MEMORANDUM

DATE: September 12, 2017

TO: Anson Moran, Commission President
    Ike Kwon, Commission Vice President
    Ann Moller Caen, Commissioner
    Francesca Vietor, Commissioner
    Vince Courtney, Commissioner

THROUGH: Harlan L. Kelly, Jr., General Manager

FROM: Eric L. Sandler, CFO and AGM, Business Services

SUBJECT: SFPUC FY 2016-17 Year-End Budgetary Report

Summary: Attached are the FY 2017 year-end budgetary reports for the three Enterprises and CleanPowerSF. Water and Wastewater revenues are higher than budget; Power and CleanPowerSF revenues are below budget. The table below summarizes high-level changes to revenues and expenses, with net surpluses projected for the three Enterprises' and CleanPowerSF. Detail on the revenues and expenditures are provided in the brief narratives on the following pages and the attached reports.

FY 2016-17 Operations

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Available Fund Balance</th>
<th>Fund Balance Budgeted to be (Used)</th>
<th>Revenue Surplus / (Shortfall)</th>
<th>Expenditure Savings / (Shortfall)</th>
<th>Surplus / (Shortfall)</th>
<th>General Reserve</th>
<th>Projected Year End</th>
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<td>$ 3.9</td>
<td>$ 4.0</td>
<td>$ 7.9</td>
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<td>$ (13.0)</td>
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<td>$ 8.8</td>
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<td>$ 0.2</td>
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<td>$ 10.0</td>
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**Water Enterprise**

- Higher Water Sales Revenue: Water sales revenue is $14.3M higher than budget; Retail revenue is higher than budget by $0.4M (0.2%) and wholesale water sales revenues are higher than budget by $13.9M (6.4%).

- Water sales volumes are 174.5 MGD which is higher than budget by 8.6 MGD (8.0%). Of this total, projected retail water sales volumes are 56.3 MGD which is at budget and wholesale water sales volumes are 115.6 MGD which is 8.6 MGD (8.0%) higher than budget.

- Other non-operating revenues have a net surplus of $4.3M mainly from the sale of property in Millbrae and Pleasanton and higher than anticipated fees for water installations and rental income, reduced by a shortfall due to write-off of the lease to Sunol Valley Golf Club and termination of leases.

- One-time cost savings includes $20.9M in debt service savings resulting from the Series 2016AB bond refunding, $6.5M in operating savings and $0.2M in general reserve savings.

**Wastewater Enterprise**

- Higher Wastewater Sales Revenue: Wastewater sales revenue is higher than budget by $3.0M (1.1%). Wastewater revenues are a function of water sales multiplied by a flow factor which determines a customers' indoor water usage and wastewater flow.

- Wastewater discharge volumes are projected at 47.6 MGD, 0.2 MGD or 0.4% higher than budget.

- One-time uses savings includes general reserve surplus of $18.4M after using $5.5M for claims and overtime costs and $4.0M operating savings.

**Hetch Hetchy Water & Power, including the Power Enterprise**

- Lower Power Sales Revenue: Power sales revenue is below budget by $12.6M (9.5%). Power sales from City departments are $1.1M lower due to reduction in consumption; $1.4M lower sales to non-City departments due to lower power usage; power sales to the Western Systems Power Pool (WSPP) is $4.6M lower than budget due to reduced prices and volume sales; power sales to the Irrigation Districts is $4.9M lower than budget due lower sales of excess power sales to Turlock Irrigation District, and power sales to Hunter's Point and Treasure Island are $0.6M lower than budget due to fewer customers than planned.

- Cost savings includes $3.0M in salary and fringe benefit savings, $1.2M savings in gas & steam purchases, $11.4M savings in purchase of power and transmission costs due to wet year and CAISO charges, $1.4M surplus for non-personnel services and materials & supplies, $0.2M savings in debt service, $0.6M savings in Overhead and $4.0M in a contingency reserve for power purchases.
CleanPowerSF

- Electric sales revenue of $31.2M is $2.5M below budget revenue due to timing of program ramp-up and revenue recognition.
- Cost savings include: $2.5M in operating savings and $4.2M general reserve.
- $10.0M operating reserve includes $3.0M in Calpine Reserve Account. Program reserve targets were met.

