GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

San Francisco Public Utilities Commission
California
For the Fiscal Year Beginning
July 1, 2011

[signatures]

President Executive Director
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Dear Customers, Stakeholders and Commissioners,

On behalf of the San Francisco Public Utilities Commissioners, I am pleased to present the San Francisco Public Utilities Commission (SFPUC) approved budget, covering Fiscal Year (FY) 2012-13 and FY 2013-14. The budget funds the SFPUC’s three essential service utilities: Water, Wastewater, and Power. It supports our on-going mission to provide high quality, efficient and reliable water for our 2.6 million customers in the San Francisco Bay Area, wastewater collection and treatment for over 840,000 customers in San Francisco and neighboring communities and power services for our municipal customers within the City and County of San Francisco (CCSF), the San Francisco International Airport (SFO) and both the Modesto and Turlock Irrigation Districts. Furthermore, it is our mission to provide these services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care. We continue to accomplish our mission while balancing prudent operational and fiscal management with affordability for our customers.

The SFPUC’s budget for FY 2012-13 and FY 2013-14 supports our strategic goals to provide high quality services, plan for the future, promote a green and sustainable City, engage the public and invest in our communities. The FY 2012-13 budget of $805.6 million is 1.6 percent lower than the FY 2011-12 budget. The primary reason for this decrease is that our capital program was largely funded through a supplemental appropriation request and not included in the budget appropriations. The FY 2013-14 budget of $889.4 million is 10.4 percent higher than the FY 2012-13 budget. This increase is due to planned increases in debt service for critical infrastructure improvements, including the Water System Improvement Program’s (WSIP) seismic upgrades and wastewater system improvements. Also, we have budgeted increased costs for personnel based on labor agreements, and for higher retirement and health care rates.

This budget is aligned with the Strategic Sustainability Plan (SSP) which provides the SFPUC with a system for planning, managing and evaluating performance that takes into account the long-term economic, environmental and social impacts of our business activities, the triple bottom line. This budget continues to prioritize and provide funding that ensures system reliability, regulatory compliance, resource sustainability, health and safety, community benefits and jobs, as well as environmental justice and stewardship. All SFPUC utilities operate around-the-clock, 24/7, providing essential services to meet our customers’ water, power and sewer service needs.

With the prudent management of resources, including funds already secured through low-cost successful revenue bond sales, the $4.6 billion WSIP has completed the planning and design phases and is fully engaged in construction and start-up of new facilities. In FY 2011-12, ten projects with a construction value of $478 million were issued a Notice to Proceed. Furthermore, construction was completed on eight WSIP projects including New Crystal Springs Bypass Tunnel, University Mound Reservoir, San Antonio Pump Station Upgrade, Lower Crystal Springs Dam Improvements, and Bay Division Pipeline Reliability Upgrade–Pipeline, East Bay Reach. The total value of these projects is in excess of $260 million. These new facilities are now coming online, and a major priority of the Water Enterprise is to ensure that we continue to provide high quality and reliable services during this period. Our Water System Improvement Program is on track to be completed in 2016.

Over the last fiscal year, our Program Management Consultant has worked with our engineering and operations staff to validate the Sewer System Improvement Program (SSIP), upgrade our hydraulic model, and further a “kick-off” condition assessment of our wastewater treatment plants to support our Asset Management program. The Central Bayside System Improvement project is intended to improve operations, provide seismic upgrades and stormwater management for the

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central Bayside wastewater facilities, and increase our investment in our sewer rehabilitation program. Over the coming two years, we expect to begin other critical wastewater infrastructure projects such as the Southeast Plant new solids handling and digester facility.

Last year our energy efficiency program for the Civic Center District completed an energy efficient lighting and mechanical retrofits at City Hall. This project carefully integrated modern improvements within the historic value of the 1915 building. The improvements will annually save 530,000 kilowatt-hours (kWh) of electricity as well as 8,200 therms of heating energy. These electricity savings at City Hall are equivalent to the annual use of over 100 San Francisco homes. Our Power Enterprise also completed two significant solar installation projects last fiscal year: the Chinatown Public Health Center Solar Array, a Department of Public Health facility, and the San Francisco Municipal Transportation Agency (SFMTA) Woods Motor Coach Facilities.

FY 2012-13 and FY 2013-14 Budget

The FY 2012-13 budget, shows a 1.6 percent decrease in comparison to FY 2011-12, for a total of $805.6 million. The FY 2013-14 budget will increase by 10.4 percent over the FY 2012-13 budget to $889.4 million. These budgets ensure funding for our operating programs, and support Strategic Sustainability Plan outcomes to ensure the appropriate application of talent and tools to reach our goals. Our utilities are infrastructure intensive, and we know that to accomplish our mission in the years to come, we must upgrade and modernize our infrastructure. We are committed to managing these critical infrastructure upgrades across all three Enterprises while keeping our rates affordable. Some of our key initiatives are highlighted below.

1) Efficient and Effective Operations While Maintaining Rate Affordability

Our customers rely on us to provide continuous, efficient delivery of reliable, high quality water, and to protect public health and the environment through effective collection and treatment of wastewater, and ensure non-interrupted power provision to municipal services. We have adopted a FY 2012-13 and 2013-14 budget that keeps staff levels flat and invests in training and new systems. The past year’s investment in information management systems, such as our computerized maintenance management system, asset management upgrades, Maximo, Supervisory Control And Data Acquisition (SCADA) and Advanced Metering Infrastructure have resulted in more efficient and effective operations. We are focused on maintaining affordable rates for our customers, taking advantage of favorable markets to efficiently manage borrowing costs while also ensuring operational effectiveness. We are confident that we can serve our customers and maintain affordability with this budget. Specific operations initiatives in our budgets include: expansion of the SFGreasecycle Program, investments in monitoring and permit compliance associated with both capital and ongoing operations of water and wastewater facilities and support for internal systems, including the Master Data Management and IT Security and Disaster Recovery Systems.

2) Increased Investments in Our Infrastructure

The SFPUC and our customers have invested billions over the last decade to upgrade utility infrastructure with a focus on treatment plants, pump stations, large pipes and tunnels, dams and reservoirs. Our smaller sewers and water distribution pipes have not received the same level of investment. In November 2011, San Francisco voters approved a bond to accelerate and increase the miles of street paving. Our repair and replacement budget is coordinated with this new bond which covers the cost of street dig-ups and paving at locations where there are both underground linear asset and street paving needs. Fiscal Year 2012-13 included increased and significant investment in our water distribution system and our sewer pipes. The City water distribution system renewal and replacement rate will increase from nine miles a year to 15 miles a year by 2015, where it will remain constant through 2023. This represents a $428.4 million investment over ten years replacing 141 miles of mains. Additionally, the SFPUC is investing $94.0 million over ten years to provide seismic upgrades for the underground assets of the Auxiliary Water Supply System for firefighting.
For the combined sewers, the renewal and replacement rate increases to 15 miles a year from the current 11 miles with a ten-year capital investment of $557.9 million for sewer main replacement and $190.4 million for spot sewer repair. The Collection System Asset Management Program will also increase the inspections and condition assessments from 110 miles as of FY 2011-12 to 205 miles in FY 2013-14 with a total investment of $9.0 million. Making these investments in coordination with the Public Works paving program will provide increased reliability of water and sewer service and visibly improve streets and sidewalks.

3) A Green and Sustainable Utility

Part of our sustainability mission is to manage our resources with the future generations in mind. Our new headquarters building at 525 Golden Gate Avenue was designed to be a model for sustainability. It is a 277,500 square-foot “super green” building, achieving a Leadership in Energy and Environmental Design (LEED) Platinum rating, showcasing cutting-edge, sustainable approaches including on-site treatment and recycling of wastewater using a unique biological wetland technology. Wind and solar power generates seven percent of the energy demand for the building. Our new headquarters allow our previously dispersed support staff to be together, for the first time, encouraging communication, cross-training and joint problem solving. We are showcasing over 100 local artists in our halls and public areas including a few who are also SFPUC employees. Our lobby includes a digital media wall for public education and communication messaging. Approximately 40 percent of the construction was completed by San Francisco residents, consistent with our strategic goal of investing in our communities and our Community Benefits Policy. Additionally, we will now save on annual rent costs we were paying from our operating budgets because of our ability to get low-cost borrowing. The new facility will use 32 percent less energy and 60 percent less water compared to similar sized buildings.

In addition to our new headquarters building, our FY 2012-13 and FY 2013-14 operating and capital budget continues our multi-year approach to planning for the future and promoting a green and sustainable City.

**Sustainable Water Portfolio with Water Conservation, Water Recycling and Groundwater**

Under the Phased WSIP Variant agreement, the SFPUC has a goal to satisfy demands of ten million gallons a day (mgd) by 2018 through a combination of conservation, groundwater, and recycled water. Additionally, State law requires urban water agencies to reduce State-wide per capita water consumption by 20 percent by 2020. For the SFPUC service area, the per capita water use is less than 100 gallons per day, well below other agencies in the Bay Area and California. Since 1990 we have invested about $40 million in water conservation programs. These investments have paid off. By 2011, we achieved a per day water savings of 1.8 million gallons, by implementing a broad toolbox of programs and incentives. We provide water saving devices, rebates and incentives on clothes washers and toilets, and fix leaks. Our investment in our water conservation program continues in our FY 2012-13 and FY 2013-14 budget at $6.0 million per year with a mix of feasible, cost-effective water saving opportunities tailored to San Francisco.

Other sustainable water supply projects include: regional groundwater storage and recovery; water recycling projects and a desalination project. We project up to 31 million gallons per day supply from this suite of projects. Our Ten-Year Capital Plan includes $206.0 million for these projects.

**Biofuel Production at Wastewater Treatment Plants**

The Biofuel/Alternative Energy Program is generating bio-energy (e.g., biofuel or cogenerated power) as a byproduct of processing the fats, oils and grease (FOG) collected throughout the City. FOG has traditionally caused clogging and malfunction in both the wastewater collection system and treatment processes. This successful program is an alternative to dumping FOG for residents, restaurants, and other commercial establishments, and supports the Wastewater Enterprise’s operations, environmental protection, and compliance objectives. At our Oceanside treatment plant alone, we have increased our collection of restaurant grease to more than 200,000 gallons per month with
a result of an average of 26 percent more gas production, increasing program revenue by 60 percent in FY 2011-2012.

Renewable Energy and Efficiency Programs

The SFPUC generates close to 100 percent of San Francisco’s municipal energy needs (i.e., an amount equivalent to 20 percent of the total City and County of San Francisco’s electric power use, including all residential and business use) through renewable resources like solar power and hydropower that produce zero greenhouse gas emissions. The Hetch Hetchy Water and Power system delivers an average of 1.7 billion kilowatt hours of 100 percent clean, greenhouse gas-free electricity annually to the City and County of San Francisco, the Modesto and Turlock Irrigation Districts, and tenants of the San Francisco International Airport and the Port of San Francisco. Renewable energy and efficiency investments are an important component of our electric utility’s portfolio. Energy efficiency reduces facility operating costs and electric bills for our municipal customers, improves system functionality, and reduces the environmental impact of energy use. The budget includes $4.7 million for energy efficient programs and $12.9 million to continue the conversion of the SFPUC’s 17,600 owned and maintained cobra-head streetlights from High Pressure Sodium Vapor (HPSV) to efficient Light Emitting Diode (LED) technologies and installation of a smart lighting controls system over the two fiscal years.

Since FY 2008-09 we have invested $18.0 million in the GoSolarSF program. We have added another $2.0 million in this budget to continue this clean energy program in FY 2012-13 and $2.0 million in FY 2013-14. Over the next ten years, the capital investment in renewable generation and efficiency is planned to total $34.6 million.

4) Our Capital Investments Provide Community Benefits Including Local and Regional Jobs

Across the three Enterprises our budget supplemental appropriations for capital is $900.0 million for FY 2012-13 and 2013-14. Consistent with the SFPUC 2011 Community Benefits Policy and the City and County of San Francisco Local Hire Policy for Construction, adopted in 2010, we are determined to ensure that these investments create local and regional jobs in San Francisco, as well as communities where the SFPUC operates facilities and provides services.

The SFPUC has more than 45 projects underway that are covered by the City’s Local Hire Construction Policy. Over the last year, our projects have achieved a 30 percent local hire ratio and over 50 percent of the apprentice program participants have been local hires. We have developed partnerships with community-based and summer youth employment organizations, and we piloted workforce programs. We have partnered with the San Francisco Mayor’s Office of Economic and Workforce Development to assemble a team of workforce professionals to implement the Local Hire Policy for Construction on all covered projects. For example, we identify recent graduates from the CityBuild Academy and provide opportunities for them to begin their careers on SFPUC-funded capital projects, such as the Sutro Reservoir Project. In addition to workforce development and jobs, our Community Benefits Program includes investments in arts and educational initiative. As a part of the two percent required investment per a San Francisco ordinance for above-ground infrastructure, the SFPUC engages local and community-based artists for our arts enrichment program. As a result of our City-wide partnerships, training, communication and outreach, we expect that local jobs participation in our capital projects will increase in the years to come.

Water Enterprise

The Water Enterprise is responsible for collecting, treating and distributing 222.6 million gallons of water per day to 2.6 million people, including retail customers in the City, and 27 wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. Retail customers include residential, commercial, industrial and governmental users. The Water Enterprise operates and maintains 280 miles of pipelines in the regional system and 1,235 miles in San Francisco; 60 miles of tunnels in the regional system; five regional pump stations and 22 in the City; 28 dams and
reservoirs; nine water tanks; and three water treatment plants that serve both the regional and City systems.

**Infrastructure Renewal Ensures High Quality Service**

The number one strategic goal for the SFPUC is to provide high quality service, but our aging water infrastructure requires investment to achieve this goal. The highest priority for the Water Enterprise is rebuilding and retrofitting the Hetch Hetchy Water System. The $4.6 billion dollar, multi-year program to upgrade Regional and Local Water Systems, known as the Water System Improvement Program (WSIP) will enhance the Enterprise’s ability to provide reliable, affordable, high quality drinking water in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements, improve seismic and delivery reliability, and meet water supply objectives through 2030. The program is on track for completion by July 2016.

We made significant progress by the end of FY 2011-12 with the vast majority of local projects completed or in the close-out phase. Fourteen regional projects are completed, four are in close out, twenty are still in construction and eight are in pre-construction phases. WSIP has provided significant employment opportunities within the San Francisco Bay Area. Through July 2012, the regional program provided 2.9 million hours of employment to 454 craft workers in ten trades. Additional details regarding the WSIP are available in the WSIP Annual Reports as well as the Quarterly Updates, published on the SFPUC’s website at www.sfwater.org.

**Reliable Service and the Future as a Post-WSIP Utility**

With so many of the local and regional WSIP projects either completed or in construction, the Water Enterprise has begun to plan and implement a transition to a post-WSIP organization. We have already integrated completed projects into our system. We are establishing a compliance framework for the environmental mitigation and monitoring commitments that were established during the planning of the new facilities and we are ensuring that operations plans and approaches are modernized to take advantage of our new infrastructure. Our transition to a post-WSIP utility is also supported by recent investments in an upgraded SCADA for real-time system operations and the Advanced Metering Infrastructure, which provides hourly demand and water-use data for our planners and customers.

**Wastewater Enterprise**

The Wastewater Enterprise collects, transports, treats, and discharges sanitary and stormwater runoff generated within the City, Treasure Island and Yerba Buena Island in order to protect public health and the water environment of the San Francisco Bay and the Pacific Ocean. This involves operating and maintaining 993 miles of City sewers, a majority of which are combined sewers that collect a combination of sanitary sewage and stormwater runoff; 56 sewage pump stations and six stormwater pump stations; four wastewater treatment plants that provide liquid and solids treatment; five deep water outfalls; 36 overflow structures for combined sewage discharges around the shoreline of the City; and 50 stormwater outfalls around Treasure and Yerba Buena Islands. The average dry weather effluent discharge to the San Francisco Bay and Pacific Ocean is 84 million gallons a day (mgd); peak wet-weather effluent from the treatment plants alone is 465 mgd. The Wastewater Enterprise serves approximately 147,150 residential accounts, which discharge about 18.3 million Ccf (i.e., 100 cubic feet) of sanitary flow per year; and approximately 16,166 non-residential accounts, which discharge about 8.6 million Ccf of sanitary flow to the sewers per year. The Enterprise also responds when there are sewer-related emergencies.

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

The wastewater system has been developed over 110 years, and although there was significant investment from the mid-1970’s through the mid-1990’s to comply with the Clean Water Act, many of the existing facilities were not improved or upgraded during that period and are now in critical need of major improvement. The Sewer System Improvement Program (SSIP) is a $6.9 billion, phased program to improve and
rehabilitate the system consistent with agreed-upon levels of service and our strategic plan goals of providing high quality services. The program includes both grey projects, such as new digesters at the Southeast Water Pollution Control Plant, and green infrastructure projects to manage stormwater before it enters the sewage or stormwater system. The combination of the two types of projects will provide optimal and sustainable protection of our Bay and Ocean while promoting a green city.

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

**Hetch Hetchy Water and Power**

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

**Energy Efficiency and Renewable Power Investments Are Essential for Our Sustainability**

To deliver low-cost, reliable electricity to its customers, Hetchy Power relies on power generation at the Hetch Hetchy hydroelectric powerhouses, solar generation, and third-party purchases. In accordance with the requirements of City policies and directives relating to renewable energy and goals to reduce greenhouse gases, Hetchy Power is continuously researching, developing, and implementing renewable electricity generation resources to provide clean, local generation where it is consumed, and to ensure reliable power services. The capital program investments for FY 2012-13 and FY 2013-14 are $35.4 million and $55.9 million respectively. Over the next ten years, Power will invest $124.2 million locally and an additional $109.4 million to renew and upgrade power infrastructure up-country.

**Engagement in California Water System Planning for a Reliable Future**

The operating budget for the Enterprise will continue to support constructive engagement in the Federal and State regulatory and resource management deliberations. Our hydraulic power generation is regulated by the Federal Energy Regulatory Commission (FERC) which periodically reviews and renews the permits through an extensive legal proceeding. Preparation for and constructive engagement in these proceedings is critical to our continued ability to attain our mission. Additionally, in the two years to come, the Delta Commission will be engaged in the first phases of implementation of the Bay Delta Conservation Plan (BDCP) to protect and renew the San Francisco Bay/San Joaquin Delta. Even though the Hetch Hetchy system does not rely on the Delta for water, the Plan has the potential for wider impacts on water markets and policies. The FY 2012-13 and FY 2013-14 budget provides $2.8 million for engagement in these critical proceedings.
## Budget Overview

### Table 1. FY 2011-12 to FY 2013-14 SFPUC Budget Overview (Uses of Funds)

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<td>20.4</td>
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<td>373.1</td>
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<td>446.2</td>
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<td>146.4</td>
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<td>61.4</td>
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<td>22.2</td>
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<td>(7.4)</td>
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<td>213.2</td>
<td>204.5</td>
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<td>(2.4)</td>
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<td>14.6</td>
<td>33.9</td>
<td>33.9</td>
<td>33.0</td>
<td>37.0</td>
<td>(0.9)</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>2.5</td>
<td>3.2</td>
<td>3.2</td>
<td>5.9</td>
<td>6.2</td>
<td>2.7</td>
<td>86.7%</td>
</tr>
<tr>
<td><strong>Wastewater Subtotal</strong></td>
<td>230.3</td>
<td>241.6</td>
<td>247.3</td>
<td>241.0</td>
<td>253.4</td>
<td>(0.6)</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Hetch Hetchy Water and Power</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hetchy Power</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>40.9</td>
<td>62.4</td>
<td>45.8</td>
<td>64.3</td>
<td>64.4</td>
<td>1.9</td>
<td>3.1%</td>
</tr>
<tr>
<td>Natural Gas &amp; Steam Pass-Through</td>
<td>10.5</td>
<td>11.9</td>
<td>9.5</td>
<td>11.4</td>
<td>12.1</td>
<td>(0.4)</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.4</td>
<td>1.8</td>
<td>0.4</td>
<td>1.9</td>
<td>3.0</td>
<td>0.1</td>
<td>3.3%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td>0.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Reclassification of Power Only &amp; Joint Operating Costs</td>
<td>18.8</td>
<td>23.4</td>
<td>22.2</td>
<td>21.7</td>
<td>19.9</td>
<td>(1.7)</td>
<td>-7.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>70.5</td>
<td>99.5</td>
<td>77.9</td>
<td>99.7</td>
<td>100.0</td>
<td>0.1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>33.8</td>
<td>32.7</td>
<td>32.2</td>
<td>13.6</td>
<td>23.3</td>
<td>(18.6)</td>
<td>-57.9%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>3.7</td>
<td>6.4</td>
<td>6.4</td>
<td>6.7</td>
<td>6.9</td>
<td>0.3</td>
<td>5.0%</td>
</tr>
<tr>
<td>Reclassification of Power Only &amp; Joint Capital Costs</td>
<td>30.3</td>
<td>24.4</td>
<td>24.4</td>
<td>18.9</td>
<td>22.6</td>
<td>(5.5)</td>
<td>-22.5%</td>
</tr>
<tr>
<td><strong>Hetchy Power Subtotal</strong></td>
<td>138.3</td>
<td>162.5</td>
<td>140.8</td>
<td>138.8</td>
<td>152.8</td>
<td>(23.7)</td>
<td>-14.6%</td>
</tr>
<tr>
<td><strong>Hetchy Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>43.7</td>
<td>50.5</td>
<td>50.7</td>
<td>56.8</td>
<td>54.3</td>
<td>6.3</td>
<td>12.5%</td>
</tr>
<tr>
<td>Reclassification of Power Only &amp; Joint Operating Costs</td>
<td>(18.8)</td>
<td>(23.4)</td>
<td>(22.2)</td>
<td>(21.7)</td>
<td>(19.9)</td>
<td>1.7</td>
<td>-7.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>24.9</td>
<td>27.1</td>
<td>28.5</td>
<td>35.1</td>
<td>34.4</td>
<td>8.0</td>
<td>29.6%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>41.6</td>
<td>38.5</td>
<td>38.5</td>
<td>18.9</td>
<td>22.6</td>
<td>(19.6)</td>
<td>-50.9%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>-</td>
<td>0.2</td>
<td>0.2</td>
<td>3.6</td>
<td>2.5</td>
<td>3.5</td>
<td>2314.0%</td>
</tr>
<tr>
<td>Reclassification of Power Only &amp; Joint Capital Costs</td>
<td>(30.3)</td>
<td>(24.4)</td>
<td>(24.4)</td>
<td>(18.9)</td>
<td>(22.6)</td>
<td>5.5</td>
<td>-22.5%</td>
</tr>
<tr>
<td><strong>Hetchy Water Subtotal</strong></td>
<td>36.2</td>
<td>41.4</td>
<td>42.7</td>
<td>38.8</td>
<td>36.9</td>
<td>(2.6)</td>
<td>-6.3%</td>
</tr>
<tr>
<td><strong>Hetchy Hetchy Water and Power Subtotal</strong></td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.8</td>
<td>(26.3)</td>
<td>-12.9%</td>
</tr>
<tr>
<td><strong>Bureaus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Manager, Business Services, External Affairs</td>
<td>67.1</td>
<td>74.9</td>
<td>74.2</td>
<td>81.3</td>
<td>82.2</td>
<td>6.4</td>
<td>8.6%</td>
</tr>
<tr>
<td>Recovery to Enterprises</td>
<td>(67.1)</td>
<td>(74.9)</td>
<td>(74.2)</td>
<td>(81.3)</td>
<td>(82.2)</td>
<td>(6.4)</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery to Capital Projects</td>
<td>(32.2)</td>
<td>(67.5)</td>
<td>(39.6)</td>
<td>(69.3)</td>
<td>(71.0)</td>
<td>(1.9)</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>TOTAL SFPUC</strong></td>
<td>716.2</td>
<td>818.6</td>
<td>813.4</td>
<td>805.6</td>
<td>889.4</td>
<td>(13.0)</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

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

** The Infrastructure budget is funded through SFPUC capital projects budgets.
Operating Budget for FY 2012-13 and FY 2013-14

The SFPUC operating programs include regular operating costs, maintenance of utility facilities and lands, as well as support services (including management, business services, planning, regulatory compliance, and communication), planned debt service, and lease costs for each of the Enterprises. The operating budget is financed by both wholesale and retail rates, service charges, and other non-operating revenues, including rents and interest earnings. The total operating budget for the SFPUC is $686.3 million for FY 2012-13 and $736.8 million for FY 2013-14.

Water Enterprise

The Water Enterprise’s FY 2012-13 and FY 2013-14 operating budget totals $173.4 million and $176.8 million, respectively, and funds the operation and maintenance of the SFPUC water system. Compared to the $164.6 million adopted for FY 2011-12, the FY 2012-13 and FY 2013-14 budget increased by $8.7 million and $3.4 million respectively. The net increase reflects funding for authorized personnel fringe benefits including health and retirement costs.

Wastewater Enterprise

The Wastewater Enterprise FY 2012-13 and FY 2013-14 operating budget totals $143.8 million and $146.4 million, respectively, and funds the operations and maintenance of the SFPUC’s sewer system. Compared to the FY 2011-12 adopted budget of $141.6 million, the FY 2012-13 and FY 2013-14 budget increased by $2.3 million and $2.5 million respectively. The net increase reflects funding for the SFGreasecycle Program and increases in health and retirement costs.

Hetch Hetchy Water and Power

Hetch Hetchy Water and Power’s FY 2012-13 and FY 2013-14 operating budget totals $121.1 million and $118.8 million, respectively, and funds the operations and maintenance of the SFPUC’s up-country water and power systems, including all Power Enterprise activities. In FY 2012-13, $86.0 million is allocated to the Power Enterprise for all power activities and their share of joint costs; the FY 2013-14 budget for this is $84.3 million. In FY 2012-13, $35.1 million is allocated to Hetchy Water for water activities and their share of the joint costs; in FY 2013-14 the budget is $34.4 million. Compared to the FY 2011-12 approved budget of $112.9 million, which includes $85.8 million for Hetchy Power and $27.1 million for Hetchy Water, the FY 2012-13 budget increased by $8.2 million and the FY 2013-14 budget is reduced by $2.4 million from the FY 2012-13 budget. The net decrease reflects one-time funding for re-licensing fees to operate the Don Pedro Project.

Capital Budget for FY 2012-13 and FY 2013-14

The SFPUC’s capital programs are intended to reconstruct, replace, expand, repair, or improve facilities that are under the SFPUC’s jurisdiction. The capital budgets are coordinated with the Ten-Year Capital Plan and the Ten-Year Financial Plan. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided for under the San Francisco City Charter to finance the SFPUC’s capital programs. The repayment of this indebtedness is provided for under rates and service charge revenues of the particular Enterprise that incurs the debt and benefits from the underlying capital improvements. The budget appropriations for capital programs are coordinated with the SFPUC’s Ten-Year Capital Financial Plans. The capital budget for FY 2012-13 and FY 2013-14 was approved through a supplemental appropriation following the same approvals and noticing process as we are required to do with our operating budget. The SFPUC develops stand-alone supplemental appropriations for our capital program which are also consistent with and coordinated with the SFPUC’s budget.
Water Enterprise

The major capital investment underway for the Water Enterprise included the WSIP, a $4.6 billion dollar, multi-year capital program to rebuild the water system, as well as additional planned investment. WSIP will enhance the SFPUC's ability to provide reliable, affordable, high quality water to our 2.6 million customers through environmentally sustainable means. The FY 2012-13 capital supplemental appropriation further includes another $98.0 million: $25.7 million in regional projects (storage, watershed, and rights-of-way, treatment facilities and conveyance); $28.2 million for local projects (conveyance and distribution, buildings and grounds improvements including increasing pipe renewal and replacement to 15 miles per year by FY 2014-15); $38.0 million for the Auxiliary Water Supply System (AWSS) for firefighting; and $6.1 million in financing costs.

In FY 2013-14, the capital supplemental appropriation is $140.3 million: $49.1 million for regional projects; $44.7 million for local water/conveyance and building and grounds projects; $29.3 million for the AWSS; $3.0 million for Treasure Island; $0.9 million for local recycled water; and $13.3 million for financing costs. The annual capital budget adds $42.6 million from FY 2011-12 and will increase an additional $42.3 million between FY 2012-13 and FY 2013-14. This is consistent with the investment in the linear assets and local water supply projects.

On June 18, 2012 a supplemental appropriation in the amount of $171.0 million was approved for the Water Enterprise. This supplemental appropriation funds the FY 2012-13 and FY 2013-14 Water capital program.

The FY 2012-13 annual budget included an additional $20.4 million for programmatic projects including funding for 525 Golden Gate Avenue operations, maintenance and planned lease payments, AWSS and Treasure Island facilities maintenance and the Regional Water Resource Planning and Long-Term Monitoring Programs. The FY 2013-14 budget includes $22.2 million in programmatic project costs.

Wastewater Enterprise

The Wastewater Enterprise’s Capital Improvement Program (CIP) for FY 2012-13 is $299.4 million and includes $157.0 million for the SSIP; $25.9 million for the last year of the Interim CIP; $59.9 million for the Renewal and Replacement (R&R) Program, $25.1 million for other Wastewater facilities and infrastructure including Treasure Island and $31.5 million for financing costs.

In FY 2013-14, the total CIP budget is $288.4 million, a decrease of $11.0 million. The decrease is due to the ending of the Interim CIP. There is an increase of $11.9 million in the SSIP, $15.9 million in the R&R program, a decrease of $14.2 million in the other wastewater infrastructure budgets (although the Treasure Island project increases by $3.3 million) and an increase of $1.3 million in financing costs. The FY 2012-13 capital budget is funded by Wastewater Enterprise revenues, revenue bonds and a $24.1 million State voter approved grant. In FY 2013-14 the entire capital budget is financed by revenues and bond funds.

On June 18, 2012 a supplemental appropriation in the amount of $587.8 million was approved for the Wastewater Enterprise. This supplemental appropriation funds the FY 2012-13 and FY 2013-14 Wastewater capital program.

The FY 2012-13 annual budget included an additional $5.9 million for programmatic projects including funding for 525 Golden Gate Avenue operations, maintenance and planned lease payments, Low Impact Design (LID) Projects and Treasure Island facilities maintenance, and the Youth Employment Project. The FY 2013-14 budget includes $6.2 million in programmatic projects costs.
Hetch Hetchy Water and Power

The Hetch Hetchy Water and Power Capital Improvement Program (CIP) for FY 2012-13 is $51.4 million and includes: $35.4 million for Hetchy Power; $14.8 million for Hetchy Water and $1.2 million for financing costs. The FY 2013-14 capital budget is $89.8 million, further allocated at $55.9 million for Hetchy Power, $24.9 million for Hetchy Water and $9.0 million for financing costs.

The 2012-13 capital budget for Hetch Hetchy Water and Power is a decrease of $19.3 million. The increase of $38.4 million from FY 2012-13 to FY 2013-14 is a result of Power Revenue Bonds included in the capital plan to fund improvements to power-related assets, and an increase to Hetchy Water’s Infrastructure projects including the Mountain Tunnel Lining Water Quality Project. There is also an increase in up-country power-only projects, funding improvements to the powerhouses, transmission lines and switchyards.

Over the two budget years, $47.5 million of the CIP is financed by the Water Enterprise debt for projects considered Water or joint Hetchy Water assets; $78.4 million is financed by Hetch Hetchy Water and Power revenue; $12.3 million is financed through Power Bonds; and $3.0 million is financed through California Energy Commission (CEC) loans.

On June 18, 2012 a supplemental appropriation in the amount of $141.2 million was approved for the Hetch Hetchy Water and Power. This supplemental appropriation funds the FY 2012-13 and FY 2013-14 Hetch Hetchy capital program.

The FY 2012-13 annual budget included an additional $10.3 million for programmatic projects including funding for Western Electric Coordinating Council and Electric Reliability Standards (WECC/NERC) Compliance, Treasure Island Facilities Maintenance and the SF Electrical Reliability Project. The FY 2013-14 budget includes $9.4 million in programmatic project costs.

Retail Rates – Water and Wastewater

Pursuant to the City and County of San Francisco Charter section 8B.125, an independent rate study is performed at least once every five years. A rate study was undertaken in the Spring of 2009 to examine the future revenue requirements and costs of service of both the Water and Wastewater Enterprises and was used to set the retail rates through FY 2013-14. Based on this study, the Commission adopted a five-year rate proposal in 2009 that includes increases sufficient to meet project costs and debt coverage requirements. The average rate increases are shown below:

<table>
<thead>
<tr>
<th>Table 2. Approved Retail Water Rate Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water</strong></td>
</tr>
<tr>
<td>Average Annual Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 3. Approved Wastewater Rate Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wastewater</strong></td>
</tr>
<tr>
<td>Average Annual Adjustment</td>
</tr>
</tbody>
</table>

Wholesale Rates – Water

In the Spring of 2009, the SFPUC successfully negotiated a new Water Supply Agreement (WSA) with our Wholesale Water Customers. The new contract took effect on July 1, 2009 and changes the rate basis by which the wholesale rates and revenues are determined from a “utility basis” to a “cash basis,” resulting in the repayment of the cost of capital over the life of the debt funding of those assets rather than the life of the asset. For FY 2012-13, the wholesale water rate was increased by 11.4 percent, effective July 1, 2012.
For 2013-14, the wholesale water rate is projected and budgeted to increase by 7.2 percent and will take effect on July 1, 2013.

Wholesale rates are reset annually as mandated in the 25-year Water Supply Agreement to recover costs in a timely manner.

Table 4. Wholesale Water Rate Adjustments

<table>
<thead>
<tr>
<th>Water</th>
<th>Projected FY 2013-14</th>
<th>Adopted FY 2012-13</th>
<th>Adopted FY 2011-12</th>
<th>Adopted FY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Adjustment</td>
<td>7.2%</td>
<td>11.4%</td>
<td>38.4%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

**Electrical Rates**

On February 8th, 2011, the SFPUC adopted Resolution 11-0021 imposing schedules for retail power rates and charges. These rates cover the costs related to operations, maintenance, replacement, debt service and other costs incurred by the San Francisco Power Enterprise in generating, acquiring from other sources and delivering electricity for consumptive and other uses in areas receiving retail service from the Power Enterprise. Rates are adjusted annually by the lesser of the annual percentage change in the Bay Area Consumer Price Index or Pacific Gas & Electric’s (PG&E) Schedule E-1 rate. On December 15, 2011, the SFPUC adopted Resolution 11-0203 approving a rate increase of two cents per kWh over four years for General Fund departments.

**New Rates Beyond FY 2013-14**

During FY 2012-13, the SFPUC will again engage an independent consultant to review the current and projected costs of services provided by the Water and Wastewater Enterprises, and to develop projected costs of services provided by the Water and Wastewater Enterprises and to develop proposed rates for the next few years. Such proposed rates will be reviewed by the Rate Fairness Board before being submitted for approval to the SFPUC Commission.

**Conclusion**

The SFPUC continues to invest in programs, projects and people to support its long-term capability to provide high quality, efficient, and reliable water, wastewater, and power services. Our goal is to be more sustainable in our programs and to focus on renewable energy, energy efficiency, resource recovery and reuse. The SFPUC is on track to complete the Water System Improvement Program (WSIP) in FY 2015-16. WSIP facilities are being completed and integrated into utility operations. The initial planning phases of the new SSIP have begun and will ramp up over the next two-year budget period. Both Hetchy Power and Hetchy Water continue to invest in the rehabilitation of existing facilities, development of alternative energy and energy efficiency.

I want to thank the SFPUC Commission and staff who have worked to develop and guide the FY 2012-13 and FY 2013-14 budget so that we may continue to serve our customers and stakeholders. We are an essential-service utility making critical investments on behalf of our ratepayers to ensure reliable service and efficiency in our day-to-day operations. We stand committed to provide high quality services while fostering environmental, economic, and social sustainability for San Francisco and the San Francisco Bay Region.

Respectfully submitted,

Harlan L. Kelly, Jr.
General Manager
The City and County of San Francisco’s Public Utilities Commission’s (SFPUC) FY 2012-13 and FY 2013-14 Budget Document is organized into the following sections:

**The General Manager’s Transmittal Letter:** This section provides an overview of the SFPUC’s proposed budget and includes priorities and an overview for the FY 2012-13 and FY 2013-14 budget years.

**Introduction:** This provides information on the Mission and Organizational Structure of the SFPUC, and includes the SFPUC Organizational Chart and both the Strategic Sustainability and Ten-Year Financial Plans.

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

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

- **Budget Appropriation by Fund:** This provides a description of the three Enterprise Funds.
- **Budget Sources and Uses:** This provides high-level summary of the SFPUC adopted budget with budget tables and descriptions by Sources and Uses categories. The budget tables contain: FY 2010-11 Audited Actual; the FY 2011-12 Adopted Budget; FY 2011-12 Pre-Audit Actual; and the FY 2012-13 and FY 2013-14 Adopted Budgets. The variance columns measure the dollar and percentage difference between the FY 2012-13 and FY 2011-12 Adopted Budgets, and the FY 2013-14 and FY 2012-13 Adopted Budgets. The descriptions provide explanations for changes between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13, for Adopted Budgets for Sources and Uses categories.
- **Fund Balance:** This provides a summary by Enterprise and the SFPUC overall beginning and ending fund balances.
- **Authorized and Funded Full-Time Equivalents (FTEs):** This provides a summary by Enterprise, Bureau, and Infrastructure, as well as the SFPUC overall full-time equivalent positions.
- **Capital Expenditures Impact on Operating Budget:** This provides an explanation of the capital expenditure impact on the operating budget.

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

- **Budget Sources and Uses:** This provides the same information as the SFPUC Budget Summary Section on Budget Sources and Uses, at the Enterprise, Bureau, and Infrastructure level.
- **Approved Rates:** This provides Water, Wastewater, and Power Enterprise rates, and includes descriptions and justifications of Sources of Revenues and Expenditures for the five-year forecast period.
- **Capital Improvement Program (CIP):** This provides descriptions and budgetary information on major projects in each of the Enterprises’ CIPs for FY 2012-13 and FY 2013-14. These projects are included in the Ten-Year Capital Plan.
Ten-Year Capital Plan: This provides an outline of the long-term capital needs of the organization over the next ten years.

Ten-Year Financial Plan: This provides a ten-year financial summary (FY 2012-13 to FY 2021-22) for each Enterprise, and describes projected sources and uses, resulting fund balances and key financial reserve ratios.

Departmental Section: This provides operational and financial information on each of the Enterprises and Bureaus, including an organizational chart; objectives as they relate to the SFPUC’s priorities overall; and Enterprise divisional information.

- Divisions: This explains the roles and responsibilities of the Divisions, along with divisional budget summaries. The budget summaries include FY 2010-11 Audited Actual; the FY 2011-12 Adopted Budget; FY 2011-12 Pre-Audit Actual; and the FY 2012-13 and FY 2013-14 Adopted Budget. The variance column measures the dollar and percentage difference between the FY 2012-13 and the FY 2011-12 Adopted Budgets; and between the FY 2013-14 and FY 2012-13 Adopted Budgets. The descriptions provide explanations for changes between FY 2012-13 and FY 2011-12, and FY 2013-14 and FY 2012-13 Adopted Budgets for Sources and Uses categories with variances greater than ten percent.

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

The following provides a brief explanation of the categories of FY 2012-13 and FY 2013-14 Budget Sources and Uses of Funds:

Sources of Funds:

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

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

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

Sale of Natural Gas and Steam
Revenues from gas and steam provided to City departments by Hetchy Power.

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

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

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

Federal Interest Subsidy
This direct subsidy for Build America Bonds (BABs) is provided by the Treasury Department under the American Recovery and Reinvestment Act (ARRA), equal to 35.0 percent of the interest payable for bonds issued as BABs.
Interest Income
Revenue earned by an Enterprise for its cash and other financial investments.

Uses of Funds:

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

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

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

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

- **Personnel**
  Labor for SFPUC’s full-time and temporary employees, and related fringe benefits like retirement and healthcare.

- **Overhead**
  The SFPUC’s share of City-wide overhead, including the County-wide Cost Allocation Plan (COWCAP).

- **Non-Personnel Services**
  Services such as maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of the Enterprises.

- **Materials and Supplies**
  Includes equipment maintenance supplies, safety, fuel, office supplies, chemicals, and other miscellaneous materials and supplies for the maintenance and operation of the Enterprises.

- **Equipment**
  Equipment that has a value greater than $5,000, and a useful life of three years or more, such as vehicles, machinery, and other heavy equipment.

- **Services of Other Departments**
  Services performed for the SFPUC by other City departments.

- **Operating Transfers Out**
  On-going operating payments between Enterprise funds or other City departments.

Programmatic Projects
Programmatic projects are annual projects that will close out at the end of the fiscal year, and their costs do not result in a capitalized asset. They include facilities maintenance projects and special non-capital projects, which are cash-funded and may not result in a capitalized asset.
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The San Francisco Public Utilities Commission (SFPUC) is an Enterprise Department of the City and County of San Francisco (CCSF). The SFPUC provides essential service utilities: Water (both regional and local), Wastewater (local collection, treatment and disposal), and Power. The SFPUC supplies water to 2.6 million people in San Francisco and the San Francisco Bay Area. One-third of the water is supplied directly to retail customers primarily in San Francisco (including residential, industrial and commercial customers), and the remaining two-thirds is supplied to wholesale customers through a long-term Water Supply Agreement (WSA). Wastewater services are provided within the City and County of San Francisco (as well as to three neighboring districts, including the San Mateo Sanitation District, Bayshore Sanitary District, and the City of Brisbane). Power is supplied primarily to San Francisco City departments and their tenants, as well as the Turlock and Modesto Irrigation Districts.

**Mission, Vision, and Organization Chart**

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

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

The SFPUC is comprised of three Enterprises, Infrastructure, and the Bureaus. The three Enterprises are the Water Enterprise, Wastewater Enterprise, and the Power Enterprise, which is operated within Hetch Hetchy Water and Power. The Bureaus, comprised of the Office of the General Manager, Business Services, and External Affairs, provide critical support services and oversight to the Enterprises and Infrastructure. Business Services includes Administration, Assurance and Internal Controls, Customer Services, Financial Services and Asset Management, Human Resources, Information Technology Services, Fleet Management & Operations, and Records Management. External Affairs includes three Bureaus: Communications, Governmental Affairs, and Community Benefits.

SFPUC Strategic Sustainability Plan

The SFPUC developed a long-term Strategic Action Plan in FY 2008-09 and a Sustainability Plan in December 2008. In 2010, the SFPUC Management Team began to integrate these two plans. Full SFPUC implementation of the Strategic Sustainability Plan (SSP) began in March 2011.

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

The SSP, along with our reporting protocol, is a system for planning, managing and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of our business activities (commonly called the triple bottom line). The SSP focuses on a 12- to 18-month timeframe.

The SFPUC is committed to long-term and continuous improvement; measuring performance toward the strategic goals and objectives; and transparency in reporting to stakeholders. The SSP report is prepared annually and the information in the reports:

- Share a snapshot of what and how we are performing SFPUC-wide;
- Benchmark our strategic sustainability performance against ourselves and peers;
- Build our trending and foresight capacity; and
- Facilitate our longer-term SFPUC-wide strategic planning, management and decision-making.
FY 2011-12 Strategic Sustainability Performance Report

Best practice suggests that what is measured can be managed better. The FY 2011-12 report is the third annual assessment of SFPUC-wide performance on our SSP. Over this time, the SFPUC has continuously improved actions, data collection, and reporting across triple bottom line.

Following are brief descriptions of the components of our strategic sustainability framework.

Strategic Sustainability Goals

The SFPUC’s long-term strategic sustainability goals apply to all our strategic sustainability categories and objectives. They are:

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

Strategic Sustainability Categories

- **Customers:** Issues relating to customers, rates and service standards
- **Community:** Issues relating to the SFPUC’s relationship and involvement with the community
- **Environment & Natural Resources:** Issues relating to environmental impacts, and the use, protection, and health of natural resources
- **Governance & Management:** Issues relating to organizational planning, management, effectiveness, accountability and financial health
- **Infrastructure & Assets:** Issues relating to the management, reliability, and performance of assets and infrastructure
- **Workplace:** Issues relating to human resource management, labor relations, health and safety

These six categories underlie sustainability planning, provide a method to measure our performance in relations to our strategic goals, and incorporate the triple bottom line perspective for examining relevant SFPUC business issues (environmental, economic, and social).
Strategic Sustainability Objectives

The six sustainability categories provide a framework for our multiple objectives as each objective is associated with one of the six categories. Though intended to be relatively durable over time, we take lessons learned from the performance of previous years to refine and update our objectives.

Key Performance Indicators, Standards, and Best Practices

The SFPUC uses its key performance indicators (KPIs) to report on progress against associated sustainability categories and objectives.

Our Strategic Sustainability KPIs are sourced from relevant international, national, and local reporting, utility performance standards, and best practices. They are, for instance, consistent with the guidelines of the Global Reporting Initiative, the internationally recognized standard for sustainability reporting, with indicators advocated by the American Water Works Association and other water and power utilities, and with federal, state and local rules and regulations.

We regularly re-examine our KPIs to stay aligned with ongoing developments and internal applicability and utility. To the extent possible, KPIs are quantitative, directional, measurable, specific, and actionable. However, in cases where no rigorous quantitative measure is available, the SFPUC uses a qualitative KPI.

Using benchmarks, standards, and best practices enables straightforward evaluation of the SFPUC’s relative performance.

Strategic Sustainability Framework and FY 2011-12 Performance Results

The following Strategic Sustainability Framework includes the strategic sustainability goals, categories, and objectives.

A full report on the results of the FY 2011-12 SSP will be available in November 2012 at www.sfwater.org/sustainability. Appendix E provides a sampling of the FY 2011-12 Strategic Sustainability Performance Results.
Our Strategic Sustainability Plan is a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental and social impacts of our business activities. Our framework integrates these principles through long-term sustainability categories, goals, and objectives most material to the SFPUC.

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>ENVIRONMENT &amp; NATURAL RESOURCES</th>
<th>INFRASTRUCTURE</th>
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<tbody>
<tr>
<td>A. Foster customer satisfaction</td>
<td>H. Become a leader in environmental stewardship e.g. habitat, biodiversity &amp; land management</td>
<td>AA. Improve capital facilities through construction</td>
</tr>
<tr>
<td>B. Create and implement agreements to support potential SFPUC customers due to developments in San Francisco</td>
<td>I. Diversify high quality water sources &amp; advance water efficiency, conservation &amp; reuse</td>
<td>BB. Optimize maintenance for water, wastewater &amp; power assets</td>
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<td>C. Enhance meter reading technology &amp; billing accuracy</td>
<td>J. Reduce inflows to the sewer system &amp; ensure quality effluent</td>
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<tr>
<td>D. Align rate structure to reflect conservation, full costs of providing service &amp; affordability</td>
<td>K. Increase energy efficiency and conservation</td>
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<td></td>
<td>L. Advance high quality &amp; emissions-free power supply sources</td>
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<td></td>
<td>M. Address emissions contributing to climate change.</td>
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<td></td>
<td>N. Reduce SFPUC in-house environmental impacts</td>
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<tr>
<th>GOALS</th>
<th>COMMUNITY</th>
<th>GOVERNANCE &amp; MANAGEMENT</th>
<th>WORKPLACE</th>
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<tr>
<td>Provide high quality services / Engage our public &amp; invest in our communities / Promote a green and sustainable city / Invest in our people / Plan for the future</td>
<td>E. Promote environmental justice</td>
<td>O. Provide high quality service to all customers</td>
<td>CC. Advance positive employee relations through fair labor practices</td>
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<td></td>
<td>F. Advance Community Benefits Program</td>
<td>P. Ensure compliance with regulatory requirements</td>
<td>DD. Ensure employee health &amp; safety &amp; promote employee morale</td>
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<td></td>
<td>G. Foster engagement with current &amp; developing stakeholder groups</td>
<td>Q. Enhance partnerships with City Departments, Agencies, &amp; Raker Act entities</td>
<td>EE. Expand &amp; improve internal communication</td>
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<td>R. Drive accountability &amp; transparency</td>
<td>FF. Provide effective recruitment, orientation and mentoring support</td>
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<td>S. Strengthen financial performance</td>
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<td>T. Implement and improve supply chain and contracting procedures</td>
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<td></td>
<td>U. Optimize relevant technological innovations</td>
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<td>V. Optimize planning to meet water, wastewater &amp; power demand</td>
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<td>W. Advance strategic sustainability planning, management &amp; decision making</td>
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<td>X. Advance relevant public policy &amp; legislation</td>
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<td>Y. Develop and implement SFPUC-wide risk assessment and management</td>
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<td>Z. Advance security, emergency planning &amp; response</td>
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SFPUC Ten-Year Financial Plan and Ten-Year Capital Plan

Ten-Year Financial Plan

The SFPUC prepares a Ten-Year Financial Plan as part of the budget deliberations process as required by the City and County of San Francisco Charter Section 8B.123. This is a planning document used to inform the development of the Ten-Year Capital Plan, water, power and sewer utility rates, and to support the biennial budget development. The Plan includes a ten-year financial summary (FY 2012-13 through FY 2021-22) for each Enterprise, describing projected sources and uses, resulting fund balances and key financial ratios. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates are not viewed as precise predictions but rather as indications of expected trends given expenditure, revenue, and financing assumptions. These assumptions are based on current Board of Supervisors and Commission policies, goals, and objectives representing management’s best estimates at the time. This is not a budget, nor are funds appropriated based on the Plan.

Ten-Year Capital Plan

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

CALENDAR AND BUDGET PROCESS

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

Participants

- The Public is invited to all public meetings, notified in advance to ensure stakeholder awareness of any budget items.
- The SFPUC Commissioners hold publicly-noticed Budget Committee meetings, during business hours, that allow for public comment on the budget as presented by staff.
- The Capital Planning Committee (CPC) provides recommendations to the Mayor’s Office on City-wide priorities for capital and the level of investment needed to meet the priorities they identify.
- The Mayor prepares and submits a balanced budget to the Board of Supervisors on a biennial basis.
- The Board of Supervisors is the City’s legislative body and is responsible for amending and approving the Mayor’s proposed budget. The Board’s Budget and Legislative Analyst also participates in reviews of City spending and financial projections.
- The Controller is the City’s Chief Financial Officer and ensures the accuracy of the final budget.

Calendar and Process

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

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

Preparation

In October, the SFPUC Finance staff begins budget training for departments to assist them in planning, preparing, and updating during the mid-cycle, their two-year fixed budgets.

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1 “Significant increases or decreases in revenues or expenditures shall be defined as greater than five percent difference between the projected and adopted budget for operating or capital expenditures or revenues for the second year of the department’s biennial budget.” (Resolution 464-11)
Two categories of budgets are prepared:

- **SFPUC Enterprise and Bureau Operating Budgets**: Enterprise departments generate non-discretionary revenue primarily from charges for services that are used to support operations and revenue-funded capital.

- **Capital Budgets**: the biennial capital budget requests and Ten-Year Capital Plan proposals are submitted to the Capital Planning Committee (CPC) for review and inclusion in the City’s annual Ten-Year Capital Plan. The mid-cycle Capital Budget is submitted to the Mayor and Board of Supervisors for approval.

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

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

**Approval**

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

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

**Original Budget Amendments**: The City Charter requires that the Board of Supervisors vote on the budget twice between July 15 and August 1. The first reading occurs the first Tuesday after July 15, and amendments may be proposed. They 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 will be sent to the Mayor for final signature. If other amendments are proposed during the second reading, there is another second reading a week later. The Board of Supervisors must pass a final budget before the August 1 deadline.
The Mayor has ten days to approve the final budget, referred to as the Annual Appropriation Ordinance (AAO). The Mayor may sign the budget as approved by the Board, making it effective immediately. The Mayor may also veto any portion of the budget, whereupon it returns to the Board of Supervisors. The Board has ten days to override any or all of the Mayor’s vetoes with a two-thirds majority vote. In this case, upon the Board vote, the budget is immediately enacted, thus completing the budget process for the fiscal year. Should the Mayor opt not to sign the budget within the ten-day period, the budget is automatically enacted but without the Mayor’s signature of approval. Once the AAO is passed, it supersedes the Interim Budget.

**Implementation**

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

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

In FY 2010-11, the City adopted two-year budgets for the SFPUC and three other pilot departments (the Airport, the Port, and the Municipal Transportation Agency), in accordance with Proposition A passed in 2009. For the first time this year, the SFPUC and the other early-implementation departments have a fixed two-year budget for FY 2012-13 and FY 2013-14. The SFPUC will only amend the budget mid-cycle for FY 2013-14 if revenues or expenditures are five percent above or below projections. The SFPUC continues to transition to the new biennial budget. The process for mid-cycle review and, if necessary, supplemental budget adjustments for significant changes, is new and evolving.

Year One

<table>
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<th>Date</th>
<th>Activity</th>
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| October to November | • As-needed budget training for departments to assist them in preparing the Budget.  
                          • Update of capital program.                                      |
| November to December| • Capital Planning Program (CPP) staff review and analysis.               
                          • Operating and Capital budget requests due to Financial Services,    
                            including proposed re-organizations.                         
                          • Review and update financial policies.                            
                          • Departmental budget reviews with Financial Services.             
                          • General Manager Operating and Capital budgets review.           
                          • Ten-Year Financial Plan updates.                                  
                          • Ten-Year Capital Plan updates.                                    |
| January to February | • Commission budget workshops, deliberations, and proposed budget and plan adoptions.  
                          • Capital Planning Committee (CPC) reviews Ten-Year Draft Capital Plan.  
                          • Ten-Year Draft Capital Plan to CPC.                                 
                          • Five-Year Financial Plan, submitted to the Controller, Mayor, and Board of Supervisors.  
                          • Budget submittal to Mayor/Controller's Office.                    |
| March to April      | • CPC submits Ten-Year Proposed Capital Plan to Board of Supervisors.     
                          • Board of Supervisors reviews Ten-Year Proposed Capital Plan.       
                          • Rate Report to Commission.                                         |
| May to June         | • Mayor’s budget submittal to Board of Supervisors (Enterprise funds).   
                          • Board of Supervisors adoption of Ten-Year Capital Plan.            
                          • Board of Supervisors adoption of Five-Year Financial Plan.        
                          • Budget and Finance Committee Operating and Capital Budgets Review and Action.  |
| July to August      | • Final Budget adoption by Board of Supervisors.                         
                          • Mayor signs Adopted Budget.                                         |

Year 2, Mid-Cycle

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

**Year One & Year 2, Mid-Cycle**

- **October – November**
  - Budget Training
  - Capital Program Update

- **November – December**
  - Capital Planning Program Staff Review and Analysis
  - General Manager Capital & Operating Budget Review
  - Review and Update Financial Policies

- **January – February**
  - Ten-Year Draft Capital Plan to CPC
  - Supplemental Budget Adjustment Submittal

- **March – April**
  - Budget Submittal to Mayor/Controller’s Office
  - Rate Report to Commission
  - BOS Review Ten-Year Proposed Capital Plan
  - Five-Year Financial Plan
  - Controller’s Office Report to Mayor and BOS on Significant Changes

- **May**
  - Mayor Budget Submittal to Board of Supervisors
  - Board of Supervisors Adoption of Capital Plan
  - Budget and Finance Committee Operating & Capital Budget Review
  - Budget and Capital Finance Committee Operating & Capital Supplemental Budget Adjustments Review

- **July**
  - BOS Final Budget Adoption
  - Mayor Signs Adopted Budget
  - BOS and Mayor Approval of Supplemental Budget Adjustments.
BUDGETING BASIS
The City historically adopted annual budgets for all government funds on a budget basis relying on a current financial resources measurement focus and a modified accrual basis of accounting. Since the passage of Proposition A (2009), the SPFUC and other enterprises of the City have developed and adopted a two-year budget with two single-year spending plans, and have transitioned to a two-year fixed, biennial budget beginning with the FY 2012-13 and FY 2013-14 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 SPFUC normally liquidates the related liability rather than when the liability is first incurred, if earlier. Under the modified accrual basis of accounting method, Actuals in the Tables located throughout this Budget Book include spending authorized by carryforward appropriation; these are funds carried forward from the prior fiscal year to be expended in the subsequent fiscal year. Examples typically include capital project funds and certain debt service funds that adopt project-length budgets. The budget of the City is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year; (2) the estimated resources (inflows) available for appropriation; and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

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

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

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

FINANCIAL AUTHORITY AND POLICIES

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

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

Financial Authority

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

(a) Notwithstanding Charter section 4.112, the Public Utilities Commission shall have exclusive charge of the construction, management, supervision, maintenance, extension, expansion, operation, use and control of all water, clean water and energy supplies and utilities of the City as well as the real, personal and financial assets that are under the Commission’s jurisdiction or assigned to the Commission under Section 4.132.

(b) The Public Utilities Commission may enter into Joint Powers Agreements with other public entities in furtherance of the responsibilities of the Commission.

(c) Except to the extent otherwise provided in this Article, the Public Utilities Commission shall be subject to the provisions of Charter sections 4.100 et seq. generally applicable to boards and commissions of the City and County.

(d) The General Manager shall have the authority to organize and reorganize the department. The General Manager shall adopt rules and regulations governing all matters within the jurisdiction of the department subject to section 4.102 as applicable.

(e) Ownership or control of any public utility or any part thereof under the jurisdiction of the Public Utilities Commission may not be transferred or conveyed absent approval by the Public Utilities Commission and approval by a vote of the electors of the City at the election next ensuing not less than 90 days after the adoption of such ordinance, which shall not go into effect until ratified by a majority of the voters voting thereon. Voter approval shall not be required for sales or transfers of real property declared surplus to the needs of any utility by the Public Utilities Commission or to leases or permits for the use of utility real property approved by the Public Utilities Commission.

(Added November 2002)

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

(a) The Commission shall develop, periodically update and implement programs to achieve goals and objectives consistent with the following:

(1) Provide water and clean water services to San Francisco and water service to its wholesale customers while maintaining stewardship of the system by the City;

(2) Establish equitable rates sufficient to meet and maintain operation, maintenance and financial health of the system;

(3) Provide reliable water and clean water services and optimize the systems' ability to withstand disasters;

(4) Protect and manage lands and natural resources used by the Commission to provide utility services consistent with applicable laws in an environmentally sustainable manner. Operate hydroelectric generation facilities in a manner that causes no reasonably anticipated adverse impacts on water service and habitat;
(5) Develop and implement priority programs to increase and to monitor water conservation and efficiency system-wide;

(6) Utilize state-of-the-art innovative technologies where feasible and beneficial;

(7) Develop and implement a comprehensive set of environmental justice guidelines for use in connection with its operations and projects in the City;

(8) Create opportunities for meaningful community participation in development and implementation of the Commission's policies and programs; and

(9) Improve drinking water quality with a goal of exceeding applicable drinking water standards if feasible.

(Added November 2002)

Financial Policies

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

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

(a) The overall mission and goals of the department;

(b) The specific programs and activities conducted by the department to accomplish its mission and goals;

(c) The customer(s) or client(s) served by the department;

(d) The service outcome desired by the customer(s) or client(s) of the department's programs and activities;

(e) Strategic plans that guide each program or activity;

(f) Productivity goals that measure progress toward strategic plans;

(g) The total cost of carrying out each program or activity; and

(h) The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year.

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

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

(a) Planning and Reporting

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

(1) A long-term capital plan, covering projects during the next 10-year period; including cost estimates and schedules.

(2) A long-range financial plan, for a 10-year period, including estimates of operation and maintenance expenses, repair and replacement costs, debt costs and rate increase requirements.

(3) A Long-Term Strategic Plan, setting forth strategic goals and objectives and establishing performance standards as appropriate.
The long-term capital plan and long-range financial plan shall serve as a basis and supporting documentation for the Commission's capital budget, the issuance of revenue bonds, other forms of indebtedness and execution of governmental loans under this Charter.

(b) Citizens' Advisory Committee

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

(Added November 2002)

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

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

(b) The proposed biennial budget shall include:

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

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

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

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

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

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

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

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

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.

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.

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.

(Water and Clean Water [Wastewater] Revenue Bonds (SF Charter Sec. 8B.124.)

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

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

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

(a) Certification by an independent engineer retained by the Public Utilities Commission that:

(4) The projects to be financed by the bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and

(5) That estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.

(c) Certification by the San Francisco Planning Department that facilities under the jurisdiction of the Public Utilities Commission funded with such bonds will comply with applicable requirements of the California Environmental Quality Act.
Except as expressly provided in this Charter, all revenue bonds may be issued and sold in accordance with state law or any procedure provided for by ordinance of the Board of Supervisors.

(Added November 2002)

**RATES (SF CHARTER SEC. 8B.125.)**

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

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

(a) Establish rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures, (including, without limitation, increases necessary to pay for the retail water customers’ share of the debt service on bonds and operating expenses of any state financing authority such as the Regional Water System Financing Authority), and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice;

(1) Retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years;

(2) Set retail rates, fees and charges based on the cost of service;

(3) Conduct all studies mandated by applicable state and federal law to consider implementing connection fees for water and clean water facilities servicing new development;

(4) Conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws;

(5) Adopt annually a rolling five-year forecast of rates, fees and other charges; and

(6) Establish a Rate Fairness Board consisting of seven members: the City Administrator or his or her designee; the Controller or his or her designee; the Director of the Mayor’s Office of Public Finance or his or her designee; two residential City retail customers, consisting of one appointed by the Mayor and one by the Board of Supervisors; and two City retail business customers, consisting of a large business customer appointed by the Mayor and a small business customer appointed by the Board of Supervisors.

The Rate Fairness Board may:

i. Review the five-year rate forecast;

ii. Hold one or more public hearings on annual rate recommendations before the Public Utilities Commission adopts rates;

iii. Provide a report and recommendations to the Public Utilities Commission on the rate proposal; and

iv. In connection with periodic rate studies, submit to the Public Utilities Commission rate policy recommendations for the Commission’s

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2 See Appendix C for further information on the SFPUC Rates Policy.
consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

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

(Added November 2002)

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

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

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

DEBT MANAGEMENT POLICIES

REVENUE BONDS (SF CHARTER SEC. 9.107.)

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

(a) Approved by three-fourths of all the Board of Supervisors if the bonds are to finance buildings, fixtures or equipment which are deemed necessary by the Board of Supervisors to comply with an order of a duly constituted state or federal authority having jurisdiction over the subject matter;

(1) Approved by the Board of Supervisors prior to January 1, 1977;

(2) Approved by the Board of Supervisors if the bonds are to establish a fund for the purpose of financing or refinancing for acquisition, construction or rehabilitation of housing in the City and County;

(3) Authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues, or authorized and issued for any Airport-related purpose and secured solely by Airport revenues;

(4) Issued for the proposes of assisting private parties and not-for-profit entities in the financing and refinancing of the acquisition, construction, reconstruction or equipping of any improvement for industrial, manufacturing, research and development, commercial and energy uses or other facilities and activities incidental thereto, provided the bonds are not secured or payable from any monies of the City and County or its commissions.

(5) Issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors.

3 See Appendix D for further information on SFPUC Debt and Derivatives Policies, and Disclosure Requirements.
(6) Approved and authorized by the Board of Supervisors and secured solely by an assessment imposed by the City.

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

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

(Amended November 2001)

REFUNDING BONDS (SF CHARTER SEC. 9.109.)

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

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

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

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

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

(a) Certification by an independent engineer retained by the Public Utilities Commission that:

(1) the projects to be financed by the bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and

(2) that estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.

(b) Certification by the San Francisco Planning Department that facilities under the jurisdiction of the Public Utilities Commission funded with such bonds will comply with applicable requirements of the California Environmental Quality Act.

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

(Added November 2002)

Note: Proposition A, 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 in the City’s water system.
DEBT POLICY AND INDENTURE REQUIREMENTS

(a) Current SFPUC financing documents require that net revenues plus unappropriated fund balance equal 1.25 times annual debt services. On a current basis, without fund balance, the requirement is that the revenues equal a minimum of 1.00 times annual debt service. From time to time, utility user rates may have to be increased to comply with financing document covenants.

