



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

SFPUC Capital Budget FY 2023-24

And Capital Financing
Authorization, FY 2023-24

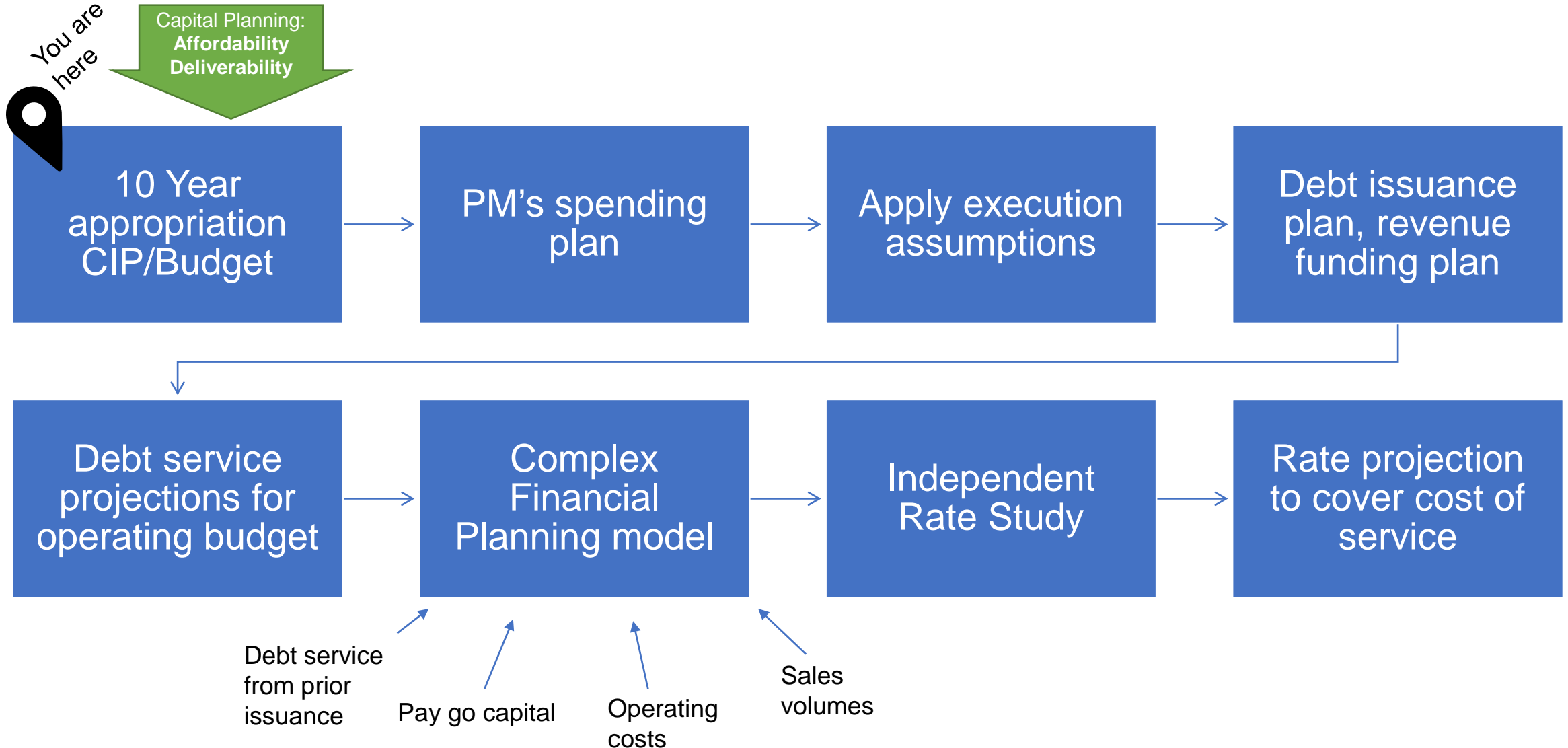
*Additional information regarding rate
impacts*

ACTION ITEM





Capital impact on rates



Rate setting process

- We set rates to cover only the operating and capital costs of our utilities, no profit is made. Each customer pays only their “*cost of service*”
- San Francisco City Charter requires an independent rate study at least every five years
 - Power rate study completed spring 2022
 - Last Water/Wastewater rate study completed in 2018
- Consultant hired for Water/Wastewater rate study in spring 2022
 - Develops complex financial models using cost and customer data to forecast expenses to determine needed rate increases
 - Recommends rates that comply with utility industry best practices and California law (Proposition 218)

