SFPUC 23-24 Operating Budget midcycle changes and Capital Budget

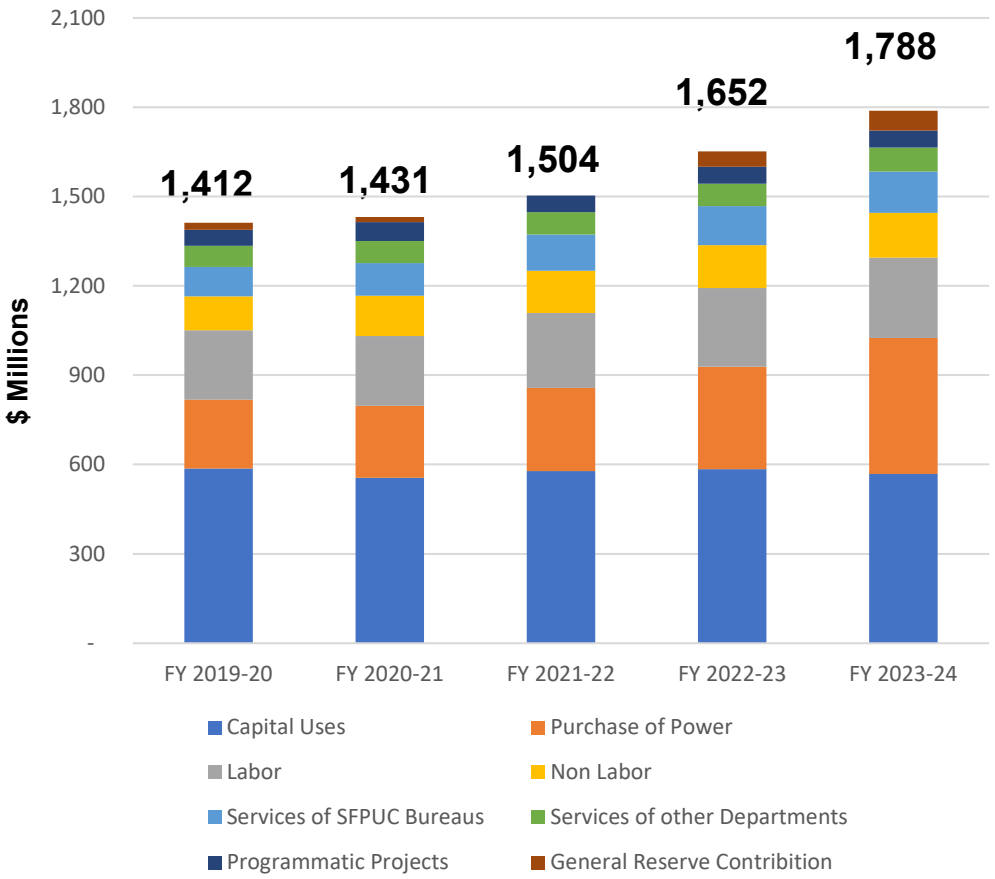
June 14, 2023

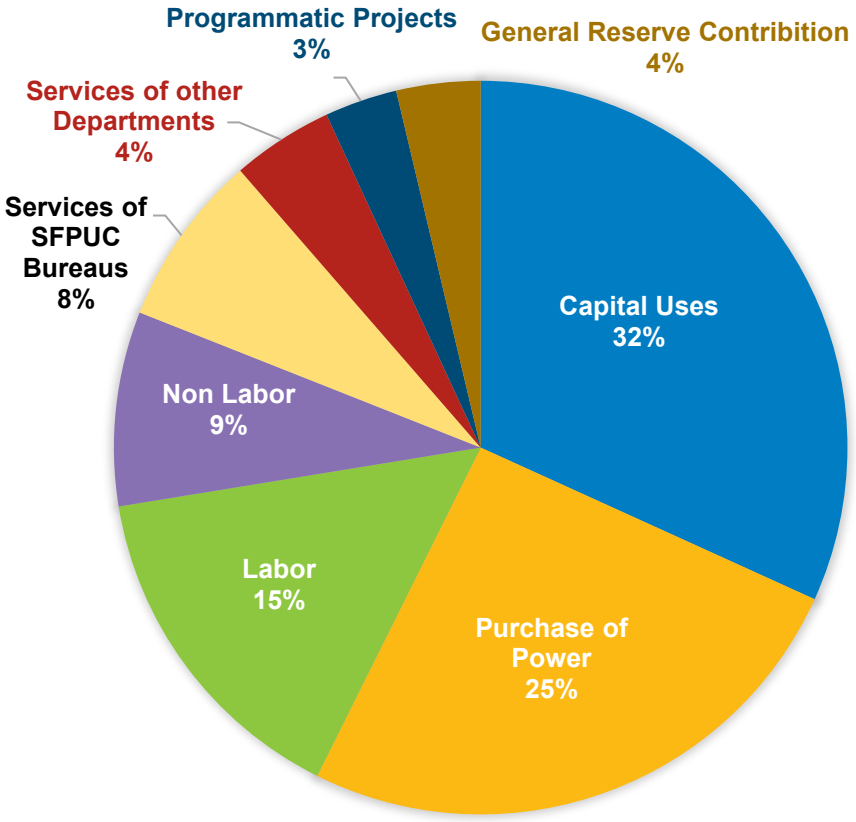
San Francisco Water Power Sewer

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

