$5.8 million (-1.4 percent) in FY 2022-23 and increased by \$25.6 million (6.3 percent) in FY 2023-24. The net increase from FY 2022-23 through FY 2023-24 mainly reflect increases to debt service, overhead spending and personnel costs, offset by decreases in revenue funded capital.

### Debt Service

The FY 2022-23 Debt Service budget is \$113.2 million based on principal and interest payments on outstanding senior-lien revenue bonds issued to fund the Sewer System Improvement Program (SSIP), and other Wastewater Capital Improvement Projects. This amount reflects a \$18.1 million increase or 19.0 percent from FY 2021-22 primarily due to principal amortization of the 2016 Series A, 2018 Series A and 2018 Series B revenue bonds, planned interest for the 2023 Wastewater revenue notes and repayment of the Oceanside Treatment Plant Gas Utilization Upgrades project Clean Water State Revolving Fund (SRF) loan, offset by the maturity of the 2010 Series A revenue bonds.

The FY 2023-24 Debt Service budget is \$119.5 million and reflects an increase of \$6.2 million (5.5 percent). This increase is primarily due to principal amortization of the 2013 Series B and 2016 Series A revenue bonds, increased interest payments for the 2018 Series C revenue bonds and planned interest for the 2024 Wastewater Revenue Notes offset by lower principal payment for 2013 Series A revenue bonds.

### Personnel

The FY 2022-23 Personnel budget is \$87.2 million, a \$5.0 million increase (6.1 percent) and the FY 2023-24 Personnel budget is \$88.6 million, an increase of \$1.4 million (1.6 percent). The net increase reflects the addition of new operating and project funded staff for the Geographic information System (GIS) Transition Project, various construction projects, as well as cost of living adjustments required under various labor agreements, retirement and health benefit costs, offset by the elimination of long-term vacant positions.

## Wastewater Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	426.41	430.47	4.06	431.52	1.05
Temporary Positions	5.13	7.45	2.32	7.43	(0.02)
<b>Subtotal Operating-Funded</b>	<b>431.54</b>	<b>437.92</b>	<b>6.38</b>	<b>438.95</b>	<b>1.03</b>
Project-Funded	69.12	75.24	6.12	78.87	3.63
Unfunded Positions (Attrition)	63.17	68.03	4.86	67.77	(0.26)
<b>Total Wastewater</b>	<b>563.83</b>	<b>581.19</b>	<b>17.36</b>	<b>585.59</b>	<b>4.40</b>

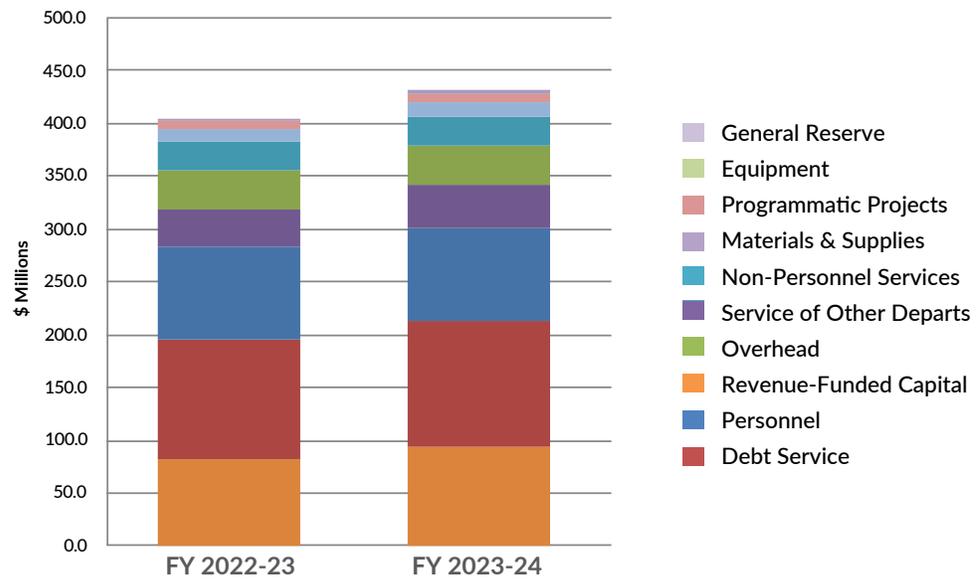
## Authorized and Funded Full-Time Equivalents (FTEs)

The Wastewater Enterprise total authorized and funded full-time equivalents (FTEs) operating budget, project-funded and temporary positions for FY 2022-23 is 513.16 FTEs, an increase of 12.50. The FY 2023-24 FTE is 517.82, an increase of 4.66. The net increase reflects new staff supporting the Geographic information System (GIS) Transition Project and various construction projects, offset by the elimination of long-term vacant positions. Additionally, the Wastewater Enterprise has also brought spot repair maintenance work in house (it was previously outsourced to the Department of Public Works). As such, the Wastewater Enterprise accepted the transfer of 11 positions from Public Works.

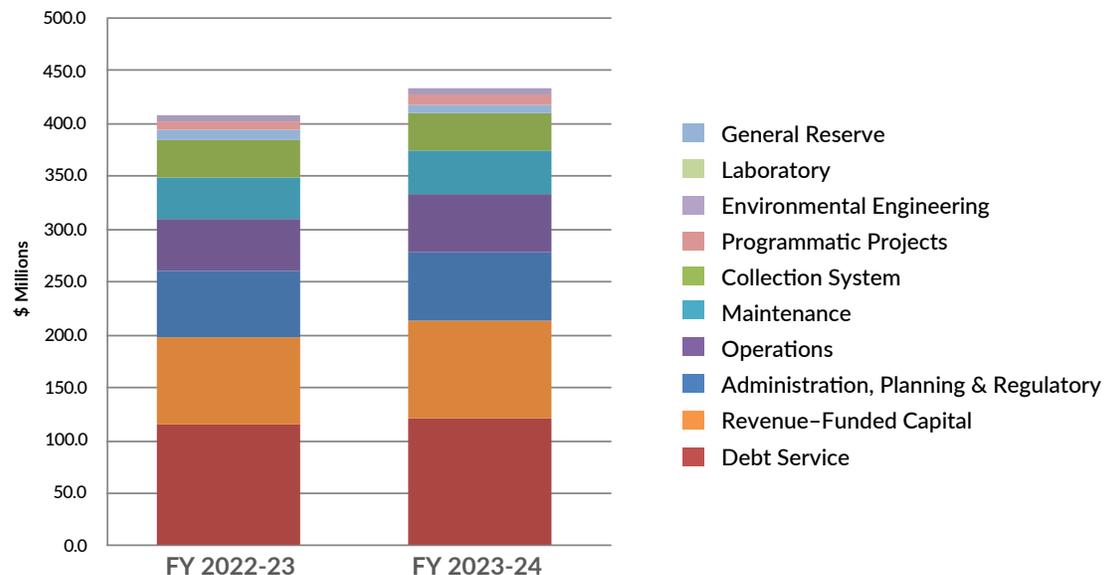
## Revenue-Funded Capital

Revenue-funded capital funds Wastewater’s R&R program and includes two major categories: wastewater sewer replacements and treatment facilities. The FY 2022-23 Revenue-Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$82.6 million, a reduction of \$27.6 million (-25.1 percent), and the Revenue-Funded Capital FY 2023-24 budget is \$93.0 million, an increase of \$10.4 million (12.6 percent). The net decrease over the two fiscal years represents a more efficient use of funding, focusing on spending down existing unspent appropriations before requesting new funds.

**CHART 9.3** >  
Wastewater Enterprise Total Uses.



**CHART 9.4** >  
Wastewater Enterprise Total Uses of Funds by Division.



## ***Programmatic Projects***

Programmatic Projects are annually appropriated projects that are revenue funded in support of routine maintenance, most of which were initiated in support of the capital program. These projects include facilities maintenance, community benefits, and the Wastewater Enterprise's share of the lease payment and operation of the SFPUC headquarters at 525 Golden Gate Avenue. The FY 2022-23 Programmatic Project budget is flat at \$8.6 million and the FY 2023-24 budget is \$8.4 million, a decrease of \$0.2 million (-2.4 percent). The decrease mainly reflects spending reductions to the Low Impact Development program.

## ***Equipment***

This budget funds equipment required to support the Enterprise's daily operations. The FY 2022-23 Equipment budget is \$2.2 million, a decrease of \$1.0 million (-32.2 percent) and the FY 2023-24 budget is \$2.0 million, a decrease of \$0.1 million (-5.6 percent). The net decrease in FY 2022-23 and FY2023-24 represent one-time equipment funding from the prior fiscal years.

## ***Services of Other Departments***

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the Enterprise. These services include City-wide ITS, City Attorney services, risk management, facilities maintenance, and fleet maintenance among others. The FY 2022-23 Services of Other Departments budget is \$35.7 million, a decrease of \$2.0 million (-5.4 percent). The decrease is mainly due to a reduction of sewer service repair requests from the Department of Public Works, as this work was taken in-house. The FY 2023-24 Services of Other Departments budget is \$41.2 million, an increase of \$5.5 million (15.4 percent) and is mainly due to an increase in power utility costs from Hetchy Power.

## ***Overhead***

The Overhead budget funds the Wastewater Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2022-23 Overhead budget is \$37.6 million, an increase of \$1.2 million (3.2 percent) and the FY 2023-24 Overhead budget is \$38.1 million, an increase of \$0.6 million (1.5 percent). The overhead rate is based on SFPUC's 2018 Indirect Cost Study and the increase reflects adjustments to the SFPUC Bureaus FY 2022-23 and FY 2023-24 budget.

## ***Non-Personnel Services***

The FY 2022-23 Non-Personnel Services budget is \$26.9 million and funds services for the Enterprise including travel, training, memberships, professional services, and rent. The increase of \$0.3 million (1.3 percent) is for technical support with the implementation of Wastewater's Geographic Information System (GIS) Project. The FY 2023-24 Non-Personnel Services budget is \$27.6 million, an increase of \$0.7 million (2.6 percent). The increase reflects contracted services needed to maintain Wastewater's odor control and gas handling units located across all of Wastewater's treatment facilities.

## ***Materials and Supplies***

This budget funds Materials & Supplies for equipment maintenance, sewage treatment chemicals, office and safety supplies, fuel and software licenses. The FY 2022-23 budget is \$12.2 million, an increase of \$0.2 million (2.0 percent) and the FY 2023-24 budget is \$13.2 million, an increase of \$1.0 million (8.4 percent). The net increase reflects the projected costs for materials needed for Wastewater's odor control and gas handling units located across all of Wastewater's treatment facilities.

## New Initiatives

**Geographic Information System (GIS) Transition Project** - The GIS Transition Project will transition the collection system sewer infrastructure GIS and records from the current stewardship at Department of Public Works to the new Wastewater GIS Program. Subsequently, there will also be a transition from the legacy Munsys framework to the modern ESRI Utility Network framework. The driving force behind this project is an increased emphasis on asset management within the SFPUC, following SFPUC's adoption of its Asset Management Policy in 2020. Recognizing that GIS is an asset registry is the foundation of SFPUC's asset management efforts, internalizing stewardship of datasets and record drawings under the new program will allow Wastewater to align with its broader asset management efforts. This initiative will include the addition of four positions and \$0.7 million in professional services to support the GIS Transition Project.

**Odor Control Units (OCU)** - The OCUs are critical for providing clean air at Wastewater facilities (for employees) and surrounding communities, as well as providing clean energy through our co-generation units. The OCUs also ensure Wastewater meets its clean air requirements from Cal-OSHA and the Bay Area Air Quality Management District. This initiative includes \$1.9 million in contracted services and materials needed to maintain the Odor Control Units (OCU) and gas handling across all of Wastewater's treatment facilities. The frequency of OCU maintenance has increased over the years to meet the demands of the units. Additionally, due to unanticipated inflationary trends, costs to procure the necessary replacement materials have also increased. This initiative ensures that the maintenance of the OCUs are properly funded in the next two fiscal years.

**Wastewater Laboratory Support** - This initiative supports Wastewater's regulatory requirements from the National Pollutant Discharge Elimination System (NPDES) and the San Francisco Pretreatment program at Wastewater's Southeast Plant, Oceanside Plant and the Treasure Island Plant. The initiative includes \$0.5 million in funding to modernize the Wastewater Laboratory's systems and equipment, ensuring continued regulatory compliance.

**Department of Public Works (DPW) Transfer of Function** - Wastewater has historically funded an interdepartmental work order with DPW to support spot repair work on San Francisco streets to service sewer repairs and maintenance projects. This work included excavating streets, maintaining trenches, bricklaying and asphalt paving. For FY 2022-23 and moving forward, this function will be transferred in house and internalized by the Wastewater Enterprise. To facilitate the change, 11 positions have been transferred from DPW and the interdepartmental spot repair work order has been eliminated.

## Capital Budget

In addition to the operating budget, the Wastewater enterprise also prepares a Capital budget and Ten-Year Capital Plan.

In FY 2022-23, the Wastewater Enterprise's capital budget is \$687.2 million, of which \$598.6 million or 87.1% is funded by debt and \$88.6 million or 12.9% is revenue funded. Debt funding consists of revenue bonds. The majority of the revenue funding is from sewer service charges, with the remainder being from capacity fees. The Wastewater Enterprise's annual programmatic project budget, which is funded in the operating budget but forms part of the capital program, is \$6.7 million in FY 2022-23 and \$6.7 million in FY 2023-24, with the majority being revenue funded and the remainder coming from Federal bond interest subsidies and recovery capital.

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

Four Water Pollution Control Plants including: Southeast Treatment Plant, Oceanside Treatment Plant, North Point Wet Weather Facility, and Treasure Island Treatment Plant;

- Twenty-nine Pump Stations, including those in Mission Bay, in San Francisco; twenty-eight sanitary pump stations on Treasure and Yerba Buena Islands and six stormwater pump stations on Treasure Island;
- Nine Transport/Storage Facilities with 199 million gallons of capacity for combined sewage;
- Three Bay and one Ocean Outfalls off of San Francisco;
- One Bay Outfall off of Treasure Island;
- Thirty-six Combined Sewer Discharge Structures in San Francisco;
- Fifty stormwater outfalls on Treasure and Yerba Buena Islands;
- Nine hundred and ninety-three miles of Sewers, Tunnels, Force Mains and Transport/Storage facilities;
- Two chemical feed stations for odor control in San Francisco;

- Six continuous deflective separation (CSD) units for stormwater management in San Francisco; and
- One Southeast Community Facility in San Francisco.

San Francisco dry-weather wastewater is treated by two main treatment plants, Southeast and Oceanside, with a combined dry-weather design capacity of 107 MGD. During wet-weather, three plants, Southeast, Oceanside and North Point Facility, with a peak design capacity of 465 MGD, treat the combined sanitary and stormwater flows which are called "combined sewage". Wastewater generated at Treasure Island is treated at the Treasure Island facility with a dry-weather capacity of 2 MGD. The treatment plants are:

- **North Point Wet Weather Facility:** The North Point Wet Weather Facility has been in operation since 1951. The facility provides primary-level treatment and disinfection of combined sewage collected in the north part of the City during rainstorms. The facility has a treatment capacity of 150 MGD. Treated combined sewage is discharged approximately 800 feet into the San Francisco Bay. In a typical year, the North Point Wet-Weather Facility treats about 1.3 billion gallons of combined sewage.
- **Southeast Treatment Plant:** The Southeast Treatment Plant was built in 1952 and has been expanded several times since. The Plant treats an average dry-weather flow of approximately 58 MGD and discharges into the San Francisco Bay through an 810 foot-long pipe. The Plant has a peak wet-weather capacity of 250 MGD which is discharged through both the 810 foot-long pipe into the Bay and an auxiliary wet-weather-only outfall into Islais Creek. In a typical year, the Southeast Treatment Plant treats about 25 billion gallons of combined sewage.
- **Oceanside Treatment Plant:** Completed in 1993, the Oceanside Treatment Plant treats an average dry-weather flow of approximately 16 MGD and has a total capacity of 65 MGD during wet-weather. It treats wastewater from the west side of the City. Treated wastewater is discharged from the plant to the Pacific Ocean through the Southwest Ocean Outfall 4.5 miles offshore. In a typical year, the Oceanside Treatment Plant treats approximately 6.6 billion gallons of combined sewage.

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

## Wastewater Enterprise Ten-Year Capital Plan

The Ten-Year Capital plan is organized into the following five categories – Sewer System Improvement program (SSIP), R&R Treatment Facilities and Collection System, Facilities and Infrastructure Projects and Treasure Island.

The Ten-Year Plan for FY 2022-23 through FY2031-32 increased \$703.5 million (13%) from the prior years approved plan. The SSIP increased \$398.8 million largely due to an increase in the Biosolids Digester Project, \$660.5 million that was offset by decreases to other projects in the SSIP (\$261.7).

The Plan also includes increases in the R&R Collection System and Treatment Plant programs, \$335.0 million (17.6 %) mainly due to the lateral sewer improvement project, \$257.2 million and Treatment Plant Improvement projects, \$91.3 million.

**The table shows total projected costs over 10-year period.**

## Wastewater Enterprise Ten-Year Capital Plan

\$ Thousands	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2028-32	Plan Total
<b>Program/Project</b>							
<b>SPENDING PLAN</b>							
<b>Sewer System Improvement Program</b>							
Program Wide Management	14,000	14,000	15,000	15,000	15,000	70,260	143,260
Treatment Facilities	447,604	503,368	482,782	405,397	136,882	236,335	2,212,368
Sewer/Collection System	58,255	89,566	50,705	29,848	43,436	99,001	370,810
Stormwater Management/Flood Control	63,265	96,318	137,823	197,210	127,019	201,666	823,300
<b>Total SSIP</b>	<b>583,124</b>	<b>703,252</b>	<b>686,309</b>	<b>647,454</b>	<b>322,337</b>	<b>607,262</b>	<b>3,549,738</b>
<b>Renewal and Replacement</b>							
Collection System - Condition Assessment	12,208	17,739	25,941	26,978	28,059	158,040	268,965
Collection System - Sewer Improvements	54,418	85,551	110,634	128,712	126,103	756,706	1,262,125
Collection System - Large Diameter Sewer	10,552	15,594	38,498	40,233	38,045	135,272	278,195
Treatment Plant Improvements	25,680	26,212	35,000	40,000	45,000	253,484	425,376
<b>Total R&amp;R</b>	<b>102,858</b>	<b>145,097</b>	<b>210,073</b>	<b>235,924</b>	<b>237,207</b>	<b>1,303,502</b>	<b>2,234,660</b>
Treasure Island - New Wastewater Treatment Facility	215	65,666	66,929	0	0	0	132,810
<b>Wastewater Facilities &amp; Infrastructure</b>							
Ocean Beach Protection	0	35,779	43,821	43,821	13,821	1,310	138,553
Southeast Outfall Condition Assessment & Rehab	0	1,921	3,962	2,580	5,016	17,433	30,911
Customer Service System	998	1,418	2,894	2,799	0	0	8,109
SWOO Condition Assessment & Rehab	0	0	826	1,864	2,286	27,235	32,211
<b>Total Wastewater Facilities &amp; Infrastructure</b>	<b>988</b>	<b>39,118</b>	<b>51,503</b>	<b>51,065</b>	<b>21,123</b>	<b>45,978</b>	<b>209,784</b>
<b>Total Wastewater</b>	<b>687,196</b>	<b>953,133</b>	<b>1,014,814</b>	<b>934,443</b>	<b>580,666</b>	<b>1,956,741</b>	<b>6,126,993</b>
<b>Sources</b>							
Revenue	82,463	92,038	122,657	125,111	127,613	677,384	1,227,266
Revenue Bonds	598,569	658,379	682,792	618,997	344,576	963,485	3,866,799
Capacity Fee	6,165	6,329	5,695	5,695	5,695	28,475	58,054
<b>Total</b>	<b>687,196</b>	<b>756,746</b>	<b>811,145</b>	<b>749,803</b>	<b>477,883</b>	<b>1,669,345</b>	<b>5,152,118</b>
<b>Surplus/(ShortFall)</b>	<b>0</b>	<b>(196,387)</b>	<b>(203,669)</b>	<b>(184,640)</b>	<b>(102,783)</b>	<b>(287,397)</b>	<b>(974,875)</b>

## Capital Program

The Ten-Year Capital Plan shows total project costs for the Wastewater Enterprise of approximately \$6.1 billion of which \$3.6 billion is for the SSIP, \$2.2 billion is for R&R and \$209.8 million is for other Wastewater Facilities & Infrastructure and \$132.8 million is for Treasure Island. Capital investments during the 10-year period are in the following areas:

- Program Management, \$143.3 million;
- Treatment Facilities, \$2.2 billion;
- Sewer/Collection System \$370.8 million;
- Stormwater Management/Flood Control, \$823.3 million;
- Renewal and Replacement, \$2.2 billion;
- Treasure Island, \$132.8 million;
- Wastewater facilities & Infrastructure, \$209.8 million;

### ***Sewer System Improvement Program (SSIP), \$3.5 billion***

The San Francisco Public Utilities Commission endorsed a \$6.9 billion Sewer System Improvement Program (SSIP) to help the Wastewater Enterprise meet the SFPUC goals and levels of service for operational reliability, regulatory compliance, effective stormwater management, community benefits, climate change adaptation, economic and environmental sustainability and ratepayer affordability. The SSIP will be implemented in three phases over the next 18 years.

The SSIP evaluated the current treatment and collection system to provide a long-term strategy for wastewater and stormwater management to ensure reliability and resilience. The SSIP is based on a comprehensive planning effort that: (1) outlines a long-term strategy for San Francisco's wastewater and stormwater management; (2) addresses specific system deficiencies, aging infrastructure, and future operational and repair/replacement needs; and (3) provides a roadmap for future capital improvement programs, ensuring reliable service meeting all regulatory requirements. The SSIP will be implemented over a 20 to 30-year timeframe, a portion of which is addressed in the 10-Year Capital Plan.

The 10-Year Capital Plan as adopted anticipates approximately \$3.5 billion of investments in the SSIP, focusing on projects in the following categories:

- **Program-Wide Efforts:** \$143.3 million – the SSIP is a series of capital improvement projects focused on improving the wastewater system to meet the present and future needs of the City. The Program-Wide Management Project will support the SSIP implementation, providing condition assessments (facility inspections), project definition and prioritization, public outreach and education, analysis of the impacts of climate change, sustainability evaluation, and general program management (program controls, change control, constructability).
- **Treatment Facilities:** \$2.2 billion - projects include the Bayside Biosolids (Digester) Project in southeast San Francisco; improvements to the combined sewer transport storage and near shore combined sewer discharge structures; and improvements to the liquid treatment at the Southeast Water Pollution Control Plant, the North Point Wet Weather Facility, the North Shore Pump Station and associated outfalls; and improvements to the Oceanside Water Pollution Control Plant, Westside Pump Station, and Westside Force Main.
- **Sewer/Collection System:** \$370.8 million – includes the proposed Central Bayside System Improvement Project to provide system enhancements to the Channel Drainage Basin and needed redundancy for the existing 66-inch Channel Force Main, hydraulic improvements to sewers/pump stations, and improvements to stormwater management through elements of both grey and green infrastructure. Also provides funding for replacement of existing sewers to increase hydraulic capacity, transportation/storage and combined sewer discharge structures, pump stations and force mains.
- **Stormwater Management/Flood Control:** \$823.3 million program includes work on drainage basins, green infrastructure, flood resilience, and the Green Infrastructure Stormwater Management Grant Program. For drainage basins, the SFPUC will build, monitor, and evaluate the effectiveness of eight green infrastructure projects to minimize stormwater impacts throughout San Francisco's eight urban watersheds. Flood resilience projects

will address combined sewer flooding caused by heavy rain through capital improvements, financial incentives, Building Code amendments, options for affordable flood insurance, and enhanced coordinated storm response. Green infrastructure construction of permeable surfaces and engineers' subsurface systems will sustainably augment the collection system for the management of stormwater flows. Finally, the Green Infrastructure Stormwater Management Grant Program will incentivize property owners to construct and maintain green infrastructure on large parcels. These projects will support the levels of service goals to minimize flooding, provide benefits to impacted communities, and achieve economic and environmental sustainability. Ancillary benefits may include reduced energy use (reduced pumping and treatment), potable water conservation, groundwater recharge, and improved community aesthetics.

## Renewal and Replacement (R&R) Program

The Wastewater R&R program includes two major categories: sewer replacements and treatment facilities. Increase in Collection System R&R is due to moving large diameter sewer projects from SSIP to R&R to better align with the perpetual nature of the need for sewer reinvestments.

### **Collection System, \$1.8 billion**

- **Condition Assessment Project** – There are more than 80 miles of major sewers that have been in service for 100 years or more and are at the end of their useful life. This project includes cleaning and inspection of large diameter sewers, transport/storage boxes and collection system discharge/overflow structures. The results of the inspection program will inform the R&R Spot Repair and Collection System Sewer Improvements Programs, as well as the SSIP regarding needed sewer repairs. This project will assist with the on-going gathering of data necessary for the Wastewater Enterprise Collection Systems Asset Management Program.
- **Sewer Replacement/Improvement Program** – This program maintains the existing functionality of the sewage collection system and includes planned and emergency repairs and replacement of structurally inadequate sewers. Failure of the collection system will reduce the City's

ability to handle and dispose of wastewater and stormwater which can lead to public health, safety and environmental risks and non-compliance with State discharge permit. Projects are identified utilizing an asset management approach which factors in physical condition, age, location, risk, public safety, paving schedule and other factors. This program allows for the renewal and replacement of approximately 15 miles of sewer per year

- **Large Diameter Sewer** - This is a collection of large sewer improvement projects that will rehabilitate and/or replace Large Sewers (sewers greater than 36-inches in diameter or equivalent diameter) that have the highest risk for failure. The collection of projects (or subprojects) were identified from the efforts of SSIP Phase 1 projects.
- **Sewer Lateral Improvements** - The R&R Program Collection System Sewer Lateral Improvement projects consist of localized replacement/rehabilitation of sewer assets (predominantly sewer laterals). The State implementation of the Combined Sewer Overflow Policy requires that sewer utilities must have an on-going inspection, cleaning and repair program for sewer system assets to minimize raw sewage overflows

### **Treatment Plants, \$425.4 million**

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

The projects are prioritized based upon regulatory compliance, condition assessments, operation staff recommendations and Level of Service goals which were formally adopted as part of the SSIP. The completion of projects under the Treatment Plant Improvement program will increase reliability and efficiency of Wastewater Enterprise facilities and will ensure that the performance of the treatment facilities meets the established levels of service.

## ***Treasure Islands Capital Improvement, \$132.8 million***

On October 1, 1997, concurrent with the operational closure of the Treasure Island Naval Station, the City entered into a Cooperative Agreement with the U.S. Navy in which the City agreed to take responsibility for caretaker services on Treasure Island and Yerba Buena Island. As a result of this agreement, the SFPUC provides utility operations and maintenance services for the wastewater and stormwater systems.

This project provides continued funding for a new tertiary three-million gallon per day wastewater treatment facility for the Treasure Island/Yerba Buena Island service area to replace the existing, aged facility. The new treatment facility will include influent screening, a combined primary/secondary treatment process, anaerobic sludge digestion, sludge dewatering and truck load-out, disinfection, odor control, and tertiary treatment.

## ***Wastewater Facilities and Infrastructure, \$209.8 million***

- **Ocean Beach Protection Process:**  
\$138.5 million - This project is to develop comprehensive shoreline management and protection plan in partnership with relevant stakeholders and regulatory agencies and to establish a long-term solution to the erosion issues along Ocean Beach. This long-term solution is necessary to protect the integrity of critical wastewater assets that were planned, built, permitted and constructed to protect public health and the environment. These assets include the Lake Merced Transport/Storage facility, the Westside Pump Station and the Oceanside Treatment Plant which are threatened by sea level rise, and erosion at Ocean Beach
- **Southwest Outfall Condition Assessment:**  
\$30.9 million - This project includes the condition assessment of the outfall and needed repairs. The facilities provided all-weather collection and treatment of flows from the westside of the City. The facilities must be monitored and maintained to ensure reliable and safe operation during all weather conditions.

- **Customer Service System:** \$8.1 million - Upgrade to the Customer Service Center Systems that will modernize current existing technology to optimize business processes aligning with current and future Customer Service needs and increased operational effectiveness
- **Southeast Ocean Outfall Condition Assessment:**  
\$32.2 million - The Southeast Outfall pipeline conveys treated effluent from the Southeast Plant to the San Francisco Bay. The condition assessment will determine if the pipeline from the onshore force main to offshore outfall can provide reliable service until the offshore outfall is replaced. Funding for rehabilitation is include in the project if determined necessary by the assessment.