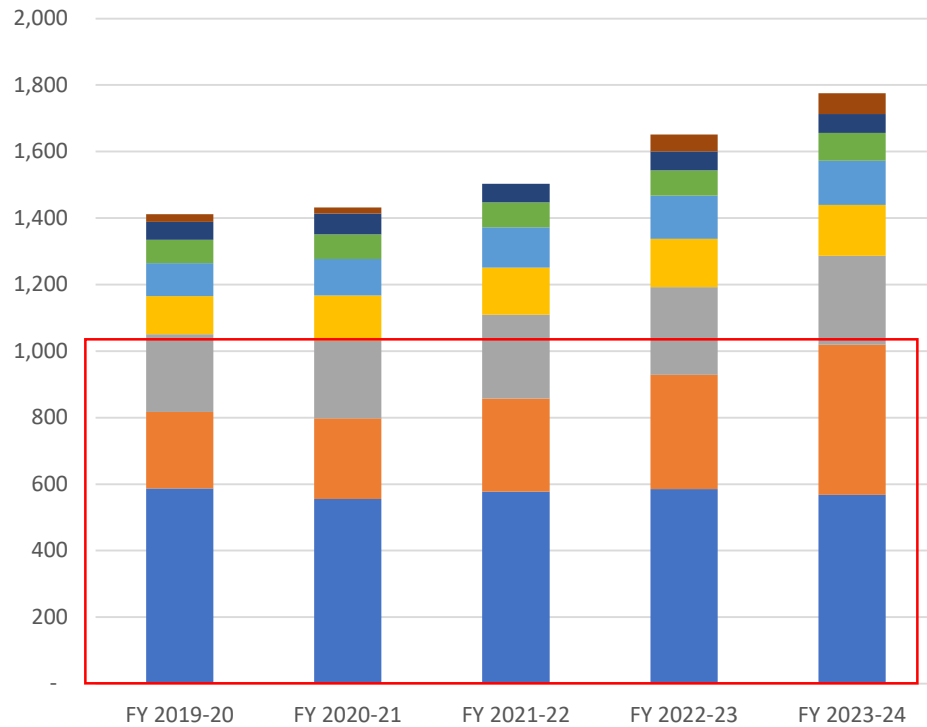
Rate setting hearings and policy bodies:

- *Rate Fairness Board* public meetings: 9/28, 11/7, 1/6, 2/7, 3/17 and April TBD
- *SFPUC Commission* Public Hearings and adoption of SFPUC Financial Plans Jan 30 and Feb 14, 2023
- 3 community virtual town halls throughout April
- 30+ outreach meetings with community and stakeholder groups
- *SFPUC Commission* Public Hearing on Proposed Rates: May 23, 2023
- Review by Mayor and Board/BLA as part of budget process



Rate increase drivers

Operating budget drivers: last 5 years



- 2 key cost drivers: **Capital and Power Purchase**
- Capital uses now take up around 30 cents of every SFPUC revenue dollar and are projected to rise to 50 cents over the next 10 years, driven by SSIP
- Next 10 years, by enterprise:

