

SFPUC 23-24 Operating Budget midcycle changes and Capital Budget

June 14, 2023



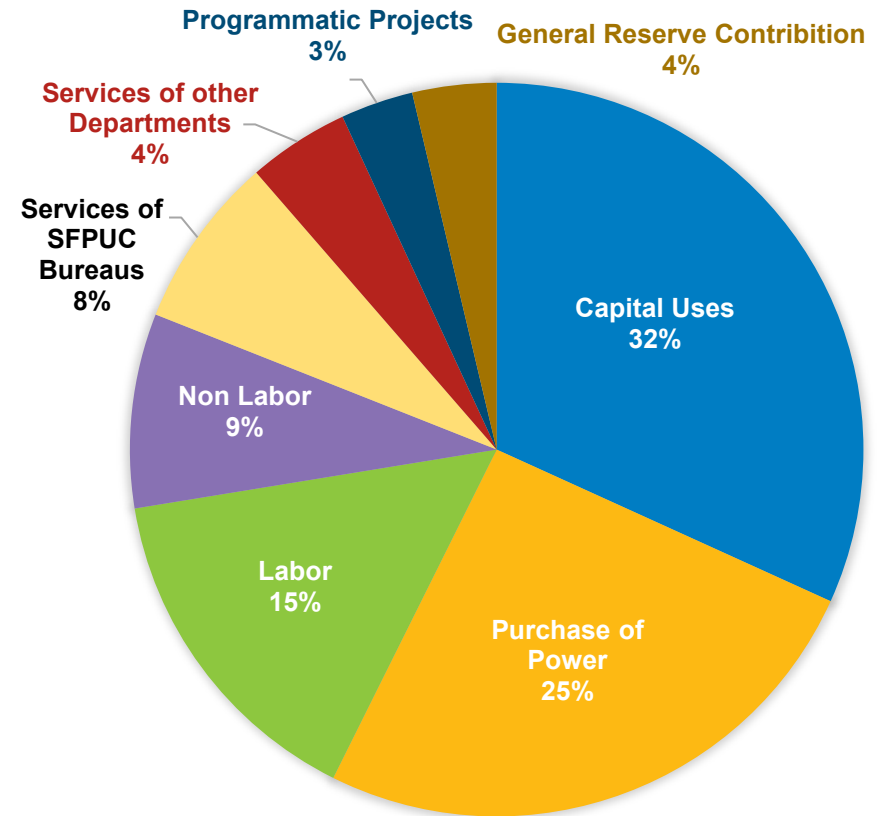
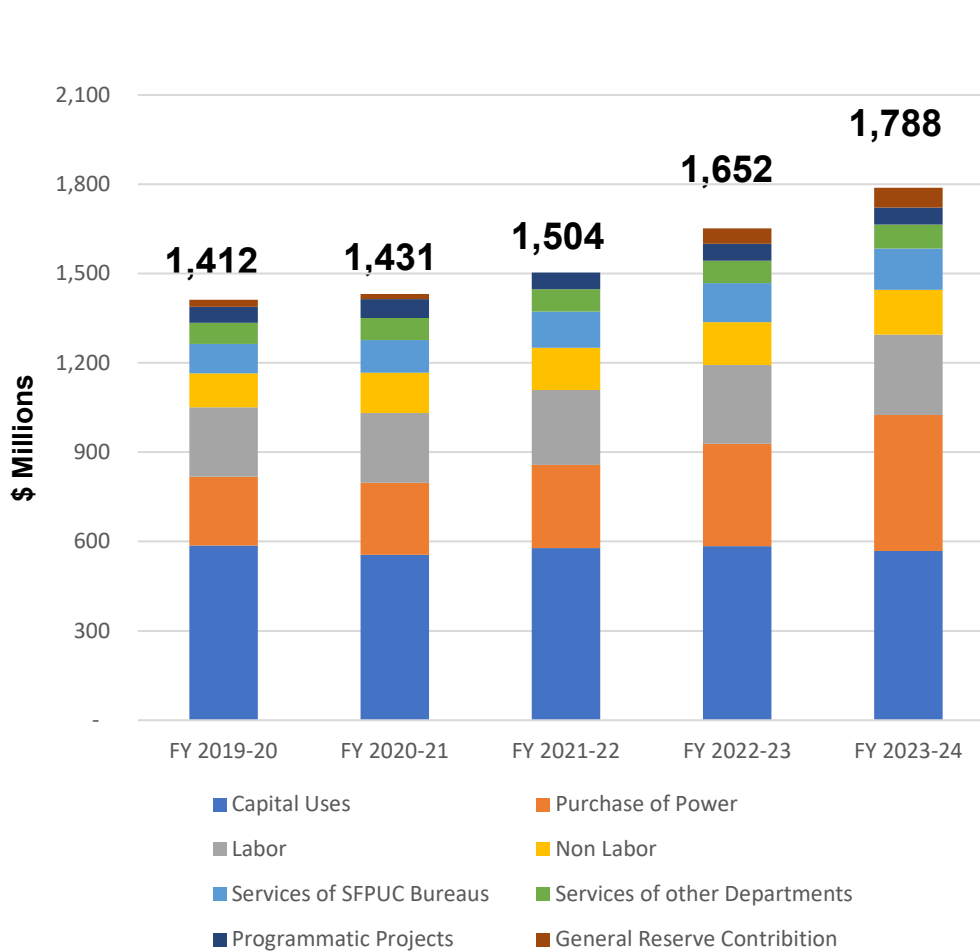
San Francisco
**Water
Power
Sewer**