(b) To issue additional bonds, SFPUC financing documents require an independent certification that debt coverage of 1.25 will be maintained for three years after issuance of additional bonds.

The Commission and Board of Supervisors must approve any additional indebtedness.
Chart 1. Debt Management Approval Process

- General Manager identifies capital projects to fund with available debt.
- Three mechanisms are available to issue revenue bonds.
  - Existing Proposition Approved by Voters
  - New Ballot Proposition
  - Charter Authority §9.107.6

  - Proposition Reviewed by Capital Planning Committee
  - Proposition Approved in Commission Resolution
  - Proposition Approved by Board of Supervisors

- 30-Day Review Period
- Certification of Projects by Independent Engineer and Financial Consultant
- Financing Approved by Commission Resolution

- Reviewed by Capital Planning Committee
- Reviewed by Board of Supervisors Budget Analyst

- If bonds are approved by ordinance, a 30-day response period is required prior to issuance.
- Issuance of Revenue Bonds

- Presented to Revenue Bond Oversight Committee 30 Days Prior to Issuance

- If bonds are approved by ordinance, CEQA certification of projects by the Planning Department is also required.

- Voter approval is not required if bonds are used to reconstruct or replace existing water or power facilities.

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

The SFPUC has three Enterprises: the Water Enterprise, Wastewater Enterprise, and the Power Enterprise, which is a component unit of Hetch Hetchy Water and Power. These three Enterprises support the management, operations, facilities maintenance, and capital needs of the utility. The SFPUC also includes the Bureaus and Infrastructure, which provide support and oversight services to the Enterprises. The Bureaus’ budgets are funded through an allocation model that recovers costs of services to the Enterprises. Infrastructure’s budget is funded through capital projects.

The Water Enterprise
The Water Enterprise collects, transmits, treats, and distributes pure drinking water to approximately 2.6 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Enterprise delivered approximately 222.6 million gallons per day of water in FY 2011-12. Approximately two-thirds of the water delivered by the Enterprise is to wholesale customers. Retail customers include residential, commercial, industrial, and governmental uses, and the Enterprise recovers costs of service through user fees. Wholesale customers include other cities and, water districts, one private utility, and one nonprofit university. Services to these customers are provided pursuant to the 25-year Water Supply Agreement (WSA), dated on July 1, 2009, which established the basis for determining cost recovery and rates for associated wholesale water service.

The Wastewater Enterprise
The Wastewater Enterprise was created after San Francisco voters approved a proposition in 1976 authorizing the City to issue $240 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City’s municipal sewage treatment and disposal system. The Enterprise collects, transports, treats, and discharges sanitary and stormwater flows generated within the City for the protection of public health and the bay and ocean environment. In addition, the Enterprise provides services on a contractual basis to municipal customers located outside the City limits, including the North San Mateo County Sanitation District, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. The Enterprise serves 147,150 residential accounts which discharge to the sewers 18.3 million Ccf (i.e., 100 cubic feet) of sanitary flow per year; and 16,166 non-residential accounts, which discharge 8.6 million Ccf of sanitary flow to the sewers per year.

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

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

**Chart 2. FY 2011-12 to FY 2013-14 SFPUC Sources of Funds**

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>FY 2011-12</th>
<th>% of Total</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Water</td>
<td>$340.8</td>
<td>41.6%</td>
<td>$371.2</td>
<td>46.1%</td>
<td>$399.2</td>
<td>44.9%</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
<td>$230.8</td>
<td>28.2%</td>
<td>$234.1</td>
<td>29.1%</td>
<td>$245.8</td>
<td>27.6%</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>$103.5</td>
<td>12.6%</td>
<td>$104.0</td>
<td>12.9%</td>
<td>$110.9</td>
<td>12.5%</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>$30.7</td>
<td>3.7%</td>
<td>$31.2</td>
<td>3.9%</td>
<td>$31.1</td>
<td>3.5%</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>$27.4</td>
<td>3.3%</td>
<td>$29.2</td>
<td>3.6%</td>
<td>$31.7</td>
<td>3.6%</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>$21.2</td>
<td>2.6%</td>
<td>$20.8</td>
<td>2.6%</td>
<td>$54.5</td>
<td>6.1%</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>$11.9</td>
<td>1.4%</td>
<td>$11.4</td>
<td>1.4%</td>
<td>$12.1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$5.7</td>
<td>0.7%</td>
<td>$3.5</td>
<td>0.4%</td>
<td>$4.2</td>
<td>0.5%</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>$46.7</td>
<td>5.7%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$818.6</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$805.6</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$889.4</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**Summary**

FY 2012-13 projected revenues from Sale of Water, Sewer Service Charges, Sale of Electricity, Federal Interest Subsidy, Other Non-Operating Revenues, Fund Balance, Sale of Natural Gas & Steam, and Interest Income are budgeted at $805.6 million. This represents a $13.0 million, or 1.6 percent decrease from FY 2011-12. The net decrease is mainly due to the elimination of bond proceeds to reflect a change in strategy by having the capital program funded through a supplemental appropriation request rather than through the annual budget process.

FY 2013-14 projected revenues total $889.4 million, $83.8 million, or 10.4 percent increase from the previous fiscal year. The increase is due to increases in the revenue from Fund Balance, Sale of Water, Sewer Service Charges, Sale of Electricity, Other Non-Operating Revenues, Sale of Natural Gas and Steam, and Interest Income, offset by a slight decrease in Federal Interest Subsidy.
Chart 2 displays the FY 2011-12 to FY 2013-14 Sources of Funds by revenue category; and Table 5 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

**Sale of Water**

FY 2012-13 Water Sales revenues are budgeted at $371.2 million, a $30.5 million, or 8.9 percent increase from the FY 2011-12 budget. Water Enterprise revenues from water sales are budgeted at $369.6 million, less water costs of $35.1 million to Hetchy Water. The increase in water sales for the Water Enterprise is based on five-year retail rates adopted by the Commission in May 2009 for retail customers, including single-family and multiple-family residential and non-residential customers and for wholesale rate payers. Hetch Hetchy Water’s water sales revenues are budgeted at $36.7 million, of which $35.1 million is from the Water Enterprise and $1.6 million from water sales to Lawrence Livermore National Laboratory and the City of Groveland based on applicable rates and projected consumption.

FY 2013-14 Sale of Water revenues are budgeted at $399.2 million, a $27.9 million, or 7.5 percent increase from the FY 2012-13 budget. The increase represents the fifth year of the five-year adopted rates.

**Sewer Service Charges**

FY 2012-13 Sewer Service Charges are budgeted in the Wastewater Enterprise at $234.1 million, a $3.3 million, or 1.4 percent increase from the FY 2011-12 budget and are based on the sewer service retail rates adopted by the Commission in May 2009, including rates for single-family and multiple-family residential and non-residential customers.

In FY 2013-14 the revenues from Sewer Service Charges are budgeted at $245.8 million, $11.7 million, or 5.0 percent increase consistent with the five-year adopted rates.

**Sale of Electricity**

FY 2012-13 Sale of Electricity is budgeted at $104.0 million, a $0.5 million, or 0.5 percent increase from FY 2011-12. The increase in revenues includes $0.2 million from City departments based on the four-year approved general funds rates, offset mainly by a decrease in projected consumption by the San Francisco International Airport. The increase also includes $0.2 million from wholesale power customers and $0.1 million from retail power customers.

FY 2013-14 Sale of Electricity is budgeted at $110.9 million, an increase of $6.9 million, or 6.6 percent from the prior year. The increase primarily reflects the termination, on June 30, 2013, of the Airport Tenants Agreements that provided the airport tenants with a discount for electric costs and increases to reflect the second year of approved rates for General Fund departments and projected consumption.

**Federal Interest Subsidy**

The FY 2012-13 Federal Interest Subsidy related to Build America Bonds (BABs) financing is budgeted at $31.2 million, $0.6 million, or 1.9 percent, increase from FY 2011-12. The budget includes $26.0 million for the Water Enterprise and $4.3 million for the Wastewater Enterprise to reflect a revenue source under the American Recovery and Reinvestment Act (ARRA). Hetch Hetchy’s revenues include $0.9 million in Federal Interest Subsidy issued to promote Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs).

The FY 2013-14 Federal Interest Subsidy is budgeted at $31.1 million, $0.2 million, or 0.5 percent less to reflect Hetch Hetchy outstanding bonds that qualify under the subsidy program.
Other Non-Operating Revenues

FY 2012-13 Other Non-Operating Revenues are budgeted at $29.2 million, $1.8 million, or 6.7 percent more than the FY 2011-12 budget. The net change reflects an increase in the SFPU C Enterprises for reimbursements from Infrastructure for the SFPU C Enterprises’ share of the maintenance and financing costs for the SFPU C’s new headquarters. The increase is offset by a decrease in Hetch Hetchy for claims and other miscellaneous revenues.

FY 2013-14 revenues total $31.7 million, a $2.4 million, or 8.3 percent, increase from the prior year to reflect reimbursements from Infrastructure, for the SFPU C Enterprises’ share of the maintenance and financing costs for the SFPU C’s new headquarters, and increases in revenues from services provided to other City departments by the Wastewater Enterprise and Hetch Hetchy Water and Power.

Fund Balance

FY 2012-13 Fund Balance is budgeted at $20.8 million, a $0.4 million, or 2.0 percent decrease from FY 2011-12. The decrease is based on the projected difference between total sources and total uses. The net decrease in the Fund Balance includes an increase by the Water Enterprise offset by a decrease by Hetch Hetchy Water and Power to balance the FY 2012-13 operations and project budgets.

FY 2013-14 Fund Balance is budgeted at $54.5 million, an increase of $33.7 million over FY 2012-13. The increase in the Water Enterprise and Hetch Hetchy Water and Power supports debt service and the revenue-funded portion of the capital program approved through a supplemental appropriation request.

Sale of Natural Gas and Steam (Pass-through)

FY 2012-13 Sale of Natural Gas and Steam is budgeted at $11.4 million in Hetch Hetchy Power, a $0.4 million, or 3.6 percent reduction from the FY 2011-12 budget. The budget includes $10.4 million for natural gas and $1.0 million for steam, and is based on Pacific Gas & Electric (PG&E) and California Department of General Services (DGS) retail rates and historical usage. Hetch Hetchy Power is responsible for billing City Departments, and the revenues generated from natural gas and steam are a pass-through and do not impact the Hetch Hetchy Water and Power fund balance availability.

FY 2013-14 Sale of Natural Gas and Steam is budgeted at $12.1 million in Hetch Hetchy Power, a $0.7 million, or 6.0 percent increase from the FY 2012-13 budget. The increase reflects adjustments in natural gas rates and consumption.

Interest Income

FY 2012-13 Interest Income is budgeted at $3.5 million, a $2.1 million, or 37.5 percent, decrease from the FY 2011-12 budget and is based on interest rates in the County Investment Pool. The budget includes $1.3 million in Hetch Hetchy Water and Power, $1.2 million in the Water Enterprise, and $1.0 million in the Wastewater Enterprise. The decrease is based on interest rates and projected cash balances.

FY 2013-14 revenues from Interest Income is projected to be $4.2 million, $0.7 million, or 19.1 percent more than in FY 2012-13 as a result of higher projected cash balances. The budget includes $1.9 million in Hetch Hetchy Water and Power, $1.2 million in the Water Enterprise, and $1.1 million in the Wastewater Enterprise.

Proceeds from Debt

FY 2012-13 Proceeds from Debt, to support Water Enterprise, Wastewater Enterprise and Hetch Hetchy capital programs, are eliminated from the annual budget. This reflects a change in policy to appropriate funding for the capital program through a supplemental appropriation request rather than through the annual budget appropriation process. FY 2013-14 Proceeds from Debt remains at zero.
Uses of Funds

Chart 3. FY 2011-12 to FY 2013-14 SFPUC Uses of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>% of Total</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$212.9</td>
<td>26.0%</td>
<td>$232.0</td>
<td>28.8%</td>
<td>$274.7</td>
<td>30.9%</td>
</tr>
<tr>
<td>Personnel</td>
<td>$168.5</td>
<td>20.6%</td>
<td>$177.1</td>
<td>22.0%</td>
<td>$185.3</td>
<td>20.8%</td>
</tr>
<tr>
<td>Service Of Other Depts</td>
<td>$129.0</td>
<td>15.8%</td>
<td>$139.2</td>
<td>17.3%</td>
<td>$139.7</td>
<td>15.7%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>$99.1</td>
<td>12.1%</td>
<td>$103.8</td>
<td>12.9%</td>
<td>$100.0</td>
<td>11.2%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>$139.3</td>
<td>17.0%</td>
<td>$82.7</td>
<td>10.3%</td>
<td>$114.8</td>
<td>12.9%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>$21.9</td>
<td>2.7%</td>
<td>$36.7</td>
<td>4.6%</td>
<td>$37.8</td>
<td>4.3%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>$24.6</td>
<td>3.0%</td>
<td>$25.7</td>
<td>3.2%</td>
<td>$25.8</td>
<td>2.9%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>$13.4</td>
<td>1.6%</td>
<td>$4.5</td>
<td>0.6%</td>
<td>$8.1</td>
<td>0.9%</td>
</tr>
<tr>
<td>Equipment</td>
<td>$4.0</td>
<td>0.5%</td>
<td>$4.0</td>
<td>0.5%</td>
<td>$3.3</td>
<td>0.4%</td>
</tr>
<tr>
<td>Overhead</td>
<td>$5.8</td>
<td>0.7%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$818.6</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$805.6</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$889.4</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Summary

Total Uses of Funds for FY 2012-13 are $805.6 million. This is a $13.0 million, or 1.6 percent, decrease from FY 2011-12. Increases for Debt Service, Programmatic Projects, Services of Other Departments, Personnel, Non-Personnel Services, and Materials and Supplies, are offset by reductions in Capital/Revenue Reserve and General Reserve.

Total Uses of Funds for FY 2013-14 are $889.4 million. This is an $83.8 million, or 10.4 percent increase from FY 2012-13. Increases for Debt Service, Capital/Revenue Reserve, Personnel, General Reserve, Programmatic Projects, Services of Other Departments, and Materials and Supplies, are offset by reductions in Non-Personnel Services and Equipment.

Chart 3 displays the FY 2011-12 to FY 2013-14 Uses of Funds by expenditure category; and Table 5 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and the budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.
Debt Service

FY 2012-13 Debt Service is budgeted at $232.0 million, a $19.1 million, or 9.0 percent, increase from the FY 2011-12 budget. This budget is based on principal and interest payments on revenue bonds to finance the Water Enterprise and Wastewater Enterprise capital programs including the Water System Improvement Program (WSIP), the Sewer System Improvement Program (SSIP), Hetchy’s Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs) to fund solar photovoltaic projects and conservation aspects of the SFPUC’s new headquarters at 525 Golden Gate Avenue.

FY 2013-14 Debt Service is budgeted at $274.7 million, a $42.7 million, or 18.4 percent increase from the FY 2012-13 budget. The increase reflects scheduled payments for FY 2013-14 for all three Enterprises.

Personnel

FY 2012-13 Personnel is budgeted at $177.1 million, an $8.6 million, or 5.1 percent, increase from the FY 2011-12 budget. This budget funds labor and related benefits for SFPUC’s employees. The budget includes $121.9 million for salaries and $55.2 million for fringe benefits. The net change in salaries includes increases to fund annualization of partially funded FY 2011-12 positions, position substitutions, adjustments as required by the various labor agreements and new positions to support the SFGreasecycle Program, and the SSIP. The increase in mandatory fringe benefits reflects adjustments to salaries, and increases in retirement and health benefit rates.

FY 2013-14 Personnel is budgeted at $185.3 million, an $8.2 million, or 4.6 percent, increase from the FY 2012-13 budget. The budget includes $124.4 million for salaries and $60.9 million for fringe benefits. The increase reflects annualization of partially funded FY 2012-13 positions, and salary adjustments as required by the various labor agreements.

Services of Other Departments

FY 2012-13 Services of Other Departments is budgeted at $139.2 million, a $10.1 million, or 7.9 percent increase from the FY 2011-12 budget. This budget is based on services provided to the SFPUC by other City departments. The increase mainly reflects adjustments in services provided by the SFPUC Bureaus to the three Enterprises, services provided by the Department of Human Resources for workers’ compensation, and services provided by Light, Heat and Power for consumption of electricity.

FY 2013-14 Services of Other Departments is budgeted at $139.7 million, a $0.5 million, or 0.4 percent increase from the FY 2012-13 budget. The increase primarily reflects increases in administrative services provided to the three SFPUC Enterprises.

Non-Personnel Services

FY 2012-13 Non-Personnel Services are budgeted at $103.8 million, a $4.7 million, or 4.8 percent increase from the FY 2011-12 budget. This budget funds services required for the Enterprises. The budget also includes funds for the purchase of natural gas and steam for other City departments which is a pass-through and has no impact on Hetch Hetchy Water and Power expenditures. The net increase funds fisheries studies required for the relicensing of Don Pedro dam, a water transfer fee to Modesto Irrigation District (MID), services related to the Federal Energy Regulatory Commission (FERC) Interconnection Agreement, services to support power-related business and strategic assessment and energy data systems, offset by reductions in Water Enterprise’s toilet replacement program and equipment maintenance services.

FY 2013-14 Non-Personnel Services are budgeted at $100.0 million, a $3.8 million, or 3.7 percent reduction from the FY 2012-13 budget. The net reduction reflects elimination of one-time funding for Hetch Hetchy Water’s fisheries studies and services related to the Modesto Irrigation District water transfer fee. The reduction also includes rent savings resulting from the relocation to the new SFPUC headquarters at 525 Golden Gate.
**Capital/Revenue Reserve**

FY 2012-13 Capital/Revenue Reserve is budgeted at $82.7 million, a $56.6 million, or 40.6 percent decrease from the FY 2011-12 budget. The capital program was previously funded as part of the annual budget. Starting in FY 2012-13, the capital program is funded through the supplemental appropriation process. This budget funds the revenue portion of the capital program approved and funded through a supplemental appropriation.

FY 2013-14 Capital/Revenue Reserve is budgeted at $114.8 million, a $32.1 million, or 38.9 percent increase from FY 2012-13. The increase reflects the three Enterprises’ increase in revenue-funded capital.

**Programmatic Projects**

FY 2012-13 Programmatic Projects are budgeted at $36.7 million, a $14.7 million, or 67.1 percent increase from the FY 2011-12 budget. This budget supports annual programs including facilities maintenance for the SFPUC Enterprises. The increase includes $9.8 million to fund annual lease payments for the SFPUC’s new headquarters at 525 Golden Gate, $3.3 million to fund operational costs to comply with requirements set by Western Electricity Coordinating Council/North American Electric Reliability (WECC/NERC), and $1.6 million for Water Enterprise’s long-term monitoring and permit program.

FY 2013-14 Programmatic Projects are budgeted at $37.8 million, a $1.2 million, or 3.1 percent increase from FY 2012-13. The increase reflects planned lease payments for 525 Golden Gate, offset by a decrease to reflect one-time costs for the Western Electricity Coordination Council/North American Electric Reliability Corporation (WECC/NERC).

**Materials and Supplies**

FY 2012-13 Materials and Supplies are budgeted at $25.7 million, a $1.1 million, or 4.5 percent increase from the FY 2011-12 budget. This budget funds materials and supplies for the maintenance and operations of the Enterprises. The increases fund chemicals needed to meet regulatory requirements for the Water Enterprise, and projected fuel costs for Hetch Hetchy Water. The increases are offset by a reduction in equipment maintenance supplies for the Wastewater Enterprise.

FY 2013-14 Materials and Supplies are budgeted at $25.8 million, a $0.1 million, or 0.3 percent increase from FY 2012-13. The increase reflects higher costs for wastewater treatment chemicals.

**General Reserve**

The FY 2012-13 General Reserve budget is $4.5 million, an $8.9 million, or 66.5 percent reduction from the FY 2011-12 budget. The General Reserve is used to balance budgeted sources and uses, when budgeted revenues exceed budgeted expenditures. Use of these funds must be approved by the Mayor and Board of Supervisors (BOS). The net reduction includes an increase of $0.3 million to the sources of funds available to Hetch Hetchy Water and Power, offset by a $9.2 million reduction to sources of funds available to the Wastewater and Water Enterprises.

The FY 2013-14 the General Reserve budget is $8.1 million, a $3.6 million, or 79.9 percent increase from the FY 2012-13 budget. The change adjusts for the sources of funds available for the three SFPUC Enterprises.

**Equipment**

FY 2012-13 Equipment is budgeted at $4.0 million, the same amount as in the FY 2011-12 budget. Equipment is defined as a unit having a value greater than $5,000 and a useful life of three years or more, such as vehicles, machinery and heavy equipment.
FY 2013-14 Equipment is budgeted at $3.3 million, a $0.7 million, or 17.7 percent reduction from the FY 2012-13 budget. The reduction adjusts the budget for projected FY 2013-14 equipment needs for the Enterprises.

**Overhead**

The FY 2012-13 Overhead budget is eliminated. The budget reflects the SFPUC Enterprises’ share of City-wide overhead, or the County-wide Cost Allocation Plan (COWCAP). The budget is transferred to the SFPUC Bureaus’ budget to centralize funding for the three SFPUC Enterprises.

<table>
<thead>
<tr>
<th>Table 5. SFPUC Sources and Uses of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ Millions</strong></td>
</tr>
<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
</tr>
<tr>
<td>Sale of Water</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
</tr>
<tr>
<td>Sale of Electricity</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
</tr>
<tr>
<td>Fund Balance</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
</tr>
<tr>
<td>Interest Income</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
</tr>
<tr>
<td><strong>USES OF FUNDS</strong></td>
</tr>
<tr>
<td>Personnel</td>
</tr>
<tr>
<td>Overhead</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td>Debt Service</td>
</tr>
<tr>
<td>Service Of Other Depts</td>
</tr>
<tr>
<td>General Reserve</td>
</tr>
<tr>
<td><strong>Subtotal Expenditures</strong></td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
</tr>
<tr>
<td>Programmatic Projects</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
</tr>
</tbody>
</table>
The FY 2012-13 SFPUC budget totals $805.6 million, a $13.0 million, or 1.6 percent decrease from the FY 2011-12 approved budget of $818.6 million. The Water Enterprise budget is 48.0 percent, nearly half of the entire SFPUC budget. The decrease from prior year includes an increase of 3.7 percent for Water Enterprise, offset by reductions of 12.9 percent for Hetch Hetchy Water and Power and 0.2 percent for the Wastewater Enterprise.

Chart 4 and Chart 5 display the allocation of the total SFPUC adopted budget for FY 2012-13 and FY 2013-14 respectively, by Enterprise.

The FY 2013-14 SFPUC budget totals $889.4 million, $83.8 million, or 10.4 percent more than the FY 2012-13 approved budget of $805.6 million. The Water Enterprise budget is 50.2 percent, or half of the entire SFPUC budget. The increase from prior year includes an increase of 15.3 percent for Water Enterprise, 6.8 percent for Hetch Hetchy Water and Power and 5.2 percent for the Wastewater Enterprise.
Table 6. SFPUC Uses of Funds by Enterprise and Division

<table>
<thead>
<tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Administration</td>
<td>143.3</td>
<td>222.5</td>
<td>217.3</td>
<td>231.5</td>
<td>268.4</td>
<td>19.0</td>
<td>8.9%</td>
</tr>
<tr>
<td>City Distribution</td>
<td>36.4</td>
<td>34.5</td>
<td>35.9</td>
<td>34.9</td>
<td>36.0</td>
<td>0.4</td>
<td>1.3%</td>
</tr>
<tr>
<td>Water Quality</td>
<td>14.1</td>
<td>13.8</td>
<td>17.0</td>
<td>14.7</td>
<td>15.2</td>
<td>0.9</td>
<td>6.6%</td>
</tr>
<tr>
<td>Water Supply &amp; Treatment</td>
<td>39.8</td>
<td>42.3</td>
<td>43.0</td>
<td>47.4</td>
<td>48.1</td>
<td>5.1</td>
<td>12.1%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>8.1</td>
<td>10.1</td>
<td>10.2</td>
<td>10.3</td>
<td>10.7</td>
<td>0.3</td>
<td>2.6%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>5.5</td>
<td>8.8</td>
<td>11.1</td>
<td>8.1</td>
<td>8.3</td>
<td>(0.6)</td>
<td>(7.2%)</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>42.7</td>
<td>34.7</td>
<td>34.7</td>
<td>17.2</td>
<td>31.9</td>
<td>(17.5)</td>
<td>(50.4%)</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>4.8</td>
<td>12.2</td>
<td>12.2</td>
<td>20.4</td>
<td>22.2</td>
<td>8.2</td>
<td>66.8%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>16.5</td>
<td>4.3</td>
<td>1.3</td>
<td>2.4</td>
<td>5.4</td>
<td>(1.9)</td>
<td>(43.2%)</td>
</tr>
<tr>
<td>Total Water</td>
<td>311.3</td>
<td>373.1</td>
<td>382.6</td>
<td>387.0</td>
<td>446.2</td>
<td>13.9</td>
<td>3.7%</td>
</tr>
<tr>
<td>Administration</td>
<td>94.9</td>
<td>89.4</td>
<td>96.6</td>
<td>92.0</td>
<td>97.8</td>
<td>2.6</td>
<td>2.8%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>21.7</td>
<td>26.5</td>
<td>25.9</td>
<td>26.0</td>
<td>26.6</td>
<td>(0.5)</td>
<td>(1.8%)</td>
</tr>
<tr>
<td>Operations</td>
<td>34.1</td>
<td>35.6</td>
<td>36.7</td>
<td>35.6</td>
<td>36.3</td>
<td>0.1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Environmental Engineering</td>
<td>4.1</td>
<td>3.8</td>
<td>4.5</td>
<td>3.9</td>
<td>4.1</td>
<td>0.1</td>
<td>2.6%</td>
</tr>
<tr>
<td>Planning &amp; Regulation</td>
<td>3.2</td>
<td>5.9</td>
<td>4.9</td>
<td>7.4</td>
<td>7.3</td>
<td>1.5</td>
<td>25.0%</td>
</tr>
<tr>
<td>Collection Systems</td>
<td>29.3</td>
<td>30.1</td>
<td>31.6</td>
<td>31.1</td>
<td>31.5</td>
<td>1.0</td>
<td>3.3%</td>
</tr>
<tr>
<td>Wastewater Labs</td>
<td>3.6</td>
<td>4.1</td>
<td>4.7</td>
<td>4.3</td>
<td>4.5</td>
<td>0.2</td>
<td>5.9%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>14.6</td>
<td>33.9</td>
<td>33.9</td>
<td>33.0</td>
<td>37.0</td>
<td>(0.9)</td>
<td>(2.7%)</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>2.5</td>
<td>3.2</td>
<td>3.2</td>
<td>5.9</td>
<td>6.2</td>
<td>2.7</td>
<td>86.7%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>22.2</td>
<td>9.2</td>
<td>8.1</td>
<td>1.8</td>
<td>2.2</td>
<td>(7.4)</td>
<td>(80.9%)</td>
</tr>
<tr>
<td>Total Wastewater</td>
<td>230.3</td>
<td>241.6</td>
<td>247.3</td>
<td>242.0</td>
<td>253.4</td>
<td>(6.6)</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Power Administration</td>
<td>9.5</td>
<td>11.4</td>
<td>9.9</td>
<td>11.2</td>
<td>11.3</td>
<td>(0.2)</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Energy Services</td>
<td>27.5</td>
<td>44.5</td>
<td>30.7</td>
<td>45.8</td>
<td>45.9</td>
<td>1.3</td>
<td>2.8%</td>
</tr>
<tr>
<td>Long Range Planning</td>
<td>1.3</td>
<td>2.7</td>
<td>1.8</td>
<td>3.3</td>
<td>4.5</td>
<td>0.6</td>
<td>24.2%</td>
</tr>
<tr>
<td>Light, Heat and Power</td>
<td>13.5</td>
<td>17.6</td>
<td>13.2</td>
<td>17.4</td>
<td>18.0</td>
<td>(0.2)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Project Operations</td>
<td>43.7</td>
<td>50.5</td>
<td>50.7</td>
<td>56.8</td>
<td>54.3</td>
<td>6.3</td>
<td>12.5%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>75.3</td>
<td>70.7</td>
<td>70.7</td>
<td>52.5</td>
<td>45.9</td>
<td>(38.2)</td>
<td>(54.1%)</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>8.7</td>
<td>6.5</td>
<td>6.5</td>
<td>10.3</td>
<td>9.6</td>
<td>3.8</td>
<td>58.0%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td>0.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total Hetch Hetchy Water and Power</td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.8</td>
<td>(26.3)</td>
<td>(12.9%)</td>
</tr>
<tr>
<td>Total SFPUC</td>
<td>716.2</td>
<td>818.6</td>
<td>813.4</td>
<td>805.6</td>
<td>889.4</td>
<td>(13.0)</td>
<td>(1.6%)</td>
</tr>
</tbody>
</table>

From the FY 2011-12 adopted budget to FY 2012-13, the Water Enterprise budget increased by $13.9 million, or 3.7 percent including increases of $19.0 million in Administration, $8.2 million in Programmatic Projects, $5.1 million in Water Supply and Treatment, and $1.6 million in Water Quality, City Distribution, and Natural Resources, offset by reductions of $17.5 million in Capital/Revenue Reserve, $1.9 million in General Reserve and $0.6 million in Water Resources. The Wastewater Enterprise budget decreased by $0.6 million, or 0.2 percent including increases of $2.9 million in Planning and Regulation, Operations, Environmental Engineering, Collections Systems, and Wastewater Labs, $2.7 million in Programmatic Projects, and $2.6 million in Administration offset by reductions of $7.4 million in General Reserve, $0.9 million in Capital/Revenue Reserve and $0.5 million in Maintenance. Hetch Hetchy Water and Power Enterprise budget decreased by $26.3 million, or 12.9 percent including increases of $3.8 million in Programmatic Projects, $6.3 million in Project Operations and $2.2 million Energy Services, Long Range Planning and General Reserve offset by reductions of $38.2 million in Capital/Revenue Reserve, and $0.4 million in Power Administration and Light, Heat and Power.

From FY 2012-13 to FY 2013-14, the Water Enterprise budget increased by $59.2 million, or 15.3 percent including increases of $36.9 million in Administration, $14.7 million in Capital/Revenue Reserve, $3.0 million in General Reserve and $4.6 million in the remaining Water Enterprise divisions. The Wastewater Enterprise budget increased by $12.4 million, or 5.2 percent including increases of $5.8 million in Administration, $4.0 million in Capital/Revenue Reserve, $0.4 million in General Reserve, $0.3 million in Programmatic Projects and $1.9 million in the remaining Wastewater Enterprise divisions. Hetch Hetchy Water and Power’s budget increased by $12.2 million, or 6.8 percent including increases of $13.4 million in Capital/Revenue Reserve, $2.2 million in the remaining divisions and in General Reserve, offset by a decrease of $3.4 million in Project Operations and Programmatic Projects.

Table 6 shows the change between the SFPUCadopted budgets from FY 2011-12 to FY 2013-14 by Enterprise and Division.
Table 7. FY 2012-13 SFPUC Sources and Uses of Funds by Enterprise

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>Water</th>
<th>Wastewater</th>
<th>Hetch Hetchy Water &amp; Power</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources of Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Water</td>
<td>334.5</td>
<td>-</td>
<td>36.7</td>
<td>371.2</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>26.0</td>
<td>4.3</td>
<td>0.9</td>
<td>31.2</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
<td>-</td>
<td>234.1</td>
<td>-</td>
<td>234.1</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>-</td>
<td>-</td>
<td>104.0</td>
<td>104.0</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>-</td>
<td>-</td>
<td>11.4</td>
<td>11.4</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>3.8</td>
<td>-</td>
<td>17.0</td>
<td>20.8</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>21.5</td>
<td>1.6</td>
<td>6.2</td>
<td>29.2</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1.2</td>
<td>1.0</td>
<td>1.3</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>387.0</strong></td>
<td><strong>241.0</strong></td>
<td><strong>177.6</strong></td>
<td><strong>805.6</strong></td>
</tr>
</tbody>
</table>

| **Uses of Funds** |       |            |                            |       |
| Personnel        | 79.9  | 61.2       | 36.0                       | 177.1 |
| Non-Personnel Services | 15.5  | 14.9       | 73.4                       | 103.8 |
| Materials & Supplies | 13.6  | 9.3        | 2.8                        | 25.7  |
| Equipment        | 2.0   | 1.3        | 0.7                        | 4.0   |
| Debt Service     | 173.6 | 56.5       | 1.9                        | 232.0 |
| Services Of Other Depts | 62.3  | 57.1       | 19.8                       | 139.2 |
| General Reserve  | 2.4   | 1.8        | 0.3                        | 4.5   |
| **Sub-total Expenditures** | **349.4** | **202.1** | **134.8**                  | **686.3** |
| Capital/Revenue Reserve | 17.2  | 33.0       | 32.5                       | 82.7  |
| Programmatic Projects | 20.4  | 5.9        | 10.3                       | 36.7  |
| **Total Uses of Funds** | **387.0** | **241.0** | **177.6**                  | **805.6** |
Table 8. FY 2013-14 SFPUC Sources and Uses of Funds by Enterprise

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>Water</th>
<th>Wastewater</th>
<th>Hetch Hetchy Water &amp; Power</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources of Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Water</td>
<td>364.2</td>
<td>-</td>
<td>35.0</td>
<td>399.2</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>26.0</td>
<td>4.3</td>
<td>0.8</td>
<td>31.1</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
<td>-</td>
<td>245.8</td>
<td>-</td>
<td>245.8</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>-</td>
<td>-</td>
<td>110.9</td>
<td>110.9</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>-</td>
<td>-</td>
<td>12.1</td>
<td>12.1</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>31.9</td>
<td>-</td>
<td>22.6</td>
<td>54.5</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>22.8</td>
<td>2.2</td>
<td>6.6</td>
<td>31.7</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1.2</td>
<td>1.1</td>
<td>1.9</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>446.2</td>
<td>253.4</td>
<td>189.8</td>
<td>889.4</td>
</tr>
</tbody>
</table>

| **Uses of Funds** | | | | |
| Personnel | 83.6 | 64.1 | 37.6 | 185.3 |
| Non-Personnel Services | 15.3 | 14.7 | 70.0 | 100.0 |
| Materials & Supplies | 13.6 | 9.4 | 2.8 | 25.8 |
| Equipment | 2.0 | 0.7 | 0.6 | 3.3 |
| Debt Service | 210.0 | 61.7 | 3.0 | 274.7 |
| Services Of Other Depts | 62.3 | 57.5 | 19.9 | 139.7 |
| General Reserve | 5.4 | 2.2 | 0.5 | 8.1 |
| **Sub-total Expenditures** | 392.1 | 210.2 | 134.5 | 736.8 |
| Capital/Revenue Reserve | 31.9 | 37.0 | 45.9 | 114.8 |
| Programmatic Projects | 22.2 | 6.2 | 9.4 | 37.8 |
| **Total Uses of Funds** | 446.2 | 253.4 | 189.8 | 889.4 |

Tables 7 and 8 show a breakdown of Sources and Uses of Funds for FY 2012-13 and FY 2013-14 respectively by Enterprise. The largest use of funds is for Debt Service, reflecting the Capital programs for the Water and Wastewater Enterprises, followed by Personnel and Services of Other Departments for both of these Enterprises. Hetch Hetchy Water and Power’s largest use of funds is for Non-Personnel Services; the major source of funds being the Sale of Electricity and Sale of Natural Gas and Steam Pass-Through.
**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 found in the fund balance. Tables 9 and 10 show changes to fund balance for FY 2012-13 and FY 2013-14 respectively.

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Funds</td>
</tr>
<tr>
<td>Beginning Available Fund Balance, July 1, 2012</td>
<td>159.6</td>
</tr>
<tr>
<td>Sources</td>
<td></td>
</tr>
<tr>
<td>Sale of Water</td>
<td>371.2</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>31.2</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
<td>234.1</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>104.0</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>11.4</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>20.8</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>29.2</td>
</tr>
<tr>
<td>Interest Income</td>
<td>3.5</td>
</tr>
<tr>
<td>Total Sources</td>
<td>805.6</td>
</tr>
<tr>
<td>Uses</td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>438.4</td>
</tr>
<tr>
<td>Natural Gas &amp; Steam</td>
<td>11.4</td>
</tr>
<tr>
<td>Debt Service</td>
<td>232.0</td>
</tr>
<tr>
<td>General Reserve</td>
<td>4.5</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>82.7</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>36.7</td>
</tr>
<tr>
<td>Total Uses</td>
<td>805.6</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>-</td>
</tr>
<tr>
<td>Planned Unspent General Reserve</td>
<td>4.5</td>
</tr>
<tr>
<td>Ending Available Fund Balance, June 30, 2013</td>
<td>164.1</td>
</tr>
</tbody>
</table>
Table 10. FY 2013-14 SFPUC Beginning and Ending Available Fund Balance

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2013-14</th>
<th>Hetch Hetchy Water &amp; Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Funds</td>
<td>164.1</td>
<td>35.8</td>
</tr>
<tr>
<td>Wastewater</td>
<td>63.2</td>
<td></td>
</tr>
<tr>
<td>Water &amp; Power</td>
<td>65.1</td>
<td></td>
</tr>
</tbody>
</table>

**Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>All Funds</th>
<th>Water</th>
<th>Wastewater</th>
<th>Water &amp; Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Water</td>
<td>399.2</td>
<td>364.2</td>
<td>-</td>
<td>35.0</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>31.1</td>
<td>26.0</td>
<td>4.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Sewer Service Charges</td>
<td>245.8</td>
<td>-</td>
<td>245.8</td>
<td>-</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>110.9</td>
<td>-</td>
<td>-</td>
<td>110.9</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>12.1</td>
<td>-</td>
<td>-</td>
<td>12.1</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>54.5</td>
<td>31.9</td>
<td>-</td>
<td>22.6</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>31.7</td>
<td>22.8</td>
<td>2.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Interest Income</td>
<td>4.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>889.4</td>
<td>446.2</td>
<td>253.4</td>
<td>189.8</td>
</tr>
</tbody>
</table>

**Uses**

<table>
<thead>
<tr>
<th>Use</th>
<th>All Funds</th>
<th>Water</th>
<th>Wastewater</th>
<th>Water &amp; Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations and Maintenance</td>
<td>441.9</td>
<td>176.8</td>
<td>146.4</td>
<td>118.8</td>
</tr>
<tr>
<td>Natural Gas &amp; Steam</td>
<td>12.1</td>
<td>-</td>
<td>-</td>
<td>12.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>274.7</td>
<td>210.0</td>
<td>61.7</td>
<td>3.0</td>
</tr>
<tr>
<td>General Reserve</td>
<td>8.1</td>
<td>5.4</td>
<td>2.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>114.8</td>
<td>31.9</td>
<td>37.0</td>
<td>45.9</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>37.8</td>
<td>22.2</td>
<td>6.2</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>889.4</td>
<td>446.2</td>
<td>253.4</td>
<td>189.8</td>
</tr>
</tbody>
</table>

|                                | (0.0)     | (0.0) | -          | -             |
| Net Revenues                   |           |       |            |               |
| Planned Unspent General Reserve| 8.1       | 5.4   | 2.2        | 0.5           |

**Ending Available Fund Balance, June 30, 2014**

|                                | 172.2     | 41.2  | 65.3       | 65.6          |
Table 11. SFPUC Authorized and Funded Full-Time Equivalents (FTEs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>1,546.10</td>
<td>1,578.87</td>
<td>1,587.68</td>
<td>1,589.74</td>
<td>8.81</td>
<td>2.06</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>37.75</td>
<td>36.75</td>
<td>31.89</td>
<td>31.74</td>
<td>(4.86)</td>
<td>(0.15)</td>
</tr>
<tr>
<td>Subtotal Operating Budget-Funded</td>
<td>1,583.85</td>
<td>1,615.62</td>
<td>1,619.57</td>
<td>1,621.48</td>
<td>3.95</td>
<td>1.91</td>
</tr>
<tr>
<td>Project-Funded</td>
<td>216.67</td>
<td>223.27</td>
<td>236.50</td>
<td>236.50</td>
<td>13.23</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,800.52</td>
<td>1,838.89</td>
<td>1,856.07</td>
<td>1,857.98</td>
<td>17.18</td>
<td>1.91</td>
</tr>
<tr>
<td>Infrastructure Permanent Positions</td>
<td>384.77</td>
<td>382.00</td>
<td>369.00</td>
<td>369.00</td>
<td>(13.00)</td>
<td>-</td>
</tr>
<tr>
<td>Total SFPUC</td>
<td>2,185.29</td>
<td>2,220.89</td>
<td>2,225.07</td>
<td>2,226.98</td>
<td>4.18</td>
<td>1.91</td>
</tr>
</tbody>
</table>

Chart 6. SFPUC Operating and Project FTE Trend

As noted above in Table 11, FY 2012-13 full-time equivalent (FTE) operating budget, project-funded, and temporary positions (including attrition savings to adjust for an expected position vacancy rate during the fiscal year) for FY 2012-13 1,856.07, an increase of 17.18 FTEs from FY 2011-12 including increases of 8.81 FTEs in permanent positions and 13.23 FTEs in project-funded positions, offset by a 4.86 FTE decrease in temporary positions. Changes in permanent positions reflect annualization of partially funded FY 2011-12 positions for all SFPUC Enterprises and new positions to support the Wastewater Enterprise. The reduction in temporary positions reflects projected temporary position funding needed for FY 2012-13. The increase in project-funded positions reflects the reassignment of positions from Infrastructure to the Water Enterprise, Wastewater Enterprise and Hetchy Water and the annualization of one partially funded FY 2011-12 position. Infrastructure permanent positions are not included in the total, because Infrastructure’s personnel are all funded directly and indirectly through capital projects.

FY 2013-14 FTEs total 1,857.98, an increase of 1.91 FTEs from FY 2012-13 including increases to annualize partially-funded FY 2012-13 new positions and adjustments in attrition savings. Infrastructure’s position count is flat.

Table 11 provides a breakdown of positions by position type for FY 2010-11 to FY 2013-14 and Chart 6 illustrates the trend of operating and project-funded FTEs from FY 2010-11 to FY 2013-14.
In FY 2012-13 three unions represent the majority of authorized SFPUC positions: 37.2 percent represented by Local 21, Professional and Technical Engineering, 13.5 percent represented by Local 39, Stationary Engineers and, 12.7 percent represented by Local 790, Service Employees International Union (SEIU).

Chart 7 and Chart 8 shows the percentage of total SFPUC appropriated FTEs represented by various unions for FY 2012-13 and FY 2013-14 respectively.
In FY 2013-14 the number of authorized positions is relatively flat. Three unions continue to represent the majority of authorized SFPUC positions: 37.2 percent represented by Local 21, Professional and Technical Engineering, 13.5 percent represented by Local 39, Stationary Engineers and, 12.7 percent represented by Local 790 SEIU.

**Capital Expenditures Impact on Operating Budgets**

The SFPUC has implemented a major capital improvement program for the water system and has begun to implement a multi-billion dollar sewer capital program. The focus of these programs is service reliability, seismic upgrades, and replacement of aging infrastructure. These investments are essential for the reliable delivery of clean drinking water and the protection of public health and the environment, including the San Francisco Bay and Pacific Ocean. Due to the nature of water and sewer operations, which rely on personnel, chemicals and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets. In the next few years, some facilities may experience short-term increased operations cost as a result of integrating new or upgraded facilities into existing ones, while not interrupting service. In FY 2012-13 and FY 2013-14, the Programmatic Projects section of the Water Enterprise operating budget includes $3.2 million and $3.7 million respectively to fund monitoring of the implementation of mitigation and permit requirements for WSIP projects. Overall, however, future operating budgets are currently including a three percent operating expense growth assumption. As the SFPUC brings new capital assets on-line, the impact on future operating budgets will be further refined.
Mission, Roles, and Responsibilities

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

With 2.6 million people in the Bay Area relying on the water supplied by the Hetch Hetchy Regional Water System, we are the third largest municipal water agency in California. Our system delivers high quality drinking water from Hetch Hetchy Reservoir, situated in Yosemite National Park, 167 miles across the state to San Francisco and 26 wholesale water agencies in San Mateo, Alameda, and Santa Clara Counties. Our system is unique: the treated water delivered from high in the Sierra mountains is among the cleanest drinking water supplies in the nation requiring no filtration; and the physical system for delivering this water to the Bay Area is almost entirely gravity fed, requiring very little fossil fuel consumption.

The Hetch Hetchy Regional Water System draws approximately 85 percent of its water from the Upper Tuolumne River watershed. The remaining water supply is drawn from local surface waters in the Alameda Creek and Peninsula watersheds. This regional water system consists of over 280 miles of pipelines, sixty miles of tunnels, eleven reservoirs, five pump stations and three water treatment plants.

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

Map of Regional Water System
Budget Summary

Sources of Funds

Chart W1. FY 2011-12 to FY 2013-14 Water Enterprise Sources of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>% of Total</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Water</td>
<td>$308.6</td>
<td>82.7%</td>
<td>$334.5</td>
<td>86.4%</td>
<td>$364.2</td>
<td>81.6%</td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>26.0</td>
<td>7.0%</td>
<td>26.0</td>
<td>6.7%</td>
<td>26.0</td>
<td>5.8%</td>
</tr>
<tr>
<td>Proceeds from Bonds</td>
<td>19.4</td>
<td>5.2%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>17.3</td>
<td>4.6%</td>
<td>21.5</td>
<td>5.6%</td>
<td>22.8</td>
<td>5.1%</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>-</td>
<td>-</td>
<td>3.8</td>
<td>1.0%</td>
<td>31.9</td>
<td>7.2%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1.7</td>
<td>0.5%</td>
<td>1.2</td>
<td>0.3%</td>
<td>1.2</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>$373.1</td>
<td><strong>100.0%</strong></td>
<td>$387.0</td>
<td><strong>100.0%</strong></td>
<td>$446.2</td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Summary

As noted in Chart W1 and Table W1, total Enterprise estimated revenues are projected to be $387.0 million for FY 2012-13 and $446.2 million for FY 2013-14. The FY 2012-13 net increase of $13.9 million or 3.7 percent increase from the prior year mainly reflects the water rate increases as part of the approved five-year rates.

Chart W1 shows a breakdown of the FY 2012-13 and FY 2013-14 Sources of Funds by revenue category. Table W1 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2012-13 and FY 2011-12 and between FY 2013-14 and FY 2012-13.

Sale of Water

Water sales for FY 2012-13 are budgeted at $369.6 million including $334.5 million of direct sales shown here and $35.1 million of water transfer sales shown under Hetchy Water. Net water sales in FY 2012-13 are budgeted at $334.5 million, 86.4 percent of total sources and for FY 2013-14 at $364.2 million. Water sales reflect rates adopted by the SFPUC in May 2009 for retail customer classes, including single-family and multiple-family residential and non-residential customers, as well as projected wholesale customer revenues.
Federal Interest Subsidy

The FY 2012-13 budget for Federal Interest Subsidy is $26.0 million. The U.S. Treasury Department provides a direct subsidy equal to 35 percent of the interest payable for bonds issued as Build America Bonds per the American Recovery and Reinvestment Act (ARRA). A portion of the Water Enterprise outstanding bonds qualify under this subsidy program. FY 2013-14 also is budgeted $26.0 million.

Proceeds from Bonds

The elimination in bond proceeds to support the water Capital Improvement Program (CIP) reflects the change in strategy by having the capital program funded through a supplemental appropriation request rather than through the annual budget appropriation process.

Other Non-Operating Revenues

FY 2012-13 non-operating revenues total $21.5 million, 5.6 percent of total sources, including $10.3 million from property rentals; $3.9 million from reimbursements for the new SFPUC headquarter costs; $2.3 million for service installations; $2.0 million for late fees and liens; $1.2 million from Treasure Island utilities, $1.8 million in other miscellaneous services; and $1.2 million from interest income. The $4.2 million increase from the prior year is primarily due to the increase in Infrastructure’s reimbursements for their share of financing cost of the SFPUC headquarters which is apportioned to the Water Enterprise. The FY 2013-14 revenues are budgeted at $22.8 million; $1.3 million increase from FY 2012-13 resulting from Infrastructure’s reimbursements for the new SFPUC headquarters as apportioned to the Water Enterprise.

Fund Balance

Fund balance totaling $3.8 million is appropriated to support the Water Enterprise operating needs for FY 2012-13. In FY 2013-14, fund balance increased by $28.1 million to $31.9 million to fund the revenue portion of the capital program approved through a supplemental appropriation request.

Interest Income

Revenues from interest income for FY 2012-13 are budgeted at $1.2 million and are based on interest rates earned on deposits managed by the City Treasurer. The $0.5 million decrease from FY 2011-12 is due to continued low interest rates and lower projected cash balances. The FY 2013-14 budget is $1.2 million reflecting flat cash balances.
Uses of Funds

Chart W2. FY 2011-12 to FY 2013-14 Water Enterprise Uses of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>% of Total</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$157.3</td>
<td>42.2%</td>
<td>$173.6</td>
<td>44.9%</td>
<td>$210.0</td>
<td>47.1%</td>
</tr>
<tr>
<td>Personnel</td>
<td>76.8</td>
<td>20.6%</td>
<td>79.9</td>
<td>20.7%</td>
<td>83.6</td>
<td>18.7%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>54.8</td>
<td>14.7%</td>
<td>62.3</td>
<td>16.1%</td>
<td>62.3</td>
<td>14.0%</td>
</tr>
<tr>
<td>Capital/ Revenue Reserve</td>
<td>34.7</td>
<td>9.3%</td>
<td>17.2</td>
<td>4.4%</td>
<td>31.9</td>
<td>7.2%</td>
</tr>
<tr>
<td>Programmatic</td>
<td>12.2</td>
<td>3.3%</td>
<td>20.4</td>
<td>5.3%</td>
<td>22.2</td>
<td>5.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>16.6</td>
<td>4.4%</td>
<td>15.5</td>
<td>4.0%</td>
<td>15.3</td>
<td>3.4%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>12.5</td>
<td>3.3%</td>
<td>13.6</td>
<td>3.5%</td>
<td>13.6</td>
<td>3.1%</td>
</tr>
<tr>
<td>General Reserves</td>
<td>4.3</td>
<td>1.1%</td>
<td>2.4</td>
<td>0.6%</td>
<td>5.4</td>
<td>1.2%</td>
</tr>
<tr>
<td>Overhead</td>
<td>2.1</td>
<td>0.6%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>1.8</td>
<td>0.5%</td>
<td>2.0</td>
<td>0.5%</td>
<td>2.0</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Summary

The Enterprise estimated uses for FY 2012-13 total $387.0 million, see Chart W2 and Table W1. This is a $13.9 million or 3.7 percent increase from the prior year. The net increase is mainly due to the increase in debt service.

The FY 2013-14 budget totals $446.2 million, see Chart W2 and Table W1. This is a $59.2 million or 15.3 percent increase from the prior year mainly due to the increase in debt service and capital/revenue reserve.

Chart W2 also shows the breakdown of the FY 2013-14 Uses of Funds by expenditure category costs. Table W1 shows the FY 2011-12, FY 2012-13 and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2012-13 and FY 2011-12 as well as FY 2012-13 and FY 2013-14.
Debt Service

The FY 2012-13 Debt service is budgeted at $173.6 million based on principal and interest scheduled payments on revenue bonds to finance the Water System Improvement Program (WSIP). The budget increased $16.3 million or 10.4 percent from FY 2011-12.

The FY 2013-14 Debt service is budgeted at $210.0 million, a $36.4 million, or 21.0 percent increase from the prior year. The increase reflects the scheduled payments on the revenue bonds financing WSIP.

Personnel

The FY 2012-13 Personnel budget is $79.9 million comprised of $54.8 million for salaries and $25.1 million for fringe benefits. The net increase of $3.1 million or 4.0 percent from the FY 2011-12 budget reflects adjustments required under various labor agreements, and increases in retirement and health benefit costs.

The FY 2013-14 Personnel budget is $83.6 million comprised of $55.9 million for salaries and $27.7 million for fringe benefits. The net increase of $3.7 million or 4.6 percent from FY 2012-13 budget results from a $1.1 million increase in salaries for salary adjustments based on labor agreements and a $2.6 million for fringe benefits, primarily in retirement benefits.

Services of Other Departments

The FY 2012-13 Services of Other Departments budget is $62.3 million, an increase of $7.5 million or 13.7 percent over the FY 2011-12 approved budget. The net increase mainly reflects a $4.3 million increase in the cost of services provided by the SFPUC Bureaus and a $2.9 million increase based on projections for light, heat, and power services based on electricity consumption.

There is no change in the Services of Other Departments budget from FY 2012-13 to FY 2013-14.

Capital/Revenue Reserve

The FY 2012-13 Capital/Revenue Reserve is budgeted at $17.2 million and it funds the revenue portion of the capital program approved and funded through a supplemental appropriation. The capital program was previously funded as part of the annual budget. Beginning in FY 2012-13 the program is funded through the supplemental appropriation process.

The FY 2013-14 Capital/Revenue Reserve is budgeted at $31.9 million, a $14.7 million increase from the FY 2012-13 amount of $17.2 million. The increase reflects the Enterprise's forecast for FY 2013-14.

Programmatic Projects

The FY 2012-13 Programmatic Project budget mainly increased from $12.2 million in FY 2011-12 to $20.4 million. This $8.2 million increase is to fund Regional Water long-term monitoring and permit requirements associated with capital projects and their operations and to fund the Water Enterprise's share of the annual lease payments for the SFPUC's new headquarters at 525 Golden Gate.

The FY 2013-14 Programmatic Project budget increased from $20.4 million in FY 2012-13 to $22.2 million. This $1.8 million increase is to fund the Water Enterprise's share of the lease payments for the 525 Golden Gate Building, the new headquarters for the San Francisco Public Utilities Commission.
Non-Personnel Services

The FY 2012-13 Non-Personnel Services budget is $15.5 million, a $1.1 million or 6.6 percent decrease from the FY 2011-12 approved budget. The net decrease mainly reflects a reduction in the High Efficiency Toilet Replacement Program and maintenance of equipment.

The FY 2013-14 Non-Personnel Services budget is $15.3 million, a $0.2 million or 1.3 percent decrease from the FY 2012-13 approved budget. The net decrease reflects savings in rent resulting from the relocation to the new SFPUC office building, 525 Golden Gate Avenue.

Material and Supplies

The FY 2012-13 Materials and Supplies budget is $13.6 million based on projected spending levels. An increase of $1.1 million or 8.8 percent reflects an increase in costs for water treatment supplies and miscellaneous building and construction supplies.

There is no change in the Materials and Supplies budget from FY 2012-13 to FY 2013-14.

General Reserves

The FY 2012-13 General Reserves budget is $2.4 million. The General Reserve is used to balance budgeted sources and uses of funds, when budgeted revenues exceed budgeted expenditures.

The FY 2013-14 General Reserves budget is $5.4 million, an increase of $3.0 million, or 125 percent from the prior year.

Overhead

The FY 2012-13 and FY 2013-14 Overhead budget has been reallocated to the Bureaus to centralize the funding for City-wide overhead.

Equipment

The FY 2012-13 Equipment budget is $2.0 million, an increase of $0.2 million or 11.1 percent from the FY 2011-12 budget. The increase reflects the Enterprise’s vehicle replacement program for FY 2012-13.

There is no change in the Equipment budget from FY 2012-13 to FY 2013-14.
Table W1. Water Enterprise Sources and Uses of Funds

<table>
<thead>
<tr>
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<td></td>
<td>Audited Actual</td>
<td>Adopted Budget</td>
<td>Pre-Audit Actual</td>
<td>Adopted Budget</td>
<td>Adopted Budget</td>
<td>Amount %</td>
<td>Amount %</td>
</tr>
<tr>
<td>Sale of Water</td>
<td>302.8</td>
<td>339.3</td>
<td>344.3</td>
<td>369.6</td>
<td>397.5</td>
<td>30.3 8.9%</td>
<td>27.9 7.6%</td>
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<tr>
<td>Less Water Costs to Hetchy</td>
<td>(29.7)</td>
<td>(30.6)</td>
<td>(30.6)</td>
<td>(35.1)</td>
<td>(33.3)</td>
<td>(4.4) 14.5%</td>
<td>1.8 -5.0%</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>-</td>
<td>-</td>
<td>3.8</td>
<td>31.9</td>
<td>3.8</td>
<td>-</td>
<td>28.2 744.0%</td>
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<td>Federal Interest Subsidy</td>
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<td>26.0</td>
<td>26.0</td>
<td>0.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>19.6</td>
<td>17.3</td>
<td>18.3</td>
<td>21.5</td>
<td>22.8</td>
<td>4.1 23.8%</td>
<td>1.4 6.3%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0.9</td>
<td>1.7</td>
<td>0.5</td>
<td>1.2</td>
<td>1.2</td>
<td>(0.5) -27.5%</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Bonds</td>
<td>-</td>
<td>19.4</td>
<td>24.2</td>
<td>-</td>
<td>(19.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>311.3</td>
<td>373.1</td>
<td>382.6</td>
<td>387.0</td>
<td>446.2</td>
<td>13.9 3.7%</td>
<td>59.2 15.3%</td>
</tr>
<tr>
<td>Personnel</td>
<td>72.6</td>
<td>76.8</td>
<td>75.3</td>
<td>79.9</td>
<td>83.6</td>
<td>3.1 4.0%</td>
<td>3.6 4.5%</td>
</tr>
<tr>
<td>Overhead</td>
<td>-</td>
<td>2.1</td>
<td>2.1</td>
<td>-</td>
<td>(2.1) -100.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>14.3</td>
<td>16.6</td>
<td>23.9</td>
<td>15.5</td>
<td>15.3</td>
<td>(1.0) -6.3%</td>
<td>(0.3) -1.8%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>12.5</td>
<td>12.5</td>
<td>12.7</td>
<td>13.6</td>
<td>13.6</td>
<td>1.1 9.0%</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>0.8</td>
<td>1.8</td>
<td>3.9</td>
<td>2.0</td>
<td>2.0</td>
<td>0.2 10.0%</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>98.3</td>
<td>157.3</td>
<td>155.9</td>
<td>173.6</td>
<td>210.0</td>
<td>16.3 10.4%</td>
<td>36.3 20.9%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>48.9</td>
<td>54.8</td>
<td>60.6</td>
<td>62.3</td>
<td>62.3</td>
<td>7.5 13.6%</td>
<td>-</td>
</tr>
<tr>
<td>General Reserves</td>
<td>16.5</td>
<td>4.3</td>
<td>1.3</td>
<td>2.4</td>
<td>5.4</td>
<td>(1.8) -43.2%</td>
<td>3.0 123.4%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>42.7</td>
<td>34.7</td>
<td>34.7</td>
<td>17.2</td>
<td>31.9</td>
<td>(17.5) -50.4%</td>
<td>14.7 85.4%</td>
</tr>
<tr>
<td>Programmatic</td>
<td>4.8</td>
<td>12.2</td>
<td>12.2</td>
<td>20.4</td>
<td>22.2</td>
<td>8.2 66.8%</td>
<td>1.8 8.7%</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>311.3</td>
<td>373.1</td>
<td>382.6</td>
<td>387.0</td>
<td>446.2</td>
<td>13.9 3.7%</td>
<td>59.2 15.3%</td>
</tr>
</tbody>
</table>
Authorized and Funded Full-Time Equivalents (FTEs)

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>567.03</td>
<td>570.01</td>
<td>567.88</td>
<td>568.21</td>
<td>(2.13)</td>
<td>0.33</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>11.23</td>
<td>11.56</td>
<td>9.81</td>
<td>9.83</td>
<td>(1.75)</td>
<td>0.02</td>
</tr>
<tr>
<td>Subtotal Operating Budget-Funded</td>
<td>578.26</td>
<td>581.57</td>
<td>577.69</td>
<td>578.04</td>
<td>(3.88)</td>
<td>0.35</td>
</tr>
<tr>
<td>Project-Funded Positions</td>
<td>98.00</td>
<td>98.00</td>
<td>109.00</td>
<td>109.00</td>
<td>11.00</td>
<td>-</td>
</tr>
<tr>
<td>Total Positions</td>
<td>676.26</td>
<td>679.57</td>
<td>686.69</td>
<td>687.04</td>
<td>7.12</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Chart W3. Water Enterprise Operating and Project FTE Trend

Chart W3 shows the operating budget and project-funded positions four-year trend. The total FY 2013-14 position count compared to FY 2012-13 increasing by 0.35 FTEs as a result of adjustments to attrition savings.

As noted in Table W2 above, the total full-time equivalents (FTEs) operating budget, project funded, and temporary positions for FY 2012-13 is 686.69 FTEs, an increase of 7.12 FTEs from FY 2011-12. The net change reflects the reassignments of eleven position conversions from Infrastructure, offset by one position reassignment to Hetchy Power, a decrease in temporary positions and adjustments to salary savings. There is a slight increase in position count between FY 2012-13 and FY 2013-14.
Five-Year Approved Rates and Charges

Rates and Charges

San Francisco City Charter Rate Requirements

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

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

Rate Objectives

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

- **Conservation.** The rate structure should encourage customers to conserve water and to use water and sewer services in an environmentally sustainable manner.
- **Simplicity.** The rate structure should be easy to communicate to customers, and customers should be able to use their knowledge of the rate structure to reliably predict the amount of their water and sewer bill.
- **Stability.** The rate structure should provide a reliable revenue stream such that small changes in residential use patterns should not lead to large changes in revenues. Rate adjustments should be minimized year-to-year to avoid large changes.
- **Fairness.** The rate structure should ensure that all customer classes pay their fair share of costs. Cost of service is a basis for evaluating fairness.

Appendix C of this budget document provides more information about the SFPUC Rate Policy.

Monthly Service Charges

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

Table W3 below reflects water rates per Ccf units (where 1 Ccf or 100 cubic feet equals 748 gallons of water) approved by the Commission through FY 2013-14.

Table W3. Summary of Approved Retail Water Rates

<table>
<thead>
<tr>
<th>Cost Components</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Service Charge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/8 in</td>
<td>7.00</td>
<td>7.90</td>
<td>8.40</td>
</tr>
<tr>
<td>3/4 in</td>
<td>8.60</td>
<td>9.70</td>
<td>10.30</td>
</tr>
<tr>
<td>1 in</td>
<td>11.30</td>
<td>12.70</td>
<td>13.50</td>
</tr>
<tr>
<td>1-1/2 in</td>
<td>18.20</td>
<td>20.50</td>
<td>21.80</td>
</tr>
<tr>
<td>2 in</td>
<td>26.80</td>
<td>30.20</td>
<td>32.20</td>
</tr>
<tr>
<td>3 in</td>
<td>46.60</td>
<td>52.40</td>
<td>55.80</td>
</tr>
<tr>
<td>4 in</td>
<td>74.70</td>
<td>84.00</td>
<td>89.50</td>
</tr>
<tr>
<td>6 in</td>
<td>145.10</td>
<td>163.20</td>
<td>173.80</td>
</tr>
<tr>
<td>8 in</td>
<td>230.00</td>
<td>258.80</td>
<td>275.60</td>
</tr>
<tr>
<td>10 in</td>
<td>328.60</td>
<td>369.70</td>
<td>393.70</td>
</tr>
<tr>
<td>12 in</td>
<td>610.70</td>
<td>687.00</td>
<td>731.70</td>
</tr>
<tr>
<td>16 in</td>
<td>1,062.20</td>
<td>1,195.00</td>
<td>1,272.70</td>
</tr>
<tr>
<td>Single Family</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Family First 3 Ccf/Month</td>
<td>3.50</td>
<td>3.90</td>
<td>4.20</td>
</tr>
<tr>
<td>All Additional</td>
<td>4.60</td>
<td>5.20</td>
<td>5.50</td>
</tr>
<tr>
<td>Multiple Family</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple Family First 3 Ccf/Month</td>
<td>3.70</td>
<td>4.20</td>
<td>4.50</td>
</tr>
<tr>
<td>All Additional</td>
<td>4.90</td>
<td>5.50</td>
<td>5.90</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>4.52</td>
<td>5.10</td>
<td>5.40</td>
</tr>
</tbody>
</table>

Chart W4. Approved Retail Water Rate Trends
Revenue Sources

The Water Enterprise receives revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement. Interest income earned on the investment of available cash balances and other miscellaneous activities are additional sources of revenue. Chart W5 illustrates the proportion of revenues received from each source.