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

CC: Michael Carlin, Deputy General Manager, SFPUC
    Juliet Ellis, AGM, External Affairs, SFPUC
    Barbara Hale, AGM, Power Enterprise, SFPUC
    Kathryn How, AGM, Infrastructure, SFPUC
    Tommy Moala, AGM, Wastewater Enterprise, SFPUC
    Steve Ritchie, AGM, Water Enterprise, SFPUC
    Melissa Whitehouse, Budget Director, Mayor's Office
    Ben Rosenfield, Controller

Attachments:
Appendix A Water Enterprise
Appendix B Wastewater Enterprise
Appendix C Hetch Hetchy Water & Power, including the Power Enterprise
Appendix D CleanPowerSF
### Appendix A

**WATER ENTERPRISE OPERATING FUNDS**  
**FY 2016-17 4th Quarter - Budgetary Basis, 5W AAA**  
($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015-16 Actuals</th>
<th>FY 2016-17 Original Budget</th>
<th>Revised Budget</th>
<th>Pre-Audit Actuals</th>
<th>Variance</th>
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<td>Wholesale Water Sales</td>
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<td>1.9</td>
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<td>Rental Income</td>
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<td>12.9</td>
<td>12.9</td>
<td>9.2</td>
<td>(3.6) E</td>
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<td>20.3</td>
<td>7.5 F</td>
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<td>(34.6)</td>
<td>(34.6)</td>
<td>(34.6)</td>
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<td>467.6</td>
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<td>1.3 J</td>
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<td>49.8</td>
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<td><strong>Total Uses - Operating, Debt Service, Capital &amp; Other</strong></td>
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<td>$ 480.0</td>
<td>$ 590.7</td>
<td>$ 563.1</td>
<td>$ 27.6</td>
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**Net FY 2016-17 Results**

<table>
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<tr>
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<th>FY 2016-17 Actuals</th>
<th>Variance</th>
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<tr>
<td>Available Fund Balance as of Fiscal Year-End</td>
<td>$ 143.6</td>
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<td>Available Fund Balance, % of Operating Uses (N) 25-68%</td>
<td>70.9%</td>
<td>62.7%</td>
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**Debt Service Coverage (Year-End Budgetary Basis)**

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<tr>
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<th>Variance</th>
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<tr>
<td>Indenture Basis (includes Available Fund Balance) (O) ≥ 1.35</td>
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<td>Current Basis (P) ≥ 1.10</td>
<td>1.13</td>
<td>1.29</td>
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</table>
Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2016-17 4th Quarter - Budgetary Basis, 5W AAA
($ Millions)

Revenue Variances
A. Retail water sales were 56.3 MGD, a 0.8% increase from prior year actuals of 55.8 MGD.
B. City department water sales were 2.63 MGD, a 2.6% increase from prior year actuals of 2.56 MGD.
C. Wholesale water sales were 115.6 MGD, an 8% increase from budget of 107 MGD and a 3.8% increase from prior year 111.4 MGD. Volumes are adjusted to exclude water credited to Peninsula customers as part of the conjunctive use groundwater program.
D. Interest income increased slightly from budget due to higher-than-expected interest rates.
E. Rental income decrease from budget, primarily due to the $3.7M write-off of the lease to Sunol Valley Golf Club, as well as revisions and terminations to other property and grazing leases.
F. Miscellaneous income projected to increase from budget, primarily due to $6.4M in unbudgeted revenues from the sale of property in Pleasanton and Millbrae, as well as $1.3M more in overhead for water service installations than was budgeted, partially offset by other minor decreases from budget.

Expenditure Variances
G. Personnel savings is due to vacant positions.
H. Savings reflect contracting delays in the toilet and urinal/washer rebates to commercial properties and smaller residential customers for various conservation fixtures.
I. Savings reflect lower than expected usage of chemicals.
J. Savings is due to the leasing of communication equipment. The Enterprise will be purchasing a radio system rather than leasing it resulting in a savings to the operating budget.
K. Savings from closing of prior year encumbrances.
L. Variance reflects $24.4M in savings from Series 2016AB refunding, partially offset by additional $3.5M debt service in 2016C issuance.
M. General reserve was intentionally budgeted and planned to go unspent to build up fund balance reserves.