Budget Update

- Fixed 2-year operating budget was adopted last year. Now making minimal mid-cycle changes
- Last year we only adopted a 1-year capital budget so we could work intensively on rightsizing our capital plan for ratepayer affordability and deliverability
- That work is done, and we reduced our capital plan by over \$1 billion
- Asking for approval of FY 23-24 Capital Budget

Operating Budget Overview



FY 2023-24



Midcycle Operating Budget Changes

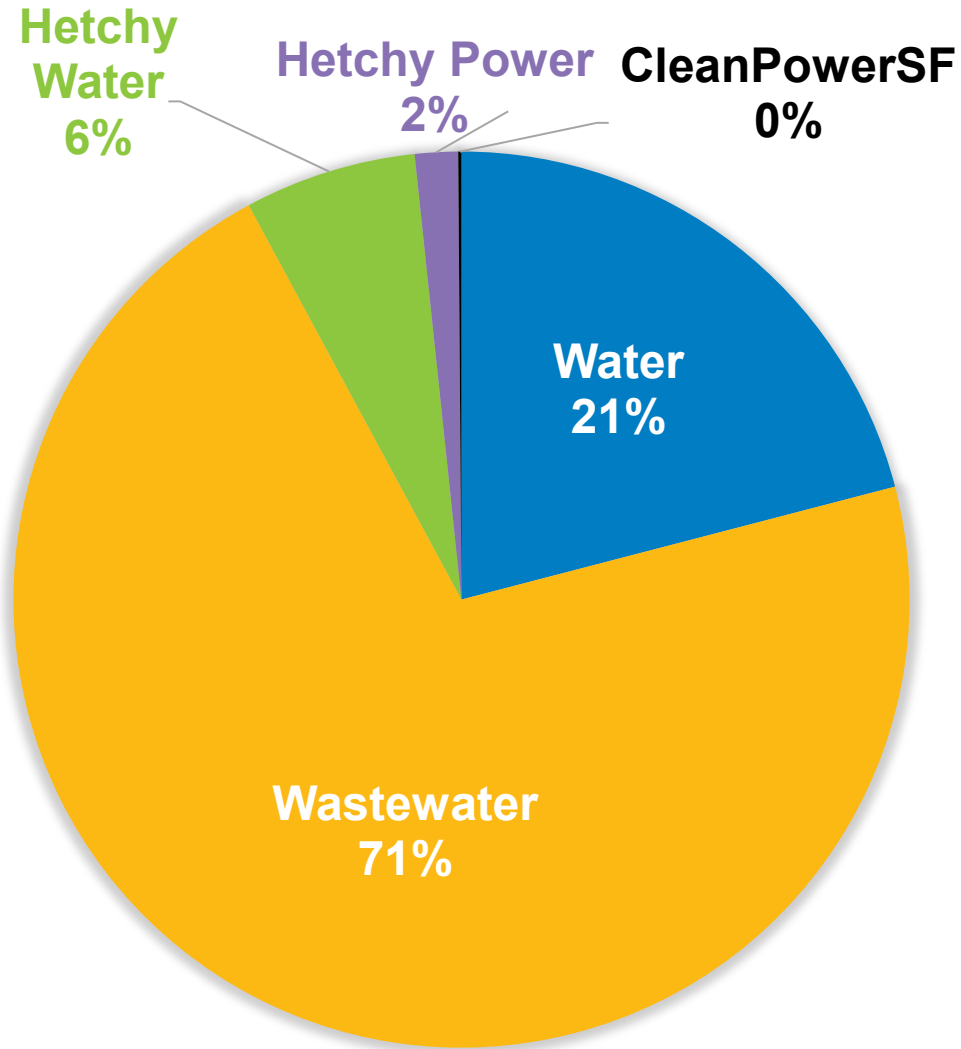
List of major changes from original FY 2023-24 budget