Chart W5. FY 2012-13 Water Enterprise Sources of Revenues, $390.1 Million (including Water transfers to Hetch Hetchy)

Revenue Sources
The Water Enterprise receives revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement. Interest income earned on the investment of available cash balances and other miscellaneous activities are additional sources of revenue. Chart W5 illustrates the proportion of revenues received from each source.

Retail Water Sales

In FY 2012-13, retail water sales are budgeted at $169.3 million, an increase of $10.2 million over FY 2011-12 actual. There are eight rate schedules applicable to retail water sales in San Francisco. Schedule W-1A is applicable to water sales to single-family residential customers. The rate consists of a monthly service charge based on meter size and a two-step commodity charge (see Chart W6). The first step or tier is applicable to the first 3 Ccf of use per month or 6 Ccf bimonthly. The second step or tier is applicable to all additional use. Schedule W-1B is applicable to multiple-family residential customers and consists of a monthly service charge based on meter size and a two-step commodity charge. Schedule W-1C is applicable to commercial, industrial, and other general uses. It includes a monthly service charge based on meter size and a uniform commodity charge. Schedule W-2 is applicable to private fire protection. Schedule W-3A is applicable to public uses and the charges for this rate are identical to Schedule W-1C. Schedule W-3B is an interruptible rate applicable to public buildings, parks and other uses that can be interrupted during water shortages and other emergencies. Schedule W-4 is applicable to shipping service where water is not provided through a regular service connection. Schedule W-5 is applicable to builders and contractors who receive service from a fire hydrant or other unmetered sources. There are additional seven rates applicable to retail
water sales outside San Francisco. One special use rate is available to customers who provide all facilities necessary to take non-potable water directly from storage reservoirs.

**Chart W6. FY 2012-13 Water Enterprise Two-Tier Residential Rate Structure**

![Chart showing two-tier residential rate structure](chart)

**City Retail Rates**

Most customers are billed under schedules W-1A Single-Family, W-1B Multi-Family or W-1C Commercial/Industrial. The schedules include monthly service charges based on meter size and commodity charges applicable to all water use. For FY 2012-13, the monthly service charges have a range based on meter sizes from a five-eighths inch diameter meter to a 16-inch diameter meter (See table W3). As noted in Table W3 and Chart W6, single-family residential customers pay a lower rate for the first 3 Ccf-monthly (or 6 Ccf bimonthly) and higher rate all additional water use. Approximately 50% of single-family residential use is billed in the first tier with the remaining 50% of use billed in the second tier.

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

Although single-family and multi-family residential customers have similar usage characteristics, the differences in the use falling in each tier requires that each class have its own rate in order to recover each class’s proportionate share of costs. This is consistent with Proposition 218 passed by voters in 1996 where property-related fees and charges may not exceed the cost required to provide the property-related service. Both rates provide a conservation incentive by increasing the customer’s bill with increasing water use. Both are simple to understand and provide revenue stability. Both promote affordability by charging a lower rate for the first 3 Ccf of use.

Non-residential customers pay a uniform volumetric rate as specified in Table W3. Because of the different usage characteristics exhibited by non-residential customers, particularly with respect to the quantity of water used, the SFPUC does not consider a tiered rate structure to be helpful in meeting conservation pricing goals noted in the
Charter. The alternative of developing customized rates for individual customers or small classes of customers is not feasible at this time. Such an option can be revisited in the future following installation of the new Automated Water Meters.

In addition to the general use rates, there are rates applicable to private fire service, Schedule W-2, to public uses (Schedules W-3A Uninterruptible and W-3B Interruptible) to docks and shipping (Schedule W-4) and to builders and contractors (Schedule W-5). Each of these schedules has monthly service charges that differ from those shown on Schedule W-1C, but all water is billed at the Schedule W-1C rate.

Suburban Retail Rates

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

Wholesale Water Sales

The Water Enterprise also provides wholesale water service to 27 wholesale customers, which consist of 24 municipalities and water districts, one private utility, one private non-profit university and one mutual water association. Wholesale customers are located in Alameda, Santa Clara and San Mateo counties. Total budgeted wholesale revenues in FY 2012-13 are $200.3 million, $20.6 million above FY 2011-12 pre-audit actuals.

The SFPUC and the wholesale customers implemented a new 25-year Water Supply Agreement (WSA) effective July 1, 2009 that changed the cost basis by which the wholesale rate is determined from a “utility basis” to a “cash basis”. Wholesale customers now 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, along with the repayment of previously constructed capital assets that were not otherwise fully depreciated.

The existing wholesale rate structure consists of a monthly service charge based on meter size and type and a uniform volume charge, see Table W4. The volume charge portion of the wholesale rate represents approximately 98% of total wholesale revenues received by the Water Enterprise. Consequently, estimating water sales is a key component in the rate setting process. Projected sales based on historical averages and demand studies have been used for calculating revenues under existing rates, allocating costs, and determining the required rate adjustment percentage. For FY 2012-13, there will be no change in the monthly service charges applicable to wholesale water sale; however, the volume charge increased 11.4% from $2.63/Ccf to $2.93/Ccf. The WSA requires the rate be calculated and set annually and include a “true-up” between prior-year revenues and expenses.
Table W4. FY 2012-13 Summary of Approved Wholesale Water Rates

<table>
<thead>
<tr>
<th>Monthly Service Charge</th>
<th>Disc/Compound Meters</th>
<th>Approved Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Crest Meters</td>
<td>Magnetic Meters</td>
</tr>
<tr>
<td>5/8 in</td>
<td>$11</td>
<td></td>
</tr>
<tr>
<td>3/4 in</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>1 in</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>1-1/2 in</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>2 in</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>3 in</td>
<td>158</td>
<td></td>
</tr>
<tr>
<td>4 in</td>
<td>318</td>
<td>$353</td>
</tr>
<tr>
<td>6 in</td>
<td>476</td>
<td>685</td>
</tr>
<tr>
<td>8 in</td>
<td>635</td>
<td>1,335</td>
</tr>
<tr>
<td>10 in</td>
<td>793</td>
<td>1,732</td>
</tr>
<tr>
<td>12 in</td>
<td>953</td>
<td>1,840</td>
</tr>
<tr>
<td>16 in</td>
<td>1,270</td>
<td>5,628</td>
</tr>
<tr>
<td>18 in</td>
<td></td>
<td>6,133</td>
</tr>
<tr>
<td>20 in</td>
<td></td>
<td>6,349</td>
</tr>
<tr>
<td>Ccf</td>
<td>2.93</td>
<td></td>
</tr>
</tbody>
</table>

**Interest Income**

The Water Enterprise earns interest income from the investment of available funds. Interest income on unrestricted cash assets may be used to meet any purpose of the Enterprise, whereas earnings associated with restricted assets come with spending restrictions. Interest income earned from the investment of monies in restricted funds such as bond reserves may only be used for the purpose of that fund and are not available to meet day-to-day operating expenses. In the FY 2012-13 budget, it is anticipated that investment income earned from unrestricted funds will be $4.0 million. This projection is based on an estimated yield on investments made by the City Treasurer and projected cash balances.

**Other Income**

The Water Enterprise derives additional income from rents and permit fees for secondary uses of its watershed lands and pipeline rights-of-way. The Water Enterprise has entered into long-term leases that allow portions of its Alameda and Peninsula watersheds to be used for golf courses and for land adjacent to our Sunol Headquarters to be mined for gravel. Typical uses of pipeline rights-of-way are parking and landscaping for adjoining properties. The income from these uses is projected to be $16.5 million in FY 2012-13 and represents about 4.2 percent of annual revenues. The Water Enterprise receives other income from custom work, reimbursements for service installations and meter relocations done at the customer’s request, miscellaneous service charges and other fees.

**Total Sources**

Estimates of revenues under existing rates are based on an analysis of the number of customers and the corresponding water volumes used by those customers. Chart W7 shows projected revenues with the approved rate increases through FY 2013-14 and projected rates from FY 2014-15 to FY 2016-17.
Chart W7. Water Enterprise Revenues by Source

Miscellaneous Fees and Charges

In addition to rates for water service, the Water Enterprise also imposes a variety of fees and charges related to the provision of water service (see Table W5). These fees and charges include new account fees, late payment penalties, service and meter relocation charges and so forth. The cost for each service has been reviewed and adjustments to miscellaneous fees and charges have been made in FY 2012-13. Table W5 provides a summary of miscellaneous service fees and charges.

Table W5. FY 2012-13 Miscellaneous Service Fees

<table>
<thead>
<tr>
<th>$ Service Fee</th>
<th>Current Charge as of 07/01/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late Payment Penalty</td>
<td>$3 plus 1/2% of outstanding balance</td>
</tr>
<tr>
<td>Return Check Charge</td>
<td>80</td>
</tr>
<tr>
<td>New Account Charge</td>
<td>33</td>
</tr>
<tr>
<td>48 Hour Notice</td>
<td>34</td>
</tr>
<tr>
<td>Service Shut-off</td>
<td>34</td>
</tr>
<tr>
<td>Service Turn-on</td>
<td>34</td>
</tr>
<tr>
<td>Lock Charge</td>
<td>14</td>
</tr>
<tr>
<td>Lien Fee</td>
<td>Set by Administrative Code</td>
</tr>
</tbody>
</table>

The Water Enterprise also charges for service and meter relocations and for changes in meter size made at the customer’s request. The customer is billed for a service and meter relocation or a meter change at the greater of actual cost or the average of costs incurred by the Water Enterprise performing similar service requests in the first nine months of the previous fiscal year. The costs included are labor, materials, paving and other costs.
Customers who violate water use restrictions may, after one written warning and in accordance with applicable laws, have their service limited by the installation of a flow restrictor on their service line. If a flow restrictor is installed, the customer will be billed for its installation as well as its removal, when warranted. The Water Enterprise currently charges $205 for installation or removal of a flow restriction on a 5/8 and 1-inch service lines and $295 on a 1 1/2 to 2-inch service line. The charge for service lines three inches and larger is based on actual cost.

Capacity Charges

The SFPUC imposes a capacity charge on any retail customer requesting a new connection to the water distribution system, or requiring additional capacity as a result of any addition, improvement, modification or change in use of an existing connection to the water distribution system. The capacity charge, as of July 1, 2012, is $1,160 per equivalent 5/8 inch meter. The capacity charge is adjusted on July 1 of each year by the annual change in the 20 City Average Construction Cost Index published by ENR Magazine. Capacity charge revenues are dependant upon economic growth and development and are used to support renewal and replacement projects as funds are available.

Expenditures

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

Operation and Maintenance Expenses

Operation and maintenance expenses include personnel costs, material and supplies, power and energy, and services of the other City Departments including SFPUC Bureaus. The cost of operating the water system in FY 2012-13 is projected at $171.3 million. The operation and maintenance expense forecast shown in this report does not include any incremental costs associated with WSIP projects. The forecast assumes there will be no changes in regulations or operating procedures that could impact operating expenses.

Debt Service & Lease Payments

Debt service includes principal and interest payments on revenue bonds used to finance system improvements, as well as lease financing costs, if and when applicable for projects such as the new 525 Golden Gate Headquarters. As of July 2012, the Water Enterprise had seventeen outstanding bond issues, as listed in Table W6.
Table W6. Outstanding Water Enterprise – All Revenue Bonds & Lease Financing

<table>
<thead>
<tr>
<th>$ Thousands Series</th>
<th>Original Par</th>
<th>Outstanding Par: 06-30-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991 A</td>
<td>$ 70,145</td>
<td>$ 7,100</td>
</tr>
<tr>
<td>2001 A</td>
<td>140,000</td>
<td>-</td>
</tr>
<tr>
<td>2002 A</td>
<td>164,000</td>
<td>3,785</td>
</tr>
<tr>
<td>2002 B Refunding</td>
<td>85,260</td>
<td>31,425</td>
</tr>
<tr>
<td>2006 A</td>
<td>507,815</td>
<td>470,310</td>
</tr>
<tr>
<td>2006 B Refunding</td>
<td>110,065</td>
<td>94,335</td>
</tr>
<tr>
<td>2006 C Refunding</td>
<td>48,730</td>
<td>36,125</td>
</tr>
<tr>
<td>2009 A</td>
<td>412,000</td>
<td>405,540</td>
</tr>
<tr>
<td>2009 B</td>
<td>412,000</td>
<td>405,390</td>
</tr>
<tr>
<td>2010 AB</td>
<td>474,665</td>
<td>472,875</td>
</tr>
<tr>
<td>2010 C</td>
<td>14,040</td>
<td>14,040</td>
</tr>
<tr>
<td>2010 D New Money</td>
<td>71,360</td>
<td>71,360</td>
</tr>
<tr>
<td>2010 D Refunding</td>
<td>31,365</td>
<td>31,365</td>
</tr>
<tr>
<td>2010 E New Money</td>
<td>344,200</td>
<td>344,200</td>
</tr>
<tr>
<td>2010 F</td>
<td>180,960</td>
<td>180,960</td>
</tr>
<tr>
<td>2010 G</td>
<td>351,470</td>
<td>351,470</td>
</tr>
<tr>
<td>2011A</td>
<td>602,715</td>
<td>602,715</td>
</tr>
<tr>
<td>2011B</td>
<td>28,975</td>
<td>28,975</td>
</tr>
<tr>
<td>2011C</td>
<td>33,595</td>
<td>33,595</td>
</tr>
<tr>
<td>2011D Refunding</td>
<td>55,465</td>
<td>55,465</td>
</tr>
<tr>
<td>2012A</td>
<td>591,610</td>
<td>591,610</td>
</tr>
<tr>
<td>2012B</td>
<td>16,520</td>
<td>16,520</td>
</tr>
<tr>
<td>2012C Refunding</td>
<td>93,750</td>
<td>93,750</td>
</tr>
<tr>
<td>525 Golden Gate COPs*</td>
<td>119,716</td>
<td>119,716</td>
</tr>
<tr>
<td><strong>Total Outstanding</strong></td>
<td><strong>$ 4,462,626</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Amount shown represents Water Enterprise portion of debt.

In November 2002, San Francisco voters authorized the SFPUC to issue up to $1.628 billion of water revenue bonds to fund the Water System Improvement Program (WSIP) under Proposition A. At the same time, voters granted the SFPUC the authority to finance capital improvements through revenue bonds or other financing methods consistent with the powers of other major public utilities in California under Proposition E. Four series of water revenue bonds have been issued to date against the Proposition A authorization: $507.8 million 2006 Series A; $412.0 million 2009 Series A; $412.0 million 2009 Series B; and $16.5 million 2012 Series B. As of June 30, 2012, the Board of Supervisors had authorized the issuance of up to $3,260,531,157 in water revenue bonds under Proposition E, with $474.7 million 2010 Series 2010 AB, $446.9 million Series 2010 DE, $532.4 million 2010 Series FG, $665.3 million 2011 Series ABC and $591.6 million 2012 Series A issued against this authorization. In August 2012, another $24,040,000 was issued to refund a portion of Series 202B. Annual debt service payments, net of capitalized interest expense and Build America Bonds Subsidies, are expected to increase from $145.5 million in FY 2012-13 to $180 million in FY 2013-14, and to $240.2 million in FY 2014-15, along with an assumption of three years of capitalized interest cost, adjusted for placed-in-service dates as necessary, during capital project construction.

Future debt service cost projections assume the issuance of new debt to fund WSIP projects through project construction and completion. Table W7 sets forth the previously issued debt for the WSIP and a projected debt financing schedule for the WSIP for FY 2012-13 through FY 2014-15, based on the WSIP June 2011 Approved Budget. The Water Enterprise issued $3.9 billion from FY 2002-03 to FY 2011-12 and expects to issue $0 in FY 2012-13. In addition, during FY 2009-10 and FY 2010-11, $56.95 million in water revenue bonds were issued for the Advanced Metering Infrastructure (AMI) project and
$45.41 million were issued to refund a portion of the Series 2001A and 2002A Bonds. Of the $1.4 billion issued in FY 2011-12, $1.2 billion was issued for the WSIP, $29.0 million for Hetch Hetchy water projects, $33.6 million for local water main projects, $149 million for refunding and $16.5 million to reimburse the SFPUC for litigation costs. The repayment of principal and interest on these future debt issues has been incorporated into the Commission’s approved rates through FY 2013-14 as well as projected rates through FY 2021-22.

Table W7. Historical and Projected Bond Issuance Schedule for WSIP

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Bond Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03 - 2008-09</td>
<td>$507,815</td>
</tr>
<tr>
<td>2009-10</td>
<td>1,241,720</td>
</tr>
<tr>
<td>2010-11</td>
<td>947,990</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,202,715</td>
</tr>
<tr>
<td>2012-13*</td>
<td>-</td>
</tr>
<tr>
<td>2013-14*</td>
<td>553,220</td>
</tr>
<tr>
<td>2014-15*</td>
<td>132,096</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,585,556</strong></td>
</tr>
</tbody>
</table>

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

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. In recent years, the Water Enterprise has budgeted approximately $29 million a year for these types of projects. The projected funding averages $57.4 million per year over the next ten years, see Table W12.

Summary of Projected Expenses

Chart W8. Water Enterprise Projected Expenses

Chart W8 shows projected Enterprise expenses for FY 2012-13 through FY 2016-17. Debt Service and Operations and Maintenance Cost are the major expenses with Debt Service overtaking O&M by 2015. Operation and maintenance expense is projected to remain flat through FY 2013-14 with subsequent years’ forecast to increase at an annual rate of three
percent, i.e. estimated inflation. Debt Service is financing the multi-billion dollar WSIP in order to ensure service reliability, provide essential seismic upgrades, and repair and replace infrastructure which is beyond its useful life. These investments are essential for the reliable delivery of clean drinking water and the protection of public health. Due to the nature of water operations, which rely on personnel, chemicals and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets. In the next few years, at some facilities there may be a short-term increased operations cost as a result of integrating new or upgraded facilities into existing ones, while not interrupting service. As the SFPUC brings new capital assets on-line, the impact on future operating budgets will be further refined.

**Revenue Requirement**

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

To develop the projected retail cost responsibility, the projected suburban revenue requirement and other operating and non-operating revenues are deducted from total expenditures. The wholesale revenue requirement represents the wholesale water customers’ proportionate share of operation and maintenance expense, debt service, and annual appropriations for revenue-funded capital improvements. The wholesale revenue requirement has been calculated based on projected expenditures and in accordance with the adopted Water Supply Agreement. Finally, the application of available fund balance, if any, is deducted from the retail revenue requirement. The available fund balance, if adequate, can be used to offset any funding shortfall assigned to retail customers in lieu of raising rates.

**Water Enterprise Capital Improvement Program (CIP)**

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

<table>
<thead>
<tr>
<th>Regional Water System</th>
<th>In-City Distribution System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipelines</td>
<td>280 miles</td>
</tr>
<tr>
<td>Tunnels</td>
<td>60 miles</td>
</tr>
<tr>
<td>Pump Stations</td>
<td>5</td>
</tr>
<tr>
<td>Reservoir and/or Water Tanks</td>
<td>11</td>
</tr>
<tr>
<td>Treatment Plants</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>12 reservoirs/9 water tanks</td>
</tr>
</tbody>
</table>

The Water Distribution System consists of three Regional Water Systems: the Hetch Hetchy System; the Alameda System; and the Peninsula System and the Local Water distribution which includes an In-City Distribution System.

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

- **Alameda System:** The “Alameda System” 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.

- **Peninsula System:** The “Peninsula System” includes conveyance facilities connecting the Bay Division Pipelines to the In-City Distribution System and to other SFPUC customers on the Peninsula. Two reservoirs, Crystal Springs and San Andreas, collect runoff from the San Mateo Creek watershed. Water from Pilarcitos Reservoir, on Pilarcitos Creek, serves one of the Wholesale Customers, the Coastside County Water District, directly and can also deliver water to Crystal Springs and San Andreas Reservoirs.

- **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.

Table W8 below shows the Water Enterprise’s CIP for FY 2011-12, FY 2012-13 and FY 2013-14 by major programs.

**Table W8. Water Enterprise CIP by Major Program**

<table>
<thead>
<tr>
<th>Program/Project</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Treatment Program</td>
<td>$8.5</td>
<td>$3.5</td>
<td>$4.8</td>
</tr>
<tr>
<td>Water Transmission Program</td>
<td>2.4</td>
<td>6.0</td>
<td>11.9</td>
</tr>
<tr>
<td>Water Supply &amp; Storage Program</td>
<td>0.5</td>
<td>0.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Watersheds &amp; Land Management</td>
<td>4.9</td>
<td>7.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Communication &amp; Monitoring Program</td>
<td>0.0</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Buildings &amp; Grounds Programs</td>
<td>0.0</td>
<td>8.3</td>
<td>22.3</td>
</tr>
<tr>
<td><strong>Total Regional</strong></td>
<td><strong>16.3</strong></td>
<td><strong>25.7</strong></td>
<td><strong>49.1</strong></td>
</tr>
<tr>
<td><strong>Local Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Conveyance/Distribution System</td>
<td>24.2</td>
<td>24.6</td>
<td>44.2</td>
</tr>
<tr>
<td>Buildings &amp; Grounds Improvements</td>
<td>0.0</td>
<td>3.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Recycled Water Projects</td>
<td>0.0</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Treasure Island Capital Upgrades</td>
<td>6.5</td>
<td>0.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total Local</strong></td>
<td><strong>30.7</strong></td>
<td><strong>28.2</strong></td>
<td><strong>48.6</strong></td>
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<tr>
<td>Auxiliary Water System</td>
<td>8.4</td>
<td>38.0</td>
<td>29.3</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>0.0</td>
<td>6.1</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>55.4</strong></td>
<td><strong>98.0</strong></td>
<td><strong>140.3</strong></td>
</tr>
<tr>
<td><strong>Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>31.7</td>
<td>36.8</td>
<td>79.1</td>
</tr>
<tr>
<td>Water Enterprise Revenue</td>
<td>15.3</td>
<td>17.2</td>
<td>31.9</td>
</tr>
<tr>
<td>BAB Interest Income</td>
<td>0.0</td>
<td>6.0</td>
<td>0.0</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>8.4</td>
<td>38.0</td>
<td>29.3</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>55.4</strong></td>
<td><strong>98.0</strong></td>
<td><strong>140.3</strong></td>
</tr>
</tbody>
</table>
The SFPUC Capital Budget was approved through supplemental appropriation due to the size of the request and the need for additional review by governing agencies. The appropriation covered both FY 2012-13 and FY 2013-14 in the amount of $238.3 million for projects, financing costs and the Auxiliary Water Supply System (AWSS), a high-pressure water distribution system for firefighting.

FY 2012-13

The FY 2012-13 Water Enterprise CIP of $98.0 million, which includes the AWSS, increased $42.6 million from the FY 2011-12 approved CIP of $55.4 million. In FY 2013-14 the annual CIP will be $140.3 million, an increase of $42.3 million over FY 2012-13.

Major projects in the Water Enterprise FY 2012-13 CIP include:

- $3.5 million for Water Treatment Program including minor upgrades to the Tesla Ultra Violet (UV) Treatment Facility and improvements to the Sunol Valley Water Treatment Plant (SVWTP) and Harry Tracy Water Treatment Plant (HTWTP).
- $6.0 million for the Water Transmission Program including pipeline inspections, seismic monitoring, vault upgrades, metering upgrades, pump station upgrades and corrosion control protection projects. This also funds for installation of a renewable hydroelectric turbine and a fire suppression system for the Town of Sunol.
- $0.4 million for Water Supply & Storage Program supporting additional geotechnical monitoring at various dam locations.
- $7.0 million for Watersheds & Land Management which supports capital projects that improve and/or protect the water quality and/or ecological resources impacted by the operations of the SFPUC water system. Projects may include the repair, replacement and maintenance of roads, fences, or trails and the acquisition of easements or properties to meet these purposes.
- $0.5 million for Communication & Monitoring Program including development of a communication system that would link the SFPUC Regional water system from the Hetch Hetchy Dam in Yosemite to other PUC sites (San Francisco, San Mateo, Santa Clara and Alameda counties).
- $8.3 million for Buildings & Grounds Programs for the Sunol and Millbrae Yards including replacement structures for maintenance shops and equipment storage, new fueling center and administration building, re-surfacing of yard, and demolition of dilapidated structures.
- $24.6 million for Local Water Conveyance and Distribution projects to install, replace and renew pipelines and service connections for the drinking water distribution system in San Francisco. FY 2012-13 budget provides for replacement or renewal of 6 miles of pipe in 2013.
- $3.1 million for Local Buildings & Grounds will fund capital improvements at all City Distribution Division (CDD) non-operational facilities and structures including replacing the current fueling station, yard improvements and a comprehensive arc flash and electrical hazard study of the electrical distribution systems at all CDD facilities.
- $0.5 million for Other Recycled Water Projects including pipeline construction, recycled water expansion projects, and irrigation upgrades and needs to the Presidio-Marina, Daly City, Menlo Country Club, and South San Francisco.
- $38.0 million for the Auxiliary Water Supply System which is now included in the SFPUC Ten Year Capital Plan funded through the General Obligation Bonds. The AWSS project includes retrofits, improvements, or replacement existing firefighting pipes and tunnel; construct new or retrofit existing cisterns; and improve and seismically upgrade two pump stations, two storage tanks, and the primary reservoir.
FY 2013-14

The Water Enterprise FY 2013-14 Capital Budget totals $140.3 million: $19.9 million for Regional Water Treatment, Transmission, and Supply & Storage Program projects, $6.4 million for Watershed/Rights-of-Way Management, $0.5 million for Communication and Monitoring Programs and $22.3 million for upgrades to the Sunol and Millbrae Yards.

The Local Water budget includes $44.2 million for water main replacements, $0.5 million for buildings and grounds improvements, $0.9 million for recycled water projects and $3.0 million for repairs to the water pumps, reservoirs and water lines on Treasure Island.

Included in the FY 2013-14 budget is $29.3 million for the AWSS and $13.3 million for financing costs.

Water Programmatic Projects

Table W9 shows the Water Enterprise Programmatic Projects, for FY 2011-12, FY 2012-13, and FY 2013-14, by major programs.

Table W9. Water Enterprise Programmatic Projects

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Resources Planning</td>
<td>$1.2</td>
<td>$0.3</td>
<td>$0.5</td>
</tr>
<tr>
<td>Long Term Monitoring &amp; Permit Program</td>
<td>1.6</td>
<td>3.2</td>
<td>3.7</td>
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<tr>
<td>Water Resource Planning &amp; Development</td>
<td>2.1</td>
<td>1.4</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total Regional</strong></td>
<td>4.9</td>
<td>4.9</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Local Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landscape Conservation Program</td>
<td>1.7</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>AWSS Maintenance</td>
<td>1.1</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Treasure Island Facilities Maintenance</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Youth Employment Project</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>17th &amp; Folsom Remediation</td>
<td>0.0</td>
<td>1.2</td>
<td>0.0</td>
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<tr>
<td>525 Golden Gate - Operations &amp; Maint</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>525 Golden Gate - Lease Payment</td>
<td>0.0</td>
<td>7.0</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Total Local</strong></td>
<td>7.3</td>
<td>15.5</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>12.2</td>
<td>20.4</td>
<td>22.2</td>
</tr>
</tbody>
</table>

**Sources**

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure - Recovery Capital</td>
<td>1.2</td>
<td>3.9</td>
<td>4.7</td>
</tr>
<tr>
<td>Federal Bond Interest Subsidy</td>
<td>0.0</td>
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<td>2.1</td>
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<td>Water Enterprise Revenue</td>
<td>11.0</td>
<td>14.4</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>12.2</td>
<td>20.4</td>
<td>22.2</td>
</tr>
</tbody>
</table>

FY 2012-13

The Water Enterprise Programmatic Projects budget increased from $12.2 million in FY 2011-12 to $20.4 million in FY 2012-13. The $8.2 million increase is to fund the Regional
Water long-term monitoring and permit requirements associated with capital projects and to fund the Water Enterprise's share of the annual lease payments for the SFPUC's new headquarters at 525 Golden Gate.

FY 2013-14
The Water Enterprise Programmatic Projects budget increases from $20.4 million in FY 2012-13 to $22.2 million in FY 2012-13. The increase is to fund the Water Enterprise's share of the lease payments for the 525 Golden Gate Building, the new headquarters for the San Francisco Public Utilities Commission.

Water Enterprise Ten-Year Capital Plan
The adopted capital project costs for the Water Enterprise total approximately $1.3 billion over the next ten years. These investments, divided between regional and local needs, are shown on Table W10. Identified capital needs will be financed with a combination of water revenue bonds and Water Enterprise revenues along with general obligation bonds for the Auxiliary Water System. Project timelines may be adjusted to match available funding. The table also shows the estimated number of jobs per year that this ten-year program will create.

Table W10. Water Enterprise Ten-Year Capital Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Spending Plan</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Treatment Program</td>
<td>3,463</td>
<td>4,836</td>
<td>4,841</td>
<td>4,147</td>
<td>2,552</td>
<td>12,006</td>
<td>31,845</td>
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<td>Water Transmission Program</td>
<td>6,036</td>
<td>11,831</td>
<td>9,416</td>
<td>12,921</td>
<td>5,621</td>
<td>141,125</td>
<td>186,950</td>
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<td>Water Supply &amp; Storage Program</td>
<td>378</td>
<td>3,228</td>
<td>5,153</td>
<td>10,653</td>
<td>8,053</td>
<td>57,140</td>
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<td>Watersheds &amp; Land Management</td>
<td>6,996</td>
<td>6,396</td>
<td>5,696</td>
<td>5,196</td>
<td>3,896</td>
<td>19,480</td>
<td>47,660</td>
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<tr>
<td>Communication &amp; Monitoring Program</td>
<td>520</td>
<td>530</td>
<td>2,500</td>
<td>1,500</td>
<td>-</td>
<td>-</td>
<td>5,050</td>
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<td>Buildings &amp; Grounds Programs</td>
<td>8,320</td>
<td>22,333</td>
<td>36,795</td>
<td>27,165</td>
<td>1,915</td>
<td>-</td>
<td>96,528</td>
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<tr>
<td>Regional Total</td>
<td>25,713</td>
<td>49,154</td>
<td>64,401</td>
<td>61,582</td>
<td>22,037</td>
<td>-</td>
<td>229,751</td>
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<tr>
<td>Local Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Water Conveyance /Distribution System</td>
<td>24,621</td>
<td>44,185</td>
<td>53,700</td>
<td>53,700</td>
<td>53,700</td>
<td>268,500</td>
<td>498,406</td>
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<td>Buildings &amp; Grounds Improvements</td>
<td>3,100</td>
<td>500</td>
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<td>-</td>
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<td>10,000</td>
<td>20,000</td>
<td>165,000</td>
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</tr>
<tr>
<td>Other Recycled Water Projects</td>
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<td>910</td>
<td>986</td>
<td>3,925</td>
<td>-</td>
<td>-</td>
<td>6,326</td>
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<tr>
<td>Treasure Island</td>
<td>-</td>
<td>3,000</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,000</td>
</tr>
<tr>
<td>Local Total</td>
<td>28,226</td>
<td>48,595</td>
<td>63,186</td>
<td>68,125</td>
<td>74,200</td>
<td>433,500</td>
<td>715,832</td>
</tr>
<tr>
<td>Auxiliary Water System</td>
<td>33,019</td>
<td>29,262</td>
<td>19,426</td>
<td>10,630</td>
<td>1,335</td>
<td>310</td>
<td>93,982</td>
</tr>
<tr>
<td>Total Regional &amp; Local</td>
<td>86,958</td>
<td>127,011</td>
<td>147,013</td>
<td>140,337</td>
<td>97,572</td>
<td>663,561</td>
<td>1,262,452</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Revenue Bonds</td>
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<td>65,839</td>
<td>93,701</td>
<td>88,182</td>
<td>74,700</td>
<td>391,963</td>
<td>745,109</td>
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<td>Revenue - Current</td>
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<td>31,910</td>
<td>33,886</td>
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<td>19,537</td>
<td>262,288</td>
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<td>BAB Interest Income</td>
<td>6,000</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,000</td>
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<tr>
<td>General Obligation Bonds</td>
<td>33,019</td>
<td>29,262</td>
<td>19,426</td>
<td>10,630</td>
<td>1,335</td>
<td>310</td>
<td>93,982</td>
</tr>
<tr>
<td>Capacity Fee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,000</td>
<td>2,000</td>
<td>9,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Total</td>
<td>86,958</td>
<td>127,011</td>
<td>147,013</td>
<td>140,337</td>
<td>97,572</td>
<td>663,561</td>
<td>1,262,452</td>
</tr>
<tr>
<td>Total San Francisco Jobs/Year</td>
<td>569</td>
<td>831</td>
<td>961</td>
<td>918</td>
<td>638</td>
<td>4,340</td>
<td>8,256</td>
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</tbody>
</table>
The Ten-Year Capital Plan is updated each year by the SFPUC and approved by the Commission early in the budget development process. The plan helps inform and guide managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investment, and guides the Ten-Year Financial Plan and the rate analysis approved every five years. The Ten-Year Capital Plan is not a budget and is not “appropriated” like a budget. As the budget process progresses through the Spring and into final adoption in the Summer, the annual CIPs can be revised and final projects, costs and totals for the two annual CIPs can change. Consequently, even though the annual CIPs are based on the Ten-Year Capital Plan, they do not always match by project or dollar amount.

Table W10 and Chart W9 show that regional spending will grow over the next several years from $25.7 million in FY 2012-13 to an average of $46.0 million per fiscal year in the final five years of the Ten-year plan. Local Water improvement costs over the same five year period, FY 2018-22, average $86.7 million per year.

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

**Regional Water**

The Regional Water Ten-Year Capital Plan is $452.6 million and funds the following projects:
**Regional Water Treatment Program, $31.8 million**

This program includes upgrades of chemical dosage, flow monitoring, valve and pump replacement, chemical handling upgrades, power upgrades, systems to control discharges to maintain permit compliance, communications, process control equipment to meet more stringent drinking water regulations, seismic improvements, and upgrades to control software.

**Regional Water Transmission Program, $187.0 million**

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

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

**Regional Water Supply & Storage Program, $84.6 million**

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

**Regional Watersheds & Land Management, $47.7 million**

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

**Regional Communications & Monitoring Program, $5.1 million**

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

**Regional Buildings & Grounds Programs, $96.5 million**

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

Sunol Yard improvements include replacement structures for maintenance shops and equipment storage, new fueling center and administration building, re-surfacing of yard, and demolition of six dilapidated structures.

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

**Local Water**

The Local Water Ten-Year Capital Plan is $715.8 million and funds the following projects:

**Local Water Conveyance/Distribution System, $498.4 million**

To install, replace and renew pipelines and service connections for the drinking water distribution system in San Francisco. Prior Ten-Year Capital Plan assumed funding for 6 miles of pipeline replacement per year. The increased investment provides for replacement or renewal of 6 miles of pipe in FY 2012-13, 12 miles in FY 2013-14, 15 miles in FY 2014-15 and maintaining 15 miles per year for next 10 years. Improvements include replacement, rehabilitation, re-lining, and cathodic protection of all pipe categories to extend or renew pipeline useful life.
**Local Buildings & Grounds Improvements, $5.1 million**

This provides funding for capital improvements at CDD facilities and structures. Projects include a new fueling station, yard improvements to address health and safety issues and security and a comprehensive arc flash and electrical hazard study.

**Local SF Eastside Recycled Water Projects, $200.0 million**

The San Francisco Eastside Recycled Water Project includes the recycled water treatment facilities, storage, and distribution system to produce and deliver approximately 2 MGD of water to customers on the eastern side of the City. The project is currently funded by Water System Improvement Program (WSIP) funds through design and environmental review. Additional funding will be need for construction.

**Other Recycled Water Projects, $6.3 million**

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

**Treasure Island, $6.0 million**

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

**Auxiliary Water System (AWSS)**

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

The AWSS capital plan includes $94 million for the retrofit, improvements or replacement of existing firefighting pipes and tunnels, construct new or retrofit existing cisterns, and improve and seismically upgrade two pump stations, two storage tanks, and the primary reservoir. The project will be funded through the issuance of City of San Francisco General Obligation Bonds.
# Water Enterprise Ten-Year Financial Plan

## Table W11. Water Enterprise Ten-Year Financial Plan

<table>
<thead>
<tr>
<th></th>
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<td>3.2</td>
<td>3.4</td>
<td>3.5</td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
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<td>20.0</td>
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<td>341.4</td>
<td>361.4</td>
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<td>36.5</td>
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<td>63.9</td>
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<td>548.0</td>
<td>557.4</td>
<td>606.4</td>
<td>686.2</td>
<td>718.5</td>
<td>704.6</td>
<td>733.8</td>
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<tr>
<td><strong>Net Revenues</strong></td>
<td>5.5</td>
<td>-14.8</td>
<td>28.6</td>
<td>-14.3</td>
<td>5.9</td>
<td>11.0</td>
<td>-15.6</td>
<td>-11.0</td>
<td>13.3</td>
<td>4.7</td>
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<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>40.9</td>
<td>26.1</td>
<td>54.7</td>
<td>40.4</td>
<td>46.2</td>
<td>57.2</td>
<td>41.6</td>
<td>30.6</td>
<td>43.9</td>
<td>48.6</td>
</tr>
<tr>
<td>Requirement - Retail</td>
<td>12.5%</td>
<td>6.5%</td>
<td>15.0%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Requirement - Wholesale</td>
<td>11.4%</td>
<td>7.2%</td>
<td>16.6%</td>
<td>10.7%</td>
<td>0.0%</td>
<td>11.9%</td>
<td>9.7%</td>
<td>3.6%</td>
<td>-4.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Fund Balance as % of Revenue</strong></td>
<td>10.5%</td>
<td>6.2%</td>
<td>10.3%</td>
<td>7.6%</td>
<td>8.2%</td>
<td>9.3%</td>
<td>6.2%</td>
<td>4.3%</td>
<td>6.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Fund Balance as % of Expense</strong></td>
<td>10.6%</td>
<td>6.0%</td>
<td>10.9%</td>
<td>7.4%</td>
<td>8.3%</td>
<td>9.4%</td>
<td>6.1%</td>
<td>4.3%</td>
<td>6.2%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Fund Balance as % of Operating Expense</td>
<td>19.8%</td>
<td>12.8%</td>
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<td>18.7%</td>
<td>20.8%</td>
<td>25.0%</td>
<td>17.7%</td>
<td>12.6%</td>
<td>17.6%</td>
<td>18.9%</td>
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<tr>
<td>Debt Service Coverage (Indenture)</td>
<td>1.51</td>
<td>1.42</td>
<td>1.45</td>
<td>1.36</td>
<td>1.28</td>
<td>1.27</td>
<td>1.36</td>
<td>1.33</td>
<td>1.26</td>
<td>1.27</td>
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<tr>
<td>Debt Service Coverage (Current)</td>
<td>1.26</td>
<td>1.19</td>
<td>1.34</td>
<td>1.16</td>
<td>1.14</td>
<td>1.14</td>
<td>1.20</td>
<td>1.22</td>
<td>1.18</td>
<td>1.17</td>
</tr>
</tbody>
</table>
Table W11 shows the Water Enterprise Ten-Year Financial Plan, from FY 2012-13 to FY 2021-22, and Chart W10 provides the Ten-Year Financial Plan trend.

As shown in Table W11 and Chart W10, the SFPUC has developed a Water Enterprise Ten-Year Financial Plan as required by City and County of San Francisco Charter Section 8B.123. This is not a budget nor are funds appropriated based on the Plan. The Plan includes a ten-year financial summary (FY 2012-13 through FY 2021-22) describing projected sources and uses, resulting fund balances and associated financial reserve ratios. Projected costs and revenues are estimates and subject to variations inherent in all such projections. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the water rates and the fiscal year budgets. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board policies, goals, and objectives representing management’s best estimates at this time.

Rates and Charges

Approved average retail water rate changes will increase revenues from water sales by 12.5 percent in FY 2012-13 and 6.5 percent from FY 2013-14. Projected average annual retail water rate changes are 15.0 percent in FY 2014-15, 12.5% in 2015-16, 8.0 percent in FY 2016-17 through FY 2020-21 and 5.0 percent in FY 2021-22. Wholesale water rates are managed through a 25-year Water Supply Agreement (WSA), with rates increasing 11.4 percent, and then trending to an average of 8.6 percent from FY 2013-14 to FY 2016-17. These rate changes are necessary to continue funding vital capital improvements largely comprised of the Water System Improvement Program (WSIP) along with providing additional resources to the annual Repair and Replacement program.

Sources of Funds

The Water Enterprise provides water to 2.6 million people in San Francisco, Santa Clara, Alameda and San Mateo counties. Water Enterprise customers are grouped into retail and wholesale service categories. The retail customer category is further divided into in-city and suburban customers. Customers within each sub-category are then grouped into revenue classes based on their service characteristics. The wholesale customer category consists of only one revenue class – wholesale resale with long-term contract. Total sources are projected to grow from $390.1 million in FY 2012-13 to $738.5 million by FY 2021-22.
Retail water sales revenues are projected to increase from $169.3 million in FY 2012-13, to $374.9 million over the ten-year period. This increase assumes zero growth in annual consumption offset by conservation and other water saving measures.

Wholesale customers’ water sales, representing about half of the Enterprise revenues and two-thirds of water deliveries, are forecasted to increase revenues from $200.3 million in FY 2012-13, to $338.7 million over the period. This increase assumes no growth in consumption population growth offset by conservation and other water saving measures.

Other income includes interest income on fund balances along with rents and other income. These revenues are assumed to average approximately at $22.1 million over the ten years and are mainly derived from interest earnings on fund balances, rents and permit fees for secondary uses of its watershed lands and pipeline rights-of-way.

Uses of Funds

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

The annual operating budget includes operation and maintenance costs, debt service on revenue bonds used to finance capital improvements, and repair and replacement costs funded from current revenues. While operations and maintenance costs are currently the largest component of the Water Enterprise’s expenses (53.7 percent), by FY 2021-22 their proportion to total expense will drop to 35.0 percent and debt service costs will be the largest (56.2 percent). Total expenditures are increasing from $384.6 million to $733.8 million by FY 2021-22.

Operations and Maintenance costs include salaries and fringe benefits, material and supplies, power and energy, and services of the other City departments including SFPUC Bureaus. The cost of operating the water system in FY 2012-13 is projected to be $206.4 million; increasing to $257.2 million by FY 2021-22. As projects in the WSIP are completed and placed into service, we project no increase to operation and maintenance expenses associated with the new facilities beyond the forecast shown in this report of 3.0 percent annual growth assumption. In addition, the forecast assumes there will be no changes in regulations or operating procedures that could impact operating expenses.

Debt Service costs includes principal and interest payments on revenue bonds used to finance system improvements. Future debt service cost projections assume the issuance of new debt to fund WSIP projects. The plan reflects debt service costs increasing from $145.5 million in FY 2012-13 (net of Federal subsidy) to $412.7 million by FY 2021-22. The bond issuance schedule is based on the September 2011 WSIP spending plan. However, the actual timing and size of bond sales may vary depending on construction timing.

Revenue-Funded Capital Project spending is expected to average roughly $57.4 million annually over the next 10 years. Projects include minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements.

Debt Financing of Capital Needs

The Plan largely assumes debt financing of capital needs over the next ten-year period. The WSIP will require approximately $4.6 billion in total financing for the program, authorized by the voters under Propositions A and E in November 2002.

The Plan assumes a financing strategy that utilizes short-term financing via the existing Commercial Paper (CP) program to calibrate financing needs with project spending. Long-term (30-year) 4.5 percent fixed rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing typically at lower interest rates than longer term debt, which minimizes costs. The authorized CP program for the Water Enterprise is $500.0 million. As of July 2012, the Enterprise has $174 million in commercial paper notes outstanding and $3.3 billion of water revenue bonds have been
issued to finance the $4.6 billion WSIP. The remaining $1.3 billion capital financing will occur periodically after the next two fiscal years.

Financial Ratios
It is the financial objective of the SFPUC to maintain a minimum revenue bond coverage ratio of 1.25 times on an indenture basis and 1.00 times on a current operations basis, which does not include fund balance. Over the ten-year period, the indenture coverage ranges from 1.26 to 1.51 times coverage. During those years with lower projected coverage, additional rate increases may be considered as necessary. On a current basis, the coverage ratio ranges from 1.14 to 1.26 times coverage, above the 1.00 minimum.

Fund Balances and Reserves
As the Ten-Year Financial Plan indicates, the Water Enterprise’s ending fund balance will increase from $40.9 million in FY 2012-13 to $48.6 million in FY 2021-22. This growth is largely attributed to rate increases over the period in support of debt service coverage for new WSIP-related debt that will be issued over the next two years. As a proportion of operating expense, fund balance decreases from approximately 10.6 percent (1.3 months of expense) in FY 2012-13 to 6.6 percent (0.8 months of expense) by FY 2021-22.
The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of our business activities. The Plan is presented in this report in the Introduction.

The durable section of the Strategic Sustainability Plan contains the SFPUC strategic goals, objectives, and performance indicators, to implement the SFPUC’s mission and vision. The durable section is the frame that will remain fairly static and constant; yet it will still retain the flexibility to be revised as the SFPUC’s services, customers, and communities evolve. The dynamic section of the SSP contains specific actions, targets, measures, and budgets, both operating and capital. Together, the durable and dynamic sections of the SSP allow the SFPUC to evaluate its performance and measure progress toward goals and objectives. Most importantly, the SSP will provide trending data that can support business decisions and allocations of resources. The Water Enterprise uses this plan to establish individual job goal-setting and performance evaluations, budget tracking, and planning. The Water Enterprise is accountable to the SFPUC Commission, the General Manager, and the public, to show performance in relation to this Plan.

Appendix E includes the highlights of accomplishments of the FY 2011-12 SSP.
Divisions

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

Chart W11. FY 2012-13 and FY 2013-14 Water Enterprise Uses of Funds by Division

<table>
<thead>
<tr>
<th>Division</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$173.6</td>
<td>44.9%</td>
<td>$210.0</td>
<td>47.1%</td>
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<tr>
<td>Water Administration</td>
<td>57.9</td>
<td>15.0%</td>
<td>58.4</td>
<td>13.1%</td>
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<tr>
<td>Water Supply &amp; Treatment</td>
<td>47.4</td>
<td>12.2%</td>
<td>48.1</td>
<td>10.8%</td>
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<tr>
<td>City Distribution</td>
<td>34.9</td>
<td>9.0%</td>
<td>36.0</td>
<td>8.1%</td>
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<tr>
<td>Water Quality</td>
<td>14.7</td>
<td>3.8%</td>
<td>15.2</td>
<td>3.4%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>10.3</td>
<td>2.7%</td>
<td>10.7</td>
<td>2.4%</td>
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<tr>
<td>Water Resources</td>
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<td>2.1%</td>
<td>8.3</td>
<td>1.9%</td>
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<td>General Reserve</td>
<td>2.4</td>
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<td>5.4</td>
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<td>Programmatic</td>
<td>20.4</td>
<td>5.3%</td>
<td>22.2</td>
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<tr>
<td>Capital/Revenue Reserve</td>
<td>17.2</td>
<td>4.4%</td>
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<td>7.2%</td>
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<td><strong>Grand Total</strong></td>
<td><strong>$387.0</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$446.2</strong></td>
<td><strong>100.0%</strong></td>
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Table W12 provides FY 2010-11 audited actual, the FY 2011-12 budget and pre-audit actual, FY 2012-13 and FY 2013-14 adopted budgets, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 adopted budgets, for all Water Divisions.
### Table W12. Water Enterprise Uses of Funds by Division

<table>
<thead>
<tr>
<th>Divisions</th>
<th>FY 2010-11 Audited</th>
<th>FY 2011-12 Pre-Audit</th>
<th>FY 2012-13 Pre-Audit</th>
<th>FY 2013-14 Pre-Audit</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
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<td>Administration</td>
<td>45.0</td>
<td>55.2</td>
<td>61.4</td>
<td>57.9</td>
<td>58.4</td>
<td>2.6</td>
<td>4.8%</td>
<td>0.6</td>
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<tr>
<td>Debt Service</td>
<td>98.3</td>
<td>157.3</td>
<td>155.9</td>
<td>173.6</td>
<td>210.0</td>
<td>16.3</td>
<td>10.4%</td>
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<tr>
<td>City Distribution</td>
<td>36.4</td>
<td>34.5</td>
<td>35.9</td>
<td>34.9</td>
<td>36.0</td>
<td>0.5</td>
<td>1.3%</td>
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<td>Water Quality</td>
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<td>17.0</td>
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<td>15.2</td>
<td>0.9</td>
<td>6.6%</td>
<td>0.5</td>
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<tr>
<td>Water Supply &amp; Treatment</td>
<td>39.8</td>
<td>42.3</td>
<td>43.0</td>
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<td>48.1</td>
<td>5.1</td>
<td>12.1%</td>
<td>0.7</td>
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<td>Natural Resources</td>
<td>8.1</td>
<td>10.1</td>
<td>10.2</td>
<td>10.3</td>
<td>10.7</td>
<td>0.3</td>
<td>2.6%</td>
<td>0.4</td>
</tr>
<tr>
<td>Water Resources</td>
<td>5.5</td>
<td>8.8</td>
<td>11.1</td>
<td>8.1</td>
<td>8.3</td>
<td>(0.6)</td>
<td>-7.2%</td>
<td>0.2</td>
</tr>
<tr>
<td>Programmatic</td>
<td>4.8</td>
<td>12.2</td>
<td>12.2</td>
<td>20.4</td>
<td>22.2</td>
<td>8.2</td>
<td>66.8%</td>
<td>1.8</td>
</tr>
<tr>
<td>General Reserve</td>
<td>16.5</td>
<td>4.3</td>
<td>1.3</td>
<td>2.4</td>
<td>5.4</td>
<td>(1.9)</td>
<td>-43.2%</td>
<td>3.0</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>42.7</td>
<td>34.7</td>
<td>34.7</td>
<td>17.2</td>
<td>31.9</td>
<td>(17.5)</td>
<td>-50.4%</td>
<td>14.7</td>
</tr>
<tr>
<td>Water Total</td>
<td>311.3</td>
<td>373.1</td>
<td>382.6</td>
<td>387.0</td>
<td>446.2</td>
<td>13.9</td>
<td>3.7%</td>
<td>59.2</td>
</tr>
</tbody>
</table>

**Water Administration**

The Administrative Division provides direction and administrative support to the Water Enterprise including financial functions and preparation of the annual budgets, spending plans, tracking and monitoring of enterprise expenditures, report preparation and distribution, contract administration, accounts payable, and payroll.

The budget funds Enterprise-wide expenses such as, travel, memberships and administrative services from other City departments.


### Budget Summary

Table W13. Water Administration Budget Summary

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11 Audited</th>
<th>FY 2011-12 Pre-Audit</th>
<th>FY 2012-13 Pre-Audit</th>
<th>FY 2013-14 Pre-Audit</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,620,937</td>
<td>4,940,333</td>
<td>4,425,654</td>
<td>5,482,977</td>
<td>5,878,846</td>
<td>542,644</td>
<td>11.0%</td>
<td>395,869</td>
</tr>
<tr>
<td>Overhead</td>
<td>-</td>
<td>2,091,288</td>
<td>2,091,288</td>
<td>-</td>
<td>(2,091,288)</td>
<td>-100.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>1,950,020</td>
<td>2,347,490</td>
<td>4,561,930</td>
<td>2,192,843</td>
<td>1,926,290</td>
<td>(315,547)</td>
<td>6.6%</td>
<td>(266,553)</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>58,188</td>
<td>43,602</td>
<td>29,365</td>
<td>43,602</td>
<td>53,412</td>
<td>0</td>
<td>0.0%</td>
<td>0.0</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>-</td>
<td>69,784</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>98,300,000</td>
<td>157,269,617</td>
<td>155,900,000</td>
<td>173,605,892</td>
<td>209,953,606</td>
<td>16,336,275</td>
<td>10.4%</td>
<td>36,347,714</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>41,339,720</td>
<td>45,809,776</td>
<td>42,413,829</td>
<td>50,141,883</td>
<td>50,587,047</td>
<td>4,332,107</td>
<td>9.5%</td>
<td>445,364</td>
</tr>
<tr>
<td>Water Total</td>
<td>143,268,865</td>
<td>212,502,106</td>
<td>209,491,850</td>
<td>231,467,197</td>
<td>268,399,201</td>
<td>18,965,091</td>
<td>8.9%</td>
<td>36,932,004</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

- **Personnel** - Reflects cost increases in retirement and health service costs.
- **Overhead** - Reflects the reallocation of City-wide overhead to the Bureaus to centralize the funding.
- **Debt Service** - Reflects the increase in principal and interest on outstanding Water Enterprise bonds.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

- **Non-Personnel Services** - The change reflects the elimination of rent due to the move to 525 Golden Gate.
- **Materials & Supplies** - The change reflects an increase in office supplies based on projected needs.
- **Debt Service** - Reflects the increase in principal and interest on outstanding Water Enterprise bonds.

**City Distribution Division (CDD)**

The City Distribution Division (CDD) distributes high quality treated water to San Francisco customers. On average, approximately 80 million gallons of water a day are delivered to nearly 0.8 million people in San Francisco. CDD maintains the water distribution system within the City, which consists of 13 reservoirs, 20 pumping stations, a network of approximately 1,300 miles of pipeline and 12,000 water valves.

Table W14 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2011-12 and FY 2012-13 and FY 2013-14.

**Budget Summary**

**Table W14. City Distribution Division (CDD) Budget Summary**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>26,962,234</td>
<td>24,403,735</td>
<td>22,759,103</td>
<td>25,124,294</td>
<td>26,153,820</td>
<td>720,559</td>
<td>1,029,526</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,119,850</td>
<td>2,253,790</td>
<td>3,625,755</td>
<td>2,053,790</td>
<td>2,053,790</td>
<td>(200,000)</td>
<td>0</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>2,635,880</td>
<td>2,422,818</td>
<td>2,653,335</td>
<td>2,422,639</td>
<td>2,420,889</td>
<td>(179)</td>
<td>0</td>
</tr>
<tr>
<td>Equipment</td>
<td>416,538</td>
<td>885,596</td>
<td>1,737,065</td>
<td>861,149</td>
<td>862,903</td>
<td>(24,447)</td>
<td>1,754</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>3,301,622</td>
<td>4,525,485</td>
<td>5,144,289</td>
<td>4,485,222</td>
<td>4,497,825</td>
<td>(40,263)</td>
<td>12,603</td>
</tr>
<tr>
<td>Water Total</td>
<td>36,436,123</td>
<td>34,491,424</td>
<td>35,919,547</td>
<td>34,947,094</td>
<td>35,989,227</td>
<td>455,670</td>
<td>1,042,133</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

There were no major changes in FY 2012-13.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

There were no major changes in FY 2013-14.
Water Quality Division (WQD)

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

Table W15 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2011-12 and FY 2012-13 and FY 2013-14.

Budget Summary

Table W15. Water Quality Division (WQD) Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>10,626,256</td>
<td>10,156,435</td>
<td>11,541,844</td>
<td>10,354,139</td>
<td>10,817,701</td>
<td>197,704</td>
<td>463,562</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>2,517,757</td>
<td>2,448,038</td>
<td>4,011,665</td>
<td>2,997,932</td>
<td>2,963,774</td>
<td>549,894</td>
<td>(34,158)</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>783,283</td>
<td>863,324</td>
<td>895,593</td>
<td>1,028,324</td>
<td>1,044,256</td>
<td>165,000</td>
<td>15,932</td>
</tr>
<tr>
<td>Equipment</td>
<td>201,259</td>
<td>342,105</td>
<td>533,221</td>
<td>338,499</td>
<td>359,105</td>
<td>(3,606)</td>
<td>20,606</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>7,626</td>
<td>2,576</td>
<td>1,936</td>
<td>2,576</td>
<td>2,576</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water Total</td>
<td>14,136,180</td>
<td>13,812,478</td>
<td>16,984,259</td>
<td>14,721,470</td>
<td>15,187,412</td>
<td>908,992</td>
<td>465,942</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non Personnel Services** - Reflects increases to support the Contamination Water System (CWS) and to enhance pilot testing of pipeline cleaning methods.

- **Materials and Supplies** - Reflects an increase in replacement parts and chemical reagents needed to operate the water quality monitoring stations.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes in FY 2013-14.
Water Supply & Treatment Division (WS&T)

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

Table W16 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2011-12 and FY 2012-13 and FY 2012-13 and FY 2013-14.

Budget Summary

Table W16. Water Supply and Treatment Division Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>23,968,836</td>
<td>25,925,573</td>
<td>25,588,170</td>
<td>27,186,652</td>
<td>28,364,282</td>
<td>1,261,079</td>
<td>1,177,630</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,149,492</td>
<td>3,415,829</td>
<td>3,572,771</td>
<td>3,227,572</td>
<td>3,248,572</td>
<td>(188,257)</td>
<td>21,000</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>8,532,436</td>
<td>8,546,474</td>
<td>8,523,540</td>
<td>9,327,894</td>
<td>9,327,394</td>
<td>781,420</td>
<td>(500)</td>
</tr>
<tr>
<td>Equipment</td>
<td>148,817</td>
<td>359,379</td>
<td>819,049</td>
<td>585,773</td>
<td>563,069</td>
<td>226,394</td>
<td>(22,704)</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>3,968,356</td>
<td>4,020,922</td>
<td>4,497,108</td>
<td>7,065,797</td>
<td>6,618,667</td>
<td>3,044,875</td>
<td>(447,130)</td>
</tr>
<tr>
<td>Water Total</td>
<td>39,767,937</td>
<td>42,268,177</td>
<td>43,000,638</td>
<td>47,393,688</td>
<td>48,121,984</td>
<td>5,125,511</td>
<td>728,296</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Equipment** - Reflects an increase based on the Division's projected needs.

- **Services of Other Departments** - Reflects an increase in the Light, Heat and Power work order based on an increase in power consumption.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes in FY 2013-14.
Natural Resources Division

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

Table W17 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2011-12 and FY 2012-13 and FY 2012-13 and FY 2013-14.

**Budget Summary**

Table W17. Natural Resources Division Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>6,493,197</td>
<td>7,958,624</td>
<td>7,094,926</td>
<td>8,334,906</td>
<td>8,744,296</td>
<td>376,282</td>
<td>4.7%</td>
<td>409,390</td>
<td>4.9%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>1,121,387</td>
<td>1,329,762</td>
<td>2,009,950</td>
<td>1,229,762</td>
<td>1,229,762</td>
<td>(100,000)</td>
<td>-7.5%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>330,500</td>
<td>402,460</td>
<td>503,040</td>
<td>402,460</td>
<td>402,460</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>37,038</td>
<td>188,000</td>
<td>320,328</td>
<td>171,556</td>
<td>173,056</td>
<td>(16,444)</td>
<td>-8.7%</td>
<td>1,500</td>
<td>0.9%</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>124,221</td>
<td>184,265</td>
<td>259,123</td>
<td>184,265</td>
<td>184,265</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Water Total</td>
<td>8,106,344</td>
<td>10,063,111</td>
<td>10,187,367</td>
<td>10,322,949</td>
<td>10,733,839</td>
<td>259,838</td>
<td>2.6%</td>
<td>410,890</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

There were no major changes in FY 2012-13.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

There were no major changes in FY 2013-14.
Water Resources Division

The Water Resources Division conducts water supply planning studies to identify new water supplies from groundwater, recycled water, conservation, desalination, groundwater dewatering and wetlands. Additionally, services include development of master plan for water supplies for implementation on a local and regional level. The Water Resources Division coordinates with bureaus and divisions within the SFPUC, other City departments, Bay Area Water Supply and Conservation Agency (BAWSCA), and SFPUC member agencies in the development of these water supply planning studies and projects.

Table W18 shows the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the budget variance between FY 2011-12 and FY 2012-13 and FY 2012-13 and FY 2013-14.

Budget Summary

Table W18. Water Resources Division Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>2,782,796</td>
<td>3,464,053</td>
<td>3,000,391</td>
<td>3,462,204</td>
<td>3,622,467</td>
<td>(1,849)</td>
<td>160,263</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>2,407,235</td>
<td>4,797,705</td>
<td>7,562,888</td>
<td>3,844,657</td>
<td>3,844,657</td>
<td>(953,048)</td>
<td>0</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>151,289</td>
<td>197,000</td>
<td>132,111</td>
<td>369,650</td>
<td>369,650</td>
<td>172,650</td>
<td>87.6%</td>
</tr>
<tr>
<td>Equipment</td>
<td>0</td>
<td>35,000</td>
<td>68,133</td>
<td>35,000</td>
<td>35,000</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Services Of Other Departments</td>
<td>198,192</td>
<td>268,875</td>
<td>301,728</td>
<td>416,420</td>
<td>419,249</td>
<td>147,545</td>
<td>54.9%</td>
</tr>
<tr>
<td>Water Total</td>
<td>5,539,512</td>
<td>8,762,633</td>
<td>11,065,251</td>
<td>8,127,931</td>
<td>8,291,023</td>
<td>(634,702)</td>
<td>(7.2%)</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non-Personnel Services** - Reflects a decrease in the budget based on the Division’s projected needs.
- **Materials and Supplies** – Reflects an increase in projected needs by customers and is covered from other objects of expenditure.
- **Services of Other Departments** – Reflects an increase in work orders based on projected maintenance needs.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes in FY 2013-14.
Mission, Roles, and Responsibilities

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

The primary responsibility of the Wastewater Enterprise is to protect public health and the surrounding bay and ocean receiving waters by collecting and treating storm and sanitary flows generated in the service area. This includes 993 miles of combined storm and sanitary collection system pipes, sewer mains, transport/storage boxes, other storage structures and tunnels. San Francisco is the only coastal city in California with a combined sewer system that collects both wastewater and stormwater in the same network of pipes and provides treatment to remove harmful pollutants before discharge into the San Francisco Bay and Pacific Ocean.

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

The Wastewater Enterprise operates and maintains the City’s three water pollution control plants; 27 wastewater pump stations, about 993 miles of combined sewers, tunnels, and force mains, 36 near-shore combined sewage discharge structures, and six effluent outfalls. The Wastewater Enterprise also operates and maintains the Treasure Island sewer system that includes the Treasure Island Treatment Plant, 29 wastewater pump stations, six stormwater pump stations, an effluent outfall, and 50 stormwater outfalls on Treasure and Yerba Buena Islands. The new Living Machine at 525 Golden Gate is an additional wastewater treatment facility.

San Francisco’s sewer system is well operated, but aging infrastructure, past funding constraints resulting in deferred maintenance, and a vision for a more sustainable system highlight the need for the significant, planned Capital Improvement Program and a change in how we value and maintain our existing assets. Consequently, a major focus of the Wastewater Enterprise is the implementation of the Sewer System Improvement Program (SSIP), developing new operating and reporting procedures to comply with new regulatory requirements, continued implementation of green and sustainability projects, and asset management programs.