## FY 2022-23 Capital Budget

The table shows the Wastewater Enterprise's capital budget for , FY 2021-22, and FY 2022-23, by major program

### Wastewater One Year Capital Budget

\$ Millions	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget
<b>Program/Project</b>		
<b>COST</b>		
<b>SEWER SYSTEM IMPROVEMENT PROGRAM</b>		
Program Wide Management	0.0	14.0
Treatment Facilities	333.6	447.6
Sewer/Collection System	15.0	58.3
Stormwater Management/Flood Control	37.5	63.3
<b>Total SSIP</b>	<b>386.1</b>	<b>583.1</b>
<b>RENEWAL AND REPLACEMENT</b>		
Collection System - Condition Assessment	8.0	12.2
Collection System - Sewer Improvements	107.7	54.4
Collection System - Large Diameter Sewer	0.0	10.6
Treatment Plant Improvements	26.6	25.7
<b>Total R&amp;R</b>	<b>142.3</b>	<b>102.9</b>
Treasure Island - Wastewater Treatment Facility	15.0	0.2
<b>WASTEWATER FACILITIES &amp; INFRASTRUCTURE</b>		
Ocean Beach Protection	2.4	0.0
Islais Creek Crossing	0.0	0.0
Customer Service System	0.0	1.0
<b>Total Wastewater Facilities &amp; Infrastructure</b>	<b>2.4</b>	<b>1.0</b>
Financing Cost	75.9	105.6
<b>Total Cost</b>	<b>621.8</b>	<b>792.8</b>
<b>SOURCES</b>		
Revenue	110.3	82.5
Revenue Bonds	506.3	704.1
Capacity Fee	5.3	6.2
<b>Total Sources</b>	<b>621.8</b>	<b>792.8</b>

The Wastewater FY 2022-23 Capital Budget is \$793.0 million. The capital budget includes continuing Renewal and Replacement (R&R) Projects for the Collection System Sewer R&R and Treatment Plant Facilities Improvements and significant non-recurring capital expenditures for the Sewer System Improvement Program (SSIP), Treasure Island and other Wastewater Facilities and Infrastructure. The budget is funded by a combination of Wastewater Enterprise revenues, Wastewater revenue bonds and capacity fees

As a preliminary step to the Capital budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs. This important step reduced the amount of funding request in FY 2022-23 in the two-year Capital budget and a more efficient use of existing project appropriations, commercial paper and bond funding issuances.

## **FY 2022-23**

The Wastewater Enterprise's capital budget for FY 2022-23 is \$793.0 million and includes \$687.2 million for Wastewater Capital Projects and \$105.6 million for financing cost. The FY 2022-23 Wastewater Enterprise capital budget, including financing costs, is \$171.0 million more than the FY 2021-22 approved budget because of increases to the SSIP Biosolids Digester Project and Collection System and Treatment Facilities Renewal & Replacement projects.

### **Major projects include:**

#### ***Capital Enhancements included in the SSIP***

\$14.0 million for Program Wide Management to fund components necessary for successful implementation of the Sewer System Improvement Program (SSIP): condition assessment (facility inspections), technical support and evaluations, water quality studies, progression of project definition and prioritization, public outreach and education, analysis of the impacts of climate change, development of green infrastructure standards and training programs.

\$447.6 million for SSIP Treatment Facilities on-going improvements at the Southeast Plant including the Biosolids Digester Project, Headworks Project, Oceanside Plant Condition Assessment and Improvement Project and the North Shore Wet Weather Improvement Project.

\$58.3 million for Sewer/Collection System including the Kansas and Marin Street Sewer Improvement project, Large Diameter Sewers and Channel Force Main Improvement Projects.

\$63.3 million for Stormwater Management/Flood Control Green Infrastructure Projects to provide sustainable alternatives to the collection system management of stormwater flows and the Green Infrastructure Grant Program.

#### ***Renewal and Replacement Projects (Recurring)***

\$77.2 million for Collection System R&R projects including sewer condition assessments which support the Collection System Asset Management program, spot sewer repairs (repair that cover less than one block) and planned/emergency projects to repair/replace 15 miles of structurally inadequate sewers to maintain the existing functionality of the collection system.

\$25.7 million for Treatment Plant R&R program to maintain the capacity and reliable performance of the wastewater treatment facilities. Includes repairs to Transport Boxes, Pump Stations, Force Mains, Tunnels and Treatment Plants prioritized by condition assessments, regulatory compliance, staff recommendations and level of service goals.

#### ***Capital Enhancements Non-SSIP***

\$1.2 million for upgrades to the Customer Service Center Systems that will modernize current existing technology to optimize business processes aligning with current and future Customer Service needs and increased operational effectiveness.

## Wastewater Programmatic Projects

The table shows The Wastewater Enterprise Programmatic Projects, for FY 2021-22, FY 2022-23, and FY 2023-24, by major programs. Programmatic projects are annually appropriated projects in support of routine maintenance of programs most of which were initiated in support of the capital program.

### Wastewater Two-Year Programmatic Projects Budget

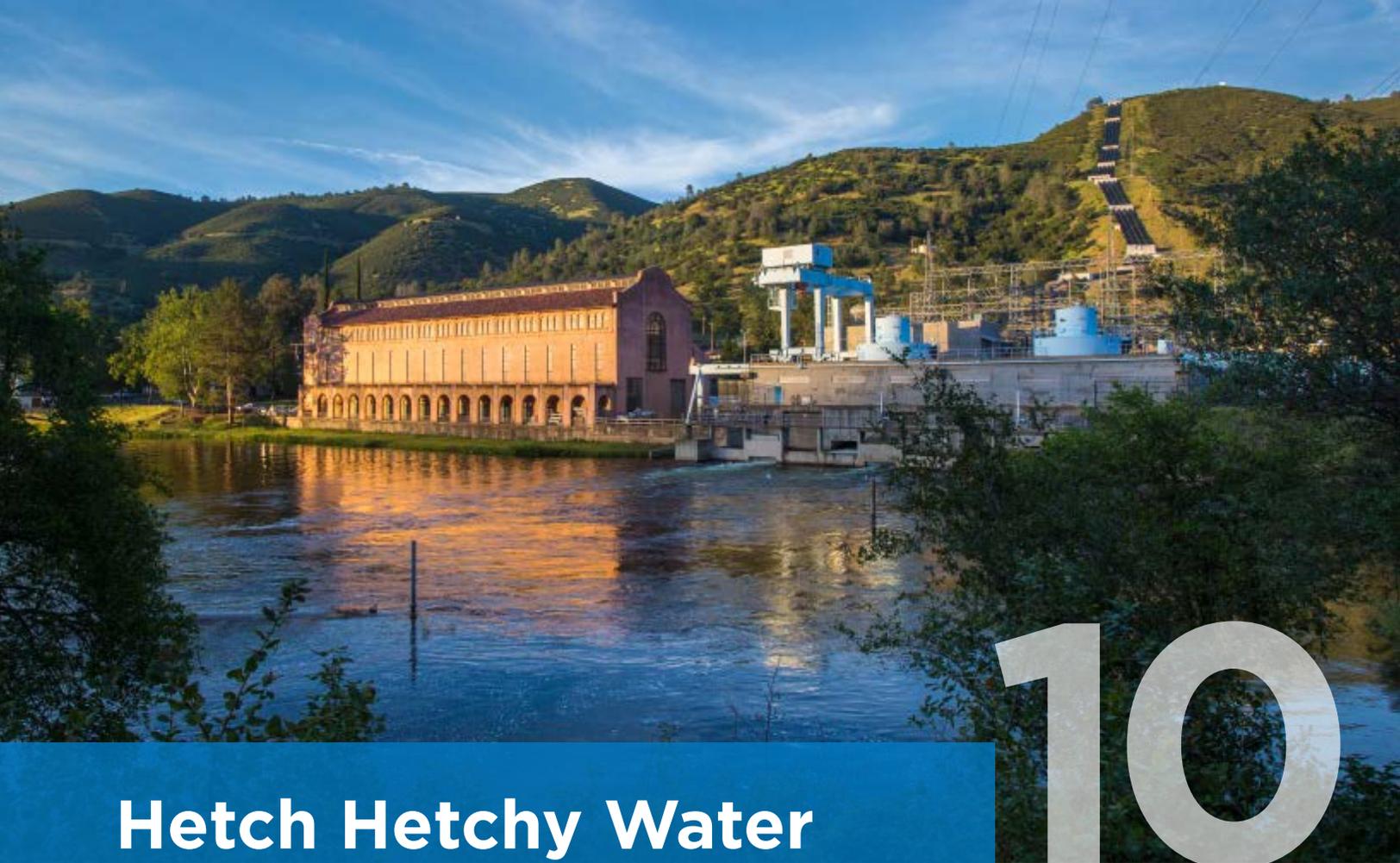
\$ Millions	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	FY 2023-24 Adopted Budget
<b>Program/Project</b>			
Treasure Island Facilities Maintenance	1.5	1.5	1.5
Low Impact Development	0.7	0.7	0.7
Youth Employment Project	0.7	0.7	0.7
525 Golden Gate - Operations & Maintenance	1.3	1.3	1.4
525 Golden Gate - Lease Payments	2.4	2.4	2.4
<b>Total Cost</b>	<b>6.6</b>	<b>6.7</b>	<b>6.7</b>
<b>SOURCES</b>			
Infrastructure - Recovery Capital (O&M)	0.3	0.3	0.3
Infrastructure - Recovery Capital (Lease)	1.9	1.9	1.9
Federal Bond Interest Subsidy	0.5	0.5	0.5
Revenue	3.9	4.0	4.0
<b>Total Sources</b>	<b>6.6</b>	<b>6.7</b>	<b>6.7</b>

### FY 2022-23

Wastewater Enterprise Programmatic Projects budget for FY 2022-23 is \$6.7 million to fund facilities maintenance activities at Treasure Island, Low Impact Development, Youth Employment Programs, and the SFPUC 525 Golden Gate Headquarters Building.

### FY 2023-24

The Wastewater Enterprise Programmatic Project budget for FY 2023-24 is \$6.7 million, and funds projects similar to those in FY 2022-23.



10

# Hetch Hetchy Water and Power Enterprise

## Mission

Hetch Hetchy Water and Power is comprised of two components: Hetchy Water, which operates and maintains the Hetch Hetchy Project, and Hetch Hetchy Power, which is responsible for all SFPUC power utility commercial transactions and in-City power operations.

The Hetch Hetchy Project provides both water for distribution through the Water Enterprise and hydroelectric power to municipal and other customers through the Power Enterprise. A number of facilities in the Hetch Hetchy Project are joint assets used for both water conveyance and power generation and transmission, benefiting both Hetchy Water and Hetch Hetchy Power. All power sale revenues are allocated to Hetch Hetchy Power. Operating and capital costs benefitting Hetch Hetchy Water and 55 percent of operating and capital costs that jointly benefit Hetch Hetchy Water and Power are allocated to the Hetch Hetchy Power. Operating and capital costs benefitting Hetchy Water and 45 percent of operating and capital costs jointly benefitting Hetch Hetchy Water and Power are allocated to the Water Enterprise.

*Continued on next page...*

## Hetch Hetchy Water and Power High Level Budget Summary

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	229,610,036	266,011,702	36,401,666	303,902,127	37,890,425
<b>Total FTE</b>	371.52	394.87	23.35	406.40	11.53

## Hetchy Water

Hetchy Water’s mission is to operate as an efficient, reliable water and power supplier, in a manner that values environmental and community interests and sustains the resources entrusted to Hetchy Water’s care. Hetchy Water is responsible for the operation, maintenance and improvement of water, power and joint facilities that comprise the Hetchy Water and Power Project to ensure safe and reliable operations and service delivery while meeting regulatory requirements. Hetchy Water also maintains land and properties consistent with public health requirements, watershed values and neighborhood concerns, and promotes diversity, health, safety and professional development of employees.

## Hetch Hetchy Power

The core business of Hetch Hetchy Power is to provide reliable supplies of electric power to meet the electricity needs of the City and County of San Francisco’s municipal and retail customers, and to satisfy the municipal loads consistent with Federal law.

The Hetch Hetchy Power’s portfolio consists of hydroelectric generation, on-site solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC Wastewater’s treatment facilities, and third-party purchases. For over 100 years this system—which utilizes the gravity flow of the City’s water from source to tap—has operated without producing any carbon emissions nor any radioactive byproducts. Hetch Hetchy Power energizes vital San Francisco services as well as a growing number of residential and commercial customers. In all, we provide nearly 20% of San Francisco’s total electricity. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Power Enterprise continues to evaluate and expand its existing Hetch Hetchy Power resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concern.

### Map of Hetch Hetchy Power System



## Services and Divisions

### Hetchy Water

Hetchy Water is responsible for operations, maintenance and upgrades to the Hetch Hetchy Water and Power system – a system that starts at Hetch Hetchy Reservoir located in Yosemite National Park and spans all the way to Alameda East located in Sunol and Newark in Alameda County. The system provides 85% of the water supply for 2.7 million customers in San Francisco and other Bay Area communities.

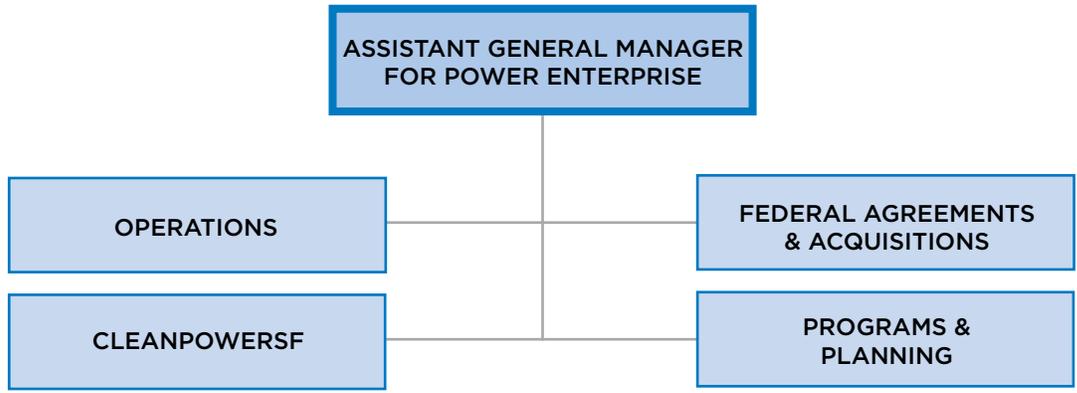
The Hetch Hetchy Water and Power system includes the following asset categories: dams, tunnels, large diameter water conveyance pipelines, hydrogeneration powerhouses, high voltage power transmission, power distribution, switchyards, substations, penstocks, valve houses, buildings, roads, bridges, information technology systems, control networks, microwave and fiber optic communication systems. Hetchy Water’s objectives are to manage this diverse portfolio of assets in a manner that maximizes lifecycle value while consistently meeting Levels of Service requirements and performance goals, as well as informing evidence-based decisions to prioritize maintenance and minimize the risks related to asset failure. Activities associated with operating and maintaining these multifunctional systems are balanced based on priorities identified within the mission statement.

With many Hetch Hetchy Water and Power assets serving multiple purposes, a funding system has been established that is based on the function or benefit individual assets provide. An asset may be classified as “water only”, “power only” or “joint”. Funding to improve or rehabilitate an asset comes from Water funds, Power funds or a combination of the two for those assets classified as Joint.

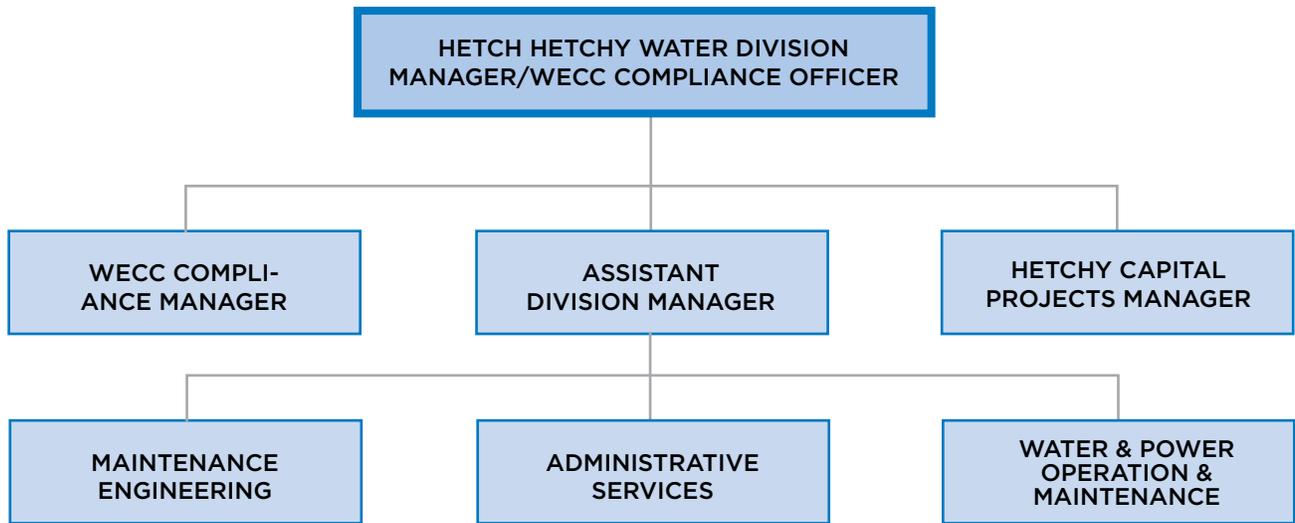
### Hetch Hetchy Power

Through the budget, the Hetch Hetchy Power maintains approximately 30,000 SFPUC-owned streetlights in the City and County of San Francisco, as well as other City-owned, or other agency-owned power transmission and distribution systems, including substations, meters, backup generators, overhead and underground power lines, transformers, and switchgears. New installation work is also performed including the installation of new overhead service and underground connections, meters, streetlights, switchgear, transformers, etc. Since FY 2015-16, Hetch Hetchy Power interconnects its customers through a federally-approved Wholesale Distribution Tariff, which dictates the terms and conditions under which PG&E provides distribution interconnection services. The new requirements for facilities to interconnect customers continues to impose cost increases on the Hetch Hetchy Power budget. However, Hetch Hetchy Power continues to leverage investments in distribution and transmission interconnections to serve additional customers. Hetch Hetchy Power is expanding the number of customers it serves to include new retail customers at redevelopment projects, like The Shipyard and Salesforce Transit Center. Hetch Hetchy Power is additionally responsible for planning, developing and implementing programs to promote energy efficiency, solar generation, and building and transportation decarbonization, including GoSolarSF and EV Charge SF. Hetch Hetchy Power further manages and directs power purchasing and scheduling activities, as well as transmission planning.

*Hetch Hetchy Power Organization Chart*



*Hetch Hetchy Water Organization Chart*



## Goals and Objectives

As noted in the Financial Planning and Policies section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities.

### The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

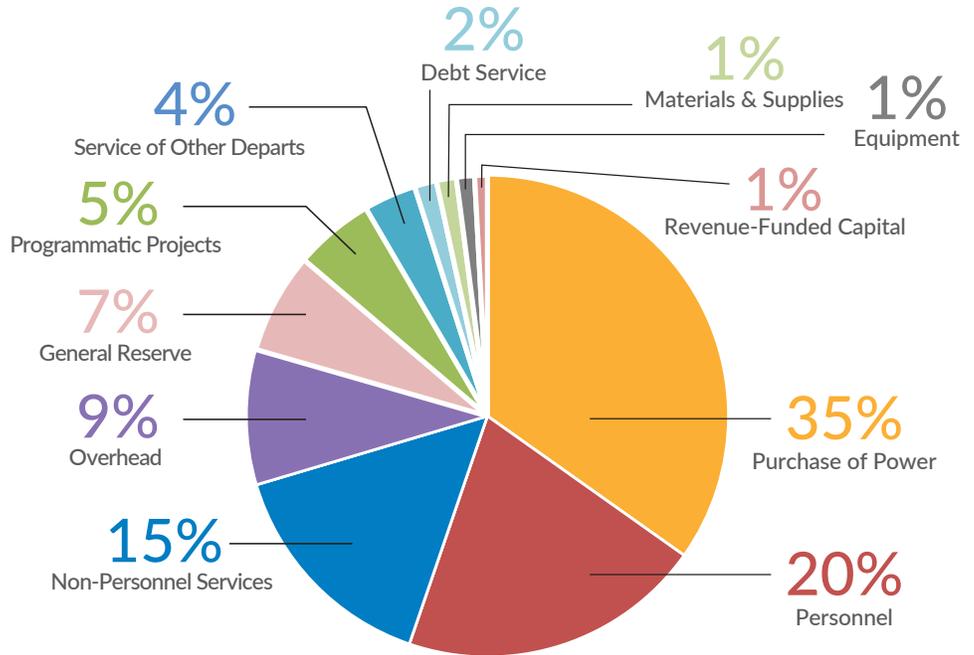
As part of the strategic plan goals, each Enterprise is responsible for meeting specific objectives and performance targets. Each year progress on those performance measures are reported to the Controller and Mayor. Reported performance for FY 2021-22 for the Hetch Hetchy Enterprise and agency-wide goals are as follows:

Goal Area	Performance Measure	Target	FY 2021-22 Actuals
Reliable Service and Assets	Percent of street light outages complying with 48-hour SFPUC response goal; simple street light repaired	Meeting target at 100%. If less than 100% then not meeting target	100%
Effective Workforce	Number of Promotions	168	229
Effective Workforce	Time to Hire.	233 average days to hire	289
Financial Sustainability	Average residential Power bill as a percent of median income in San Francisco.	.69%	0.72%
Financial Sustainability	Operating cost coverage (total operational revenues/total operating costs) for Power	.97	1.20
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	4,600	2,533
Stakeholder and Community Interest	Percent of Eligible electric customers receiving low-income discount rate	99%	46%
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 4.84%	9.93%

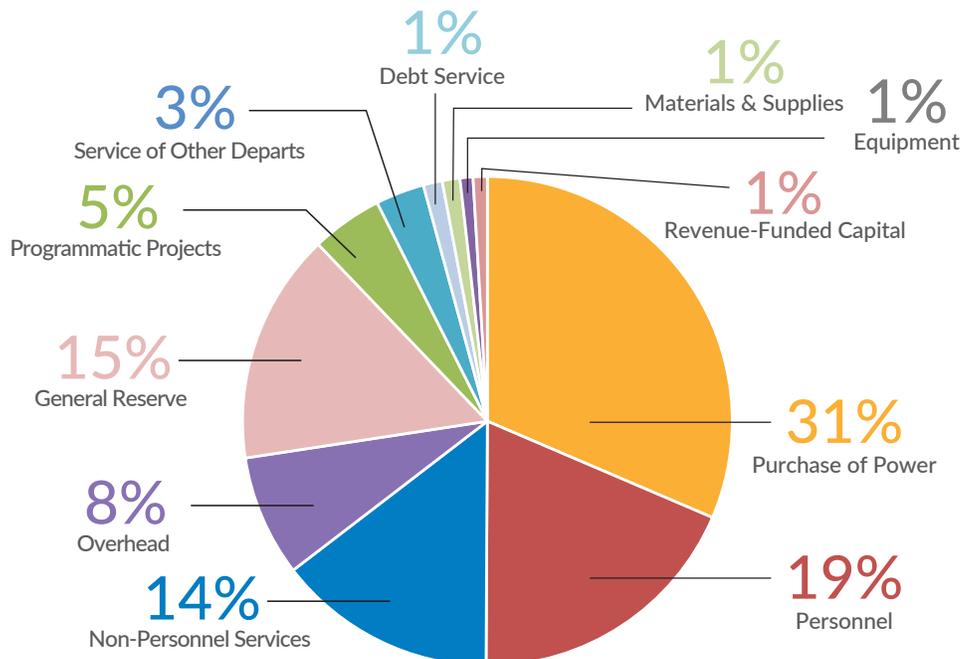
## Hetch Hetchy Water and Power Sources and Uses of Funds

	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>SOURCES OF FUNDS</b>						
Sale of Water	46,023,000	46,023,000	52,178,705	6,155,705	51,859,348	(319,357)
Sale of Electricity	177,754,278	151,174,650	189,663,988	38,489,338	225,327,522	35,663,534
Sale of Natural Gas & Steam	16,858,327	12,936,052	15,911,149	2,975,097	17,997,808	2,086,659
Other Non-Op Revenues	10,097,569	7,140,613	6,806,724	(333,889)	7,223,046	416,322
Interest Income	1,398,243	4,805,000	1,034,000	(3,771,000)	1,105,000	71,000
Federal Interest Subsidy	439,352	458,908	417,136	(41,772)	389,403	(27,733)
Fund Balance	45,415,816	7,071,813	-	(7,071,813)	-	-
<b>Total Sources of Funds</b>	<b>297,986,585</b>	<b>229,610,036</b>	<b>266,011,702</b>	<b>36,401,666</b>	<b>303,902,127</b>	<b>37,890,425</b>
<b>USES OF FUNDS</b>						
Personnel	47,626,553	51,368,847	54,373,400	3,004,553	56,669,667	2,296,267
Non-Personnel Services	29,464,063	39,369,906	40,284,137	914,231	44,041,929	3,757,792
Purchase of Power	76,362,769	82,371,868	92,603,428	10,231,560	95,545,826	2,942,398
Materials & Supplies	3,163,747	3,498,442	3,548,442	50,000	3,551,842	3,400
Equipment	1,198,931	1,219,510	3,232,412	2,012,902	2,598,647	(633,765)
Overhead	19,715,926	21,794,394	24,117,058	2,322,664	24,360,342	243,284
Debt Service	3,940,606	3,940,606	3,959,626	19,020	3,813,501	(146,125)
Service of Other Departments	6,962,818	9,168,689	9,381,453	212,764	9,779,527	398,074
General Reserve	-	-	18,038,611	18,038,611	46,388,642	28,350,031
Programmatic Projects	13,651,982	14,456,774	14,208,135	(248,639)	14,305,204	97,069
Revenue-Funded Capital	48,606,160	2,421,000	2,265,000	(156,000)	2,847,000	582,000
<b>Total Uses of Funds</b>	<b>250,693,555</b>	<b>229,610,036</b>	<b>266,011,702</b>	<b>36,401,666</b>	<b>303,902,127</b>	<b>37,890,425</b>

**CHART 10.1** >  
**Hetch Hetchy**  
**FY 2022-23 Uses.**



**CHART 10.2** >  
**Hetch Hetchy**  
**FY 2023-24 FY**  
**2023-24 Uses.**



# Revenues

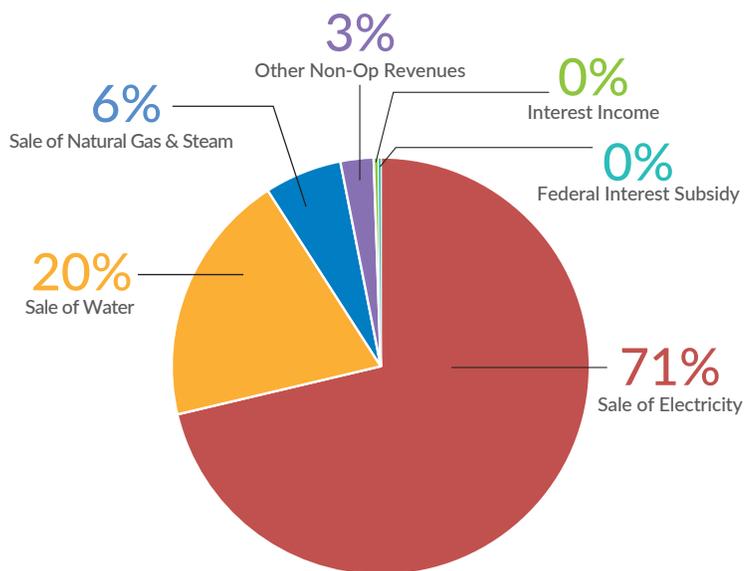
## Introduction

In FY 2022-23 Hetch Hetchy Water and Power revenues total \$266.0 million, an increase of 15.9 percent from FY 2021-22. In FY 2023-24 Hetch Hetchy Water and Power revenues total \$303.9 million, an increase of 14.2 percent from the FY 2022-23 budget. The charts below show the Hetch Hetchy Water and Power’s total revenue budgets broken out amongst major revenue categories in FY 2022-23 and FY 2023-24.

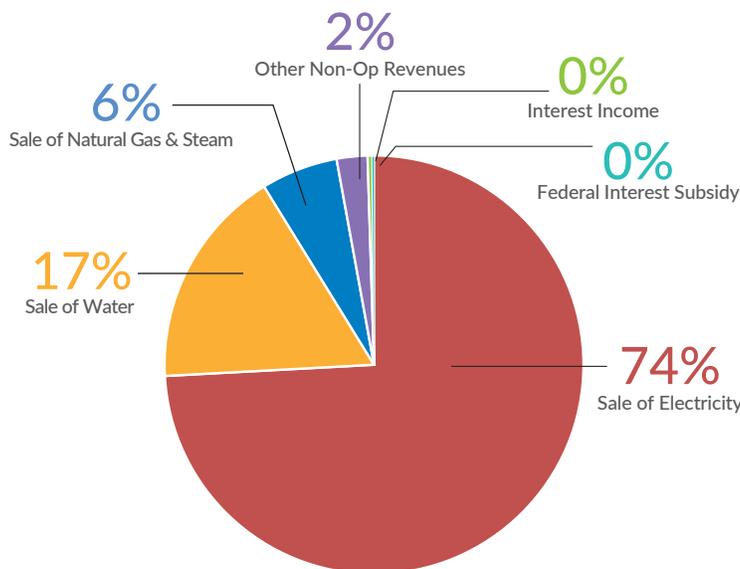
Per the City Charter, the SFPUC conducts a cost of service study at least every five years. The 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing rates for FY 2022-23 and FY 2023-24. The goal of this rates

study is to align rate schedules to cost of service by customer classes; this has led to decoupling rates from PG&E comparable tariffs for retail and a subset of municipal customers, as well as moving away from a flat energy rate increase for other municipal departments, as has been followed in prior fiscal years. While on a path to aligning rate schedules to cost of service, the rates study has also considered the agency’s Ratepayer Assurance Policy on affordability for customers, designing rates in an incremental and smoothed manner over the budget years. As such, rates and bill impact on customers vary – some with increases, some with decreases – based on rates schedules as well as usage and demand profiles. For almost all of retail customers whose rates have been increased, they are capped at 10% per fiscal year.