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

## FY 2016-17 4th Quarter - Budgetary Basis, 5C AAA

($ Millions)

<table>
<thead>
<tr>
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<th>FY 2015-16 Actuals</th>
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<th>Revised Budget</th>
<th>Pre-Audit Actuals</th>
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<td></td>
<td>$ 122.3</td>
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<td>1.3</td>
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<td>0.2 C</td>
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<td>3.3</td>
<td>3.9</td>
<td>0.7 D</td>
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<td>4.0</td>
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<td>Personnel</td>
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<td>67.1</td>
<td>67.1</td>
<td>65.1</td>
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<td>0.2 F</td>
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<td>Materials and Supplies</td>
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<td>10.2</td>
<td>10.6</td>
<td>9.9</td>
<td>0.7 G</td>
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<tr>
<td>Equipment</td>
<td>1.2</td>
<td>0.9</td>
<td>1.5</td>
<td>1.5</td>
<td>-</td>
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<tr>
<td>Light, Heat, and Power</td>
<td>9.9</td>
<td>10.0</td>
<td>10.7</td>
<td>10.7</td>
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<td>23.7</td>
<td>25.3</td>
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<td><strong>Total Operating Uses</strong></td>
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<td>277.7</td>
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<td><strong>Net FY 2016-17 Results</strong></td>
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<td>Available Fund Balance as of Fiscal Year-End</td>
<td>$ 118.1</td>
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<td>Available Fund Balance, % of Operating Uses (K) 25-68%</td>
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<td>87.1%</td>
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<td><strong>Debt Service Coverage (Year-End Budgetary Basis)</strong></td>
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<td>Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35</td>
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<td>2.39</td>
<td>2.29</td>
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Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2016-17 4th Quarter - Budgetary Basis, 5C AAA
($ Millions)

Revenue Variances
A. Sewer discharge volumes were 47.6 MGD, a 0.4% increase from budget of 47.4 MGD and a 0.3% increase from prior year actuals of 47.4 MGD.
B. City department sewer discharge volumes were 1.18 MGD, a 4% increase from budget of 1.14 MGD and a 1.4% decrease from prior year actuals of 1.2 MGD.
C. Interest income increased slightly from budget due to higher-than-expected interest rates.
D. Miscellaneous revenue increased slightly from budget, primarily due to unbudgeted biofuel revenues.

Expenditure Variances
E. Personnel savings is due to vacant positions.
F. Savings from fewer grant requests than planned.
G. Savings results from lower chemical usage.
H. Savings from closing-out prior year encumbrances.
I. Reflects the supplemental appropriation of $5 M legal settlements.
J. $18.4 M General Reserve unspent after using $5 M to fund legal settlements and $0.5 M for overtime costs.

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

**HETCH HETCHY WATER & POWER OPERATING FUNDS**

FY 2016-17 4th Quarter - Budgetary Basis, 5T AAA

($ Millions)

<table>
<thead>
<tr>
<th>FY 2015-16 Actuals</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Pre-Audit Actuals</th>
<th>Variance</th>
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<tr>
<td>Available Fund Balance as a Source</td>
<td>$ 36.1</td>
<td>$ 12.8</td>
<td>$ 138.8</td>
<td>$ 191.2</td>
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#### Sources

- **Electric Sales - City Work Orders - General Fund Depts.**
  - FY 2015-16 Actuals: $18.5
  - Original Budget: $20.2
  - Revised Budget: $20.2
  - Pre-Audit Actuals: $19.9
  - Variance: $(0.3) A

- **Electric Sales - City Work Orders - Enterprise Depts.**
  - FY 2015-16 Actuals: $68.4
  - Original Budget: $88.4
  - Revised Budget: $67.6
  - Pre-Audit Actuals: $9.0
  - Variance: $(4.9) B

- **Electric Sales - Modesto & Turlock Irrigation Districts**
  - FY 2015-16 Actuals: $16.3
  - Original Budget: $13.9
  - Revised Budget: $16.9
  - Pre-Audit Actuals: $2.3
  - Variance: $(4.6) C

- **Electric Sales - WSP**
  - FY 2015-16 Actuals: $0.4
  - Original Budget: $6.9
  - Revised Budget: $6.9
  - Pre-Audit Actuals: $2.3
  - Variance: $(4.6) D