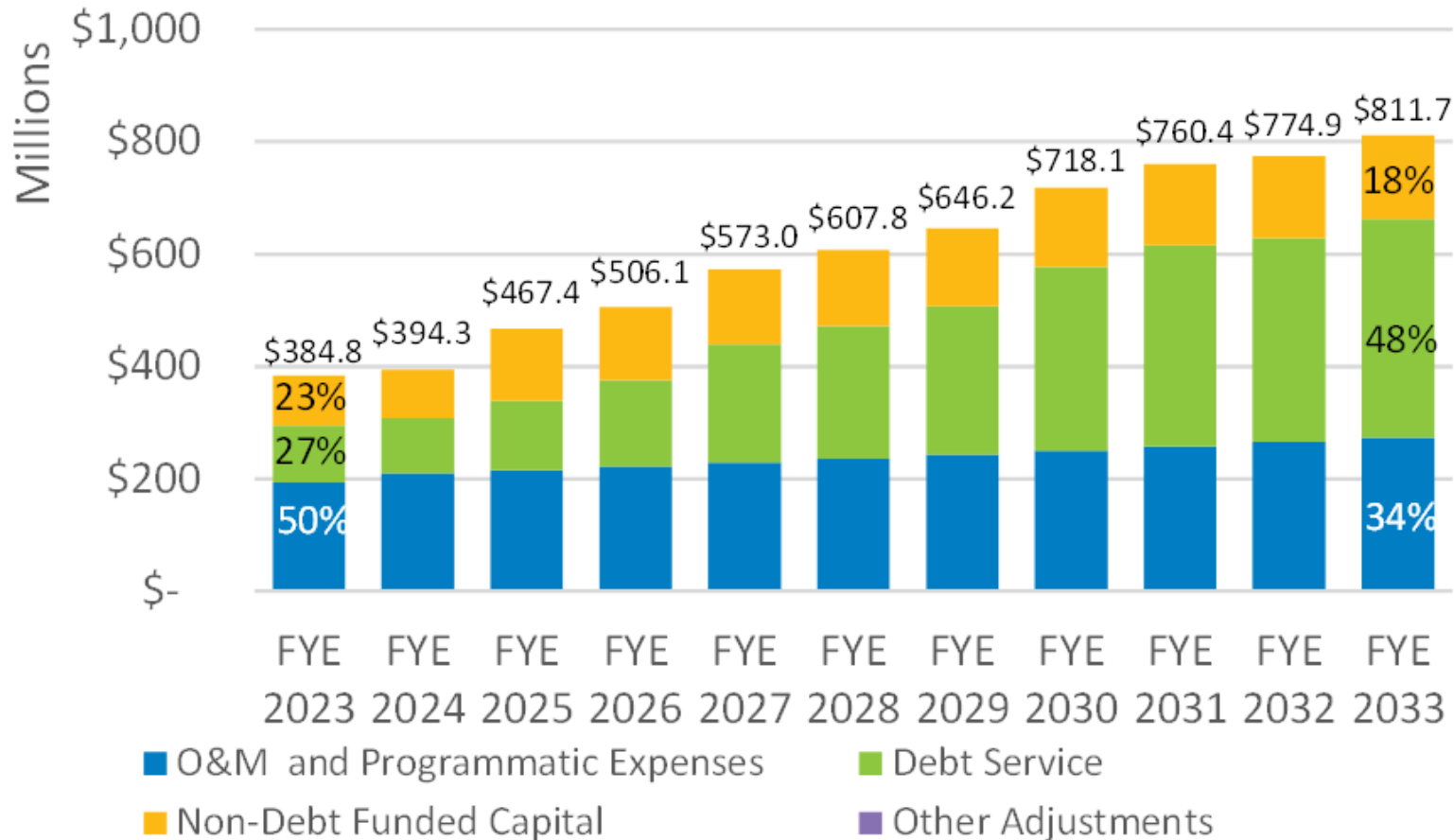
	% Capital FY23-24	% Capital FY 32-33
Water	48%	51%
Wastewater	54%	66%
HHWP	3%	18%

- Power Purchase expenses are the second major cost driver, which is the key driver of Power’s budget growth



Wastewater budget growth

Wastewater operating budget: 10-year projection



- Average annual growth: 7.5%
- Capital plan is the driver
 - 28% revenue-funded, exceeding Commission policy minimum of 15%
 - Huge increase in capital costs translates into higher debt service costs, especially with higher interest rates
- By FY33, two-thirds of Wastewater revenues will go to Capital uses

Southeast Treatment Plant Upgrades Modernizing Aging Infrastructure



Wawona Area Stormwater Improvement & Vicente Street Water Main Replacement



Green Infrastructure Projects Managing Stormwater



Treasure Island Wastewater Treatment Plant Improvement Project



Cost Savings Approaches

- 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
 - \$2.1 billion in executed loans and grants, resulting in **\$1.4 billion in savings**
 - \$1.4 billion in additional loan applications pending