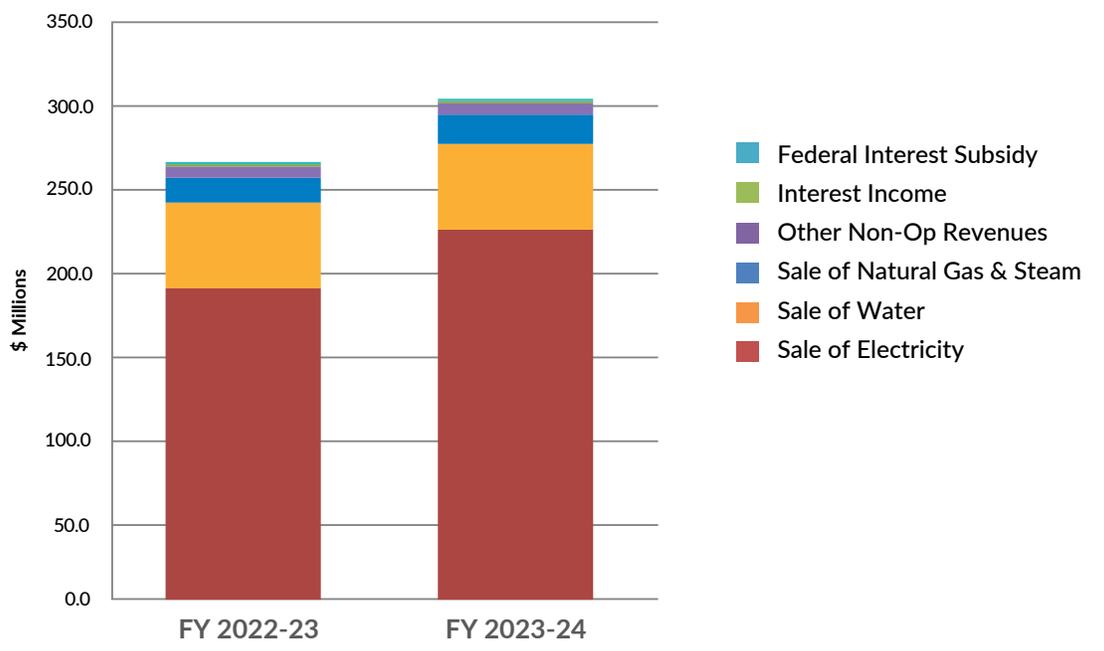
**CHART 10.3**  
Hetch Hetchy  
FY 2022-23  
Sources.



**CHART 10.4**  
Hetch Hetchy  
FY 2023-24  
Sources.



**CHART 10.5**  
**Hetch Hetchy**  
**Total Uses.**



## ***COVID Impact on Volumes***

The SFPUC continues to see the impact on commercial sales revenues as residents stay home and businesses remain closed in response to the surge of new variants. Total overall Hetchy power loads were down 18 percent from FY 2018-19, or pre-pandemic levels, during the COVID-19 shelter-in-place orders (March 2020-June 2021). These observed volumetric trends were the basis for forecasting sales volumes in each enterprise in addition to city-wide projections for economic recovery post-pandemic. General economic recovery is forecasted to return to pre-pandemic volumetric averages for residential and commercial customer classes in FY 2023-24. Tourism impacted recovery due to COVID, not including new projects growth, such as for convention centers and San Francisco International Airport, is forecasted to incrementally return to pre-pandemic volumetric averages in FY 2025-26.

## ***Sale of Water***

The sale of water to Hetch Hetchy Water and Power is budgeted at \$52.2 million in FY 2022-23, consisting primarily of the sale of water to the SFPUC Water Enterprise and the balance of water sales to the City of Groveland and Lawrence Livermore. The budgeted sale of water decreased to \$51.9 million in FY 2023-24, and was driven by a slight decrease in the sale of water to the Water Enterprise (also referred to as the Hetchy Transfer).

## ***Sale of Electricity***

Sales of Electricity is budgeted at \$189.7 million in FY 2022-23, a 22.7 percent increase from the \$154.6 million budgeted in the prior year. The budgeted sales of electricity in FY 2023-24 increases to \$225.3 million, or 18.8 percent. COVID-19 volumetric impacts were factored into the reforecast of electricity loads in FY 2022-23 and 2023-24. Various rate changes per the rates study, including rate increases for some residential and commercial classes, also contribute to increases in budgeted revenues. The growth in overall revenues from FY 2022-23 to 2023-24 is driven by rate increases as well as further load growth from COVID recovery and new volumes such as the SFMTA central subway station project, a bus electrification pilot, scheduled SFO projects, and redevelopment customers.

Sales of electricity to municipal departments and governmental agencies are budgeted at \$152.3 million and \$178.6 million in FY 2022-23 and

FY 2023-24, respectively. Sales of electricity to retail customers, are budgeted at \$19.1 million in FY 2022-23 and grow to \$31.7 million in FY 2023-24. Wholesale sales of electricity are budgeted at \$18.3 million in FY 2022-23, a decrease from the prior year as the enterprise expects to sell less excess load into the wholesale market. Budgeted wholesale sales of electricity declines in FY 2023-24 to \$15.1 million as current customer load grows slightly and less electricity is anticipated to be sold into the wholesale market.

## ***Sale of Natural Gas & Steam***

FY 2022-23 Sale of Gas and Steam is budgeted at \$15.9 million, an increase of 2.0 percent and \$18.0 million or 13.1 percent in FY 2023-24. The budget is based on PG&E and the California Department of General Services (DGS) retail rates and projected usage. Power is responsible for processing and billing City departments for natural gas and steam. The revenue generated from natural gas and steam is a pass-through and ultimately has no net impact on Hetch Hetchy's operating budget.

## ***Interest Income***

In FY 2022-23 the Hetch Hetchy Water and Power budgeted \$1.0 million in interest earnings, making up 0.4 percent of total revenues. In FY 2023-24 interest earnings are budgeted at \$1.1 million, or 0.4 percent of total revenues. Interest earnings are budgeted assuming a 0.5% percent interest rate earned on unaudited and projected cash balances at the time of budget development.

## ***Budgeted Fund Balance***

Fund Balance is used on a one-time, planned basis to balance budgeted sources and uses in line with the SFPUC's Fund Balance Policy. In both years of the budget, Hetch Hetchy's expenditures do not exceed revenues so the enterprise has not budgeted any Fund Balance as a balancing source.

## ***Change in Fund Balance***

FY 2021-22 year-end fund balance is \$128.3 million. Taking into account budgeted contribution to fund balance in FY 2022-23 of \$18.0 million, FY 2022-23 ending fund balance is projected to be \$146.4 million. FY 2023-24 ending fund balance is projected to be \$192.8 million after taking into account budgeted contribution to fund balance of \$46.4 million.

## Expenditures

### Summary

The Hetch Hetchy Water & Power (Hetch Hetchy) annual operating budget is \$266.0 million in FY 2022-23 and \$303.9 million in FY 2023-24. The budget has increased by \$36.4 million (15.9 percent) in FY 2022-23 and \$37.9 million (14.2 percent) in FY 2023-24. The net change from FY 2022-23 through FY 2023-24 is mainly due to increases associated with purchase of power, personnel costs and contributions to general reserve.

### Purchase of Power

Hetch Hetchy's Purchase of Power budget is \$92.6 million in FY 2022-23, an increase of \$10.2 million (12.4 percent). The Purchase of Power budget in FY 2023-24 is \$95.5 million, an increase of \$2.9 million (3.2 percent). Hetch Hetchy enterprise's major customers include the San Francisco International Airport (SFO), which is projected to experience significant upward trends with the resumption of travel and new projects, similarly power purchase estimates have been adjusted upward to reflect demand for power and the increased cost of distribution and transmission costs.

### Revenue Funded Capital

The FY 2022-23 Revenue Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$2.3 million, a decrease of \$0.2 million (-6.4 percent), and the Revenue-Funded Capital for the FY 2023-24 budget is \$2.8 million, an increase of \$0.6 million (25.7 percent). Hetch Hetchy's capital plan exceeds \$1.5 billion, the net change represents has a minimal impact to the overall plan.

### Personnel

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The budget has increased by \$3.0 million (5.8 percent) in FY 2022-23 to \$54.4 million and increased by \$2.3 million (4.2 percent) in FY 2023-24 to \$56.7 million. Adjustments to attrition savings were made to reflect slower hiring and long-term vacant positions were eliminated. These reductions were offset by the addition of new operating and project funded staff to support Hetch Hetchy Power's

Utility Field Services and Retail Services groups, as well as cost of living adjustments required under various labor agreements, retirement and health benefit costs.

### Authorized and Funded Full-Time Equivalents (FTEs)

The Hetch Hetchy Enterprise's total authorized and funded full-time equivalents (FTEs) in FY 2022-23 is 358.41, an increase of 16.02. The increase mainly represents the addition of new operating and project funded staff to support Hetch Hetchy Power's Utility Field Services and Retail Services groups, offset by an increase to attrition.

The Hetch Hetchy Enterprise's total authorized and funded full-time equivalents (FTEs) in FY 2023-24 is 370.73, an increase of 12.32. The increase is mainly driven by new operating and project funded staff to support Hetch Hetchy Power's Utility Field Services and Retail Services groups.

### Non-Personnel Services

The Non-Personnel Services budget is \$40.3 million in FY 2022-23, an increase of \$0.9 million (2.3 percent). Increases are mainly due to the payments to other governments, specifically to the National Park Service and the Don Pedro Recreation Association, and for the maintenance and upkeep of equipment. The Non-Personnel Services budget is \$44.0 million in FY 2023-24, an increase of \$3.7 million (9.3 percent). Increases are mainly due to a one-time funding request for the Hetch Hetchy Power's Utility Field Services group, should they need to relocate from Pier 23 and for professional services to support the Utility Field Service's Asset Management program.

### Materials & Supplies

The Materials & Supplies budget funds building and equipment maintenance, water treatment chemicals, office and safety supplies, fuel and software licenses. It is budgeted to remain flat for both FY 2022-23 & FY 2023-24 at \$3.5 million.

## ***Equipment***

This budget funds equipment required to support the Enterprise's operations. The FY 2022-23 Equipment budget is \$3.2 million, an increase of \$2.0 million (165.1 percent) and the FY 2023-24 budget is \$2.6 million, a decrease of \$0.6 million (-19.6 percent). The increase in FY 2022-23 represents the Enterprises effort to modernize its fleet of vehicles and the replacement of heavy-duty maintenance equipment to meet California emission standards. The decrease in FY 2023-24 represents one-time equipment funding from the previous fiscal year.

## ***Overhead***

The Overhead budget funds the Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2022-23 Overhead budget is \$24.1 million, an increase of \$2.3 million (10.7 percent) and the FY 2023-24 Overhead budget is \$24.4 million, an increase of \$0.2 million (1.0 percent). The overhead rate is based on SFPUC's 2018 Indirect Cost Study and the increase reflects adjustments to the SFPUC Bureaus FY 2022-23 and FY 2023-24 budget

## ***Debt***

Debt service is budgeted to be flat from FY 2021-22 to FY 2022-23. The budget is projected to decrease from \$3.9 million in FY 2022-23 to \$3.8 million in FY 2022-24, a decrease of \$0.1 million or (3.7 percent). The debt service budget is based on principal and interest payment schedules for outstanding debt and debt expected to be issued over the period.

## ***Services of Other Departments***

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the enterprise. These services include City-wide ITS, City Attorney services, risk management, and fleet maintenance among others. The FY 2022-23 budget is \$9.4 million, an increase of \$0.2 million (2.3 percent) and the FY 2023-24 budget is \$9.8 million, an increase of \$0.4 million (4.2 percent). The increase is mainly due to a rise in insurance premiums paid under city-wide risk management services.

## ***Programmatic Projects***

Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. The FY 2022-23 Programmatic Project budget is \$14.2 million, a reduction of \$0.2 million (-1.7 percent). The decrease is mainly due to a reduction in facilities maintenance at Hetch Hetchy Water upcountry locations.

The FY 2023-24 budget is \$14.3 million, an increase of \$0.1 million (0.7 percent). The increase is mainly due to maintenance required at Treasure Island facilities.

## ***General Reserve***

In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a general reserve that is meant to project the amount that the entity will contribute to Fund Balance by the end of the fiscal year. The FY 2022-23 General Reserve budget is \$18.0 million, an increase of \$18.0 million (100.0 percent). The FY 2023-24 General Reserve budget is \$46.4 million, an increase of \$28.4 million (157.2 percent). The net change is due to an increase in projected revenue over expenditures over the budget period.

## **New Initiatives**

**The following are new initiatives related to activity from Hetchy Water:**

**CA Air Resource Board Requirement** - In 2005, the California Air Resources Board (CARB) approved a regulation called the Fleet Rule for Public Agencies and Utilities. It requires the reduction of diesel particulate matter emissions from on-road, heavy duty diesel-fueled vehicles owned or operated by a municipality or utility using best available control technology (BACT). The regulation applies to on-road diesel vehicles greater than 14,000 pounds. Compliance deadlines were based on location of fleet. Low population counties such as Tuolumne County, were allowed more time to comply. Hetch Hetchy Water (HHW) updated many of its diesel vehicles with a BACT that was approved by CARB, but later recalled. This initiative ensures that Hetch Hetchy Water will continue to meet the CARB requirement with the replacement of ten heavy-duty vehicles.

**Wildfire Mitigation** – In January 2019, the SFPUC approved the Wildfire Mitigation Plan to establish methods and procedures to construct, maintain, and operate SFPUC electrical lines to minimize the risk of catastrophic wildfire and ensure SFPUC compliance with California State Senate Bill 1028. This budget initiative consists of professional services contracts to analyze data for vegetation encroachment and for software related to wildfire risk analysis. Equipment approved as part of the final budget include a water truck, an excavator, and the replacement of outdated vehicles to access remote locations.

**Payments to Other Governments** – Due to the heavily regulated nature of water and power services, as well as the locations of several SFPUC dams and watersheds, Hetch Hetchy budgeted an additional \$1.1 million in FY 2022-23 for payments to other governments. The initiative includes amounts for payments to the National Park Service for watershed protections, environmental stewardship and security. Additional planned payments include: Don Pedro Recreation Association under the terms of the Federal Electric Regulatory Commission (FERC) for licensing of the Don Pedro dam, and the US Forest Service for water quality protection projects.

**Upper Tuolumne River Ecosystems Project (UTREP)** – The SFPUC has completed the O’Shaughnessy Dam Instream Flow Management Plan (IFMP) for proposed flow releases at O’Shaughnessy Dam. The IFMP aims to resolve issues associated with the 1987 Stipulation to the Raker Act, related to river flows between O’Shaughnessy Dam and Early Intake on the upper Tuolumne River. The IFMP also addresses a mitigation measure for the Tuolumne River required under the 2008 Water System Improvement Program Programmatic Environmental Impact Report (EIR). A total of \$0.5 million is approved for FY 2022-23 & FY 2023-24 to meet regulatory requirements under the 1987 Stipulation to the Raker Act and to implement measures required in the EIR. The funding will also provide resources to update the IFMP and support required regulatory reviews under the California Environmental Quality Act and National Environmental Policy Act.

**The following are new initiatives related to activity from the Hetch Hetchy Power:**

**Retail Services** – As the Power Enterprise’s customer base continues to grow, corresponding service requirements have also increased including bilateral trade settlements, load forecasting (for both Hetch Hetchy Power and CleanPowerSF), meter data management, as well as increased support for billing. Customer growth is expected to be significant over the next several years, with many new residential metered customers. This initiative adds additional staff to support the Retail Services group for future growth.

**Utility Field Services** – In order to meet the growing responsibilities of the Utility Field Services group, this initiative includes the addition of staff to meet customer expectations for service and system reliability. The new positions will also support the operations at the Bay Corridor Transmission & Distribution substation. In addition, \$3.0 million is budgeted in FY 2023-24 for emergency as-needed asset management support. Contractors will be used to provide the necessary services to connect new customers, respond to and troubleshoot outages, perform inspections in the support of customer construction projects and to maintain a safe and reliable power system. \$0.9 million has also been budgeted in FY 2023-24 to support the modernization of construction equipment and vehicles. Current equipment have exceeded their service life and are eligible to be replaced.

**Relocation Services** – \$1.0 million is budgeted in FY 2023-24 for the Utility Field Services group, should they need to relocate from the space they are leasing from the Port of San Francisco at Pier 23. If the Port of San Francisco exercises its option to terminate SFPUC’s occupancy any time after Nov. 30, 2023 pursuant Section 2 of the MOU at Pier 23, the Utility Field Services group will need to relocate.

## Capital Budget

In addition to the operating budget, the Hetch Hetchy Water and Power enterprise also prepares a Capital budget and Ten-Year Capital Plan.

In FY 2022-23, the Hetch Hetchy Enterprise's capital budget is \$181.1 million, of which \$176.8 million or 98.0 percent is funded by debt and \$4.3 million or 2.0 percent is revenue funded. Of the Debt funding, the majority is from power bonds, with the remainder met by water bonds. The majority of the revenue funding is from the Distributed Antenna System and Low Carbon Fuel Standards with the remainder being from power cap and trade revenue. The Hetch Hetchy Enterprise's annual programmatic project budget, which is funded in the operating budget but forms part of the capital program, is \$14.1 million in FY 2022-23 with the majority being funded by revenues, Treasure Island and the remainder coming from Federal bond interest subsidies and recovery capital.

The Hetch Hetchy Water and Power of the San Francisco Public Utilities Commission is responsible for providing reliable, high quality water and electric energy to the City and other customers, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

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.

Power 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.

## *Hetch Hetchy Water and Power Ten-Year Capital Plan*

The SFPUC is required to develop a Ten-Year Capital Plan. Reliability and delivery of high quality water and renewable sources of power are the most critical objectives of Hetch Hetchy Water and Power. The purpose of the capital investment is to extend the useful life of the infrastructure and provide continued reliable operation of the system components. Therefore, understanding the long-term capital needs of the system and determining how to finance these capital needs are essential to the mission of the SFPUC.

The table shows the Hetch Hetchy Water and Power Ten-Year Capital Plan by program and project. The table also shows the different sources of revenue that are expected to finance the plan over these ten-years.

**Power Enterprise Capital Program** - The program undertakes projects both within San Francisco and up-country and is financed by operating revenues, Cap and Trade Carbon auction revenues, Low Carbon Fuel Standard and Power revenue bonds. Power includes the renewable generation and energy efficiency projects critical to attain greenhouse gas reductions and begin climate change mitigation and transmission and distribution projects consistent with the City's goal of establishing the SFPUC role as the exclusive electric service provider to existing and new City facilities, redevelopment and development projects.

### The Hetchy Water Renewal and Replacement Program -

This program is financed by Water revenue bonds, Power revenue bonds and Power revenue; the Hetchy Water Renewal and Replacement budget includes Water Infrastructure, Power Infrastructure and Joint, Water (45 percent)/Power (55 percent) projects that are located up-country and managed by Hetchy Water.

The chart below shows Hetch Hetchy’s capital budget trend over ten years. These trend lines show a small increase in-City Hetchy Power Project budget over the ten years and funding for Hetchy Water increasing in FY 2022-23 for construction on the Mountain Tunnel and SJPL Valve Improvement Projects.

### Hetch Hetchy Ten-Year Capital Plan

\$ Thousands Program/Project	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2028-32	Plan Total
<b>SPENDING PLAN</b>							
<b>HETCH HETCHY POWER</b>							
Distribution Services for Retail Customers	57,032	21,643	72,743	75,418	75,418	208,625	510,879
Streetlights	2,259	2,815	3,815	3,815	3,815	19,075	35,594
Redevelopment	1,483	1,483	1,483	1,483	1,204	6,020	13,154
Renewable/Generation	1,000	1,000	1,000	1,000	1,000	5,000	10,000
Energy Efficiency	1,000	1,000	1,000	1,000	1,000	5,000	10,000
Alternative Transmission Project	3,406	4,747	3,053	2,888	2,888	14,440	31,422
<b>Total Hetchy Power</b>	<b>66,179</b>	<b>32,687</b>	<b>83,093</b>	<b>85,603</b>	<b>85,325</b>	<b>258,160</b>	<b>611,049</b>
<b>HETCHY WATER</b>							
Water Infrastructure	45,723	53,980	67,802	17,868	16,204	31,098	232,675
Power Infrastructure	44,140	17,716	36,357	18,536	10,549	65,953	193,250
Joint Projects - Water Infrastructure 45%	11,286	36,066	44,734	49,434	25,186	80,127	246,833
Joint Projects - Power Infrastructure 55%	13,794	44,081	54,675	60,419	30,783	97,933	301,684
<b>Total Hetchy Water</b>	<b>114,944</b>	<b>151,843</b>	<b>203,568</b>	<b>146,256</b>	<b>82,722</b>	<b>275,111</b>	<b>974,442</b>
<b>Total Hetchy Power &amp; Water</b>	<b>181,123</b>	<b>184,530</b>	<b>286,661</b>	<b>231,859</b>	<b>168,047</b>	<b>533,271</b>	<b>1,585,491</b>
<b>SOURCES</b>							
Revenue	2,259	5,047	5,161	10,380	18,015	108,573	149,434
Power Bonds	119,855	79,895	145,298	131,268	87,941	262,163	826,421
Water Bonds	57,009	90,046	112,536	67,301	41,390	111,225	479,507
Low Carbon Fuel Standard	1,220	1,643	1,300	1,300	1,300	6,500	13,263
Cap and Trade Auction Revenue	780	890	1,350	1,350	1,350	6,749	12,468
<b>Total Sources</b>	<b>181,123</b>	<b>177,521</b>	<b>265,645</b>	<b>211,599</b>	<b>149,996</b>	<b>495,210</b>	<b>1,481,094</b>
<b>Surplus/(Shortfall)</b>	<b>0</b>	<b>(7,009)</b>	<b>(21,016)</b>	<b>(20,260)</b>	<b>(18,051)</b>	<b>(38,061)</b>	<b>(104,397)</b>

## Power Capital Program

The \$611.0 million per year capital program is comprised of the following:

### **Distribution Services Retail, \$510.9 million -**

These projects are consistent with San Francisco Administrative Code Section 99.3 establishing the SFPUC's role as the exclusive electric service provider for existing and new City facilities, and redevelopment and development projects.

### **SFO Substation Improvements -**

This project provides for the SFPUC to serve SFO's anticipated load increase. The project will plan, design, and construct needed upgrades at the substations to provide reliable and redundant service to the airport.

### **Distribution Interface Redevelopment**

**Projects -** This project provides for the design and construction of new electric distribution systems and facilities for the SFPUC to provide electric services to various new developments within San Francisco. The project will consider the use and implementation of proven, as well as new and emerging technologies. Beneficial technologies will be identified, researched, and analyzed, prior to making a proposal for any implementation on the project, where ratepayer benefit is demonstrated.

**Alice Griffith/Candlestick Point -** This project provides for the second phase of development at Hunters Point Shipyard, Candlestick Point, and the Alice Griffith Housing Complex. The Development Team comprised of the Office of Community Investment and Infrastructure and Developer will pay for the installation of the infrastructure and substructure required for the new 12-kV underground electrical distribution system. The SFPUC as the electric utility provider will install the conductors in the conduits, transformers, switches, and metering equipment required for the electric distribution system.

**Grid Connections -** Project to connect customers to SFPUC owned and operated distribution and transmission infrastructure. Hetchy Power has identified a number of Bay Corridor and current SFPUC grid customers to be connected to our systems including, The Shipyard, 2000 Marin, 1990 Newcomb, UCSF block 34, Wastewater Facilities interconnections and other customers throughout the City.

### **Streetlights, \$35.6 million**

Hetchy provides power to all of San Francisco's 44,528 streetlights, maintains the 25,509 streetlights owned by the City, and funds the maintenance of the 19,019 streetlights owned by Pacific Gas & Electric Company (PG&E). Street lighting area improvements, the conversion of high voltage series loop circuits into multiple standard voltage service and Lighting Emitting Diode (LED) lighting, holiday and festivity pole use, assessments to determine the severity of pole deterioration, streetlight pole rehabilitation, and replacement of poles are all funded through this program.

### **Treasure Island \$13.2 million**

The Cooperative Agreement discussed in the Wastewater Enterprise's Renewal Program also requires the SFPUC to provide utility operations and maintenance services at Treasure Island and Yerba Buena Island for the electrical and natural gas utility systems. The SFPUC has developed a work plan for creating a public power utility on each of the islands.

The SFPUC has developed a work plan for creating a public power utility serving both of the islands. The capital projects identified are required to support the future developments' electric load. Current planning shows that the existing electrical overhead poles, lines, and substation are adequate to serve the first phase of development. When the load approaches the design limit of the lines at approximately 10 megawatts, the lines will have to be upgraded and installed underground

### **Renewable/Generation Power, \$10.0 million**

In accordance with City policies and directives to increase renewable energy and reduce greenhouse gases, Hetchy Power is continuously developing and implementing new renewable generation resources. A series is planned to include small municipal and energy development projects including solar photovoltaic, solar thermal, biogas fuel cells, wind projects, and other renewable energy projects. The power generated from the Renewable/Generation Power projects will offset on-site power need at each project location.

### ***Energy Efficiency, \$10.0 million***

Energy efficiency improvements reduce facility operating costs and electric bills for customers, improve system functionality, and reduce the environmental impact of energy use. This program funds energy efficiency investments in City facilities covering the planning, design, and construction of “direct install” projects, as well as technical assistance and project assistance for departments utilizing their own capital funds. Energy retrofits include lighting, heating and ventilation, retro-commissioning, and energy management systems projects. The SFPUC performs eight to ten energy efficiency projects each year. The budget funds efficiency projects in municipal facilities for departments such as Police, Real Estate, Recreation and Parks, SFMTA, Yerba Buena Center, and Fine Arts. Planned funding for lighting and mechanical system efficiency upgrades is consistent with state policies that place emphasis on energy efficiency and that support greenhouse gas reduction.

### ***Alternative Transmission \$31.4 million***

The Public Power Expansion Project funds financial, technical, regulatory, and legal analysis and City staff time toward assessment of acquiring PG&E’s electrical assets, preparing to execute the possible transaction, and readying the SFPUC for operation of the acquired system.

### ***Hetchy Water Renewal and Replacement (R&R) Program***

The \$974.4 million Hetchy Water Renewal and Replacement Program is comprised of several programs. The proposed program costs will be financed with a combination of water and power revenue bonds.

Many Hetch Hetchy Water and Power facilities and system components are aging and/or have reached/exceeded their useful life. The condition of these facilities and equipment must be or has been assessed and proposed projects evaluated and prioritized based on risk (financial/criticality, safety and regulatory), efficiency of operations, and to provide a safe working environment for employees working in remote areas.

### ***Water Infrastructure, \$232.7 million***

The Water Infrastructure Renewal and Replacement program will include concept, development, design, and upgrades for operating, managing, and maintaining the Hetchy Water Infrastructure. In general, this includes water facilities from Hetch Hetchy Reservoir to Alameda East. The new and upgraded systems will have increased coverage, capacity or reliability, or improve employee safety and/or operating efficiency.

The Hetchy water renewal program includes continued rehabilitation to the San Joaquin Pipeline (SJPL) including evaluation and assessment of structural integrity, structural upgrade of the pipeline and other projects including pipeline cathodic protection, coating and lining.

The SJPL Valve and Safe Entry Project to allow safe entry into all sections of the SJPLs for inspection and maintenance while the remainder of the system stays in operation. This project will allow for isolation of the pipelines to prevent a water engulfment hazard during entry into the pipeline for inspections or repairs. Mountain Tunnel Improvement Project includes funding the tunnel portion of the project for improvements to enhance SFPUC’s ability to provide reliable, high-quality water to its customers. This portion of the project was reclassified from Joint to a Water only asset for this capital plan.

### ***Power Infrastructure - \$193.3 million***

Many Hetchy Power systems, facilities, and equipment have reached their end of their life expectancy. Power generation will become less reliable if upgrades are not performed.

The Capital Plan provides funding for improvements at the Hetchy Powerhouses. Projects include upgrades to the Moccasin and Kirkwood powerhouses including protection, control and monitoring systems and equipment replacement and upgrades. The plan includes the Moccasin Powerhouse Generator Rewind and GSU Rehabilitation to fund assets at the powerhouse (breakers, generators, switchgears, valves, etc.) that have exceeded their useful life to avoid unplanned outages and increase operational efficiency.

The Capital Plan also includes rehabilitation of transmission lines and distribution systems. Transmission improvements consist of reliability projects to address regulatory requirements. Typical projects include replacement of insulators, switches, tower infrastructure, grounding and protection. Also included are regulatory projects to achieve clearance mitigation and resolve clearance discrepancies and meet regulatory requirements along with the power system impact mitigation project to mitigate impacts on the City's electric system caused by interconnections with private developments.

### ***Joint Projects - Water & Power Infrastructure, \$548.5 million***

These projects included assets that are jointly funded by the Water (45 percent) and Power (55 percent) Enterprises.