- **Electric Sales - Direct, Non-City Depts., SFUSD, Community College**
  - FY 2015-16 Actuals: $17.8
  - Original Budget: $19.6
  - Revised Budget: $19.6
  - Pre-Audit Actuals: $18.3
  - Variance: $(1.4) E

- **Electric Sales - Retail (Hunter's Point)**
  - FY 2015-16 Actuals: $0.1
  - Original Budget: $0.8
  - Revised Budget: $0.8
  - Pre-Audit Actuals: $0.3
  - Variance: $(0.5) F

- **Electric Sales - Treasure Island**
  - FY 2015-16 Actuals: $2.9
  - Original Budget: $3.1
  - Revised Budget: $3.1
  - Pre-Audit Actuals: $3.0
  - Variance: $(0.1) G

**Subtotal - Electric Revenues**

- FY 2015-16 Actuals: $121.8
- Original Budget: $133.0
- Revised Budget: $133.0
- Pre-Audit Actuals: $120.4
- Variance: $(12.6)

- **Water Sales - Transfer from Water Department**
  - FY 2015-16 Actuals: $36.6
  - Original Budget: $34.6
  - Revised Budget: $34.6
  - Pre-Audit Actuals: $34.6
  - Variance: 0

- **Water Sales - Groveland, Lawrence Livermore Labs**
  - FY 2015-16 Actuals: $2.0
  - Original Budget: $2.1
  - Revised Budget: $2.1
  - Pre-Audit Actuals: $0.4
  - Variance: $(1.7) H

**Subtotal - Water Revenues**

- FY 2015-16 Actuals: $38.6
- Original Budget: $36.7
- Revised Budget: $36.7
- Pre-Audit Actuals: $35.0
- Variance: $(1.7)

- **Natural Gas & Steam - City Work Orders**
  - FY 2015-16 Actuals: $7.5
  - Original Budget: $11.3
  - Revised Budget: $10.3
  - Pre-Audit Actuals: $9.1
  - Variance: $(1.2) I

- **Interest Income**
  - FY 2015-16 Actuals: $1.2
  - Original Budget: $1.2
  - Revised Budget: $1.2
  - Pre-Audit Actuals: $1.6
  - Variance: $(0.4) J

- **Federal Interest Subsidy - Power Bonds**
  - FY 2015-16 Actuals: $0.7
  - Original Budget: $0.7
  - Revised Budget: $0.7
  - Pre-Audit Actuals: $0.5
  - Variance: $(0.1) K

- **Other Miscellaneous Income (property rental, Transbay Cable proceeds)**
  - FY 2015-16 Actuals: $6.3
  - Original Budget: $6.3
  - Revised Budget: $4.2
  - Pre-Audit Actuals: $6.4
  - Variance: $2.2

**Total Sources**

- FY 2015-16 Actuals: $176.6
- Original Budget: $189.2
- Revised Budget: $186.0
- Pre-Audit Actuals: $173.1
- Variance: $(13.0)

#### Operating Uses

- **Personnel**
  - FY 2015-16 Actuals: $37.7
  - Original Budget: $40.9
  - Revised Budget: $39.9
  - Pre-Audit Actuals: $36.9
  - Variance: $3.0

- **Non-Personnel Services**
  - FY 2015-16 Actuals: $19.6
  - Original Budget: $22.8
  - Revised Budget: $24.7
  - Pre-Audit Actuals: $23.4
  - Variance: $1.3

- **Power Purchases**
  - FY 2015-16 Actuals: $5.6
  - Original Budget: $8.4
  - Revised Budget: $8.1
  - Pre-Audit Actuals: $4.5
  - Variance: $3.6

- **Transmission Distribution & Related Charges**
  - FY 2015-16 Actuals: $19.4
  - Original Budget: $34.6
  - Revised Budget: $34.6
  - Pre-Audit Actuals: $26.8
  - Variance: $7.8

- **Materials and Supplies**
  - FY 2015-16 Actuals: $2.9
  - Original Budget: $2.6
  - Revised Budget: $2.9
  - Pre-Audit Actuals: $2.7
  - Variance: $0.1

- **Equipment**
  - FY 2015-16 Actuals: $0.9
  - Original Budget: $0.5
  - Revised Budget: $1.6
  - Pre-Audit Actuals: $1.6
  - Variance: 

