



Folsom City Council Staff Report

MEETING DATE:	5/12/2026
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 11607 - A Resolution Authorizing the City Manager to Execute Amendment No. 1 to the Agreement (Contract No. 173-21 25-016) with HF&H Consultants, LLC for \$36,500 for the Water and Wastewater Rate Studies with \$25,000 from the Water Operating Fund (Fund 520) and \$11,500 from the Sewer Operating Fund (Fund 530)
FROM:	Utilities Department

RECOMMENDATION / CITY COUNCIL ACTION

The Utilities Department recommends the City Council pass and adopt Resolution No. 11607 - A Resolution Authorizing the City Manager to Execute Amendment No. 1 to the Agreement (Contract No. 173-21 25-016) with HF&H Consultants, LLC for \$36,500 for the Water and Wastewater Rate Studies with \$25,000 from the Water Operating Fund (Fund 520) and \$11,500 from the Sewer Operating Fund (Fund 530).

BACKGROUND / ISSUE

On April 22, 2025 the Folsom City Council approved Resolution No. 11357 authorizing the City Manager to execute an agreement with HF&H Consultants, LLC for the Water and Wastewater Studies for \$157,220. HF&H Consultants, LLC was selected through a Request for Proposal process based on project understanding, qualifications, deliverables, project team staffing, and project costs. The scope of work included the following:

- Review of past studies, surcharges and expenditures.
- Analysis and review of water use data across all customer classes between 2021-2024
- Develop projected expenditures and revenue requirements.
- Review, and update as necessary, the City's reserve fund policies.
- CIP review and recommendations for funding of CIPs.
- Review Department organizational structure, including associated staffing levels expenses.
- Complete the cost-of-service analysis.

- Develop a recommended rate design.
- Review the City's current Utility Assistance Program and update as necessary.
- Update the East Area and Folsom Plan Area surcharges.
- Update the temporary/construction meter and fire service rates.
- Attend four Utility Commission meetings in-person.
- Attend one public meeting and workshop.
- Attend up to three City Council meetings and workshops.
- Development of website materials, including frequently asked questions and a bill calculator.
- Ensure compliance with Proposition 218 and Assembly Bill 2257.
- Prepare draft and final reports.

This resolution will authorize the City Manager to execute amendment no. 1 with HF&H Consultants, LLC, for the Water and Wastewater Rate Studies.

POLICY / RULE

In accordance with Chapter 2.36 of the Folsom Municipal Code, supplies, equipment, services, and construction with a value of \$77,426 or greater shall be awarded by City Council.

ANALYSIS

During the development of the financial models, the City requested additional model runs to incorporate various rate scenarios based on options to modify capital improvement costs, staffing levels costs, and operational costs. Based on feedback from the Utility Commission, the City Council, and City staff, this amendment will provide for future refinements of the existing financial models to reflect the beginning cash flow balances at the beginning of Fiscal Year 2025-26, updates to the cost-of-service analysis, updates to the rate design to evaluate three options and the development of a rate model based on Utility Commission and City Council feedback, and attendance at up to additional City Council workshops.

In addition to the work above, additional time prior to Utility Commission and City Council meetings was needed to develop, review, and modify the presentations. HF&H also evaluated two additional rate structures that are different than the City's current rate structure. This included one customer class with a tiered rate structure and one customer class with a uniform rate applied to all customers. This work was not included in the original scope and fee and was requested by the City to show the differences in rate designs and impacts on different customer classes.

This resolution will authorize the City Manager to execute amendment no. 1 to the agreement with HF&H Consultants, LLC for the Water and Wastewater Rate Studies in the amount of \$36,500 for a new not-to-exceed contract amount of \$193,720.

FINANCIAL IMPACT

If approved, the proposed contract amendment with HF&H Consultants in the amount of \$36,500 for water and wastewater rate studies would be funded by \$25,000 from the Water Operating Fund

(Fund 520) and \$11,500 from the Sewer Operating Fund (Fund 530). This amendment would increase the contract's total not-to-exceed amount from \$157,220 to \$193,720. Sufficient funds are budgeted and are available in the Water Operating Fund (Fund 520) and in the Wastewater Operating Fund (Fund 530) in FY 2025-26 for this amendment.

ENVIRONMENTAL REVIEW

These rate studies are exempt from environmental review under the California Environmental Quality Act, Section 15273.

ATTACHMENTS

1. Resolution No. 11607 - A Resolution Authorizing the City Manager to Execute Amendment No. 1 to the Agreement (Contract No. 173-21 25-016) with HF&H Consultants, LLC for \$36,500 for the Water and Wastewater Rate Studies with \$25,000 from the Water Operating Fund (Fund 520) and \$11,500 from the Sewer Operating Fund (Fund 530)
2. Scope of work and fee for HF&H Consultants, LLC for Amendment No. 1

Submitted,

Marcus Yasutake, Director
ENVIRONMENTAL AND WATER RESOURCES DEPARTMENT

Attachment 1

RESOLUTION NO. 11607

**A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE
AMENDMENT NO. 1 TO THE AGREEMENT (CONTRACT NO. 173-21 25-016) WITH
HF&H CONSULTANTS, LLC FOR \$36,500 FOR THE WATER AND WASTEWATER
RATE STUDIES WITH \$25,000 FROM THE WATER OPERATING FUND (FUND 520)
AND \$11,500 FROM THE SEWER OPERATING FUND (FUND 530)**

WHEREAS, the Folsom Municipal Code provides for the adjustment of municipal service charges from time to time by the City Council so as to reflect the cost of the services provided; and