**Communications** - Projects provide upgrades of the communication systems elements to maintain pace with the changes in technology, and to maintain overall system reliability. The project will help to increase communications within the Moccasin compound.

**Dams and Reservoirs** - Projects to upgrade the Dams and Reservoirs to meet the Water Levels of Service and Power Operational Objectives. Funding is included for O'Shaughnessy Dam to address deficiencies of the existing outlet works system, including the drum gates and release system through to Canyon Tunnel and the Tuolumne River and Moccasin Dam to evaluate, design and construct long term solutions for Moccasin Dam and associated appurtenance so that the facilities can handle the updated design flood.

**Mountain Tunnel** - Improvements to enhance SFPUC's ability to provide reliable, high-quality water to its customers will be carried out through three projects, the Mountain Tunnel Adits & Access Improvements Project to provide access to the tunnel, Inspection and Repair Project to provide for tunnel inspection and updated condition assessment and the Improvement Project to implement the needed improvements to assure reliability of water delivery.

**Roads and Bridges** - Project to replace bridges as recommended in the condition assessment reports and the road improvements program for upkeep of access to numerous Hetch Hetchy Water and Power facilities.

**Utilities** - Projects to maintain the power distribution system in a state of good repair consistent with utility best practices to ensure 24/7 power. This project will rehabilitate the HHWP power distribution system consistent with utility best practices to provide reliable electrical necessary to operations at Moccasin Camp and remote sites.

**Wildfire Mitigation** - New to the plan is funding resulting from the passage of California state law requiring all public and private utilities assess the location of their overhead electrical lines and equipment relative to areas determined to have significant risk of catastrophic wildfires resulting from electrical lines and equipment. The SFPUC owns assets in areas designated "High Fire Threat Zones" and to mitigate threats maintains a Wildfire Mitigation plan.

## FY 2022-23 Capital Budget

The FY 2022-23 Capital Budget is \$212.2 million for projects and financing costs for Hetchy Water and Power. As a preliminary step to the FY 2022-23 Capital budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital needs. This important step reduced the amount of funding requested in FY 2022-23 Capital Budget resulting in a more efficient use of existing project appropriations, commercial paper and bond funding issuances.

The table below shows the Hetchy Water and Power capital budget for FY 2021-22 & FY 2022-23 by major programs.

## Hetchy Hetchy One Year Capital Budget

\$ Millions Program/Project	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget
<b>HETCHY POWER COSTS</b>		
Transmission/Distribution	40.4	57.0
Streetlights	0.0	2.3
Redevelopment	4.3	1.5
Renewable/Generation	1.0	1.0
Energy Efficiency	1.0	1.0
Power Asset Acquisition	0.0	3.4
<b>Total Hetchy Power</b>	<b>46.7</b>	<b>66.2</b>

<b>HETCHY WATER COSTS</b>		
Water Infrastructure	33.7	45.7
Power Infrastructure	10.6	44.1
Joint Projects - Water Infrastructure 45%	30.2	11.3
Joint Projects - Power Infrastructure 55%	36.9	13.8
<b>Total Hetchy Water</b>	<b>111.5</b>	<b>114.9</b>

Financing Cost - Hetchy Water	11.3	10.1
Financing Cost - Hetchy Power	15.8	21.0
<b>Total Financing Costs</b>	<b>27.1</b>	<b>31.1</b>

<b>Total Hetchy Power &amp; Water</b>	<b>185.3</b>	<b>212.2</b>
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<b>SOURCES</b>		
Revenue	2.2	2.3
Power Bonds	105.4	140.9
Water Bonds	75.3	67.1
Low Carbon Fuel Standard	2.0	1.2
Cap and Trade Auction Revenue	0.5	0.8
<b>Total Sources</b>	<b>185.3</b>	<b>212.2</b>

## FY 2022-23 Summary

The Hetchy Water and Power Capital budget for FY 2022-23 is \$212.2 million and includes: \$66.2 million for In-City Power projects \$114.9 million for up-country Hetchy Water projects and \$31.1 million for financing cost. The FY 2022-23 CIP is funded by \$2.3 million in Distributed Antenna System Revenue, \$0.8 million Cap and Trade Revenue, \$1.2 million Low Carbon Fuel Standard Revenue, \$140.9 million from the issuance of Power Enterprise revenue bonds for projects considered Power or 55 percent of joint assets, \$67.1 million from the issuance of Water Enterprise revenue bonds for projects considered Water or 45 percent of joint Water's assets.

The budget represents continued investment in upgrading and improving infrastructure to ensure reliability of power generation and water delivery. The budget grows the Power portfolio with continued investment in renewable sources and efficiency.

## Power

### Projects in the FY 2022-23 capital budget include:

\$57.0 million for Transmission /Distribution Improvements to provide for the design and construction of transmission and distribution facilities to serve new retail customers, installation of Intervening Facilities required under the new Wholesale Distribution Tariff and the development, administration, and incentive payments to new retail customers. Funding is also included for the San Francisco Airport Substation Improvements, Intervening Facilities to provided primary power services from the SFPUC to new customers, and Grid Connection Projects to connect customers to SFPUC owned and operated distribution and transmission infrastructure.

\$2.3 million for Streetlights on going pole rehabilitation, street and pedestrian lite pole assessments and holiday and festivity streetlight projects

\$1.5 million for Redevelopment at Treasure Island- Install a new underground 12 kilovolt (kV) distribution system at Treasure and Yerba Buena Island. The developer will pay for the installation of the new underground 12-kV electric distribution system while the SFPUC, as the electric utility provider, will be responsible for installing the

conduit wires, transformers, switches, and metering equipment and connecting the existing electrical distribution system with the new system.

\$1.0 million for Renewable/Generation projects such as small renewable (solar photovoltaic, solar thermal, wind, geothermal, fuel cells), small hydro (in-line turbines, turbines in existing pipelines, incremental hydro). Power generated from the Renewable/Generation projects will offset on-site power need at each project location.

\$1.0 million for Energy Efficiency Projects for General Fund departments. This project involves retrofitting the City buildings and other facilities to significantly improve operation and energy efficiency and enhance indoor air quality and occupant/public experience.

\$3.4 million for the Public Power Expansion Project to fund financial, technical, regulatory, and legal analysis and City staff time toward assessment of acquiring PG&E's electrical assets, preparing to execute the possible transaction, and readying the SFPUC for operation of the acquired system.

## Hetchy Water

### Projects in the FY 2022-23 capital budget include:

\$45.7 million for Water Infrastructure projects to fund capital improvement projects to sustain the reliability of the nearly 50-mile-long San Joaquin Pipeline (SJPL) network and the SJPL Valve and Safe Entry Project to allow safe entry into all sections of the SJPLs for inspection and maintenance while keeping the remainder of the system operating

\$44.1 million for Power Infrastructure projects for repairs and upgrade to up-country Hetchy Power assets including the Moccasin Powerhouse GSU Rehabilitation Project, Transmission Lines 7/8 upgrades and Transmission Line Clearance and Wildfire Mitigation Projects.

\$25.1 million for Hetchy Water's joint funded projects, 45 percent Water, 55 percent Power, to fund continued renewal and replacement to Hetchy joint funded assets including Dams & Reservoirs, Communication systems, the Mountain Tunnel Project, Hetchy roads & bridges, utilities upgrades and Wildfire Mitigation Project.

## Hetch Hetchy Water and Power Programmatic Projects

The table below shows Hetch Hetchy Water and Power Programmatic Projects, for FY 2021-22, FY 2022-23 and FY 2023-24, by major programs.

### Hetch Hetchy Two-Year Programmatic Projects Budget

\$ Millions	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	FY 2023-24 Adopted Budget
<b>Program/Project</b>			
<b>HETCHY COSTS</b>			
Facilities Maintenance	6.3	3.0	3.0
WECC/NERC Compliance	2.5	4.4	4.4
WECC/NERC Transmission Line Clearance	0.0	0.2	0.2
Treasure Island Facilities Maintenance	4.0	4.2	4.4
Youth Employment Project	0.2	0.2	0.2
525 Golden Gate - Operations & Maintenance	0.8	0.8	0.8
525 Golden Gate - Lease Payments	1.2	1.2	1.2
<b>Total Cost</b>	<b>15.0</b>	<b>14.1</b>	<b>14.3</b>
<b>SOURCES</b>			
Infrastructure - Recovery Capital (O&M)	0.1	0.1	0.1
Infrastructure - Recovery Capital (Lease)	0.2	0.2	0.2
Federal Bond Interest Subsidy	0.3	0.3	0.3
Revenue	14.4	13.5	13.7
<b>Total Sources</b>	<b>15.0</b>	<b>14.1</b>	<b>14.3</b>

The Hetch Hetchy Water and Power Programmatic Projects budget for FY 2022-23 is \$14.1 million and is funded at relatively the same amount, \$14.3 million in FY 2023-24. The FY 2022-23 budget is funding the Facilities Maintenance, WECC/NERC, Treasure Island Maintenance, the Youth Employment and 525 Golden Gate projects. The programmatic budget is primarily funded with revenue along with recovery capital and bond interest subsidies.





# CleanPowerSF

## Mission

Empowering businesses and residents to choose a more sustainable future, CleanPowerSF is San Francisco’s Community Choice Aggregation program. CleanPowerSF was created pursuant to state legislation that authorizes local governments to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses. CleanPowerSF is managed as part of the Hetch Hetchy Power Enterprise.

CleanPowerSF began serving customers in May 2016, giving residential and commercial electricity consumers in San Francisco the option to have more of their electricity supplied from clean, renewable sources—such as solar, wind and geothermal—at competitive rates. When customers join CleanPowerSF’s service, they reduce the carbon footprint associated with their electricity service, support the growth of local renewable energy projects, and combat global climate change.

*Continued on next page...*

### CleanPowerSF High Level Budget Summary

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	227,935,217	315,749,958	87,814,741	280,251,972	(35,497,986)
<b>Total FTE</b>	51.08	52.45	1.37	53.20	0.75

CleanPowerSF supplies a cleaner electricity supply to customers, while PG&E continues to deliver that energy using its existing infrastructure. Currently, 30.6% of the electricity delivered by PG&E is Renewable; the other 69.4% is from nuclear, natural gas, large hydroelectric, and other non-Renewable sources. CleanPowerSF offers three services with a higher percentage of the energy from cleaner sources, such as solar and wind: Green, which contains 54.5% California Renewable Portfolio Standard (RPS) -eligible Renewable energy, and SuperGreen , which contains 100% RPS-eligible Renewable energy. CleanPowerSF added SuperGreen Saver in June 2022, which will also provide 100% RPS-eligible Renewable power for qualifying customers in State-defined Disadvantaged Communities.

Customers are automatically enrolled in the Green service and may elect to opt up to receive the SuperGreen service at any time after enrollment. By law, CleanPowerSF is an opt-out program, meaning eligible customers are automatically enrolled and may opt-out at any time.

CleanPowerSF is a financially independent program, with sufficient revenues to support its own operating and capital costs.

CleanPowerSF serves the majority of eligible electric customers in San Francisco. Over 380,000 residential and commercial accounts throughout the city are receiving renewable energy and high-quality service through CleanPowerSF.

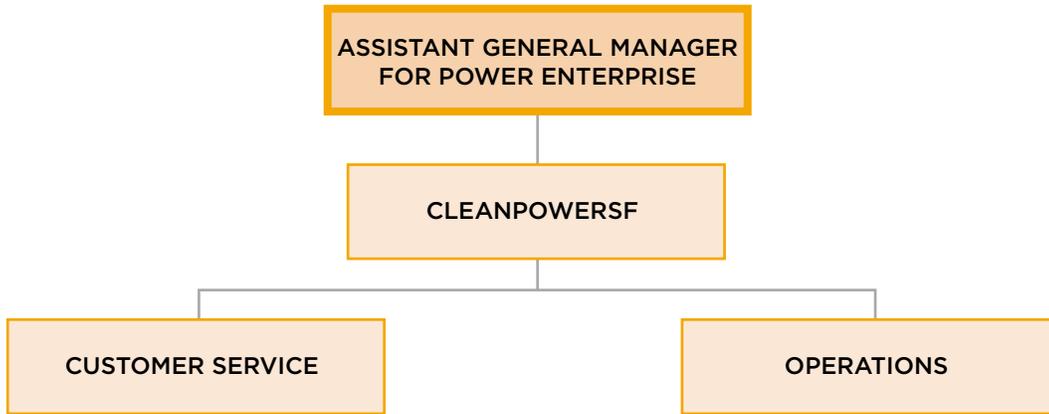
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## Services

CleanPowerSF is a Community Choice Aggregation (CCA) program offered by the SFPUC to San Francisco residents and businesses, managed as a division of the Hetch Hetchy Power Enterprise with direct administrative oversight by the Commission. CCAs enable local governments to purchase and/or develop power supply resources on behalf of the local community. CleanPowerSF buys electricity from sources such as wind, solar and geothermal generators; that electricity is delivered to residents and businesses through PG&E's existing infrastructure. Through City ordinance, the San Francisco Local Agency Formation Commission monitors and advises the SFPUC and the Board of Supervisors on the implementation, operation and management of CleanPowerSF. Additionally, the Rate Fairness Board advises the Commission regarding rate setting.

The CleanPowerSF program is managed by the Assistant General Manager for Power with day-to-day operations managed by the Director of CleanPowerSF. Hetch Hetchy Power's CleanPowerSF Division is responsible for coordinating the development and operations of the program. Team duties include but are not limited to planning and coordinating the procurement of electricity supply resources to match customer demand; managing energy and related professional service contracts; implementing customer programs designed to promote the efficient use of clean electricity over greenhouse gas emitting energy; coordinating meter data management, billing and customer service provision; supporting regulatory and legislative advocacy and compliance; and directing communications and customer outreach.

## Clean PowerSF Organization Chart



## Goals and Objectives

As noted in the Financial Planning and Policies section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities.

### The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

As part of the strategic plan goals, each Enterprise is responsible for meeting specific objectives and performance targets. Each year progress on those performance measures are reported to the Controller and Mayor. Reported performance for FY 2021-22 for CleanPowerSF and agency-wide goals are as follows:

Goal Area	Performance Measure	Target	FY 2021-22 Actuals
Effective Workforce	Number of Promotions	168	229
Effective Workforce	Time to Hire	233 average days to hire	289
Financial Sustainability	Average residential Power bill as a percent of median income in San Francisco	.69%	0.72%
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	4,600	2,533
Stakeholder and Community Interest	Percent of eligible customers enrolled in California Alternate Rates for Energy (CARE) for CleanPowerSF Customers	Greater than or equal to 80%	81%
Stakeholder and Community Interest	Percent of Eligible electric customers receiving low-income discount rate.	90%	46%
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 4.84%	9.93%
Environmental Stewardship	Percent of CleanPowerSF customer account retention rate.	Greater than or equal to 90%	96%

## How Forecasts are Developed

Per the City Charter for the SFPUC to conduct a cost of service study at least every five years, the 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing rates for CleanPowerSF. The goal of this rates study is to align rate schedules to cost of service by customer classes; this has led to decoupling rates from PG&E comparable tariffs for CleanPowerSF customers. The majority of CleanPowerSF customers have decreasing rates of varying degree in FY 2022-23, with a potential flat or decreasing rate in FY 2023-24.

**Economic Recovery Assumptions:** The SFPUC continues to see on commercial sales revenues as residents stay home and businesses remain closed in response to the surge of new variants.. General economic recovery is forecasted to return to pre-pandemic volumetric averages for residential and commercial customer classes in FY 2023-24. CleanPowerSF commercial loads were down 14 percent from FY 2018-19 as of January 2022. These observed volumetric trends were the basis for forecasting sales volumes for CleanPowerSF, in addition to city-wide projections for economic recovery post-pandemic. Volumetric projection includes an incidental load growth of 0.4 percent in FY 2022-23 and 0.8 percent in FY 2023-24.

## Sale of Electricity

FY 2022-23 budgeted revenues from electricity sales are \$315.2 million which grew 11.3 percent FY 2021-22. Revenues are projected to decrease to \$279.6 million in FY 2023-24 due to lowered rates assumption. Sale of electricity-CCA revenues are derived from selling electricity supplied from clean, renewable sources such as solar, wind, bioenergy, geothermal, and hydroelectric at competitive rates to San Francisco residents and businesses enrolled in the CleanPowerSF program. CleanPowerSF offers two service options for customers: Green and SuperGreen. The SuperGreen product provides 100.0 percent California-certified renewable energy and is billed at a premium over the basic Green service.

## Interest Income

In FY 2022-23 the CleanPowerSF program budgeted \$0.56 million in interest earnings, making up 0.2 percent of total revenues. In FY 2023-24 interest earnings are budgeted at \$0.62 million, or 0.2 percent of total revenues. Interest earnings are budgeted assuming a 0.5 percent interest rate earned on unaudited and projected cash balances at the time of budget development.

## Budgeted Fund Balance

Fund Balance can be used on a one-time, planned basis to balance budgeted sources and uses in line with the SFPUC's Fund Balance Policy. In both years of the budget, expenditures do not exceed revenues so CleanPowerSF has not budgeted any Fund Balance as a balancing source. Contributions to Fund Balance are budgeted at \$33.5 million and \$10.3 million in FY 2022-23 and FY 2023-24, respectively. These contributions were budgeted to shore up the program's reserves.

## Change in Fund Balance

FY 2021-22 year-end fund balance is \$51.3 million. Taking into account budgeted contribution to fund balance in FY 2022-23 of \$33.5 million, FY 2022-23 ending fund balance is projected to be \$84.8 million. FY 2023-24 ending fund balance is projected to be \$95.1 million after taking into account budgeted contribution to fund balance of \$10.3 million.

## CleanPowerSF Sources and Uses of Funds

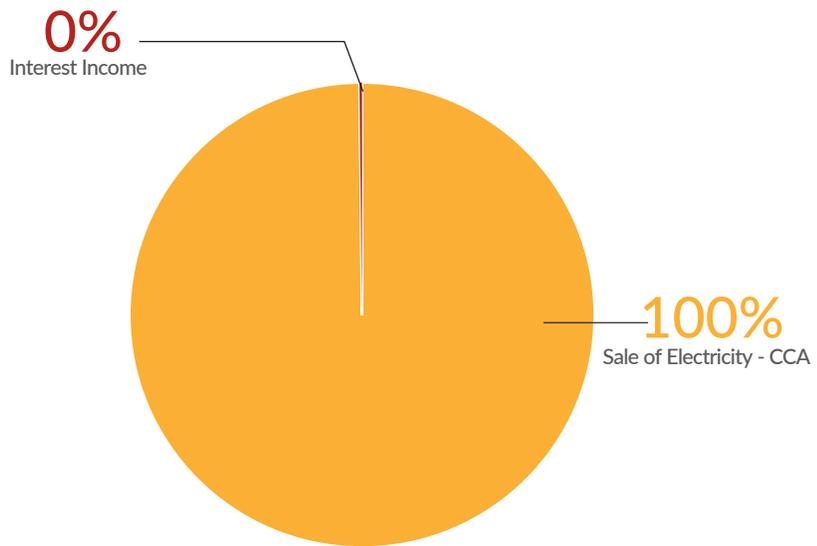
	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>SOURCES OF FUNDS</b>						
Sale of Electricity-CCA	257,971,882	224,126,365	315,192,958	91,066,593	279,636,972	(35,555,986)
Interest Income	392,125	932,000	557,000	(375,000)	615,000	58,000
Fund Balance	13,430,303	2,876,852		(2,876,852)		-
<b>Total Sources of Funds</b>	<b>271,794,310</b>	<b>227,935,217</b>	<b>315,749,958</b>	<b>87,814,741</b>	<b>280,251,972</b>	<b>(35,497,986)</b>
<b>USES OF FUNDS</b>						
Personnel	4,091,347	7,960,211	7,797,543	(162,668)	8,020,286	222,743
Non-Personnel Services	11,235,725	12,053,323	11,916,028	(137,295)	11,964,028	48,000
Purchase of Power	241,253,744	197,857,886	251,109,950	53,252,064	237,762,466	(13,347,484)
Materials & Supplies	8,643	229,358	183,000	(46,358)	229,358	46,358
Overhead	2,515,053	2,729,048	5,426,644	2,697,596	5,468,773	42,129
Service of Other Departments	3,334,568	3,657,562	4,089,128	431,566	4,182,401	93,273
General Reserve		-	33,491,619	33,491,619	10,286,660	(23,204,959)
Programmatic Projects	362,221	1,015,000	150,000	(865,000)	150,000	-
Revenue-Funded Capital	351,439	2,432,829	1,586,046	(846,783)	2,188,000	601,954
<b>Total Uses of Funds</b>	<b>263,152,740</b>	<b>227,935,217</b>	<b>315,749,958</b>	<b>87,814,741</b>	<b>280,251,972</b>	<b>(35,497,986)</b>

# Revenues

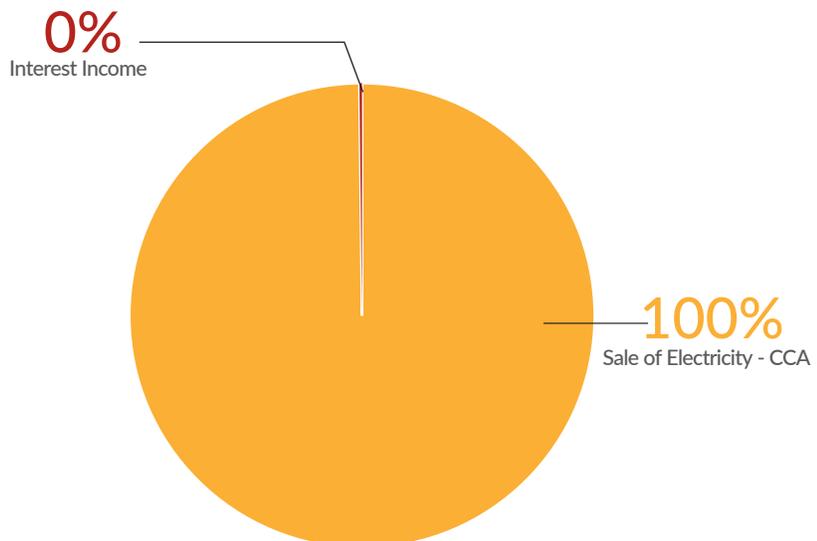
## Introduction

In FY 2022-23, CleanPowerSF program revenues total \$315.7 million, a 38.5 percent increase from FY 2021-22. The primary driver is rates set at the times of budgets adoption, in which FY 2022-23 rates are informed by the 2022 Power Rates Study to recover costs of surge in near-term powersupply market and to increase CleanPowerSF’s reserves from the Commission adopted reserves policy in April 2022. In FY 2023-24 revenues total \$280.3 million, a 11.2 percent decrease from the FY 2022-23 budget. This is mainly due to a planned decrease in rates in FY 2023-24, with the market forward pricing curve showing more stabilization to the long-term power supply market at the time of budget development prior to the war in Ukraine. The charts below show the CleanPowerSF program’s total revenue budgets broken out by major revenue categories in FY 2022-23 and FY 2023-24.

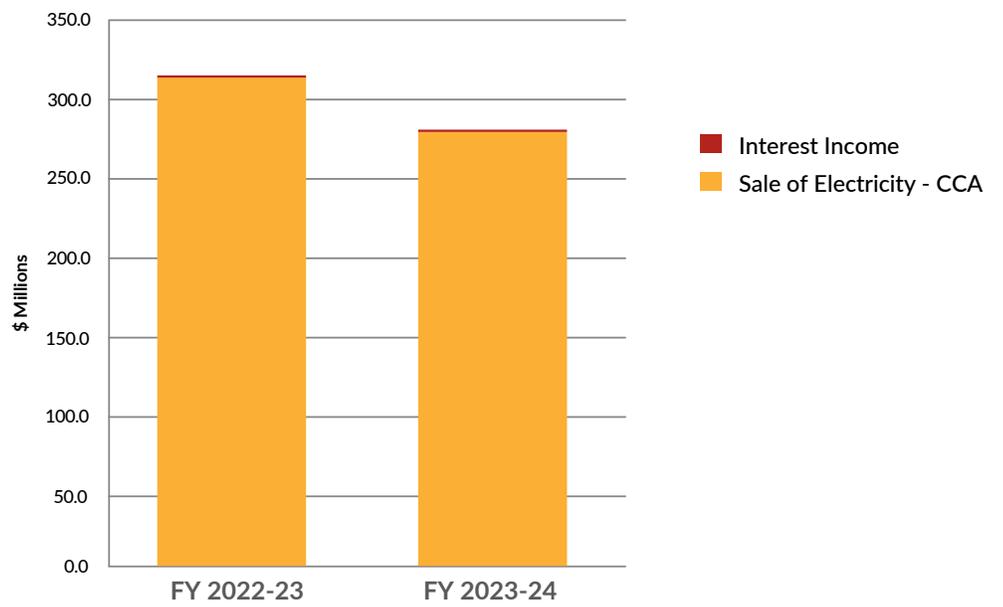
**CHART 11.1** >  
CleanPowerSF  
FY 2021-22 Sources.



**CHART 11.2** >  
CleanPowerSF  
FY 2022-23 Sources.



**CHART 11.3** >  
**CleanPowerSF**  
**Total Uses.**



## Expenditures

CleanPowerSF's total budgeted expenditures in FY 2022-23 is \$315.7 million, an increase of \$87.8 million (38.5 percent) from the prior year and \$280.3 million in FY 2023-24, a reduction of \$35.5 million (-11.2 percent). Costs are largely driven by power purchase costs. CleanPowerSF has entered into several long-term power purchase agreements (PPAs) which inform the budget necessary to maintain an appropriate power supply. The purchase of power budget also includes increases for CAISO (California Independent System Operator) charges and resource adequacy fees.

### ***Purchase of Power***

CleanPowerSF's Purchase of Power budget increased from \$197.9 million in FY 2021-22 to \$251.1 million in FY 2022-23, an increase of \$53.3 million (26.9 percent). The Purchase of Power budget decreased to \$237.8 million in FY 2023-24, a reduction of \$13.4 million (-5.3 percent). The net increase reflects projected purchases to supply all enrollees in San Francisco with green energy, long-term power purchase arrangements, as well as estimated amounts related to CAISO charges and resources adequacy fees.

### ***Revenue Funded Capital***

The FY 2022-23 Revenue Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$1.6 million, a reduction of \$0.8 million (-34.8 percent), and the Revenue-Funded Capital for the FY 2023-24 budget is \$2.2 million, an increase of \$0.6 million (38.0 percent). The capital program is in its initial phase and is expected to ramp up in future fiscal years.

### ***Personnel***

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The FY 2022-23 budget is \$7.8 million, a decrease of \$0.2 million (-2.0 percent). The decrease is mainly driven by an increase in attrition savings offset by cost of living adjustments required under various labor agreements, retirement and health benefit costs. CleanPowerSF's Personnel FY 2023-24 budget is \$8.0 million, an increase of \$0.2 million (2.9 percent). The increase is mainly driven by the addition of one operating staff for financial service

support and cost of living adjustments required under various labor agreements, retirement and health benefit costs.

### **Authorized and Funded Full-Time Equivalents (FTEs)**

CleanPowerSF's total authorized and funded full-time equivalents (FTEs) in FY 2022-23 is 42.07, a decrease of 4.77. The decrease is mainly due to an increase of attrition savings. CleanPowerSF's total authorized and funded full-time equivalents (FTEs) in FY 2023-24 is 42.86, an increase of 0.79. The increase is driven by the addition of one staff member for financial services support.

### ***Non-Personnel Services***

The Non-Personnel Services budget includes professional and consulting services, memberships, travel & training, and rent among others. The Non-Personnel Services budget is \$11.9 million in FY 2022-23, a decrease of \$0.1 million (1.1 percent), with no change in FY 2023-24. The net decrease is mainly due to a reduction in the professional and consulting services.

### ***Materials & Supplies***

The Materials & Supplies budget funds telecommunications equipment and office supplies for CleanPowerSF staff. The Materials & Supplies is budgeted to remain flat for both FY 2022-23 & FY 2023-24 at \$0.2 million.

### ***Overhead***

The overhead budget funds CleanPowerSF's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The overhead budget is increasing from \$2.7 million in FY 2022-23 to \$5.4 million in FY 2022-23 & FY 2023-24, an increase of \$2.7 million (98.8 percent). As CleanPowerSF grows, so do the services it requires from the SFPUC Bureaus. CleanPowerSF has now grown to capture its fair share of costs from the SFPUC Bureaus.

## ***Services of Other Departments***

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the enterprise. These services include City-wide ITS, City Attorney services, risk management, and Hetch Hetchy Power. CleanPowerSF's Services of Other Departments budget is \$4.1 million in FY 2022-23, an increase of \$0.4 million (11.8 percent), and \$4.2 million in FY 2023-24, an increase of \$0.1 million (2.3 percent). The increase is mainly due to an increase of services provided by Hetch Hetchy Power. Certain support staff budgeted under Hetch Hetchy Power perform work on behalf of CleanPowerSF, these services are billed to CleanPowerSF through the services of other departments budget.

## ***Programmatic Projects***

Programmatic Projects budgeted in CleanPowerSF represent amounts initially cut by the Board of Supervisors and then added back to the budget for specific annual projects. The programs are funded through operating revenues but are not considered part of regular recurring operations. The FY 2022-23 & FY 2023-24 budget is \$0.2 million, an overall reduction of \$0.9 million (-85.2 percent) from the prior year. Projects are related to racial equity and diversity, and community investments.