The San Francisco Sewer System Improvement Program’s Commission-endorsed goals are to:

- Provide a compliant, reliable, resilient, and flexible system that can respond to catastrophic events;
- Integrate green and grey infrastructure to manage stormwater and minimize flooding;
- Provide benefits to impacted communities;
- Modify the system to adapt to climate change;
- Achieve economic and environmental sustainability; and
- Maintain ratepayer affordability.
## Budget Summary

### Sources of Funds

**Chart C1. FY 2011-12 to FY 2013-14 Wastewater Enterprise Sources of Funds**

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>% of Total</th>
<th>FY 2012-13</th>
<th>% of Total</th>
<th>FY 2013-14</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Service Charges</td>
<td>$230.8</td>
<td>95.5%</td>
<td>$234.1</td>
<td>97.1%</td>
<td>$245.7</td>
<td>97.0%</td>
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<tr>
<td>Federal Interest Subsidy</td>
<td>4.3</td>
<td>1.8%</td>
<td>4.3</td>
<td>1.8%</td>
<td>4.3</td>
<td>1.7%</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>1.7</td>
<td>0.7%</td>
<td>1.7</td>
<td>0.7%</td>
<td>2.3</td>
<td>0.9%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1.5</td>
<td>0.6%</td>
<td>1.0</td>
<td>0.4%</td>
<td>1.1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>3.3</td>
<td>1.3%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$241.6</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$241.0</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$253.4</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**Summary**

Estimated revenues for FY 2012-13 from Sewer Service Charges, Federal Interest Subsidy, Other Non-Operating Revenues, and Interest Income are projected at $241.0 million, a $0.6 million, or 0.2 percent, decrease from the prior year. The net decrease from FY 2011-12 revenues reflects a decrease of $3.3 million in Proceeds from Debt, a $0.5 million decrease in Interest Income, offset by a $3.2 million increase in Sewer Service Charges.

Estimated revenues for FY 2013-14 are projected at $253.4 million. The $12.4 million net increase includes increases of $11.7 million in Sewer Service Charges, $0.7 million in Other Non-Operating Revenues, and $0.1 million in Interest Income.

Chart C1 displays the FY 2011-12 to FY 2013-14 Sources of Funds by revenue category; and Table C1 (page 102) shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

### Sewer Service Charges

Sewer Service Charge revenues, which are based on water consumption, are budgeted at $234.1 million in FY 2012-13, and $245.7 million in FY 2013-14. Sewer service rates were adopted by the SFPUC Commission in May 2009, and include rates for single-family and multiple-family residential and non-residential customers. The $3.2 million increase from FY 2011-12 to FY 2012-13, and the $11.7 million increase from FY 2012-13 to FY 2013-14, are consistent with the approved rates. See the Wastewater Enterprise Approved Rates Section for more detail.
Federal Interest Subsidy

The FY 2012-13 Federal Interest Subsidy for Build America Bonds (BABs) financing is budgeted at $4.3 million and reflects a revenue source for the Wastewater Enterprise. The Treasury Department provides a direct subsidy, under the American Recovery and Reinvestment Act (ARRA), equal to 35.0 percent of the interest payable for bonds issued as BABs. There is no change in this budget from the prior fiscal year.

The Federal Interest Subsidy in FY 2013-14 is budgeted at $4.3 million, with no change from the prior fiscal year.

Other Non-Operating Revenues

Other Non-Operating Revenues are budgeted at $1.7 million in FY 2012-13. They include the following: $0.8 million from property rental, $0.5 million from other services provided to other City departments, and $0.4 million from miscellaneous revenues such as biofuel. The $0.1 million decrease from FY 2011-12 reflects a $0.2 million decrease in miscellaneous revenues, offset by a $0.1 million increase in services provided to other City Departments.

Other Non-Operating Revenues in FY 2013-14 are budgeted at $2.3 million. The $0.7 million increase from FY 2012-13 is for services provided to other City departments.

Interest Income

Revenues from Interest Income in FY 2012-13 are $1.0 million and are based on interest rates on the County Investment Pool. Interest revenues are projected to be $0.5 million less than the $1.5 million budgeted in the prior year. The decrease reflects a lower cash balance in the investment pool.

In FY 2013-14, Interest Income is projected to be $1.1 million, or $0.1 million more than the prior year. The increase reflects a projected higher cash balance in the investment pool.

Proceeds from Debt

Proceeds from Debt to support Wastewater’s capital program are eliminated from the FY 2012-13 and FY 2013-14 budgets. This reflects a change in policy, funding the capital program through a supplemental appropriation request rather than through the annual budget process.
Uses of Funds

Chart C2. FY 2011-12 to FY 2013-14 Wastewater Enterprise Uses of Funds

Summary

The Wastewater Enterprise’s FY 2012-13 Uses of Funds are $241.0 million, a $0.6 million, or 0.2 percent, decrease from the prior fiscal year. It includes $61.2 million for Personnel; $57.1 million for Services of Other Departments; $56.5 million for Debt Service; $33.0 million for a Capital/Revenue Reserve; $25.5 million for Non-Personnel Services, Materials and Supplies, and Equipment; $5.9 million for Programmatic Projects; and $1.8 million for General Reserve. The net decrease of $0.6 million from FY 2011-12 reflects decreases of $7.4 million in General Reserve, $1.3 million in Overhead, $0.9 million in Capital/Revenue Reserves, and $0.1 million in Materials and Supplies; and increases of $3.0 million in Personnel, $2.7 million in Debt Service, $2.7 million in Programmatic Projects, $0.4 million in Services of Other Departments, and $0.4 million in Non-Personnel Services and Equipment.

The Wastewater Enterprise’s FY 2013-14 Uses of Funds are $253.4 million, a $12.4 million, or 5.2 percent, increase from FY 2012-13. It includes $64.1 million for Personnel; $61.7 million for Debt Service; $57.5 million for Services of Other Departments; $37.0 million for Capital/Revenue Reserve; $24.8 million for Non-Personnel Services, Materials and Supplies, and Equipment; $6.2 million for Programmatic Projects; and $2.2 million for General Reserve. The net increase of $12.4 million reflects increases of $5.2 million in Debt Service, $4.0 million in Capital/Revenue Reserve, $2.9 million in Personnel, $0.4 million General Reserve, $0.3 million in Services of Other Departments, $0.3 million Programmatic Projects, $0.1 million in Materials and Supplies; and is offset by a decrease $0.8 million in Non-Personnel Services and Equipment.

Chart C2 displays the FY 2011-12 to FY 2013-14 Uses of Funds by expenditure category; and Table C1 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and the budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.
Personnel

The FY 2012-13 Personnel budget is $61.2 million. It includes $42.2 million for salaries and $19.0 million for fringe benefits. The increase in salaries of $1.9 million from the prior fiscal year includes: salary adjustments based on labor agreements; five new positions – three laborers to assist with the SFGreasecycle Program, and one water operations analyst and one sewer repair supervisor to assist with increased activity for the Sewer System Improvement Program (SSIP); and the substitution of four position classes to meet the changing duties of job demands.

Mandatory Fringe Benefits are budgeted at $19.0 million and includes funding for retirement and healthcare costs. This budget is determined by salaries and headcount for healthcare costs, including retirement and social security. The net increase of $1.1 million from the FY 2011-12 budget primarily reflects adjustments to health benefit rates and retirement, and also includes adjustments to salaries.

The 2013-14 Personnel budget is $64.1 million, a $2.9 million, or 4.8 percent, increase from the prior year. The increase includes: a $2.0 million increase for fringe benefits, primarily consisting of an increase in retirement benefits; and a $0.9 million increase in salaries primarily for salary adjustments based on labor agreements.

Services of Other Departments

The FY 2012-13 Services of Other Departments budget is $57.1 million and funds projected costs of services provided by other City departments to the Wastewater Enterprise. These services can include electricians, painters, City-wide service dispatch, sewer cleaning and maintenance crews, and work orders for fleet maintenance, among other services. The $0.4 million increase from the prior year primarily reflects an increase in SFPUC administrative services, workers’ compensation, and fees associated with work around San Francisco Municipal Transportation Agency (SFMTA) facilities; the increase is offset by a decrease for light, heat, and power services based on projections for electricity consumption.

The FY 2013-14 Services of Other Departments budget is $57.5 million, a $0.3 million, or 0.6 percent, increase from the prior year. The increase primarily reflects an increase in SFPUC administrative services.

Debt Service

The FY 2012-13 Debt Service budget is $56.5 million and funds principal and interest payments on revenue bonds and State Revolving Fund loans. It covers the principal on outstanding Wastewater revenue bonds for the SSIP, and lease payments for the SFPUC’s new headquarters at 525 Golden Gate Avenue. The increase of $2.7 million reflects higher interest and principal FY 2012-13 payments as planned.

The FY 2013-14 Debt Service budget is $61.7 million, a $5.2 million, or 9.2 percent, increase from the prior year. The increase primarily funds lease payments for the SFPUC’s new headquarters at 525 Golden Gate Avenue.

Capital/Revenue Reserve

The FY 2012-13 Capital/Revenue Reserve budget is $33.0 million, and funds the revenue portion of the capital program approved and funded through a supplemental appropriation. The Repair and Replacement (R&R) program, part of Wastewater’s Capital Program, was previously part of the annual budget, but beginning in FY 2012-13 the program is funded through a supplemental appropriation.

The FY 2013-14 Capital/Revenue Reserve budget is $37.0 million, a $4.0 million, or 12.1 percent, increase from FY 2012-13. The increase reflects Wastewater Enterprise’s R&R projected needs for FY 2013-14.
Non-Personnel Services

The FY 2012-13 Non-Personnel Services budget is $14.9 million and funds services for the Enterprise including equipment maintenance, travel, training, memberships, entertainment and promotion expenses, utilities, professional services, and rent. The increase of $0.3 million from the FY 2011-12 budget includes a $1.2 million increase in new professional services contracts for permit compliance, and policy and process development for pollutant discharge and runoff control and education. The increase is offset by a decrease of $0.9 million for maintenance services based on anticipated expenditures for inspection, repair, and maintenance services for various equipment.

The FY 2013-14 Non-Personnel Services budget is $14.7 million, a decrease of $0.2 million, or 1.2 percent, from FY 2012-13. The decrease reflects the elimination of FY 2012-13 one-time funding for professional services for permit compliance.

Materials and Supplies

The FY 2012-13 Materials and Supplies budget is $9.3 million and funds materials and supplies, including equipment maintenance supplies, sewage treatment supplies, office and safety supplies, food, fuel, and licenses. The decrease of $0.1 million from FY 2011-12 reflects lower anticipated expenditures for equipment maintenance supplies.

The FY 2013-14 Materials and Supplies budget is $9.4 million, an increase of $0.1 million, or 0.8 percent, from FY 2012-13. The increase reflects higher costs for waste treatment chemicals.

Programmatic Projects

FY 2012-13 Programmatic Projects are budgeted at $5.9 million to support annual programs including facilities maintenance. The $2.7 million, or 86.7 percent, increase from the prior year reflects new funding for lease payments for the SFPUC’s new headquarters at 525 Golden Gate Avenue, and increase in Low Impact Design (LID) and Youth Employment projects.

FY 2013-14 Programmatic Projects are budgeted at $6.2 million, a $0.3 million, or 5.1 percent, increase from FY 2012-13. The increase reflects increased lease payments for 525 Golden Gate Avenue.

General Reserve

The FY 2012-13 General Reserve budget is $1.8 million and is based on budgeted sources and uses of funds; it is budgeted when revenues exceed budgeted expenses to balance the budget. The $7.4 million decrease from the FY 2011-12 budget reflects increases in personnel and debt service.

The FY 2013-14 General Reserve budget is $2.2 million, an increase of $0.4 million, or 22.7 percent, from FY 2012-13. The increase reflects increased sources of funds.

Equipment

The FY 2012-13 Equipment budget is $1.3 million. This budget funds equipment required to operate the Enterprise’s facilities. The increase of $0.1 million reflects the Enterprise’s equipment projections to support its facilities and activities.

The FY 2013-14 Equipment budget is $0.7 million, a decrease of $0.6 million, or 49.1 percent, from FY 2012-13. The decrease reflects the Enterprise’s projected equipment needs for FY 2013-14.

Overhead

The FY 2012-13 and FY 2013-14 Overhead budget has been reallocated to the Bureaus to centralize the funding for City-wide overhead.
## Table C1. Wastewater Enterprise Sources and Uses of Funds

<table>
<thead>
<tr>
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<td>Sewer Service Charges</td>
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<td>230.8</td>
<td>236.9</td>
<td>234.1</td>
<td>245.7</td>
<td>3.2</td>
<td>1.4%</td>
</tr>
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<td>Federal Interest Subsidy</td>
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<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>-</td>
<td>3.3</td>
<td>3.3</td>
<td>-</td>
<td>-</td>
<td>(3.3)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Other Non-Op Revenues</td>
<td>1.8</td>
<td>1.7</td>
<td>1.9</td>
<td>1.7</td>
<td>2.3</td>
<td>(0.0)</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0.8</td>
<td>1.5</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>(0.5)</td>
<td>-34.8%</td>
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<td>Total Sources of Funds</td>
<td>230.3</td>
<td>241.6</td>
<td>247.3</td>
<td>241.0</td>
<td>253.4</td>
<td>(0.6)</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>USES OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>54.7</td>
<td>58.2</td>
<td>58.9</td>
<td>61.2</td>
<td>64.1</td>
<td>3.0</td>
<td>5.1%</td>
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<tr>
<td>Overhead</td>
<td>-</td>
<td>1.3</td>
<td>1.3</td>
<td>-</td>
<td>-</td>
<td>(1.3)</td>
<td>-100.0%</td>
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<tr>
<td>Non-Personnel Services</td>
<td>12.3</td>
<td>14.6</td>
<td>16.1</td>
<td>14.9</td>
<td>14.7</td>
<td>0.3</td>
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<td>Materials &amp; Supplies</td>
<td>7.8</td>
<td>9.4</td>
<td>9.8</td>
<td>9.3</td>
<td>9.4</td>
<td>(0.1)</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Equipment</td>
<td>2.1</td>
<td>1.3</td>
<td>2.6</td>
<td>1.3</td>
<td>0.7</td>
<td>0.1</td>
<td>5.4%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>61.4</td>
<td>53.8</td>
<td>53.8</td>
<td>56.5</td>
<td>61.7</td>
<td>2.7</td>
<td>5.0%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>52.7</td>
<td>56.7</td>
<td>61.5</td>
<td>57.1</td>
<td>57.5</td>
<td>0.4</td>
<td>0.7%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>22.2</td>
<td>9.2</td>
<td>6.1</td>
<td>1.8</td>
<td>2.2</td>
<td>(7.4)</td>
<td>-80.9%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>14.6</td>
<td>33.9</td>
<td>33.9</td>
<td>33.0</td>
<td>37.0</td>
<td>(0.9)</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>2.5</td>
<td>3.2</td>
<td>3.2</td>
<td>5.9</td>
<td>6.2</td>
<td>2.7</td>
<td>86.7%</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>230.3</td>
<td>241.6</td>
<td>247.3</td>
<td>241.0</td>
<td>253.4</td>
<td>(0.6)</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>
Authorized and Funded Full-Time Equivalents (FTEs)

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>426.01</td>
<td>432.54</td>
<td>436.01</td>
<td>437.08</td>
<td>3.47</td>
<td>1.07</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>7.30</td>
<td>5.24</td>
<td>4.08</td>
<td>4.08</td>
<td>(1.16)</td>
<td>-</td>
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<tr>
<td>Subtotal Operating Budget-Funded</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project-Funded Positions</td>
<td>46.20</td>
<td>49.27</td>
<td>50.50</td>
<td>50.50</td>
<td>1.23</td>
<td>-</td>
</tr>
<tr>
<td>Total Positions</td>
<td>479.51</td>
<td>487.05</td>
<td>490.59</td>
<td>491.66</td>
<td>3.54</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Chart C3. Wastewater Enterprise Operating and Project FTE Trend

As noted above in Table C2, the Wastewater Enterprise full-time equivalent (FTE) operating budget, project-funded, and temporary positions (including attrition savings to adjust for an expected position vacancy rate during the fiscal year) for FY 2012-13 are 490.59 FTEs, a 3.54 FTE increase from FY 2011-12. Chart C3 illustrates the trend of operating and project-funded FTEs from FY 2010-11 to FY 2013-14. FY 2012-13 permanent positions increased by 3.47 FTEs, from 432.54 FTEs in FY 2011-12 to 436.01 FTEs in FY 2012-13. The net position increase includes: five new positions – three laborers to assist with the SFGreasecycle Program, and one wastewater operations analyst and one sewer repair supervisor to assist with increased activity for the SSIP; the annualization of five new FY 2011-12 positions: four were to assist with the SFGreasecycle Program, and one was to assist with operations at Wastewater facilities and plants; and an offset from an increase in Attrition Savings.

The number of temporary positions from FY 2011-12 to FY 2012-13 decreased by 1.16 FTEs, from 5.24 FTEs in FY 2011-12 to 4.08 FTEs in FY 2012-13. Temporary Salaries decreased to fund the new SFGreasecycle permanent positions.
Project-funded positions increased by 1.23 FTEs from FY 2011-12 to FY 2012-13, from 49.27 FTEs to 50.50 FTEs. The increase reflects the reassignment of one materials testing aide from SFPUC Infrastructure, to reflect the position’s proper reporting structure.

The Wastewater Enterprise FTE count increased by 1.07 FTEs from FY 2012-13 to FY 2013-14. The increase reflects the annualization of five new FY 2012-13 operating positions, discussed above; and is offset by attrition savings.

Table C2 provides a breakdown of positions by position type for FY 2010-11 to FY 2013-14.

Five-Year Approved Rates and Charges

Rates and Charges

San Francisco City Charter Requirements

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

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

Rate Objectives

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

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

Appendix C of this budget document provides more information about the SFPUC Rate Policy.
Residential Rate Structure

Single-family residential customers and multi-family Wastewater customers are separated into separate classes, allowing rates to be designed to reflect the particular usage characteristic of each group of residential customers. Single-family residential customers have a smaller percentage of their total usage in the first tier compared to multiple-family customers (47 percent versus 63 percent). Separate classes ensure each customer group pays their fair share of costs. Chart C4 shows the cost for single-family residential and multi-family residential.

Chart C4. FY 2012-13 Wastewater Enterprise Two-Tier Residential Rate Structure
Non-Residential Rate Structure

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

Table C3 shows unit costs for the approved rates through FY 2013-14, and an illustrative rate based on normal strength sewage.

Table C3. Summary of Approved Wastewater Rates

<table>
<thead>
<tr>
<th>Cost Components</th>
<th>Single-Family Residential</th>
<th>Multi-Family Residential</th>
<th>Non-Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Three Ccf/Month</td>
<td>$6.05</td>
<td>$6.91</td>
<td>$7.16</td>
</tr>
<tr>
<td>All Additional</td>
<td>8.35</td>
<td>9.21</td>
<td>9.55</td>
</tr>
<tr>
<td>Volume per Ccf</td>
<td>6.55</td>
<td>6.55</td>
<td>6.55</td>
</tr>
<tr>
<td>COD per lb.</td>
<td>0.88</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>SS per lb.</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
</tr>
</tbody>
</table>
Revenue Sources

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

Chart C5. Wastewater Enterprise Revenues by Source

Sewer Service Charges

Prior to 1977, the City funded sewer service costs principally from property taxes, supplemented by a flat fee per connection. Since 1977, the sewer service charge has been the Wastewater Enterprise’s primary source of revenue to fund operations. As a recipient of Federal and State grants and a borrower under the State Revolving Fund loan program, and under Proposition 218, the City is required to adopt sewer service charges based on each customer class’s proportional use of the sewerage system and to establish a dedicated source of revenues to pay for operating the system. The use of the sewer system is determined by actual water consumed, which is measured by the Water Enterprise’s water meters. For single family residential customers, sewer charges assume an effluent rate of 90 percent of water consumed. Total sewer service sales are projected at $233.2 million in FY 2012-13, $3.7 million below prior year pre-audit actuals. FY 2013-14 Sewer Service Charges are projected at $244.9 million, an $11.7 million increase consistent with approved rates. Revenues are projected to increase to $264.8 million in FY 2016-17, based on projected rate increases.

Residential

The sewer service charge applicable to residential service is an inclining block rate structure. The first block is applied to the first three units of monthly discharge per dwelling unit. All remaining units are billed at a higher rate. For multiple-family residential accounts, the billable use in each block is calculated by multiplying the allowed use by the number of dwelling units. An account with ten dwelling units, for example, would be allowed 30 discharge units in the first block. If the customer is billed on a bi-
monthly basis, the use allowed in each block is doubled. There is no adjustment for vacant units in multi-family dwellings.

Non-Residential

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

Interest Income

The Wastewater Enterprise earns interest income from the investment of available funds primarily by the City Treasurer and fiscal agents for debt bond proceeds. The interest income earned from the investment of non-restricted funds is included in the operating budget. Interest income earned from the investment of monies in restricted funds such as bond funds may only be used for the purpose of the fund and are not available to meet day-to-day operating expenses. Based on the current yield on investments made by the City Treasurer and projected cash balances, it is anticipated that investment income earned by unrestricted funds in FY 2012-13 will be $2.1 million and $3.0 million in FY 2013-14.

Non-Operating Revenues

Non-Operating Revenues total $1.9 million in FY 2012-13, and includes revenue from property rental, biofuel revenue, fees for plans and specifications, and revenue for services provided to other City departments.
Summary of Projected Expenses

Chart C6 shows projected operating expenses for FY 2012-13 to FY 2016-17. Operations and maintenance costs are the largest projected expenses, with debt service growing by 12 percent between FY 2012-13 and FY 2016-17, due to investment in the multi-billion dollar Sewer System Improvement Program (SSIP). The SSIP is focused on reliability, resiliency, flood minimization, essential seismic upgrades, and the repair and replacement of infrastructure that is beyond its useful life. These investments are essential for the protection of public health and the environment, including protection of the San Francisco Bay and the Pacific Ocean. Due to the nature of wastewater operations, which rely on personnel, chemicals, and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets. While operations and maintenance expenses are projected to remain flat from FY 2012-13 to FY 2013-14, expenses for forecast years FY 2014-15 to FY 2016-17 increase at average annual rate of three percent. As the SFPUC brings new capital wastewater assets on-line, the impact on future operating budgets will be further refined.

Revenue-Funded Capital

A 1986 Board of Supervisors resolution set the minimum Renewal and Replacement (R&R) expenditures at $5.0 million and requires expenditures to increase at least five percent annually until the amount of the annual contribution reaches $20.0 million. The total revenue-funded capital in FY 2012-13 is $36.8 million. Additional R&R capital project spending, averaging $50.7 million per year, is included in the Ten-Year Capital Plan to accelerate the replacement of aging sewers. A multi-year bond-funded supplemental of $348.0 million was also approved by the Board of Supervisors in April 2010.

Debt Service and Lease Payments

Debt service includes principal and interest payments on Wastewater revenue bonds and State Revolving Fund loans used to finance system improvements, as well as lease payments due for the Wastewater Enterprise’s share of the 525 Golden Gate headquarters
building Certificates of Participation (COPs). In addition to debt service payments on
existing long-term debt, the Wastewater Enterprise developed a $300 million commercial
paper (CP) program to fund the Interim Capital Improvement Program (Interim CIP)
projects to address flooding and odor control problems. During FY 2011-12, the
Wastewater Enterprise had no commercial paper outstanding.

Table C4. Outstanding Wastewater Enterprise – Revenue Bond and Lease
Financing

<table>
<thead>
<tr>
<th>Series</th>
<th>Original Par</th>
<th>Outstanding as of 06-30-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various SRF Loans</td>
<td>$ 239,783</td>
<td>$ 46,492</td>
</tr>
<tr>
<td>Revenue Bonds 2003A</td>
<td>396,270</td>
<td>229,210</td>
</tr>
<tr>
<td>Revenue Bonds 2010A</td>
<td>47,050</td>
<td>47,050</td>
</tr>
<tr>
<td>Revenue Bonds 2010B</td>
<td>192,515</td>
<td>192,515</td>
</tr>
<tr>
<td>525 Golden Gate COPs*</td>
<td>31,690</td>
<td>31,655</td>
</tr>
<tr>
<td><strong>Total Outstanding</strong></td>
<td><strong>$ 546,922</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

In FY 2009-10, the Wastewater Enterprise issued $47.1 million in revenue bonds, 2010
Series A bonds; and $192.5 million in revenue bonds, 2010 Series B (Federally Taxable –
Build America Bonds – Direct Payment) bonds as shown in Table C4. Proceeds from the
Series A bonds were used to refund outstanding commercial paper and pay financing costs
while proceeds from the Series B bonds were used to refund commercial paper, provide
monies for capital projects, and to pay financing costs.

The Enterprise anticipates issuing approximately $570 million in revenue bonds in FY
2012-13 to finance additional capital infrastructure needs.

Operations and Maintenance Expenses

Operations and Maintenance projections are $147.1 million in FY 2012-13 and FY 2013-14.
It is forecasted to increase by an estimated three percent annual rate through FY 2016-17.

Revenue Requirement

The annual expenditures for operations and maintenance, debt service, and repair and
replacement make up the revenue requirement of the Wastewater Enterprise. The income
derived from interest and non-operating income is subtracted from the annual revenue
requirement to determine the net revenue requirement to be met from sewer service
charges. Rates have been approved through FY 2013-14, with the next rate-setting cycle
to begin with an independent rate study in the Fall of 2013 as required at least every five
years by the City Charter.
Wastewater Enterprise Capital Improvement Program (CIP)

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

- Four Water Pollution Control Plants including: Southeast Treatment Plant, Oceanside Treatment Plant, North Point Wet-Weather Facility, and Treasure Island (TI) Treatment Plant;
- Twenty-seven Pump Stations in San Francisco and 29 on Treasure Island;
- Eight Transport/Storage Facilities with 195 MG capacity for combined sewage;
- Three Bay/Ocean Outfalls off of San Francisco;
- One Outfall off of Treasure Island;
- Thirty-six combined Sewer Discharge Structures;
- Fifty stormwater outfalls on Treasure and Yerba Buena Islands;
- Nine-hundred and ninety-three miles of Sewers, Tunnels, and Force Mains;
- Southeast Community Facility.

Wastewater and stormwater flows are treated by three main treatment facilities and the Treasure Island facility with a combined wet and dry-weather capacity of 575 mgd (577 mgd including TI). These facilities are:

- **North Point Wet-Weather Facility**: The North Point Wet-Weather Facility has been in operation since 1951. The facility provides primary-level treatment of wet-weather combined sewage collected in the north part of the City during rainstorms. The facility has a treatment capacity of 150 mgd. Treated wastewater is discharged 900 feet into the San Francisco Bay. Every year, the North Point Wet-Weather Facility treats about 1.3 billion gallons of wastewater, or 32 percent, of wet-weather flows.

- **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 about 64 mgd and can treat up to 250 mgd when it rains. Treated wastewater is discharged out of a 900-foot-long pipe into the San Francisco Bay. The Southeast Plant treats wastewater from the east side of San Francisco, which equals about 75 percent of the City's total dry-weather wastewater flow, and 54 percent of its wet-weather wastewater flow.

- **Oceanside Treatment Plant**: Completed in 1993, the Oceanside Treatment Plant is the City's newest treatment facility. The Plant treats an average dry-weather flow of approximately 17 mgd and has a total capacity of 65 million gallons during wet-weather. It treats wastewater from the west side of the City. Treated wastewater is discharged from the plant 4.5 miles to the Pacific Ocean through the Southwest Ocean Outfall. In 2004, the Oceanside Plant was awarded the U.S. Environmental Protection Agency's "Plant of the Year" Award over similar-sized treatment plants around the nation.

- **Treasure Island Treatment Plant**: The San Francisco Public Utilities Commission (SFPUC), under a 1997 Cooperative Agreement between the U.S. Navy, agreed to operate and maintain the utility systems at Treasure Island, including the TI Plant, while the Navy retains ownership of all the utility systems. The Treasure Island Treatment Plant treats 20 percent of dry-weather and 14 percent of wet-weather flows.

The Plant provides secondary treatment of domestic 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. There are no industrial or commercial facilities in the service area. Daily influent flows measured between December 2005 and June 2009 ranged between 0.35 and 0.50 mgd. The higher flows occurred
during wet-weather and were caused by inflow and infiltration to the collection system.

Table C5 shows the Wastewater Enterprise’s CIP for FY 2011-12, FY 2012-13, and FY 2013-14, by major programs.

Table C5. Wastewater Enterprise CIP by Major Program

<table>
<thead>
<tr>
<th>Program/Project</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer System Improvement Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program-Wide Management</td>
<td>8.3</td>
<td>9.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Biofuel/Alternative Energy</td>
<td>2.0</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td>Treatment Facilities</td>
<td>13.0</td>
<td>86.8</td>
<td>82.2</td>
</tr>
<tr>
<td>Sewer/Collection System</td>
<td>31.0</td>
<td>34.6</td>
<td>38.7</td>
</tr>
<tr>
<td>Flood Control</td>
<td>6.5</td>
<td>21.6</td>
<td>34.0</td>
</tr>
<tr>
<td><strong>Total SSIP</strong></td>
<td><strong>60.8</strong></td>
<td><strong>157.0</strong></td>
<td><strong>168.9</strong></td>
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<tr>
<td>Wastewater Interim</td>
<td>79.3</td>
<td>25.9</td>
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<tr>
<td><strong>Renewal &amp; Replacement (R&amp;R)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection System</td>
<td>36.4</td>
<td>51.3</td>
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<tr>
<td>Treatment Plant Improvements</td>
<td>7.4</td>
<td>8.6</td>
<td>11.9</td>
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<tr>
<td><strong>Total R&amp;R</strong></td>
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<td><strong>59.9</strong></td>
<td><strong>75.8</strong></td>
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<tr>
<td><strong>Wastewater Facilities &amp; Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Collection System Division Consolidation</td>
<td>-</td>
<td>20.0</td>
<td>-</td>
</tr>
<tr>
<td>Ocean Beach Visioning Project</td>
<td>-</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Southeast Community Center Improvements</td>
<td>-</td>
<td>2.5</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total Wastewater Facilities &amp; Infrastructure</strong></td>
<td>-</td>
<td><strong>24.0</strong></td>
<td><strong>6.5</strong></td>
</tr>
<tr>
<td>Finance Cost</td>
<td>-</td>
<td>31.5</td>
<td>32.8</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>186.9</strong></td>
<td><strong>299.4</strong></td>
<td><strong>288.4</strong></td>
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<tr>
<td><strong>Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State - Water Supply Reliability Grant</td>
<td>-</td>
<td>24.1</td>
<td>-</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>156.3</td>
<td>241.5</td>
<td>251.4</td>
</tr>
<tr>
<td>Wastewater Revenue</td>
<td>30.6</td>
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<td>37.0</td>
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<tr>
<td>BAB Interest Income</td>
<td>-</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>186.9</strong></td>
<td><strong>299.4</strong></td>
<td><strong>288.4</strong></td>
</tr>
</tbody>
</table>

**FY 2012-13 and 2013-14 Supplemental Appropriation**

The SFPUC Capital Budget was approved through supplemental appropriation due to the size of the request and the need for additional review by governing agencies. The
supplemental appropriated $587.8 million for projects and financing costs for the Wastewater Enterprise in FY 2012-13 and FY 2013-14.

FY 2012-13

The Wastewater Enterprise’s Capital Improvement Program (CIP) for FY 2012-13 is $299.4 million and includes $267.9 million for Wastewater Capital Projects and $31.5 million for financing cost. The FY 2012-13 Wastewater Enterprise CIP is $112.5 million more than the FY 2011-12 approved CIP. The increase is mainly due to costs for the SSIP, R&R, and Wastewater Facilities and Infrastructure.

**Major projects in the FY 2012-13 CIP include:**
- $9.0 million for SSIP Program-Wide Management – Program to fund SSIP implementation including condition assessments, project definition and prioritization, public outreach and education, analysis of the impacts of climate change, sustainability evaluation, and general program management.
- $5.0 million for the Biofuel/Alternative Energy project to determine the feasibility and cost-effectiveness for the Wastewater Enterprise to generate bioenergy as a byproduct of processing the fats, oils, and grease (FOG) and/or food waste collected throughout the City.
- $86.8 million for SSIP Treatment Facilities including a new digester and solids handling facility replacing the existing facility at the Southeast Plant, major improvements to the North Point Facility, North Shore Pump Station, and associated outfalls, and improvements to the Oceanside Water Pollution Control Plant.
- $34.6 million for the SSIP Sewer/Collection System including the Central Bayside System Improvements Project, replacement of existing sewers to increase hydraulic capacity and reduce localized flooding and improvements to Wastewater Enterprise pump stations and force mains.
- $21.6 million for SSIP Flood Control Projects involving drainage basin management, the Low Impact Design (LID) Program, and the SSIP Urban Watershed Assessment and Planning project.
- $25.9 million for the Interim CIP to address the short-term capital improvement needs for the Wastewater Enterprise. This is the last year funds are requested; this program is near completion and any future capital work will be addressed through the SSIP.
- $51.3 million for Collection System renewal and replacement projects including sewer condition assessments, spot sewer repairs, and planned/emergency projects to repair/replace structurally inadequate sewers. The FY 2012-13 budget will replace approximately 12 to 13 miles of structurally inadequate main sewers.
- $8.6 million for Treatment Plant Improvements renewal and replacement program to maintain the capacity and reliable performance of the wastewater treatment facilities.
- $1.1 million for Treasure Island Capital Improvements to fund a proposed new two-million gallon per day (mgd) tertiary wastewater treatment facility for the Treasure Island and Yerba Buena Island service area to replace the existing facility.
- $20.0 million for Collection System Division Consolidation Project consolidating the Collection System Division Administrative and Sewer Operations staff to a centralized location, maximizing the operational efficiency and functionality of the City’s sewer cleaning, inspection and hydraulic modeling programs, and improving the ability to inspect and maintain the City’s sewer collection system for the long-term.
- $1.5 million for Ocean Beach Visioning Project, which will facilitate the planning and development of the long-term shoreline protection measures along Ocean Beach, between Sloat and Skyline Boulevards.
$2.5 million for Southeast Community Center Improvements, which will focus on evaluating and improving the functional and operational reliability of the existing Southeast Community Facility.

FY 2013-14

The CIP total for FY 2013-14 is $288.4 million. It includes funding for: SSIP Treatment Facilities, $82.2 million; Collection System R&R, $63.9 million; SSIP Sewer/Collection System, $38.7 million; SSIP Flood Control Projects, $34.0 million; financing costs, $32.8 million; SSIP Program-Wide Management, $14.0 million; Treatment Plant Improvements, $11.9 million; Southeast Community Center Improvements, $5.0 million; Treasure Island Capital Improvements, $4.4 million; and the Ocean Beach Visioning Project, $1.5 million.

Wastewater Enterprise Programmatic Projects

Table C6 shows the Wastewater Enterprise’s programmatic projects for FY 2011-12, FY 2012-13, and FY 2013-14, by major programs.

Table C6. Wastewater Enterprise Programmatic Projects

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program/Project</td>
<td>Adopted Budget</td>
<td>Adopted Budget</td>
<td>Adopted Budget</td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasure Island Facilities Maintenance</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Low Impact Design</td>
<td>0.8</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Youth Employment Project</td>
<td>0.3</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Southeast Community Center Program</td>
<td>0.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>525 Golden Gate - Operations and Maintenance</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>525 Golden Gate - Lease Payment</td>
<td>-</td>
<td>1.9</td>
<td>2.4</td>
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<tr>
<td>Total Costs</td>
<td>3.2</td>
<td>5.9</td>
<td>6.2</td>
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<tr>
<td>Sources</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Infrastructure - Recovery Capital</td>
<td>0.1</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Federal Bond Interest Subsidy</td>
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<td>0.5</td>
<td>0.6</td>
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<td>Wastewater Revenue</td>
<td>3.1</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Total Sources</td>
<td>3.2</td>
<td>5.9</td>
<td>6.2</td>
</tr>
</tbody>
</table>

FY 2012-13

The Wastewater Enterprise Programmatic Project budget increased from $3.2 million in FY 2011-12 to $5.9 million in FY 2012-13. The increase of $2.7 million funds the Wastewater Enterprise’s share of the annual costs to lease the SFPUC’s new headquarters at 525 Golden Gate; Low Impact Design (LID); and the Youth Employment Project.

FY 2013-14

The Wastewater Enterprise Programmatic Project budget increased from $5.9 million in FY 2012-13 to $6.2 million in FY 2013-14. The increase funds the Wastewater Enterprise's share of the lease payments for the SFPUC’s new 525 Golden Gate headquarters building.
Table C7. Wastewater Enterprise Ten-Year Capital Plan

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer System Improvement Program</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
<td>13,000</td>
<td>11,000</td>
<td>50,000</td>
<td>116,000</td>
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<tr>
<td>Program-Wide Management</td>
<td>86,750</td>
<td>82,250</td>
<td>85,250</td>
<td>98,250</td>
<td>143,250</td>
<td>1,616,700</td>
<td>2,112,450</td>
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<td>Treatment Facilities</td>
<td>34,606</td>
<td>38,700</td>
<td>59,400</td>
<td>62,675</td>
<td>88,075</td>
<td>1,173,020</td>
<td>1,456,476</td>
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<td>33,961</td>
<td>15,365</td>
<td>15,470</td>
<td>18,773</td>
<td>245,450</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,894</td>
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<tr>
<td>Renewal &amp; Replacement</td>
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<td>Collection System</td>
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<td>74,263</td>
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<td>11,849</td>
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<td>-</td>
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<td>-</td>
<td>3,000</td>
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<td>2,500</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>17,500</td>
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<td>6,500</td>
<td>5,000</td>
<td>5,000</td>
<td>-</td>
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<td>40,500</td>
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<td>Total Wastewater</td>
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<td>255,569</td>
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<td>319,961</td>
<td>363,695</td>
<td>3,628,927</td>
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<td>Revenues</td>
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<td>37,000</td>
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<td>41,000</td>
<td>43,000</td>
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<td>BABs Interest Subsidy</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>800</td>
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<tr>
<td>Capacity Fee</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>4,000</td>
<td>4,000</td>
<td>17,000</td>
<td>27,000</td>
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<tr>
<td>Total</td>
<td>267,908</td>
<td>255,569</td>
<td>271,670</td>
<td>319,961</td>
<td>363,695</td>
<td>3,628,927</td>
<td>5,107,730</td>
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<tr>
<td>Total San Francisco Jobs/Year</td>
<td>1,752</td>
<td>1,671</td>
<td>1,777</td>
<td>2,093</td>
<td>2,379</td>
<td>23,733</td>
<td>33,405</td>
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</table>

The Ten-Year Capital Plan is developed each year by the SFPUC and is approved by the Commission early in the budget development process. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials, and the public by providing the proposed long-term capital program, projects, and investments. The Ten-Year Capital Plan also guides the Ten-Year Financial Plan and the rate analysis approved every five years. The Ten-Year Capital Plan is not a budget and is not "appropriated" in the same manner as a budget. As the budget process progresses through the Spring and into final adoption in the Summer, the annual CIPs can be revised, and final projects, costs, and totals for the two annual CIPs can change. The annual CIPs are based on the Ten-Year Capital Plan, but they do not always match by project or dollar amount.
The Ten-Year Capital Plan (Table C7 and Chart C7) shows total project costs for the Wastewater Enterprise of approximately $5.1 billion. Capital investments during the ten-year period are in the following areas:

- Program-Wide Management, $116.0 million;
- Treatment Facilities, $2,112.5 million;
- Sewer/Collection System, $1,456.5 million;
- Flood Control, $350.7 million;
- Wastewater Interim, $25.9 million;
- Collection System, $757.2 million;
- Treatment Plant Improvements, $139.2 million;
- Treasure Island Capital Improvements, $109.3 million;
- Collection System Division Consolidation, $20.0 million;
- Ocean Beach Visioning Project, $3.0 million;
- Southeast Community Center Improvements, $17.5 million.

**Chart C7. Wastewater Enterprise Ten-Year Capital Plan Trend**

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

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

**Collection System, $757.2 million**

Condition Assessment Project – Includes cleaning and inspection of large diameter sewers, transport/storage boxes and collection system discharge/overflow structures. The results of the inspection program will inform the R&R Spot Repair and Collection System Sewer Improvements Programs, as well as the SSIP regarding needed sewer repairs.

Sewer Replacement /Improvement Program - Helps mitigate future years’ operating costs by timely maintenance of the Wastewater collection system. Historically, the Enterprise has been replacing approximately four miles of sewers each year at an annual cost of about $12.0 million. The estimated annual cost for sewer replacement beginning in FY 2012-13 is approximately $51.3 million. This will enable the Wastewater Enterprise to replace approximately 12 to 13 miles of sewer in FY 2012-13. This amount increases to $80.8 million in FY 2021-22 while replacing 15 miles of sewer per year. The goal is to accelerate the current 200-year replacement rate until the sewers are replaced once every 100 years.

Collection System Spot Sewer Repair Project - Addresses collapse sections of pipe, voids and holes and other deficiencies. Funding in FY 2012-13 will repair approximately 300 individual spot sewer locations, with an increase in FY 2013-14 to 700, to meet the targeted levels of service goals. It is anticipated that this base rate of spot repair will continue for the next several years and would ultimately decrease as the overall R&R program continues to be implemented.

**Treatment Plants, $139.3 million**

The treatment plant renewal program includes projects to keep the Wastewater systems operational, with the goal of reaching a state of good repair. This is a continuing annual program to extend the useful life of the Wastewater Enterprise treatment facilities assets. Projects include planned renewals and replacements at treatment plants and pumping stations to maintain the capacity and reliable performance of wastewater treatment facilities. The estimated annual cost for the treatment plant renewal program, beginning in FY 2011-12, is approximately $8.6 million. This amount increases to $17.5 million in FY 2021-22.

**Capital Program**

In addition to the R&R discussed above, the Ten-Year Capital Plan includes $4.2 billion for capital improvements to the sewer system. The scope of the capital investments includes four categories of projects: (1) the SSIP totaling an estimated $4,035.6 million; (2) Interim CIP projects (final appropriation) totaling $25.9 million; (3) sewer redevelopment of Treasure Island and Yerba Buena Island for $109.3 million; and (4) Wastewater Facilities and Infrastructure at $40.5 million.

**Sewer System Improvement Program (SSIP), $4.0 billion**

The Sewer System Improvement Program (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 a future capital improvement programs, ensuring reliable service meeting all regulatory requirements. The SSIP will be implemented over a 20- to 30-year timeframe, a portion of which is addressed in the Ten-Year Capital Plan.

The Ten-Year Capital Plan as adopted anticipates approximately $4.0 billion in investments from the SSIP, focusing on projects in the following categories:

- Program-Wide Efforts: $111.0 million – The SSIP is a series of capital improvement projects focused on improving the wastewater system to meet the present and
future needs of the City. The Program-Wide Management Project will assist the SSIP implementation, providing Condition Assessments (facility inspections), project definition and prioritization, public outreach and education, analysis of the impacts of climate change, sustainability evaluation, and general program management (program controls, change control, constructability). The initial focus will be on scope optimization and validation; and the development of programmatic schedules, cost estimates, rate and spending projections for the SSIP.

- **Biofuel/Alternative Energy $5.0 million** – This Program will determine if it is feasible and cost-effective to generate bio-energy as a byproduct of processing the fats, oils, and grease (FOG) and/or food waste collected throughout the City. Feasibility will be determined through pilot studies and analysis that will evaluate whether adoption of biofuel energy programs into the SFPUC’s wastewater infrastructure (collection system and/or treatment processes) would reliably and cost effectively enhance system performance and sustainability. (This Program is included in Program-Wide Management in Table C7.)

- **Treatment Facilities: $2,112.5 million** - Projects include the Bayside Biosolids (Digester) Project which funds the planning, design and construction of a new digester and solids facility to be located in the southeast area of San Francisco, improvements to the near shore combined sewer transport storage and combined sewer discharge structures, major improvements to the North Point Facility, North Shore Pump Station and associated outfalls, and major improvements to the Oceanside Water Pollution Control Plant, Westside Pump Station and Force Main.

- **Sewer/Collection System: $1,456.5 million** – Includes the proposed Central Bayside System Improvement Project providing system enhancements to the Channel Drainage Basin, including needed redundancy for the existing 66-inch Channel Force Main, hydraulic improvements to sewers/pump stations, and improvements to stormwater management through elements of both grey and green infrastructure. Also provides funding for replacement of existing sewers to increase hydraulic capacity, pump stations and force main improvements.

- **Flood Control: $350.7 million** - The SSIP will utilize an integrated drainage basin management approach to investigate the health of each of the City's drainage basins (watersheds) and identify potential opportunities for stormwater capture and reuse to address issues of flooding. These projects will provide basin-wide improvements for watersheds identified in the SSIP. Through the Low Impact Design (LID) Program, projects and policies will be developed for storing, or diverting stormwater for beneficial use prior to being directed into the sewer system. The SSIP Urban Watershed Assessment and Planning project will evaluate alternatives that balance the use of grey versus green infrastructure for collection system improvements.

**Wastewater Interim CIP, $25.9 million**

The Plan includes $25.9 million in improvements to Wastewater facilities during FY 2012-13 for projects that are part of the Wastewater Interim CIP. The Wastewater Interim CIP provided funding for projects to address the most critical needs of the aging wastewater system, including improving the capacity of sewer mains, upgrading treatment facilities and pump stations. FY 2012-13 will be the final year that projects in the Wastewater Interim CIP are funded. All future capital project funding will be included in the SSIP.

**Sewer Redevelopment of Treasure and Yerba Buena Islands, $109.3 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. Project includes:

- **New Wastewater Treatment Facility: $109.3 million** – A new tertiary two-million gallon per day wastewater treatment facility is proposed for the Treasure Island/Yerba Buena Island service area to replace the existing, aged facility. The new treatment facility will include influent screening, a combined primary/secondary treatment process, anaerobic sludge digestion, sludge dewatering and truck load-out, disinfection, odor control, and tertiary treatment.
Wastewater Facilities and Infrastructure, $40.5 million

- Collection System Division Consolidation: $20.0 million - This project will focus on consolidating the Collection System Division Administrative and Sewer Operations staff to a centralized location, maximizing the operational efficiency and functionality of the City’s sewer cleaning.

- Ocean Beach Visioning Process: $3.0 million - This project will facilitate the development of a comprehensive shoreline management and protection plan in partnership with relevant stakeholders and regulatory agencies to provide a long-term solution to the erosion issues along Ocean Beach.

- Southeast Community Center Improvements: $17.5 million – This project focuses on evaluating and improving the functional and operational reliability of the existing Southeast Community Facility by providing infrastructure improvements.
## Wastewater Enterprise Ten-Year Financial Plan

### Table C8. - Wastewater Enterprise Ten-Year Financial Plan

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<td>83.0</td>
<td>86.5</td>
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<td>Sewer Service Sales - Base Rates</td>
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<td>10.2</td>
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<td>2.2</td>
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<td>Other Miscellaneous Income</td>
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<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
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<td>1.9</td>
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<td><strong>Total Sources (less bond interest subsidy)</strong></td>
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<td>250.3</td>
<td>260.5</td>
<td>268.9</td>
<td>300.7</td>
<td>336.3</td>
<td>376.2</td>
<td>428.4</td>
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<td>Operations &amp; Maintenance</td>
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<td>Debt Service (net of Bond Interest Subsidy)</td>
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<td>239.9</td>
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<td>Projects - Revenue Funded</td>
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<td>43.2</td>
<td>45.3</td>
<td>47.4</td>
<td>49.4</td>
<td>52.5</td>
<td>54.6</td>
<td>56.6</td>
<td>59.7</td>
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<td><strong>Total Uses</strong></td>
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<td>265.3</td>
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<td>Net Revenues</td>
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<td>3.5</td>
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<td>(16.3)</td>
<td>(13.3)</td>
<td>(11.2)</td>
<td>(6.8)</td>
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<td>Ending Fund Balance</td>
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<td>83.0</td>
<td>86.5</td>
<td>75.6</td>
<td>59.2</td>
<td>45.9</td>
<td>34.7</td>
<td>27.9</td>
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<td>Revenue Requirement Impact</td>
<td>5.0%</td>
<td>5.0%</td>
<td>0.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>12.0%</td>
<td>12.0%</td>
<td>12.0%</td>
<td>14.0%</td>
<td>14.0%</td>
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<tr>
<td>Fund Balance as % of Revenue</td>
<td>23.0%</td>
<td>26.1%</td>
<td>28.7%</td>
<td>31.9%</td>
<td>32.2%</td>
<td>25.1%</td>
<td>17.6%</td>
<td>12.2%</td>
<td>8.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Fund Balance as % of Expense</td>
<td>23.3%</td>
<td>27.3%</td>
<td>29.5%</td>
<td>33.3%</td>
<td>32.6%</td>
<td>24.2%</td>
<td>16.8%</td>
<td>11.8%</td>
<td>7.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Fund Balance as % of Operating Expense</td>
<td>37.1%</td>
<td>44.4%</td>
<td>47.3%</td>
<td>52.9%</td>
<td>53.6%</td>
<td>45.0%</td>
<td>33.9%</td>
<td>25.0%</td>
<td>18.3%</td>
<td>14.3%</td>
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<tr>
<td>Debt Service Coverage (Indenture)</td>
<td>3.23</td>
<td>3.55</td>
<td>3.74</td>
<td>4.05</td>
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<td>2.35</td>
<td>1.90</td>
<td>1.67</td>
<td>1.48</td>
<td>1.37</td>
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<td>Debt Service Coverage (Current)</td>
<td>1.97</td>
<td>2.24</td>
<td>2.19</td>
<td>2.34</td>
<td>1.96</td>
<td>1.42</td>
<td>1.29</td>
<td>1.28</td>
<td>1.24</td>
<td>1.22</td>
</tr>
</tbody>
</table>
The SFPUC’s Ten-Year Financial Plan, as required by City and County of San Francisco Charter, Section 8B.123, includes a Wastewater Enterprise ten-year financial summary (FY 2012-13 to FY 2021-22) describing projected sources and uses, resulting fund balances, and associated financial reserve ratios. This is not a budget nor are funds appropriated based on Plan. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the sewer rates, and the fiscal year budgets. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisors policies, goals, and objectives representing management’s best estimates at this time. Table C8 above details the Ten-Year Financial Plan, and Chart C8 shows the Ten-Year Financial Plan trend.

Table C8 shows the Wastewater Enterprise Ten-Year Financial Plan, from FY 2012-13 to FY 2021-22, and Chart C8 provides the Ten-Year Financial Plan trend.

**Rates and Charges**

Sewer service charge revenues are forecasted to increase by: 5.0 percent in FY 2012-13 and FY 2013-14, zero percent in FY 2014-15, 4.0 percent in FY 2015-16 and FY 2016-17, 12.0 percent annually from FY 2017-18 to FY 2019-20, and 14.0 percent for the remaining two fiscal years. These rate changes are needed to fund the Wastewater Capital Improvement Program (CIP) to construct new digesters at the Southeast Plant, provide other treatment plant improvements, and manage stormwater to minimize flooding. The larger increases at the end of the period are related to debt service costs associated with the implementation of the first phase of the $6.9 billion SSIP, which is currently in planning.

**Sources of Funds**

The Wastewater Enterprise serves a population of approximately 840,000 within San Francisco and adjacent communities. Customers are grouped into two classes: residential and non-residential. Grouping customers with the same or similar wastewater
characteristics into classes allows the Enterprise to allocate costs responsibility to each class based on their respective volumes and strengths (i.e., wastewater characteristics). Within each class, subgroups have been established to facilitate rate analysis and rate administration. Total sources excluding bond proceeds are expected to increase from $237.2 million to $488.0 million over the ten-year period.

- Sewer service charges are projected to increase from $233.2 million in FY 2012-13 to $483.5 million by FY 2021-22. The City has adopted sewer service charges through FY 2013-14, based on each customer class’s proportional use of the sewerage system and to establish a dedicated source of revenues to pay for operating the system.

- Other income is projected to average $4.5 million annually over the ten-year period. This includes interest income on cash balances and other miscellaneous sources, including rental income.

**Uses of Funds**

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

The Ten-Year Financial Plan includes operation and maintenance costs, repair and replacement costs for existing equipment and facilities, and debt service on bonds and loans used to finance capital improvements. Operations and maintenance costs, currently the largest expense component, make up 62.7 percent of total expenses in FY 2012-13, but will decrease to 39.5 percent of total expense over the next ten years as debt service costs increase. Total expenditures are forecasted to more than double from $234.3 million to $494.8 million over the period.

- Operations and Maintenance costs include personnel costs, material and supplies, treatment chemicals, power and energy, sludge disposal, and services of other City departments (including the SFPUC Bureaus). FY 2012-13 projections to operate the water pollution control system are $147.1 million, increasing to $195.3 million by FY 2021-22. The majority of these costs are fixed in nature and associated with running a 24/7 operation.

- Debt Service includes principal and interest payments on revenue bonds and State Revolving Fund loans used to finance system improvements, and are projected to increase from $50.4 million to $239.9 million over the ten-year period. The increase towards the end of the forecast period results from estimated debt service expense associated with the early years of the SSIP, currently in project development.

- Revenue-Funded Capital Projects, otherwise known as the Renewal and Replacement (R&R) program, are used to fund major maintenance and routine additions and improvements to sewers, pumping stations, and treatment plants. As a recipient of State and Federal grants under the Clean Water Act, the Enterprise is required to include annual funding for repairs and replacement as a part of its annual revenue requirement. A 1986 Board of Supervisors resolution set the minimum R&R expenditure at $5.0 million and requires the expenditure to increase at least five percent annually until the amount of the annual contribution reaches $20.0 million. The annual contribution is projected to be $36.8 million in FY 2012-13. Along with the $30.0 million reserve to accelerate the replacement of aging sewers, R&R will reach $59.7 million by FY 2021-22.

**Debt Financing of Capital Needs**

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

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

**Financial Ratios**

It is the financial objective of the SFPUC to maintain a minimum revenue bond coverage ratio of 1.25 times on an indenture basis and 1.00 times on a current operations basis; the latter does not include available fund balances. Over the ten-year period, the Wastewater Enterprise indenture coverage ranges from 4.05 to 1.37 times coverage. On a current basis, the coverage ratio is projected to exceed the 1.00 minimum with a range from 2.34 to 1.22 times coverage.

**Fund Balances and Reserves**

Ending fund balance is projected to grow in the Wastewater Enterprise from $54.6 million in FY 2012-13 to $86.5 million in FY 2016-17, then decreasing to $27.9 million by FY 2021-22. This mid-range increase is necessary for the ramping up of debt service coverage purposes, and is funded by rate increases. The new debt service during the period is related to funding the enterprise’s Capital Plan, including the annual CIP, as well as the SSIP. As a proportion of operating expenses, fund balance increases from approximately 37.1 percent (4.5 months of expense) in FY 2012-13 to 53.6 percent (6.4 months of expense) by FY 2016-17, before falling back to 14.3 percent in FY 2021-22 (1.7 months of expense).

**Departmental Section**

**Wastewater Enterprise Organization Chart**

This organizational chart reflects the budget structure of the Wastewater Enterprise.
FY 2012-13 Wastewater Objectives Included in the Strategic Sustainability Plan

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of our business activities. The Plan is presented in the Introduction of this report.

The durable section of the Strategic Sustainability Plan contains the SFPUC strategic goals, objectives, and performance indicators, to implement the SFPUC’s mission and vision. The durable section is the frame that will remain fairly static and constant; yet it will still retain the flexibility to be revised as the SFPUC’s services, customers, and communities evolve. The dynamic section of the SSP contains specific actions, targets, measures, and budgets, both operating and capital. Together, the durable and dynamic sections of the SSP allow the SFPUC to evaluate its performance and measure progress toward goals and objectives. Most importantly, the SSP will provide trending data that can support business decisions and allocations of resources. The Wastewater Enterprise uses this plan to establish individual job goal-setting and performance evaluations, budget tracking, and planning. Wastewater is accountable to the SFPUC Commission, the General Manager, and the public, to show performance in relation to this Plan.

Appendix E includes the highlights of the accomplishments for FY 2011-12 SSP.
Divisions

The Wastewater Enterprise is comprised of seven Divisions: Wastewater Administration, Maintenance, Operations, Environmental Engineering, Planning and Regulations, Collection Systems, and Wastewater Laboratory. Chart C9 shows the FY 2012-13 and FY 2013-14 budgets by Wastewater Divisions.

Chart C9. FY 2012-13 and FY 2013-14 Wastewater Enterprise Uses of Funds by Division

Table C9 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets, for all Wastewater Divisions.

Table C9. Wastewater Enterprise Uses of Funds by Division

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<td>Debt Service</td>
<td>$ 56.5</td>
<td>$ 61.7</td>
<td></td>
<td>$ 63.1</td>
<td>$ 61.7</td>
<td>-0.5%</td>
<td>5.2%</td>
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<td>Administration</td>
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<td>36.3</td>
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<td>Operations</td>
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<td>36.3</td>
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<td>0.6%</td>
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<td>Capital/Revenue Reserve</td>
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<td>37.0</td>
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<td>37.0</td>
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<td>Collection Systems</td>
<td>31.1</td>
<td>31.5</td>
<td>31.1</td>
<td>31.5</td>
<td>31.5</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>26.0</td>
<td>26.6</td>
<td>26.0</td>
<td>26.6</td>
<td>26.6</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Planning &amp; Regulations</td>
<td>7.4</td>
<td>7.3</td>
<td>7.4</td>
<td>7.3</td>
<td>7.3</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>5.9</td>
<td>6.2</td>
<td>5.9</td>
<td>6.2</td>
<td>6.2</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Laboratory</td>
<td>4.3</td>
<td>4.5</td>
<td>4.3</td>
<td>4.5</td>
<td>4.5</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Environmental Engineering</td>
<td>3.9</td>
<td>4.1</td>
<td>3.9</td>
<td>4.1</td>
<td>4.1</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>1.8</td>
<td>2.2</td>
<td>1.8</td>
<td>2.2</td>
<td>2.2</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 241.0</td>
<td>$ 253.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Administration

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

Table C10 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C10. Administration Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Amount %</td>
<td>Amount %</td>
</tr>
<tr>
<td>Personnel</td>
<td>5,247,337</td>
<td>4,140,525</td>
<td>5,719,125</td>
<td>4,419,785</td>
<td>4,715,979</td>
<td>279,260 6.7%</td>
<td>296,194 6.7%</td>
</tr>
<tr>
<td>Overhead</td>
<td>-</td>
<td>1,338,380</td>
<td></td>
<td>1,338,380</td>
<td>-</td>
<td>(1,338,380) -100.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,714,438</td>
<td>1,777,644</td>
<td>3,621,908</td>
<td>1,865,802</td>
<td>1,890,323</td>
<td>88,158 5.0%</td>
<td>24,521 1.3%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>88,631</td>
<td>220,402</td>
<td>162,777</td>
<td>220,402</td>
<td>220,402</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>61,386,219</td>
<td>53,808,845</td>
<td>53,808,845</td>
<td>56,509,466</td>
<td>61,688,093</td>
<td>2,700,621 5.0%</td>
<td>5,178,627 9.2%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>5,978</td>
<td></td>
<td>-</td>
<td>(5,978)</td>
<td>- 100.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>24,458,525</td>
<td>28,133,374</td>
<td>31,987,098</td>
<td>28,944,558</td>
<td>29,271,355</td>
<td>811,184 2.9%</td>
<td>326,797 1.1%</td>
</tr>
<tr>
<td>Total</td>
<td>94,895,150</td>
<td>89,425,148</td>
<td>96,638,133</td>
<td>91,960,013</td>
<td>97,786,152</td>
<td>2,534,865 2.8%</td>
<td>5,826,139 6.3%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Overhead** – Reflects the transfer of the Overhead Budget to the SFPUC Bureaus from the Enterprises.
- **Equipment** - Reflects the removal of funding for one-time FY 2011-12 equipment.
- **General Reserve** - Reflects an increase in personnel costs and debt service, which reduces available sources by the same amount.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **General Reserve** - Reflects an increase in fund sources.
Maintenance

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

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

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

Table C11 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C11. Maintenance Budget Summary

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11 Audited Actual</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2011-12 Pre-Audit Actual</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
<th>FY 2012-13 vs. FY 2011-12 Adopted Amount</th>
<th>%</th>
<th>FY 2013-14 vs. FY 2012-13 Adopted Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>14,704,992</td>
<td>16,584,393</td>
<td>17,077,395</td>
<td>17,725,267</td>
<td>18,566,794</td>
<td>1,140,874</td>
<td>6.9%</td>
<td>841,527</td>
<td>4.7%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>704,078</td>
<td>4,234,517</td>
<td>1,475,389</td>
<td>2,726,218</td>
<td>2,726,408</td>
<td>(1,508,299)</td>
<td>-35.6%</td>
<td>190</td>
<td>0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>2,221,866</td>
<td>2,401,089</td>
<td>3,213,814</td>
<td>2,283,952</td>
<td>2,310,168</td>
<td>(117,137)</td>
<td>-4.9%</td>
<td>26,216</td>
<td>1.1%</td>
</tr>
<tr>
<td>Equipment</td>
<td>498,290</td>
<td>381,701</td>
<td>665,009</td>
<td>467,436</td>
<td>244,209</td>
<td>85,735</td>
<td>22.5%</td>
<td>(223,227)</td>
<td>-47.8%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>3,609,304</td>
<td>2,851,177</td>
<td>3,493,441</td>
<td>2,760,806</td>
<td>2,756,852</td>
<td>(90,371)</td>
<td>-3.2%</td>
<td>(3,954)</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>21,738,530</td>
<td>26,452,877</td>
<td>25,925,047</td>
<td>25,963,679</td>
<td>26,604,431</td>
<td>(489,198)</td>
<td>-1.8%</td>
<td>640,752</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non-Personnel Services** – Reflects a decrease in funds for maintenance services, including inspection and repair of various equipment, to reflect prior year expenditures; and the removal of one-time funding for maintenance services of office space for personnel at the Southeast Treatment Plant.

- **Equipment** – Reflects projected equipment needs for the Maintenance Division, and includes new and replacement vehicles to support gardeners for Low Impact Design (LID) projects, maintain treatment plants’ roadways, and service pump stations; and other equipment for inspection work and work in flood areas.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Equipment** – Reflects the Maintenance Division’s projected FY 2013-14 equipment needs to support its operations.
Operations

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

Wastewater treatment is performed at four different locations: Southeast Treatment Plant, Treasure Island Treatment Plant, Oceanside Treatment Plant, and North Point Wet-Weather Facility. Wastewater treatment includes pre-treatment, primary treatment, secondary treatment, disinfection, solids treatment, and odor control. The Southeast Treatment Plant treats 75 percent of dry-weather wastewater flow, or 64 mgd, and can process up to 250 mgd during the rainy season. Oceanside treats a dry-weather flow up to 21 mgd with a total capacity of 65 mgd and with the Westside Transport system, can process up to 175 m during wet weather. Treasure Island treats less than 1 mgd with a peak capacity of 2 mgd. The North Point Wet-Weather Facility provides primary-level treatment of wastewater collected in the north part of the City during storms, with a treatment capacity of 150 mgd. Treatments plants and pump stations operate on a 365 days per year, 24-hour per day basis.

Table C12 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C12. Operations Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>16,592,583</td>
<td>15,431,799</td>
<td>16,825,844</td>
<td>16,913,387</td>
<td>16,547,249</td>
<td>481,588</td>
<td>633,862</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,867,194</td>
<td>4,205,611</td>
<td>5,564,803</td>
<td>4,647,181</td>
<td>4,647,181</td>
<td>441,570</td>
<td>-</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>4,547,245</td>
<td>5,707,645</td>
<td>5,335,832</td>
<td>5,707,645</td>
<td>5,780,445</td>
<td>-</td>
<td>72,800</td>
</tr>
<tr>
<td>Equipment</td>
<td>11,139</td>
<td>66,128</td>
<td>173,373</td>
<td>72,800</td>
<td>-</td>
<td>6,672</td>
<td>(72,800)</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>9,096,964</td>
<td>10,161,223</td>
<td>8,765,536</td>
<td>9,306,686</td>
<td>9,318,271</td>
<td>(854,537)</td>
<td>11,585</td>
</tr>
<tr>
<td>Total</td>
<td>34,115,126</td>
<td>35,572,406</td>
<td>36,665,388</td>
<td>35,647,699</td>
<td>36,293,146</td>
<td>75,293</td>
<td>645,447</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non-Personnel Services** – Reflects additional funding for hauling and disposal of biosolids, grit, and screenings, and garbage and recycling services.
- **Equipment** – Reflects projected equipment needs for the Operations Division, and includes replacement electric carts to transport large lab sample containers, heavy hoses, parts, and supplies.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Equipment** – Reflects projected equipment needs for the Operations Division.
Environmental Engineering

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

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

- Maintenance support services include vibration monitoring, procurement specifications, and equipment failure troubleshooting.
- Design support services include design and contract preparation for small to medium-size projects, updating as-built records when changes are made, and other drafting, documentation and technical services.
- Planning support services include the development and implementation of the SSIP.