WHEREAS, the Folsom City Council approved Resolution No. 11357 on April 22, 2025, authoring the City Manager to execute an agreement with HF&H Consultants, LLC for the water and wastewater rates studies; and

WHEREAS, HF&H Consultants, LLC, by reason of their past experience, is qualified to perform this analysis; and

WHEREAS, additional analysis, additional workshop attendance, and rate design development options are requested to address questions and comments from the Utilities Commission, the City Council, and City staff; and

WHEREAS, sufficient funds are budgeted and available in the Water Operating Fund (Fund 520) and in the Sewer Operating Fund (Fund 530) for this agreement; and

WHEREAS, \$25,000 will be funded from the Water Operating Fund (Fund 520) and \$11,500 will be funded from the Wastewater Operating Fund (Fund 530) for this agreement; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute amendment no. 1 to the agreement (Contract No. 173-21 25-016) with HF&H Consultants, LLC for \$36,500 the Water and Wastewater Rate Studies with \$25,000 from the Water Operating Fund (Fund 520) and \$11,500 from the Sewer Operating Fund (Fund 530) for a new not-to-exceed amount of \$193,720.

PASSED AND ADOPTED this 12th day of May 2026, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Justin Raithel, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

Attachment 2

**HF&H Consultants**

590 Ygnacio Valley Rd. Suite 105

Walnut Creek, CA 94596

Phone: (925) 977-6950

Web: hfh-consultants.com

April 27, 2026

Marcus Yasutake
Utilities Director
City of Folsom
50 Natoma Street
Folsom, CA 95630

Subject: **2026 Water and Wastewater Rate Studies - Amendments**

Dear Marcus Yasutake:

The City of Folsom (City) hired HF&H Consultants LLC (HF&H) to prepare a study updating its water and wastewater rates. Following discussion with you, we have prepared this request for amendment to our existing contract. The objectives of future work are to refine the analysis, communicate results, document the methodology, and support the City to successfully enact new rates for March 1, 2027 or April 1, 2027. Our request describes the background, supplemental work performed, supplemental work requested, and requested amendment to the contract budget for each utility.

Background

The City hired HF&H to conduct a cost-of-service water rate study and wastewater rate studies beginning in 2025. Each rate study was conducted under a separate contract. Our progress to date for each of the water and wastewater rate study includes developing the financial model, conducting the cost-of-service analysis, designing rates, developing surcharges, making three presentations to the Utilities Commission (UC), and presenting the preliminary recommendations to City Council in February 2026. As part of the analysis, we have developed a supplemental option to evaluate additional staffing costs and alternative funding levels of capital improvements.

Supplemental Scope of Services Performed

In addition, to these tasks, HF&H has conducted additional analysis to evaluate multiple water rate options. This included evaluating three separate customer classes under a tiered rate structure, one customer class under a tiered rate structure, and evaluating a uniform rate applied to all customers. Development of the additional water rate design options has required supplemental work on the financial model, cost-of-service analysis, and rate design aspects of the water rate scope. The City is continuing to evaluate these options and plans to adjust reserve fund balances and capital project forecasts. These changes will lead to supplemental work to the original scope of work.

In the wastewater rate study, HF&H conducted supplemental analysis to verify billing practices and water use for the city's metered customers. This supplemental analysis required additional work to develop the financial model. The effort to document and present to the UC was underestimated, as these three presentations required significantly more time in advance of each presentation and in-person to present each time. The City plans to have HF&H make one final presentation to the UC.



Supplemental Scope of Services Requested

In addition to supplemental work previously performed, the City has requested future supplemental work to be performed as part of these rate study engagements. The future request includes making refinements to the existing financial models to reflect budgetary changes or reserve projection adjustments, updates to the water rates cost-of-service analysis and rate design aspects of the model to develop a consensus schedule of water rates, and attendance of up to two additional City Council workshops to present the findings of each utility to garner stakeholder support and build consensus.

We have prepared this letter to request a change order in each of the original contract amounts, as the additional out-of-scope work will cause our consulting costs to exceed the original amounts.

The original water rate study contract is. \$84,035.00. We are requesting a total amendment of \$25,000, supplementing the tasks specified in **Figure 1**. With this amendment, the contract budget would be revised to \$109,035.00.

Figure 1. Water Rates Supplemental Fee Estimate.

Task	Total
2. Develop Financial Model	\$14,500
3. Cost of Service	\$4,000
5. Communicate Results	\$6,500
Total Requested	\$25,000

The original wastewater rate study contract is \$73,185.00. We are requesting a total amendment of \$11,500, supplementing the tasks specified in **Figure 2**. With this amendment, the contract budget would be revised to \$84,685.00.

Figure 2. Wastewater Rates Supplemental Fee Estimate.

Task	Total
2. Develop Financial Model	\$3,500
5. Communicate Results	\$8,000
Total Requested	\$11,500

The City will continue to be billed on a time-and-expenses basis according to our contracted schedule of hourly rates.



* * *

I hope these amendments to the original contracts are responsive to the City's additional request. Please let me know if any revisions are needed. Thank you very much for this opportunity to support the City. Please call me on (925) 977-6957 if you have any questions or require additional information.

Respectfully,

Accepted on behalf of the City of Folsom

HF&H Consultants, LLC

this _____ day of _____ 2026

A handwritten signature in blue ink that reads 'Rick Simonson'.

Rick Simonson
Senior Vice President

Marcus Yasutake
Utilities Director