## ***General Reserve***

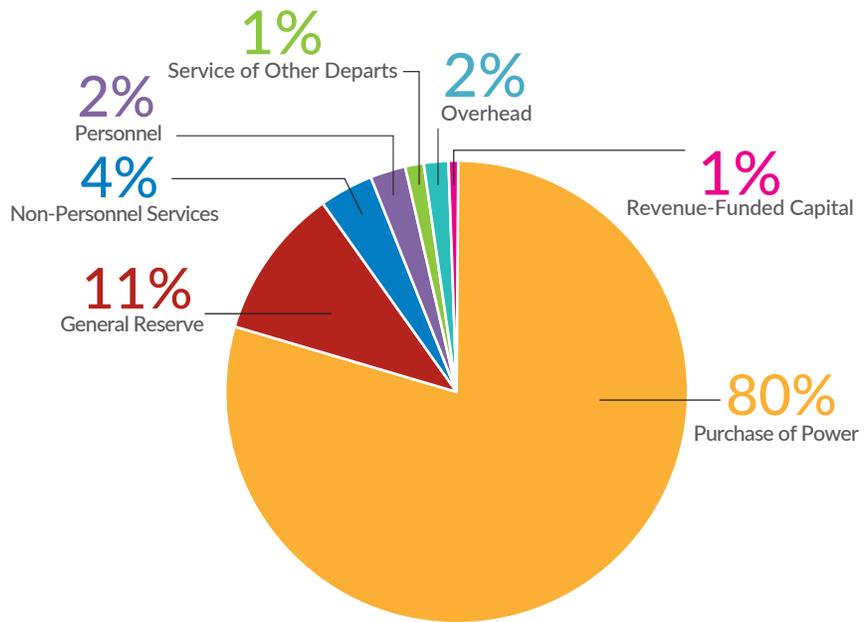
In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a general reserve that is meant to project the amount that the entity will contribute to Fund Balance by the end of the fiscal year. The FY 2022-23 General Reserve budget is \$33.5 million, an increase of \$33.5 million (100.0 percent). The FY 2023-24 General Reserve budget is \$10.3 million, a reduction of \$23.2 million (-69.3 percent). The net change is due to an increase of projected revenue over expenditures over the budget period.

## **New Initiatives**

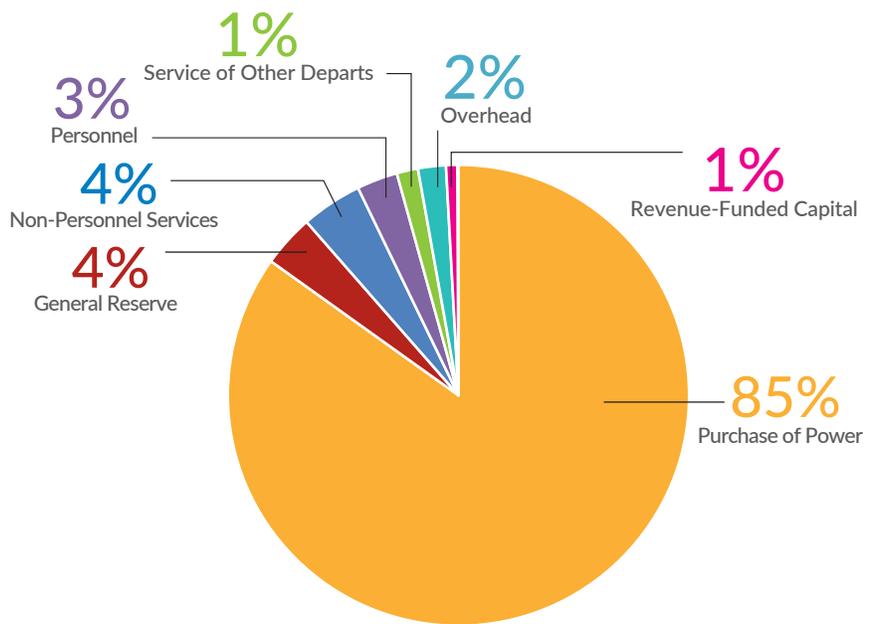
**Financial Services Support** - SFPUC Accounting Services and Financial Reporting and Analysis continue to perform increased accounting and financial reporting functions specific to supporting the CleanPowerSF program since its May 2016 inception. The program has experienced significant growth in the past five years, with financial transactions becoming more complex and voluminous. The program is generating annual revenues and expenditures of over \$200 million. This initiative adds one staff member to CleanPowerSF to support the program's long-term financial objectives.



**CHART 11.4** >  
Clean PowerSF  
FY 2022-23  
Uses.



**CHART 11.5** >  
Clean PowerSF  
FY 2023-24  
Uses.



**CleanPowerSF Authorized and Funded Full-Time Equivalent (FTEs)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	33.69	29.62	(4.07)	30.45	0.83
Temporary Positions	11.15	10.45	(0.70)	10.41	(0.04)
<b>Subtotal Operating-Funded</b>	<b>44.84</b>	<b>40.07</b>	<b>(4.77)</b>	<b>40.86</b>	<b>0.79</b>
Project-Funded	2.00	2.00	-	2.00	-
Unfunded Positions (Attrition)	4.24	10.38	6.14	10.34	(0.04)
<b>Total CleanPowerSF</b>	<b>51.08</b>	<b>52.45</b>	<b>1.37</b>	<b>53.20</b>	<b>0.75</b>

## CleanPowerSF Capital Budget

In addition to the operating budget, CleanPowerSF also prepares a Capital budget and 10-Year Capital Plan. CleanPowerSF's capital budget is \$3.7 million in FY 2022-23 and is entirely revenue funded.

A program of the San Francisco Public Utilities Commission, CleanPowerSF is a local solution to the climate crisis, offering renewable, affordable and accessible energy to our community. We empower residents and businesses to choose a more sustainable future. CleanPowerSF buys electricity from sources such as wind and solar, and that electricity is delivered to homes via PG&E's existing poles and wires.

### *CleanPowerSF Ten-Year Capital Plan*

Management of CleanPowerSF's financial business functions include developing and maintaining long-range capital and financial plans. The Capital Plan will evaluate opportunities for local renewable energy development in San Francisco city-owned and regional sites and other opportunities in and near San Francisco.

The CleanPowerSF Ten-Year Capital Plan for FY 2022-23 through FY 2031-32 is \$64.5 million, all of which is funded by CleanPowerSF revenues. CleanPowerSF does not expect to rely on debt to fund its Capital Improvement Program between FY 2022-23 and FY 2031-32.

**Local Renewable Energy Program** - This program will fund the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites. The project is structured around six major phases, including: Planning, Request for Proposals, Construction and Commissioning, Power Purchase Agreement, Asset Management, and Project Buyout. The initial renewable energy facilities developed under this program would be structured as power purchase agreements (PPA) with third parties that would develop and operate the projects for an initial period of time. The PPAs would include a buy-out option for the City.

**CleanPowerSF Customer Programs** - This program funds the development and implementation of programs that incentivize customers to invest in new clean energy technologies that can reduce their energy costs and further San Francisco's decarbonization goals. Incentives will be available for residents and businesses investing in new clean and efficient equipment like solar power generating equipment, battery storage, electrical vehicle chargers and electric heat pump water heating.

### **Disadvantaged Community Program (DAC)**

The SFPUC received approval of a grant from the CPUC in April 2021 to implement the Disadvantaged Communities Green Tariff and Community Solar Green Tariff Programs (DAC) to increase the use of renewable energy in disadvantaged communities. Eligible customers participating in the Disadvantaged Communities Green Tariff and Community Solar Green Tariff programs will receive 100% renewable energy at a 20% discount off their monthly electricity bill. The SFPUC must procure energy from renewable resources located in disadvantaged communities to serve the customers participating in these programs.

## CleanPowerSF Enterprise Ten-Year Capital Plan

\$ Thousands	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2028-32	Plan Total
Program/Project							

### SPENDING PLAN

#### CleanPowerSF Enterprise

Local Renewable Energy Program	665	669	564	499	234	46,535	49,166
CleanPower SF Customer Program	921	1,519	1,319	1,444	1,369	6,650	13,222
DAC program	2,142	0	0	0	0	0	2,142
<b>Total CleanPowerSF</b>	<b>3,728</b>	<b>2,188</b>	<b>1,883</b>	<b>1,943</b>	<b>1,603</b>	<b>53,185</b>	<b>64,530</b>

### SOURCES

Revenue	3,728	2,188	1,883	1,943	1,603	53,185	64,530
<b>Total Sources</b>	<b>3,728</b>	<b>2,188</b>	<b>1,883</b>	<b>1,943</b>	<b>1,603</b>	<b>53,185</b>	<b>64,530</b>

## FY 2022-23 Capital Project Budget

The FY 2022-23 CleanPowerSF budget is \$3.7 million for the Local Renewable Energy, CleanPowerSF Customer, and the Disadvantaged Community Programs. The FY 2022-23 budget is revenue funded.

### CleanPowerSF One-Year Capital Budget

\$ Millions	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget
Program/Project		
<b>CLEANPOWERSF COSTS</b>		
Local Renewable Energy Program	0.5	0.7
CleanPower SF Customer Program	1.9	0.9
DAC program	0.0	2.1
<b>Total CleanPowerSF</b>	<b>2.4</b>	<b>3.7</b>

<b>SOURCES</b>		
Revenue	2.4	3.7
<b>Total Sources</b>	<b>2.4</b>	<b>3.7</b>

### Local Renewable Energy Program

This project will fund the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites. Funding in FY 2022-23 will go towards planning and design. The budget also includes funding for a Capital Master Plan for renewable energy projects component, that will identify/propose the best path forward for structuring the ownership/financing and operation of the facilities.

### CleanPowerSF Customer Programs

This project will fund the development and implementation of new customer programs for CleanPowerSF, including programs supporting demand response, electric mobility, local renewable energy generation, and building decarbonization technologies. The budget will fund the planning, development and operations of a select set of new customer programs to be developed during the next fiscal year and support additional program planning to scale and expand customer programs over the ten-year capital planning period.

### Disadvantaged Community Program (DAC)

Funding in FY 2022-23 would primarily go towards providing discounts to participating customers and program management for the Green Tariff program, and program management and procurement to prepare for the launch of the Community Solar Green Tariff program.





# Bureaus

## Mission

The SFPUC Bureaus provide support services to all three Enterprises, and include the Office of the General Manager, Business Services, External Affairs and Infrastructure. The Office of the General Manager includes four sections: Emergency Response and Security, The General Manager’s Office, Human Resources, and Real Estate Services. Business Services includes Administration, Strategy, Innovation & Change, Customer Services, Financial Services, Information Technology Services, and the Audit Bureau. External Affairs includes Communications, Community Benefits, and Legislative Affairs. The Bureaus’ budgets are funded through an allocation model that allocates costs of services to the three Enterprises and CleanPowerSF.

### *Bureaus High Level Budget Summary (excluding Infrastructure)*

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	121,096,531	130,349,075	9,252,544	131,888,842	1,539,767
<b>Total FTE</b>	441.17	458.04	16.87	466.09	8.05

### *Infrastructure High Level Budget Summary*

	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>Total Budget</b>	89,842,917	100,728,818	10,885,901	101,964,914	1,236,096
<b>Total FTE</b>	378.41	378.41	-	378.41	-

## Services and Divisions

### Office of the General Manager

The General Manager's Division provides centralized oversight of all the Enterprises and Bureaus, as well as the governing activities of the Commission. The General Manager of the SFPUC oversees the entire agency and the functions of the Office of the General Manager support the General Manager in key oversight areas.

### Human Resource Services

Human Resource Services (HRS) is led by the Chief People Officer (CPO). HRS recruits, compensates, supports and retains a diverse and highly qualified workforce, and serves the SFPUC Enterprises and Bureaus in an efficient, responsive, and professional manner. The promotion of health, safety, workforce planning, and professional development for all SFPUC employees is critical to the SFPUC mission and Human Resource Services' functions.

### Real Estate Services

The Real Estate Services Division (RES)'s primary mission is to serve SFPUC ratepayers by maximizing SFPUC revenue through renting the real property over which the SFPUC has jurisdiction. Its secondary mission is to acquire property and easements for SFPUC capital projects. RES also negotiates leases for office, industrial and other space required by enterprise staff. In addition, RES leads the In-City Project Review Team and supports the Project Review Teams outside the City, all of which vet proposed third-party projects for potential negative impacts to SFPUC infrastructure and lands.

### Emergency Planning and Security (EPS)

The Emergency Planning and Security Division develops emergency plans, coordinates emergency response training and exercises, and develops and manages contracts to support emergency preparedness, security system maintenance, integration and design. EPS also oversees all security systems and operations for facilities and properties owned and occupied by the SFPUC enterprises and bureaus.

## Business Services

Business Services is led by the Assistant General Manager (AGM) for Business Services and Chief Financial Officer. Business Services supports the Water, Power and Wastewater Enterprises to achieve operational efficiency, industry-leading customer service and sound financial performance.

### Business Services Administration

Business Services Administration provides overall administrative support and oversight within Business Services, as well as to the three Enterprises and other Bureaus.

### Strategy, Innovation and Change (SIC)

Strategy, Innovation and Change (SIC) was created in 2019 to provide support to all Business Services Bureaus in their pursuit of the following goals: 1) deliver excellent customer service, 2) ensure impeccable stewardship of resources, 3) promote long-term financial sustainability, and 4) cultivate a culture of excellence. SIC programs and initiatives include:

#### Strategic and business planning

- Performance management
- Project leadership and change management for service improvements
- Identification of opportunities for efficiencies and innovation
- Strategy, Innovation and Change (SIC) also provides leadership and support for initiatives that have a widespread impact on agency operations. This includes:
  - Transformation projects (system, policy or process changes)
  - Risk management
  - Emergency management and cost recovery

## ***Customer Services***

Customer Services is responsible for the billing and collection of utility services and is the primary point of contact for water and wastewater customers. Customer Services maintains over 175,000 water and wastewater service accounts, over 3,700 municipal and retail electric service accounts, and approximately 450 land-lease accounts totaling over \$1 billion in annual revenue. Customer Services is also responsible for meter reading and field investigations, as well as responding to over 200,000 customer inquiries, complaints and requests for services annually.

Customer Services is comprised of five units all of which are dependent on one or more of the other units to effectively fulfill their respective roles. The five units are:

- Administration
- Business Center
- Customer Accounts
- Customer Contact Center
- Field Services

## ***Financial Services, including Fleet Management***

Financial Services supports the SFPUC Enterprises and Bureaus, ensuring financial stewardship and oversight for ratepayer assets, and includes Fleet Management & Operations which is responsible for the establishment, implementation, and maintenance of policies and procedures governing SFPUC-owned vehicles. Financial Services includes accounting operations, asset management, audit oversight, reconciliation, budget management, debt management, financial reporting and analysis, purchasing support, and rates administration. Financial Services central mission is to accurately communicate the financial position of the SFPUC to rate payers, City departments, rating agencies, investors and other stakeholders.

## ***Information Technology Services (ITS)***

Information Technology Services (ITS) partners with the SFPUC Enterprises, Divisions and Bureaus, reliably supports the SFPUC's information technology, and delivers innovative solutions which enable the SFPUC to achieve its mission.

## **External Affairs**

SFPUC External Affairs division is led by the AGM for External Affairs and is comprised of three sections: Communications, Legislative Affairs, and Community Benefits. The divisions within this Bureau track and coordinate legislation, perform public outreach and media relations, educate and communicate, and coordinate SFPUC community benefits activities. These activities support the SFPUC's mission to provide its customers with high quality, efficient, and reliable water, power, and wastewater services in a manner that values environmental and community interests.

### ***Communications***

Communications oversees the SFPUC's communications, education, media and outreach functions; provides a full range of communication services to all of the Enterprises and Bureaus of SFPUC and oversees SFPUC publications; develops community understanding and support for Water, Power and Wastewater Enterprise projects; coordinates community outreach for capital improvement projects, hosts special community and media events, develops background collateral materials for SFPUC projects and programs, handles press and media inquiries, conducts surveys, and serves as the content manager for [www.sfwater.org](http://www.sfwater.org), the SFPUC website; and promotes diversity and the health, safety, and professional development of its employees.

### ***Legislative Affairs***

Legislative Affairs oversees the SFPUC's legislative affairs and advocacy functions; manages the SFPUC's relationship with key stakeholders; provides a full range of legislative services to the Enterprises and Bureaus of the SFPUC; directs SFPUC activities associated with local, regional, State and Federal government; secures approvals and community support for all Water, Power and Wastewater Enterprise projects; plans for the continued service of reliable, high quality water to San Francisco and its customers, and for the continued collection, treatment, and discharge and reuse of wastewater for San Francisco in compliance with current and anticipated laws and regulations; and promotes diversity and the health, safety, and professional development of its employees.

## Community Benefits

Community Benefits coordinates and implements SFPUC community benefits programs and policies, environmental justice and land use policies, and jobs, workforce, and economic development policies. Community Benefits was created in FY 2011-12 to engage communities where the SFPUC program and facilities are located and be a focal point within the SFPUC for the City and County of San Francisco community programs.

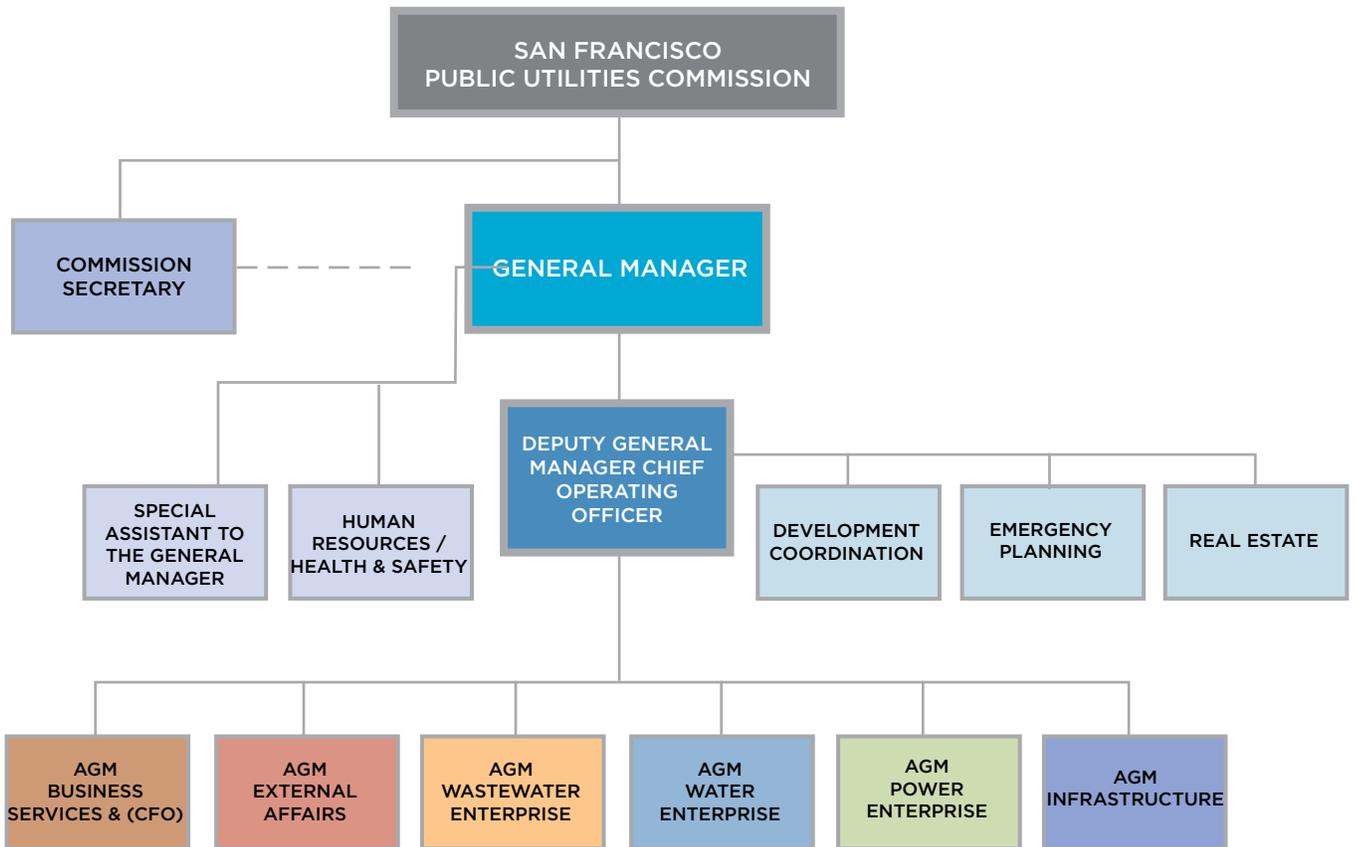
### **SFPUC Community Benefits Program**

*The Community Benefits Program focuses on workforce development, neighborhood partnerships, environmental justice & land use, education, and art. SFPUC has shared its good neighbor approach with other communities, government agencies, and utilities around the country.*

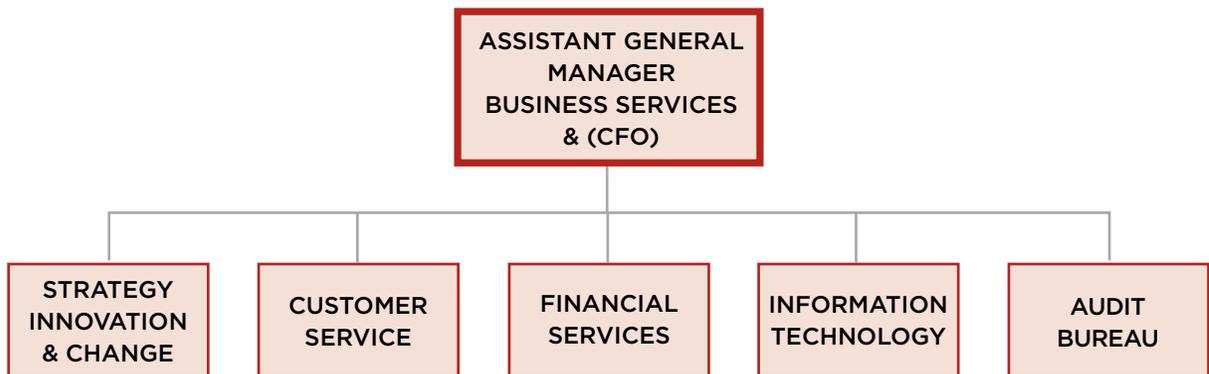
*The San Francisco Public Utilities Commission's Community Benefits and Social Impact Partnership teams work hard to ensure that communities near our operations and projects benefit from our presence in their neighborhoods. Major Community Benefits projects include:*

- The new state-of-the-art Southeast Community Center (SECC), located at 1550 Evans Avenue in the heart of the Bayview-Hunters Point community will have its grand opening in October 2022. The Center was created in partnership with southeast communities to offer residents a place to gather, learn, play, and grow. The LEED Gold SECC will feature public wi-fi, an on-site café, and more than 30 works of art. It will also provide public workspaces, event spaces, conference rooms, nonprofit workspaces, an expanded low-cost childcare center, and intentional programming to meet the community's needs.*
- In partnership with the Office of Financial Empowerment, the Community Benefits team implemented a pilot program that offered deep discounts and a debt relief incentive to more than 130 residents living in debt-burdened neighborhoods who struggled with water and wastewater bill arrears. Through this pilot, the SFPUC forgave \$25,084 in past-due balances to program participants. Analysis of the pilot program suggested that deep discounts and debt relief can increase customer motivation to reduce account balances. Additionally, households that received significant discounts did so without increasing their water usage. The pilot findings can help inform the agency's approach to addressing utility debt.*
- During the pandemic, the Southeast Community Facility at 1800 Oakdale opened its doors to provide vital COVID-19 testing, vaccinations, and social services support to more than 10,000 residents playing a key role in the success of the City's COVID response and recovery efforts.*
- Through our Kinder-to-Career Strategy, the SFPUC partners with the school districts, nonprofits, and City departments to engage the next generation at all ages and expose them to the knowledge and skills that will foster environmental stewardship and prepare them for future roles in the utility and civil service industry. Through this program, we have developed the Big Ideas curriculum with SFUSD. We also host an annual externship for SFUSD teachers to learn about different ways to integrate SFPUC concepts into their classrooms.*
- The Project Learning Partnership Grant Program supports 18 grantees to implement project-based learning curriculum that increases the understanding of water, power, and sewer services while fostering the next generation of environmental stewards. As a result, 500+ youth are exposed to SFPUC concepts annually.*
- In accordance and compliance with the City and County of San Francisco's 2% for the Arts ordinance, the Arts program will launch three new public art opportunities totaling \$6,650,000 including artworks at the new Southeast Community Center, the new Treasure Island Wastewater Treatment Plant, and the new City Distribution Division (CDD) Yard at 2000 Marin Street in San Francisco.*
- The College Hill Learning Garden connects San Francisco youth to their water, power, and sewer services through urban stewardship eco-literacy education. Since opening on Earth Day 2016, the College Hill Learning Garden has hosted free field trips and workshops for over 5,000 SFUSD youth.*
- In FY 2020-21, Community Benefits' partner, PODER, hosted more than 100 gardening days and other community events at the SFPUC Hummingbird Farm in the Excelsior neighborhood. These events engaged nearly 900 individuals while promoting watershed and ecological stewardship.*

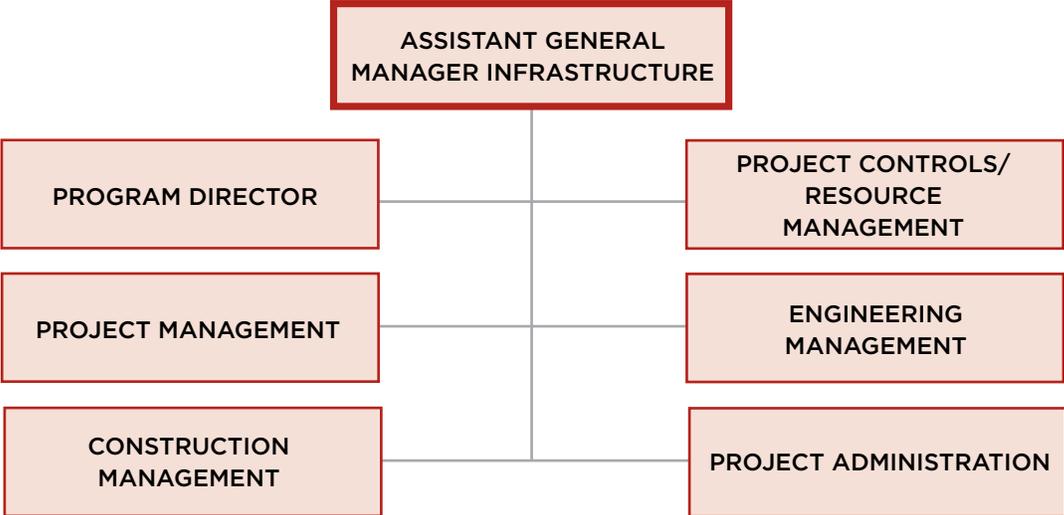
*General Manager Organization Chart*



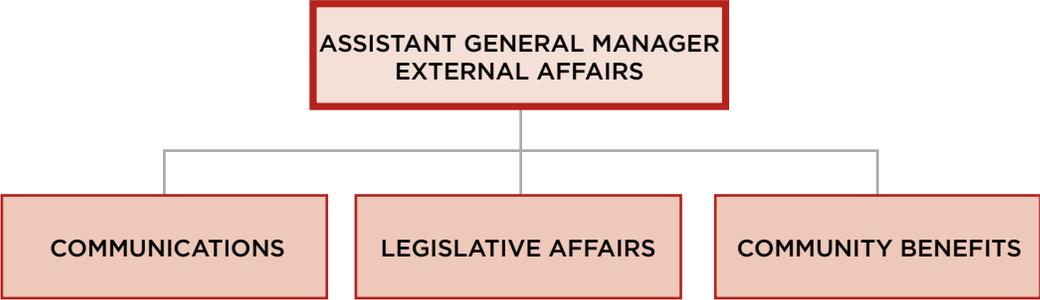
*Business Services Organization Chart*



*Infrastructure Organization Chart*



*External Affairs Organization Chart*



## Bureaus Budget Summary (excluding Infrastructure)

\$ Millions	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>USES OF FUNDS</b>						
Personnel	73,869,638	79,971,004	86,476,419	6,505,415	88,500,020	2,023,601
Overhead (COWCAP)	6,708,933	6,708,933	4,535,085	(2,173,848)	4,535,085	-
Non-Personnel	13,014,862	17,203,167	18,925,277	1,722,110	19,068,431	143,154
Materials & Supplies	1,886,166	2,568,177	2,071,165	(497,012)	2,034,331	(36,834)
Equipment	1,238,220	1,638,707	1,090,335	(548,372)	1,007,477	(82,858)
Service of Other Departs	12,684,220	13,006,543	17,250,794	4,244,251	16,743,498	(507,296)
<b>Total Uses of Funds</b>	<b>109,402,039</b>	<b>121,096,531</b>	<b>130,349,075</b>	<b>9,252,544</b>	<b>131,888,842</b>	<b>1,539,767</b>