Table C13 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C13. Environmental Engineering Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>4,085,161</td>
<td>3,674,410</td>
<td>4,409,648</td>
<td>3,773,946</td>
<td>4,015,039</td>
<td>99,536</td>
<td>241,093</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,402</td>
<td>71,122</td>
<td>78,711</td>
<td>71,122</td>
<td>71,122</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>20,287</td>
<td>53,922</td>
<td>47,942</td>
<td>53,922</td>
<td>53,922</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

There were no major changes to the FY 2012-13 adopted budget.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes to the FY 2013-14 adopted budget.
Planning and Regulation

The Planning and Regulation Division is responsible for environmental and sustainability planning, regulatory compliance, biosolids resource planning and compliance, and policy development. The Division is responsible for developing and implementing the Asset Management Program, Urban Watershed management, and Workforce Development. The areas of responsibility 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.

Table C14 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

**Budget Summary**

Table C14. Planning and Regulation Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,831,070</td>
<td>4,334,372</td>
<td>2,204,473</td>
<td>4,567,453</td>
<td>4,776,503</td>
<td>233,081</td>
<td>233,081</td>
<td>5.4%</td>
<td>209,050</td>
<td>4.6%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>1,122,328</td>
<td>1,141,320</td>
<td>1,881,958</td>
<td>2,435,381</td>
<td>2,114,393</td>
<td>1,294,061</td>
<td>(129,088)</td>
<td>-13.2%</td>
<td>(320,988)</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>9,388</td>
<td>16,991</td>
<td>10,815</td>
<td>16,991</td>
<td>21,001</td>
<td>4,010</td>
<td>4,010</td>
<td>23.6%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>262,567</td>
<td>415,000</td>
<td>847,596</td>
<td>365,000</td>
<td>365,000</td>
<td>(50,000)</td>
<td>(50,000)</td>
<td>-12.0%</td>
<td>-</td>
<td>-0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3,225,364</td>
<td>5,907,683</td>
<td>4,944,942</td>
<td>7,384,825</td>
<td>7,276,897</td>
<td>1,477,142</td>
<td>1,477,142</td>
<td>25.0%</td>
<td>(107,928)</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

- **Non-Personnel Services** - Reflects an increase in professional services contracts for permit compliance, and policy and process development for pollutant discharge and runoff control and education.
- **Services of Other Departments** – Reflects primarily the end of a program for green stormwater improvements in the public right-of-way.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

- **Non-Personnel Services** – Reflects primarily the removal of one-time professional service contracts for acute toxicity permit compliance, and compliance report for treatment plant and collection system excursions; and the removal of rent because of the SFPUC’s relocation to its new headquarters at 525 Golden Gate Avenue.
- **Materials and Supplies** – Reflects anticipated price increases for office and data supplies.
Collection Systems

The Collection System Division is responsible for collecting and transporting 85 mgd of wastewater to treatment plants that support one million residents, and business and visitors. Sewage reaches the treatment plants through a conveyance system that starts with side sewers that connect public or private property to local public sewers in the streets.

Proper operation and regular maintenance of the sewer system is a result of the Sewer Operations’ preventive maintenance program. Preventive maintenance occurs annually during dry weather. The program includes inspections and maintenance of major sewers to ensure that lines are free of debris, thus minimizing their potential to clog and malfunction. In addition to the pipelines, the collection system contains 19,500 catch basins and 25,000 manholes. Activities within this program include cleaning, inspection, and repair of sewers; responding to public service requests; control of odors in the sewers system; and hydraulic analysis and modeling. To ensure regulatory compliance in the system as a whole, both pretreatment and pollution prevention (P2) programs are implemented, focusing on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: street sweeping, fats, oils and grease (FOG), mercury reduction program, pesticides/integrated pest management, and stormwater P2 program/construction runoff control.

Table C15 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C15. Collection Systems Budget Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>9,435,727</td>
<td>10,486,201</td>
<td>9,720,249</td>
<td>11,042,068</td>
<td>11,592,110</td>
<td>555,867</td>
<td>550,042</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>2,646,689</td>
<td>3,041,172</td>
<td>3,058,378</td>
<td>2,981,056</td>
<td>3,126,294</td>
<td>-60,116</td>
<td>145,238</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>659,637</td>
<td>767,267</td>
<td>818,292</td>
<td>731,245</td>
<td>731,245</td>
<td>(36,022)</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,344,895</td>
<td>630,399</td>
<td>1,636,513</td>
<td>637,479</td>
<td>260,710</td>
<td>7,080</td>
<td>1.1% (376,769)</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>15,208,860</td>
<td>15,175,387</td>
<td>16,403,710</td>
<td>15,752,583</td>
<td>15,765,948</td>
<td>577,196</td>
<td>3.8%</td>
</tr>
<tr>
<td>Total</td>
<td>29,295,809</td>
<td>30,100,426</td>
<td>31,637,142</td>
<td>31,144,431</td>
<td>31,476,307</td>
<td>1,044,005</td>
<td>331,876</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

There were no major changes to the FY 2012-13 adopted budget.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Equipment** – Reflects projected equipment needs for the Collection Systems Division.
Laboratory

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

Table C16 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table C16. Laboratory Budget Summary

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<td>Personnel</td>
<td>2,826,703</td>
<td>3,562,973</td>
<td>2,931,090</td>
<td>3,724,222</td>
<td>3,896,506</td>
<td>161,249 (4.5%)</td>
<td>172,284 (4.6%)</td>
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<td>Non-Personnel Services</td>
<td>272,516</td>
<td>143,497</td>
<td>428,476</td>
<td>173,497</td>
<td>143,497</td>
<td>30,000 (20.9%)</td>
<td>4,272 (-17.3%)</td>
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<td>Materials &amp; Supplies</td>
<td>235,139</td>
<td>232,757</td>
<td>238,366</td>
<td>309,095</td>
<td>283,568</td>
<td>76,338 (32.8%)</td>
<td>25,527 (-8.3%)</td>
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<td>Equipment</td>
<td>255,834</td>
<td>167,791</td>
<td>134,562</td>
<td>141,452</td>
<td>166,980</td>
<td>(26,339) (-15.7%)</td>
<td>25,528 (18.0%)</td>
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<td>Services of Other Depts</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Total</td>
<td>3,605,193</td>
<td>4,107,018</td>
<td>3,732,494</td>
<td>4,348,266</td>
<td>4,490,551</td>
<td>-</td>
<td>142,285 (3.3%)</td>
</tr>
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</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non-Personnel Services** – Reflects a new professional services contract for annual maintenance and support of a new database program for Water Quality and Development laboratories, the Laboratory Information Management System (LIMS); and additional funding for equipment maintenance service agreements for laboratory equipment.

- **Materials and Supplies** – Reflects cold sample storage replacements to protect sample integrity, as required by the Environmental Protection Agency (EPA); and convection oven replacements, used for Total Suspended Solids (TSS) analysis and daily process control for wastewater treatment processes.

- **Equipment** – Reflects projected equipment needs for the Wastewater Laboratory Division.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Non-Personnel Services** – Reflects the removal of FY 2012-13 one-time funding for a professional service contract for the LIMS (see explanation above).

- **Equipment** – Reflects projected equipment needs for the Wastewater Laboratory Division.
Hetch Hetchy Water and Power is comprised of two components: 1) The Water Enterprise’s up-country operations and water system (Hetchy Water); and 2) Hetchy Power Enterprise. Hetch Hetchy Water and Power provides reliable, high quality water and electric energy to the City and County of San Francisco and other customers, protects watershed resources in cooperation with Federal agencies, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

In normal rain years, eighty-five percent of San Francisco’s drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park and the City may supplement water supply from an additional 191 square miles of water shed in the Stanislaus National Forest during extremely dry years. As the snow melts it collects in Hetch Hetchy’s three storage reservoirs. As water flows by gravity through over 170 miles of pipelines and tunnels, it turns the turbines in four hydroelectric powerhouses, generating approximately 1.7 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the up-country powerhouses to the San Francisco Bay Area. The power is used for City and County of San Francisco offices and services, including the San Francisco Municipal Transit Agency, and the San Francisco International Airport and its tenants. Surplus power is sold to the Modesto and Turlock Irrigation Districts and other public agencies.

Hetchy Water

**Mission, Roles, and Responsibilities**

Hetchy Water endeavors to operate as an effective, reliable water and power supplier, while managing resources in an environmentally responsible manner. Hetchy Water is responsible for the operation, maintenance and improvement of water and power facilities to a high standard of safety and reliability while meeting regulatory requirements. Hetchy Water distributes high quality water to SFPUC customers while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns, and promotes diversity, health, safety and professional development of its employees.

Hetchy Power

**Mission, Roles and Responsibilities**

The core business of Hetchy Power is to provide adequate and reliable supplies of electric power to meet the electricity needs of the City and County of San Francisco’s customers, and to satisfy the municipal loads and agricultural pumping demands of the Modesto and Turlock Irrigation Districts consistent with prescribed contractual obligations and Federal law.

Hetchy Power’s portfolio consists of hydroelectric generation, on-site solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concern.
Budget Summary

Sources of Funds

Chart H1. FY 2011-12 to FY 2013-14 Hetch Hetchy Water and Power Sources of Funds

Summary

Estimated revenues for FY 2012-13 for Sale of Electricity, Sale of Water, Fund Balance, Sale of Natural Gas and Steam, Other Non-Operating Revenues, Interest Income and Federal Interest Subsidy for FY 2012-13 are $177.6 million, $26.3 million, or 12.9 percent less than FY 2011-12 revenues. Changes from the FY 2011-12 budget include increases in Sale of Water of $4.6 million, Federal Interest Subsidy of $0.7 million, and Sale of Electricity of $0.4 million. The increases are offset by the elimination of Proceeds from Debt of $24.1 million and reductions of $4.2 million in Fund Balance, $2.1 million in Other Revenues, $1.1 million in Interest Income and $0.5 million in Sale of Natural Gas and Steam.

Estimated revenues for FY 2013-14 are $189.8 million, $12.2 million, or 6.9 percent more than FY 2012-13 estimated revenues. Changes from FY 2012-13 include increases for Sale of Electricity of $6.9 million, Fund Balance of $5.6 million, Sale of Natural Gas and Steam of $0.7 million, Interest Income of $0.6 million and Other Non-Operating Revenues of $0.4 million. The increases are offset by reductions of $1.8 million in Sale of Water, and $0.2 million in Federal Interest Subsidy.

Chart H1 displays the FY 2011-12 to FY 2013-14 Sources of Funds by revenue category; and Table H1 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited
actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

Sale of Electricity

FY 2012-13 Sale of Electricity is budgeted at $104.0 million, which is $0.4 million more than the amount budgeted for FY 2011-12. The increase is due to slight increases in projected revenues from wholesale and retail customers, and Treasure Island.

- $67.7 million is estimated from municipal customers and based on General Fund and Enterprise rates, projected power usage adjusted for offline and new facilities and energy efficiency measures. The Enterprise rates are based on a PG&E tariff approved by the California Public Utilities Commission (CPUC). The net increase of $0.1 million from the FY 2011-12 budget reflects a $1.3 million increase resulting from the first year of the four-year approved rates for General Fund departments and a reduction of $1.2 million resulting from a decrease in consumption for Enterprise municipal customers.

- $17.1 million is estimated from retail customers including customers from the Retail Electric Settlement Account, San Francisco Housing Authority, San Francisco Parking Garages, San Francisco Port tenants, San Francisco Unified School District, Community College of San Francisco, California Academy of Sciences, and other miscellaneous customers. Projected revenues are based on Enterprise rates specified in miscellaneous contracts and projected electric usage, adjusted for offline and new facilities and energy efficiency measures. The $0.1 million increase from the FY 2011-12 budget reflects projected changes in rates and consumption.

- $16.8 million is estimated from wholesale customers, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the Western Systems Power Pool (WSPP) and miscellaneous customers such as River Bank Redevelopment Authority and Caltrans. Estimated revenues from MID and TID are based on rates and loads specified in the Amended and Restated Long-Term Agreements between San Francisco and MID and TID. Estimated revenues from miscellaneous customers are based on General Fund, Enterprise and rates specified in miscellaneous contracts and projected electric usage. WSPP revenue estimates are based on Hetch Hetchy Power's available excess power and projected market rates. The $0.2 million increase from the FY 2011-12 budget is based on projected market prices.

- $2.4 million is estimated from electric receipts from Treasure Island tenants based on PG&E rates and projected usage and remains the same as in FY 2011-12.

FY 2013-14 Sale of Electricity is budgeted at $110.9 million, an increase of $6.9 million from the prior year. The net increase primarily reflects the termination, on June 30, 2013, of the Airport Tenants Agreements that provided the airport tenants with a discount for electric costs, increases to reflect the second year of approved rates for General Fund departments and adjustments for projected consumption.

Sale of Water

FY 2012-13 Sale of Water is budgeted at $36.7 million. The estimated revenues include $35.1 million from the Sale of Water to the Water Enterprise (shown as an offset in the Table W1 based on an analysis of prior year actual operating and capital expenditures). The balance of $1.6 million is from water sales to Lawrence Livermore Labs and Groveland based on applicable rates and projected consumptions. The $4.6 million increase from FY 2011-12 is due to projected cost increases for the Water Enterprise.

FY 2013-14 revenues from the Sale of Water are $35.0 million, a decrease of $1.8 million from FY 2012-13. The decrease is due to projected reductions in operating and capital costs of the Hetch Hetchy water system.
Fund Balance

Fund Balance at $17.0 million is appropriated to support Hetch Hetchy Water and Power's operating and capital improvement needs for FY 2012-13. The $4.2 million decrease from the FY 2011-12 budget mainly reflects a decrease in revenue-funded capital projects.

The FY 2013-14 use of Fund Balance is $22.6 million, an increase of $5.6 million from the prior year. The change reflects an increase in revenue-funded capital projects.

Sale of Gas and Steam (Pass-through)

FY 2012-13 Sale of Gas and Steam is budgeted at $11.4 million, and is based on Pacific Gas & Electric (PG&E) and the California Department of General Services (DGS) retail rates and historical usage. Hetchy Power is responsible for processing and billing City departments for natural gas and steam. The revenue generated from natural gas and steam is a pass-through and ultimately has no impact on Hetch Hetchy’s fund balance. The budget includes $10.4 million for gas and $1.0 million for steam. The $0.5 million reduction from the FY 2011-12 budget is due to commodity rates adjustments and projected consumption.

In FY 2013-14 the estimated revenue is $12.1 million, an increase of $0.7 million from the prior year. The change reflects projected increases in rates and consumption.

Other Non-Operating Revenues

FY 2012-13 Other Non-Operating Revenues total $6.2 million and includes: $2.0 million payment from the Transbay Cable Project as a condition of the operational license issued by the City and County of San Francisco; $1.3 million for payment of loans by City departments for the cost of energy efficiency projects provided by Hetch Hetchy; $0.5 million from the San Francisco International Airport and its tenants and Water Enterprise for miscellaneous services provided by Hetch Hetchy based on projected costs of labor and materials for requested services; and $0.7 million from rents, PG&E rebates, claim settlements and other miscellaneous income. Other revenues include $1.7 million from Treasure Island, which is comprised of $1.1 million from Treasure Island Development Authority (TIDA) for utility and other services provided to TIDA-managed facilities and $0.6 million for natural gas receipts from Treasure Island tenants based on PG&E rates and projected usage. The net decrease of $2.1 million from the FY 2011-12 budget includes a decrease in claim settlements and other miscellaneous income.

The FY 2013-14 budget is $6.6 million, an increase of $0.4 million from the prior year. The increase reflects a slight increase in miscellaneous revenues and revenues from other City departments.

Interest Income

FY 2012-13 Revenues from Interest Income totals $1.3 million based on interest rates on cash balance. Due to projected interest rates and cash balance, interest income is projected to be $1.1 million less than the FY 2011-12 budget reflecting projected interest rates and projected cash balance.

The FY 2013-14 Interest Income is $1.9 million, an increase of $0.6 million from the prior year. The increase reflects projected interest rates and cash balance.

Federal Interest Subsidy

The FY 2012-13 Federal Interest Subsidy totals $0.9 million, a $0.7 million increase from the FY 2011-12 adopted budget. The Federal Interest Subsidy is issued to promote Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs).

The FY 2013-14 Federal Interest Subsidy is $0.8 million, a decrease of $0.1 million from FY 2012-13. The decrease reflects outstanding bonds that qualify under the subsidy program.
Proceeds from Debt

FY 2012-13 Proceeds from Debt, to support Hetch Hetchy’s capital program, are eliminated from the annual budget. This reflects a change in policy to fund the capital program through a supplemental appropriation request rather than through the annual budget appropriation process.

FY 2013-14 Proceeds from Debt remains at zero.

Uses of Funds

Chart H2. FY 2011-12 to FY 2013-14 Hetch Hetchy Water and Power Uses of Funds

Summary

Total Uses of Funds for FY 2012-13 are $177.6 million, $26.3 million, or 12.9 percent less than in FY 2011-12. The FY 2012-13 Uses of Funds include $73.3 million for Non-Personnel Services, $36.0 million for Personnel, $32.5 million for Capital/Revenue Reserve, $19.8 million for Services of Other Departments, $10.3 million for Programmatic Projects, $2.8 million for Materials and Supplies, and $2.9 million for Debt Service, Equipment and General Reserve. Changes from the FY 2011-12 budget include increases of $14.5 million in Non-Personnel Services, Programmatic Projects, Personnel, Services of Other Department, General Reserve, Materials and Supplies and Debt Service offset by reductions of $38.2 million in Capital/Revenue Reserve and $2.6 million in Overhead and Equipment.
Total Uses of Funds for FY 2013-14 are $189.8 million, $12.2 million, or 6.9 percent more than in FY 2012-13. The FY 2013-14 Uses of Funds include $70.1 million for Non-Personnel Services, $45.9 million for Capital/Revenue Reserve, $37.6 million for Personnel, $19.9 million for Services of Other Departments, $9.4 million for Programmatic Projects, $3.0 million for Debt Service, and $3.9 million for Materials and Supplies, Equipment and General Reserve. Changes from FY 2012-13 include increases of $13.4 million in Capital/Revenue Reserve and $3.1 million in Personnel, Debt Service, Services of Other Departments and General Reserve offset by decreases of $4.3 million in Non-Personnel Services, Programmatic Projects and Equipment.

Chart H2 displays the FY 2011-12 to FY 2013-14 Uses of Funds by expenditure category; and Table H1 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and the budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13. Table H2 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actual, FY 2011-12 pre-audit actual, and the variances between the FY 2012-13 and FY 2011-12 and FY 2013-14 and FY 2012-13 budgets, for all Hetch Hetchy Water and Power Sections.

Non-Personnel Services

The FY 2012-13 Non-Personnel Services budget is $73.3 million and is based on projected spending levels for various services provided to Hetch Hetchy Water and Power. The net increase of $5.4 million, or 8.0 percent, compared to the FY 2011-12 budget reflects an increase to fund fisheries studies required for re-licensing of Don Pedro dam, a water transfer fee to Modesto Irrigation District (MID), services related to the Federal Energy Regulatory Commission (FERC) Interconnection Agreement, services to support power related business and strategic assessment and energy data systems.

The FY 2013-14 Non-Personnel Services budget is $70.1 million, a $3.3 million reduction from FY 2012-13. The reduction eliminates one-time funding for fund fisheries studies, and for the California Environmental Quality Act (CEQA) review of the water transfer from Modesto Irrigation District related to the water transfer fee.

Personnel

The FY 2012-13 Personnel budget is $36.0 million, including $24.9 million for salaries and $11.1 million for fringe benefits. Salaries are based on various labor agreements. The net salaries increase of $1.8 million over the FY 2011-12 salaries budget reflects annualization of partially-funded FY 2011-12 positions, position substitutions, and salary adjustments as required by labor agreements.

The FY 2012-13 Mandatory Fringe Benefits budget is $11.1 million and is based on the cost of budgeted salaries, and adjustments to fringe benefits such as social security, retirement and health costs. The net increase of $0.7 million over the FY 2011-12 budget reflects increases to salaries, retirement rate adjustments and the implementation of Proposition C (higher employee-paid contributions) and a decrease in health costs.

The FY 2013-14 Personnel budget is $37.6 million including $25.3 million for salaries and $12.3 million for fringe benefits. The $0.5 million increase from FY 2012-13 funds salaries adjustments as required by the various labor agreements.

The FY 2013-14 Mandatory Fringe Benefits budget is $12.3 million. The net increase of $1.1 million from the prior year reflects increases to salaries, health and retirement rates.

Capital/Revenue Reserve

The FY 2012-13 Capital/Revenue Reserve budget is $32.5 million. The budget funds the revenue portion of the capital program approved and funded through a supplemental appropriation. The capital program was previously funded as part of the annual budget. Beginning in FY 2012-13 the program is funded through the supplemental appropriation process.

The FY 2013-14 Capital/Revenue Reserve budget is $45.9 million, a $13.4 million increase from FY 2012-13. The increase reflects the Hetch Hetchy's forecast for FY 2013-14.
Services of Other Departments
The FY 2012-13 Services of Other Departments budget is $19.8 million and is based on the projected costs of services provided by other City departments to Hetch Hetchy. The $2.3 million increase from the prior year funds Hetch Hetchy’s share of SFPUC Bureaus’ costs and workers compensation projected costs.

The FY 2013-14 Services of Other Departments budget is $19.9 million. The $0.1 million increase from the prior year reflects the projected costs of services by the SFPUC Bureaus to Hetch Hetchy Water and Power.

Programmatic Projects
The FY 2012-13 Programmatic Projects budget is $10.3 million, a $3.8 million increase from the prior year. The increase funds a study of the distribution systems for Hetchy Power-owned and/or maintained facilities as required by the National Fire Protection Association (NFPA) and Western Electricity Coordinating Council/North American Electric Reliability Corporation (WECC/NERC) compliance requirements.

The FY 2013-14 Programmatic Projects budget is $9.4 million, a decrease of $0.9 million from the prior year. The change reflects projected costs for the Western Electricity Coordinating Council/North American Electric Reliability Corporation (WECC/NERC) Compliance Project.

Materials and Supplies
The FY 2012-13 Materials and Supplies budget is $2.8 million and is based on projected cost and usage for materials and supplies related to operations and maintenance. The $0.1 million increase from the prior year reflects projected fuel costs related to water transmission and power generation.

The FY 2013-14 Materials and Supplies remains the same as in FY 2012-13.

Debt Service
The FY 2012-13 Debt Service budget is $1.9 million and is based on principal and interest on the Clean Renewable Energy Bonds (CREBs), Qualified Energy Conservation Bonds (QECB), and Certificates of Participation (COPs) for 525 Golden Gate Space, Series 2009 C. The net change of $0.1 million from prior year reflects the projected annual decrease for principal payments for energy bonds offset by an increase on the COPs 525 Golden Gate Building, Series 2009C.

The FY 2013-14 Debt Service budget is $3.0 million, a decrease of $1.1 million from the prior year. The decrease reflects Hetch Hetchy’s share of bond interest payments on the COPs for 525 Golden Gate Building, Series 2009 D for FY 2013-14.

Equipment
The FY 2012-13 Equipment budget is $0.7 million. The budget funds equipment required to efficiently and effectively operate and maintain the overall system consisting of dams, reservoirs, water and power transmission lines, streetlights and power generation facilities. The $0.2 million decrease from prior year eliminates one-time equipment funding.

The FY 2013-14 Equipment budget is $0.6 million, a $0.1 million decrease from the prior year. The decrease is based on projected equipment needs.

General Reserve
The FY 2012-13 General Reserve budget is $0.3 million. The General Reserve is used to balance budgeted sources and uses of funds, when budgeted revenues exceed budgeted expenditures. The FY 2013-14 General Reserve budget is $0.5 million, a $0.2 million decrease from FY 2012-13.
Overhead

The FY 2012-13 Overhead budget is eliminated. The budget reflects Hetch Hetchy Water and Power’s share of City-wide overhead, or the County-wide Cost Allocation Plan (COWCAP). The budget is transferred to the SFPUC Bureaus’ budget to centralize funding for the SFPUC Enterprises.
Table H1. Hetch Hetchy Water and Power Sources and Uses of Funds

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<td>Sale of Water</td>
<td>31.3</td>
<td>32.1</td>
<td>32.1</td>
<td>36.7</td>
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<td>Sale of Electricity</td>
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<td>103.6</td>
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<td>Sale of Natural Gas &amp; Steam (Pass-through)</td>
<td>10.5</td>
<td>11.9</td>
<td>9.5</td>
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<td>(0.5)%</td>
<td>(3.9)%</td>
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<td>18.8</td>
<td>21.2</td>
<td>20.7</td>
<td>17.0</td>
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<td>(4.2)%</td>
<td>(19.9)%</td>
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<td>Other Non-Op Revenues</td>
<td>4.2</td>
<td>8.3</td>
<td>4.8</td>
<td>6.2</td>
<td>6.6</td>
<td>(2.1)%</td>
<td>(25.4)%</td>
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<tr>
<td>Proceeds from Debt</td>
<td>-</td>
<td>24.1</td>
<td>22.4</td>
<td>-</td>
<td>-</td>
<td>(24.1)%</td>
<td>(100.0%)</td>
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<td>Interest Income</td>
<td>1.9</td>
<td>2.4</td>
<td>2.0</td>
<td>1.3</td>
<td>1.9</td>
<td>(1.1)%</td>
<td>(46.2)%</td>
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<td>Federal Interest Subsidy</td>
<td>-</td>
<td>0.3</td>
<td>-</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7%</td>
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<td>Capital/Revenue Programs</td>
<td>0.4</td>
<td>0.9</td>
<td>1.0</td>
<td>0.7</td>
<td>0.6</td>
<td>(0.2)%</td>
<td>(21.8)%</td>
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<td>Debt Service</td>
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<td>3.0</td>
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<td>3.3%</td>
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<tr>
<td>Services Of Other Depts</td>
<td>14.2</td>
<td>17.5</td>
<td>15.5</td>
<td>19.8</td>
<td>19.9</td>
<td>2.3%</td>
<td>12.9%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td>0.1%</td>
<td>100.0%</td>
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<td>Capital/Revenue Reserve</td>
<td>75.3</td>
<td>70.7</td>
<td>70.7</td>
<td>32.5</td>
<td>45.9</td>
<td>(38.2)%</td>
<td>(54.1)%</td>
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<td>Programmatic Projects</td>
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<td>6.5</td>
<td>6.5</td>
<td>10.3</td>
<td>9.4</td>
<td>3.8%</td>
<td>58.4%</td>
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<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.8</td>
<td>(26.3)%</td>
<td>(12.9)%</td>
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Table H2. Hetch Hetchy Water and Power Uses of Funds by Section

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<tr>
<td>Power Administration</td>
<td>9.5</td>
<td>11.4</td>
<td>9.9</td>
<td>11.2</td>
<td>11.3</td>
<td>(0.2)%</td>
<td>(1.6)%</td>
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<tr>
<td>Energy Services</td>
<td>27.5</td>
<td>44.5</td>
<td>30.7</td>
<td>45.8</td>
<td>45.9</td>
<td>1.2%</td>
<td>2.8%</td>
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<tr>
<td>Long-Range Planning</td>
<td>1.3</td>
<td>2.7</td>
<td>1.8</td>
<td>3.3</td>
<td>4.5</td>
<td>0.6%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Light, Heat and Power</td>
<td>13.5</td>
<td>17.6</td>
<td>13.2</td>
<td>17.4</td>
<td>18.0</td>
<td>(0.2)%</td>
<td>(0.9)%</td>
</tr>
<tr>
<td>Project Operations</td>
<td>43.7</td>
<td>50.5</td>
<td>50.7</td>
<td>56.8</td>
<td>54.3</td>
<td>6.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>75.3</td>
<td>70.7</td>
<td>70.7</td>
<td>32.5</td>
<td>45.9</td>
<td>(38.2)%</td>
<td>(54.1)%</td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>3.7</td>
<td>6.5</td>
<td>6.5</td>
<td>10.3</td>
<td>9.4</td>
<td>3.8%</td>
<td>59.0%</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td>0.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Hetch Hetchy Total</strong></td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.8</td>
<td>(26.3)%</td>
<td>(12.9)%</td>
</tr>
</tbody>
</table>
Authorized and Funded Full-Time Equivalents (FTEs)

Table H3. Hetch Hetchy Water and Power Authorized and Funded Full-Time Equivalents (FTEs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>226.72</td>
<td>237.22</td>
<td>240.99</td>
<td>240.99</td>
<td>3.77</td>
<td>-</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>8.77</td>
<td>8.90</td>
<td>7.93</td>
<td>7.93</td>
<td>(0.97)</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal Operating Budget-Funded</td>
<td>235.49</td>
<td>246.12</td>
<td>248.92</td>
<td>248.92</td>
<td>2.80</td>
<td>-</td>
</tr>
<tr>
<td>Project-Funded Positions</td>
<td>57.47</td>
<td>60.00</td>
<td>61.00</td>
<td>61.00</td>
<td>1.00</td>
<td>-</td>
</tr>
<tr>
<td>Total Positions</td>
<td>292.96</td>
<td>306.12</td>
<td>309.92</td>
<td>309.92</td>
<td>3.80</td>
<td>-</td>
</tr>
</tbody>
</table>

Chart H3. Hetch Hetchy Water and Power Operating and Project FTE Trend

As noted above in Table H3, the total authorized and funded full-time equivalent (FTE) operating, project-funded, and temporary positions (including attrition savings to adjust for an expected position vacancy rate during the fiscal year) for FY 2012-13 are 309.92 FTEs, a 3.77 FTE increase from FY 2011-12. In FY 2012-13 the net change in the FTEs count from FY 2011-12 includes annualization of partially funded new positions for FY 2011-12, the transfer of one permanent position from the Water Enterprise and the transfer of one project-funded position from the Infrastructure to reflect where the position works and reports.

The FY 2013-14 FTEs remain the same as in FY 2012-13.

Chart H3 illustrates the trend of operating and project-funded FTEs from FY 2010-11 to FY 2013-14. Table H3 provides a breakdown of positions by position type for FY 2010-11 to FY 2013-14.
Hetch Hetchy Water and Power Capital Improvement Program (CIP)

Table H4. Hetch Hetchy Water and Power CIP by Major Program

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hetchy Power Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streetlights</td>
<td>9.5</td>
<td>3.0</td>
<td>9.8</td>
</tr>
<tr>
<td>Transmission/Distribution</td>
<td>0.0</td>
<td>7.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Generation</td>
<td>4.9</td>
<td>3.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>6.8</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Treasure Island</td>
<td>0.0</td>
<td>0.0</td>
<td>3.9</td>
</tr>
<tr>
<td>525 Golden Gate</td>
<td>11.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Reclassification - Power Only, Joint Projects</td>
<td>24.3</td>
<td>18.9</td>
<td>32.6</td>
</tr>
<tr>
<td><strong>Total Hetchy Power</strong></td>
<td><strong>56.5</strong></td>
<td><strong>35.4</strong></td>
<td><strong>55.9</strong></td>
</tr>
<tr>
<td><strong>Hetchy Water Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Infrastructure</td>
<td>5.6</td>
<td>8.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Power Infrastructure - Powerhouse</td>
<td>7.1</td>
<td>5.1</td>
<td>12.9</td>
</tr>
<tr>
<td>Power Infrastructure - Transmission Lines Switchyard</td>
<td>6.8</td>
<td>5.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Joint Projects - Water Infrastructure</td>
<td>2.5</td>
<td>1.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Joint Projects - Facilities/Buildings/ROW</td>
<td>16.5</td>
<td>13.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Reclassification - Power Only, Joint Projects</td>
<td>(24.3)</td>
<td>(18.9)</td>
<td>(32.6)</td>
</tr>
<tr>
<td><strong>Total Hetchy Water</strong></td>
<td><strong>14.2</strong></td>
<td><strong>14.8</strong></td>
<td><strong>24.9</strong></td>
</tr>
<tr>
<td>Financing Cost</td>
<td>0.0</td>
<td>1.2</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>70.7</strong></td>
<td><strong>51.4</strong></td>
<td><strong>89.8</strong></td>
</tr>
<tr>
<td><strong>Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean Renewal Energy Bonds</td>
<td>1.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>CEC Loan -Streetlight</td>
<td>0.0</td>
<td>3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Revenue Bonds/Joint Water Assets</td>
<td>14.1</td>
<td>15.9</td>
<td>31.6</td>
</tr>
<tr>
<td>Revenue Bonds/Joint Power Assets</td>
<td>0.0</td>
<td>0.0</td>
<td>12.3</td>
</tr>
<tr>
<td>QECBs - 525 Golden Gate</td>
<td>8.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Hetchy Revenue</td>
<td>46.6</td>
<td>32.5</td>
<td>45.9</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>70.7</strong></td>
<td><strong>51.4</strong></td>
<td><strong>89.8</strong></td>
</tr>
</tbody>
</table>

**FY 2012-13 and 2013-14 Supplemental Appropriation**

The SFPUC Capital Budget was approved on June 18, 2012, through a supplemental appropriation due to the size of the request and the need for additional review by governing agencies. The supplemental appropriated $141.2 million for projects and financing costs for the Hetchy Enterprise in FY 2012-13 and FY 2013-14.

Table H4 shows the CIP for FY 2011-12, FY 2012-13, and FY 2013-14 by major programs.
FY 2012-13

The Hetch Hetchy Water and Power Capital Improvement Program (CIP) for FY 2012-13 is $51.4 million and includes: $35.4 million for Hetchy Power and joint-related projects, $14.8 million for Hetchy Water and joint-related projects and $1.2 million for Financing Cost. The FY 2012-13 CIP is funded by $32.5 million in Hetch Hetchy Water and Power revenue, $15.9 million from the issuance of Water Enterprise water revenue bonds for projects considered Water or joint Hetchy/Water assets and $3.0 million in California Energy Commission (CEC) Loan. The projects are included in the SFPUC’s Ten-Year Capital Plan which is part of the City and County of San Francisco’s Ten-Year Capital Plan approved by the Board of Supervisors annually.

Hetchy Power

Projects in the FY 2012-13 CIP include:

- $3.0 million for Streetlights to fund the continued replacing/repairing of streetlights, pull boxes, and conduit on an as needed basis. The funding will enable the installation of new streetlights to address inadequate lighting at various locations throughout the City. Also included is funding for a portion of the engineering and construction costs associated with the installation of new streetlights as part of the Van Ness Bus Rapid Transit (BRT) Project.
- $7.2 million to fund Transmission/Distribution upgrades such as Supervisory Control and Data Acquisition (SCADA) installation to monitor the Millbrae Substation systems and equipment, electric services to the new Transbay Transit Center, Transmission improvements to Airport Substation and replace and install distribution-related equipment at Pier 80 and Pier 94.
- $3.7 million for Renewable/Generation projects such as small renewable (solar photovoltaic, solar thermal, wind, geothermal, fuel cells), small hydro (in-line turbines, turbines in existing pipelines, incremental hydro) and the GoSolarSF incentive program that promotes the installation of solar power systems in San Francisco by offering one-time incentive payments to reduce project costs.
- $2.6 million for Energy Efficiency Projects including $1.5 million for General Fund departments, $1.0 million for the Civic Center Sustainability District and $0.1 million for Enterprise departments.
- $18.9 million for reclassification to Hetchy Power’s share of improvements to the power infrastructure up-country. This includes: $10.7 million to fund major improvements to the power generation and transmission system portion of the Hetch Hetchy Project, including a number of power related projects and work at all facilities including powerhouses, switchyards and transmission/distribution system; and $8.2 million funds major improvements on joint assets located up-country (55.0 percent).

Hetchy Water

Projects in the FY 2012-13 CIP include:

- $8.0 million for Water Infrastructure projects to fund major improvements and maintenance activities involved with the water supply and delivery portion of the Hetch Hetchy Project including improvements to the San Joaquin Pipeline and the Mountain Tunnel Lining Water Quality Project.
- $10.7 million for Power Infrastructure projects including the rehabilitation of transmission/distribution systems and switchyards.
- $15.0 million for rehabilitation of support infrastructure (Facilities/Buildings/right-of-way) and communication systems throughout the Hetchy system.
- ($18.9 million) for reclassification to Hetchy Power’s share of improvements to the power infrastructure up-country.
FY 2013-14

**Hetchy Power**

The Hetchy Power FY 2013-14 Capital Budget is $55.9 million and includes $9.8 million to fund improvements to the SFPUC’s streetlights and the Van Ness Bus Rapid Transit Project, $4.3 million for transmission distribution projects, $3.2 million for investments in renewable generation projects, $2.1 million for energy efficiency projects for General Fund and Enterprise departments, $3.9 million for Treasure Island development projects, and $32.6 million for Hetchy Power’s share of improvements to the power infrastructure up-country.

**Hetchy Water**

The Hetchy Water FY 2013-14 Capital Budget is $24.9 million and includes $20.0 million for improvements to the water transmission system, reservoirs and dams, $26.7 million for Power Infrastructure projects including the rehabilitation of transmission/distribution systems and switchyards, $10.8 million for rehabilitation of support infrastructure (Facilities/Buildings/right-of-way) and communication systems throughout the Hetchy system. The budget also includes the reclassification of $32.6 million to Hetchy Power for its share of improvements to power infrastructure up-country.
## Hetch Hetchy Water and Power Programmatic Projects

Table H5. Hetch Hetchy Water and Power Programmatic Projects

<table>
<thead>
<tr>
<th>$ Millions</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hetchy Power Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SF Electric Reliability-Trans Bay Cable Funding</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>SF GoSolar</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Arc Flash &amp; Electrical Hazard</td>
<td>0.0</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Treasure Island Facilities Maintenance</td>
<td>2.8</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Energy Efficiency Job Training</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Community Choice - CCA</td>
<td>1.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>525 Golden Gate - Operations &amp; Maintenance</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>525 Golden Gate - Lease Payment</td>
<td>0.0</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total Hetchy Power</strong></td>
<td><strong>6.3</strong></td>
<td><strong>6.7</strong></td>
<td><strong>6.9</strong></td>
</tr>
</tbody>
</table>

| **Hetchy Water Costs** | | | |
| WECC/NERC Compliance | 0.0 | 3.3 | 2.2 |
| Youth Employment Project | 0.2 | 0.3 | 0.3 |
| **Total Hetchy Water** | **0.2** | **3.6** | **2.5** |

<table>
<thead>
<tr>
<th><strong>Total Costs</strong></th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>6.5</strong></td>
<td><strong>10.3</strong></td>
<td><strong>9.4</strong></td>
</tr>
</tbody>
</table>

The Hetch Hetchy Water and Power Programmatic Projects budget increased from $6.5 million in FY 2011-12 to $10.3 million in FY 2012-13. This $3.8 million increase is to fund:

- Arc Flash & Electrical Hazard - Study of the electrical distribution systems for Power Enterprise-owned and/or maintained facilities as required by the NFPA (National Fire Protection Association).
- WECC/NERC Compliance - Compliance responsibilities require the development of previously non-existent business processes, ongoing internal compliance monitoring and feedback, and rigorous documentation.

The Hetch Hetchy Water and Power Programmatic Projects budget decreased from $10.3 million in FY 2012-13 to $9.4 million in FY 2013-14. The decrease of $0.9 million is due to the completion of the Western Electricity Coordinating Council/North American Electric Reliability Corporation (WECC/NERC) Compliance Project.

Table H5 shows Hetch Hetchy Water and Power Programmatic Projects, for FY 2011-12, FY 2012-13 and FY 2013-14, by major programs.
Hetch Hetchy Water and Power Ten-Year Capital Plan

The SFPUC is required to develop a Ten-Year Capital Plan. Reliability and delivery of high quality water and renewable sources of power are the most critical objectives of Hetch Hetchy Water and Power. Therefore, understanding the long-term capital needs of the system and determining how to finance these capital needs are essential. Table H6 shows the Hetch Hetchy Water and Power Ten-Year Capital Plan by program/project. The table also shows the four different sources of revenue that are expected to finance the CIP over these ten years and the anticipated number of jobs created by this program.

Table H6. Hetch Hetchy Water and Power Ten-Year Capital Plan

<table>
<thead>
<tr>
<th>$ Thousands</th>
<th>Program/Project FY 2012-13</th>
<th>FY 2013-14</th>
<th>FY 2014-15</th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
<th>FY 2017-18 to FY 2021-22 Plan Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hetchy Power</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streetlight</td>
<td>1,259</td>
<td>11,574</td>
<td>394</td>
<td>2,489</td>
<td>4,662</td>
<td>22,648</td>
</tr>
<tr>
<td>Transmission/Distribution</td>
<td>7,238</td>
<td>4,235</td>
<td>1,000</td>
<td>1,250</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Renewable/Generation</td>
<td>3,700</td>
<td>3,200</td>
<td>3,200</td>
<td>3,200</td>
<td>0</td>
<td>2,400</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>2,612</td>
<td>2,112</td>
<td>812</td>
<td>650</td>
<td>650</td>
<td>3,200</td>
</tr>
<tr>
<td>Treasure Island</td>
<td>0</td>
<td>3,900</td>
<td>10,550</td>
<td>5,800</td>
<td>2,100</td>
<td>10,500</td>
</tr>
<tr>
<td>Reclassification - Power Only, Joint Projects</td>
<td>18,904</td>
<td>32,613</td>
<td>32,613</td>
<td>32,613</td>
<td>32,613</td>
<td>32,613</td>
</tr>
<tr>
<td>Total Hetchy Power</td>
<td>33,713</td>
<td>57,634</td>
<td>49,347</td>
<td>38,676</td>
<td>30,419</td>
<td>139,164</td>
</tr>
</tbody>
</table>

| Hetchy Water |                           |            |            |            |            |                               |
| Water Infrastructure | 8,000 | 20,000 | 22,120 | 26,000 | 22,200 | 96,400 | 194,720 |
| Power Infrastructure - Power House | 5,140 | 12,902 | 7,550 | 5,745 | 1,725 | 14,030 | 47,092 |
| Power Infrastructure - Transmission Lines Switchyards | 5,545 | 13,750 | 18,670 | 13,330 | 1,200 | 9,800 | 62,295 |
| Joint Projects - Water Infrastructure | 1,300 | 3,800 | 5,600 | 1,000 | 21,308 | 90,232 | 123,240 |
| Facilities/Roads/Right-of-Way | 13,644 | 7,039 | 7,439 | 10,295 | 9,387 | 38,743 | 86,547 |
| Reclassification - Power Only, Joint Projects | (18,904) | (32,613) | (33,911) | (25,287) | (19,807) | (94,766) | (224,770) |
| Total Hetchy Water | 14,725 | 24,878 | 27,988 | 31,083 | 36,013 | 154,439 | 289,124 |

| Total Hetch Hetchy | 48,438 | 82,512 | 77,335 | 69,759 | 66,432 | 293,603 | 638,079 |

Revenues

<table>
<thead>
<tr>
<th></th>
<th>CEC Loan - Streetlights</th>
<th>3,000</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>3,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Bonds/Joint Power Assets 55%</td>
<td>10,000</td>
<td>20,847</td>
<td>10,176</td>
<td>0</td>
<td>0</td>
<td>41,023</td>
<td></td>
</tr>
<tr>
<td>Revenue Bonds/Joint Water Assets 45%</td>
<td>14,725</td>
<td>24,878</td>
<td>27,988</td>
<td>33,083</td>
<td>30,419</td>
<td>154,439</td>
<td>289,126</td>
</tr>
<tr>
<td>Revenue Funded</td>
<td>30,713</td>
<td>47,634</td>
<td>29,500</td>
<td>28,500</td>
<td>30,419</td>
<td>139,164</td>
<td>304,930</td>
</tr>
<tr>
<td>Total</td>
<td>48,438</td>
<td>82,512</td>
<td>77,335</td>
<td>69,759</td>
<td>66,432</td>
<td>293,603</td>
<td>638,079</td>
</tr>
</tbody>
</table>

| Total San Francisco Jobs/Year | 317 | 540 | 506 | 456 | 434 | 1,920 | 4,173 |

The Ten-Year Capital Plan is developed every two years by the SFPUC and approved by the Commission. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investment. The Ten-Year Capital Plan also guides the Ten-Year Financial Plan. The Ten-Year Capital Plan is not a budget and is not “appropriated” like a budget. As the budget process progresses through the Spring and into final adoption in the Summer, the annual CIPs can be revised and final projects, costs and totals for the two annual CIPs can change. Consequently, even though the annual CIPs are based on the Ten-Year Capital Plan, they do not always match by project or dollar amount.

Table H6 and Chart H4 shows total project costs for Hetch Hetchy Water and Power of $638.1 million. Revenues are projected to be $638.1 million resulting in a balanced plan.
There are two sections to the Ten-Year Capital Plan:

1. The Hetchy Water Renewal and Replacement Program – This program is financed by a combination of Water revenue bonds and operating revenues;
   
   The Hetchy Water Renewal and Replacement budget includes Power Infrastructure and Joint Water (45.0 percent)/Power (55.0 percent) projects that are located up-country and managed by Hetchy Water.

2. The Hetchy Power Capital Program - The program undertakes projects both within San Francisco and up-country and is financed by operating revenues, a one-time California Energy Commission (CEC) loan in FY 2012-13, and Power revenue bonds. Hetchy Power includes the renewable generation and energy efficiency projects critical to attain greenhouse gas reductions and begin climate change mitigation.

Chart H4. Hetch Hetchy Water and Power Ten-Year Capital Plan Trend

Hetchy Water Renewal and Replacement Program

The Hetchy Water renewal and replacement program is comprised entirely of the projected costs of $289.1 million for Hetch Hetchy Water. These proposed program costs will be financed with a combination of revenue bonds and additional revenues. If revenues are not available, projects will be deferred.

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, $194.7 million

The Water Infrastructure capital renewal and replacement program will include concept, development, design and upgrades for operating, managing, and maintaining the Hetch Hetchy Water Infrastructure. In general, this includes water facilities from Hetch Hetchy
Reservoir to Alameda East. The new and upgraded systems will have increased coverage, capacity or reliability, or improve employee safety and/or operating efficiency for those projects. Renewal and replacement projects include continued rehabilitation to the San Joaquin Pipeline, Mountain Tunnel Water Quality, and the assessment of the Coast Range Tunnel.

**Power Infrastructure – Powerhouse, $47.1 million**

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

The Capital Plan provides funding for various generation renewal and replacement projects at the Holm, Kirkwood and Moccasin Powerhouses. Projects include upgrades to the powerhouse protection, control, and monitoring systems, replacing step-up transformers and replacement of pumps which divert water from Eleanor to Cherry Reservoir.

**Power Infrastructure – Transmission Lines Switchyards, $62.3 million**

The Capital Plan includes rehabilitation of transmission lines, a condition assessment of the lines to reduce the risk of failure, replacement of large transformers at switchyards that have exceeded their expected life, and renewal and replacement of switchyard and substation components including an inadequate grounding system that may result in potential electrical hazards. Hetchy must maintain these assets to avoid transmission line failure resulting in costly repairs and revenue loss.

**Joint Projects – Water Infrastructure, $123.2 million**

The plan proposes rehabilitation and upgrades to Hetchy penstocks, reservoirs and the condition assessment of Hetchy dams. Failure of the penstocks could cause flooding, impact the ability to generate power and maintain reliability of the water supply to SFPUC customers.

The plan includes a condition assessment of all six storage and regulating reservoirs and identifies work to be performed that will be prioritized and included in the plan. Failure to upgrade these facilities could jeopardize the system resulting in loss of storage or conveyance and may impact the SFPUC’s water supply reliability and/or the ability to deliver water and generate power.

**Facilities/Roads/Rights-of-Way, $86.5 million**

This is a multi-year project to renew and/or replace the infrastructure required for operating and maintaining the Hetch Hetchy Water delivery and transmission systems. The Plan includes investments for rehabilitating roads and bridges and upgrading existing or constructing new support structures and facilities, security and communication projects. These improvements will allow Hetchy to meet California Building Code (CBC) requirements and address life-safety issues.

**Reclassification - Power Infrastructure, Joint Water/Power Projects, ($224.8 million)**

The Hetchy Water Capital budget includes the reallocation of Hetchy Power infrastructure, $109.4 million, and the Hetchy Power’s share of Joint Water/Power projects, $115.4 million to the Hetchy Power Capital Budget. These projects are located up-country and managed by Hetchy Water.

**Hetchy Power Capital Program**

The capital program is comprised entirely of $349.0 million in projected costs for Hetchy Power.

**Streetlight, $43.0 million**

Hetchy provides power to all of San Francisco’s 44,528 streetlights and maintains the 25,509 owned by the City. It also coordinates and funds the maintenance of the 19,019 streetlights owned by Pacific Gas & Electric (PG&E).

Hetchy Power is in the process of performing an assessment of the existing streetlight system, particularly City-owned facilities over 60 years old, and preparing a
retrofit/replacement program that will include specific recommendations, strategies for capital recovery, and an implementation schedule. The plan also includes funding for a portion of the engineering and construction costs associated with the installation of new streetlights as part of the Van Ness Bus Rapid Transit (BRT) Project.

Transmission and Distribution, $13.7 million

Transmission and Distribution (T&D) projects address the SFPUC’s ability to assess and develop City-owned transmission and distribution assets as well as evaluate its reliance on assets owned by a third-party. Projects support the SFPUC’s responsibility to provide long-term electric reliability options and services for the City. Projects include the following:

- A condition assessment of existing third-party T&D systems, construction and ownership of new T&D systems and renewal and replacement of existing systems.
- A project to evaluate the feasibility of two scenarios: (1) replacing all or a portion of the 2000 Pacific Gas & Electric Company (PG&E) meters used to serve the SFPUC’s municipal load customers with meters that would be owned by the Power Enterprise; and (2) SFPUC purchasing these meters from PG&E.
- Transbay Center Project - Provide construction and permanent electric services to the new Transbay Transit Center, including adjacent bus ramps, and the new bus storage facility at Stillman Street, in San Francisco. The SFPUC, in agreement with the Transbay Joint Powers Authority will provide electric service to the Transit Center by installing two 12-kilovolt (kV) electric circuits, 12-kV switchgear, transformers, and other electrical equipment.

Renewable/Generation Power, $24.5 million

In accordance with City policies and directives to increase renewable energy and reduce greenhouse gases, Hetchy Power is continuously developing and implementing new renewable generation resources. The Capital Plan proposes a series of small municipal and energy development projects including solar photovoltaic (PV), solar thermal, biogas fuel cells, wind projects, and other renewable energy projects.

The Capital Plan funds portions of the long-term development of cost-effective, small hydroelectricity projects. Small hydro provides the potential for relatively low generation costs, sustainability, and good stewardship of SFPUC’s resource. The SFPUC is installing a small hydro project to capture clean renewable energy from Hetchy Water System pipelines that serve the University Mound Reservoir. The Plan provides funding for the GoSolar program administered by Hetchy Power that provides a City incentive payment towards non-municipal solar projects in San Francisco.

Energy Efficiency, $10.1 million

Energy efficiency improvements are an important component of an electric utility’s resource portfolio. These investments reduce facility operating costs and electric bills for customers, improve system functionality, and reduce the environmental impact of energy use. The Plan proposes funding for lighting and mechanical system efficiency upgrades. These investments are consistent with State policies that place emphasis on energy efficiency and that support greenhouse gas reduction.

- General Fund Departments – Funding for General Fund facilities for the planning, design and construction of energy efficiency projects. Energy retrofits include lighting, heating and ventilation, and energy management systems and demand response projects. The FY 2012-13 capital budget funds efficiency projects in municipal facilities for the Fire, Police, Public Health, and Human Services Agency, as well as staff to implement projects started in FY 2011-12.
- Civic Center District - Planning, design and construction of projects in the green energy district in the Civic Center in accordance with the partnership Memorandum of Understanding (MOU) with the Clinton Global Initiative. This effort will employ new technologies in energy efficiency and obtain Leadership in Energy and Environmental Design (LEED) certification for upgraded buildings from the US Green Building Council. The FY 2012-13 request will fund the Asian Art Museum mechanical improvements and Green Building Certification for City Hall and Davies Symphony Hall. The FY 2013-14 request will fund the Civic Center Garage
ventilation upgrades and Green Building Certification for the Main Library and the Asian Art Museum.

Treasure Island, $32.9 million

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

The capital projects identified are required to support the future development electric load at Treasure and Yerba Buena Islands. The current planning for the development shows that the existing electrical overhead poles, lines, and substation are adequate to serve the first phase of development. At some point in the development, when the electric load approaches the design limit of the electric lines at approximately 10 megawatts, the lines will have to be upgraded and subsequently installed underground.

Reclassification – Power Infrastructure, Joint Water/Power Projects, $224.8 million

The Hetchy Power Capital budget includes the reallocation from Hetchy Water of the Power Infrastructure, $109.4 million, and the Power Enterprise’s share of Joint Water/Power projects, $115.4 million. The projects are located up-country and managed by Hetchy Water.
Hetch Hetchy Water and Power Ten-Year Financial Plan

All SFPUC Enterprises develop a Ten-Year Financial Plan as well as a Ten-Year Capital Plan. As noted in Table H7, however, the Hetch Hetchy fund has projected capital requirements that outpace currently available funding sources, including current power revenues and use related funding as well as limited power financings through CREBs and QECBs. To bridge this gap, the SFPUC is securing a Hetchy Power credit rating, as well as developing the required pro-forma and rate structure for policy makers to consider support associated with debt service requirements. The San Francisco Charter requires that all budgets must be balanced, so even though the Ten-Year Financial Plan shows an artificial shortfall, a combination of both sources and uses adjustments will ultimately occur to bring the budget into balance.
## Table H7. Hetch Hetchy Water and Power Ten-Year Financial Plan

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Operating Fund Balance</strong></td>
<td>54.9</td>
<td>45.0</td>
<td>32.4</td>
<td>32.6</td>
<td>23.2</td>
<td>22.0</td>
<td>17.2</td>
<td>22.1</td>
<td>27.3</td>
<td>31.2</td>
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<td><strong>Sources</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Power Sales</td>
<td>109.4</td>
<td>117.8</td>
<td>123.7</td>
<td>131.6</td>
<td>135.1</td>
<td>139.3</td>
<td>142.9</td>
<td>146.3</td>
<td>149.8</td>
<td>153.5</td>
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<tr>
<td>Water Sales</td>
<td>36.7</td>
<td>34.9</td>
<td>35.9</td>
<td>36.9</td>
<td>38.0</td>
<td>39.0</td>
<td>40.2</td>
<td>41.3</td>
<td>42.5</td>
<td>43.7</td>
</tr>
<tr>
<td>Natural Gas &amp; Steam</td>
<td>13.3</td>
<td>14.1</td>
<td>14.5</td>
<td>15.0</td>
<td>15.4</td>
<td>15.9</td>
<td>16.3</td>
<td>16.8</td>
<td>17.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1.3</td>
<td>2.1</td>
<td>1.7</td>
<td>1.7</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Other Misc Income</td>
<td>8.6</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>7.0</td>
<td>7.0</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td>169.3</td>
<td>177.9</td>
<td>184.8</td>
<td>194.1</td>
<td>198.9</td>
<td>204.6</td>
<td>209.6</td>
<td>214.9</td>
<td>218.3</td>
<td>223.8</td>
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<tr>
<td><strong>Uses</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>134.9</td>
<td>132.6</td>
<td>140.6</td>
<td>152.6</td>
<td>157.3</td>
<td>162.4</td>
<td>167.3</td>
<td>172.2</td>
<td>177.1</td>
<td>182.2</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1.6</td>
<td>1.6</td>
<td>2.4</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>136.5</td>
<td>134.2</td>
<td>143.0</td>
<td>156.4</td>
<td>161.1</td>
<td>166.2</td>
<td>171.0</td>
<td>176.0</td>
<td>180.9</td>
<td>186.0</td>
</tr>
<tr>
<td>Net Revenues Before Capital</td>
<td>32.9</td>
<td>43.7</td>
<td>41.7</td>
<td>37.7</td>
<td>37.8</td>
<td>38.5</td>
<td>38.6</td>
<td>38.9</td>
<td>37.4</td>
<td>37.8</td>
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<tr>
<td>Capital and Programmatic Projects</td>
<td>58.0</td>
<td>91.3</td>
<td>85.8</td>
<td>78.3</td>
<td>75.0</td>
<td>79.3</td>
<td>67.3</td>
<td>67.3</td>
<td>67.5</td>
<td>52.7</td>
</tr>
<tr>
<td>Less: Capital Financing</td>
<td>(15.3)</td>
<td>(34.9)</td>
<td>(44.3)</td>
<td>(31.1)</td>
<td>(36.0)</td>
<td>(36.0)</td>
<td>(33.7)</td>
<td>(33.6)</td>
<td>(34.0)</td>
<td>(17.2)</td>
</tr>
<tr>
<td><strong>Total Uses, Net of Debt Proceeds</strong></td>
<td>179.2</td>
<td>190.6</td>
<td>184.5</td>
<td>203.6</td>
<td>200.1</td>
<td>209.5</td>
<td>204.7</td>
<td>209.7</td>
<td>214.4</td>
<td>221.5</td>
</tr>
<tr>
<td>Net Revenues After Capital</td>
<td>(9.9)</td>
<td>(12.7)</td>
<td>0.3</td>
<td>(9.5)</td>
<td>(1.1)</td>
<td>(4.8)</td>
<td>5.0</td>
<td>5.2</td>
<td>3.9</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>45.0</td>
<td>32.4</td>
<td>32.6</td>
<td>23.2</td>
<td>22.0</td>
<td>17.2</td>
<td>22.1</td>
<td>27.3</td>
<td>31.2</td>
<td>33.5</td>
</tr>
<tr>
<td>Fund Balance as % of Revenue</td>
<td>26.6%</td>
<td>18.2%</td>
<td>17.7%</td>
<td>11.9%</td>
<td>11.1%</td>
<td>8.4%</td>
<td>10.6%</td>
<td>12.7%</td>
<td>14.3%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Fund Balance as % of Expense</td>
<td>25.1%</td>
<td>17.0%</td>
<td>17.7%</td>
<td>11.4%</td>
<td>11.0%</td>
<td>8.2%</td>
<td>10.8%</td>
<td>13.0%</td>
<td>14.6%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Fund Balance as % of Operating Expense</td>
<td>33.4%</td>
<td>24.4%</td>
<td>23.2%</td>
<td>15.2%</td>
<td>14.0%</td>
<td>10.6%</td>
<td>13.2%</td>
<td>15.9%</td>
<td>17.6%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Debt Service Coverage (Indenture)</td>
<td>56.5</td>
<td>55.6</td>
<td>31.5</td>
<td>19.8</td>
<td>17.3</td>
<td>17.1</td>
<td>15.9</td>
<td>17.3</td>
<td>18.3</td>
<td>19.4</td>
</tr>
<tr>
<td>Debt Service Coverage (Current)</td>
<td>21.8</td>
<td>27.9</td>
<td>18.2</td>
<td>11.1</td>
<td>11.1</td>
<td>11.3</td>
<td>11.3</td>
<td>11.4</td>
<td>11.0</td>
<td>11.1</td>
</tr>
</tbody>
</table>
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 2012-13 through FY 2021-22), describing projected sources and uses, resulting fund balances and associated financial reserve ratios. This is not a budget nor are funds appropriated based on the Plan. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the water and power rates and the fiscal year budgets. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisor’s policies, goals, and objectives representing management’s best estimates at this time.

Table H7 shows Hetch Hetchy Water and Power Ten-Year Financial Plan, from FY 2012-13 to FY 2021-22, and Chart H5 provides the Ten-Year Financial Plan trend.

**Rates and Charges**

Hetch Hetchy Water and Power charges for services related to the storage and delivery of water, including providing electricity to contractual and municipal customers. Fund transfers from the Water Enterprise are forecast to increase as associated operating and capital costs increase at their respective 3.0 percent and 5.0 percent annual rates. For municipal power services, Enterprise department customers generally pay rates based on the projected PG&E equivalent rate based on customer class. General Fund department customers generally pay subsidized rates. On December 15, 2011, through Resolution 11-0203, the Commission approved a rate increase of 2 cents per kWh over four years. Hetchy Power completed a revenue requirement analysis in 2009 and completed a formal retail rate setting process in FY 2011-12 to support new retail electric customers coming online over the next few years in the redevelopment areas, mainly Hunters Point and Treasure Island.
Table 8. Electric Schedules

<table>
<thead>
<tr>
<th>Monthly Service Charge (per account)</th>
<th>R-1 Residential Service Rates</th>
<th>R-2 Low-Income Residential Service Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.70</td>
<td>$0.10931</td>
<td>0.07651</td>
</tr>
<tr>
<td>First 278 kWh ($ per kWh)</td>
<td>0.12427</td>
<td>0.08698</td>
</tr>
<tr>
<td>Next 83 kWh ($ per kWh)</td>
<td>0.12427</td>
<td>0.17808</td>
</tr>
</tbody>
</table>

Table 8 shows the electric schedule for residential service rates and low-income residential service rates. Total bundled services charges for residential service rates and low-income residential service rates are calculated using the total rates shown above, on a monthly basis, based on monthly meter reading, plus any applicable taxes.

**Schedule A: Annual Adjustment**

Effective July 1, 2012 and each successive July 1, the rates shall be adjusted by the lesser of the annual percentage in the Consumer Price Index (CPI) for All Urban Consumers for San Francisco-Oakland-San Jose published by the U.S. Bureau of Labor Statistics (for twelve months ended December 31 in the calendar year preceding the year during which the rates will be effective) or the change in the Schedule E-1 rate by the Pacific Gas & Electric Company for residential service as of January 1 in the year for which the rates will be effective compared to the Schedule E-1 rate as of January in the prior year. In no case however, will a reduction in CPI or in the rate charged by PG&E cause the rates charged by the SFPUC to be reduced.

**Sources of Funds**

Hetch Hetchy Water and Power operates the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system and is responsible for generating, transmitting and distributing electricity to City and County of San Francisco customers. The Enterprise operates and maintains power transmission and generation facilities, buys and sells electric power, provides energy conservation and renewable resource solutions to City departments and maintains 25,509 City-owned streetlights as well as providing the power and required funding for the 19,019 streetlights operated by PG&E. Total sources are forecast to increase from $169.3 million in FY 2012-13 to $223.8 million by FY 2021-22.

- Power Sales receipts are projected to increase from $109.4 million in FY 2012-13 to $153.5 million by FY 2021-22. Over the period, about 65.0 percent of power sales will be made to City departments for municipal use; 15.0 percent to the Modesto and Turlock Irrigation Districts as wholesale customers; and the remaining, about 20.0 percent, to other customers due to rate increases and generation.

- Water-related Sales will increase from $36.7 million to $43.7 million over the ten years, representing services related to maintaining the Hetch Hetchy water system and water sales up-country.

- Other income including natural gas and steam, reimbursements and interest income, are forecast to average $14.8 million annually over the period.

**Uses of Funds**

The Plan includes a 3.0 percent annual growth assumption for operations and maintenance costs and a 5.0 percent annual escalation in revenue-funded capital costs.

The Ten-Year Financial Plan includes operation and maintenance costs, repair and replacement costs for existing equipment and facilities, and loans used to finance capital improvements. Operations and maintenance costs average approximately 78.0 percent of
the Hetch Hetchy Water and Power’s expenditures with revenue-funded capital projects the remaining 22.0 percent. Over the period, total expenditures, net of debt proceeds, average $201.8 million per year with annual variations in operating and capital funding requirements.

- Operations and Maintenance costs include labor salaries and fringe benefits, materials and supplies, watershed management costs, power purchases, and services of other City departments (including the SFPUC Bureaus). The FY 2012-13 budget to operate the Enterprise is $134.9 million, increasing to 182.2 million by FY 2021-22. Costs are expected to increase an estimated 3.0 percent per year over the period.