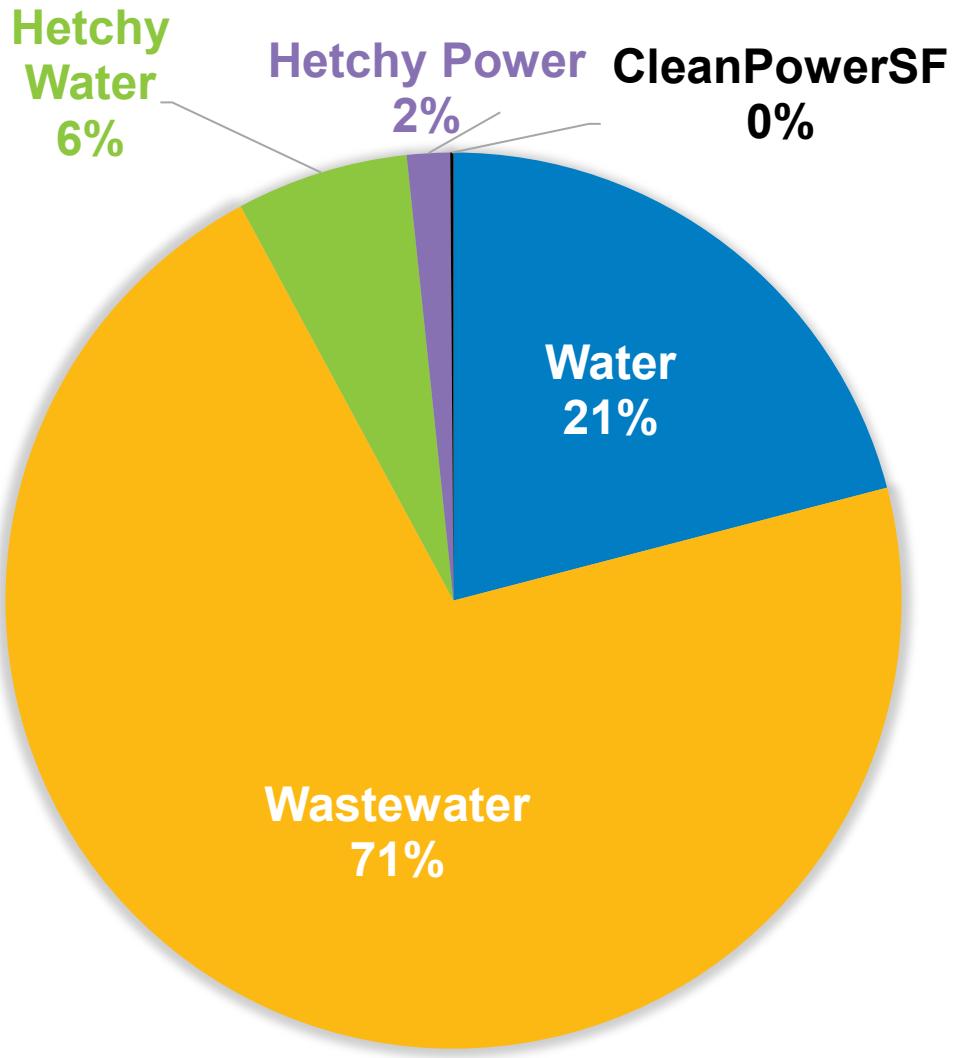
List of major changes from original FY 2023-24 budget

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

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Questions?