### GENERAL MANAGER BUDGET SUMMARY

<b>USES OF FUNDS</b>						
Personnel	21,079,971	24,949,461	27,012,898	2,063,437	27,611,636	598,738
Non-Personnel	1,909,027	3,544,459	3,552,166	7,707	3,478,001	(74,165)
Materials & Supplies	348,950	210,601	186,787	(23,814)	180,031	(6,756)
Equipment	-	-	15,960	15,960	-	(15,960)
Service of Other Departs	4,472,334	4,855,317	4,231,892	(623,425)	3,698,520	(533,372)
<b>Total Uses of Funds</b>	<b>27,810,282</b>	<b>33,559,838</b>	<b>34,999,703</b>	<b>1,439,865</b>	<b>34,968,188</b>	<b>(31,515)</b>

### BUSINESS SERVICES BUDGET SUMMARY

<b>USES OF FUNDS</b>						
Personnel	46,644,589	48,598,761	52,544,072	3,945,311	53,891,094	1,347,022
Overhead	6,708,933	6,708,933	4,535,085	(2,173,848)	4,535,085	-
Non-Personnel	10,291,888	12,346,241	14,099,958	1,753,717	14,317,277	217,319
Materials & Supplies	1,506,165	2,283,421	1,830,223	(453,198)	1,800,145	(30,078)
Equipment	1,238,220	1,638,707	1,074,375	(564,332)	1,007,477	(66,898)
Service of Other Departs	8,076,238	8,071,226	12,821,802	4,750,576	12,962,878	141,076
<b>Total Uses of Funds</b>	<b>74,466,033</b>	<b>79,647,289</b>	<b>86,905,515</b>	<b>7,258,226</b>	<b>88,513,956</b>	<b>1,608,441</b>

### EXTERNAL AFFAIRS BUDGET SUMMARY

<b>USES OF FUNDS</b>						
Personnel	6,145,078	6,422,782	6,919,449	496,667	6,997,290	77,841
Non-Personnel	813,947	1,312,467	1,273,153	(39,314)	1,273,153	-
Materials & Supplies	31,051	74,155	54,155	(20,000)	54,155	-
Service of Other Departs	135,648	80,000	197,100	117,100	82,100	(115,000)
<b>Total Uses of Funds</b>	<b>7,125,724</b>	<b>7,889,404</b>	<b>8,443,857</b>	<b>554,453</b>	<b>8,406,698</b>	<b>(37,159)</b>

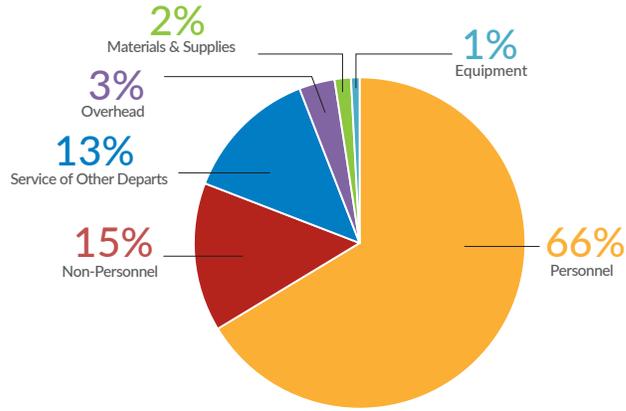
## Infrastructure Budget Summary

\$ Millions	FY 2021-22 Unaudited Actuals	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
<b>USES OF FUNDS</b>						
Personnel	22,588,284	72,409,444	82,613,022	10,203,578	83,755,443	1,142,421
Non-Personnel	2,216,056	4,753,681	4,568,527	(185,154)	5,157,565	589,038
Materials & Supplies	79,823	844,092	844,092	-	844,092	-
Equipment		-	590,921	590,921	-	(590,921)
Service of Other Departs	10,674,718	11,835,700	12,112,256	276,556	12,207,814	95,558
<b>Total Uses of Funds</b>	<b>35,558,881</b>	<b>89,842,917</b>	<b>100,728,818</b>	<b>10,885,901</b>	<b>101,964,914</b>	<b>1,236,096</b>

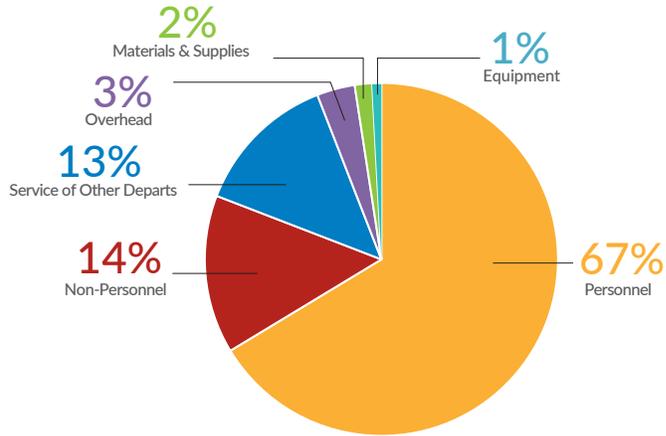
*\*Overhead not included*



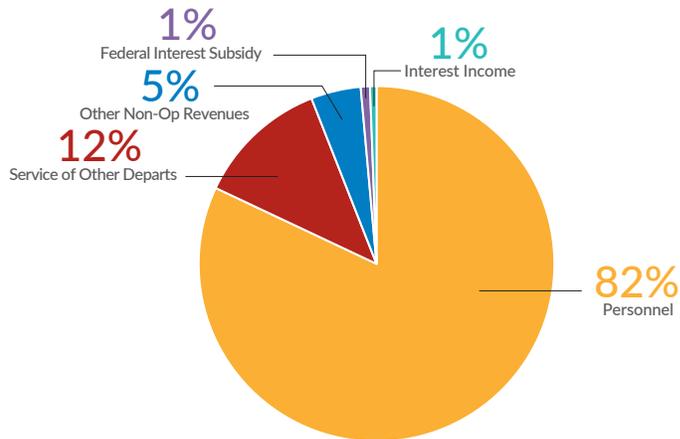
**CHART 12.1** >  
**Bureaus Uses**  
**FY 2022-23.**



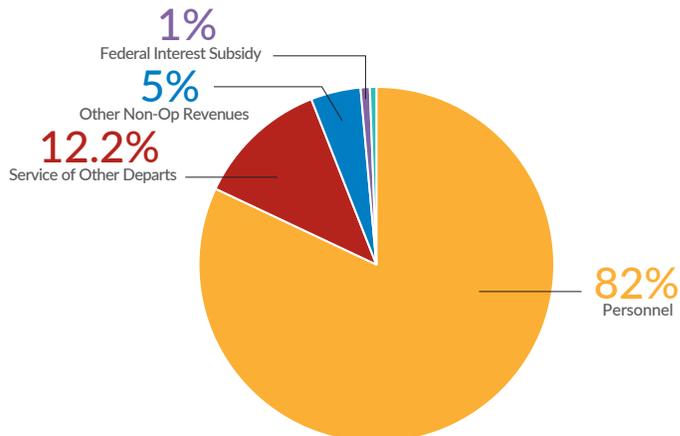
**CHART 12.2** >  
**Bureaus Uses**  
**FY 2023-24.**



**CHART 12.3** >  
**Infrastructure**  
**Uses FY 2022-23.**



**CHART 12.4** >  
**Infrastructure**  
**Uses FY 2023-24.**



## Expenditures

The Bureaus' Budget Summary rolls up the budget by expenditure category for the three Bureaus: Office of General Manager, Business Services and External Affairs. The three bureaus are funded by the Enterprise departments through an overhead allocation model. The Bureaus' budget increased by \$9.3 million (7.6 percent) in FY 2022-23 to \$130.3 million, and \$1.5 million (1.2 percent) in FY 2023-24 to \$131.9 million. The key driver of cost increases in FY 2022-23 is Personnel Costs, Non-Personnel Services and Services of Other Departments, offset by decreases to Materials & Supplies, Equipment and COWCAP. In FY 2023-24, the increase is mainly due to Personnel Costs, offset by a decrease to Services of Other Departments. The Infrastructure bureau is funded through capital projects and, as such, is presented separately.

### ***Office of the General Manager***

The Office of the General Manager's FY 2022-23 and FY 2023-24 budget is \$35.0 million, an overall increase of \$1.4 million (4.2 percent). The net two-year change reflects an increase in personnel costs reflecting temporary and permanent positions to support implementation and integration of new human resource applications. Other increases include cost of living adjustments required under various labor agreements, retirement and health benefit costs.

### ***Authorized and Funded Full-Time Equivalent (FTEs)***

The General Manager authorized full-time equivalent (FTE) positions for FY 2022-23 is 117.2 FTEs, an increase of 4.24 FTEs from the prior year, to support the implementation and integration of new human resource applications in Human Resource Services. Similarly, for FY 2023-24, there was additional support for Human Resource Services for a net increase of 1.21 FTEs to 118.40 FTEs.

## Business Services

The FY 2022-23 Business Services budget is \$86.9 million, a \$7.3 million (9.1 percent) increase from the prior year. Major changes include support for Data Maturity, a strategic business initiative supported by technology, upgrades to the SFPUC's billing systems, cybersecurity support and staffing resources for SFPUC's Permit Center.

The FY 2023-24 Business Services budget is \$88.5 million, a \$1.6 million (1.9 percent) increase. The major change from the FY 2022-23 budget is the addition of staff to support the radio project, a high-band radio system allowing communicate across SFPUC's watersheds.

Also shown in the Business Services' budget is approximately \$4.5 million relating to the City and County of San Francisco's Countywide Cost Allocation Plan (COWCAP). The purpose of the COWCAP is to allocate central City service costs to benefiting departments on a fair and equitable basis. Central service departments provide necessary support services to benefiting departments. Examples of central service departments are Payroll, Health Services, Human Resources, and Purchasing.

### ***Authorized and Funded Full-Time Equivalent (FTEs)***

Business Services authorized and funded full-time equivalent (FTE) positions for FY 2022-23 is 270.83 FTEs, an overall increase of 7.97 FTEs from the prior year. The increase is mainly from staff support for technology projects including cybersecurity and customer services support. For FY 2023-24, there was an increase of 4.96 FTEs to a total of 275.79 FTEs, due to operational support for Financial Services and ITS.

## **New Initiatives**

**Data Maturity Initiative** - \$0.8 million to identify and prioritize data/business needs across SFPUC stakeholders. Funding reflects enhancing staffing resources to develop a baseline understanding of existing data sources and reporting functionality, defining business priorities and requirements while identifying resources to further develop a governance structure in areas such as reliable services and assets, effective workforce and financial sustainability.

**Cyber Security & Applications** - \$0.6 million reflects enhancing the current electronic billing system hosting fees and the stormwater charge system maintenance and licensing. Further funding supports the SFPUC's security team and improve overall security of the agency's systems and assets across all facilities. With the increasingly complex business environment and landscape threat, it is essential to identify, assess and manage risks more holistically. Potential risks include business disruptions that impact strategic objectives, resulting in financial losses and reputational damage.

**SFPUC Capacity Charge Program** - \$0.2 million reflects staffing resources to meet the needs of the new City permit center that review permit and capacity charge applications.

### *Infrastructure Authorized and Funded Full-Time Equivalents (FTEs)*

<b>Position Type</b>	<b>FY 2021-22 Adopted Budget</b>	<b>FY 2022-23 Adopted Budget</b>	<b>Change From FY 2021-22</b>	<b>FY 2023-24 Adopted Budget</b>	<b>Change From FY 2022-23</b>
Permanent Positions	374.77	375.00	0.23	375.00	-
Temporary Positions	3.64	3.41	(0.23)	3.41	-
<b>Subtotal Operating-Funded</b>	<b>378.41</b>	<b>378.41</b>	<b>0.00</b>	<b>378.41</b>	<b>-</b>

**Bureaus Authorized and Funded Full-Time Equivalents (FTEs) (excluding Infrastructure)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	377.46	385.64	8.18	391.02	5.38
Temporary Positions	17.85	16.41	(1.44)	16.15	(0.26)
<b>Subtotal Operating-Funded</b>	<b>395.31</b>	<b>402.05</b>	<b>6.74</b>	<b>407.17</b>	<b>5.12</b>
Project-Funded	21.77	26.95	5.18	28.00	1.05
Unfunded Positions (Attrition)	24.09	29.04	4.95	30.92	1.88
<b>Total Positions</b>	<b>441.17</b>	<b>458.04</b>	<b>16.87</b>	<b>466.09</b>	<b>8.05</b>

**General Manager Authorized and Funded Full-Time Equivalents (FTEs)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	96.57	101.06	4.49	102.29	1.23
Temporary Positions	7.62	7.14	(0.48)	7.11	(0.03)
<b>Subtotal Operating-Funded</b>	<b>104.19</b>	<b>108.20</b>	<b>4.01</b>	<b>109.40</b>	<b>1.20</b>
Project-Funded	8.77	9.00	0.23	9.00	-
Unfunded Positions (Attrition)	4.90	5.72	0.82	5.70	(0.02)
<b>Total Positions</b>	<b>117.86</b>	<b>122.92</b>	<b>4.24</b>	<b>124.10</b>	<b>1.20</b>

**Business Services Authorized and Funded Full-Time Equivalents (FTEs)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	251.72	255.07	3.35	259.00	3.93
Temporary Positions	5.14	4.81	(0.33)	4.79	(0.02)
<b>Subtotal Operating-Funded</b>	<b>256.86</b>	<b>259.88</b>	<b>3.02</b>	<b>263.79</b>	<b>3.91</b>
Project-Funded	6.00	10.95	4.95	12.00	1.05
Unfunded Positions (Attrition)	17.36	21.04	3.68	22.95	1.91
<b>Total Positions</b>	<b>280.22</b>	<b>291.87</b>	<b>11.65</b>	<b>298.74</b>	<b>6.87</b>

**External Affairs Authorized and Funded Full-Time Equivalents (FTEs)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	29.17	29.51	0.34	29.73	0.22
Temporary Positions	5.09	4.47	(0.62)	4.25	(0.21)
<b>Subtotal Operating-Funded</b>	<b>34.26</b>	<b>33.97</b>	<b>(0.29)</b>	<b>33.98</b>	<b>0.01</b>
Project-Funded	7.00	7.00	-	7.00	-
Unfunded Positions (Attrition)	1.83	2.28	0.45	2.27	(0.01)
<b>Total Positions</b>	<b>43.09</b>	<b>43.25</b>	<b>0.16</b>	<b>43.25</b>	<b>(0.00)</b>

## External Affairs

The External Affairs FY 2022-23 and FY 2023-24 budget is \$8.4 million, an overall increase of \$0.5 million (6.6 percent). The net two-year change reflects increases in staffing to ensure the bureau has a strong operational and strategic foundation for future growth and resources fostering continuous improvements, enhancing standardized policies, procedures and work processes across the SFPUC.

Community Benefit programs are managed by the External Affairs Team and are budgeted in the Enterprises Programmatic Projects. These projects represent an additional \$3.7 million over the two budget years.

### **Authorized and Funded Full-Time Equivalents (FTEs)**

External Affairs authorized full-time equivalent (FTE) positions for FY 2022-23 and FY 2023-24 is 40.98 FTEs, an overall increase of 0.28 FTEs from

the prior year, reflecting a new position to support process and operational improvements offset by an adjustment to salary savings.

## Infrastructure

Infrastructure manages the planning, design and construction of SFPUC capital programs, as well as the renewal and replacement of the Water, Wastewater and Power Enterprise facilities. The mission of Infrastructure is to provide high quality and cost-effective services in an environmentally sensitive manner, while at the same time meeting or exceeding customer and stakeholder expectations.

Infrastructure is led by the AGM of Infrastructure, and is supported by the Capital Program Directors, Project Controls, and Resource Management, and by the Project, Construction, Engineering, Environmental Management and Project Administration bureaus.

### **Bureaus Authorized and Funded Full-Time Equivalents (FTEs) (excluding Infrastructure)**

Position Type	FY 2021-22 Adopted Budget	FY 2022-23 Adopted Budget	Change From FY 2021-22	FY 2023-24 Adopted Budget	Change From FY 2022-23
Permanent Positions	377.46	385.64	8.18	391.02	5.38
Temporary Positions	17.85	16.41	(1.44)	16.15	(0.26)
<b>Subtotal Operating-Funded</b>	<b>395.31</b>	<b>402.05</b>	<b>6.74</b>	<b>407.17</b>	<b>5.12</b>
Project-Funded	21.77	26.95	5.18	28.00	1.05
Unfunded Positions (Attrition)	24.09	29.04	4.95	30.92	1.88
<b>Total Positions</b>	<b>441.17</b>	<b>458.04</b>	<b>16.87</b>	<b>466.09</b>	<b>8.05</b>

<b>GENERAL MANAGER AUTHORIZED AND FUNDED FULL-TIME EQUIVALENTS (FTES)</b>					
Permanent Positions	96.57	101.06	4.49	102.29	1.23
Temporary Positions	7.62	7.14	(0.48)	7.11	(0.03)
<b>Subtotal Operating-Funded</b>	<b>104.19</b>	<b>108.20</b>	<b>4.01</b>	<b>109.40</b>	<b>1.20</b>
Project-Funded	8.77	9.00	0.23	9.00	-
Unfunded Positions (Attrition)	4.90	5.72	0.82	5.70	(0.02)
<b>Total Funded Positions</b>	<b>117.86</b>	<b>122.92</b>	<b>4.24</b>	<b>124.10</b>	<b>1.20</b>

*Bureaus Authorized and Funded Full-Time Equivalents (FTEs) (excluding Infrastructure)  
continued...*

<b>BUSINESS SERVICES AUTHORIZED AND FUNDED FULL-TIME EQUIVALENTS (FTES)</b>					
Permanent Positions	251.72	255.07	3.35	259.00	3.93
Temporary Positions	5.14	4.81	(0.33)	4.79	(0.02)
<b>Subtotal Operating-Funded</b>	<b>256.86</b>	<b>259.88</b>	<b>3.02</b>	<b>263.79</b>	<b>3.91</b>
Project-Funded	6.00	10.95	4.95	12.00	1.05
Unfunded Positions (Attrition)	17.36	21.04	3.68	22.95	1.91
<b>Total Funded Positions</b>	<b>280.22</b>	<b>291.87</b>	<b>11.65</b>	<b>298.74</b>	<b>6.87</b>

<b>EXTERNAL AFFAIRS AUTHORIZED AND FUNDED FULL-TIME EQUIVALENTS (FTES)</b>					
Permanent Positions	29.17	29.51	0.34	29.73	0.22
Temporary Positions	5.09	4.47	(0.62)	4.25	(0.21)
<b>Subtotal Operating-Funded</b>	<b>34.26</b>	<b>33.97</b>	<b>(0.29)</b>	<b>33.98</b>	<b>0.01</b>
Project-Funded	7.00	7.00	-	7.00	-
Unfunded Positions (Attrition)	1.83	2.28	0.45	2.27	(0.01)
<b>Total External Affairs</b>	<b>43.09</b>	<b>43.25</b>	<b>0.16</b>	<b>43.25</b>	<b>(0.00)</b>



# City and County of San Francisco Economy and General Information

## City Governance And Structure

The San Francisco Public Utilities Commission (SFPUC) is a department of the City and County of San Francisco. The City and County of San Francisco (the City) was established by Charter in 1850 and is a legal subdivision of the State of California. It is the only consolidated city and county in the State, exercising the governmental powers of both a city and a county under California law. The City's governance structure, codified in the City Charter of 1996, is similar in form to the federal government. The Mayor's Office comprises the Executive branch, while the Board of Supervisors and Superior Court act as the Legislative and Judicial branches, respectively.

The Mayor and all 11 members of the Board of Supervisors serve four-year terms. Mayoral elections are held during odd-numbered years, while Board of Supervisors elections are held in even numbered years. Elections for the Board of Supervisors are staggered, with five or six seats being open each election. Supervisors serve four-year terms and any vacancies are filled by mayoral appointment. Both the Mayor and members of the Board of Supervisors are limited to two terms. Each of the City's 11 districts is represented by a member of the Board of Supervisors. Beginning in November 2000, the Board of Supervisors was elected by district for the first time since the 1970s. The Mayor appoints the heads of most city departments. Many departments are also advised by commissions or boards whose members are citizens appointed by the Mayor or, in some cases, by a combination of the Mayor, the Board of Supervisors, and other elected officials. Elected officials include the Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer.

## Elected Officials

Mayor

London N. Breed

## Board of Supervisors

Supervisor, District 1

Connie Chan

Supervisor, District 2

Catherine Stefani

Supervisor, District 3

Aaron Peskin

Supervisor, District 4

Gordon Mar

Supervisor, District 5

Dean Preston

Supervisor, District 6

Matt Dorsey

President, District 7

Myrna Melgar

Supervisor, District 8

Rafael Mandelman

Supervisor, District 9

Hillary Ronen

Supervisor, District 10

Shamann Walton

Supervisor, District 11

Ahsha Safaí

Assessor-Recorder

Joaquín Torres

City Attorney

David Chiu

District Attorney

Brooke Jenkins

Public Defender

Mano Raju

Sheriff

Paul Miyamoto

Superior Courts Presiding Judge

Samuel K. Feng

Treasurer

José Cisneros

## Appointed Officials

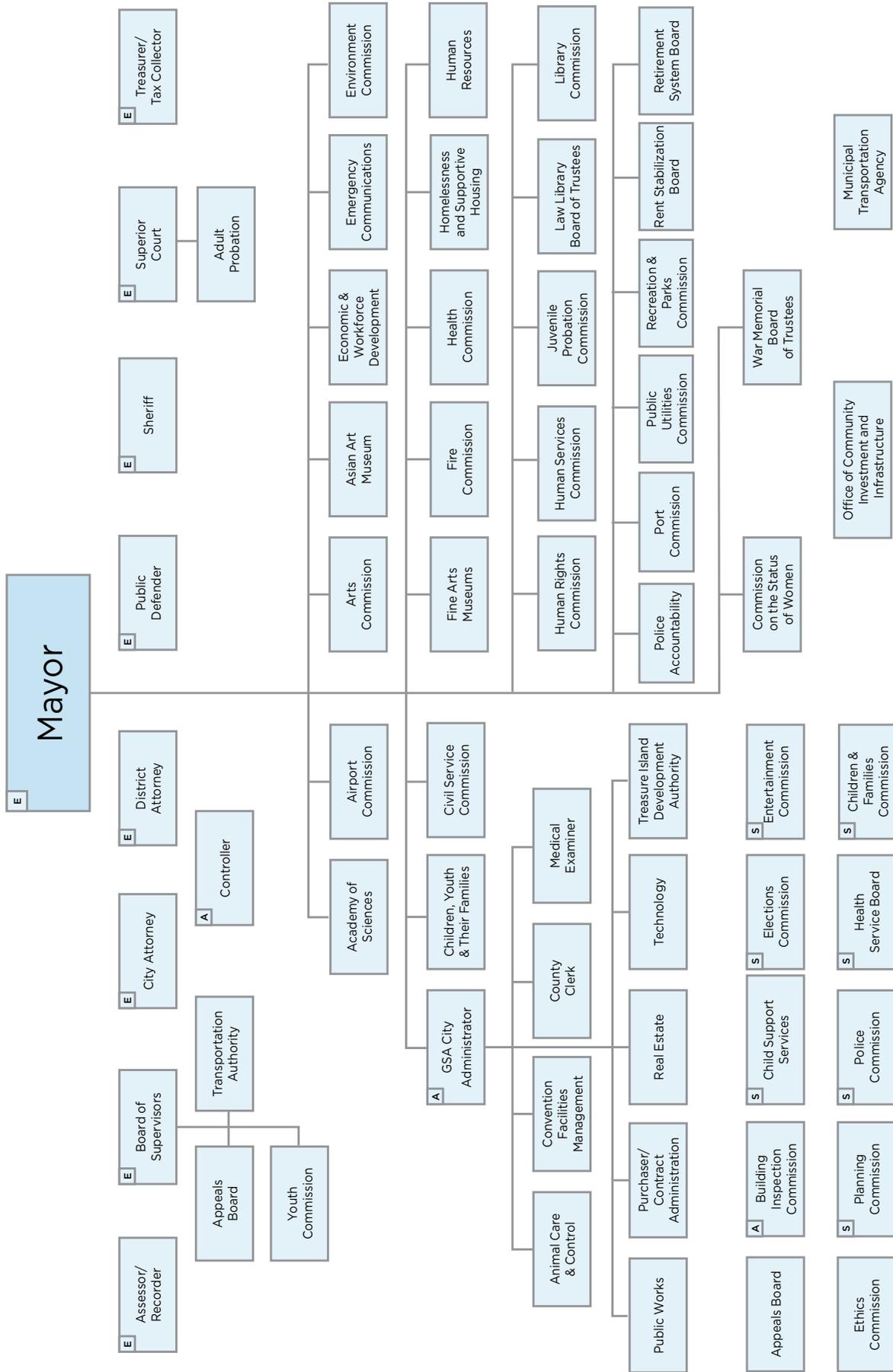
City Administrator

Carmen Chu

Controller

Ben Rosenfield

# San Francisco: An Overview



A = Appointed  
 E = Elected  
 S = Shared Appointment by Various Elected Officials

## Demographics and Structure

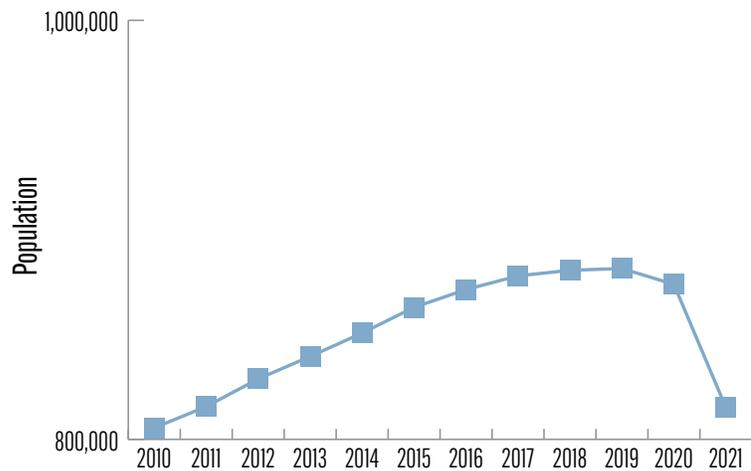
Incorporated on April 15th, 1850, San Francisco is the fourth largest city in the state of California and geographically the smallest county. Occupying just 49 square miles of land, the City is located on a peninsula bounded by the Pacific Ocean to the west, San Francisco Bay to the east, the entrance to the Bay and the Golden Gate to the north, and San Mateo County to the south.

While government has played a key role in San Francisco's development, the true wealth of the City resides in the creative and entrepreneurial spirit of its pioneering citizens. According to the latest estimates from the U.S. Census Bureau the City's population was 815,201 in 2021, a 6.7 percent decline from 2020. Among large counties with 100,000 or more people, the city experienced the second-largest percentage decline in population,

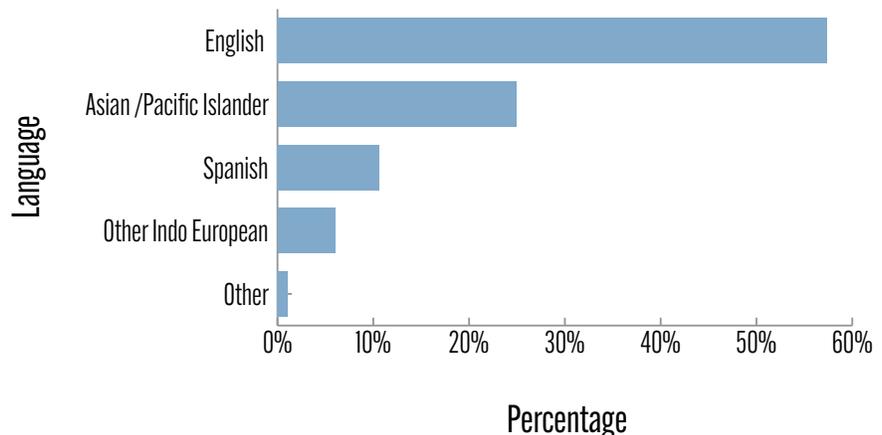
behind New York County (Manhattan). Before the advent of COVID-19, the city had added over 76,000 new residents from 2010 to 2019; however, 87 percent of that gain, or 66,000 people, was lost in just two years.

International immigration has been and continues to be a major driver of San Francisco's cultural diversity. More than 36 percent of the City's population over the age of five was born outside of the United States, and about 43 percent speak a language other than English at home. Immigration and its legacy contribute to a sense of diversity in San Francisco and positions the City's future labor force for success in the global economy.