- Debt Service costs include repayment on loans and financing for Clean Renewable Energy Bonds (CREBs) and are increasing from $1.6 million to $3.7 million over the ten years. Hetch Hetchy Water and Power is developing a financial plan which will allow for future bond-financing to fund its capital needs including Qualified Energy Conservation Bonds (QECs).

- Revenue-funded Capital Projects include major maintenance and rebuilding projects associated with the up-country power infrastructure. This includes projects associated with the Hetch Hetchy Reservoir as well as the nearby power generating and distribution facilities. Project needs, net of debt proceeds, average $40.6 million annually over the ten-year period.

These investments represented by the debt service and revenue-funded capital costs are to improve reliability, provide essential seismic upgrades, and repair and replace infrastructure which is beyond its useful life. However, these investments will not reduce the personnel, non-personnel service or services of other departments needed to operate and maintain the systems. These budget categories dominate the operations and maintenance budget. As the SFPUC brings new capital assets on-line, the impact on future operating budgets will be further refined.

**Financing of Capital Needs**

The Hetch Hetchy Water and Power Ten-Year Financial Plan assumes both revenue and bond financing of Power capital needs and bond funding only for Water capital. Of the $43.3 million Power capital program in FY 2012-13, $42.8 million is revenue-funded and $0.6 million is debt financed. Of the $14.7 million Water capital program in FY 2012-13, all $14.7 million is debt financed. A larger proportion of debt financing of Power capital needs may be reflected in future revisions to this long-range plan.

**Fund Balances and Reserves**

In FY 2012-13, the ending fund balance as a proportion of operating expense is projected to be 25.1 percent (0.3 months) of expense. Capital financing options are currently being developed to fund the Power Enterprise capital needs over the longer term.
Hetch Hetchy Water and Power, Pro-forma Allocation

FY 2012-13 sources and uses of funds are $177.6 million of which $138.8 million, or 78.2 percent is for Hetchy Power and $38.8 million, or 21.8 percent, is for Hetchy Water. Uses of funds show operating costs of $21.7 million and capital and programmatic costs of $18.9 million is allocated from Hetchy Water to Hetchy Power.

FY 2013-14 sources and uses are $189.8 million of which $152.8 million, or 80.5 percent is for Hetchy Power and $36.9 million, or 19.5 percent, is for Hetchy Water. Uses of funds show operating costs of $19.9 million and capital and programmatic costs of $22.6 million is allocated from Hetchy Water to Hetchy Power.

Table H9, shows the allocation of Hetch Hetchy Water and Power Sources and Uses of Funds based on water and power service delivery by the respective Divisions, Hetchy Water and Hetchy Power for FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual, and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13. Chart H6, H7, H8 and H9 display the allocation of Hetch Hetchy Water and Power Sources and Uses of Funds based on water and power service delivery by the respective Divisions, Hetchy Water and Hetchy Power for the FY 2012-13 and FY 2013-14 adopted budgets.
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<tr>
<td><strong>Hetchy Power</strong></td>
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</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>-</td>
<td>0.3</td>
<td>-</td>
<td>0.3</td>
<td>0.7</td>
<td>229.9%</td>
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<tr>
<td>Interest income</td>
<td>1.6</td>
<td>1.8</td>
<td>2.0</td>
<td>1.3</td>
<td>1.9</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>-</td>
<td>10.0</td>
<td>8.3</td>
<td>-</td>
<td>- (10.0)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>4.0</td>
<td>8.1</td>
<td>4.5</td>
<td>5.9</td>
<td>6.3</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam (Pass-through)</td>
<td>15.5</td>
<td>11.9</td>
<td>9.5</td>
<td>11.6</td>
<td>12.1</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>14.4</td>
<td>26.9</td>
<td>24.4</td>
<td>15.3</td>
<td>20.9</td>
<td>(11.7)</td>
</tr>
<tr>
<td>Sale of Water</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>107.8</td>
<td>103.5</td>
<td>92.2</td>
<td>104.0</td>
<td>130.9</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Hetchy Power Subtotal</strong></td>
<td>138.3</td>
<td>162.5</td>
<td>140.8</td>
<td>138.8</td>
<td>152.2</td>
<td>(23.7)</td>
</tr>
<tr>
<td><strong>Hetchy Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>0.3</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
<td>(0.6)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>-</td>
<td>14.1</td>
<td>14.1</td>
<td>-</td>
<td>(14.1)</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Sale of Natural Gas &amp; Steam</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Fund Balance</td>
<td>4.4</td>
<td>(1.7)</td>
<td>(1.7)</td>
<td>1.7</td>
<td>7.4</td>
<td>130.6%</td>
</tr>
<tr>
<td>Sale of Water</td>
<td>31.3</td>
<td>32.1</td>
<td>32.1</td>
<td>36.7</td>
<td>35.0</td>
<td></td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>107.8</td>
<td>103.5</td>
<td>92.2</td>
<td>104.0</td>
<td>130.9</td>
<td></td>
</tr>
<tr>
<td><strong>Hetchy Water Subtotal</strong></td>
<td>36.2</td>
<td>41.4</td>
<td>42.7</td>
<td>38.8</td>
<td>36.9</td>
<td>(2.6)</td>
</tr>
<tr>
<td><strong>Hetchy Hetchy Water and Power</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Interest Subsidy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>1.9</td>
<td>2.4</td>
<td>2.0</td>
<td>1.3</td>
<td>1.9</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Proceeds from Debt</td>
<td>-</td>
<td>24.1</td>
<td>22.4</td>
<td>-</td>
<td>(24.1)</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>4.2</td>
<td>8.3</td>
<td>4.8</td>
<td>6.2</td>
<td>6.4</td>
<td>(2.2)</td>
</tr>
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<td>Sale of Natural Gas &amp; Steam</td>
<td>10.5</td>
<td>11.9</td>
<td>9.5</td>
<td>11.4</td>
<td>12.1</td>
<td>(0.4)</td>
</tr>
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<td>21.2</td>
<td>20.7</td>
<td>17.0</td>
<td>22.6</td>
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<tr>
<td>Sale of Water</td>
<td>31.3</td>
<td>32.1</td>
<td>32.1</td>
<td>36.7</td>
<td>35.0</td>
<td></td>
</tr>
<tr>
<td>Sale of Electricity</td>
<td>107.8</td>
<td>103.5</td>
<td>92.2</td>
<td>104.0</td>
<td>130.9</td>
<td></td>
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<tr>
<td><strong>Hetchy Hetchy Water and Power Subtotal</strong></td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.8</td>
<td>(26.3)</td>
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<td><strong>USES OF FUNDS</strong></td>
<td></td>
<td></td>
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</tr>
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<td><strong>Hetchy Power</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
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<td>45.8</td>
<td>64.3</td>
<td>64.4</td>
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<tr>
<td>Natural Gas &amp; Steam Pass-Through</td>
<td>10.5</td>
<td>11.9</td>
<td>9.5</td>
<td>11.4</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.4</td>
<td>1.8</td>
<td>0.4</td>
<td>1.9</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Reclassification of Power-Only &amp; Joint Operating Costs</td>
<td>18.8</td>
<td>23.4</td>
<td>22.2</td>
<td>21.7</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
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<td>99.5</td>
<td>77.9</td>
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<td>Capital/Revenue Reserve</td>
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<td>32.2</td>
<td>32.2</td>
<td>32.7</td>
<td>33.3</td>
<td></td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>3.7</td>
<td>6.4</td>
<td>6.4</td>
<td>6.7</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Reclassification of Power-Only &amp; Joint</td>
<td>30.3</td>
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<td>24.4</td>
<td>18.9</td>
<td>22.6</td>
<td></td>
</tr>
<tr>
<td><strong>Hetchy Power Subtotal</strong></td>
<td>138.3</td>
<td>162.5</td>
<td>140.8</td>
<td>138.8</td>
<td>152.2</td>
<td>(23.7)</td>
</tr>
<tr>
<td><strong>Hetchy Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
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<td>50.7</td>
<td>56.8</td>
<td>54.3</td>
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<tr>
<td>Reclassification of Power-Only &amp; Joint Operating Costs</td>
<td>18.8</td>
<td>(12.4)</td>
<td>(22.5)</td>
<td>(21.7)</td>
<td>(19.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>24.9</td>
<td>27.1</td>
<td>28.5</td>
<td>35.1</td>
<td>34.4</td>
<td></td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
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<td>38.5</td>
<td>38.5</td>
<td>18.9</td>
<td>22.6</td>
<td></td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>0.2</td>
<td>0.2</td>
<td>3.4</td>
<td>2.5</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Reclassification of Power-Only &amp; Joint</td>
<td>10.3</td>
<td>(34.4)</td>
<td>(34.4)</td>
<td>(18.9)</td>
<td>(23.6)</td>
<td></td>
</tr>
<tr>
<td><strong>Hetchy Water Subtotal</strong></td>
<td>36.2</td>
<td>41.4</td>
<td>42.7</td>
<td>38.8</td>
<td>36.9</td>
<td>(2.6)</td>
</tr>
<tr>
<td><strong>Hetchy Hetchy Water and Power</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
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<td>112.9</td>
<td>96.4</td>
<td>121.1</td>
<td>118.8</td>
<td></td>
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<tr>
<td>Natural Gas &amp; Steam Pass-Through</td>
<td>10.5</td>
<td>11.9</td>
<td>9.5</td>
<td>11.4</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.4</td>
<td>1.8</td>
<td>0.4</td>
<td>1.9</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>General Reserve</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>95.5</td>
<td>126.6</td>
<td>106.3</td>
<td>134.8</td>
<td>134.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Capital/Revenue Reserve</td>
<td>75.4</td>
<td>70.7</td>
<td>70.7</td>
<td>32.5</td>
<td>45.9</td>
<td></td>
</tr>
<tr>
<td>Programmatic Projects</td>
<td>3.7</td>
<td>6.5</td>
<td>6.5</td>
<td>10.3</td>
<td>9.4</td>
<td></td>
</tr>
<tr>
<td><strong>Hetchy Hetchy Total Uses</strong></td>
<td>174.5</td>
<td>203.9</td>
<td>183.5</td>
<td>177.6</td>
<td>189.9</td>
<td>(26.3)</td>
</tr>
</tbody>
</table>
Chart H6. FY 2012-13 Hetch Hetchy Water and Power Sources of Funds by Division, by Category

Chart H7. FY 2012-13 Hetch Hetchy Water and Power Uses of Funds by Division, by Category
**FY 2012-13 Hetch Hetchy Water Objectives Included in the Strategic Sustainability Plan Under the Water Enterprise**

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of our business activities. The Plan is presented in the introduction of this report.

The durable section of the SSP contains the SFPUC strategic goals, objectives, and performance indicators, to implement the SFPUC’s mission and vision. The durable section is the frame that will remain fairly static and constant; yet it will still retain the flexibility to be revised as the SFPUC’s services, customers, and communities evolve. The dynamic section of the SSP contains specific actions, targets, measures, and budgets, both operating and capital. Together, the durable and dynamic sections of the SSP allow the SFPUC to evaluate its performance and measure progress toward the goals and objectives. Most importantly, the Plan will provide trending data that can support business decisions and allocations of resources. Hetch Hetchy Water use this plan to establish individual job goal-setting and performance evaluations, budget tracking, and planning. Hetch Hetchy Water is accountable to the SFPUC Commission, the General Manager, and the public, to show performance in relation to this Plan.

Appendix E includes the highlight of the accomplishments for FY 2011-12 SSP.
**Budget Summary**

Chart H10. FY 2012-13 and FY 2013-14 Hetchy Water Uses of Funds

The FY 2012-13 budget for Hetchy Water includes $56.8 million for operations, or 71.6 percent of the total budget, $18.9 million for capital/revenue reserve, or 23.8 percent of the total budget and $3.6 million for programmatic projects, or 4.6 percent of the total budget.

The FY 2013-14 budget for Hetchy Water includes $54.3 million for operations, or 68.4 percent of the total budget, $22.6 million for capital/revenue reserve, or 28.5 percent of the total budget and $2.5 million for programmatic projects, or 3.2 percent of the total budget.

Chart H10 displays Hetchy Water’s Uses of Funds budget allocation for operations, capital/revenue reserve and programmatic projects.
Hetchy Water Operations

Hetchy Water Operations is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water is also responsible for the operation, maintenance, and improvements of smaller dams and reservoirs, water transmission systems, power generation facilities and power transmission assets, including transmission lines to the Newark substation.

Table H10 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

Budget Summary

Table H10. Hetchy Water Operations Budget Summary

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11 Audited Actual</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2011-12 Pre-Audit Actual</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>20,111,360</td>
<td>22,326,301</td>
<td>21,821,191</td>
<td>24,126,895</td>
<td>25,114,592</td>
<td>1,800,594</td>
<td>8.1%</td>
<td>987,697</td>
<td>4.1%</td>
</tr>
<tr>
<td>Overhead</td>
<td>-</td>
<td>1,397,587</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>13,064,368</td>
<td>15,356,606</td>
<td>16,354,100</td>
<td>20,081,751</td>
<td>16,576,023</td>
<td>-1,397,587</td>
<td>-100.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>1,962,809</td>
<td>2,186,229</td>
<td>2,201,812</td>
<td>2,314,229</td>
<td>2,302,491</td>
<td>128,000</td>
<td>5.9%</td>
<td>(3,505,728)</td>
<td>-17.5%</td>
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<tr>
<td>Equipment</td>
<td>1,009,118</td>
<td>787,259</td>
<td>970,923</td>
<td>644,274</td>
<td>597,240</td>
<td>(142,985)</td>
<td>-18.2%</td>
<td>(47,034)</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>7,574,865</td>
<td>8,433,891</td>
<td>7,906,717</td>
<td>9,627,945</td>
<td>9,722,657</td>
<td>1,194,054</td>
<td>14.2%</td>
<td>94,712</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total</td>
<td>43,722,520</td>
<td>50,487,873</td>
<td>50,652,330</td>
<td>56,795,094</td>
<td>54,313,003</td>
<td>6,307,221</td>
<td>12.5%</td>
<td>(2,482,091)</td>
<td>-4.4%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Overhead** – Transfers funding for Hetchy Water’s share of the cost of the City-wide overhead services to the SFPUC Bureaus to centralize funding for the SFPUC Enterprises.

- **Non-Personnel Services** - Adjusts the budget for fisheries studies related to Don Pedro re-licensing, a water transfer fee to Modesto Irrigation District (MID), and services related to the Federal Energy Regulatory Commission (FERC) Interconnection Agreement.

- **Equipment** - Adjusts the budget to reflect one-time FY 2011-12 equipment funding.

- **Services of Other Departments** - Adjusts the budget for services of the SFPUC Bureaus and workers compensation.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Non-Personnel Services** - Adjusts the budget to reflect one-time cost reductions for FY 2012-13 funding for fisheries studies and for California Environmental Quality Act of 1970 review cost related to the water transfer from Modesto Irrigation District.
FY 2012-13 Hetch Hetchy Power Objectives Included in the Strategic Sustainability Plan

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of our business activities. The Plan is presented in this report in the Introduction.

The durable section of the SSP contains the SFPUC strategic goals, objectives, and performance indicators, to implement the SFPUC’s mission and vision. The durable section is the frame that will remain fairly static and constant; yet it will still retain the flexibility to be revised as the SFPUC's services, customers, and communities evolve. The dynamic section of the SSP contains specific actions, targets, measures, and budgets, both operating and capital. Together, the durable and dynamic sections of the SSP allow the SFPUC to evaluate its performance and measure progress toward the goals and objectives. Most importantly, the Plan will provide trending data that can support business decisions and allocations of resources. Hetch Hetchy Power use this plan to establish individual job goal-setting and performance evaluations, budget tracking, and planning. Hetch Hetchy Power is accountable to the SFPUC Commission, the General Manager, and the public, to show performance in relation to this Plan.

Appendix E includes highlights of accomplishments for FY 2011-12 SSP.
Sections

Hetchy Power has four sections, Administration, Energy Services, Long Range Planning and Policy, and Light, Heat and Power.

Chart H11. FY 2012-13 and FY 2013-14 Hetchy Power Uses of Funds by Section

The FY 2012-13 operations budget includes: $45.8 million for Energy Services, $17.4 million for Light, Heat and Power, $11.2 million for Power Administration, and $3.3 million for Long Range Planning and Policy. Capital/revenue reserve totals $13.6 million, Programmatic Projects total $6.7 million and General Reserve totals $0.3 million.

The FY 2013-14 operations budget includes: $45.9 million for Energy Services, $18.0 million for Light, Heat and Power, $11.3 million for Power Administration, and $4.5 million for Long Range Planning and Policy. Capital/revenue reserve totals $23.3 million, Programmatic Projects total $6.9 million and General Reserve totals $0.5 million.

Chart H11 displays Hetchy Power’s Uses of Funds budget allocation for operations by sections, and for capital/revenue reserve, programmatic projects and general reserve.
Administration

Power Administration assists Hetchy Power operations managers with biennial budget submittal, monthly planning, reporting, cost monitoring, transaction processing and contract management support. Administration also supports internal and external information requests and business needs dashboard reporting, records management and retention coordination, and Electric Vehicle Infrastructure strategy coordination.

Table H11 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

Budget Summary

Table H11. Hetchy Power Administration Budget Summary

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11 Audited Actual</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2011-12 Pre-Audit Actual</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Adopted Budget</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
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<td>2,277,486</td>
<td>3,518,346</td>
<td>2,968,675</td>
<td>3,786,016</td>
<td>4,021,296</td>
<td>267,670</td>
<td>7.6%</td>
<td>235,280</td>
<td>6.2%</td>
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<tr>
<td>Overhead</td>
<td>-</td>
<td>1,012,045</td>
<td>-</td>
<td>1,012,045</td>
<td>-</td>
<td>(1,012,045)</td>
<td>100.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>631,423</td>
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<td>776,778</td>
<td>610,880</td>
<td>328,779</td>
<td>(471,849)</td>
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<td>Materials &amp; Supplies</td>
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<td>94,792</td>
<td>17,840</td>
<td>61,250</td>
<td>58,250</td>
<td>(33,542)</td>
<td>-35.4%</td>
<td>(3,000)</td>
<td>-4.9%</td>
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<td>Debt Service</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>6,104,323</td>
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<td>6,774,489</td>
<td>6,842,336</td>
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<td>18.7%</td>
<td>67,847</td>
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<tr>
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<td>11,413,276</td>
<td>9,947,732</td>
<td>11,232,635</td>
<td>11,250,661</td>
<td>(180,641)</td>
<td>-1.6%</td>
<td>18,026</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Overhead** – Transfers funding for Hetchy Power’s share of the cost of the City-wide overhead services to the SFPUC Bureaus to centralize funding for the SFPUC Enterprises.
- **Non-Personnel Services** - Eliminates membership funding to the Northern California Power Agency (NCPA) and six months office rental funding for 1155 Market Street to reflect the office move to 525 Golden Gate.
- **Materials & Supplies** - Reflects annual projected materials and supplies costs.
- **Services of Other Depts** – Reflects Hetchy Power’s share of SFPUC Bureaus’ cost of service.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Non-Personnel Services** - Reflects elimination of final six months funding for 1155 Market Street to reflect the office move to 525 Golden Gate.
Energy Services

Energy Services consists of eight service areas: Retail Services, Power Purchasing and Scheduling, Energy Data Systems, Strategic Planning and Regulatory Affairs, Community Choice Aggregation (CCA), Power Transmission and Distribution Field Service, Retail Interconnections, and Redevelopment Projects.

Table H12 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

Budget Summary

Table H12. Energy Services Budget Summary

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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>5,651,282</td>
<td>4,133,562</td>
<td>5,378,715</td>
<td>4,473,527</td>
<td>4,680,739</td>
<td>339,965</td>
<td>8.2%</td>
<td>207,212</td>
<td>4.6%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>20,883,561</td>
<td>37,460,208</td>
<td>22,835,797</td>
<td>38,961,909</td>
<td>38,918,304</td>
<td>1,501,701</td>
<td>4.0%</td>
<td>(43,605)</td>
<td>-0.1%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>451,505</td>
<td>9,350</td>
<td>443,940</td>
<td>9,536</td>
<td>9,726</td>
<td>186</td>
<td>2.0%</td>
<td>190</td>
<td>2.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>200,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>284,943</td>
<td>2,902,175</td>
<td>2,058,178</td>
<td>2,306,656</td>
<td>2,306,656</td>
<td>(595,519)</td>
<td>-20.5%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>27,471,856</td>
<td>44,505,295</td>
<td>30,716,630</td>
<td>45,751,628</td>
<td>45,915,425</td>
<td>1,246,333</td>
<td>2.8%</td>
<td>163,797</td>
<td>0.4%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Services of Other Departments** – Transfers the funding for services provided by Department of Environment for energy efficiency, green building, climate change and renewable energy programs from Energy Services to Long Range Planning and Policy to reflect management of funds and services.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes in the FY 2013-14 Adopted Budget.
Long-Range Planning and Policy

The Long-Range Planning Group is responsible for: planning, developing, and managing a wide range of renewable and energy efficiency projects and programs to serve municipal customers. This group conducts a wide variety of research and analyses of renewable and energy efficiency technologies and strategies to achieve the City’s renewable and energy efficiency goals. This group also supports the design and analysis of transmission and distribution projects owned by the SFPUC.

Table H13 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

Budget Summary

Table H13. Long-Range Planning and Policy Budget Summary

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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,140,342</td>
<td>675,440</td>
<td>1,107,892</td>
<td>708,095</td>
<td>739,037</td>
<td>32,655</td>
<td>4.8%</td>
<td>30,942</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>161,120</td>
<td>60,685</td>
<td>196,436</td>
<td>62,625</td>
<td>62,375</td>
<td>-</td>
<td>3.2%</td>
<td>(250)</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>18,058</td>
<td>20,000</td>
<td>10,100</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>-</td>
<td>1,845,468</td>
<td>421,667</td>
<td>1,906,912</td>
<td>3,048,255</td>
<td>61,444</td>
<td>3.3%</td>
<td>1,141,343</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>-</td>
<td>50,472</td>
<td>47,012</td>
<td>595,519</td>
<td>595,519</td>
<td>545,047</td>
<td>1079.9%</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,319,520</td>
<td>2,652,065</td>
<td>1,783,107</td>
<td>3,293,151</td>
<td>4,465,186</td>
<td>641,086</td>
<td>24.2%</td>
<td>1,172,035</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Services of Other Departments** – Transfers funding for services provided by Department of Environment for energy efficiency, green building, climate change and renewable energy programs to Long Range Planning and Policy from Energy Services to reflect management of funds and services.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Debt Service** – Reflects projected principal and interest payments on the Clean Renewable Energy Bonds (CREBs) issued to fund solar photovoltaic (PV) projects at seven City-owned locations and projected bond principal and interest payments related to Certificates of Participation (COPs) 525 Golden Gate headquarters building.
Light, Heat and Power

The Light, Heat and Power (LHP) section is responsible for maintaining over 25,509 SFPUC-owned streetlights in the City and County of San Francisco, and maintaining SFPUC, 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 and includes the installation of new service overhead and underground connections up to 12 kilovolts (kV), meters, streetlights, switchgear, transformers, etc.

Street Light Engineering Services is a section within LHP which manages all activities related to the administration, planning, design, investigation and reporting functions of the street light infrastructure owned and operated by the SFPUC. This group also facilitates planning and conducts design review of street lighting system installations in the public right of way performed by other agencies and contractors. Underground Service Alert (USA) requests are also managed by the engineering group.

Work is also performed for other City and State agencies, merchant and/or community groups, and general contractors.

Table H14 shows the FY 2011-12 to FY 2013-14 adopted budgets, FY 2010-11 audited actual and FY 2011-12 pre-audit actual, and budget variances between FY 2012-13 and FY 2011-12, and between FY 2013-14 and FY 2012-13.

### Budget Summary

#### Table H14. Light, Heat and Power Budget Summary

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,201,420</td>
<td>2,767,132</td>
<td>2,115,387</td>
<td>2,864,046</td>
<td>3,019,137</td>
<td>116,914</td>
<td>4.2%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>12,060,534</td>
<td>13,879,327</td>
<td>11,280,407</td>
<td>13,644,011</td>
<td>14,120,546</td>
<td>(235,316)</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>-</td>
<td>398,243</td>
<td>371,995</td>
<td>367,500</td>
<td>(26,248)</td>
<td>-6.6%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>122,228</td>
<td>66,550</td>
<td>46,090</td>
<td>(55,678)</td>
<td>-45.6%</td>
<td>(20,460)</td>
</tr>
<tr>
<td>Services Of Other Depts</td>
<td>259,454</td>
<td>401,653</td>
<td>320,193</td>
<td>448,550</td>
<td>448,550</td>
<td>46,897</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total</td>
<td>13,521,408</td>
<td>17,568,583</td>
<td>13,215,987</td>
<td>17,415,152</td>
<td>17,991,823</td>
<td>(153,431)</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>

#### Reasons for Changes, FY 2011-12 to FY 2012-13

- **Equipment** – Reflects the cost of projected equipment needs for FY 2012-13.
- **Services of Other Departments** - Reflects costs for vehicle maintenance and repair services provided by Central Shops for streetlight maintenance vehicles.

#### Reasons for Changes, FY 2012-13 to FY 2013-14

- **Equipment** – Reflects the cost of projected equipment needs for FY 2013-14.
SFPUC BUREAUS

Mission, Roles, and Responsibilities

The SFPUC Bureaus provide support services to all three Enterprises, and include the Office of the General Manager, Business Services, and External Affairs. The Office of the General Manager includes three divisions: the General Manager’s Office, the Emergency Response and Security Division, and Real Estate Services. Business Services includes Administration, Financial Services and Asset Management, Information Technology Services (ITS), Human Resources, Customer Services, and Assurance and Internal Controls (AIC), Fleet Management & Operations, and Records Management. External Affairs includes Communications, Governmental Affairs, and Community Benefits. The Bureaus’ budgets are funded through an allocation model that recovers costs of services to the three Enterprises.

Budget Summary

Sources of Funds

Chart S1. FY 2011-12 to FY 2013-14 Bureaus Sources of Funds

The FY 2012-13 Bureaus budget of $81.3 million is funded through the Water Enterprise by $43.0 million, or 52.9 percent; through the Wastewater Enterprise by $24.9 million, or 30.6 percent; and through Hetch Hetchy Water and Power by $13.4 million, or 16.5 percent. The allocation of costs to the Enterprises includes consideration of employee full-time equivalent (FTE) employment, salary surveys, and direct services provided to the Enterprises.
The FY 2013-14 Bureaus budget of $82.2 million is funded through the Water Enterprise by $43.4 million, or 52.8 percent; through the Wastewater Enterprise by $25.2 million, or 30.6 percent; and through Hetch Hetchy Water and Power by $13.6 million, or 16.5 percent. This allocation of costs to the Enterprises is based on the same allocation model as that for FY 2012-13.

Chart S1 shows the SFPUC Bureaus’ budgeted sources of funds from FY 2011-12 to FY 2013-14.

**Uses of Funds**

Chart S2. FY 2012-13 and FY 2013-14 Bureaus Uses of Funds

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY 2012-13 % of Total</th>
<th>FY 2013-14 % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Services</td>
<td>$ 60.4</td>
<td>$ 60.7</td>
</tr>
<tr>
<td>Office of the General Manager</td>
<td>15.8 19.4%</td>
<td>16.0 19.5%</td>
</tr>
<tr>
<td>External Affairs</td>
<td>5.2 6.3%</td>
<td>5.6 6.8%</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$ 81.3 100.0%</strong></td>
<td><strong>$ 82.2 100.0%</strong></td>
</tr>
</tbody>
</table>

Total Uses of Funds in FY 2012-13 for the Bureaus is $81.3 million. This is a $6.4 million, or 8.6 percent, increase from the prior year (see Table S1). The General Manager’s budget is $15.8 million, or 19.4 percent of the total, and a 5.0 percent increase from FY 2011-12. The Business Services budget is $60.4 million, or 74.3 percent of the total, and a 9.4 percent decrease from the prior year. The External Affairs budget is $5.2 million, or 6.3 percent of the total, and a 10.0 percent increase from FY 2011-12. Chart S2 illustrates the breakdown between the Bureaus for FY 2012-13.

Total Uses of Funds in FY 2013-14 for the Bureaus is $82.2 million. This is a $0.9 million, or 1.1 percent, increase from the prior year (see Table S1). The General Manager’s budget is $16.0 million, or 19.5 percent of the total, and a 1.4 percent increase from FY 2012-13. The Business Services budget is $60.7 million, or 73.8 percent of the total, and a 0.4 percent increase from FY 2012-13. The External Affairs budget is $5.6 million, or 6.8 percent of the total, and a 7.8 percent increase from the prior year. Chart S2 illustrates the breakdown between the Bureaus for FY 2013-14.

The following sections go into further detail about the Bureaus. Tables G1, B1, and E1 provide the budget variances – between both the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets – for the Office of the General Manager, Business Services, and External Affairs, respectively.
Table S1. Bureaus Budget Summary

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</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>41,668,389</td>
<td>48,682,784</td>
<td>47,435,378</td>
<td>51,843,790</td>
<td>54,502,483</td>
<td>3,161,006</td>
<td>6.5%</td>
<td>2,658,693 5.1%</td>
<td></td>
</tr>
<tr>
<td>Overhead</td>
<td>3,891,114</td>
<td>-</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>100.0%</td>
<td>- 0.0%</td>
<td></td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>10,553,237</td>
<td>11,554,210</td>
<td>12,745,422</td>
<td>10,764,586</td>
<td>9,037,435</td>
<td>(789,624)</td>
<td>-6.8%</td>
<td>(1,727,151) -16.0%</td>
<td></td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>1,833,968</td>
<td>1,953,132</td>
<td>1,752,476</td>
<td>1,929,289</td>
<td>1,940,523</td>
<td>(23,843)</td>
<td>-1.2%</td>
<td>11,234 0.6%</td>
<td></td>
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<tr>
<td>Equipment</td>
<td>1,648,392</td>
<td>2,046,921</td>
<td>2,320,811</td>
<td>1,856,455</td>
<td>1,779,447</td>
<td>(190,466)</td>
<td>-9.3%</td>
<td>(77,008) -4.1%</td>
<td></td>
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<tr>
<td>Services of Other Depts</td>
<td>7,511,819</td>
<td>10,671,746</td>
<td>9,967,827</td>
<td>10,972,698</td>
<td>11,102,779</td>
<td>300,952</td>
<td>2.8%</td>
<td>130,081 1.2%</td>
<td></td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170,623</td>
<td>100.0%</td>
<td>- (98,294) -57.6%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>67,106,919</td>
<td>74,908,783</td>
<td>74,221,914</td>
<td>81,316,857</td>
<td>82,214,412</td>
<td>6,408,064</td>
<td>8.6%</td>
<td>897,555 1.1%</td>
<td></td>
</tr>
</tbody>
</table>
Authorized and Funded Full-Time Equivalents

Table S2. Bureaus Authorized and Funded Full-Time Equivalents (FTEs)

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>326.34</td>
<td>339.10</td>
<td>342.80</td>
<td>343.46</td>
<td>3.70</td>
<td>0.66</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>4.90</td>
<td>5.41</td>
<td>5.04</td>
<td>4.87</td>
<td>(0.37)</td>
<td>(0.17)</td>
</tr>
<tr>
<td>Subtotal Operating-Funded</td>
<td>331.24</td>
<td>344.51</td>
<td>347.84</td>
<td>348.33</td>
<td>3.33</td>
<td>0.49</td>
</tr>
<tr>
<td>Project-Funded Positions</td>
<td>15.00</td>
<td>16.00</td>
<td>16.00</td>
<td>16.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Positions</td>
<td>346.24</td>
<td>360.51</td>
<td>363.84</td>
<td>364.33</td>
<td>3.33</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Chart S3. Bureaus Operating and Project FTE Trend

As noted above in Table S2, the SFPUC Bureaus full-time equivalent (FTE) operating budget, project-funded, and temporary positions (including attrition savings to adjust for an expected position vacancy rate during the fiscal year) for FY 2012-13 is 363.84 FTEs, a 3.33 FTE increase from FY 2011-12. Chart S3 illustrates the trend of the number of operating and project-funded FTEs from FY 2010-11 to FY 2013-14. FY 2012-13 permanent positions increased by 3.70 FTEs, from 339.10 in FY 2011-12 to 342.80 FTEs in FY 2012-13. The net position increase includes two new positions – one to support the Advanced Metering Infrastructure (AMI), and one to be dedicated to information technology (IT) Security and Disaster Recovery of SFPUC systems; the annualization of sixteen new FY 2011-12 positions that were funded for the standard nine months for new positions: these positions support functions including records retention, accounting, fleet, human resources, and community benefits. The increase is offset by an increase in attrition savings, to adjust for position vacancies.
Temporary positions from FY 2011-12 to FY 2012-13 decreased by 0.37 FTEs, from 5.41 FTEs in FY 2011-12 to 5.04 FTEs in FY 2012-13. The decrease primarily reflects the elimination of funding for meter reading, which becomes unnecessary with its automation.

Project-funded positions from FY 2011-12 to FY 2012-13 remained the same.

Table S2 provides a breakdown of positions by position type.

Also as noted in Table S2, the SFPUC Bureaus full-time equivalent (FTE) operating budget, project-funded, and temporary positions (including attrition savings to adjust for an expected position vacancy rate during the fiscal year) for FY 2013-14 is 364.33 FTEs, a 0.49 FTE increase from FY 2012-13. FY 2012-13 permanent positions increased by 0.66 FTEs, from 342.80 FTEs in FY 2012-13 to 343.46 FTEs in FY 2013-14. The net position increase includes the annualization of two new FY 2012-13 new positions, for the Advanced Metering Infrastructure (AMI), and Security and Disaster Recover of SFPUC systems, as discussed above.

The number of temporary positions from FY 2012-13 to FY 2013-14 decreased by 0.17 FTEs, from 5.04 FTEs in FY 2012-13 to 4.87 FTEs in FY 2013-14. The decrease reflects the elimination of funding for staffing contingencies in the event that the Advanced Metering Infrastructure (AMI) was delayed.
Mission, Roles, and Responsibilities

The General Manager of the SFPUC oversees the regional utility that delivers reliable, high quality drinking water to more than 2.6 million Bay Area customers, collects and treats wastewater and stormwater for the City and County of San Francisco (CCSF), and provides hydroelectric and other renewable power resources for San Francisco municipal customers. The Office of the General Manager supports the General Manager in his key oversight functions.
Uses of Funds

Chart G1. FY 2011-12 to FY 2013-14 Office of the General Manager Uses of Funds

Summary

The FY 2012-13 Office of the General Manager budget is $15.8 million, a $0.7 million, or 5.0 percent, increase from the prior year. The major change from the prior year’s budget is the General Reserve to balance budgeted sources and uses of funds.

The FY 2013-14 Office of the General Manager budget is $16.0 million, a 1.4 percent increase from FY 2012-13. The major change from FY 2012-13 is a decrease in rent: funding for rent at 1155 Market Street is eliminated because of the SFPUC’s relocation to its new headquarters at 525 Golden Gate Avenue.

Chart G1 provides a breakdown by category of the FY 2011-12 to FY 2013-14 budgets. Table G1 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets. The following describes FY 2012-13 and FY 2013-14 budget category variances that are greater than ten percent.

Non-Personnel Services

The FY 2013-14 Non-Personnel Services budget is $1.0 million, a $0.3 million, or 25.2 percent, decrease from the prior year. This budget funds services for the Office of the General Manager including travel, training, memberships, entertainment and promotion, equipment maintenance, professional services, and rent for the General Manager’s share of office space. The decrease reflects the elimination of rent at 1155 Market Street; the SFPUC relocated to its new headquarters at 525 Golden Gate Avenue in FY 2012-13.
General Reserve

The FY 2012-13 General Reserve budget is $0.2 million and is newly budgeted to balance sources and uses.

The FY 2013-14 General Reserve budget is $0.1 million, a $0.1 million, or 57.6 percent, decrease from the prior year. The decrease reflects increased uses of funds.

Table G1. Office of the General Manager Budget Summary

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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>4,394,138</td>
<td>7,527,537</td>
<td>7,418,270</td>
<td>8,109,608</td>
<td>8,674,301</td>
<td>582,071</td>
<td>564,693</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>880,977</td>
<td>1,244,591</td>
<td>1,284,043</td>
<td>1,271,909</td>
<td>951,531</td>
<td>27,318</td>
<td>(320,378)</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>59,185</td>
<td>117,301</td>
<td>53,822</td>
<td>117,301</td>
<td>117,301</td>
<td>-</td>
<td>76,094</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>3,234,013</td>
<td>6,136,581</td>
<td>5,445,211</td>
<td>6,102,395</td>
<td>6,178,489</td>
<td>(34,186)</td>
<td>76,094</td>
</tr>
<tr>
<td>General Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170,623</td>
<td>72,329</td>
<td>170,623</td>
<td>(98,294)</td>
</tr>
<tr>
<td>Totals</td>
<td>8,568,313</td>
<td>15,026,010</td>
<td>14,201,346</td>
<td>15,771,836</td>
<td>15,993,951</td>
<td>745,826</td>
<td>222,115</td>
</tr>
</tbody>
</table>
MISSION, ROLES, AND RESPONSIBILITIES

SFPUC Business Services is comprised of six key support functions: Information Technology Services (ITS), Customer Services, Financial Services and Asset Management, which includes Fleet Management & Operations, Human Resources, Administration, and Assurance and Internal Controls (AIC). Oversight of Business Services is budgeted under Administration, including property rental costs for the entire Business Services Bureaus, comprised of approximately 300 full-time equivalent (FTE) positions. Business Services supports the Water, Power, and Wastewater Enterprises to achieve human resource and operational efficiency, industry leading customer service, and sound financial performance.
Uses of Funds

Chart B1. FY 2011-12 to FY 2013-14 Business Services Uses of Funds

Summary

The FY 2012-13 Business Services budget is $60.4 million, a $5.2 million, or 9.4 percent, increase from the prior year. Major changes from the FY 2011-12 budget include the transfer of City-wide overhead from the Enterprises, and a 10.7 percent decrease in Non-Personnel Services.

The FY 2013-14 Business Services budget is $60.7 million, a $0.3 million, or 0.4 percent, increase from the prior year. The major change from the FY 2012-13 budget is the removal of rent at 1145 and 1155 Market Street because of the SFPUC’s move to 525 Golden Gate Avenue in FY 2012-13.

Chart B1 provides a breakdown by category of the FY 2011-12 to FY 2013-14 budgets. Table B1 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets. The following describes FY 2012-13 and FY 2013-14 budget category variances that are greater than ten percent.

Overhead

The FY 2012-13 Overhead budget is $3.8 million, and is transferred to Business Services from the three Enterprises. This budget funds the SFPUC’s share of City-wide overhead, i.e., the County-wide Cost Allocation Plan (COWCAP). COWCAP is based on the Controller’s Office calculations of City-wide costs and is based on the SFPUC’s allocated beneficial use of services and facilities provided by General Fund agencies.
Non-Personnel Services

The FY 2012-13 Non-Personnel budget is $8.4 million, a $1.0 million, or 10.7 percent, decrease from FY 2011-12. This budget funds services for Business Services, including equipment and facilities maintenance, travel, training, memberships, entertainment and promotion, professional services, and rent for Business Services’ share of office space. The decrease reflects the removal or rent for six months because of the SFPUC’s move from 1145 and 1155 Market Street to its new headquarters at 525 Golden Gate Avenue.

The FY 2013-14 Non-Personnel budget is $6.8 million, a $1.6 million, or 18.5 percent, decrease from FY 2012-13. The decrease reflects the removal of rent because of the SFPUC’s move from 1145 and 1155 Market Street to 525 Golden Gate Avenue.

Table B1. Business Services Budget Summary

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>34,081,591</td>
<td>37,510,282</td>
<td>36,954,863</td>
<td>39,819,106</td>
<td>41,659,347</td>
<td>2,308,824</td>
<td>1,840,241</td>
</tr>
<tr>
<td>Overhead</td>
<td>3,891,114</td>
<td>-</td>
<td>-</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>8,834,718</td>
<td>9,411,801</td>
<td>10,560,545</td>
<td>8,404,859</td>
<td>6,848,086</td>
<td>(1,006,942)</td>
<td>(1,556,773)</td>
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<tr>
<td>Materials &amp; Supplies</td>
<td>1,754,847</td>
<td>1,745,831</td>
<td>1,662,878</td>
<td>1,721,988</td>
<td>1,733,222</td>
<td>(23,843)</td>
<td>11,234</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,648,392</td>
<td>2,046,921</td>
<td>2,320,811</td>
<td>1,856,455</td>
<td>1,779,447</td>
<td>(190,466)</td>
<td>(77,008)</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>4,223,003</td>
<td>4,479,087</td>
<td>4,432,789</td>
<td>4,804,225</td>
<td>4,858,212</td>
<td>325,138</td>
<td>53,987</td>
</tr>
<tr>
<td>Totals</td>
<td>54,433,665</td>
<td>55,193,922</td>
<td>55,931,886</td>
<td>60,386,049</td>
<td>60,657,730</td>
<td>5,192,127</td>
<td>271,681</td>
</tr>
</tbody>
</table>
Bureaus – Business Services

Chart B2. FY 2012-13 and FY 2013-14 Business Services Budget by Bureau

Chart B2 provides a breakdown of the FY 2012-13 Business Services budget by Bureau. The ITS budget is $20.6 million, or 34.1 percent of the total. The Customer Services budget is $12.6 million, or 20.8 percent of the total. The Financial Services and Asset Management budget is $10.7 million, or 17.7 percent of the total. The Human Resources budget is $10.1 million, or 16.8 percent of the total. The Administration budget is $5.6 million, or 9.3 percent of the total. The Assurance and Internal Controls budget is $0.8 million, or 1.3 percent of the total.

Chart B2 also shows a breakdown of the FY 2013-14 Business Services budget by Bureau. The ITS budget is $21.0 million, or 34.6 percent of the total. The Customer Services budget is $13.1 million, or 21.6 percent of the total. The Financial Services and Asset Management budget is $11.0 million, or 18.2 percent of the total. The Human Resources budget is $10.5 million, or 17.3 percent of the total. The Administration budget is $4.3 million, or 7.1 percent of the total. The Assurance and Internal Controls budget is $0.8 million, or 1.4 percent of the total.
Administration

Administration provides overall administrative services to and oversight of the other five Bureaus within Business Services, along with general support to the three Enterprises.

Table B2 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table B2. Administration Budget Summary

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>445,735</td>
<td>341,253</td>
<td>491,327</td>
<td>359,021</td>
<td>375,475</td>
<td>17,768</td>
<td>5.2%</td>
<td>16,454</td>
<td>4.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overhead</td>
<td>3,891,114</td>
<td>-</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>3,779,416</td>
<td>0.0%</td>
<td></td>
<td></td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>2,683,950</td>
<td>2,755,475</td>
<td>2,766,332</td>
<td>1,399,211</td>
<td>8,575</td>
<td>(1,356,264)</td>
<td>-49.2%</td>
<td>(1,390,636)</td>
<td>-99.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>5,531</td>
<td>9,000</td>
<td>3,557</td>
<td>9,000</td>
<td>9,000</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>71,179</td>
<td>68,124</td>
<td>68,509</td>
<td>95,745</td>
<td>106,106</td>
<td>27,621</td>
<td>40.5%</td>
<td>10,361</td>
<td>10.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>7,097,509</td>
<td>3,173,852</td>
<td>3,329,725</td>
<td>5,642,393</td>
<td>4,278,572</td>
<td>2,468,541</td>
<td>77.8%</td>
<td>(1,363,821)</td>
<td>-24.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Overhead** – Reflects the transfer of this funding from the Enterprises, based on the City and County of San Francisco’s Controller’s Office calculations of the City’s cost allocation plan, determined by the SFPUC’s use of services and facilities provided by the General Fund agencies.

- **Non-Personnel Services** – Reflects the removal or rent for six months because of the SFPUC’s move from 1145 and 1155 Market Street to its new headquarters at 525 Golden Gate Avenue in FY 2012-13.

- **Services of Other Departments** - Reflects projections for gas and electricity costs at the SFPUC’s headquarters.

Reasons for Changes, FY 2012-13 to FY 2013-14

- **Non-Personnel Services** – Reflects the removal of rent because of the SFPUC’s move from 1145 and 1155 Market Street to 525 Golden Gate Avenue in FY 2012-13.

- **Services of Other Departments** - Reflects projections for gas and electricity costs at the SFPUC’s headquarters.
Financial Services and Asset Management

Financial Services supports the SFPUC Enterprises and Bureaus, ensuring financial stewardship and oversight for ratepayer assets, and includes Fleet Management & Operations, which provides transportation and commute-related services. Services include accounting operations, asset management, audit oversight, reconciliation and financial reporting, budget management, debt management, purchasing support, and rates administration. Fleet Management & Operations is responsible for the establishment, implementation, and maintenance of policies and procedures governing SFPUC-owned mobile equipment. Accurately communicating the financial position of the SFPUC to rate payers, City departments, rating agencies, investors and other stakeholders, and providing transportation-related services, is the central mission of Financial Services.

Table B3 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table B3. Financial Services Budget Summary

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>7,221,340</td>
<td>8,025,344</td>
<td>8,284,030</td>
<td>8,495,644</td>
<td>8,886,751</td>
<td>470,300 5.9%</td>
<td>391,107 4.6%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>946,695</td>
<td>1,124,365</td>
<td>1,167,824</td>
<td>1,147,215</td>
<td>1,147,215</td>
<td>22,850 2.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>59,112</td>
<td>106,332</td>
<td>75,293</td>
<td>106,332</td>
<td>106,332</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>27,535</td>
<td>71,539</td>
<td>42,862</td>
<td>-</td>
<td>15,327 55.7% (42,862) -100.0%</td>
<td>- 100.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>1,179,859</td>
<td>864,650</td>
<td>726,173</td>
<td>878,143</td>
<td>885,764</td>
<td>13,493 1.6%</td>
<td>7,621 0.9%</td>
</tr>
<tr>
<td>Totals</td>
<td>9,407,006</td>
<td>10,148,226</td>
<td>10,324,859</td>
<td>10,670,196</td>
<td>11,026,062</td>
<td>521,970 5.1%</td>
<td>355,866 3.3%</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

**Equipment** – Reflects increased anticipated need for vehicle replacements that meet the SFPUC vehicle replacement eligibility policy.

Reasons for Changes, FY 2012-13 to FY 2013-14

**Equipment** – Reflects reduced anticipated need for vehicle replacements that meet the SFPUC vehicle replacement eligibility policy.
Information Technology Services (ITS)

Information Technology Services (ITS) partners with the SFPUC Enterprises, Divisions and Bureaus, reliably supports the SFPUC’s information technology, and delivers innovative solutions which enable the SFPUC to achieve its mission to provide its customers with high quality, efficient, and reliable water, power, and wastewater services.

Records Management includes the SFPUC’s Record Retention Program, and within this Program are the SFPUC Archive and the SFPUC Historian. The Records Retention Program ensures the integrity, confidentiality, and availability of records they create and retain.

Table B4 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

**Budget Summary**

**Table B4. ITS Budget Summary**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>10,228,418</td>
<td>10,836,443</td>
<td>10,819,937</td>
<td>11,471,718</td>
<td>12,016,480</td>
<td>635,275 5.9%</td>
<td>544,762 4.7%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>4,290,934</td>
<td>4,238,402</td>
<td>5,317,781</td>
<td>4,787,385</td>
<td>4,612,243</td>
<td>548,983 13.0%</td>
<td>(175,142) -3.7%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>1,407,626</td>
<td>1,265,000</td>
<td>1,391,286</td>
<td>1,265,000</td>
<td>1,265,000</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,606,848</td>
<td>2,019,386</td>
<td>2,230,067</td>
<td>1,806,093</td>
<td>1,779,447</td>
<td>(213,293) -10.6%</td>
<td>(26,646) -1.5%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>1,262,584</td>
<td>1,183,615</td>
<td>1,261,530</td>
<td>1,273,299</td>
<td>1,285,472</td>
<td>89,684 7.6%</td>
<td>12,173 1.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>18,796,410</td>
<td>19,542,846</td>
<td>21,020,602</td>
<td>20,603,495</td>
<td>20,958,642</td>
<td>1,060,649 5.4%</td>
<td>355,147 1.7%</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

- **Non-Personnel Services** – Reflects increases for a Customer Care and Billing System upgrade, and software and a system for intrusion detection from internal and external sources.

- **Equipment** – Reflects FY 2012-13 equipment needs for ITS operations, and the removal of one-time funding for SharePoint equipment.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

There were no major changes to the FY 2013-14 adopted budget.
Human Resources

Human Resources recruits, compensates, supports and retains a diverse and highly qualified workforce, and serves the SFPUC Enterprises and Bureaus in an efficient, responsive, and professional manner. The promotion of health, safety, workforce planning, and professional development for all SFPUC employees is critical to the SFPUC mission and Human Resources’ functions.

Operations include: recruiting, testing and selecting new staff; processing new hires; providing orientation for new hires; training; maintaining records; and administering personnel, payroll, employee relations, occupational health and safety, and workers’ compensation.

Table B5 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table B5. Human Resources Budget Summary

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>5,845,444</td>
<td>6,882,493</td>
<td>6,348,909</td>
<td>7,469,421</td>
<td>7,815,375</td>
<td></td>
<td>586,928</td>
<td>345,954</td>
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<tr>
<td>Non-Personnel Services</td>
<td>626,114</td>
<td>932,379</td>
<td>930,066</td>
<td>702,485</td>
<td>702,485</td>
<td>(229,894)</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>108,446</td>
<td>95,290</td>
<td>67,789</td>
<td>85,825</td>
<td>85,825</td>
<td>(9,465)</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,500</td>
<td>7,500</td>
<td>100.0%</td>
<td>(7,500)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>1,038,235</td>
<td>1,671,675</td>
<td>1,704,062</td>
<td>1,861,308</td>
<td>1,882,076</td>
<td>189,633</td>
<td>11.3%</td>
<td>20,768</td>
</tr>
<tr>
<td>Totals</td>
<td>7,618,239</td>
<td>9,581,837</td>
<td>9,050,826</td>
<td>10,126,539</td>
<td>10,485,761</td>
<td>544,702</td>
<td>5.7%</td>
<td>359,222</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Non-Personnel Services** – Reflects the removal of one-time funding in FY 2011-12 for the Personnel Records Barcoding Project, and for the Talent Management Initiative.
- **Services of Other Departments** – Reflects an increase in work order funding for the SFPUC’s share of the implementation, use of, and enhancements to the CCSF’s PeopleSoft system; and an increase to a work order that funds City Hall Fellows, a program to engage young people in the work of cities.
- **Equipment** – Reflects the replacement of sampling pumps to collect air samples determine employee exposure compliance with California Occupational Health and Safety regulations.

Reasons for Changes, FY 2012-13 to FY 2013-14

**Equipment** – Reflects projected equipment needs for Human Resources.
Customer Services

Customer Services strives to deliver extraordinary value to SFPUC customers by providing customer satisfaction, with highly committed staff providing operational efficiencies and effectiveness.

Customer Services is responsible for the billing and collection of utility services and is the primary point of contact for water and wastewater customers. The Bureau maintains over 177,000 water and wastewater service accounts, over 2,000 municipal and retail electric services, and approximately 350 land lease accounts, totaling over $660 million in annual revenue. It is also responsible for meter reading and field investigations, and for responding to over 189,000 customers’ inquiries, complaints, and requests for related services annually.

Customer Services has 109 full-time equivalent (FTE) positions, with a FY 2012-13 annual operating budget of $12.6 million. Customer Services is comprised of five sections:

- Administration
- Business Center
- Customer Accounts
- Customer Contact Center
- Field Services

While each section has its own unique functions, they are all dependent on one or more of the other sections to effectively fulfill their respective roles.

Table B6 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table B6. Customer Services Budget Summary

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>9,966,059</td>
<td>10,689,602</td>
<td>10,461,187</td>
<td>11,263,595</td>
<td>11,755,479</td>
<td>573,993 (5.4%)</td>
<td>491,884 (4.4%)</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>274,448</td>
<td>342,813</td>
<td>322,226</td>
<td>353,858</td>
<td>359,458</td>
<td>11,045 (3.2%)</td>
<td>5,600 (1.6%)</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>174,132</td>
<td>261,209</td>
<td>122,134</td>
<td>250,461</td>
<td>261,695</td>
<td>(10,748) (4.1%)</td>
<td>11,234 (4.5%)</td>
</tr>
<tr>
<td>Equipment</td>
<td>41,544</td>
<td>19,205</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>668,616</td>
<td>691,023</td>
<td>672,516</td>
<td>693,730</td>
<td>696,794</td>
<td>2,707 (0.4%)</td>
<td>3,064 (0.4%)</td>
</tr>
<tr>
<td>Totals</td>
<td>11,124,799</td>
<td>11,984,647</td>
<td>11,597,268</td>
<td>12,561,644</td>
<td>13,073,426</td>
<td>576,997 (4.8%)</td>
<td>511,782 (4.1%)</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

There were no major changes to the FY 2012-13 adopted budget.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes to the FY 2013-14 adopted budget.
Assurance and Internal Controls (AIC)

Assurance and Internal Controls (AIC) provides and facilitates assurance oversight, risk management, internal controls, policies and procedures reviews, and business process improvement programs for operational and financial transactions/processes, with the objective of minimizing process inefficiencies and control deficiencies to mitigate financial risks.

The AIC Bureau provides a supportive and advisory role to all business divisions SFPUC-wide. It manages the following four main areas related to governance, risk and compliance:

- Internal Controls
- Enterprise Risk Management
- Internal Audit
- Business Process Improvement

Table B7 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

**Budget Summary**

**Table B7. Assurance and Internal Controls Budget Summary**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>374,594</td>
<td>735,147</td>
<td>549,472</td>
<td>759,707</td>
<td>809,787</td>
<td></td>
<td>24,560 3.3%</td>
<td>50,080 6.6%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>3,247</td>
<td>18,367</td>
<td>56,315</td>
<td>14,705</td>
<td>18,110</td>
<td></td>
<td>(3,662) -19.9%</td>
<td>3,405 23.2%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>-</td>
<td>9,000</td>
<td>2,819</td>
<td>5,370</td>
<td>5,370</td>
<td></td>
<td>(3,630) -40.3%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>2,531</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
<td></td>
<td>17,268 100.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>380,372</td>
<td>762,514</td>
<td>608,607</td>
<td>781,782</td>
<td>835,267</td>
<td></td>
<td>34,536 2.5%</td>
<td>53,485 6.8%</td>
</tr>
</tbody>
</table>

**Reasons for Changes, FY 2011-12 to FY 2012-13**

- **Non-Personnel Services** – Reflects reduced costs for decreased attendance at fewer conferences related to AIC’s operations; and an anticipated decrease in costs associated with special projects and development and facilitation of programs.

- **Materials and Supplies** – Reflects the elimination of one-time funding for materials and supplies for a FY 2011-12 new position.

- **Services of Other Departments** – Reflects new printing, copying, and mailing services for AIC.

**Reasons for Changes, FY 2012-13 to FY 2013-14**

**Non-Personnel Services** – Reflects increased memberships, trainings, and travel to conferences.
EXTERNAL AFFAIRS

Organization Chart
This organizational chart reflects the budget structure of External Affairs.

Mission, Roles, and Responsibilities
SFPUC External Affairs is comprised of three Bureaus: Communications, Governmental Affairs, and Community Benefits. The Bureaus track and coordinate legislation, perform public outreach and media relations, educate and communicate, and coordinate SFPUC community benefits activities. These activities support the SFPUC’s mission to provide its customers with high quality, efficient, and reliable water, power, and wastewater services.
Uses of Funds

Chart E1. FY 2011-12 to FY 2013-14 External Affairs Uses of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12 % of Total</th>
<th>FY 2012-13 % of Total</th>
<th>FY 2012-13 % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$3.6 77.7%</td>
<td>$3.9 75.9%</td>
<td>$4.2 74.9%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>0.9 19.1%</td>
<td>1.1 21.1%</td>
<td>1.2 22.3%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>0.1 1.9%</td>
<td>0.1 1.7%</td>
<td>0.1 1.6%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>0.1 1.2%</td>
<td>0.1 1.3%</td>
<td>0.1 1.2%</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$4.7 100.0%</strong></td>
<td><strong>$5.2 100.0%</strong></td>
<td><strong>$5.6 100.0%</strong></td>
</tr>
</tbody>
</table>

Summary

The FY 2012-13 External Affairs budget is $5.2 million, a $0.5 million, or 10.0 percent, increase from the prior year. Major changes from the prior year’s budget include a 21.2 percent increase in Non-Personnel Services, and a 17.8 percent increase in Services of Other Departments.

The FY 2013-14 External Affairs budget is $5.6 million, a $0.4 million, or 7.8 percent increase from the prior year. The change from FY 2011-12 is relatively flat, but the major change from the prior year’s budget includes a 13.8 percent increase in Non-Personnel Services.

Chart E1 provides a breakdown by category of the FY 2011-12 to FY 2013-14 budgets. Table E1 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets. The following describes FY 2012-13 and FY 2013-14 budget category variances that are greater than ten percent.

Non-Personnel Services

The FY 2012-13 Non-Personnel Services budget is $1.1 million, a $0.2 million, or 21.2 percent, increase from the FY 2011-12 budget. This budget funds services for External Affairs including travel, training, memberships, entertainment and promotion expenses, equipment maintenance, and professional services. The increase from the FY 2011-12 budget reflects increased funding for Community Benefits and Community Outreach program implementations for the SFPUC, and an SFPUC-wide educational initiative, to develop a robust educational strategy to increase the public’s understanding of the SFPUC’s mission and service.
The FY 2013-14 Non-Personnel Services budget is $1.2 million, a $0.2 million, or 13.8 percent, increase from the prior year. The increase reflects additional funding for the SFPUC-wide educational initiative.

**Services of Other Departments**

The FY 2012-12 Services of Other Departments budget is $0.1 million, a 17.8 percent increase from the prior year’s budget. This budget funds projected costs of services provided by other City Departments to External Affairs. This increase funds the transfer of funding for a work order for the City’s Transgender Initiative, from the Office of the General Manager to External Affairs.

**Table E1. External Affairs Budget Summary**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>3,192,660</td>
<td>3,644,965</td>
<td>3,062,245</td>
<td>3,915,076</td>
<td>4,168,835</td>
<td>270,111 7.4%</td>
<td>253,759 6.5%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>823,714</td>
<td>897,818</td>
<td>900,834</td>
<td>1,087,818</td>
<td>1,237,818</td>
<td>190,000 21.2%</td>
<td>150,000 13.8%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>19,936</td>
<td>90,000</td>
<td>35,776</td>
<td>90,000</td>
<td>90,000</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>54,803</td>
<td>56,078</td>
<td>89,826</td>
<td>66,078</td>
<td>66,078</td>
<td>10,000 17.8%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>4,091,113</td>
<td>4,688,861</td>
<td>4,088,681</td>
<td>5,158,972</td>
<td>5,562,731</td>
<td>470,111 10.0%</td>
<td>403,759 7.8%</td>
</tr>
</tbody>
</table>
Chart E2 provides a breakdown of the FY 2012-13 External Affairs budget by Bureau. The Communications budget is $2.6 million, or 50.7 percent of the total. The Governmental Affairs budget is $1.6 million, or 31.7 percent of the total. The Community Benefits budget is $0.9 million, or 17.6 percent of the total.

Chart E2 also shows a breakdown of the FY 2013-14 External Affairs budget by Bureau. The Communications budget is $2.7 million, or 49.0 percent of the total. The Governmental Affairs budget is $1.8 million, or 31.6 percent of the total. The Community Benefits budget is $1.1 million, or 19.4 percent of the total.
Communications

Communications oversees the SFPUC’s communications, education, media and outreach functions; provides a full range of communication services to all of the Enterprises and Bureaus of SFPUC and oversees SFPUC publications; develops community understanding and support for Water, Power and Wastewater Enterprise projects; coordinates community outreach for capital improvement projects, hosts special community and media events, develops background collateral materials for SFPUC projects and programs, handles press and media inquiries, conducts surveys, and serves as the content manager for www.sfwater.org, the SFPUC website; and promotes diversity and the health, safety, and professional development of its employees.

Table E2 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table E2. Communications Budget Summary

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>2,054,197</td>
<td>2,142,109</td>
<td>2,110,171</td>
<td>2,289,275</td>
<td>2,396,343</td>
<td>-</td>
<td>147,166</td>
<td>6.9%</td>
<td>107,068</td>
<td>4.7%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>121,764</td>
<td>228,315</td>
<td>238,667</td>
<td>228,315</td>
<td>228,315</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>16,754</td>
<td>45,000</td>
<td>15,370</td>
<td>45,000</td>
<td>45,000</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>54,758</td>
<td>54,143</td>
<td>53,633</td>
<td>54,143</td>
<td>54,143</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>2,247,473</td>
<td>2,469,567</td>
<td>2,417,840</td>
<td>2,616,733</td>
<td>2,723,801</td>
<td>147,166</td>
<td>6.0%</td>
<td>107,068</td>
<td>4.1%</td>
<td></td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

There were no major changes to the FY 2012-13 adopted budget.

Reasons for Changes, FY 2012-13 to FY 2013-14

There were no major changes to the FY 2013-14 adopted budget.
Governmental Affairs

Governmental Affairs oversees the SFPUC’s legislative affairs and strategic planning functions; manages the SFPUC’s relationship with key stakeholders; provides a full range of legislative services to the Enterprises and Bureaus of the SFPUC; directs SFPUC activities associated with local, regional, State and Federal government; secures approvals and community support for all Water, Power and Wastewater Enterprise projects; plans for the continued service of reliable, high quality water to San Francisco and its customers, and for the continued collection, treatment, and discharge and reuse of wastewater for San Francisco in compliance with current and anticipated laws and regulations; and promotes diversity and the health, safety, and professional development of its employees.

Table E3 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

Budget Summary

Table E3. Governmental Affairs Budget Summary

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,138,464</td>
<td>1,136,993</td>
<td>952,075</td>
<td>1,130,121</td>
<td>1,253,756</td>
<td>(6,872)</td>
<td>-0.6%</td>
<td>123,635 10.9%</td>
<td></td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>701,950</td>
<td>459,503</td>
<td>511,318</td>
<td>484,503</td>
<td>484,503</td>
<td>25,000</td>
<td>5.4%</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>3,182</td>
<td>20,000</td>
<td>20,406</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>0.0%</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>45</td>
<td>1,935</td>
<td>1,193</td>
<td>1,935</td>
<td>1,935</td>
<td>-</td>
<td>0.0%</td>
<td>- 0.0%</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>1,843,641</td>
<td>1,618,431</td>
<td>1,484,992</td>
<td>1,636,559</td>
<td>1,760,194</td>
<td>18,128</td>
<td>1.1%</td>
<td>123,635 7.6%</td>
<td></td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

There were no major changes to the FY 2012-13 adopted budget.

Reasons for Changes, FY 2012-13 to FY 2013-14

Personnel – Reflects salary adjustments in labor agreements and an increase in employee retirement costs.
Community Benefits

Community Benefits coordinates and implements SFPUC community benefits programs and policies, environmental justice and land use policies, and jobs, workforce, and economic development policies. The Community Benefits Bureau is newly created in FY 2011-12. Its priorities are to:

- Develop effective process for engagement of individual communities that are impacted by SFPUC programs and facilities and assess the effectiveness of the engagement processes;
- Develop a community benefits and community engagement plan for the Southeast Community Center Facility;
- Work with operations across the SFPUC to implement community engagement and benefit policies;
- Act as the SFPUC central point of contact for other City and County of San Francisco departments’ community benefit programs.

Table E4 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets.