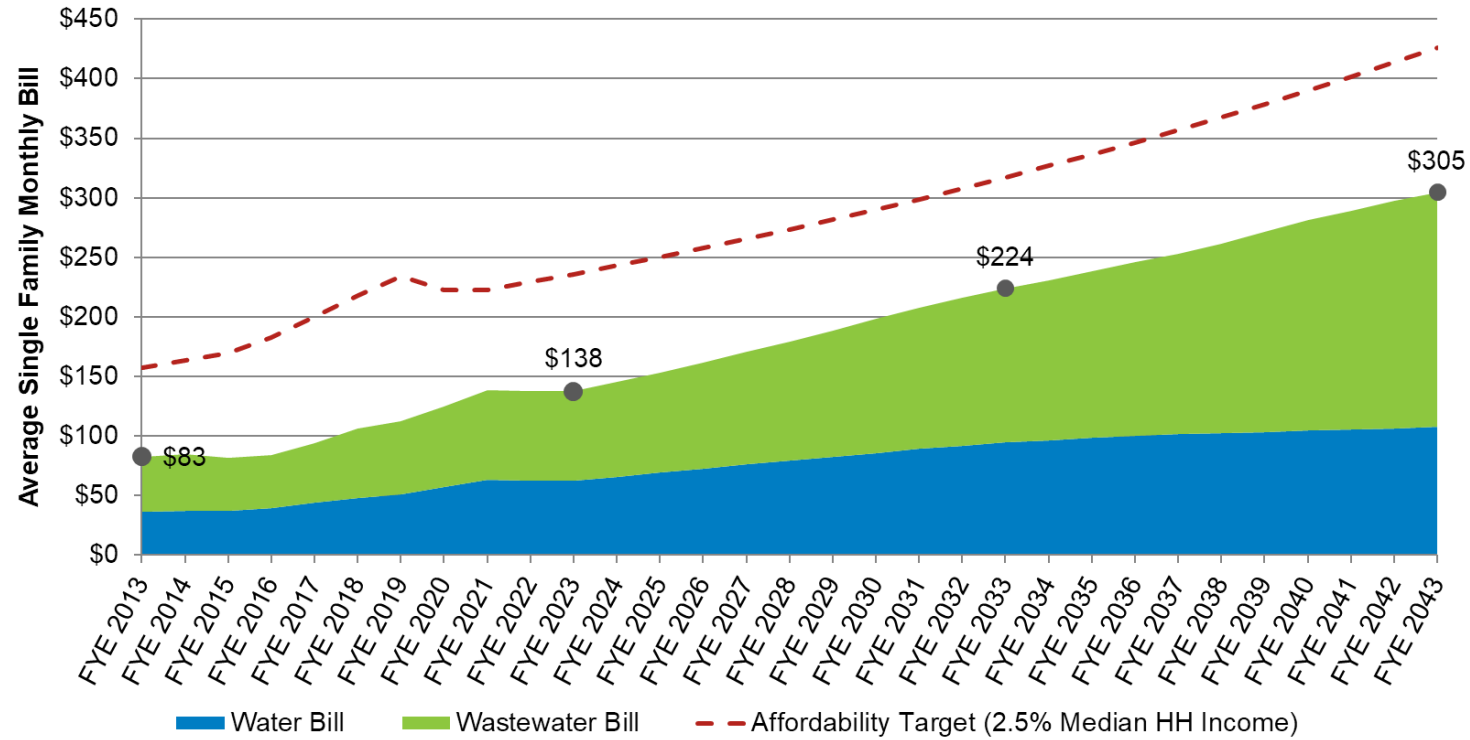


Projected Water & Wastewater Rate Increases

Historic

Fiscal Year	Water Rate Increase	Wastewater Rate Increase	Combined Bill Increase
FYE 2018	7.0%	11.0%	9.2%
FYE 2019	7.8%	5.9%	6.8%
FYE 2020	8.3%	7.0%	7.6%
FYE 2021	7.8%	8.0%	7.9%
FYE 2022	7.9%	8.0%	8.0%
FYE 2023	0.0%	0.0%	0.0%
FYE 2024	5.0%	9.0%	7.2%
FYE 2025	5.0%	9.0%	7.2%
FYE 2026	5.0%	9.0%	7.3%
FYE 2027	4.0%	10.0%	7.5%
FYE 2028	4.0%	10.0%	7.6%
FYE 2029	4.0%	10.0%	7.7%
FYE 2030	4.0%	9.0%	7.1%
FYE 2031	3.0%	9.0%	6.8%
FYE 2032	3.0%	5.0%	4.3%
FYE 2033	3.0%	5.0%	4.3%