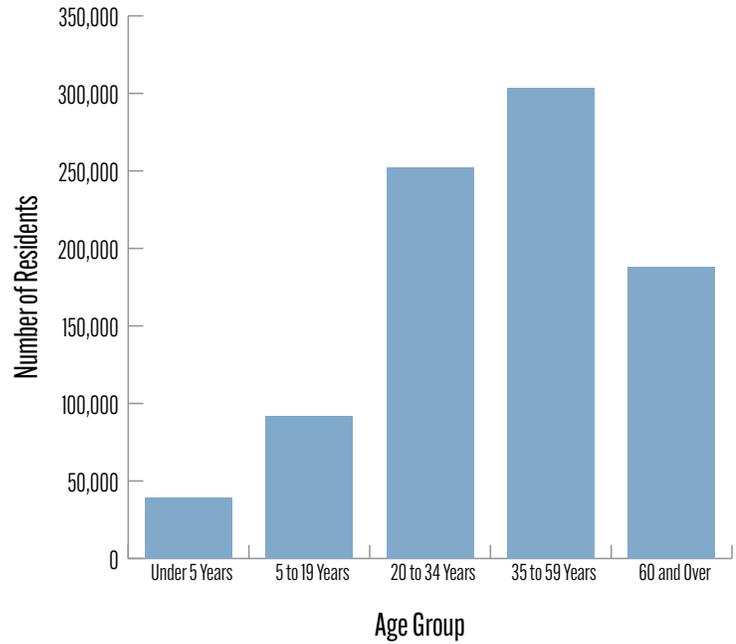
**CHART 13.1**  
**TOTAL POPULATION.**  
Source: U.S. Census Bureau, County Population Estimates.



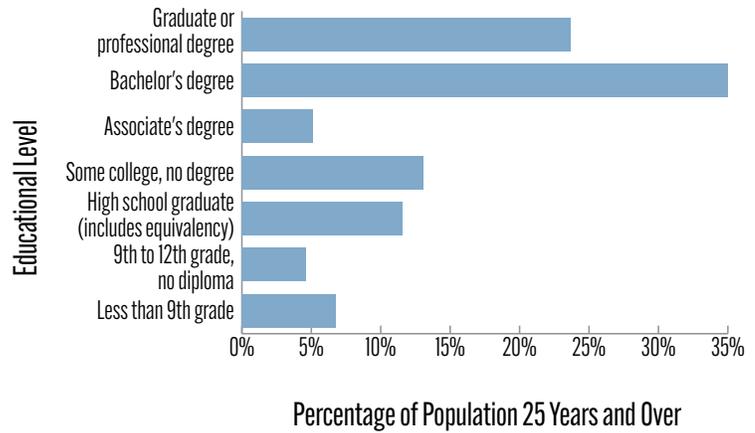
**CHART 13.2**  
**LANGUAGE SPOKEN AT HOME.**  
Source: U.S. Census Bureau, 2016-2020 American Community Survey 5-years Estimate.



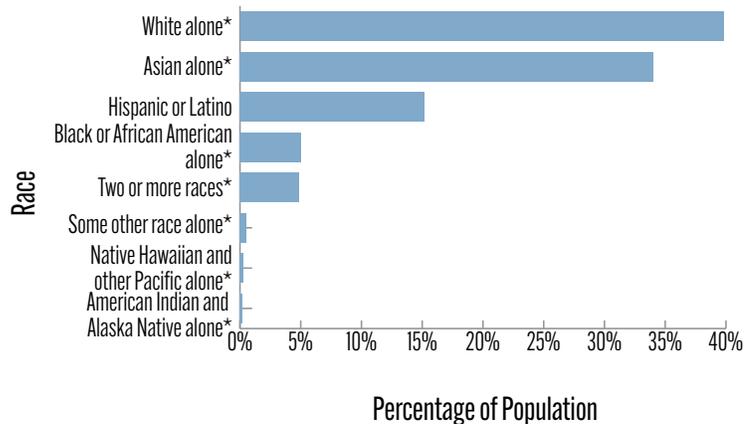
**CHART 13.3**  
**POPULATION BY AGE.**  
 Source: U.S. Census Bureau,  
 2016-2020 American  
 Community Survey  
 5-years Estimate.



**CHART 13.4**  
**EDUCATIONAL ATTAINMENT.**  
 Source: U.S. Census Bureau,  
 2016-2020 American  
 Community Survey  
 5-years Estimate.



**CHART 13.5**  
**RACE IDENTIFICATION.**  
 Source: U.S. Census  
 Bureau, 2016-2020  
 American Community  
 Survey 5-years Estimate.



## Local Economy

San Francisco is at the center of a dynamic and innovative region with a long track record of creating jobs and opportunities, lasting social and cultural impacts, and tools and ideas that are used worldwide. While the COVID-19 emergency has created many challenges in the city, like elsewhere, the long-term fundamentals of the city's economy remain strong.

The strength of San Francisco's economy comes from a diverse portfolio of well-established industries and businesses, as well as emerging and growing sectors. In addition to being an economic center for advanced, knowledge-based services such as professional and financial services, information technology and digital media, and healthcare, San Francisco is pushing to develop new and innovative fields in civic-based and green technologies to help grow its manufacturing sector. In 2019, there were over 760,000 jobs in San Francisco—the most at any point in the city's history. However, in 2020, due to COVID-19 related slowdown, the city's employment fell by 9.9 percent to about 685,000 people. Leisure and hospitality – including restaurants, hotels, arts, and recreation service industries fared the worst. The city began to experience an economic recovery in early 2021. By March 2022, the San Francisco Metropolitan Division, which includes San Mateo County, had gained back 135,000 jobs, or 73 percent, of the 183,000 lost from February to April 2020.

Before the COVID-19 pandemic, San Francisco had led economic growth in the Bay Area and California, and been at full employment for over three years. Although San Francisco represents only 2.1 percent of the State's population, it accounted for 10.4 percent of Gross Domestic Product growth in California from 2011 to 2020. During the same period, the city created 1 in 5 new jobs in the nine-county Bay Area.

### ***COVID-19 Response and Recovery***

Every one of San Francisco's residents, businesses, and workers has been deeply impacted by the pandemic, with communities and entrepreneurs of color experiencing more severe outcomes. Supporting neighborhood businesses, vulnerable workers, and community-serving nonprofits have been a central goal of San Francisco's COVID-19 response that will continue to shape the City's investments to advance economic recovery.

Since the beginning of the pandemic, San Francisco has provided immediate and ongoing relief for small businesses, including directing more than \$50 million in grants and loans to support more than 3,500 businesses. The grants and loans have complemented tens of millions of dollars in tax and fee deferrals and waivers as well as technical assistance programs to drive access to state and federal resources such as the Paycheck Protection Program. Additionally, to provide critical relief to impacted workers, especially those who cannot access state and federal aid, the City has delivered nearly \$25 million in funding to support 27,700 workers and families through programs like Right to Recover and the Family Relief Fund.

In the coming months and years, San Francisco will work in partnership with leaders in the public, private and nonprofit sectors to build a more robust, more resilient, and more equitable economy than before the pandemic. Though San Francisco experienced a historically strong period of economic expansion after the Great Recession, many San Franciscans did not see the benefits of that growth. To better support San Francisco's most impacted populations and expand the middle class during the next expansion, the City is making significant investments into small business programs, neighborhood economic development, affordable housing, nonprofit sustainability, and workforce development. Each new initiative furthers the goal of building an inclusive, equitable economy where every San Franciscan has the opportunity to live, work, and thrive in the city.

### ***Economic Development Initiatives***

San Francisco's economy has rebounded from the most severe impacts of the pandemic, with unemployment reaching 5.4 percent in March 2021, down from the peak of 12.6 percent in May 2020. However, the local economy is far from its previous levels – there are 67,000 fewer employed San Franciscans than at the start of 2020, with industries like hospitality, restaurants and arts, entertainment and recreation seeing the steepest employment declines. To catalyze economic recovery, bring back jobs and create new, sustainable career pathways accessible to all residents, the City will make targeted investments in key sectors with strong growth potential, including technology, professional services, manufacturing, nightlife and entertainment, tourism and hospitality, nonprofit, and retail.

Additionally, through investments in the public spaces and business support programs, San Francisco will build on the momentum of initiatives like the “Save Our Small Businesses” ballot measure and the Shared Spaces program to make it easier to start and grow a business in the city. Starting a small business is a key driver of economic mobility and a critical pathway to the middle class for many families. The City’s investments and policies seek to foster a more inclusive environment for entrepreneurs and lower the financial and legal barriers to success for neighborhood businesses.

### ***Workforce Development***

San Francisco’s investment in workforce development programs will be critical in supporting working residents and those looking to enter or re-enter the labor force. The City will focus on sectors experiencing or expecting job growth to support new and long-term unemployed residents. The City will provide programs for those needing minor assistance in securing employment as well as for those needing full retraining and wraparound workforce services, including intensive barrier removal services and community outreach to connect vulnerable groups to career pathways better. New service delivery methods will also be developed to account for public health needs requiring social distancing and allowing for more remote work.

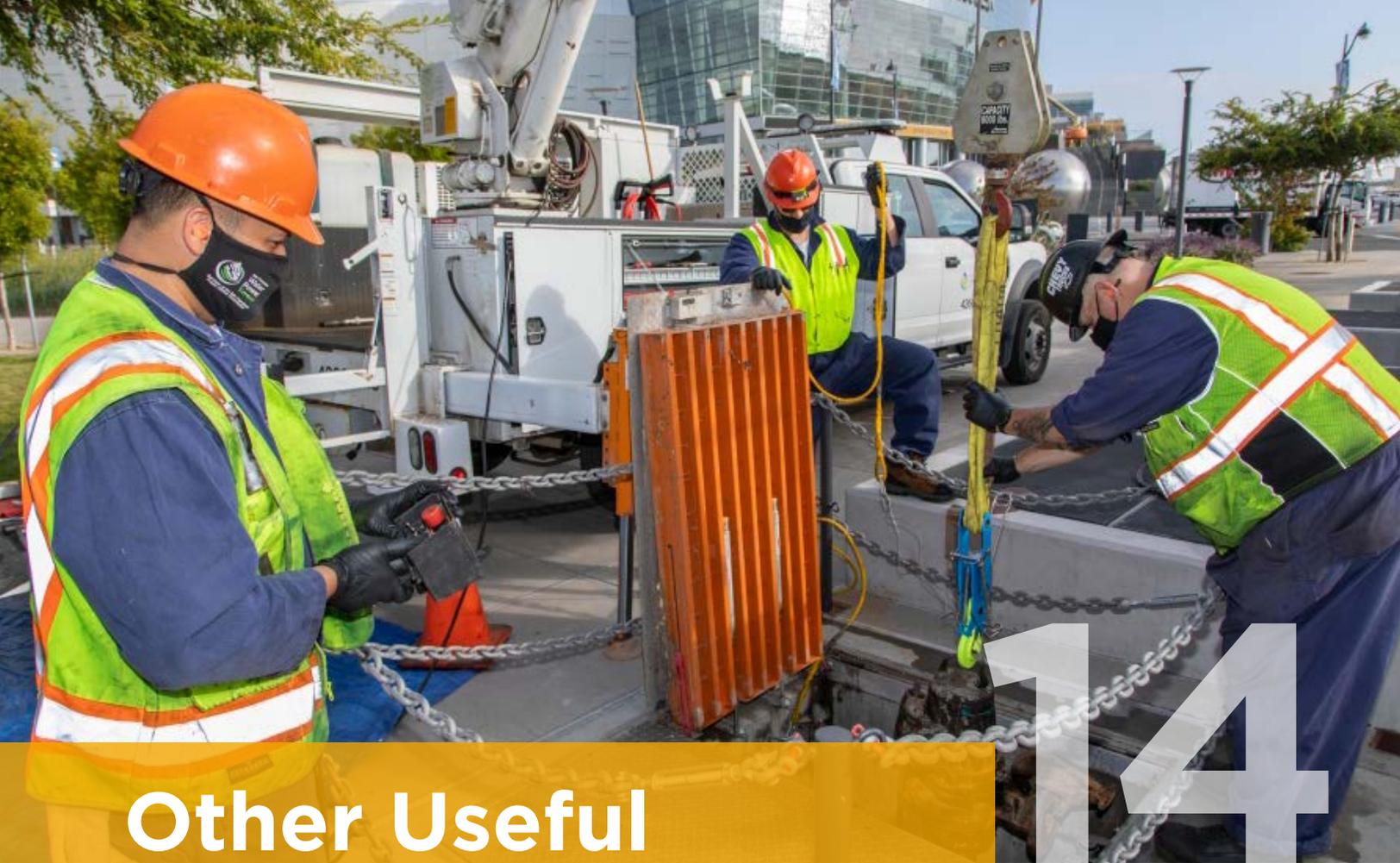
The City funds job-driven training programs in key sectors such as construction, healthcare, and technology. There are also investments to support dislocated hospitality workers and train job seekers in industries that emerge during recovery. These sector- driven academies combine vocational training in growing fields with supportive services, job placement, and post-placement support. Each academy’s curriculum is developed in concert with industry, labor, and educational partners to ensure that training is aligned to meet today’s job needs and that program graduates are ready to work immediately. In addition to job training programs, the City invests in community-based Job Centers to provide local residents with a seamless array of workforce services designed to assist job seekers with securing employment opportunities that will lead to self-sufficiency.

Job Center services include career planning, job search assistance, interview preparation, training workshops, unemployment information, access to computers, and supportive services such as childcare and transportation. Moving forward, the City will continue to invest in its successful workforce development programming while developing a comprehensive citywide strategy to align jobseeker education and training resources better. San Francisco remains committed to improving outcomes for job seekers, particularly for those facing multiple barriers to employment.

### ***Positioned for Recovery***

Fundamental strength across key sectors, combined with the implementation of long-term development projects and workforce development programs, has prepared San Francisco for a strong recovery after the COVID-19 emergency. Additionally, investments in equity initiatives are making the economy more inclusive, with the goal of ensuring historically underserved communities can share in the City’s success. Despite the current challenges brought about by COVID-19, San Francisco’s long-term economic fundamentals—the quality of its workforce, business environment, technological base, and general quality of life—remain among the strongest of any city in the United States.

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# Other Useful Documents

## Introduction

SFPUC produces many documents that complement the budget:

**Financial Plan:** a rolling 10-year plan, revised annually as a part of the budget process. It serves as a multi-year financial planning tool; the purpose of the plan is to estimate revenue and expenditure data in the form of annual revenue requirements, which are indications of future average rate changes.

<https://sfpuc.org/about-us/policies-plans/financial-plans-and-policies>

**Capital Book:** a guide for managers, policy makers, elected officials and the public depicting the proposed long-term program, projects and investment.

<https://sfpuc.org/about-us/reports/operating-and-capital-budgets>

**Quarterly Reports:** a budgetary status reports for annual operating budget.

<https://sfpuc.org/about-us/reports/operating-and-capital-budgets>

**Annual Comprehensive Financial Report (ACFR):** describes our financial activities, condition and services as a whole, encompassing all Water, Wastewater, and Hetch Hetchy Water & Power & CleanPowerSF results. The ACFR also includes financial and statistical information, all of which is of interest to the public and bond investors.

<https://sfpuc.org/about-us/reports/audited-financial-statements-reports>

**Popular Annual Financial Report (PAFR):** annual report that provides examples of how PUC have continued to build on its strengths -- rebuilding water and wastewater infrastructure; advancing green power and environmental initiatives; leading the way in delivering clean, efficient services now and into the future.

<https://sfpuc.org/about-us/reports/popular-annual-financial-reports>

**Mayor's Budget:** a presentation of the proposed balanced budget for the City and County of San Francisco

[https://sfmayor.org/sites/default/files/CSF\\_Budget\\_Book\\_May\\_2022\\_Master\\_Final\\_web.pdf](https://sfmayor.org/sites/default/files/CSF_Budget_Book_May_2022_Master_Final_web.pdf)

**Annual Appropriation Ordinance (AAO):** a document that is the legal authority for the City to spend funds during the fiscal year. AAO contains information on the sources and uses of City funds and selected departments, detailed by department and program.

<https://sfcontroller.org/sites/default/files/Documents/Budget/AAO%20FY2020-21%20%26%20FY2021-22%20-%20FINAL.pdf>

**Annual Salary Ordinance (ASO):** an ordinance enumerating positions in the annual budget and appropriation ordinance for specific fiscal years.

<https://sfcontroller.org/sites/default/files/Documents/Budget/ASO%20FY2022-23%20%26%20FY2023-24%20-%20B%26A%20FINAL.pdf>

**SFPUC Commission:** The San Francisco Public Utilities Commission consists of five members, nominated by the Mayor and approved by the Board of Supervisors. Their responsibility is to provide operational oversight in areas such as rates and charges for services, approval of contracts, and organizational policy.

<https://sfpuc.org/about-us/boards-commissions-committees/sfpuc-commission>



# Glossary

## **Accrual Basis of Accounting**

A method of accounting in which all assets and liabilities associated with its operations is included on the statement of net assets; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

## **Annual Appropriation Ordinance (AAO)**

Upon approval, this document is the legal authority for the City to spend funds during the fiscal year. It contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund.

## **Assistant General Manager (AGM)**

An AGM supports the General Manager of the SFPUC as principal member of the senior management team: Business Services, External Affairs, Infrastructure, Power Enterprise, Water Enterprise, and the Wastewater Enterprise.

## **Attrition Savings**

Attrition savings is the projected amount of permanent salaries that will be saved during a fiscal year due to attrition or employee turnover.

## **Auxiliary Water Supply System (AWSS)**

A system of mains and 1889 High Pressure Fire Hydrants, independent of the domestic water supply built solely for the purpose of firefighting. The system is supplied with fresh water, by gravity, from a reservoir and two tanks located at high elevation in the City.

## **Balanced Budget**

The Constitution of the State of California requires all cities to adopt a balanced budget wherein revenues must match expenditures.

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## **Bay Area Water Supply and Conservation Agency (BAWSCA)**

BAWSCA represents the interests of 27 suburban wholesale that purchase water wholesale from the San Francisco regional water system. These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties.

## **Board of Supervisors (BOS)**

The Board of Supervisors is the legislative branch of the City and County of San Francisco. The Board consists of 11 members. Each member is elected on a non-partisan basis from a district where he or she resides. The Board is responsible for approving and amending the SFPUC's proposed budget. The Board's Budget Analyst also participates in reviews of City spending and financial projections.

## **Budget and Finance Committee**

The Budget and Finance Committee of the Board of Supervisors oversees appropriation ordinances, and measures concerning bond issues, taxes, fees and other revenue measures, redevelopment, and real estate. The Committee also oversees the annual appropriation and annual salary ordinances, and holds a public hearing on the Mayor's budget instructions to City departments for each annual City budget after the instructions are released.

## **Build America Bonds (BABs)**

This is a tax credit or direct payment subsidy bond for municipal capital projects.

## **California Cap and Trade**

The Cap-and-Trade Program is designed to achieve the goals of Global Warming Solutions Act of 2006. The program involves creating a market where GHG emission allowances can be bought and sold by entities, better facilitating the reduction of GHGs in a way that prevents inflexible limitations on economic activity.

## **California Department of General Services (DGS)**

The Department of General Services (DGS) serves as business manager for the state of California. General Services helps to better serve the public by providing a variety of services to state agencies. DGS is committed to sustainability in its facilities, fleet and purchasing.

## **California Energy Commission (CEC)**

The California Energy Commission has responsibility for activities that include forecasting future energy needs, promoting energy efficiency appliance and building standards, and supporting renewable energy technologies.

## **California Environmental Quality Act 1970 (CEQA)**

The California Environmental Quality Act is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

## **California Independent Systems Operator (CAISO)**

CAISO is a non-profit public benefit corporation charged with operating the majority of California's high voltage wholesale power grid.

## **California Public Utilities Commission (CPUC)**

The California Public Utilities Commission is an administrative agency that exercises both legislative and judicial powers. The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and reasonable to both customers and shareholders of the utilities. The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources.

## **Capital Expenditures**

Expenditures that extend the service life on an existing asset or the acquisition and/or construction of a new asset.

## **Capital Improvement Program (CIP) (Annual CIP)**

The Capital Improvement Program is supported by the Ten-Year Capital Plan and Ten-Year Financial Plan. SFPUC's CIP includes renewal and replacement (R&R) and capital improvement programs to improve water efficiency, power infrastructure, and sewage treatment facilities. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided under the San Francisco City Charter to finance the SFPUC's capital programs. The repayment of this indebtedness is provided for under the annual rates and revenues of the particular Enterprise that incurs the debt, categorized as debt service in the budget.

## **Capital Planning Committee (CPC)**

The legislation creating San Francisco's (City) Ten-Year Capital Plan created the Capital Planning Committee (CPC). This body is chaired by the City Administrator and consists of the President of the Board of Supervisors, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Through a series of meetings, the Capital Planning Committee reviews proposals, staff recommendations, and documents toward the development of a City-wide capital plan and annual capital budget. Furthermore, the Committee establishes prioritization and assessment criteria to assist the City Administrator and staff in developing the capital plan.

## **Carryforward**

Outstanding budget commitments at the end of the fiscal year funded out of the annual operating budget, that are authorized to be carried over and expended during the following fiscal year.

## **Certificates of Participation (COP)**

An instrument evidencing a pro-rata share in a specific pledged revenue stream, usually lease payments by the issuer. The certificate generally entitles the holder to receive a share, or participation, in the lease payments from a particular project. The lease payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and lease payments to a trustee, which then distribute the lease payments to the certificate holders.

## **Citizen's Advisory Committee (CAC)**

The purpose of the Citizen's Advisory Committee is to provide policy recommendations to the Mayor, Board of Supervisors, City Administrator and Commissions on prioritization of public benefits.

## **City and County of San Francisco (CCSF)**

CCSF is the City and County of San Francisco and SFPUC is one of departments governed by the Mayor and Board of Supervisors.

## **CleanPowerSF**

CleanPowerSF is San Francisco's Community Choice Aggregation program. Community Choice Aggregation is a State program that allows cities and counties to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses.

## **Clean Water Act**

The Clean Water Act establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters.

## **Commercial Paper (CP)**

Used as a financing strategy that utilizes short-term financing to calibrate financing needs with project spending. The CP program facilitates short-term financing typically at lower interest rates than longer-term debt, which minimizes costs.

## **Committee on Information Technology (COIT)**

The Committee on Information Technology (COIT) is the City's technology planning and governance body that is charged with submitting a five-year Information and Communication Technology (ICT) plan on a biannual basis to the Mayor and Board of Supervisors. As required by the City's Administrative Code, this plan seeks to better align City resources with the City's technology goals and objectives. The ICT Plan provides a framework for the City to proactively plan, fund, and implement projects which align with the City's goals of innovation, sustainability, and resilience. As the City's third iteration, the ICT Plan outlines a path to maximize current and future resources to support technology projects. The ICT Plan is updated every other year and covers the next five fiscal years.

## **Community Choice Aggregation (CCA)**

As defined by Assembly Bill 117, CCA permits any city, county or city and county to aggregate the electric loads of residents, businesses and municipal facilities to facilitate the purchase and sale of electrical energy.

## **Countywide Cost Allocation Plan (COWCAP)**

The Countywide Cost Allocation Plan is developed annually by the Controller's Office and calculates the overhead rate charged to each department for its share of City-wide overhead costs, such as payroll, accounting, and operations.

## **Cubic Feet (Ccf)**

The billing unit for water and wastewater bills, where 1 Ccf=100 cubic feet=748 gallons. The average single-family residence uses about 51 gallons per person per day versus the California State-wide average of 155 gallons per day per capita.

## **Debt Service**

Debt service is principal and interest payments on revenue bonds, State Revolving Fund loans used to finance system improvements, repayments on loans.

## **Department of General Services (DGS)**

DGS serves as business manager for the State of California. DGS provides a variety of services to State agencies through innovative procurement and acquisition solutions, creative real estate management and design, state-of-the-art telecommunications, environmentally friendly transportation, and funding for the construction of safe schools.

## **Earthquake Safety and Emergency Response (ESER)**

The San Francisco's Earthquake Safety and Emergency Response Program first approved by voters through a bond measure in 2010. The purpose of the program is to make repairs and improvements to neighborhood firehouses, upgrade the emergency firefighting water system and construct the City's new Public Safety Building that will allow San Francisco to quickly respond to a major earthquake or disaster.

## **Enterprise Fund**

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services.

## **Environmental Protection Agency (EPA)**

The EPA is an agency of the United States federal government, created to protect human health and the environment by writing and enforcing regulations based on laws passed by Congress

## **Equipment**

Equipment has a value greater than \$5,000, and a useful life of three years or more, such as vehicles and hardware, or other heavy equipment.

## **Fats, Oils, and Grease (FOG)**

The SFPUC Water Pollution Prevention Program has materials that can assist businesses in properly managing their fats, oils and grease wastes; FOG can be a major problem for San Francisco's sewers and for the Bay and Ocean that surround San Francisco, because when not disposed of properly FOG forms thick layers inside sewers and constricts flow.

## **Fiscal Year (FY)**

San Francisco's fiscal year is from July 1st to June 30th.

## **Full-Time Equivalent (FTE)**

An FTE is one or more employees who cumulatively work 40 hours per week.

## **Fund Balance**

Fund balance is the difference between assets and liabilities.

## **Gallons Per Capita Daily (GPCD)**

This used to refer to per capita daily water use. GPCD can be used for estimating future water use demand, but it is also an important tool for tracking conservation goals, since it provides a baseline for households and individuals to track & compare their own conservation efforts.

## **General Fund**

The General Fund is a source of discretionary spending and funds many of the basic municipal services in the City and County of San Francisco such as public safety, health and human services and public works. Primary revenue sources include local taxes such as property, sales, payroll and other taxes.

## **General Reserves**

General Reserves are budgeted to balance annual revenue and expenditure amounts. It is budgeted when revenues exceed expenditures.

## **General Use (GUSE)**

Referring to general fund department customers generally pay subsidized rates.

## **GoSolarSF Program**

The GoSolarSF Program was developed by the San Francisco Solar Task Force to encourage the installation of photovoltaic systems on residents and businesses within the City. GoSolarSF solar incentive program was approved by the San Francisco Public Utilities Commission in January 2008. The Board of Supervisors passed ordinances establishing a long-term Solar Energy Incentive Program and a Solar Energy Incentive Pilot Program in June 2008. The program was launched on July 1, 2008.

## **Governmental Accounting Standards Board (GASB)**

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. State and local governments.

## **Green-e Energy**

The nation's leading independent consumer protection program for the sale of renewable energy and greenhouse gas reductions in the retail market. Green-e offers certification and verification of renewable energy and greenhouse gas mitigation products.

## **Greenhouse Gas (GHG)**

GHG is a gas in an atmosphere that absorbs and emits radiation within the thermo infrared range. This process is the fundamental cause of the greenhouse effect.

## **Independent System Operator (ISO)**

The Independent System Operator is nonprofit public benefit corporation that manages the flow of electricity across the high-voltage, long-distance power lines that make up 80 percent of California's and a small part of Nevada's power grid.

## **Interest Income**

Revenue earned by an Enterprise on its cash investments.

## **Kilovolt (kV)**

This is a measure of the potential energy of a unit charge at a given point in a circuit relative to a reference point.

## **Local Agency Formation Commissions (LAFCO)**

LAFCO is responsible for reviewing and approving proposed jurisdictional boundary changes, including annexations and detachments of territory to and/or from cities and special districts, incorporations of new cities, formations of new special districts, and consolidations, mergers and dissolutions of existing districts.

## **Low-Impact Design (LID)**

LID refers to a land planning and engineering design approach to manage stormwater runoff. LID directs runoff to natural vegetated systems, such as landscaped planters, swales and gardens that reduce filter or slow stormwater runoff. Strategic placement of this system can help mitigate the impacts of impervious surfaces and in some cases increase the level of service provided by the traditional sewer pipes.

## **Materials & Supplies (M&S)**

M&S is an expenditure category that includes maintenance, safety, fuel, office supplies, and other miscellaneous materials and supplies for the maintenance and operations of an Enterprise/Bureau.

## **Megawatt (MW)**

Megawatt is a standard unit of power in the international system equal to one million watts, used as a measure of the output of a power station.

## **Memorandum of Understanding (MOU)**

A memorandum of understanding describes a bilateral or multilateral agreement between two or more parties

## **Million Gallons per Day (MGD)**

Million gallons per day is a measurement of water flow frequently used in measurement of water consumption.

## **Modesto Irrigation District (MID)**

One of four irrigation districts in California; its electric service area includes Modesto, Salida, Empire, Waterford, Mountain House and parts of LaGrange, Riverbank, Ripon, Escalon and Oakdale.

## **Modified Accrual Basis of Accounting**

A basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are not recognized until they are measurable and available; and second, expenditures are recognized in the period in which the SFPU normally liquidates the related liability rather than when the liability is first incurred, if earlier.

## **National Pollutant Discharge Elimination System (NPDES)**

A permit program, authorized by the Clean Water Act, that controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

## **Non-Personnel Services**

Non-personnel services include the maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of an Enterprise.

## **North American Electric Reliability Corporation (NERC)**

The electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission purpose is to establish and enforce reliability standards for the bulk-power system. NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel.

## **Office of the General Manager (GM)**

Supports the General Manager in his key oversight functions, which are to oversee the regional utility that delivers reliable, high quality drinking water to more than 2.5 million Bay Area customers; that collects and treats wastewater and stormwater for the CCSF; and that provides hydroelectric and other renewable power resources for the San Francisco municipal customers.

## **Operating Transfers Out**

Operating transfers out refers to the revenue transfers between Enterprise funds.

## **Operations and Maintenance (O&M)**

Includes budgets for Personnel, Overhead (or COWCAP), Non-Personnel Services, Materials and Supplies, Equipment, and Services of Other Departments.

## **Other Non-Operating Revenues**

Non-utilities revenues, including rent, permit fees, sale of property, custom work, and reimbursements.

## **Pacific Gas & Electric (PG&E)**

Incorporated in California in 1905, Pacific Gas & Electric is a natural gas and electric utilities company, with a service area from Eureka in the north to Bakersfield in the south, and from the Pacific Ocean in the west to the Sierra Nevada in the east. The company is based in San Francisco.