**Budget Summary**

**Table E4. Community Benefits Budget Summary**

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11</th>
<th>FY 2011-12</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Audited Actual</td>
<td>Adopted Budget</td>
<td>Pre-Audit Actual</td>
<td>Adopted Budget</td>
<td>Adopted Budget</td>
</tr>
<tr>
<td>Personnel</td>
<td>-</td>
<td>365,863</td>
<td>-</td>
<td>495,680</td>
<td>518,736</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>-</td>
<td>210,000</td>
<td>150,850</td>
<td>375,000</td>
<td>525,000</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>-</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Service of Other Depts</td>
<td>-</td>
<td>35,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Totals</td>
<td>-</td>
<td>600,863</td>
<td>185,850</td>
<td>905,680</td>
<td>1,078,736</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2012-13 vs. FY 2011-12 Adopted Budget</th>
<th>FY 2013-14 vs. FY 2012-13 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
</tr>
<tr>
<td>Personnel</td>
<td>129,817</td>
<td>23,056</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>165,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service of Other Depts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>304,817</td>
<td>173,056</td>
</tr>
</tbody>
</table>

Reasons for Changes, FY 2011-12 to FY 2012-13

- **Personnel** – Reflects the annualization of three new FY 2011-12 positions to support the FY 2011-12 newly created Community Benefits Bureau.

- **Non-Personnel Services** – Reflects increased funding for Community Benefits and Community Outreach programs for the SFPUC, and an SFPUC-wide educational initiative, to develop a robust education strategy to increase the public’s understanding of the SFPUC mission and services.

- **Services of Other Departments** – Reflects the transfer of funding for a work order for the City’s Transgender Initiative, from the Office of the General Manager to External Affairs.

Reasons for Changes, FY 2012-13 to FY 2013-14

**Non-Personnel Services** – Reflects additional funding for the SFPUC-wide educational initiative, described above.
Mission, Roles, and Responsibilities

Infrastructure manages the planning, design and construction of the capital programs of SFPUC, as well as the repair and replacement of the Water, Wastewater and Power Enterprise facilities. The mission of Infrastructure is to provide high quality and cost-effective services in an environmentally sensitive manner, while at the same time meeting or exceeding customer and stakeholder expectations.

Infrastructure is led by the Assistant General Manager (AGM) of Infrastructure, whose office consists of a Contracting Initiatives Manager, a Capital Resources Strategic Planner, an SFPUC Headquarters Project Director, and a Manager of Water System Improvement Program (WSIP) Expediting and Assistant to the AGM for Infrastructure. Infrastructure is supported by five divisions, three groups, and two Programs Managers who report directly to the Assistant General Manager of Infrastructure.

The responsibilities of Infrastructure include the implementation of the following:

- The $4.6 billion Water System Improvement Program (WSIP), which will result in the repair, replacement and seismic upgrade of the Hetch Hetchy Water System, which directly serves 2.6 million residential, commercial and industrial customers in the San Francisco Bay Area.
- The Sewer System Improvement Program (SSIP), estimated at $6.9 billion over the next 30 years, to provide a Bayside Biosolids Center, Rehabilitation of the Southeast Treatment
Plant, new Central Bayside Facilities including a new tunnel in the Channel Basin, and improvements to all collection systems and treatment facilities.

- A Hetch Hetchy Improvement Program, which is being developed to address the needed work and projects for Power and water systems.
- The capital programs and projects that are necessary to provide a safe, adequate and reliable electrical power supply to San Francisco Government facilities and operations.

Budget Summary

Uses of Funds

Chart I1. FY 2011-12 to FY 2013-14 Infrastructure Uses of Funds

Summary

The Infrastructure budget is funded by various capital projects. The FY 2012-13 Infrastructure budget is $69.3 million, a $1.9 million, or 2.8 percent, increase from the prior year. Major changes from the prior year’s budget are a 35.6 percent increase in Services of Other Departments and a 34.6 percent increase in Equipment, offset by a 27.3 percent decrease in Non-Personnel Services, and a 19.2 percent decrease in Materials and Supplies. Chart I1 provides a breakdown by category of the FY 2012-13 budget.

The FY 2013-14 Infrastructure budget is $71.0 million, a $1.7 million, or 2.4 percent, increase from the prior year. Major changes to the FY 2013-14 budget are a 13.3 percent increase in Services of Other Departments, offset by a 44.5 percent decrease in Non-Personnel Services, and a 13.5 decrease in Equipment. Chart I1 provides a breakdown by category of the FY 2013-14 budget.

Table I1 provides the FY 2011-12, FY 2012-13, and FY 2013-14 adopted budgets, FY 2010-11 audited actuals, FY 2011-12 pre-audit actuals, and the variances between the FY 2012-13 and FY 2011-12 budgets, and between the FY 2013-14 and FY 2012-13 budgets. The following
describes FY 2012-13 and FY 2013-14 budget category variances that are greater than ten percent.

**Non-Personnel Services**

The FY 2012-13 Non-Personnel Services budget is $5.1 million, a $1.9 million, or 27.3 percent, decrease from the prior year. This budget funds services including maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expense that support maintenance for Infrastructure. The decrease reflects six months of rent savings at 1145 and 1155 Market Street, because of the move to the SFPUC’s new headquarters at 525 Golden Gate Avenue.

The FY 2013-14 Non-Personnel Services budget is $2.8 million, a $2.4 million, or 44.5 percent, decrease from the prior year. The decrease reflects the removal rent at 1145 and 1155 Market Street, because of the move to 525 Golden Gate Avenue.

**Materials and Supplies**

The FY 2012-13 Materials and Supplies budget is $0.4 million, a $0.1 million, or 19.2 percent, decrease from the prior year. This budget funds construction supplies and hardware, equipment supplies, safety supplies, refreshments for meetings, and fuel, and related office supplies for Infrastructure. The decrease reflects reduced anticipated expenditures for safety supplies to comply with construction engineering standards, and for office supplies.

**Equipment**

The FY 2012-13 Equipment budget reflects a 34.6 percent increase from the prior year. This budget funds various equipment, including vehicles, plotters, and printers, that have a value greater than $5,000 and a useful life of at least three years. The increase primarily reflects an additional replacement vehicle.

The FY 2013-14 Equipment budget reflects a 13.5 percent decrease from the prior year. The decrease primarily reflects the need for one less replacement vehicle.

**Services of Other Departments**

The FY 2012-13 Services of Other Departments budget is $11.9 million, a $3.1 million, or 35.6 percent, increase from the prior year. This budget funds services provided to Infrastructure by other City departments, including support for CityBuild, a workforce training program for construction industry employment; Human Rights Commission support services staff; and Infrastructure’s share of the City’s Surety Bond program. The increase reflects Infrastructure’s share of maintenance costs and Certificates of Participation (COP) financing costs for construction of the SFPUC’s new headquarters at 525 Golden Gate Avenue.

The FY 2013-14 Services of Other Departments budget is $13.5 million, a $1.6 million, or 13.3 percent, increase from the prior year. The increase funds Infrastructure’s share of maintenance costs and COP financing costs for the planning and construction of the SFPUC’s new headquarters at 525 Golden Gate Avenue.
Table I1. Infrastructure Budget Summary

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>FY 2010-11 Audited Actual</th>
<th>FY 2011-12 Adopted Pre-Audit Actual</th>
<th>FY 2011-12 Adopted Budget</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2012-13 vs. FY 2011-12 Adopted Budget Amount</th>
<th>%</th>
<th>FY 2013-14 vs. FY 2012-13 Adopted Budget Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>20,398,280</td>
<td>51,057,635</td>
<td>22,623,310</td>
<td>51,809,342</td>
<td>751,707</td>
<td>1.5%</td>
<td>2,390,425</td>
<td>4.6%</td>
</tr>
<tr>
<td>Overhead</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Personnel Services</td>
<td>7,449,759</td>
<td>7,004,356</td>
<td>9,171,466</td>
<td>5,091,060</td>
<td>(1,913,296)</td>
<td>-27.3%</td>
<td>(2,267,828)</td>
<td>-44.5%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>512,056</td>
<td>518,437</td>
<td>413,338</td>
<td>418,850</td>
<td>(99,587)</td>
<td>-19.2%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>63,000</td>
<td>167,228</td>
<td>84,784</td>
<td>21,784</td>
<td>34.6%</td>
<td>(11,440)</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Services of Other Depts</td>
<td>3,826,495</td>
<td>8,808,761</td>
<td>7,266,737</td>
<td>11,944,039</td>
<td>3,135,278</td>
<td>35.6%</td>
<td>1,586,823</td>
<td>13.3%</td>
</tr>
<tr>
<td>Totals</td>
<td>32,186,590</td>
<td>67,452,189</td>
<td>39,641,684</td>
<td>69,348,075</td>
<td>1,895,886</td>
<td>2.8%</td>
<td>1,697,980</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
## Authorized and Funded Full-Time Equivalents (FTEs)

### Table I2. Infrastructure Authorized and Funded Full-Time Equivalents (FTEs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Positions</td>
<td>384.77</td>
<td>382.00</td>
<td>369.00</td>
<td>369.00</td>
<td>(13.00)</td>
<td>-</td>
</tr>
<tr>
<td>Temporary Positions</td>
<td>5.55</td>
<td>5.64</td>
<td>5.03</td>
<td>5.03</td>
<td>(0.61)</td>
<td>-</td>
</tr>
<tr>
<td>Total Positions</td>
<td>390.32</td>
<td>387.64</td>
<td>374.03</td>
<td>374.03</td>
<td>(13.61)</td>
<td>-</td>
</tr>
</tbody>
</table>

### Chart I2. Infrastructure Authorized Position Trend

Infrastructure’s authorized full-time equivalent (FTE) positions are funded through various capital projects, and the budget does not include attrition savings. As Table I2 above shows, the total positions for FY 2012-13 are 374.03 FTEs, a 13.61 FTE decrease from FY 2011-12. Chart I2 illustrates the trend of the number of FTEs from FY 2010-11 to FY 2013-14. The variance from FY 2011-12 to FY 2012-13 reflects the reassignment of thirteen positions – 10 positions to Water Enterprise’s Natural Resources and one to its City Distribution Division (CDD), one to Hetch Hetchy, and one to the Wastewater Enterprise, to reflect where these positions work and report. The remaining decrease of 0.61 FTEs reflects a City-wide adjustment in FTE calculations for temporary salaries funding. The FY 2013-14 FTEs remained flat from FY 2012-13.
Appendix A – City and County of San Francisco Economy and General Information

This Appendix provides general economic and demographic information about the City and County of San Francisco (the "City") and the Bay Area (defined below). The various reports, documents, websites and other information referred to herein are not incorporated herein by such references.

Area and Economy

The corporate limits of the City encompass over 93 square miles, of which approximately 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south. The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail and entertainment, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology, and higher education.

Population and Income

The City had a population estimated at 812,826 as of 2011. Table A1 reflects the population and per capita personal income of the City, as estimated by the U.S. Census bureau and the Bureau of Economic Analysis (BEA).

Table A1: San Francisco Population and Income, 2007-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Per Capita Personal Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>799,185</td>
<td>70,455</td>
</tr>
<tr>
<td>2008</td>
<td>808,001</td>
<td>71,916</td>
</tr>
<tr>
<td>2009</td>
<td>815,358</td>
<td>66,021</td>
</tr>
<tr>
<td>2010</td>
<td>805,340</td>
<td>70,190</td>
</tr>
<tr>
<td>2011</td>
<td>812,826</td>
<td>73,450</td>
</tr>
</tbody>
</table>

2 Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Updated on April 25, 2012; information is updated with newly available data.
3 Per capita personal income for 2011 was estimated by dividing the total personal income for 2011 by the reported and estimated population in 2011. (Personal income was estimated by assuming that its percentage of state personal income in 2011 remained at the 2010 level of 3.56 percent.) Information is updated from last year’s CAFR with newly available data.

Conventions and Tourism

According to the San Francisco Travel Association (the "Travel Association"), a non-profit membership organization, during the calendar year 2011 approximately 16.4 million people (129,499 average per day) visited the City, generating approximately $8.5 billion for local businesses. Visitors in San Francisco spent $23.2 million on an average day. Also, as reported by PKF Consulting, hotel occupancy rates in the City averaged 81.9% for calendar year 2011, an increase of 2.4% from the previous year. Average daily room rates in the City during 2011 increased about 16.0%: from $188 compared to the prior year’s average of $162. During calendar year 2011, only 30.8% of all out-of-town visitors stayed in City hotels, but the Travel Association estimates that such visitors generated 61.5% of total spending by out-of-town visitors. During 2010, 75.4% of visits to San Francisco were for leisure purposes, including vacation
Bay Area residents traveling to San Francisco for personal leisure (21.2%), and “getaway weekends” (9.6%). Attendees to conventions and group meetings represented 7.1% of visitors to San Francisco, while 10.6% of visitors were business travelers, and 0.6% were travelling for government. The remaining 6.3% of visitors to San Francisco were for other miscellaneous purposes. In 2011, the City was ranked fourth in market share for international visitors to the U.S., behind New York, Los Angeles, and Miami. The City was ranked ahead of Las Vegas, Orlando, Washington, D.C., and Honolulu. Table A2 illustrates hotel occupancy and related spending from calendar years 2007 through 2011, as reported by the San Francisco Convention & Visitors Bureau.

Table A2: San Francisco Overnight Hotel Guests, 2007-2011

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Annual Average Hotel Occupancy</th>
<th>Visitors Staying in Hotels or Motels (Thousands)</th>
<th>Estimated Hotel Visitor Spending ($ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>79.0%</td>
<td>4,590</td>
<td>5,060,000</td>
</tr>
<tr>
<td>2008</td>
<td>78.9%</td>
<td>4,740</td>
<td>5,310,000</td>
</tr>
<tr>
<td>2009</td>
<td>75.5%</td>
<td>4,520</td>
<td>4,870,000</td>
</tr>
<tr>
<td>2010</td>
<td>79.5%</td>
<td>4,890</td>
<td>4,640,000</td>
</tr>
<tr>
<td>2011</td>
<td>81.9%</td>
<td>5,040</td>
<td>5,200,000</td>
</tr>
</tbody>
</table>

Source: San Francisco Convention & Visitors Bureau.

The Moscone Convention Center offers more than 2 million square feet of building area including over 700,000 square feet of exhibit space, up to 106 meeting rooms, and close to 126,000 square feet of prefunction lobbies. It covers more than 20 acres on three adjacent blocks. According to PKF Consulting, there are 215 hotels in San Francisco, and 20,000 of these rooms are within walking distance of the Moscone Center.

### Employment

The City benefits from a highly skilled, educated and professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. See Table A4 for more information on the top employment sectors in the City. According to the California Employment Development Department, the unemployment rate for the City was 7.8% for June 2012 compared with an unadjusted unemployment rate of 10.7% for the State. See Tables A3 and A4 below for more information on the civilian labor of employment and unemployment in the City; and employment by industry from 2007-2011.
Table A3: San Francisco Civilian Labor Force, Employment, and Unemployment, June 2011 and June 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Area</th>
<th>Labor Force</th>
<th>Employment</th>
<th>Unemployment</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-12</td>
<td>San Francisco</td>
<td>472,300</td>
<td>435,700</td>
<td>36,700</td>
<td>7.8%</td>
</tr>
<tr>
<td>State</td>
<td>18,444,500</td>
<td>16,472,400</td>
<td>1,972,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun-11</td>
<td>San Francisco</td>
<td>460,400</td>
<td>419,100</td>
<td>41,300</td>
<td>9.0%</td>
</tr>
<tr>
<td>State</td>
<td>18,364,800</td>
<td>16,157,300</td>
<td>2,207,100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The Unemployment Rate and Labor Force data are based upon "place of residence" — where people live, regardless of where they work. Individuals who have more than one job are counted only once. Civilian Labor Force is the sum of civilian employment and civilian unemployment. Civilian Employment includes all individuals who worked during the week including the 12th of the month. Civilian Unemployment includes those individuals who were not working but were able, available, and actively looking for work. Unemployment Rate is the number of unemployed divided by the labor force then multiplied by 100. Data not seasonally adjusted.

Source: California Employment Development Department (EDD), Labor Market Information Division.

Table A4: San Francisco Estimated Average Annual Employment by Sector, 2007-2011

<table>
<thead>
<tr>
<th>Area</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>120,900</td>
<td>124,400</td>
<td>118,900</td>
<td>115,200</td>
<td>120,700</td>
</tr>
<tr>
<td>Government</td>
<td>89,900</td>
<td>91,100</td>
<td>89,400</td>
<td>89,900</td>
<td>89,500</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>76,400</td>
<td>79,100</td>
<td>76,000</td>
<td>76,800</td>
<td>78,900</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>68,800</td>
<td>67,800</td>
<td>63,600</td>
<td>61,700</td>
<td>62,400</td>
</tr>
<tr>
<td>Educational &amp; Health Services</td>
<td>57,400</td>
<td>58,700</td>
<td>57,200</td>
<td>59,500</td>
<td>59,000</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>58,600</td>
<td>58,100</td>
<td>53,100</td>
<td>51,600</td>
<td>50,300</td>
</tr>
<tr>
<td>Other Services</td>
<td>21,900</td>
<td>22,500</td>
<td>21,800</td>
<td>21,600</td>
<td>21,900</td>
</tr>
<tr>
<td>Information</td>
<td>19,700</td>
<td>19,800</td>
<td>19,500</td>
<td>19,200</td>
<td>20,900</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10,600</td>
<td>10,500</td>
<td>9,400</td>
<td>8,700</td>
<td>8,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>524,200</strong></td>
<td><strong>532,000</strong></td>
<td><strong>508,900</strong></td>
<td><strong>504,200</strong></td>
<td><strong>512,200</strong></td>
</tr>
</tbody>
</table>

Source: California Employment Development Department (EDD), Labor Market Information Division.
Table A5 lists the 25 largest employers in the City, as reported by the California Employment Development Department.

**Table A5: San Francisco Major Employers**

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10,000 + Employees</strong></td>
<td></td>
</tr>
<tr>
<td>University of California-San Francisco</td>
<td>Schools-Universities &amp; Colleges-Academic</td>
</tr>
<tr>
<td><strong>5,000 – 9,999 Employees</strong></td>
<td></td>
</tr>
<tr>
<td>Blue Shield CA Life &amp; Health Insurance</td>
<td>Insurance</td>
</tr>
<tr>
<td>HC Moffitt Hospital</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Pacific Gas &amp; Electric Corporation</td>
<td>Utilities-Holding Companies</td>
</tr>
<tr>
<td>UCSF Medical Center-Parnassus</td>
<td>Hospitals</td>
</tr>
<tr>
<td><strong>1,000 - 4,999 Employees</strong></td>
<td></td>
</tr>
<tr>
<td>Bechtel Group, Inc.</td>
<td>Engineers-Civil</td>
</tr>
<tr>
<td>Black Rock, Inc.</td>
<td>Pension Health &amp; Welfare Funds</td>
</tr>
<tr>
<td>California Pacific Medical Center</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Deloitte</td>
<td>Accountants</td>
</tr>
<tr>
<td>GSA Pacific Rim Region</td>
<td>Government Offices-US</td>
</tr>
<tr>
<td>Hilton-Union Square</td>
<td>Hotels &amp; Motels</td>
</tr>
<tr>
<td>Kaiser Permanente Medical Center</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Pacific Gas &amp; Electric Company, Inc.</td>
<td>Electric Companies</td>
</tr>
<tr>
<td>Paul Flum Morrison &amp; Foerster</td>
<td>Attorneys</td>
</tr>
<tr>
<td>Police Department-Public Affairs</td>
<td>Police Departments</td>
</tr>
<tr>
<td>San Francisco Chronicle</td>
<td>Newspapers (Publishers/Manufacturers)</td>
</tr>
<tr>
<td>San Francisco Intl Airport-SFO</td>
<td>Airports</td>
</tr>
<tr>
<td>San Francisco Municipal Railway</td>
<td>Government Offices-City, Village &amp; Town</td>
</tr>
<tr>
<td>San Francisco Patrol Special</td>
<td>Security Guard &amp; Patrol Service</td>
</tr>
<tr>
<td>San Francisco Police Department</td>
<td>Police Departments</td>
</tr>
<tr>
<td>State Compensation Insurance Fund</td>
<td>Insurance</td>
</tr>
<tr>
<td>UCSF-MEDICAL Center At Mt Zion</td>
<td>Cancer Treatment Centers</td>
</tr>
<tr>
<td>US Veterans Medical Center</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Visa, Inc</td>
<td>Credit Card &amp; Other Credit Plans</td>
</tr>
<tr>
<td>Yellow Cab Co-Op Inc.</td>
<td>Taxicabs &amp; Transportation Service</td>
</tr>
</tbody>
</table>


**Taxable Sales**

Table A6 provides information on taxable sales for the City for calendar years 2006 through 2010. Total retail sales increased in 2010 by approximately $0.8 billion compared to 2009. Data for full years after 2010 are not available from the California State Board of Equalization at this time.
Table A6: San Francisco Taxable Sales, Calendar Years 2006-2010

<table>
<thead>
<tr>
<th>CITY AND COUNTY OF SAN FRANCISCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Sales – Calendar Year 2006-2010 ($) Thousands</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>Bldg. Matri and Garden Equip and Supplies</td>
</tr>
<tr>
<td>Clothing and Accessories Stores</td>
</tr>
<tr>
<td>Food and Beverage Stores</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
</tr>
<tr>
<td>Gasoline Stations</td>
</tr>
<tr>
<td>General Merchandise</td>
</tr>
<tr>
<td>Home Furnishings and Appliance Stores</td>
</tr>
<tr>
<td>Motor Vehicle and Parts Dealers</td>
</tr>
<tr>
<td>Other Retail Stores 2</td>
</tr>
<tr>
<td>Retail Stores Total</td>
</tr>
</tbody>
</table>

| All Other Outlets | 4,303,668 | 4,608,164 | 5,033,053 | 4,122,429 | 4,471,363 |
| Total All Outlets | $13,892,188 | $14,614,736 | $14,837,689 | $12,633,575 | $13,443,121 |

1 Data categories for 2006 to 2008 are different from the prior years, and are grouped according to categories from the two subsequent years (2009 and 2010).
2 Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby, Book, and Music Stores, Miscellaneous Store Retailers, and Nonstore Retailers.

Because two-thirds of SFPUC’s water is sold to customers outside of San Francisco, key highlights from those counties where most of the wholesale water customers reside are also included.

San Mateo County, Alameda County and Santa Clara County Economy and General Information

The information in this section provides economic and demographic information concerning the Counties of San Mateo, Alameda and Santa Clara. The following economic and demographic information about the Counties of San Mateo, Alameda and Santa Clara has been collected from the Counties or, as noted, third party sources. The historical economic and demographic data set forth in this section is current as of the dates indicated.

County of San Mateo and General Information

General

The County of San Mateo ("San Mateo County") was established on April 19, 1856. Located on the San Francisco Peninsula, coastal mountains run north and south through San Mateo County, dividing the lightly-populated western part from the heavily-populated eastern corridor between San Francisco and Santa Clara/Silicon Valley. San Mateo County covers 446 square miles and contains 20 incorporated cities and the San Francisco International Airport (SFO). As of January 1, 2011, the estimated population was 722,372.

Population

Table A7 shows population data for San Mateo County, its six largest cities, and the State of California (the "State"), reported as of January 1 for each of the five calendar years set forth below. San Mateo County’s population increased by approximately 2.9% during the five-year period.
Table A7: San Mateo County Population, Its Six Largest Cities, and California, 2007-2011

<table>
<thead>
<tr>
<th>COUNTY OF SAN MATEO</th>
<th>Six Largest Cities and State of California, 2007-2011¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>San Mateo County</td>
<td>701,838</td>
</tr>
<tr>
<td>Six Largest Cities:</td>
<td></td>
</tr>
<tr>
<td>Daly City</td>
<td>100,131</td>
</tr>
<tr>
<td>San Mateo</td>
<td>94,344</td>
</tr>
<tr>
<td>Redwood City</td>
<td>75,080</td>
</tr>
<tr>
<td>So. San Francisco</td>
<td>60,491</td>
</tr>
<tr>
<td>San Bruno</td>
<td>39,592</td>
</tr>
<tr>
<td>Pacifica</td>
<td>36,702</td>
</tr>
<tr>
<td>State of California</td>
<td>36,399,676</td>
</tr>
</tbody>
</table>

¹As of January 1 for the years shown.

Employment

Table A8 shows annual averages of the estimated number of wage and salary workers by industry for calendar years 2007 through 2011.

Table A8: San Mateo County Estimated Average Annual Employment by Sector, 2007-2011

<table>
<thead>
<tr>
<th>COUNTY OF SAN MATEO</th>
<th>Estimated Average Annual Employment by Sector, 2007-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Farm</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Nonfarm</td>
<td>338,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>30,800</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>75,300</td>
</tr>
<tr>
<td>Information</td>
<td>17,400</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>21,500</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>63,400</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>32,100</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality Services</td>
<td>34,900</td>
</tr>
<tr>
<td>Other</td>
<td>30,500</td>
</tr>
<tr>
<td>Government</td>
<td>32,100</td>
</tr>
<tr>
<td>Total All Industries</td>
<td>338,000</td>
</tr>
</tbody>
</table>

Table A9 lists 25 major employers in San Mateo County, as reported by the California Employment Development Department.

Table A9: San Mateo County Major Employers

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Location</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5,000 – 9,999 Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oracle</td>
<td>Redwood City</td>
<td>Computer Software-Manufacturers</td>
</tr>
<tr>
<td>US Interior Department</td>
<td>Menlo Park</td>
<td>Federal Government-Conservation Departments</td>
</tr>
<tr>
<td><strong>1,000 – 4,999 Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB SCIEX</td>
<td>Foster City</td>
<td>Scientific Apparatus &amp; Instruments-Mfrs</td>
</tr>
<tr>
<td>Electronic Arts, Inc.</td>
<td>Redwood City</td>
<td>Game Designers (Manufacturers)</td>
</tr>
<tr>
<td>Forced Dump Debris Box Svc</td>
<td>Burlingame</td>
<td>Garbage Collection</td>
</tr>
<tr>
<td>Franklin Resources, Inc.</td>
<td>San Mateo</td>
<td>Investment Management</td>
</tr>
<tr>
<td>Franklin Templeton Investments</td>
<td>San Mateo</td>
<td>Banks</td>
</tr>
<tr>
<td>Franklin Trust Company</td>
<td>San Mateo</td>
<td>Mutual Funds</td>
</tr>
<tr>
<td>Genentech, Inc.</td>
<td>So. San Francisco</td>
<td>Drug Millers (Manufacturers)</td>
</tr>
<tr>
<td>Gilead Sciences, Inc.</td>
<td>Foster City</td>
<td>Pharmaceutical Consultants</td>
</tr>
<tr>
<td>Guckenheimer, Inc.</td>
<td>Redwood City</td>
<td>Marketing Programs &amp; Services</td>
</tr>
<tr>
<td>Health Science Library</td>
<td>Daly City</td>
<td>Services NEC</td>
</tr>
<tr>
<td>Kaiser Permanente Medical Center</td>
<td>Redwood City</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Kaiser Permanente Medical Center</td>
<td>So. San Francisco</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Peninsula Medical Center</td>
<td>Burlingame</td>
<td>Hospitals</td>
</tr>
<tr>
<td>San Mateo County Mental Health</td>
<td>San Mateo</td>
<td>County Government-Public Health Programs</td>
</tr>
<tr>
<td>San Mateo Medical Center</td>
<td>San Mateo</td>
<td>Crisis Intervention Service</td>
</tr>
<tr>
<td>SRI International, Inc.</td>
<td>Menlo Park</td>
<td>Research Service</td>
</tr>
<tr>
<td>Stanford Linear Accelerator</td>
<td>Menlo Park</td>
<td>Research Service</td>
</tr>
<tr>
<td>Visa International Svc Association</td>
<td>Foster City</td>
<td>Marketing Programs &amp; Services</td>
</tr>
<tr>
<td>Visa USA, Inc.</td>
<td>Foster City</td>
<td>Credit Card &amp; Other Credit Plans</td>
</tr>
<tr>
<td><strong>500-999 Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burlingame Millbrae Yellow Cab</td>
<td>Burlingame</td>
<td>Taxicabs &amp; Transportation Service</td>
</tr>
<tr>
<td>Rudolph &amp; Sletten, Inc.</td>
<td>Redwood City</td>
<td>Building Contractors</td>
</tr>
<tr>
<td>San Mateo County Human Svc</td>
<td>Belmont</td>
<td>County Government-Social/Human Rsrs</td>
</tr>
</tbody>
</table>

Table A10 shows the annual unemployment rates for San Mateo County, the State and the United States. During each of the years set forth in the table, the unemployment rate in San Mateo County has been lower than the unemployment rate in the State and in the United States.

Table A10: San Mateo County Unemployment Rates, 2001-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>County of San Mateo</th>
<th>California</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3.8%</td>
<td>5.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2002</td>
<td>5.7%</td>
<td>6.7%</td>
<td>5.8%</td>
</tr>
<tr>
<td>2003</td>
<td>5.8%</td>
<td>6.8%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2004</td>
<td>4.9%</td>
<td>6.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2005</td>
<td>4.3%</td>
<td>5.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>2006</td>
<td>3.7%</td>
<td>4.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>2007</td>
<td>3.8%</td>
<td>5.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>2008</td>
<td>4.8%</td>
<td>7.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>2009</td>
<td>8.4%</td>
<td>11.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2010</td>
<td>8.8%</td>
<td>12.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2011</td>
<td>7.9%</td>
<td>11.7%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>


**Taxable Transactions**

Table A11 shows taxable transactions by type of business for the calendar years 2006 through 2010 in San Mateo County.

Table A11: San Mateo County Taxable Sales, Calendar Years 2006-2010

<table>
<thead>
<tr>
<th>COUNTY OF SAN MATEO Taxable Sales – Calendar Year 2006-2010 1 ($ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>Bldg. Matrl. and Garden Equip. and Supplies</td>
</tr>
<tr>
<td>Clothing and Accessories Stores</td>
</tr>
<tr>
<td>Food and Beverage Stores</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
</tr>
<tr>
<td>Gasoline Stations</td>
</tr>
<tr>
<td>General Merchandise</td>
</tr>
<tr>
<td>Home Furnishings and Appliance Stores</td>
</tr>
<tr>
<td>Motor Vehicle and Parts Dealers</td>
</tr>
<tr>
<td>Other Retail Stores 2</td>
</tr>
<tr>
<td>Retail Stores Total</td>
</tr>
<tr>
<td>All Other Outlets</td>
</tr>
<tr>
<td>Total All Outlets</td>
</tr>
</tbody>
</table>

1Data categories for 2006 to 2008 are different from the prior years, and are grouped according to categories from the two subsequent years (2009 and 2010).
2Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby, Book, and Music Stores, Miscellaneous Store Retailers, and Nonstore Retailers.
County of Alameda General Information

General

Alameda County ("Alameda County") is located on the east side of the San Francisco Bay and extends from the Cities of Berkeley and Albany in the north to the City of Fremont in the south. It is the seventh most populous county in the State, with most of its population concentrated in a highly urbanized area between the San Francisco Bay and the East Bay Hills.

The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of Alameda County is also highly developed, including older established residential and industrial areas. The southwestern corner of Alameda County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County into this area. The southeastern corner of Alameda County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the area maintains its position as the fastest growing residential, commercial and industrial part of Alameda County.

Population

Table A12 summarizes population figures for Alameda County.


<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1,105,379</td>
</tr>
<tr>
<td>1990</td>
<td>1,279,182</td>
</tr>
<tr>
<td>2000</td>
<td>1,443,939</td>
</tr>
<tr>
<td>2007</td>
<td>1,470,622</td>
</tr>
<tr>
<td>2008</td>
<td>1,484,085</td>
</tr>
<tr>
<td>2009</td>
<td>1,497,799</td>
</tr>
<tr>
<td>2010</td>
<td>1,509,240</td>
</tr>
<tr>
<td>2011</td>
<td>1,517,756</td>
</tr>
</tbody>
</table>

## Employment

Table A13 summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area (“MSA”), which is comprised of both Alameda and Contra Costa Counties.

### Table A13: Oakland MSA Civilian Labor Force, Employment and Unemployment, 2007-2011

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>1,202,200</td>
<td>1,203,000</td>
<td>1,152,700</td>
<td>1,140,600</td>
<td>1,151,600</td>
</tr>
<tr>
<td>Unemployment</td>
<td>59,300</td>
<td>79,100</td>
<td>133,100</td>
<td>143,900</td>
<td>133,400</td>
</tr>
<tr>
<td>Total Civilian Labor Force</td>
<td>1,261,500</td>
<td>1,282,100</td>
<td>1,285,800</td>
<td>1,284,500</td>
<td>1,285,000</td>
</tr>
</tbody>
</table>

Unemployment Rate: 4.7% 6.2% 10.4% 11.2% 10.4%

1 The Unemployment Rate and Labor Force data are based upon “place of residence”—where people live, regardless of where they work. Individuals who have more than one job are counted only once. Civilian Labor Force is the sum of civilian employment and civilian unemployment. Civilian Employment includes all individuals who worked during the week including the 12th of the month. Civilian Unemployment includes those individuals who were not working but were able, available, and actively looking for work. Unemployment Rate is the number of unemployed divided by the labor force then multiplied by 100. Data not seasonally adjusted.

Source: California Employment Development Department (EDD), Labor Market Information Division

Table A14 summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry.

### Table A14: Oakland MSA Estimated Average Annual Employment by Sector, 2007-2011

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>1,500</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,600</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Construction</td>
<td>71,700</td>
<td>64,900</td>
<td>53,500</td>
<td>47,400</td>
<td>46,300</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>94,400</td>
<td>93,100</td>
<td>82,800</td>
<td>79,700</td>
<td>79,000</td>
</tr>
<tr>
<td>Trade, Transportation and Utilities</td>
<td>199,300</td>
<td>193,000</td>
<td>179,000</td>
<td>173,600</td>
<td>173,900</td>
</tr>
<tr>
<td>Information</td>
<td>29,000</td>
<td>27,800</td>
<td>25,300</td>
<td>23,600</td>
<td>22,700</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>58,100</td>
<td>52,700</td>
<td>48,000</td>
<td>48,200</td>
<td>47,200</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>158,200</td>
<td>162,400</td>
<td>148,700</td>
<td>152,100</td>
<td>154,200</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>128,300</td>
<td>133,000</td>
<td>137,200</td>
<td>136,400</td>
<td>137,500</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>88,000</td>
<td>89,100</td>
<td>85,100</td>
<td>85,800</td>
<td>87,300</td>
</tr>
<tr>
<td>Other Services</td>
<td>36,200</td>
<td>36,100</td>
<td>34,700</td>
<td>35,000</td>
<td>35,900</td>
</tr>
<tr>
<td>Government</td>
<td>183,900</td>
<td>177,200</td>
<td>172,500</td>
<td>165,300</td>
<td>162,500</td>
</tr>
<tr>
<td>Total All Industries</td>
<td>1,049,800</td>
<td>1,031,900</td>
<td>969,400</td>
<td>949,700</td>
<td>949,300</td>
</tr>
</tbody>
</table>

Source: California Employment Development Department (EDD), Labor Market Information Division.
### Major Employers

Table A15 lists 25 major employers in Alameda County, as reported by the California Employment Development Department.

**Table A15: Alameda County Major Employers**

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>More than 10,000 Employees</th>
<th>ALAMEDA COUNTY Major Employers</th>
<th>Location</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California-Berkeley</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Schools-Universities &amp; Colleges-Academic</td>
</tr>
<tr>
<td>Lawrence Berkeley National Lab</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Physicians &amp; Surgeons</td>
</tr>
<tr>
<td>Lawrence Livermore National Lab</td>
<td></td>
<td></td>
<td>Livermore</td>
<td>Laboratories-Testing</td>
</tr>
<tr>
<td>Alameda County Law Enforcement</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Sheriff</td>
</tr>
<tr>
<td>Alameda County Sheriff's Office</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Sheriff</td>
</tr>
<tr>
<td>Alta Bates Summit Medical Center</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Alta Bates Summit Medical Center</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Bayer Corp</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Drug Millers (Manufacturers)</td>
</tr>
<tr>
<td>Berkeley Coin &amp; Stamp</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Coin Dealers Supplies &amp; Etc</td>
</tr>
<tr>
<td>California State-East Bay</td>
<td></td>
<td></td>
<td>Hayward</td>
<td>Schools-Universities &amp; Colleges Academic</td>
</tr>
<tr>
<td>Children's Hospital Health Library</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Clorox Company</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Specialty Cleaning/Sanitation (Manufacturers)</td>
</tr>
<tr>
<td>Clorox Company</td>
<td></td>
<td></td>
<td>Pleasanton</td>
<td>Specialty Cleaning/Sanitation (Manufacturers)</td>
</tr>
<tr>
<td>Cooper Vision, Inc.</td>
<td></td>
<td></td>
<td>Pleasanton</td>
<td>Physicians &amp; Surgeons Equip &amp; Supls-Mfrs</td>
</tr>
<tr>
<td>East Bay Water</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Transit Lines</td>
</tr>
<tr>
<td>EMC Corp</td>
<td></td>
<td></td>
<td>Pleasanton</td>
<td>Computer Storage Devices (Manufacturers)</td>
</tr>
<tr>
<td>Highland Hospital</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Physicians &amp; Surgeons</td>
</tr>
<tr>
<td>Kaiser Permanente Hospital</td>
<td></td>
<td></td>
<td>Hayward</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Kaiser Permanente Medical Center</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Residential &amp; Student Svc Program</td>
<td></td>
<td></td>
<td>Berkeley</td>
<td>Schools-Universities &amp; Colleges Academic</td>
</tr>
<tr>
<td>Safeway, Inc.</td>
<td></td>
<td></td>
<td>Pleasanton</td>
<td>Grocers-Retail</td>
</tr>
<tr>
<td>Tesla Motors</td>
<td></td>
<td></td>
<td>Fremont</td>
<td>Automobile Dealers-Used Cars</td>
</tr>
<tr>
<td>Transportation Dept-California</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>State Government-Transportation Programs</td>
</tr>
<tr>
<td>Washington Hospital Healthcare</td>
<td></td>
<td></td>
<td>Fremont</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Waste Management, Inc.</td>
<td></td>
<td></td>
<td>Oakland</td>
<td>Garbage Collection</td>
</tr>
</tbody>
</table>


### County of Santa Clara Economy and General Information

#### General

The County of Santa Clara ("Santa Clara County") lies immediately south of San Francisco Bay and is the sixth most populous county in the State. It encompasses an area of approximately 1,316 square miles. Named after Mission Santa Clara, which was established in 1777, and named for Saint Clara of Assisi, Italy, Santa Clara County was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by Santa Clara County voters in 1950 and amended in 1976 (the "Santa Clara County Charter").
The southern portion of Santa Clara County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly twenty miles. The northern portion of Santa Clara County is densely populated, extensively urbanized and heavily industrialized. It contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the county seat. The uppermost northwestern portion of Santa Clara County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the “Silicon Valley.” Large employers include Lockheed Martin Space Systems, Intel, and NASA.

**Recent Annual Population Changes.** All but two of the cities in Santa Clara County reported population increases over the period 2001 to 2011, with Gilroy posting the largest population growth (16.2 percent). Cupertino followed with a 15.2 percent increase, followed closely by the City of Santa Clara, with a 14.6 percent increase. The number of residents living in the unincorporated areas of Santa Clara County decreased by 14.7 percent within the same period. From 2001 to 2011, Santa Clara County’s population rose by approximately 6.2 percent. Approximately 4.8 percent of Santa Clara County’s residents live in unincorporated areas, but the number has steadily decreased over time as the population continues to migrate toward the cities. By the year 2020, it is predicted that Santa Clara County’s population will grow to approximately 1.9 million residents. Table A16 provides a historical summary of population in Santa Clara County and its incorporated cities for calendar years 2007 through 2011.

**Table A16: Santa Clara County Population, 2007-2011**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Campbell</td>
<td>38,382</td>
<td>38,728</td>
<td>39,032</td>
<td>39,345</td>
<td>39,610</td>
</tr>
<tr>
<td>Cupertino</td>
<td>55,611</td>
<td>56,297</td>
<td>57,289</td>
<td>58,084</td>
<td>58,665</td>
</tr>
<tr>
<td>Gilroy</td>
<td>47,047</td>
<td>48,353</td>
<td>48,627</td>
<td>48,853</td>
<td>49,316</td>
</tr>
<tr>
<td>Los Altos</td>
<td>27,831</td>
<td>28,076</td>
<td>28,376</td>
<td>28,791</td>
<td>29,136</td>
</tr>
<tr>
<td>Los Altos Hills</td>
<td>7,772</td>
<td>7,909</td>
<td>7,892</td>
<td>7,935</td>
<td>7,969</td>
</tr>
<tr>
<td>Los Gatos</td>
<td>28,177</td>
<td>28,980</td>
<td>29,182</td>
<td>29,359</td>
<td>29,613</td>
</tr>
<tr>
<td>Milpitas</td>
<td>62,684</td>
<td>65,162</td>
<td>66,392</td>
<td>66,672</td>
<td>66,637</td>
</tr>
<tr>
<td>Monte Sereno</td>
<td>3,314</td>
<td>3,304</td>
<td>3,328</td>
<td>3,344</td>
<td>3,360</td>
</tr>
<tr>
<td>Morgan Hill</td>
<td>36,467</td>
<td>37,107</td>
<td>37,653</td>
<td>37,865</td>
<td>38,255</td>
</tr>
<tr>
<td>Mountain View</td>
<td>71,410</td>
<td>72,063</td>
<td>73,074</td>
<td>73,958</td>
<td>74,618</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>61,385</td>
<td>62,173</td>
<td>63,496</td>
<td>64,352</td>
<td>64,853</td>
</tr>
<tr>
<td>San Jose</td>
<td>913,310</td>
<td>923,491</td>
<td>937,965</td>
<td>946,954</td>
<td>957,369</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>111,507</td>
<td>112,760</td>
<td>114,795</td>
<td>116,184</td>
<td>117,998</td>
</tr>
<tr>
<td>Saratoga</td>
<td>29,727</td>
<td>29,780</td>
<td>29,815</td>
<td>29,940</td>
<td>30,153</td>
</tr>
<tr>
<td>Sunnyvale</td>
<td>134,232</td>
<td>136,296</td>
<td>138,213</td>
<td>139,825</td>
<td>140,898</td>
</tr>
<tr>
<td>Incorporated</td>
<td>1,628,856</td>
<td>1,650,479</td>
<td>1,675,129</td>
<td>1,691,501</td>
<td>1,708,450</td>
</tr>
<tr>
<td>Balance of County</td>
<td>96,210</td>
<td>97,433</td>
<td>92,075</td>
<td>89,926</td>
<td>85,887</td>
</tr>
<tr>
<td>County Total</td>
<td>1,725,066</td>
<td>1,747,912</td>
<td>1,767,204</td>
<td>1,781,427</td>
<td>1,794,337</td>
</tr>
</tbody>
</table>

1 As of January 1 for the years shown, other than 2010, which is as of April 1.


**Employment and Industry**

According to the California Employment Development Department, the 2011 annual average of the labor force in Santa Clara County was an estimated 896,200 compared to 880,800 in 2010. From 2010 to 2011, unemployment in Santa Clara County fell slightly from 11.0 percent (96,700 unemployed) to 9.7 percent (86,900 unemployed), primarily due to a slight recovery from the economic recession. The unemployment rate in Santa Clara County as of 2011 was higher than the nationwide annual unemployment rate of 9.0 percent and slightly lower than the State annual unemployment rate of 11.7 percent during the same period.

In June 2012, the Employment Development Department reported preliminary numbers showing that there were an estimated 917,500 people in the labor force in
Santa Clara County, with 837,800 employed and 79,700 unemployed. The unemployment rate in Santa Clara County in June 2012 was 8.7 percent, which is higher than the nationwide unemployment rate of 8.4 percent, and lower than the State unemployment rate of 10.7 percent during the same period.

Within Santa Clara County, development of high technology and high technology jobs have been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, and research and development facilities such as the Ames Research Center (NASA). In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.

Table A17 lists wage and salary employment in Santa Clara County by industry from 2007 to 2011.

Table A17: Santa Clara County Civilian Labor Force and Annual Employment by Sector, 2007-2011

<table>
<thead>
<tr>
<th>Industry Employment</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Labor Force</td>
<td>844,700</td>
<td>870,300</td>
<td>875,200</td>
<td>880,800</td>
<td>896,200</td>
</tr>
<tr>
<td>Civilian Employment</td>
<td>805,100</td>
<td>818,300</td>
<td>780,500</td>
<td>784,100</td>
<td>809,300</td>
</tr>
<tr>
<td>Civilian Unemployment</td>
<td>39,600</td>
<td>52,000</td>
<td>94,600</td>
<td>96,700</td>
<td>86,900</td>
</tr>
<tr>
<td>Civilian Unemployment Rate</td>
<td>4.7%</td>
<td>6.0%</td>
<td>10.8%</td>
<td>11.0%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Total, Wage and Salary</td>
<td>900,300</td>
<td>905,200</td>
<td>847,500</td>
<td>846,200</td>
<td>869,000</td>
</tr>
<tr>
<td>Total Farm</td>
<td>3,900</td>
<td>3,700</td>
<td>3,500</td>
<td>3,500</td>
<td>3,400</td>
</tr>
<tr>
<td>Total Nonfarm</td>
<td>896,500</td>
<td>901,500</td>
<td>844,000</td>
<td>842,600</td>
<td>865,600</td>
</tr>
<tr>
<td>Goods Producing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining and Logging</td>
<td>300</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Construction</td>
<td>45,500</td>
<td>42,800</td>
<td>33,400</td>
<td>31,400</td>
<td>30,600</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>163,800</td>
<td>165,200</td>
<td>153,300</td>
<td>151,000</td>
<td>155,500</td>
</tr>
<tr>
<td>Subtotal Goods Producing</td>
<td>209,600</td>
<td>208,300</td>
<td>186,900</td>
<td>182,600</td>
<td>186,300</td>
</tr>
<tr>
<td>Service Providing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade, Transportation and Utilities</td>
<td>137,300</td>
<td>135,300</td>
<td>124,200</td>
<td>123,200</td>
<td>125,000</td>
</tr>
<tr>
<td>Information</td>
<td>39,500</td>
<td>42,200</td>
<td>41,500</td>
<td>43,800</td>
<td>48,900</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>36,800</td>
<td>34,200</td>
<td>31,200</td>
<td>30,600</td>
<td>31,400</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>176,600</td>
<td>178,000</td>
<td>160,700</td>
<td>161,300</td>
<td>168,800</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>102,500</td>
<td>107,200</td>
<td>108,400</td>
<td>112,000</td>
<td>116,600</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>75,300</td>
<td>76,600</td>
<td>73,500</td>
<td>73,800</td>
<td>75,200</td>
</tr>
<tr>
<td>Other Services</td>
<td>24,600</td>
<td>25,000</td>
<td>24,100</td>
<td>23,900</td>
<td>23,900</td>
</tr>
<tr>
<td>Government</td>
<td>94,300</td>
<td>94,900</td>
<td>93,400</td>
<td>91,500</td>
<td>89,500</td>
</tr>
<tr>
<td>Subtotal Service Providing</td>
<td>686,900</td>
<td>693,400</td>
<td>657,000</td>
<td>660,100</td>
<td>679,300</td>
</tr>
</tbody>
</table>

The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California Employment Development Department (EDD), Labor Market Information Division.

Major Employers

Santa Clara County is home to numerous high technology and computer software and hardware manufacturing companies, which, together with public sector employers, continue to top the list of the largest employers in Santa Clara County. The County ranks as the number one public sector employer, with all departments collectively employing over 15,000 workers. The City of San Jose alone has approximately 5,400 full-time employees. Although there have been hiring freezes and cut-backs that have impacted public-sector organizations, such organizations typically tend to remain more stable in a volatile job market.
Table A18 lists 25 major employers in Santa Clara County, as reported by the California Employment Development.

**Table A18: Santa Clara County Major Employers**

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Location</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5,000 – 9,999 Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intel Corp</td>
<td>Santa Clara</td>
<td>Semiconductor Devices (Manufacturers)</td>
</tr>
<tr>
<td>Lockheed Martin Space Systems</td>
<td>Sunnyvale</td>
<td>Satellite Equipment &amp; Systems-Manufacturers</td>
</tr>
<tr>
<td>NASA</td>
<td>Mountain View</td>
<td>Federal Government-Space Research/Tech</td>
</tr>
<tr>
<td>Philips Lumileds Lighting Co</td>
<td>San Jose</td>
<td>Lighting Fixtures-Supplies &amp; Parts-Manufacturers</td>
</tr>
<tr>
<td>Valley Medical Center</td>
<td>San Jose</td>
<td>Services NEC</td>
</tr>
<tr>
<td><strong>1,000 – 4,999 Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adobe Systems, Inc.</td>
<td>San Jose</td>
<td>Publishers-Computer Software (Manufacturers)</td>
</tr>
<tr>
<td>Advanced Micro Devices, Inc.</td>
<td>Sunnyvale</td>
<td>Semiconductors &amp; Related Devices (Manufacturers)</td>
</tr>
<tr>
<td>Apple, Inc.</td>
<td>Cupertino</td>
<td>Computers-Electronic-Manufactu</td>
</tr>
<tr>
<td>Cadence Design Systems, Inc.</td>
<td>San Jose</td>
<td>Computers-System Designers &amp; Consultants</td>
</tr>
<tr>
<td>Cafe Adobe</td>
<td>San Jose</td>
<td>Full-Service Restaurant</td>
</tr>
<tr>
<td>California’s Great America</td>
<td>Santa Clara</td>
<td>Amusement Places</td>
</tr>
<tr>
<td>Christopher Ranch, LLC</td>
<td>Gilroy</td>
<td>Garlic (Mfrs)</td>
</tr>
<tr>
<td>Hewlett-Packard Company</td>
<td>Palo Alto</td>
<td>Computers-Electronic-Manufactu</td>
</tr>
<tr>
<td>HP Pavillion At San Jose</td>
<td>San Jose</td>
<td>Stadiums Arenas &amp; Athletic Fields</td>
</tr>
<tr>
<td>Kaiser Permanente Medical Center</td>
<td>San Jose</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Kaiser San Jose</td>
<td>San Jose</td>
<td>Hospitals</td>
</tr>
<tr>
<td>KLA-TENCOR Corporation</td>
<td>Milpitas</td>
<td>Optical Instruments &amp; Lenses (Manufacturers)</td>
</tr>
<tr>
<td>Lockheed Martin Corporation</td>
<td>San Jose</td>
<td>Aerospace Industries (Manufacturers)</td>
</tr>
<tr>
<td>Microsoft Corporation</td>
<td>Mountain View</td>
<td>Computer Software-Manufacturers</td>
</tr>
<tr>
<td>Net App, Inc.</td>
<td>Sunnyvale</td>
<td>Computers-Electronic-Manufacturers</td>
</tr>
<tr>
<td>San Jose State</td>
<td>San Jose</td>
<td>Schools-Universities &amp; Colleges Academic</td>
</tr>
<tr>
<td>Surgecenter of Palo Alto</td>
<td>Palo Alto</td>
<td>Surgical Centers</td>
</tr>
<tr>
<td>Texas Instruments, Inc.</td>
<td>Santa Clara</td>
<td>Semiconductor Devices (Manufacturers)</td>
</tr>
<tr>
<td>VA Medical Center-Palo Alto</td>
<td>Palo Alto</td>
<td>Hospitals</td>
</tr>
<tr>
<td>Fine Pitch</td>
<td>Milpitas</td>
<td>Solar Energy Equipment-Manufacturers</td>
</tr>
</tbody>
</table>


**Income**

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, Santa Clara County historically achieves high rankings relative to the rest of the State on a variety of income measurements. The per capita personal income in Santa Clara County increased from $55,781 in 2009 to $58,018 in 2010, which is higher than the 2010 national level of $39,937 and the estimated 2010 State level of $42,514\(^1\).

## Appendix B – Pro-Forma Statement of Operations

### Water Enterprise

| SAN FRANCISCO WATER ENTERPRISE
| Statements of Revenues, Expenses, and Changes in Net Assets
| Years ended June 30, 2012 and 2011
| ($ Thousands) |
|----------------|-----------------|----------------|
| **Operating revenues:** | | |
| Charges for services | 321,346 | 271,387 |
| Rents and concessions | 9,398 | 9,388 |
| Capacity fees | 1,373 | 869 |
| Other revenues | 7,156 | 6,751 |
| **Total operating revenues** | 339,273 | 288,395 |
| **Operating expenses:** | | |
| Personal services | 101,349 | 111,363 |
| Contractual services | 14,382 | 15,586 |
| Materials and supplies | 12,059 | 13,839 |
| Depreciation | 59,173 | 58,752 |
| Services provided by other departments | 49,453 | 46,308 |
| General and administrative | 5,224 | 6,311 |
| Other | 25,504 | 9,768 |
| **Total operating expenses** | 267,144 | 261,927 |
| **Operating income (loss)** | 72,129 | 26,468 |
| **Non-operating revenues (expenses):** | | |
| Federal and State grants | 2,179 | 1,810 |
| Interest and investment income | 15,736 | 17,283 |
| Interest expense | (130,729) | (100,875) |
| Net gain (loss) from sale of assets | - | 39 |
| Other non-operating revenues | 31,979 | 29,650 |
| Other non-operating expenses | (2,635) | (2,121) |
| **Net non-operating revenues (expenses)** | (83,470) | (54,214) |
| **Income before transfers** | (11,341) | (27,746) |
| **Capital contribution** | 1,500 | 26,154 |
| **Transfers to the City and County of San Francisco** | (15,085) | (17,834) |
| **Net capital contributions and transfers** | (13,585) | 8,320 |
| **Changes in net assets** | (24,926) | (19,426) |
| **Net assets at beginning of year** | 396,258 | 415,684 |
| **Net assets at end of year** | $371,332 | $396,258 |
## Wastewater Enterprise

### SAN FRANCISCO WASTEWATER ENTERPRISE

**Statements of Revenues, Expenses, and Changes in Net Assets**

**Years ended June 30, 2012 and 2011**

($ Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Pre-Audit 2012</th>
<th>Audited 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 218,369</td>
<td>$ 220,586</td>
</tr>
<tr>
<td>Other revenues</td>
<td>10,528</td>
<td>8,630</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>228,897</td>
<td>229,216</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services+B12:B44</td>
<td>76,751</td>
<td>73,630</td>
</tr>
<tr>
<td>Contractual services</td>
<td>14,392</td>
<td>12,577</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>8,903</td>
<td>8,338</td>
</tr>
<tr>
<td>Depreciation</td>
<td>41,090</td>
<td>42,217</td>
</tr>
<tr>
<td>Services provided by other departments</td>
<td>33,325</td>
<td>32,689</td>
</tr>
<tr>
<td>General and administrative</td>
<td>2,709</td>
<td>507</td>
</tr>
<tr>
<td>Other</td>
<td>6,526</td>
<td>9,126</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>183,696</td>
<td>179,084</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>45,201</td>
<td>50,132</td>
</tr>
<tr>
<td><strong>Non-operating revenues (expenses):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal and State grants</td>
<td>1,965</td>
<td>482</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>1,664</td>
<td>1,927</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(26,740)</td>
<td>(22,545)</td>
</tr>
<tr>
<td>Other non-operating revenues</td>
<td>6,455</td>
<td>6,359</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>(300)</td>
<td>(300)</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>(16,956)</td>
<td>(14,077)</td>
</tr>
<tr>
<td>Transfers from the City and County of San Francisco</td>
<td>(1)</td>
<td>(110)</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>28,244</td>
<td>35,945</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>1,061,281</td>
<td>1,025,336</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$ 1,089,525</td>
<td>$ 1,061,281</td>
</tr>
</tbody>
</table>
## Hetch Hetchy Water and Power

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

**Years ended June 30, 2012 and 2011**

($ Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Water</th>
<th>Power</th>
<th>Total Pre-Audit 2012</th>
<th>Water</th>
<th>Power</th>
<th>Total Audited 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$32,386</td>
<td>$94,680</td>
<td>$127,066</td>
<td>$31,326</td>
<td>$108,454</td>
<td>$139,780</td>
</tr>
<tr>
<td>Rents and concessions</td>
<td>109</td>
<td>134</td>
<td>243</td>
<td>115</td>
<td>140</td>
<td>255</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>32,495</td>
<td>94,814</td>
<td>127,309</td>
<td>31,441</td>
<td>108,594</td>
<td>140,035</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>12,856</td>
<td>31,719</td>
<td>44,575</td>
<td>11,327</td>
<td>28,474</td>
<td>39,801</td>
</tr>
<tr>
<td>Contractual services</td>
<td>1,090</td>
<td>4,726</td>
<td>5,816</td>
<td>1,108</td>
<td>6,063</td>
<td>7,171</td>
</tr>
<tr>
<td>Transmission/Distribution &amp; other power costs</td>
<td>-</td>
<td>16,785</td>
<td>16,785</td>
<td>-</td>
<td>18,036</td>
<td>18,036</td>
</tr>
<tr>
<td>Purchased electricity</td>
<td>-</td>
<td>4,754</td>
<td>4,754</td>
<td>-</td>
<td>1,233</td>
<td>1,233</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>1,208</td>
<td>1,694</td>
<td>2,902</td>
<td>1,069</td>
<td>1,638</td>
<td>2,707</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,059</td>
<td>9,796</td>
<td>13,855</td>
<td>4,125</td>
<td>9,582</td>
<td>13,707</td>
</tr>
<tr>
<td>Services prov. by other depts.</td>
<td>984</td>
<td>4,840</td>
<td>5,824</td>
<td>1,261</td>
<td>4,164</td>
<td>5,425</td>
</tr>
<tr>
<td>General and administrative &amp; other</td>
<td>16,806</td>
<td>19,293</td>
<td>36,099</td>
<td>13,589</td>
<td>17,051</td>
<td>30,640</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>37,003</td>
<td>93,607</td>
<td>130,610</td>
<td>32,479</td>
<td>86,241</td>
<td>118,720</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(4,508)</td>
<td>1,207</td>
<td>(3,301)</td>
<td>(1,038)</td>
<td>22,353</td>
<td>21,315</td>
</tr>
<tr>
<td><strong>Non-operating revenues (expenses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants</td>
<td>-</td>
<td>2,581</td>
<td>2,581</td>
<td>-</td>
<td>4,730</td>
<td>4,730</td>
</tr>
<tr>
<td>Interest &amp; investment income (loss)</td>
<td>874</td>
<td>2,589</td>
<td>3,463</td>
<td>220</td>
<td>1,965</td>
<td>2,185</td>
</tr>
<tr>
<td>Other non-operating revenues</td>
<td>57</td>
<td>3,219</td>
<td>3,276</td>
<td>193</td>
<td>2,694</td>
<td>2,887</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>(99)</td>
<td>(99)</td>
<td>-</td>
<td>562</td>
<td>562</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>(68)</td>
<td>(3,179)</td>
<td>(3,247)</td>
<td>(68)</td>
<td>(4,403)</td>
<td>(4,471)</td>
</tr>
<tr>
<td><strong>Net non-operating revenues</strong></td>
<td>863</td>
<td>5,111</td>
<td>5,974</td>
<td>345</td>
<td>4,424</td>
<td>4,769</td>
</tr>
<tr>
<td><strong>Net income (loss) before transfers</strong></td>
<td>(3,645)</td>
<td>6,318</td>
<td>2,673</td>
<td>(693)</td>
<td>26,777</td>
<td>26,084</td>
</tr>
<tr>
<td>Transfers in (out)</td>
<td>14,073</td>
<td>(2)</td>
<td>14,071</td>
<td>13,638</td>
<td>(184)</td>
<td>13,454</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>10,428</td>
<td>6,316</td>
<td>16,744</td>
<td>12,945</td>
<td>26,593</td>
<td>39,538</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>126,094</td>
<td>369,814</td>
<td>495,908</td>
<td>113,149</td>
<td>343,221</td>
<td>456,370</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$136,522</td>
<td>$376,130</td>
<td>$512,652</td>
<td>$126,094</td>
<td>$369,814</td>
<td>$495,908</td>
</tr>
</tbody>
</table>
APPENDIX C – SFPUC Rates Policy

I. The SFPUC is an Enterprise department of the City and County of San Francisco, and receives no support from the San Francisco General Fund. The SFPUC’s cost of providing utility service is covered by rate-paying customers through: service based rates, fees and charges, non-operating revenues (i.e. land leases).

II. Rates are set by the SFPUC Commission pursuant to the authority and provisions set forth by the San Francisco Charter (Section 8b.125, above) and the Water Supply Agreement with the SFPUC’s wholesale water customers.

III. All budgets, rates, fees, and charges presented by SFPUC staff to the Commission will conform to the SFPUC Rates Policy. Any deviations from this policy will be reported to the Commission along with their impact to ratepayers and departmental operations.

IV. The four key principles of the SFPUC Rates Policy are: affordability, compliance, sufficiency, transparency.

   a. Affordability – In order to keep rates affordable to the SFPUC’s retail and wholesale customers:
      i. Rates will be set such that retail and wholesale customers pay for benefits and services that they receive.
      ii. Budgets will provide for fund balance reserves to mitigate cost and revenue uncertainties and stabilize rates to minimize large rate changes.
      iii. Rate setting will include comparative information of neighboring and other California utilities.
      iv. Capital and program decision making will be based on both annual ad total lifetime cycle costs.
      v. Rate setting will include consideration of affordability for low-income customers.

   b. Compliance – Rate-funded budgets will comply with:
      i. All applicable State and Federal laws;
      ii. San Francisco Charter, ordinances, resolutions, and other policy directives;
      iii. Regulations and permits;
      iv. Contract commitments;
      v. Bond covenants;
      vi. Other laws and Commission policies and objectives including, but not limited to:
         1. Budget law and policies,
         2. Debt law and policies,
         3. Ratepayer accountability,
         4. Community benefits policy,
         5. Environmental justice policy,
         6. Sustainability and resource conservation,
         7. Land use policy,
         8. Local hire ordinance,
         9. Electric resource plan,
         10. Technology adoption and implementation best practices,
c. Sufficiency – Rates will be sufficient to recover the full cost of providing the SFPUC’s essential utility services and mission, including:
   i. Adopted levels of service for Water, Power, and Sewer;
   ii. Adopted and best practice levels of service for asset repair and replacement to ensure the maintenance of assets in a state of good repair;
   iii. All anticipated operating and capital costs, including personnel cost changes and other operating cost inflation;
   iv. Funding to carry out adopted Commission policies, including prudent reserves sufficient to mitigate unplanned rate changes, revenue, uncertainty, and operating contingencies for the duration of the rate adoption period.

d. Transparency – Rate making will be transparent and include:
   i. Open and timely public meetings and review of rate setting alternatives and timing;
   ii. Public information designed to provide clear explanation of rate changes and trends, including average bill impact illustrations;
   iii. A description of both operating and capital costs to ensure that ratepayers know the component costs of their utility service and related programs;
   iv. Rate-setting oversight, including communications with the:
      1. Customers, both retail and wholesale,
      2. Citizens’ Advisory Committee,
      3. Rate Fairness Board,
      4. Revenue Bond Oversight Committee,
      5. San Francisco Public Utilities Commission,
      6. Board of Supervisors, and
      7. Mayor’s Office.

The Rates Policy was approved by the SFPUC Commission on February 14, 2012.
I. Scope and Application

The San Francisco Public Utilities Commission (SFPUC or Commission) has established these Debt Management Policies and Procedures for debt financings associated with the Water, Wastewater and Power Enterprises. These policies are intended to enable the SFPUC to effectively manage its debt issuance and debt management practices. To the extent that any of the policies contained herein conflict with the terms and conditions of the existing or subsequently adopted SFPUC legal requirements or agreements, such legal requirements or agreements will control. These policies and procedures will be reviewed regularly, and revised or amended, as appropriate or desirable, with Commission approval.

These policies will be on file with the Commission, SFPUC’s Finance Department (Financial Planning Group) and posted on the website of the SFPUC (www.sfwate r.org) with copies delivered to the Office of Public Finance (OPF), the City Treasurer, the City Controller, and the Clerk of the Board of Supervisors (BOS).