- **Overhead (SFPUCC Bureaus)**
  - FY 2015-16 Actuals: $14.2
  - Original Budget: $15.4
  - Revised Budget: $17.4
  - Pre-Audit Actuals: $16.8
  - Variance: $0.6

- **Services of Other Departments**
  - FY 2015-16 Actuals: $7.4
  - Original Budget: $7.4
  - Revised Budget: $8.0
  - Pre-Audit Actuals: $8.0
  - Variance: 

- **Natural Gas & Steam**
  - FY 2015-16 Actuals: $7.5
  - Original Budget: $11.3
  - Revised Budget: $10.3
  - Pre-Audit Actuals: $9.1
  - Variance: $1.2

**Total Operating Uses**

- FY 2015-16 Actuals: $115.2
- Original Budget: $143.8
- Revised Budget: $147.4
- Pre-Audit Actuals: $129.8
- Variance: $17.6

- **Debt Service**
  - FY 2015-16 Actuals: $0.5
  - Original Budget: $2.5
  - Revised Budget: $2.5
  - Pre-Audit Actuals: $2.3
  - Variance: $0.2

- **Capital Projects**
  - FY 2015-16 Actuals: $17.4
  - Original Budget: $36.8
  - Revised Budget: $152.1
  - Pre-Audit Actuals: $152.1
  - Variance: 

- **Facilities Maintenance/Programmatic**
  - FY 2015-16 Actuals: $17.6
  - Original Budget: $14.8
  - Revised Budget: $18.8
  - Pre-Audit Actuals: $18.8
  - Variance: 

- **Contingency/Purchase of Power**
  - FY 2015-16 Actuals: $4.0
  - Original Budget: $4.0
  - Revised Budget: $4.0
  - Pre-Audit Actuals: $4.0
  - Variance: 

**Total Uses - Operating, Debt Service, Capital & Other**

- FY 2015-16 Actuals: $150.7
- Original Budget: $202.0
- Revised Budget: $324.9
- Pre-Audit Actuals: $303.0
- Variance: $21.8

**Net FY 2016-17 Results**

- FY 2016-17 Actuals: $64.0
- Variance: $8.8

- **Available Fund Balance as of Fiscal Year-End**
  - FY 2016-17 Actuals: $64.0
  - Variance: $51.2

- **Available Fund Balance, % of Operating Uses (V) 25-68%**
  - FY 2016-17 Actuals: 48.2%
  - Variance: 35.6%
  - Variance: 43.4%

- **Debt Service Coverage... Year-End Budgetary Basis**
  - Indenture Basis (includes Available Fund Balance) (W) $1.35
    - FY 2016-17 Actuals: N/A
    - Variance: N/A
  - Current Basis (X) ≥ 1.10
    - FY 2016-17 Actuals: 94.3
    - Variance: 16.9
    - Variance: 21.4
Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2016-17 4th Quarter - Budgetary Basis, 5T AAA
($ Millions)

Revenue Variances
A. Electric sales lower than budget due to lower energy consumption, mainly by SF General, Real Estate, Muni railway, Fine Art Museums, and Telecommunications.

B. Lower electric sales reflect lower electricity consumption from some high volume customers (Airport, Port, and Convention Facilities).

C. Lower sales as Turlock Irrigation District did not purchase Class 1 or excess Hetchy power.

D. Market sales are lower than budget due to reduced prices and sales volume resulting from heavy winter rains and oversupply of hydroelectric power. In addition, market sales to CAISO are recorded as an offset to expenses rather than a revenue, so a portion of the savings in the Transmission, Distribution & Related Charges line item offsets this revenue decrease (see Note P).

E. Lower sales reflect lower than expected electricity consumption from SF Unified School District, City College, SFMTA parking garages, and Moscone tenants, as well as lower retail settlements.

F. Retail (Hunter's Point) sales projections lower than budget due to customers moving into new development more slowly than expected.

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

H. Water sales decreased from budget due to Lawrence Livermore National Labs not purchasing water.

I. Natural Gas & Steam surplus is due to lower than projected gas rates and has an offsetting decrease in expenses (see Note S).