Projected

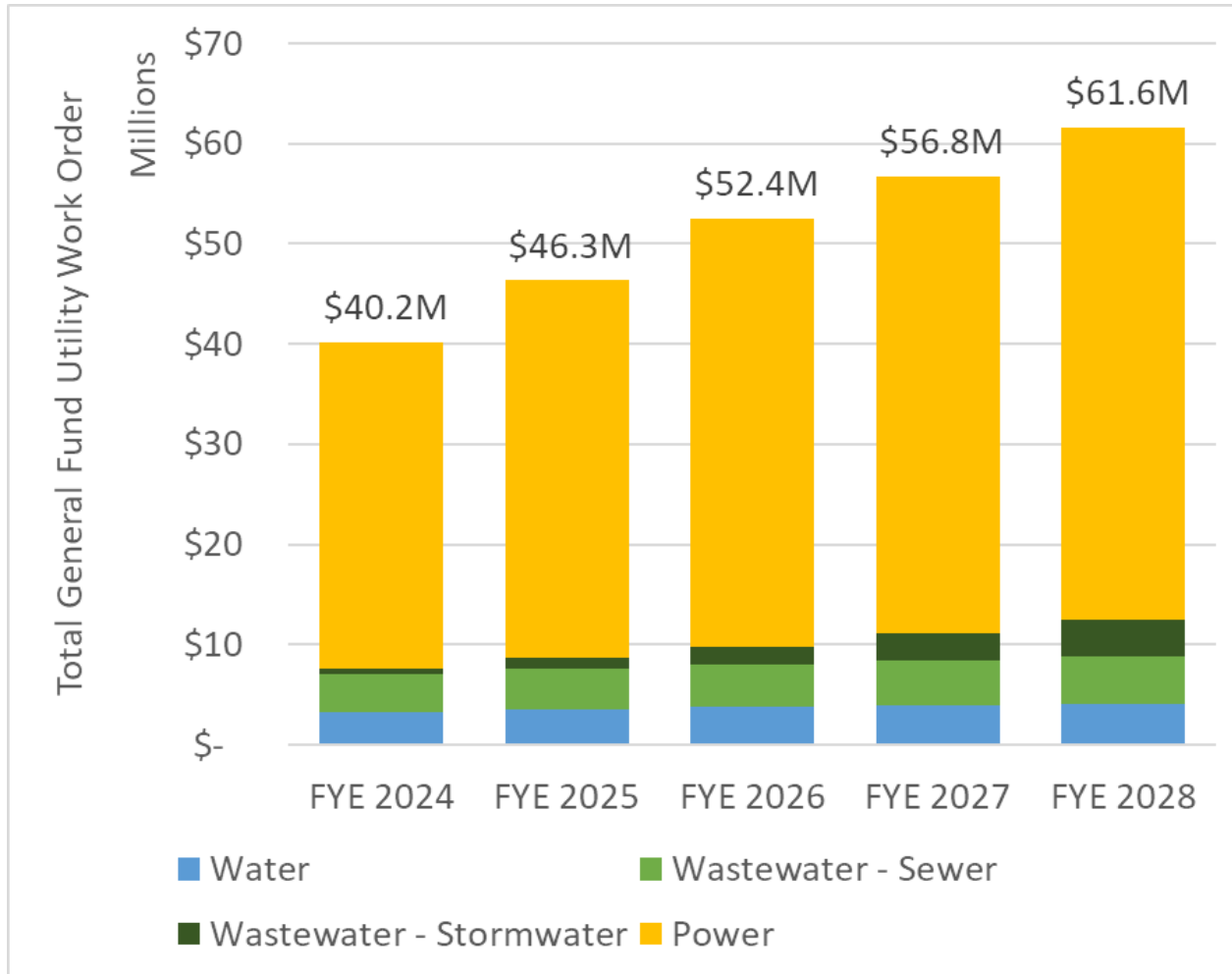


Combined Water/Wastewater Bill:

- 10 Year Growth: 90% (6.6% annually)
- 20 Year Growth: 164% (5% annually)