| Item | \$ |
|--|---------------------|
| Increases in power purchase costs | 123.7 |
| Debt Service savings | (27.7) |
| Savings in Revenue Funded Capital | (14.2) |
| Increase to COWCAP | 2.4 |
| Recycled Water Plant operating costs | 2.1 |
| Mandatory Fringe Benefit increases | 1.8 |
| Other changes | (0.7) |
| Change in General Reserve contribution | 9.3 |
| Total | \$97 Million |



FY 2023-24 Capital Budget

| \$ million | FY 23-24 Capital Budget |
|--------------------|-------------------------|
| Water | 290.0 |
| Wastewater | 985.5 |
| Hetchy-Water | 85.9 |
| Hetchy-Local Power | 21.5 |
| CleanPowerSF | 1.6 |
| Total | 1,384.5 |



+ Bond Financing Authorizations



Key Capital Projects

- Southeast Plant Biosolids Digester Facilities
- Treasure Island Wastewater Treatment
- Repair and replacement of sewer and water mains
- Folsom and Lower Alemany stormwater upgrades
- Mountain Tunnel Improvements
- San Joaquin Pipeline Life Extension
- Sunol Valley Treatment Plant Improvements
- Millbrae Yard Improvements
- Redevelopment Power Distribution
- Public Power Expansion



Constraining Costs

- Capital is largest – and growing – share of operating costs
- Growing power purchase costs put pressure on Power's rates

Cost saving measures:

- No rate increases in FY 2022-23 in response to pandemic
- Massive agency-wide effort over last year to prioritize capital plan
 - Reduced 10-year capital plan by **over a billion dollars** compared to prior plan
- Successfully applying for low-interest state and federal loans
 - Results in interest savings vs. issuing our own bonds
 - \$2.4 billion in executed loans and grants, resulting in potential projected **savings of up to \$1.5 billion**
 - \$804 million in additional loan applications pending



SFPUC Capital Supplemental and Debt Authorization Legislation

1. [File 230656](#): AAO Amendment for the SFPUC FY 2023-2024 Operating Budget
2. [File 230652](#): Supplemental Appropriations for the Hetch Hetchy Water & Power Capital Program
3. [File 230653](#): Supplemental Appropriations for CleanPowerSF Capital Program
4. [File 230654](#): Supplemental Appropriations for Water Capital Program
5. [File 230655](#): Supplemental Appropriations for Wastewater Capital Program
6. [File 230665](#): Authorization to issue Water Revenue Bonds
7. [File 230666](#): Authorization to issue Wastewater Revenue Bonds
8. [File 230667](#): Authorization to issue Power Revenue Bonds

Questions?