J. Interest Income increased from budget due to higher-than-expected interest rates.

K. Federal Bond Interest Subsidy decreased slightly from budget because 1/2 of the subsidy for the 2011 QECBs and the 2012 NCREBs was not submitted for payment during this fiscal year, and is expected FY 2017-18 instead.

L. Miscellaneous revenue increased from budget, primarily due to $1.5M in unbudgeted Rim Fire insurance payments and $1.2M in Distributed Antenna System program revenues.

Expenditure Variances
M. Personnel savings is due to vacant positions.

N. Savings due to changes in timing and priorities of certain professional services related to energy services and risk management.

O. Surplus due to lower power purchases and greater in-house generation because of a wet year.

P. Savings due to lower distribution transmission and scheduling charges; net Hetchy sales and market purchases from CAISO offset T&D charges.

Q. Saving from lower than anticipated spending in building supplies.

R. Saving from closing out of prior year encumbrances.

S. Natural Gas and Steam (offsetting revenue see Note I) savings from lower than anticipated gas rates.

T. Savings from lower than planned debt service expense.

U. Reflects a $4.0 million contingency reserves including dry year/power price volatility for purchase of power.

Other Notes
V. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.

W. The Series 2015 Power Bonds represent the first series of senior lien revenue bonds of the Power Enterprise. Pursuant to Power's Master Trust Indenture, Senior Lien Debt Service coverage excludes debt service on subordinate obligations, such as the Power Enterprise's existing CREBs, NCREBs, and QECBs. Because Interest on the Series 2015 Bonds is capitalized, the Power Enterprise will not be obligated to make debt service payments on the Series 2015 Bonds until FY 2017-18. Consequently, the Power Enterprise does not have a basis to calculate and report the Indenture-based debt service coverage ratio in FY 2016-17.

X. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Subordinate Lien Debt Service consisting of 2008 CREBs, 2011 QECBs, 2012 NCREBs and 2015 NCREBs. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.
### Appendix D
CleanPowerSF
FY 2016-17 4th Quarter - Budgetary Basis, 5Q
($ Millions)

<table>
<thead>
<tr>
<th>Available Fund Balance as a Source</th>
<th>FY 2015-16 Actuals</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Pre-Audit Actuals</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Sales - Green Product</td>
<td>3.7</td>
<td>33.4</td>
<td>33.4</td>
<td>31.0</td>
<td>(2.3) A</td>
</tr>
<tr>
<td>Electric Sales - SuperGreen Product</td>
<td>-</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>(0.2) B</td>
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<tr>
<td>Subtotal - Electric Revenues</td>
<td>3.7</td>
<td>33.7</td>
<td>33.8</td>
<td>31.2</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
<td>0.1 C</td>
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<tr>
<td>Total Sources</td>
<td>3.7</td>
<td>33.7</td>
<td>33.8</td>
<td>31.3</td>
<td>(2.4)</td>
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<tr>
<td>Operating Uses</td>
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<tr>
<td>Personnel</td>
<td>-</td>
<td>1.8</td>
<td>1.8</td>
<td>1.1</td>
<td>0.7 D</td>
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<tr>
<td>Overhead (Hetchy Power)</td>
<td>-</td>
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<td>1.1</td>
<td>1.1</td>
<td>-</td>
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<tr>
<td>Non Personnel Services</td>
<td>-</td>
<td>2.5</td>
<td>2.2</td>
<td>1.6</td>
<td>0.5 E</td>
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<tr>
<td>Power Purchases</td>
<td>2.3</td>
<td>22.5</td>
<td>23.0</td>
<td>22.1</td>
<td>0.9 F</td>
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<tr>
<td>Materials and Supplies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overhead (SFPUC Bureaus)</td>
<td>-</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.1 G</td>
</tr>
<tr>
<td>Services of Other Departments</td>
<td>-</td>
<td>0.3</td>
<td>0.6</td>
<td>0.3</td>
<td>0.3 H</td>
</tr>
<tr>
<td>Total Operating Uses</td>
<td>2.3</td>
<td>28.7</td>
<td>29.2</td>
<td>26.6</td>
<td>2.5</td>
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<tr>
<td>Debt Service</td>
<td>-</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.1 I</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>4.2</td>
<td>4.2</td>
<td>-</td>
<td>4.2 J</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$ 2.3</td>
<td>$ 33.7</td>
<td>$ 34.2</td>
<td>$ 27.4</td>
<td>$ 6.8</td>
</tr>
</tbody>
</table>