General Fund utility cost projection

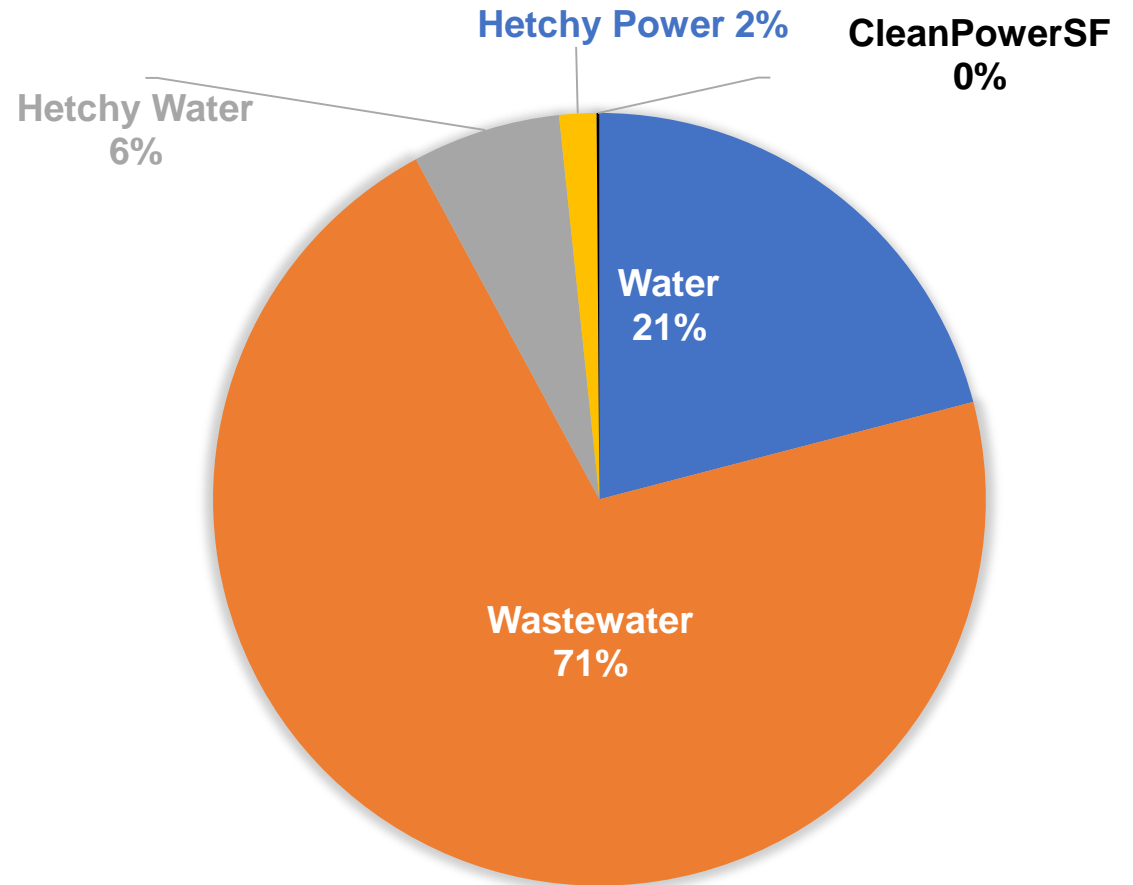


- **Power is over 80% of the growth, driven by power purchase and natural gas “pass through” costs**
 - Rates adopted last year include 3 cent/kWh annual increase to get to *cost of service*
- **For Water/Wastewater, Capital is the cost driver**
 - Large scale investments in SSIP
 - Increased interest rates= higher debt service costs
 - Wastewater rate includes new stormwater change (*revenue neutral to SFPUC*)



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



+ financing costs of \$217.1 M for a total budget of **\$1,601.6 M**

Capital Finance Authorizations

- Requests Board authorization to issue debt associated with capital budget
- Includes the bond amount, cost of debt issuance and capitalized interest

FY 2023-24 Capital Financing Authorization

\$million	Bond amount	Financing cost	Total
Wastewater	890.2	157.1	1,047.3
Water	305.1	53.9	359.0
Power	34.9	6.1	41.0
Total	1,230.2	217.1	1,447.3



City Rates outreach timeline

- General Fund workorder projections provided to Mayor's office in October for consideration in 5-year financial plan
- Update provided in March: \$1.8M saving to GF over 2 year budget vs. October projection due to volume updates and results of Water/Wastewater Rate Study
- Meetings with departments, Board members and other outreach to communicate rate increases to public ratepayers are ongoing



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Thank You!