## **Pass-through**

A pass-through is when the budget and/or expenditures are off-set by a like amount in revenues.

## **Personnel**

Personnel refers to all labor costs including full-time, temporary, and projected-funded employees, overtime, premium and holiday pays and related benefits.

## **Pretreatment and Pollution Prevention (P2)**

Programs to ensure regulatory compliance in wastewater collection systems; they focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: Street Sweeping, Fats, Oils & Grease (FOG), Mercury Reduction Program, Pesticides/Integrated Pest Management (IPM), and Storm Water P2 Program/Construction Runoff Control.

## **Programmatic Projects**

Programmatic projects are annual projects that close-out at the end of the fiscal year. These projects are used to capture costs for specific operating or maintenance programs.

## **Proposition 218**

Prop 218 amended the California Constitution (Articles XIII C and XIII D) which, as it relates to assessments, requires the local government to have a vote of the affected property owners for any proposed new or increased assessment before it could be levied. The Proposition was passed by California voters on November 5, 1996, and the assessments portion placed in effect on July 1, 1997.

## **Proposition A (2002)**

Approved by voters in November 2002, authorizes the SFPUC, subject to Board of Supervisors approval, to issue up to \$1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City's water system.

## **Proposition A (2009)**

Approved in November 2009, this Proposition amended the City Charter to require the City to transition to a two-year budget cycle by FY 2012-13.

## **Proposition E (2002)**

Approved by voters in November 2002, authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors.

## **Rate Fairness Board (RFB)**

The RFB was established with the passage of Proposition E, approved by San Francisco voters on November 5, 2002. The RFB advises the SFPUC on water and sewer rate matters. Its specific duties are: Annual review of a five-year rate forecast; hold one or more public hearings on annual rate recommendations before the SFPUC Commission adopts rates; provide a report and recommendations to the SFPUC on the rate proposal and; in connection with periodic rate studies, submit to the SFPUC rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

## **Renewable Portfolio Standards (RPS)**

(RPS) is a regulation that requires the increased production of energy from renewable energy sources, such as wind, solar, biomass, and geothermal.

## **Renewal and Replacement (R&R)**

R&R refers to projects in the Enterprises, including both minor and major construction projects, maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements.

## **Request for Proposal (RFP)**

The process by which a corporate department or government agency prepares bid documents to acquire equipment or services.

## **Retail Water Sales**

Retail water sales consist of rate schedules that include City and Suburban Retail rates. City Retail Rates include general rates - single-family residential, multiple-family residential, and commercial (industrial). These rates consist of a monthly service charge based on meter size and a two-step commodity charge for single- and multiple-family residential customers, and meter size and a uniform commodity charge for commercial (industrial) customers. Suburban retail rates include rate schedules for use outside of San Francisco.

## **Revenue-Funded Capital**

The Revenue-Funded Capital is the revenue portion of the two-year capital program approved outside the budget process. This revenue reserve is funded in the operating budget.

## **Sale of Electricity**

Sale of electricity refers to charges for electric power to City departments for municipal use, wholesale customers, and other retail customers.

## **Sale of Gas and Steam**

Revenues from gas and steam provided to City departments by Hetch Hetchy Power. These revenues are a pass-through and have no impact on Hetchy Hetchy's fund balance levels.

## **Sale of Water**

The budget category for revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement (WSA).

## **San Francisco Municipal Transportation Agency (SFMTA)**

A public service Enterprise department of the CCSF that provides a surface transportation network for pedestrians, bicyclists, transit and paratransit customers, motorists, and taxis.

## **San Francisco Public Utilities Commission (SFPUC)**

The SFPUC is a department of the City responsible for the maintenance, operation and development of three utility enterprises: the Wastewater Enterprise, the Water Enterprise and the Power Enterprise. The SFPUC provides regional water, local water, wastewater (collection, treatment, and disposal), and power.

## **Services of Other Departments**

Services performed for the SFPUC by other City departments.

## **Sewer Service Charges**

Sewer service charges are the primary funding source for the payment of costs associated with the Wastewater Enterprise's sanitary waste and stormwater collection, treatment and disposal.

## **Sewer System Improvement Program (SSIP)**

A major focus of the Wastewater Enterprise, the SSIP is a long-term capital program that provides strategies and policies for the future. The San Francisco Sewer System Improvement Program objectives are to: develop a long-term vision and strategy for the management of the City's wastewater and stormwater; provide a detailed capital planning roadmap for improvements needed; estimate the funds to implement these improvements; address specific challenges facing the system; and maximize system reliability and flexibility.

## **SFPUC Commission**

Under the Charter, the SFPUC is given exclusive charge of the operation and management of all water, wastewater and municipal customers' energy supplies and utilities of the City as well as the real, personal and financial assets under the SFPUC's jurisdiction. The Commission consists of five Commissioners appointed by the Mayor and subject to confirmation by a majority of the Board of Supervisors serving four-year terms.

## **State Revolving Fund (SRF)**

State revolving funds are available as loans to government entities for the construction of publicly owned water and wastewater treatment facilities. The fund is administered by State Water Resources Control Board.

## **Ten-Year Capital Plan**

The City and County of San Francisco Administrative Code requires the annual development of a Ten-Year Capital Plan for City-owned facilities and infrastructure. Under the authority of the City Administrator, the Capital is presented to the Capital Planning Committee (CPC) for their review. The CPC completes its review of the capital plan by March 1 and presents it to the Board of Supervisors (BOS). The BOS must adopt the Capital Plan by May 1.

## **Ten-Year Financial Plan**

The Ten-Year Financial Plan is a planning document as required by the City and County of San Francisco, that includes a ten-year financial summary for each Enterprise, describing projected sources and uses, resulting fund balances and associated financial reserve ratios.

## **Treasure Island (TI)**

The Water, Wastewater, and Power Enterprises operate and maintain the water, wastewater, and power distribution systems, and the associated revenues, on Treasure Island, on behalf of the Treasure Island Development Authority (TIDA) and in accordance with a water supply and quality permit issued by the California Department of Health Services, and the National Pollutant Discharge Elimination System (NPDES) permit issued by the California Regional Water Quality Control Board.

## **Treasure Island Development Authority (TIDA)**

The Treasure Island Development Authority (TIDA) is a non-profit, public benefit agency dedicated to the economic redevelopment of former Naval Station Treasure Island. The Authority is vested with the powers of a California Redevelopment Agency as well as the rights to administer Tidelands Trust property. TIDA also performs and administers vital municipal services for the residential and daytime population during the interim reuse of the former military base.

## **Turlock Irrigation District (TID)**

This is one of four irrigation districts in California that provides irrigation water as well as electric retail energy directly to homes, farms and businesses.

## **Up-country**

Up-country refers to the water and power facilities located east of Alameda Country to the Sierras.

## **Water Supply Agreement (WSA)**

The City and County of San Francisco and the 27 suburban wholesale customers entered into an agreement to purchase water from San Francisco on a wholesale basis and distribute it to residents, businesses, and thousands of community organizations in Alameda, Santa Clara and San Mateo Counties. The WSA was approved in April 2009 and has a term of 25 years. The Agreement changes the cost basis by which the wholesale rate is determined from a "utility cost basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues. The WSA requires the rate be calculated and set annually and include a "true-up" between prior year revenues expenses.

## **Water System Improvement Program (WSIP)**

The SFPUC launched a \$4.6 billion Water System Improvement Program (WSIP) to repair, replace, and seismically upgrade the San Francisco Regional Water System's aging facilities. Built in the early to mid-1900s, many parts of the San Francisco Regional Water System, often referred to as the Hetch Hetchy System, are nearing the end of their working life, with crucial portions crossing over or near to three of the nation's most active earthquake faults. The WSIP increases resilience to vulnerable portions of the system to mitigate earthquake risk and enhance water treatment processes to ensure a reliable supply of water for SFPUC customers.

## **Western Electricity Coordinating Council (WECC)**

The Western Electricity Coordinating Council (WECC) is the Regional Entity responsible for coordinating and promoting Bulk Electric System reliability in the Western Interconnection. In addition, WECC provides an environment for coordinating the operating and planning activities of its members as set forth in the WECC Bylaws.

## **Western Renewable Energy Generation Information System**

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy tracking system for the region covered by the Western Electricity Coordinating Council (WECC). WREGIS tracks renewable energy generation from units that register in the system using verifiable data and creates renewable energy certificates (RECs). WREGIS certificates can be used to verify compliance with state and provincial regulatory requirements (i.e. - Renewable Portfolio Standards) and in voluntary market programs.

## **Western Systems Power Pool (WSPP)**

WSPP is an agreement and an organization that creates power trading opportunities and allows WSPP members to manage power delivery and price risk. The mission of the organization is to provide a catalyst for an efficient and robust wholesale electric power market. WSPP accomplishes this by constantly facilitating refinements to the Agreement, and promoting trading relationships.

## **Wholesale Water Sales**

The Water Enterprise provides wholesale water service to 27 wholesale customers, which consist of 24 municipalities and water districts, one private utility, one private non-profit university and one mutual water association. Wholesale customers are located in Alameda, Santa Clara and San Mateo counties. The SFPUC and the wholesale customers have negotiated a new Water Supply Agreement (WSA) that changes the cost basis by which the wholesale rate is determined from a "utility basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues.



# Appendix: Financial Policies

## Capital Financing Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these requirements, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to sound financial practices.

The SFPUC owns and operates Water, Wastewater and Power Enterprises. These enterprises provide essential services to the residents and businesses of the San Francisco Bay Area. Maintaining enterprise infrastructure in a state of good repair requires ongoing maintenance and capital improvements, which represent a large portion of the SFPUC’s total ongoing expenditures. Balancing the mix of funding sources needed to pay for these improvements is a prudent way to protect both ratepayer affordability and the high-grade credit ratings of the three enterprises.

The SFPUC relies mainly on current revenue and debt financing to pay for capital assets or improvements. The use of current revenue (i.e. pay-as-you-go) to pay for recurring capital investment, such as repair and replacement projects, promotes financial sustainability by minimizing financing costs. Debt financing large, long-lived capital projects helps mitigate short term rate impacts and spreads the cost of the improvement over multiple generations of ratepayers. However, over-reliance on debt financing could limit future financial flexibility by imposing significant debt burdens on future rate payers, and could put downward pressure on future credit ratings. The appropriate mix of current revenue versus debt financing depends, in part, on the capital investment lifecycle of each enterprise.

In the light of these considerations, it is a policy of this Commission that over the 10-year financial planning horizon, a minimum ranging between 15% and 30% of each enterprise's capital budget will be paid for by current revenues.

To monitor compliance with this policy, SFPUC Finance staff will present this information to the Commission as part of the biennial budget process and the annual 10-Year Financial Plan.

Adopted by Resolution 17-0061 on March 28, 2017

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## Charter Sections Related to Budgeting

PROPOSED BIENNIAL AND MULTI-YEAR BUDGETS (SF CHARTER SEC. 9.101) (a) The Mayor shall submit to the Board of Supervisors each year a proposed biennial budget, ordinances and resolutions fixing wages and benefits for all classifications and related appropriation ordinances. (b) The proposed biennial budget shall include: (1) Estimated revenues and surpluses from whatever sources, to the extent feasible, for the forthcoming two fiscal years and the allocation of such revenues and surpluses to various departments, functions and programs to support expenditures. Proposed expenditures may include such necessary and prudent reserves as recommended by the Controller; and (2) A summary of the proposed biennial budget with a narrative description of priorities, services to be provided and economic assumptions used in preparing the revenue estimates. (c) The proposed biennial budget and appropriation ordinances shall be balanced for each fiscal year so that the proposed annual expenditures of each fund do not exceed the estimated annual revenues and surpluses of that fund. If the proposed budget contains new revenue or fees, the Mayor shall submit to the Board of Supervisors the relevant implementing ordinances at the same time the biennial budget is submitted. (d) Until the appropriation ordinances are adopted by the Board of Supervisors, the Mayor may submit to the Board of Supervisors revisions to the proposed biennial budget, appropriation ordinances, and

ordinances and resolutions fixing wages and benefits. The Mayor may instruct the Controller to prepare the draft appropriation ordinances. (e) The Mayor shall file a copy of the proposed biennial budget at the Main Library and shall give notice of the budget summary, including making copies available to the public. Upon final approval of the budget by both the Board and the Mayor, notice shall be given of the final budget summary. (f) The Board of Supervisors by ordinance may require multi-year budget plans and other budget planning strategies to be performed by the several departments and offices of the City and County. (g) No later than February 1 of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years. With respect to the designated City departments and offices, the Board will not adopt a new budget for the second fiscal year of such fixed budgetary cycle or cycles, except as provided in subsection (h), below. But the City shall adjust the biennial budget for the second year of any fixed budget cycle if certain conditions exist, using the following process: 47 (3) If, during the first year of any fixed budgetary cycle, the Controller projects that the City will experience significant increases or decreases in revenues or expenditures during the second year of such budgetary cycle, the Controller shall submit a report to the Mayor and the Board of Supervisors identifying those increases or decreases. (4) The Mayor shall prepare and submit to the Board

of Supervisors a proposed amendment to the biennial budget responding to the Controller's report. The Board may approve or amend the Mayor's proposed budget amendment subject to the limitations that apply to the approval of the budget in Section 9.103. The Mayor's proposed budget amendment shall be deemed approved by operation of law unless the Board finally adopts an amendment to the biennial budget on second reading no later than July 15. (5) The Board's resolution declaring that an upcoming budgetary cycle or cycles shall be fixed, shall include a definition of the term "significant increases or decreases in revenues or expenditures," a deadline for the Controller's submission of a report identifying such increases or decreases, and a deadline for the Mayor to submit to the Board a proposed amendment to the biennial budget in response to the Controller's report. (h) Nothing in this section shall limit the ability of the Mayor or a member of the Board of Supervisors to introduce at his or her discretion an amendment to a biennial budget at any time during the budgetary cycle. (Amended by Proposition A, Approved 11/5/2009)

MISSION-DRIVEN BUDGET (SF CHARTER SEC. 9.114 Each departmental budget shall describe each proposed activity of that department and the cost of that activity. In addition, each department shall provide the Mayor and the Board of Supervisors with the following details regarding its budget: (a) The overall mission and goals of the department; (b) The specific programs and activities conducted by the department to accomplish its mission and goals; (c) The customer(s) or client(s) served by the department; (d) The service outcome desired by the customer(s) or client(s) of the department's programs and activities; (e) Strategic plans that guide each program or activity; (f) Productivity goals that measure progress toward strategic plans; (g) The total cost of carrying out each program or activity; and (h) The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year. Departmental budget estimates shall be prepared in such form as the Controller, after consulting with the Mayor, directs in writing.

PLANNING AND REPORTING (SF CHARTER SEC. 8B.123. (a) Planning and Reporting The Public Utilities Commission shall annually hold public hearings to review, update and adopt: (1) A long-term capital plan, covering projects during the next 10-year period; including cost estimates and schedules. (2) A long-range financial plan, for a 10-year period, including estimates of operation and maintenance expenses, repair and replacement costs, debt costs and rate increase requirements. (3) A Long-Term Strategic Plan, setting forth strategic goals and objectives and establishing performance standards as appropriate. The long-term capital plan and long-range financial plan shall serve as a basis and supporting documentation for the Commission's capital budget, the issuance of revenue bonds, other forms of indebtedness and execution of governmental loans under this Charter. (b) Citizens' Advisory Committee. The Board of Supervisors, in consultation with the General Manager of the Public Utilities Commission, shall establish by ordinance a Citizens' Advisory Committee to provide recommendations to the General Manager of the Public Utilities Commission, the Public Utilities Commission and the Board of Supervisors. (Added November 2002)

November  
2019

# SAN FRANCISCO PUBLIC UTILITIES COMMISSION



## DEBT MANAGEMENT POLICIES & PROCEDURES

^ To review the San Francisco Public Utilities Commission  
'Debt Management Policies and Procedures', go to:

[https://sfpuc.org/sites/default/files/about-us/policies-reports/DebtManagementPolicy\\_9819.pdf](https://sfpuc.org/sites/default/files/about-us/policies-reports/DebtManagementPolicy_9819.pdf)

## Debt Service Coverage Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures... and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these objectives, the SFPUC will adopt financial policies that foster financial stability, supports fiscal discipline,

and maintains credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to prudent financial practices.

Debt issuance is a significant funding source for the SFPUC’s capital programs. Pursuant to SFPUC bond covenants entered into with bondholders, enterprise revenues pledged for the repayment of debt service must meet the following financial ratios.

*Indenture Coverage:* Net Revenues must equal a minimum of 1.25 x annual debt service; calculated as follows:

$$\frac{(\text{Annual Revenues} - \text{Operating Expenses}) + \text{Unappropriated Fund Balance}}{\text{Annual Debt Service}}$$

*Current Coverage:* Annual Revenues must equal a minimum of 1.00 x annual debt service; calculated as follows:

$$\frac{(\text{Annual Revenues} - \text{Operating Expenses})}{\text{Annual Debt Service}}$$

To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC will adopt budgets, rates and financial plans that generate revenues such that:

**Indenture Coverage** shall be at least **1.35x**

**Current Coverage** shall be at least **1.10x**

To monitor compliance with this policy, SFPUC Finance staff will present this information to the Commission as part of the biennial budget process and the annual 10-Year Financial Plan.

*Adopted by Resolution 17-0060 on March 28, 2017*

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## Fund Balance Reserve Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to be a financial steward by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indenture and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet this requirement, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to

highly rated utilities. Institutionalized policies signal to rating agencies and the capital markets that an entity is well managed and committed to prudent financial practices.

The SFPUC faces a number of risks to revenue stability, including multi-year rate packages, drought and weather variability, and highly volumetric rates. To manage these risks and reduce susceptibility to emergency rate increases, the SFPUC will ensure adequate ratepayer protection in the form of a Fund Balance Reserve. For each enterprise, the SFPUC will adopt budgets and establish rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness in compliance with the San Francisco Charter. Specifically, for the time period covered in the SFPUC’s Charter-

mandated 10-Year Financial Plan, operating and capital budgets and rates will be proposed for adoption such that the Fund Balance Reserve totals **a minimum of 90 days or 25% of Operations & Maintenance Expenses** (including programmatic projects, and excluding debt service and revenue-funded capital) throughout the forecast period. Amounts in excess of the minimum will be considered for contingencies and rate stabilization.

In the event that Fund Balance Reserve exceeds 250 days or 68% of Operations & Maintenance Expenses, this fact will be brought to the Commission during the subsequent biannual budget process for consideration for uses, including:

- The reduction of future customer rate increases,
- Management of unanticipated one-time events (such as an earthquake or disaster), or any ongoing impairment to revenues (such as a drought or economic downturn), or
- Revenue-funded capital projects, which will reduce projected future debt issuance.

To monitor compliance with this policy, SFPUC Finance staff will present this metric to the Commission as part of the annual 10-Year Financial Plan and Quarterly Budget Status Report.

*Adopted by Resolution 17-0044 on February 28, 2017*

## Cleanpowersf Fund Balance Reserve

While CleanPowerSF operates under much of the same legal and policy framework as the SFPUC's other utility services, the program is also uniquely reliant on a volatile power supply market, and faces competitive pressures that reduce its flexibility for rate increases. Moreover, CleanPowerSF's credit impacts not only lending terms, but also third-party power supply contracts, a key tool to mitigate market exposure. In the case of CleanPowerSF, the reserves need to be higher than in other Enterprises to account for the increased financial pressures and need for rate stabilization faced by power supply market volatility impacting open positions.

Consistent with this policy and with the San Francisco Charter, the SFPUC will adopt budgets and establish rates for CleanPowerSF that provide for adequate ratepayer protection in the form of a Fund Balance Reserve.

This Fund Balance Reserve for CleanPowerSF will be established at the following funding levels to mitigate short-term, unanticipated loss of revenues or increase in expenses; stabilize rates; and support the growth of the program:

3. Operating Reserve Fund Minimum: equal to 150 days cash on hand (or 41%) of annual operating expenditures; and
4. Operating Reserve Fund Target: equal to 180 days cash on hand (or 49%) of annual operating expenditures.

"Operating expenditures" are defined as all expenses in annual funds, including both operations and maintenance and personnel costs, as well as power supply costs and related expenditures, but excluding contributions to the reserve fund. The Fund Balance Reserve will be evaluated at least quarterly; the days cash on hand for Fund Balance Reserve minimum and target will be calculated using an annual basis of the twelve months operating expenditures in the fiscal year.

To allow for rate stabilization, budgets and rates may be set to draw down the Fund Balance Reserve to a minimum of 150 days cash on hand; further reductions should only occur due to unanticipated expenditure or revenue changes during the fiscal year. If the Fund Balance Reserve ends the fiscal year below the target of 180 days cash on hand, budgets and rates must be set to build back up to the target within three fiscal years.

## Ratepayer Assurance Policy

### Background

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these requirements, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to sound financial practices.

*The Commission recognizes that its revenue comes from ratepayers, and takes seriously its commitment to provide affordable and reliable water, power and sewer services. Ratepayers pay for: 1) what we do, i.e. our essential-service water, power and sewer utilities, and 2) how we do it, through a commitment to sustainability and adherence to the Commission’s Environmental Justice and Community Benefits policies.*

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### Purpose

The Ratepayer Assurance Policy serves as guidance to the SFPUC General Manager and staff of the Commission’s expectations regarding a) prudent use of ratepayer funds, b) establishment of rates and charges, and c) transparency in budgeting and rate-setting processes. SFPUC departments are self-supported enterprises, receiving no tax revenue from San Francisco’s General Fund. The Water, Power, and Sewer Enterprises are funded by service-based rates, fees and charges, as well as non-operating revenues such as interest and rental income.

Accountability to ratepayers is a central tenet that guides the use of ratepayer monies and the stewardship of the utility systems and resources entrusted to the SFPUC’s care.

### Prudent Use of Ratepayer Funds

This policy is intended to provide ratepayers with the assurance that management recommendations and Commission decisions are made in the ratepayers’ best interest. It promotes accountability and transparency by using established budget and planning efforts to report how management will address the following:

## Mission Management

The SFPUC shall comply with all San Francisco Charter requirements, including the development of our budget, as well as our long-term capital, financial and strategic plans. This includes mission-driven budgets for SFPUC Enterprises which are considered, adopted and published in a timely manner. Specifically, the Commission shall:

Review any proposed changes to the mission statement early in the budget process and any changes to the mission are adopted by the Commission prior to the cost of such changes being budgeted.

Review an analysis of mission changes along with how the proposed budget ties to the Strategic Plan.

## Asset Management

As a utility, a significant portion of the SFPUC budget is allocated for the acquisition, construction, repair, and replacement of critical physical assets. Purchasing contracting and construction are subject to extensive legal and administrative regulation. Asset costs are ultimately driven by the assets acquired and the way in which they are maintained. The Commission shall:

- Plan and fund the acquisition, design, construction, repair, and replacement of assets such that their life cycle cost is minimized.
- Reduce the environmental impact of its assets by using more efficient technologies and seeking out opportunities to practice resource recovery, simultaneously reducing the cost of its activities. Examples include the use of vehicle pools, public transit, and greenhouse gas-free vehicles; developing power generation capacity as a byproduct of other utility functions; capturing and using stormwater runoff and recycled water wherever feasible; and investing in energy efficient and recycled buildings, assets, and materials.
- Review and approve all major asset purchases through the budget process, confirming that they are consistent with City policies and best practices promulgated by the General Manager.
- Ensure that assets (including, but not limited to, vehicles, computers, and other electronic devices) are selected and assigned to individuals in a cost-effective manner, and that they are used for business purposes that benefit the ratepayers.

- Support the development of innovative technologies, including the consideration of prudent demonstration projects, and implement proven technologies that achieve utility reliability, performance effectiveness, cost minimization, and continued environmental impact improvements.

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### Personnel Management

Personnel costs are driven by how the SFPUC operates and organizes its workforce, including the number and level of staff. Compensation and benefit costs are determined by labor agreements, the Civil Service Commission, the City's Retirement Board, and the City's Health Service System. Position classifications and hiring authorizations include a review process that is governed by the Civil Service Commission and the City's Human Resources Department to ensure our hiring is appropriate for the work assigned. The Commission shall:

- Meet new position needs by reassignment of existing positions or substituting new positions for existing ones wherever possible.
- Review all proposed position changes in every budget in order to assure compliance with the agency's mission and Strategic Plan.
- Structure its workforce to ensure that customer service and utility operations are achieved effectively and efficiently, minimizing unplanned overtime, and maintaining the established level of service.
- Consider strategies to promote employee retention and succession planning by evaluating employee satisfaction with job content, compensation, and personnel processes.

## **Operating Cost Containment**

To the extent that operating costs are determined by SFPUC management choices, the Commission shall limit operating cost increases, exclusive of debt services and pay-go capital investment, to not more than the cost of inflation. Any proposed budget that increases operating costs above this level will be supported by findings of necessity.

## **Social & Environmental Stewardship**

The SFPUC has a stated policy of supporting the triple bottom line (TBL) form of performance measurement, evaluating the impact of projects beyond solely financial performance to include environmental as well as social impacts. Management shall report to the Commission on how the proposed budget and rates support TBL principles.

## **Establishment of Rates and Charges**

Within industry standard ratemaking best practices, the SFPUC has significant flexibility to create rate structures that advance different policy goals. The SFPUC commits to designing rates in a manner that prioritizes the needs of ratepayers and aligns with the mission and values of the agency.

Tradeoffs are inherent in the development of rates and financial planning; it is rarely possible to achieve all goals. To ensure that decision-makers have properly assessed the impact of their recommendations, the SFPUC has identified the following principles to consider during the development of all proposed rates and charges:

### **Revenue Sufficiency**

The Commission will aim to establish rates sufficient to cover the full cost of all SFPUC activities. Recovering sufficient revenue to fund the programs identified by the long-term plan is necessary to meet established level of service goals and comply with bond covenants, contract commitments, and adopted SFPUC and City policies.

### **Customer Equity**

The Commission will establish rates based on cost of service in compliance with the San Francisco Charter and California Proposition 218. Cost of service based rates are an industry best practice to fairly allocate the cost of providing utility services between customer classes.

## **Environmental Sustainability**

The Commission will aim to establish rates in a manner that values environmental sustainability and preserves the natural resources entrusted to the SFPUC's care. Rate structures that financially incentivize customers to conserve resources or reduce their demand on the SFPUC's system support this principle.

## **Affordability**

The Commission will consider SFPUC service affordability for all its customers. Prudent operating and capital planning ties annual spending to system demand and intergenerational equity, enabling financial engineering and reducing costly emergency expenditures. Rate design should also consider the burden imposed by SFPUC bills on low-income customers.

## **Predictability**

The Commission will aim to establish rates designed to minimize bill fluctuations, enabling ratepayers to plan ahead for their personal finances. Communicating to ratepayers well in advance of pending rate changes is important to prevent rate shock.

## **Simplicity**

The Commission will aim to establish rates that are easy for ratepayers to understand. Simple rate structures also require fewer implementation and administration costs.

## **Tradeoffs**

These principles sometimes compete with each other. For instance, customer equity may impede simplicity, environmental sustainability, or predictability. Rate structures that equitably distribute the cost of service often require more detail and complexity, which can hinder customers' ease of understanding, discourage measures to promote environmental sustainability, or inhibit the predictability of monthly bills. Some rate methodologies that promote conservation may be more challenged in meeting cost of service objectives, so the SFPUC will consider the principle of environmental sustainability alongside that of revenue sufficiency. Most of the SFPUC's costs (including debt service, operations and maintenance, and repair and replacement of aging infrastructure) do not vary based on consumption. With widespread customer conservation, rates tied solely to volumetric usage will impede revenue sufficiency.

The Commission endeavors to thoughtfully consider these inherent tradeoffs, and to transparently present the reasons for its decision-making.

## **Transparency**

The above principles for prudent use of ratepayer funds and the establishment of rates and charges must be supported by a strong commitment to transparency. None of the Commission's work can be effectively carried out without the trust of its ratepayers. This requires open communication and engagement with the Commission, ratepayers, and other key stakeholders about the tradeoffs that are inevitably present in decision-making. SFPUC management and staff recognize that it is their obligation to accurately collect and present to the Commission the input of a diverse and representative set of stakeholders in the financial planning, budgeting, and rate-setting processes. This includes the oversight provided by the Citizens' Advisory Committee, the Rate Fairness Board, the Revenue Bond Oversight Committee, the Board of Supervisors, and the Mayor's Office. Mechanisms to communicate information on key decisions shall include: timely public meetings for budget and rate review; accurate, predictable communication of future rate changes, including average bill impact illustrations; and descriptions of both operating and capital costs to ensure that ratepayers know the component costs of their utility service and related programs. In addition, the SFPUC fosters transparency for ratepayers and the Commission through a range of publications that provide metrics and context regarding asset management, affordability, environmental sustainability, community engagement, cost containment, and levels of service. These include the annual Ten-Year Financial and Capital Plans, as well as independent cost of service studies as required by the city charter. With these metrics and stakeholder input, the Commission can ensure that it makes informed decisions that support the SFPUC's mission and values.

*Adopted by Resolution 17-0198 on  
September 12, 2017*



SAN FRANCISCO PUBLIC UTILITIES COMMISSION  
AN ENTERPRISE DEPARTMENT OF  
THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA



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