II. SFPUC’s Debt Management Mission

SFPUC’s debt management mission is to serve, within the financial objectives and parameters established by the Commission, the capital financing needs of the respective enterprises in a cost effective, risk-appropriate and flexible manner, through the implementation of sound financial decision-making and the use of prudent financing tools.

III. Debt Management Objectives

a. Finance capital projects of SFPUC’s enterprises in a timely and cost-effective manner.
b. Manage debt effectively within Commission objectives and parameters.
c. Achieve and maintain the highest practicable credit ratings to minimize total borrowing costs of SFPUC debt.
d. Retain financial flexibility.
e. Maintain compliance with all relevant laws, reporting, and disclosure requirements.

IV. Types and Purposes of Debt

The SFPUC may issue debt to finance the acquisition and/or construction of capital improvements, unless otherwise decreed by court order or adjudicated settlement. Debt financings are not to be used to fund SFPUC operating costs.

a. SFPUC revenue bonds are secured by a pledge that the rates of the applicable enterprise will generate net revenues sufficient to pay the principal of and interest on indebtedness.
b. The SFPUC may issue the following types of taxable or tax-exempt debt:
   i. Fixed rate bonds - long-term securities with serial and term maturities. Interest rates are determined when the bonds are sold and are fixed to maturity.
   ii. Variable rate bonds - long-term securities that bear interest at variable rates adjusted at agreed upon intervals, such as daily, weekly or monthly. The holder of the variable rate security may be allowed to “put” the security to the SFPUC or to a liquidity provider retained by the SFPUC.
   iii. Commercial paper - short-term (1-270 days) security with fixed interest rates. Customarily, commercial paper is secured by a junior pledge of net revenues, a letter of credit, or a liquidity facility. Commercial paper is

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1 The policies are the same for each enterprise, unless otherwise noted.
designed to provide flexible, low-cost financing for capital projects and will be ultimately refunded with the issuance of long-term indebtedness.

iv. Refunding bonds - issued to realize debt service savings, or for other debt restructuring purposes. Absent significant non-economic factors, the Commission’s policy is that refunding transactions should produce aggregate net debt service savings of at least 3% of the par value of the refunded bonds, calculated using the refunding issue’s true interest cost (TIC) as the discount rate.

v. State Revolving Fund Loan program –
   1. Managed by the California Water Resources Control Board, SRF loans provide alternative capital financing for certain facilities of the Wastewater Enterprise. The lien status will be determined at the time such loans are considered.
   2. Managed by the California Department of Public Health, SRF loans provide alternative capital financing for certain facilities of the Water Enterprise. The lien status will be determined at the time such loans are considered.

vi. Clean Renewable Energy Bonds (CREBs) – no- or low-interest bonds administered by the Federal government to finance renewable energy projects. CREBs are part of the 2009 American Reinvestment and Recovery Act (ARRA) legislation designed to stimulate state and local government capital project construction and improvements.

vii. Build America Bonds (BABs) – also part of the 2009 ARRA, this program allows state and local governments to issue taxable bonds for capital projects and to receive a new direct federal subsidy payment for a portion of their borrowing costs.

viii. Capital Lease Financing – equipment or facility lease financing as allowed by the Charter and Administration code.

V. Debt Financing Authorization
   a. Charter
      i. Section 8B.124 Revenue Bonds (Proposition E, approved by voters November 2002): Authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the BOS. 
         1. Bonds issued against Prop E require the certification of a Qualified Independent Consultant that estimated net revenues of the applicable enterprise will sufficiently meet debt service coverage and other Indenture requirements, as well as certification from an Independent Engineer that the projects to be financed by the bonds meet utility standards.
      ii. Section 9.107 Revenue Bonds (Proposition A, approved by voters November 2002): Authorizes the SFPUC, subject to BOS approval, to issue up to $1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City’s water system.
      iii. Section 9.107(8) Revenue Bonds (Proposition H, approved by voters November 2001): Authorizes the issuance of revenue bonds to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.
      iv. Section 9.109 Refunding Bonds: Authorizes the issuance of refunding bonds that achieve aggregate net debt service savings on a present value basis without voter approval. Refunding bonds must be approved by the BOS.
b. Commercial Paper Authorization
   i. Wastewater Enterprise $300 million program:
      1. Voter authorized under Proposition E (Charter Sec. 8B.124, approved by voters November 2002)
      2. BOS authorized by SFPUC Resolution No. 06-0164 and Ordinance Nos. 266-06/270-06.
   ii. Water Enterprise $500 million program
      1. $250 million voter authorized under Proposition A (Sec. 9.107, approved by voters November 2002)
      2. $250 million voter authorized under Proposition E (Charter Sec. 8B.124, approved by voters November 2002)
      3. Authorization to issue up to $150 million (SFPUC Resolution No. 99-084 and BOS Ordinance No. 451-99)
      4. Authorization to increase water CP issuance from $150 million to $250 million (SFPUC Resolution No. 00-0234 and BOS Ordinance No. 953-00)
      5. Authorization to increase water CP issuance from $250 million to $500 million (SFPUC Resolution Nos. 08-0202/09-0175 and BOS Ordinance No. 311-08)

c. San Francisco Administrative Code
   i. Article V of Chapter 43 of Part I enacted by Ordinance No. 203-98 adopted on June 8, 1998 by the BOS and amended in December 2006 establishes a procedure for the SFPUC to issue commercial paper.
   ii. Appendix 54 Revenue Bonds (Proposition B, approved by voters November 2001): Authorizes the issuing, subject to BOS approval, of up to $100 million in revenue bonds or other forms of indebtedness to finance solar energy, energy conservation, or renewable energy facilities and equipment.

VI. Debt Financing Approval Process

a. Voter Authorization and Ballot Procedure – SFPUC may, pursuant to Charter Section 9.107, seek voter approval for revenue bond issuance. Prior to placing any measure on the ballot, the SFPUC must submit the item to the Capital Planning Committee (CPC) for its review. Legislation requesting the submission of a proposal for the issuance of revenue bonds to the voters of the City must be submitted in the form of a resolution by the SFPUC at a regularly scheduled BOS meeting in sufficient time prior to the due date to the Department of Elections to account for a 30-day review period at the BOS and BOS Finance Committee meetings.

b. Commission approval in the form of a resolution is required for all SFPUC debt financings.
   i. Capital Planning Committee (CPC) – Pursuant to the City’s Administrative Code, Section 3.2, the CPC must review and submit a recommendation to the BOS on all proposed new long-term financing transactions for capital improvements.

c. Any financing-related item submitted to the BOS must first be reviewed and analyzed by the Budget Analyst who prepares a report and recommendation for the BOS.

d. BOS approval in the form of a resolution or ordinance is required for SFPUC financings, as follows:
   i. If pursuant to voter-approved debt (e.g., Proposition A, Proposition B), a resolution passed by a majority of the BOS is required.
   ii. If pursuant to Charter Section 8B.124 (Proposition E), an ordinance passed by two-thirds vote of the BOS is required and is subject to referendum
requirements of Charter Section 14.102. The ordinance does not become effective until 30 days after its adoption.

e. Certification pursuant to administrative code section 8B.124, as follows:
   i. Certification by an independent engineer retained by the SFPUC that:
      1. the projects to be funded by the bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and
      2. that estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.
   ii. Certification by the San Francisco Planning Department that facilitates under the jurisdiction of the Public Utilities Commission funded with such bonds will comply with applicable requirements of the California Environmental Quality Act.

f. Revenue Bond Oversight Committee review of anticipated bond sales at least 30 days in advance of the issuance of the proposed financing transaction, including details with respect to amount, timing, and purpose of the issuance. (Sec. 5A.30-36, Proposition P, approved by voters, November 2002)

VII. Debt Limitations

   a. The Commission has adopted financial policies and/or is subject to legal agreements and requirements that effectively limit the amount of debt that can be issued. These include:
      i. Debt service coverage requirement: for senior lien bonds, net revenues equal to at least 125% of annual debt service.
      ii. Fund Balance Reserve Policy: establishes minimum levels of fund balance reserves from an operations perspective. (See separate policy document)
      iii. Rate policy: predictable and financially prudent rate increase policy.

   b. Additional Bonds Test—(Sec. 8B.124) SFPUC legal documents require an independent certification that debt coverage of 1.25 will be maintained for 3 years after issuance of additional bonds.

VIII. Method of Sale

   a. General
      i. Marketing – Bond sales shall be advertised, and the Preliminary Official Statement be distributed, as broadly as possible and receive a rating from at least one nationally recognized rating agency, with two ratings preferred. The financial advisors and/or the underwriters, if applicable, for each transaction shall undertake to market the bonds to prospective bidders and investors as appropriate or relevant.
      ii. Amendments – Terms of the bonds shall be subject to amendment as late as practicable in the issuance process.

   b. Competitive – New money and refunding fixed-rate revenue bonds should be issued by competitive sale unless (i) there is significant deterioration in the SFPUC's overall credit rating or outlook, (ii) there are market issues specific to a transaction that are outside of the SFPUC’s credit profile such as market volatility, threat of war or changes in taxation or sector risks, or (iii) other factors which mitigate make the use of the competitive sale process less attractive or likely to ensure a successful sale with the lowest total borrowing costs. The SFPUC may take bids in person, by facsimile or by electronic means, which is the preferred approach.
      i. Cancellation – Bond sales shall be subject to cancellation at any time prior to the time bids are to be received.
      ii. Award – The bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost (TIC) to the SFPUC. The SFPUC’s
financial advisor will confirm the calculation of the TIC before any bonds are awarded. The SFPUC’s bond counsel will confirm that the bids conform to the requirements of the Notice of Sale. The SFPUC may then restructure the bonds in accordance with the Official Notice of Sale. The General Manager or his/her designee shall award the sale of SFPUC bonds.

iii. Rejection - The SFPUC shall reserve the unfettered right to reject all bids or waive bid irregularities.

c. Negotiated Sale – Bonds, including fixed rate bonds, variable rate demand notes, auction rate securities, commercial paper, etc. may be issued by negotiated sale, at the discretion of the General Manager, if deemed necessary for a successful offering. The SFPUC may retain more than one dealer or remarketing agent for each issuance of variable rate indebtedness. The SFPUC shall reserve the right to replace a dealer or remarketing agent with notice at any time for any reason in its sole discretion.

IX. Debt Structuring Policies

a. Standard terms – The following terms will apply to the SFPUC’s transactions, as appropriate. Individual terms may change as dictated by the marketplace and/or by the unique characteristics of a given transaction.

i. Fixed Rate Revenue Bonds

<table>
<thead>
<tr>
<th>Term</th>
<th>Up to 40 years per issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Maximum interest rate</td>
<td>Not to exceed 12%</td>
</tr>
<tr>
<td>3. Maximum premium or discount</td>
<td>Case by case as recommended by SFPUC’s financial advisor(s)</td>
</tr>
<tr>
<td>4. Payment dates</td>
<td>Water: November 1 for annual principal and semi-annual interest; May 1 for semi-annual interest</td>
</tr>
<tr>
<td></td>
<td>Wastewater: October 1 for annual principal and semi-annual interest; April 1 for semi-annual interest</td>
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<td></td>
<td>The first payment may be extended beyond the first November or October after the bond sale if it is advantageous</td>
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<td></td>
<td>Power: December 15 for annual CREBs payments</td>
</tr>
<tr>
<td>5. Call provisions</td>
<td>Shortest possible optional call consistent with optimal pricing; no more than 30 days notice</td>
</tr>
<tr>
<td></td>
<td>Make Whole Call: Permitted if market conditions required to ensure lowest total borrowing costs</td>
</tr>
<tr>
<td>6. Structure of debt</td>
<td>Level debt service unless an alternative structure is advantageous - principal payments may be serial and/or term bonds</td>
</tr>
<tr>
<td>7. Reserve funds</td>
<td>The lesser of what is required pursuant to indenture requirements or permitted by current tax law; surety may also be used</td>
</tr>
<tr>
<td>8. Capitalized interest</td>
<td>Up to three years or such other amount as may be legally</td>
</tr>
</tbody>
</table>
9. Good faith deposit
   permissible and advantageous
   1% of par amount which may be satisfied by cash, surety or equivalent

10. Other, Federal, and State
    Unique structures as appropriate such as federal subsidies or stimulus funding, as in the case of Build America Bonds

ii. Variable Rate Obligations – The SFPUC may elect to issue variable rate obligations, including variable rate demand obligations, auction rate securities and commercial paper.

1. Purpose
   Lower net borrowing costs; match assets and liabilities; diversify debt portfolio

2. Portfolio allocation
   No more than 25% of each enterprise’s outstanding debt shall be variable rate

3. Term
   Up to 40 years per issue, except commercial paper which has a maximum maturity of 270 days

4. Maximum interest rate
   12%

5. Monitoring
   SFPUC will monitor all variable rate bonds on a regular basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a dealer or remarketing agent

6. Budgeting
   SFPUC will recommend an annual budget of debt service on any variable rate obligations at 1.5 times the rolling 3-year average of the Bond Market Association index, or other appropriate index over a similar time frame.

7. Remarketing inventory obligation
   SFPUC may require that remarketing or dealer agreements contain a provision requiring that the dealer or agent, in the event of a failed remarketing, inventory the securities, at prevailing interest rates, for up to 30 days.

8. Call/Conversion provision
   On any date without penalty; no more than 10 days notice.

9. Liquidity
   A liquidity facility or letter of credit will be obtained for all variable rate obligations as market conditions may require; Liquidity or letter of credit providers will maintain the highest short-term ratings and long-term ratings of at least “AA”.

10. Mode
    Variable rate obligations, with the exception of commercial paper, may be issued as “multi-modal”.

viD – Appendix D
X. Derivatives Policy

XI. Permitted Investments

All investments of bond proceeds shall be limited to the City’s Investment Policy approved periodically by the County Treasurer Oversight Committee, unless otherwise required and approved apart from any debt authorization for the Commission.

Investment of bond proceeds that are held by the Trustee must be limited to those permitted in the financing documents or agreements.

Investment agreements which may be entered into from time to time. In general, uncollateralized investment agreements shall be executed with counterparties rated at least “AA”. Collateral may be required upon a downgrade below “AA”.

Repurchase agreements or forward delivery agreements shall be executed with counterparties rated at least “AA” with downgrade provisions requiring assignment or collateral upon a rating downgrade below the “A” level.

Investment agreements shall have the following general limitations:

1. Purpose
   - Preserve principal
   - Maximize interest earnings thereby reducing net borrowing costs
   - Match assets and liabilities

2. Counterparty
   Minimum rating of AA from at least one major credit rating agency

3. Mandatory termination
   Limited to credit-related events and non-payment.

4. Cure provisions
   Timelines on SFPUC’s obligations to cure must be adequate to accommodate City process.

5. Priority of payment
   Termination payments shall be subordinate to related debt payments

6. Procurement
   Award based on best bid as defined in bid form

XII. Professional Assistance

a. Financial Advisors – SFPUC shall utilize the services of independent financial advisors in connection with financing-related issues. The financial advisors shall be selected via a competitive Request For Proposals (RFP) process or via Citywide approved pool, and the services to be provided shall be documented by contract. Compensation shall be capped.

b. City Attorney’s Office – SFPUC shall utilize the services of the City Attorney’s Office when appropriate for legal support on financing-related matters to ensure all City and Charter requirements are fully met.

c. Bond Counsel – SFPUC, with the City Attorney’s Office recommendation, shall select bond counsel for each transaction. Bond counsel shall be responsible for developing the legal documents required for each transaction.

d. Disclosure Counsel – SFPUC shall utilize the services of a disclosure counsel for each transaction, with the City Attorney’s Office’s recommendation. Disclosure counsel shall be responsible for assisting the SFPUC to prepare the Preliminary and Final Official Statements.

e. Dealers, Auction Agents and Remarketing Agents – Such firms shall be selected on a competitive RFP basis and performance will be monitored regularly. SFPUC shall retain the right to replace any such firm with due notice at any time.

f. Trustees – Trustee shall be selected on a competitive RFP basis and have a combined capital and surplus of at least $50 million and be subject to supervision or examination by relevant Federal or State regulatory bodies.
g. Letter of credit or liquidity providers – Selected via competitive RFP and subject to negotiations of its terms.

h. Investment agreement counterparties – Selected from pool approved by the Office of Public Finance, if one exists. If no pool exists, selected on the basis of a competitive bid process, with bidders subject to approval by the City’s Human Rights Commission (HRC).

i. Other professional assistance may be secured as necessary or desirable.

XIII. Ongoing Debt Administration

a. Continuing Disclosure – In connection with financings, the SFPUC will provide timely information to the marketplace, as required by law.

   i. Ongoing disclosure requirements established per continuing disclosure certificates and other financing documents and agreements shall be promptly met.

   ii. Annual Disclosure Report – SFPUC covenants to provide its annual disclosure report no later than 270 days following the end of the fiscal year. However, SFPUC shall use its best efforts to issue the Annual Disclosure Report as soon as practical following the issuance of the City’s annual Comprehensive Annual Financial Report (CAFR). The SFPUC will use its best efforts to issue the Annual Disclosure Report electronically, to post it on its web site (www.sfwater.org) and the Electronic Municipal Market Access (EMMA) web site of the Municipal Securities Rulemaking Board (MSRB), at the Main Library and on file with the Commission, the Office of Public Finance, the City Treasurer, the City Controller, and the Clerk of the Board of Supervisors. The report shall include CUSIPs, trustee and issuer contacts, and all other information as required pursuant to continuing disclosure certificates.

   iii. Material Event – The SFPUC will issue a material event notice in accordance with the provisions of SEC Rule 15c2-12. Prior to the issuance of any material event notice, the SFPUC will convene a meeting of the Commission, the Office of Public Finance, the City Treasurer, the City Controller, the City Attorney and outside professionals as appropriate, to discuss the materiality of the event and the process for equal, timely and appropriate disclosure to the public and investment community.

   iv. Official Statements – Official statements shall contain a summary of the continuing disclosure obligations, which may exceed obligations enumerated in SEC Rule 15c2-12.

b. Arbitrage Rebate Compliance – The SFPUC shall calculate arbitrage annually in each year that the related construction fund (or equivalent) has had an outstanding balance. Thereafter, the SFPUC shall calculate arbitrage on the fifth anniversary of the bond issuance in accordance with IRS recommended practices. Any arbitrage liabilities will be reflected in the SFPUC financial statements.

c. Credit Ratings – SFPUC’s policy is to secure underlying ratings on all newly issued obligations from at least one nationally recognized rating agency, though two is preferred.

   i. Annual Meetings – The SFPUC will meet (or formally communicate) with credit rating agencies then rating any outstanding obligations at least annually unless such meeting is deemed unnecessary by the rating agencies.

   ii. Reporting – The SFPUC will promptly make available to rating agency the following documents:

      1. Annual Audited Financial Statements
      2. Adopted budgets (Annual or Bi-annual)
      3. Other relevant documents

   iii. Citywide Ratings Notification – Any changes in ratings will be promptly noticed to the Commission, the Mayor, the Office of Public Finance, the
Mayor’s Budget Director and Press Secretary, the City Controller, City Treasurer, President of the Board of Supervisors, Chair of the Finance Committee of the Board of Supervisors, as relevant.

d. Public Utilities Revenue Bond Oversight Committee (RBOC) - Pursuant to the City's Administrative Code Chapter 5A (Proposition P, passed by voters in November 2002), the RBOC provides oversight to ensure that the proceeds from revenue bonds authorized by the BOS and/or the voters after November 2002 are expended in accordance with the authorizing bond resolution and applicable law.

The RBOC reports at least annually to the Mayor, the BOS and the Commission regarding the SFPUC’s expenditure of revenue bond proceeds. Such reports are filed with the Commission, the Clerk of the BOS and the Main Library.

If, after conducting all appropriate reviews and independent audit of actual expenditures of revenue bond proceeds, the RBOC, after consultation with the City Attorney, determines that proceeds are being or have been expended for purposes not authorized by the authorizing bond resolution or otherwise amount to an illegal expenditure of such proceeds, the RBOC may, by majority vote of all its members, prohibit the further issuance or sale of authorized revenue bonds which have yet to be issued or sold. Any such determination by the RBOC may be appealed to the BOS within 30 days of the RBOC's decision. The BOS may overturn the decision of the RBOC by resolution approved by two-thirds vote of all its members. The SFPUC will provide notice to the RBOC at least 30 days in advance of the issuance of a proposed financing transaction, including details with respect to the amount, timing and purpose of the issuance.

To the extent permitted by law, one-twentieth of one percent of revenue bond proceeds may fund the costs of the RBOC, except that costs associated with clerical, technical and administrative assistance in furtherance of its purposes and any compensation due the members are to be paid by the BOS. These amounts are subject to the applicable IRS rules associated with issuance of tax-exempt debt and generally must be spent within three years of issuance.

**Derivatives Policy**

I. Derivatives (including swaps, swaptions, caps, floors and collars) – Purpose and Objectives

   a. To achieve significant savings as compared to a product available in the bond market.
   
   b. To prudently hedge risk in the context of a particular financing or the overall asset/liability management of the SFPUC’s balance sheets for its respective enterprises.
   
   c. To ensure flexibility in meeting overall financing objectives.
   
   d. To generate increased net investment return.

II. Derivative Approval Process

   a. Commission approval - The Commission, prior to SFPUC entering into a derivative product, shall approve the transaction. If a proposed derivative product meets the objectives of the SFPUC as described herein, SFPUC shall provide to the Commission for their review and approval, an analysis and evaluation of the proposal including all risk factors indicated below.

   i. Risk/benefit analysis – Identification and evaluation of proposed benefit and potential risks and any mitigations thereto. Such potential risks shall include:

      1. Counterparty Credit Risk – Risk of credit-worthiness of the counterparty. Mitigation is to include provisions in the documents that protect SFPUC from exposure to adverse changes in counterparty’s credit standing.
      2. Market or interest rate risk – Risk of exposure to fluctuations in interest rates.
3. Tax law risk – Risk of rate adjustments, extraordinary payments, termination or other adverse consequences in the event of a future change in federal income tax policy.

4. Termination risk – Risk of termination by the counterparty in an adverse market (other than at the option of the SFPUC). Mitigation is the maintenance of sufficient liquidity to cover this exposure.

5. “Put” risk – Risk of a future financing that is dependent upon third party participation. Mitigation is to obtain commitment that can be or have been secured for such participation.


7. Ratings Risk – Risk that the transaction could impact the SFPUC’s current credit ratings or its desired future ratings and that the transaction could conflict with rating agency recommended practices today or in the future.

8. Basis Risk – Risk that the payments that SFPUC would make or receive would not match the payments that it seeks to hedge because of changes in relationships between floating rates.

9. Tax-exemption of SFPUC Debt Risk – Risk that the transaction is not in compliance with all federal tax law requirements with respect to the SFPUC’s outstanding tax-exempt bonds.

10. Volatility Risk – The change of the mark-to-market value of a transaction resulting from a change in implied volatility.

11. Accounting Risk – Risk that the transaction is not compatible with internal accounting procedures and reporting practices. Related risk is the impact on SFPUC’s rate covenant calculation or compliance.

12. Administrative Risk – Risk of counterparty’s or SFPUC’s failure to administer and monitor transactions consistent with the policies herein.

13. Subsequent Business Conditions – Risk of dependence on the continuation or realization of specific industry or business conditions.

   ii. Savings Analysis – Independent analysis of potential savings from proposed transaction.

   iii. Rate Exposure – Fixed versus variable rate and swap exposure on a project and for a counterparty before and after proposed transaction.

   iv. Market Net Termination Exposure – Termination exposure on a per transaction and per counterparty basis for all existing and proposed transactions.

   v. Notional Value – Total notional value of derivative products before and after proposed transaction.

b. Board of Supervisors Approval – When required, Board of Supervisors approval may be required.

III. Inappropriate Use of Derivative Products – SFPUC shall never enter into a derivative transaction for the following purposes or if certain conditions exist.

   a. For speculative purposes, including potential trading gains.

   b. To achieve extraordinary leverage.

   c. If liquidity is insufficient to protect against early termination.

   d. Insufficient price “transparency” wherein SFPUC is unable to reasonably value the instrument.
IV. Methods of Soliciting and Procuring Derivatives – Regardless of the method of procurement, the SFPUC shall obtain an independent finding that the terms and conditions of any derivative product entered into reflect a fair market value as of the date of its execution.

a. Competitive – SFPUC would pre-qualify prospective bidders and reserve the right to select one or more bidders for the transaction in addition to the winning bidder if deemed in SFPUC’s best interest.

b. Negotiated – SFPUC may determine that negotiating a transaction is in its best interest if:
   i. Due to size or complexity of the transaction, a negotiated process would result in the most favorable pricing or terms in which case an independent financial advisor would be assigned to assist in the process.
   ii. Doing so will advance SFPUC’s interests by encouraging and rewarding innovation and/or the substantial commitment of time and resources by a counterparty.

V. Counterparty Requirements

a. Minimum rating – At least one Aa3 or AA- from two rating agencies.

b. Minimum capitalization – $250 million or credit enhancement in one of the following forms:
   i. Contingent credit support or enhancement.
   ii. Collateral held by a 3rd party trustee and marked to market monthly.
   iii. Ratings downgrade triggers.

c. Demonstrated record –
   i. Successful track record and reputation for executing and performing derivative transactions.
   ii. Creating and implementing innovative ideas in the derivative market.

VI. Standard Terms for Swaps and Derivatives

a. Term – Consistent with the purpose for which the derivative product is used while taking into account the call dates for the related debt or obligation. In no event shall the term extend beyond the existing debt (or other obligation being hedged).

b. Events of default – An event of default by the counterparty shall lead to SFPUC having the option to terminate the agreement with the termination payment being calculated on the side of the bid-offered spread most beneficial to SFPUC. Events of default of a counterparty include:
   i. Failure to make payment when due.
   ii. Material breach of representations and warranties.
   iii. Failure to comply with downgrade provisions.
   iv. Failure to comply with any other provision of the agreement after a specified notice period.

c. Termination provisions
   i. Optional – All derivative transactions shall contain provisions granting the SFPUC the right to optionally terminate an agreement at any time over the term of the agreement.
   ii. Mandatory – A termination payment to or from the SFPUC may be required in the event of termination of an agreement ONLY in the case of credit-related and non-payment events. Prior to entering into an agreement or making any such termination payment, as appropriate, SFPUC shall evaluate whether it would be financially advantageous for the SFPUC to enter into a replacement transaction as a means of offsetting any such termination payment or obtaining insurance to
guarantee performance of the counterparty. Any termination payment due from the SFPUC shall be made from available SFPUC monies.

iii. Available liquidity - SFPUC shall consider the extent of the SFPUC’s exposure to termination payment liability in connection with each transaction, and the availability of sufficient liquidity to make any such payments that may become due.

iv. Cure provisions - Timelines on SFPUC’s obligations to cure must provide for adequate time to affect the cure.

v. Payment - Payments may be structured on a monthly, quarterly, semi-annual or annual basis.

vi. Security – The agreement shall identify the security attributable to the derivative.

vii. Collateral -

1. Required - The SFPUC shall require collateral or other credit enhancement to be posted by each counterparty if the credit rating of the counterparty or its guarantor falls below the “AA” category by two of the three nationally recognized rating agencies (Moody’s, Standard & Poor’s and Fitch).

2. Value –
   a. The amount of collateral posted shall be equal to the positive termination value of the agreement to the SFPUC.
   b. SFPUC will determine reasonable threshold limits for the initial deposit and for increments of collateral posted thereafter.

3. Features of Collateral –
   a. Cash, U.S. Treasury securities and U.S. Agency securities. The market value of the collateral shall be determined on at least a monthly basis.
   b. Deposited with a custodian, acting as agent for the SFPUC, or as mutually agreed upon between the SFPUC and the counterparty.
   c. The SFPUC shall determine on a case-by-case basis whether other forms of collateral are more beneficial to the SFPUC.

VII. Monitoring and Reporting - SFPUC shall report to the Commission at least annually and as requested

a. Agreements –
   i. A summary of each swap agreement, including but not limited to: the type of swap; the rates and dollar amounts paid by the SFPUC and received by the SFPUC; the rate and amounts that were required to be paid and received; and current market value.
   ii. Highlights of all material changes to the agreements or new agreements since the last report.
   iii. Sensitivity analysis with net impact to the SFPUC of a 25 basis point movement (up or down) in the appropriate swap index or curve.
   iv. Actual collateral posting by each counterparty, if any, under each agreement and in total by that counterparty.
   v. Information concerning any default by a counterparty under a swap agreement with the SFPUC, and the results of the default, including but not limited to the financial impact to the SFPUC, if any.
   vi. A summary of any agreements that were terminated.
vii. A summary of key terms of outstanding agreements, including notional amounts, interest rates, maturity and method of procurement.

viii. Values of early termination, shortening or lengthening the term to certain benchmarks, sale or purchase of options.

ix. Discussion of other risks associated with each transaction.

b. Counterparties –
   i. Full name, description and credit ratings of each counterparty and credit enhancer insuring payments, if any.
   ii. For each counterparty, the SFPUC shall provide the total notional amount position, the average life of each agreement, the available capacity to enter into a transaction, and the remaining term of each agreement.
   iii. Listing of any credit enhancement, liquidity facility or reserves and accounting of all costs and expenses associated with the credit enhancement, liquidity facility or reserves.
   iv. Aggregate marked to market value for each counterparty and relative exposure compared to other counterparties.
   v. Calculation of SFPUC’s net termination exposure for each counterparty.

c. Future transactions - A summary of any planned transactions and the projected impact of such transactions on the SFPUC.

VIII. Payments

a. Budgeting - Termination payment risk shall be determined annually and offset by a hedge or reserve to a predetermined limit.

b. Priority of payment –
   i. Swap payments - no greater than parity with obligation being hedged
   ii. Termination payments – If economically feasible, subordinate to related debt payments

c. Swap counterparty termination exposure limit –
   i. AAA Counterparties: $40 million maximum collateralized net termination exposure; $40 million maximum uncollateralized net termination exposure; $40 million maximum total net termination exposure
   ii. AA Counterparties: $40 million maximum collateralized net termination exposure; $10 million maximum uncollateralized net termination exposure; $40 million maximum total net termination exposure
   iii. Disclosure and documentation –
      1. Disclosure - Derivatives will be disclosed in the related Official Statement, if relevant, and in the SFPUC’s annual financial statements in accordance with generally accepted accounting principles and in the Annual Disclosure Report.
      2. Documentation – Each transaction must utilize International Swaps and Derivative Association approved documents.
## Summary of Disclosure & Information Dissemination Requirements – June 2012

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>SOURCE</th>
<th>OBLIGATION</th>
<th>RECIPIENT</th>
<th>DUE</th>
</tr>
</thead>
</table>
| •All Water Bonds  
•All Wastewater Bonds | Indenture  
•Section 6.07  
•Section 6.08 | •Audited Financials  
•No Default Certificate  
•Annual Budget | Bondholders via Trustee | • Water November 30  
• Wastewater January 30 |
| •All Water Bonds  
•All Wastewater Bonds | Continuing Disclosure Certificates | Annual Disclosure Report  
Include for Water:  
•audited financials  
•outstanding debt  
•water sales  
•WSIP budget and spending summary  
•status of WSIP projects  
•rate increases  
•historical financials/coverage  
Include for Wastewater:  
•audited financials  
•outstanding debt  
•sewer rates  
•sewer accounts by type  
•historical financials/coverage | Bondholders via EMMA, SFPUC Financial Management, CCSF Senior Managers | March 31 |
| •All Water Bonds  
•All Wastewater Bonds  
•Water and Wastewater CP | Moody’s Credit Report | Annual financial and statistical information for Water and Wastewater | Moody’s Rating Analyst | Annually |
| •All Water Bonds  
•All Wastewater Bonds  
•Water and Wastewater CP | Standard & Poor’s Credit Report | Annual audits and budgets and quarterly progress reports on projects for Water and Wastewater | S&P Rating Services | Annually |
| •All Water Bonds  
•All Wastewater Bonds  
•Water and Wastewater CP | Indenture  
Section 5.03 | WSIP Quarterly Report | Trustee | September 30 |
| •Water 2006B  
•Water 2006C | Financial Guaranty Agreement(s)  
Section 2.06 (a)-(c) | •Quarterly financials (if available)  
•Audited financials  
•Compliance Certificate | Syncora Guarantee, fka XL Capital (Surety) | •w/in 90 days  
•w/in 180 days  
•Annually |
| •Water 2002A  
•Water 2002B  
•Wastewater 2003 | Indenture Section 15.10 and 16.10  
Indenture Section 2.10 | Audited Financials | National Public Finance Guarantee Corporation, fka MBIA (Insurance) | Annually |
| •Water 2002A  
•Water 2002B | Financial Guaranty Agreement(s)  
Section 2.06(a)-(d) | •Quarterly financials (if available)  
•Audited financials  
•Compliance Certificate | National Public Finance Guarantee Corporation, fka MBIA (Surety) | •w/in 90 days  
•w/in 180 days  
•Annually |
| State Water Resources Control Board Loans | Per agreement between Bill Berry and SWRCB | Audited Financials and Historical financials for Wastewater | SWRCB | December 31 |
| Water Commercial Paper | Letter of Credit Agreement Section 5.02 | •Audited Financials  
•No Default Certificate  
•Annual Budget | Bank of America | •December 31  
•December 31  
•45 days from adoption |
| Water and Wastewater Commercial Paper | Liquidity Facility Agreements Section 7.1 | •Audited Financials  
•Annual Budget  
•Water Bond Final OS | JP Morgan  
US Bank  
Bank of Tokyo Union Bank | •December 31  
•December 31  
•w/in 10 days |
| Water and Wastewater Commercial Paper | Dealer Agreement Section 8 | Annual Disclosure Report for Water  
•Water Bond Final OS | Dealers | •March 31  
•w/in 30 days |
| Power CREBs and QECBs | Lease/Purchase Agreement Section 2.01 | •Audited Financials  
•Annual Budget | Bank of America | |
Appendix E – FY 2011-12 Strategic Sustainability Plan Performance Results

Performance Profile and Scoring

Normalizing Results

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

For example, the amount of water distributed by the SFPUC is a driver that has a direct impact on the energy use of the organization. Thus, when looking at efficiency measures, for instance, data can be presented as energy use per million gallons of water delivered. Normalizing data enables trends to be seen over time as they hold the variable operating factors constant.

Performance Scale and Scoring

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

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

<table>
<thead>
<tr>
<th>Scoring Criteria</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Via Peers</td>
<td>Negative impact</td>
<td>No impact / Average</td>
<td>Positive impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Via Self</td>
<td>Doesn’t meet requirements</td>
<td>Meets requirements</td>
<td>Exceeds requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baseline</td>
<td>Doesn’t meet requirements</td>
<td>Baseline data without a standard or best practice will = neutral score of 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Practice</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doesn’t meet best practice</td>
<td>Meets best practice</td>
<td>Exceeds best practice</td>
<td>Leads best practice</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note that the term “average” reflects a score of 3. In this report, “average” does not refer to an industry average, but rather to average performance levels based on this relative scale from 1 to 5. When describing performance levels, therefore, SFPUC may use the phrase “below average” for scores less than 3 and the phrase “above average” for scores above 3.

For a qualitative indicator that requires a subjective evaluation of performance, SFPUC assumes that enough information is available to provide a basis for an assessment and score. An example is the following: GM1.4 “Management is held accountable for project and division performance through audits and performance reports”. In this example, we compare to, or benchmark against, SFPUC’s 2010-2011 report data and 2005–2006 baseline to determine whether there has been an improvement in performance toward the objective to drive accountability and transparency.

In a case where SFPUC is assessing data for the first time or for which there is no appropriate industry standard or existing trend data, we use this initial data to establish a baseline. As we have in the past, we typically assign the result a neutral score of 3 with the expectation that in future years the SFPUC can use the results to determine if performance is improving from the baseline year.
Sample of FY 2011-12 Performance Data

The following is a sample of our Fiscal Year 2011-2012 performance data. Complete results, analyses, evaluation, benchmarking and scores, including our one-page performance profile, are due for publication in late November and will be posted on our website at www.sfwater.org/sustainability.

Customers (CR)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CR 1.2:</strong> Average Wholesale Customer Satisfaction *Based on latest survey (2007-08)</td>
<td>4.5 (on a scale of 1 to 5)</td>
</tr>
<tr>
<td><strong>CR 3.3:</strong> Percent of customers that are metered</td>
<td>100% of water customers (wholesale and retail) and 91% of power customers are metered.</td>
</tr>
<tr>
<td><strong>CR3.4:</strong> Meter reading accuracy for water</td>
<td>0.0004% reading errors/1000 meter reads</td>
</tr>
</tbody>
</table>
| **CR 5.1:** Average residential water, wastewater & power bill as a percent of median income in San Francisco | 2.18% = combined water, wastewater & power  
  (0.69=water; 0.49%=sewer; 1.00%=power)                                                  |
| **CR6.3:** Rate and fee structure for water and wastewater reflect cost of service (including funding capital investment, O&M and contribution to reserve) | 100%                                                                                   |
### Community (CY)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 3.2: Number of procured construction hours worked that meet green job component requirements</td>
<td>44,903 hours</td>
</tr>
<tr>
<td>CY 3.3: Percent of procured hours worked through community based employment</td>
<td>7.30% hours WSIP; 9.00% hours Non-WSIP</td>
</tr>
</tbody>
</table>
| CY 4.1: | a: 44.23 % percent = new visits  
2) 21% increase in digital Currents subscriptions  
b:100% projects had early stakeholder input/education  
c:CAC full - 9 meetings; total attendance: 100 confirmed attendance;  
Bay Area Water Stewards - 4 meetings held, total attendance 56; 
Revenue Bond Oversight Committee - 22 meetings held, - 6 members at each meeting/total attendance 132 |

### Environment & Natural Resources (EN)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN 6.1: Total amount of water sold per capita to San Francisco residential customers (in gallons per day)</td>
<td>50.3 gallons per capita per day</td>
</tr>
<tr>
<td>EN 8.2: Percent of total water supplied by alternative sources to retail customers</td>
<td>3% (groundwater and recycled water)</td>
</tr>
<tr>
<td>EN 9.4: Percent of sludge going to reuse or recycling</td>
<td>100%</td>
</tr>
<tr>
<td>EN 10.1: Number of days that water quality bacteria levels do not meet EPA requirements as a result of sewer overflows</td>
<td>0</td>
</tr>
<tr>
<td>EN 13.2: Percent of electricity supplied from emissions-free and/or renewable sources</td>
<td>93.0%</td>
</tr>
</tbody>
</table>
| EN 17.3: a: 100%  
b: 95% |
| EN 19.2: Percent of SFPUC waste in San Francisco diverted from landfill (excluding biosolids) | 76.33% |
### GOVERNANCE & MANAGEMENT (GM)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GM 1.1:</strong> Percent of current services meeting level of service goals for Water</td>
<td>1) 100%</td>
</tr>
<tr>
<td>1) Percent of deliveries met in drought years (water supply)</td>
<td>2) 50%</td>
</tr>
<tr>
<td>2) Percent of deliveries met after seismic events after 24 hours and 30 days (seismic)</td>
<td>3) 60%</td>
</tr>
<tr>
<td>3) Percent of deliveries met after planned and unplanned outages (reliability/maintenance)</td>
<td></td>
</tr>
<tr>
<td><strong>GM 1.2:</strong></td>
<td>a: 2 incidents of non-compliance occurred; 1 fine was issued &amp; paid (Cal/OSHA); 0 incidents occurred of non-monetary sanctions for non-compliance</td>
</tr>
<tr>
<td>a: Incidents of, and fines or non-monetary sanctions for, non-compliance with applicable laws and regulations</td>
<td>b: Drinking water quality compliance rate (days in full compliance)</td>
</tr>
<tr>
<td>b: Drinking water quality compliance rate (days in full compliance)</td>
<td>b: 100% (365 days in full compliance)</td>
</tr>
<tr>
<td><strong>GM 4.4:</strong> Percent of power supplied vs. forecasted</td>
<td>99%</td>
</tr>
<tr>
<td><strong>GM 5.3:</strong> Percent of organization integrating Enterprise Risk Management (ERM) into sustainability &amp; operational planning, management &amp; decisionmaking</td>
<td>18.5% of entire organization (includes 100% of business services &amp; contracts administration employees)</td>
</tr>
<tr>
<td><strong>GM 6.1:</strong> Develop SFPUC-wide strategic security plan</td>
<td>Contact in place and task order in place to begin planning work with Consultant CH2MH</td>
</tr>
<tr>
<td><strong>GM 6.3:</strong> Annual review/update completed of SFPUC EOP</td>
<td>Done</td>
</tr>
</tbody>
</table>
## Infrastructure & Assets (IA)

### Key Performance Indicator

<table>
<thead>
<tr>
<th>IA 2.1: Lost time incident rate for procured construction hours</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost time rate is 0.7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IA 2.3: Percent of projects completed within the program budget</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) 75% Water System Improvement Program (WSIP)</td>
<td></td>
</tr>
<tr>
<td>2) 100% Waste Water Capital Improvement program (WWECIP)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IA 4.1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a: Percent of assets by value covered by asset management plan</td>
</tr>
<tr>
<td>b: Percent of assets with a risk ranking</td>
</tr>
<tr>
<td>c: Percent of assets with risk ranking of 4 or 5 covered by an asset management plan</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>IA 5.1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a: Preventive maintenance ratio for Water</td>
</tr>
<tr>
<td>b: Preventive maintenance ratio for Wastewater</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IA 5.3:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a: System renewal and replacement rates for Water (miles &amp; percent)</td>
</tr>
<tr>
<td>b: System R&amp;R for Wastewater (miles)</td>
</tr>
</tbody>
</table>
Work Place (WP)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WP 3.2</strong>: Percent of satisfaction among current employees (Bi-annual survey)</td>
<td>54.90%</td>
</tr>
<tr>
<td><strong>WP 6.3</strong>: Percent of first choice candidates accepting a position at SFPUC</td>
<td>91.60%</td>
</tr>
<tr>
<td><strong>WP 8.1</strong>: Average hours of training per year per employee broken down by employee category</td>
<td>16.38 hours eLearning pilot completed</td>
</tr>
<tr>
<td><strong>WP 9.1</strong>: Percent of staff expected to retire within 5 years. Identification of at-risk classifications &amp; percent for which succession plan has been developed.</td>
<td>43.35% Mapping of at-risk job categories &amp; formal succession planning not completed; competency model consultants selected.</td>
</tr>
</tbody>
</table>
Glossary of Terms

**Accrual Basis of Accounting**
A method of accounting in which all assets and liabilities associated with its operations is included on the statement of net assets; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

**Advanced Metering Infrastructure (AMI)**
A system that collects, measures, and analyzes energy usage; includes hardware, software, communications, customer associated systems and meter data management software.

**American Recovery and Reinvestment Act (ARRA)**
The ARRA, or the Stimulus or The Recovery Act, is an economic stimulus package enacted by the United States Congress in February 2009 and signed into law on February 17, 2009, by President Barack Obama. The primary objective for ARRA was to save and create jobs almost immediately; and secondary objectives were to provide temporary relief programs for those most impacted by the recession and invest in infrastructure, education, health, and ‘green’ energy. (source: Wikipedia)

**Annual Appropriation Ordinance (AAO)**
Upon approval, this document is the legal authority for the City to spend funds during the fiscal year. It contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund.

**Annualization**
New positions for the fiscal year are budgeted at 0.77 FTE, to adjust for time the employee is actually on the payroll in the fiscal year, since the recruitment process takes approximately three months. New positions are annualized in the following fiscal year at 0.23 FTE, to reflect on-going salary costs for a full year.

**Assistant General Manager (AGM)**
Supports the General Manager of the SFPUC as principal members of the senior management team: Business Services, External Affairs, Infrastructure, Power Enterprise, Water Enterprise, and the Wastewater Enterprise.

**Assurance and Internal Controls (AIC)**
A Bureau in Business Services Administration. AIC provides and facilitates quality assurance oversight, risk management, internal controls, policies and procedures review and business process improvement programs for operational and financial transactions/processes, with the objective to minimize process inefficiencies and control deficiencies to mitigate financial risks.

**Attrition Savings**
Attrition Savings is the anticipated amount of salaries that will not be expended due to normal attrition.

**Auxiliary Water Supply System (AWSS)**
A system of mains and 1889 High Pressure Fire Hydrants, independent of the domestic water supply built solely for the purpose of firefighting. The system is supplied with fresh water, by gravity, from a reservoir and two tanks located at high elevation in the City.

**Balanced Budget**
The Constitution of the State of California requires all cities to adopt a balanced budget wherein revenues must match expenditures.
Bay Area Water Supply and Conservation Agency (BAWSCA)
BAWSCA represents the interests of 27 suburban wholesale that purchase water wholesale from the San Francisco regional water system. These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties.

Bay Delta Conservation Plan (BDCP)
The Bay Delta Conservation Plan (BDCP) is being prepared by a group of local water agencies, environmental and conservation organizations, state and federal agencies, and other interest groups, in compliance with the Federal Endangered Species Act (ESA) and the California Natural Communities Conservation Planning Act (NCCPA). When complete, the BDCP will provide the basis for the issuance of endangered species permits for the operation of the state and federal water projects, and will be implemented over the next 50 years.

Board of Supervisors (BOS)
The Board of Supervisors is the legislative branch of the City and County of San Francisco. The Board consists of 11 members. Each member is elected on a non-partisan basis from a district where he or she lives. The Board is responsible for amending and approving the SFPUC's proposed budget. The Board's Budget Analyst also participates in reviews of City spending and financial projections.

Budget and Finance Committee
The Budget and Finance Committee of the Board of Supervisors is referred appropriation ordinances, and measures concerning bond issues, taxes, fees and other revenue measures, redevelopment, and real estate. The Committee is also referred the annual appropriation and annual salary ordinances, and holds a public hearing on the Mayor's budget instructions to City departments for each annual City budget after the instructions are released.

Build America Bonds (BABs)
This is a tax credit or direct payment subsidy bond for municipal capital projects.

Bureau of Economic Analysis (BEA)
The BEA is an agency of the Department of Commerce, and along with is part of the Department's Economics and Statistics Administration. It produces economic accounts statistics that allow government and business decision makers, researchers, and the American public, to follow and understand the performance of the Nation's economy. The BEA collects source data, conducts research and analysis, develops and implements estimation methodologies, and disseminates statistics to the public.

California Building Code (CBC)
The California Building Standards Code is the building code for California, and title 24 of the California Code of Regulations (CCR). It is a maintained by the California Building Standards Commission.

California Energy Commission (CEC)
The California Energy Commission has responsibility for activities that include forecasting future energy needs, promoting energy efficiency appliance and building standards, and supporting renewable energy technologies.

California Environmental Quality Act 1970 (CEQA)
The California Environmental Quality Act is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

California Public Utilities Commission (CPUC)
The California Public Utilities Commission is an administrative agency that exercises both legislative and judicial powers. The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and
reasonable to both customers and shareholders of the utilities. The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources.

**Capital Improvement Program (CIP) (Annual CIP)**
The Capital Improvement Program is supported by the Ten-Year Capital Plan and Ten-Year Financial Plan. The SFPUC’s CIP includes projects for renewal and replacement (R&R) to the three Enterprises’ various facilities, and includes upgrades to improve water efficiency, power infrastructure, and sewage treatment facilities. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided under the San Francisco City Charter to finance the SFPUC’s capital programs. The repayment of this indebtedness is provided for under the annual rates and revenues of the particular Enterprise that incurs the debt, categorized as debt service in the budget.

**Capital Planning Committee (CPC)**
The legislation creating the Ten-Year Capital Plan created the Capital Planning Committee (CPC). This body is chaired by the City Administrator and consists of the President of the Board of Supervisors, the Mayor’s Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Through a series of meetings, the Capital Planning Committee reviews proposals, staff recommendations, and documents toward the development of a City-wide capital plan and annual capital budget. Furthermore, the Committee establishes prioritization and assessment criteria to assist the City Administrator and staff in developing the capital plan.

**Capital Planning Program (CPP)**
The Capital Planning Program is responsible for the development and implementation of the City and County of San Francisco’s ten-year capital plan and its annual capital budget. The program reviews and analyzes infrastructure needs and facility conditions, evaluates capital project requests, reports on existing capital projects, and establishes financing strategies to meet the City’s long- and short-term capital needs. The mission of the Capital Planning Program is to develop and implement a sustainable plan for the long-term safety, accessibility and modernization of San Francisco’s public infrastructure and facilities.

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

**Carryforwards**
Outstanding budget commitments at the end of the fiscal year funded out of the operating budget, that are authorized to be carried over and expended during the following fiscal year.

**Certificates of Participation (COP)**
An instrument evidencing a pro rata share in a specific pledged revenue stream, usually lease payments by the issuer that are subject to annual appropriation. The certificate generally entitles the holder to receive a share, or participation, in the lease payments from a particular project. The lease payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and lease payments to a trustee, which then distribute the lease payments to the certificate holders.
Chemical Oxygen Demand (COD)
This is one of the determinants of wastewater rates for nonresidential customers.

City and County of San Francisco (CCSF)
The City and County of which the SFPUC is an Enterprise Department, governed by the Mayor and Board of Supervisors.

City Distribution Division (CDD)
The City Distribution Division is a division of the Water Enterprise. It distributes high quality treated water to San Francisco customers. The Division maintains the water distribution system within the City, which consists of 13 reservoirs, 20 pumping stations, a network of approximately 1,300 miles of pipeline and 12,000 water valves.

Clean Renewable Energy Bonds (CREBs)
CREBs are bonds used to fund the solar photovoltaic projects included in the Hetch Hetchy Water and Power budget as debt service. CREBs are a form of tax credit bond in which interest on the bonds is paid in the form of Federal tax credits by the United States government in lieu of interest paid by the issuer. Created under the Energy Tax Incentives Act of 2005, CREBS can be used, among other entities, by local governments, to finance certain renewable energy and clean coal facilities.

Clean Water Act
The Clean Water Act establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters.

Commercial Paper (CP)
Used as a financing strategy that utilizes short-term financing to calibrate financing needs with project spending. The CP program facilitates short-term financing typically at lower interest rates than longer-term debt, which minimizes costs.

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.

Comprehensive Annual Financial Report (CAFR)
A set of government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements—generally accepted accounting principles—promulgated by the Financial Accounting Standards Board.

County-Wide Cost Allocation Plan (COWCAP)
The County-Wide Cost Allocation Plan is developed annually by the Controller’s Office and calculates the overhead rate charged to each department for its share of City-wide overhead costs, such as payroll, accounting, and operations.

Cubic Feet (Ccf)
The billing unit for water and wastewater bills, where 1 Ccf=100 cubic feet=748 gallons. The average single-family residence uses about 51 gallons per person per day versus the California State-wide average of 155 gallons per day per capita.

Debt Service
Debt service is principal and interest payments on revenue bonds, State Revolving Fund loans used to finance system improvements, repayments on loans, and financing for Clean Renewable Energy Bonds.
Department of General Services (DGS)
DGS serves as business manager for the State of California. DGS provides a variety of services to State agencies through innovative procurement and acquisition solutions, creative real estate management and design, state-of-the-art telecommunications, environmentally friendly transportation, and funding for the construction of safe schools.

Enterprise Fund
Enterprise funds account for financial operations that are operated in a manner similar to private businesses. Enterprise costs of providing goods or services to the general public are recovered primarily through user charges.

Environmental Protection Agency (EPA)
The EPA is an agency of the United States federal government, created to protect human health and the environment by writing and enforcing regulations based on laws passed by Congress.

Equipment
Equipment has a value greater than $5,000, and a useful life of three years or more, such as vehicles and software, or other heavy equipment.

Fats, Oils, and Grease (FOG)
The SFPUC Water Pollution Prevention Program has materials that can assist businesses in properly managing their fats, oils and grease wastes; FOG can be a major problem for San Francisco’s sewers and for the Bay and Ocean that surround San Francisco, because when not disposed of properly, FOG forms thick layers inside sewers and constricts flow.

Federal Energy Regulatory Commission (FERC)
The Federal Energy Regulatory Commission is the United States federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing, and oil pipeline rates. FERC also reviews and authorizes liquefied natural gas (LNG) terminals, interstate natural gas pipelines and non-federal hydropower projects.

Financial Accounting Standards Board (FASB)

Fiscal Year (FY)
San Francisco’s fiscal year is from July 1st to June 30th.

Full-Time Equivalents (FTE)
An FTE is one or more employees who cumulatively work 40 hours per week.

Fund Balance
Fund Balance is used to balance annual revenue and expenditure amounts. It is budgeted when expenditures exceed revenues.

General Fund
The General Fund is a source of discretionary spending and funds many of the basic municipal services in the City and County of San Francisco such as public safety, health and human services and public works. Primary revenue sources include local taxes such as property, sales, payroll and other taxes.
General Reserves
General Reserves are budgeted to balance annual revenue and expenditure amounts. It is budgeted when revenues exceed expenditures.

GoSolarSF Program
The GoSolarSF Program was developed by the San Francisco Solar Task Force to encourage the installation of photovoltaic systems on residents and businesses within the City. The GoSolarSF solar incentive program was approved by the San Francisco Public Utilities Commission in January 2008. The Board of Supervisors passed ordinances establishing a long-term Solar Energy Incentive Program and a Solar Energy Incentive Pilot Program in June 2008. The program was launched on July 1, 2008.

Governmental Accounting Standards Board (GASB)
The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. State and local governments.

High Pressure Sodium Vapor (HPSV)
It is a high intensity discharge type of lamp that burns out after two to three years. It produces light by passing electricity through gas, causing the gas to glow. Mercury vapor lamps, metal halide lamps, and high-pressure sodium are examples of lamps using this technology.

Information Technology Services (ITS)
Information Technology Services is a Bureau in Business Services, that provides high quality, proficient and reliable information technology services to all SFPUC Enterprises and Bureaus.

Interest Income
Revenue earned by an Enterprise for its cash investments.

Interim Capital Improvement Program (Interim CIP)
The SFPUC launched the Wastewater Enterprise Interim Capital Improvement Program (Interim CIP) to address the immediate needs of San Francisco’s wastewater system. These special projects are aimed at reducing flood risk, reducing wastewater odors, and improving treatment facilities. Interim CIP projects are funded through your wastewater service charges.

Key Performance Indicators (KPI)
Financial and non-financial metrics used to quantify objectives to reflect strategic performance of an organization.

Kilovolt (kV)
This is a measure of the potential energy of a unit charge at a given point in a circuit relative to a reference point.

Laboratory Information Management System (LIMS)
A software-based laboratory and information management system that offers key features to support a modern laboratory’s operations, including workflow and data tracking support, flexible architecture, and smart data exchange interfaces.

Leadership in Energy and Environmental Design (LEED)
LEED stands for Leadership in Energy and Environmental Design and was developed by the U.S. Green Building Council (USGBC) to set a benchmark for design, construction, and operation of high-performance green buildings.
**Light-Emitting Diode (LED)**
LED is a new solid-state lighting technology that offers better lighting performance and energy efficiency. Light is emitted from clusters of diodes, which direct light. The fixture lasts for 15 years.

**Low-Impact Design (LID)**
Green stormwater management technologies that can help mitigate the effects of urbanization on stormwater. This technology and design mimics natural watershed processes by replicating pre-existing hydrologic site conditions. LID directs runoff to natural vegetated systems, such as landscaped planters, swales and gardens that reduce, filter or slow stormwater runoff. Strategic placement of this system can help mitigate the impacts of impervious surfaces and in some cases increase the level of service provided by the traditional sewer pipes.

**Materials and Supplies**
A part of the operating budget that includes maintenance, safety, fuel, office supplies, and other miscellaneous materials and supplies for the maintenance and operations of an Enterprise.

**Maximo**
An asset management software that provides information on Enterprise assets.

**Megawatt Hour (MWh)**
A unit of measurement for energy that is often used to describe an amount of electricity.

**Million Gallons per Day (mgd)**
Unit of measurement for gas or liquid flow rates, means millions of gallons per day.

**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 SFPUC normally liquidates the related liability rather than when the liability is first incurred, if earlier.

**National Fire Protection Association (NFPA)**
The mission of the international nonprofit NFPA is to reduce the worldwide burden of fire and other hazards on the quality of life by providing and advocating consensus codes and standards; research, training and education.

**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**
Services including maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of an Enterprise.

**Non-Residential Sewer Service Charges**
For non-residential customers, the sewer service charge is calculated based on the volume wastewater discharged and the pounds of pollutants contained in that discharge. The charges for customers with sampled discharges are billed based on their specific waste characteristics. Other customers are billed based on the standard waste characteristics for their respective business activity. In addition to the costs shared with residential
customers, all non-residential customers are responsible for the costs of the Wastewater Enterprise’s pretreatment program.

**North American Electric Reliability Corporation (NERC)**  
The electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission 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.

**Oils and Grease (O/G)**  
One of the determinants of wastewater rates for nonresidential customers.

**Operating Transfers Out**  
On-going operating payments between Enterprise funds.

**Operations and Maintenance (O&M)**  
Includes budgets for Personnel, Overhead (or COWCAP), Non-Personnel Services, Materials and Supplies, Equipment, and Services of Other Departments.

**Other Non-Operating Revenues**  
Revenues from other sources, including rent, permit fees, sale of property, custom work, and reimbursements.

**Pacific Gas & Electric (PG&E)**  
Incorporated in California in 1905, Pacific Gas & Electric is a natural gas and electric utilities company, with a service area from Eureka in the north to Bakersfield in the south, and from the Pacific Ocean in the west to the Sierra Nevada in the east. The company is based in San Francisco.

**Pass-through**  
A pass-through is when the budget and/or expenditures are off-set by a like amount in revenues.

**Personnel**  
Labor for SFPUC’s full-time, temporary, and projected-funded employees, and related benefits.

**Photovoltaic (PV) Projects/Systems**  
Projects that involve the conversion of solar energy into electricity. Design-build photovoltaic projects underway in Hetch Hetchy Power include Ways and Structures, Woods Coach, Chinatown Public Health Center, City Hall (part of the Sustainable Energy District), and Davies Symphony Hall.

**Pretreatment and Pollution Prevention (P2)**  
Programs to ensure regulatory compliance in wastewater collection systems; they focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: Street Sweeping, Fats, Oils & Grease (FOG), Mercury Reduction Program, Pesticides/Integrated Pest Management (IPM), and Storm Water P2 Program/Construction Runoff Control.
Proceeds from Debt
Refers to what is received through the issuance of bonds, loans, or other borrowings.

Programmatic Projects
Programmatic projects are annual projects that close-out at the end of the fiscal year. Programmatic projects capture operating expenses; costs will not result in a capitalized asset.

Proposition A (2002)
Approved by voters in November 2002, authorizes the SFPUC, subject to Board of Supervisors approval, to issue up to $1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City's water system.

Proposition A (2009)
Approved in November 2009, this Proposition amended the City Charter to require the City to transition to a two-year budget cycle by FY 2012-13. The SFPUC is one of four early implementation departments that adopted a two-year budget for FY 2010-11 and FY 2011-12, and adopted their first biennial budgeted for FY 2012-13 and FY 2013-14

Proposition E (2002)
Approved by voters in November 2002, authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors.

Proposition P (2002)
Approved by voters in November 2002, created the Revenue Bond Oversight Committee, to review anticipated bond sales at least 30 days in advance of the issuance of the proposed financing transaction, including details with respect to amount, timing, and purpose of the issuance. (Sec. 5A.30-36, Proposition P, approved by voters, November 2002)

Qualified Energy Conservation Bonds (QECB)
A tax credit bond specifically targeting energy conservation and green programs.

Rate Fairness Board (RFB)
The RFB was established with the passage of Proposition E, approved by San Francisco voters on November 5, 2002. The RFB advises the SFPUC on water and sewer rate matters. Its specific duties are: Annual review of a five-year rate forecast; hold one or more public hearings on annual rate recommendations before the SFPUC Commission adopts rates; provide a report and recommendations to the SFPUC on the rate proposal and; in connection with periodic rate studies, submit to the SFPUC rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

Renewal and Replacement (R&R)
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.

Residential Sewer Service Charges
Includes single-family residential and multiple-family residential customers, allowing rates to be designed to reflect the particular usage characteristic of each group of residential customers. The sewer service charge applicable to residential service is an inclining block
rate structure. The first block is applied to first three units of monthly discharge per dwelling unit. All remaining units are billed at a higher rate. For multiple family residential accounts, the billable use in each block is calculated by multiplying the allowed use by the number of dwelling units.

**Retail Water Sales**
Consists of rate schedules that include City and Suburban Retail rates. City Retail Rates include general rates - single-family residential, multiple-family residential, and commercial (industrial). These rates consist of a monthly service charge based on meter size and a two-step commodity charge for single- and multiple-family residential customers, and meter size and a uniform commodity charge for commercial (industrial) customers. Suburban retail rates include rate schedules for use outside of San Francisco.

**Sale of Electricity**
Revenues from power sales 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 Hetch 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 International Airport (SFO)**
San Francisco’s international airport, serving domestic and international passengers.

**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)**
An Enterprise Department of the City and County of San Francisco. 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**
The budget category for residential and non-residential sewer service charges to the SFPUC’s customers.

**Sewer System Improvement Program (SSIP)**
A major focus of the Wastewater Enterprise, the SSIP is a long-term capital plan that provides strategies and policies for the future. The San Francisco Sewer System Improvement Program objectives are to: develop a long-term vision and strategy for the management of the City’s wastewater and stormwater; provide a detailed capital planning roadmap for improvements needed; estimate the funds to implement these improvements; address specific challenges facing the system; and maximize system reliability and flexibility.

**SFPUC Commission**
The five Commissioners of the San Francisco Public Utilities Commission are appointed by the Mayor and serve four-year terms. The Commission is responsible for determining such matters as the rates and charges for services, approval of contract, and organizational policy.
Strategic Sustainability Plan (SSP)
The SSP provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of the SDFPUC’s business activities.

Supervisory Control and Data Acquisition (SCADA)
A system that collects data from various sensors at a factory, plant or in other remote locations and then sends this data to a central computer, which then manages and controls the data.

Ten-Year Capital Plan
The City and County of San Francisco requires, through the City’s Administrative Code, the annual creation of a Ten-Year Capital Plan for City-owned facilities and infrastructure. Under the authority of the City Administrator, the Capital Planning Program prepares the plan and presents it to the Capital Planning Committee (CPC) for their review. The CPC completes its review of the capital plan by March 1 and presents it to the Board of Supervisors (BOS). The BOS must adopt the capital plan by May 1.

Ten-Year Financial Plan
The Ten-Year Financial Plan is a planning document as required by the City and County of San Francisco, that includes a ten-year financial summary for each Enterprise, describing projected sources and uses, resulting fund balances and associated financial reserve ratios.

Total Suspended Solids (TSS)
A water quality measurement that serves as one of the determinants of wastewater rates for nonresidential customers.

Transmission & Distribution (T&D)
These are transmission and distribution lines that move electricity from the upcountry powerhouses to the San Francisco Bay Area.

Treasure Island (TI)
The Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power 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 Quality Division (WQD)
The Water Quality Division is a division of the Water Enterprise. The mission of the Water Quality Division is to ensure that the SFPUC complies with all current and future water quality regulations and customer expectations through sampling and laboratory analyses,
process engineering, applied research, inspections, field service oversight, regulatory reporting and support to treatment plant operations.

**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 Supply & Treatment (WS&T)**
A division of the Water Enterprise, WS&T maintains watershed lands and reservoirs, water treatment procedures and facilities, and water transmission facilities.

**Water System Improvement Program (WSIP)**
The SFPUC, together with its 27 wholesale customers, 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 will reinforce vulnerable portions of the system to withstand an earthquake 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 Systems Power Pool (WSPP)**
An agreement and an organization that creates power trading opportunities and allows WSPP members to manage power delivery and price risk.

**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.
ADOPTED BUDGET
FY 2012-13 & FY 2013-14
SAN FRANCISCO PUBLIC UTILITIES COMMISSION
A Department of the City and County of San Francisco, California