Net FY 2016-17 Results

<table>
<thead>
<tr>
<th>Available Fund Balance as of Fiscal Year-End</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 4.4</td>
</tr>
</tbody>
</table>

*Operating Reserve includes $3.0M for Calpine Reserve Account

Sources
A. Electric sales lower than budgeted due to timing of program ramp up and revenue recognition.
B. SuperGreen product enrollment lower than forecast.
C. Interest income above budget due to higher than expected interest rates.

Uses
D. Personnel savings due to vacant positions.
E. One-time savings resulting from delayed vendor payment.
F. Power and resource adequacy purchased on the open market resulting in lower costs than anticipated.
G. Saving resulting from lower spending on communications program.
H. Services of City Attorney were less than anticipated.
I. Debt Service costs lower than budget due to timing of payment.
J. General reserve unspent resulting in savings.
Observations

- Water and Wastewater higher revenues, Power and CleanPowerSF lower revenues as compared to budget
  - $14.3M or 3.2% – water sales revenues
  - $3.0M or 1.1% – sewer service charges
  - $12.6M or 9.5% – power sales revenues
  - $2.5M or 7.3% – CleanPowerSF power sales revenues

- Financial results meet policy targets for coverage and reserves
FY 2017 Water Budgetary Variances

Increased water sales revenues and uses cost savings...

Sources
$18.6M or 4.0% higher revenues due to increased water sales
  • $0.4M or 0.2% retail
  • $13.9M or 6.4% wholesale
  • $4.3 or 25% net non-operating including $6.4M in property sale

Uses
$27.6M or 4.7% savings from reduced expenses/general reserve
  • $2.3M salaries/benefit savings
  • $20.9M one-time debt service savings
  • $4.4M savings from non-personnel services, materials & supplies, equipment, Overhead and unspent general reserve
Increased wastewater revenues and uses cost savings...

**Sources**
- $3.9M or 1.4% higher revenues due to billed volumes
  - $3.0M or 1.1% sewer revenues
  - $0.9M or 10.5% miscellaneous revenues

**Uses**
- $22.4M or 6.7% savings from general reserve and reduced expenses
  - $18.4M savings from not using planned reserve
  - $2.0M from salaries/benefits savings
  - $2.0M from materials and supplies, flood management grants and Overhead savings
Reduced power sales revenues offset by cost savings...

**Sources**

$13.0M or 7.0% lower than budget primarily due to lower wholesale sales

**Uses**

$21.8M or 6.7% savings from reduced expenses

- $3.0M salaries/benefit savings
- $11.4M from reduced power purchases & transmission costs
- $2.0M from non-personnel services, materials & supplies & Overhead savings
- $1.2M from sale of gas and steam savings
- $0.2M from debt service savings
- $4.0M from not using purchase of power contingency
FY 2017 CleanPowerSF Budgetary Variances

Sales revenues below budget offset by uses cost savings...

Sources
- $2.4M or 7.1% revenues below budget due to timing of program ramp-up and revenue recognition

Uses
- $6.8M or 20.0% savings from reduced expenses/general reserve
  - $0.7M salaries and benefit savings
  - $0.9M power purchases savings
  - $1.0M unspent non-personnel services, Overhead, services of City Attorney and debt service
  - $4.2M savings from not using planned reserve
### Key Financial Ratios

<table>
<thead>
<tr>
<th></th>
<th>Water</th>
<th>Wastewater</th>
<th>Hetchy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Balance Reserve</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%-68% of Annual Operating Uses</td>
<td>79%</td>
<td>83%</td>
<td>39%</td>
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<tr>
<td><strong>Debt Service Coverage Reserve</strong></td>
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<tr>
<td>Indenture Basis ≥ 1.35x</td>
<td>1.77</td>
<td>4.46</td>
<td>N/A</td>
</tr>
<tr>
<td>Current Basis ≥ 1.10x</td>
<td>1.24</td>
<td>2.20</td>
<td>20.1</td>
</tr>
</tbody>
</table>

CleanPowerSF Reserve target met.
Questions?