



CITY OF
FOLSOM
DISTINCTIVE BY NATURE



City of Folsom

Water and Wastewater Rate Study Workshop

February 24, 2026

City Council

Agenda

Water and Wastewater Rate Study Workshop



- **Ratemaking Objectives**
- **Rate Study Overview**
- **Staff Recommendations Summary**
- **Cost of Service Analysis**
- **Rate Design**
- **Bill Impacts**
- **Surcharges**
- **Low-income rates**
- **Questions and Discussion**

Rate-making Objectives

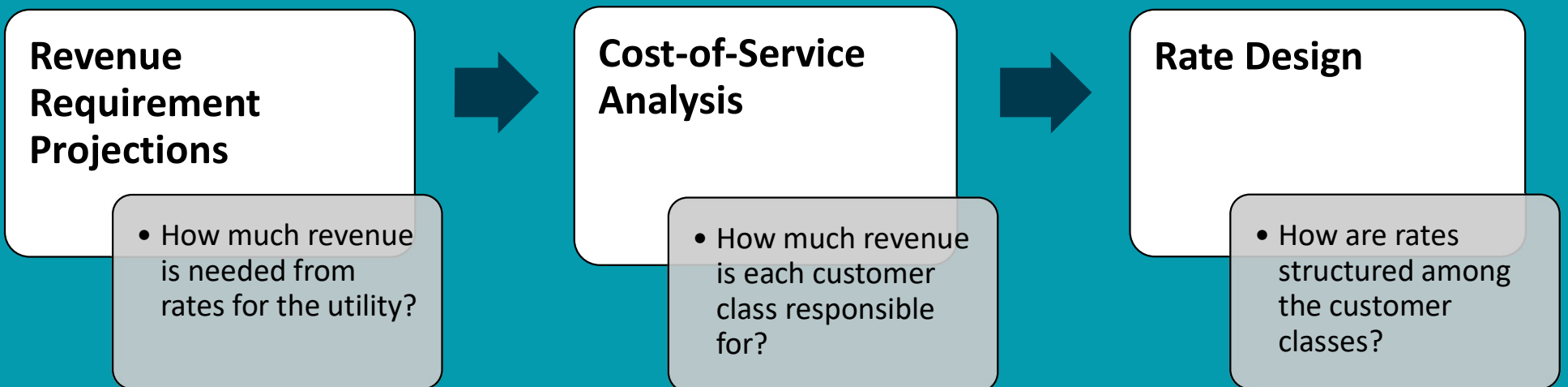
Rate Study Overview



- **Provide revenue sufficiency and financial stability to fund the projected capital and O&M costs of the City's enterprises**
- **Meet the City's reserve fund targets for each enterprise.**
- **Rate payer equity**
 - Each class pays its proportionate share of the cost of service
- **Customers understand proposed rates**
- **Rates are practical and implementable**
- **Transparent process for the public**

Rate Study Process

Rate Study Overview



Cost of Service

Cost of Service and Rate Design



Functions of the Cost of Service (COS)

- Breaks utility's revenue requirements into cost components (e.g., demand, capacity, customer)
- Assigns (allocates) those cost components to customer classes

Allocation Drivers - Wastewater

- Number of Accounts
- Wastewater Flow

Allocation Drivers – Water

- Number of Accounts
- Average-Day Usage
- Maximum-Day Demand
- Meter Size
- Fire Protection

Proposition 218 Substantive Requirements

Rate Study Overview



Rates must meet the following requirements:



Total revenues cannot exceed total costs of service



Revenues from rates cannot be used for other purposes



Rates must proportionately allocate costs to each customer class



Service must be immediately available to all ratepayers

Proposition 218 Procedural Requirements

Rate Study Overview



Mail notice to property owners and/or ratepayers at least 45 days prior to hearing



Notice must include:

- Proposed rates
- Reasons for increase
- Basis for rate calculation (rate study)
- Date/time of public hearing on rate adoption

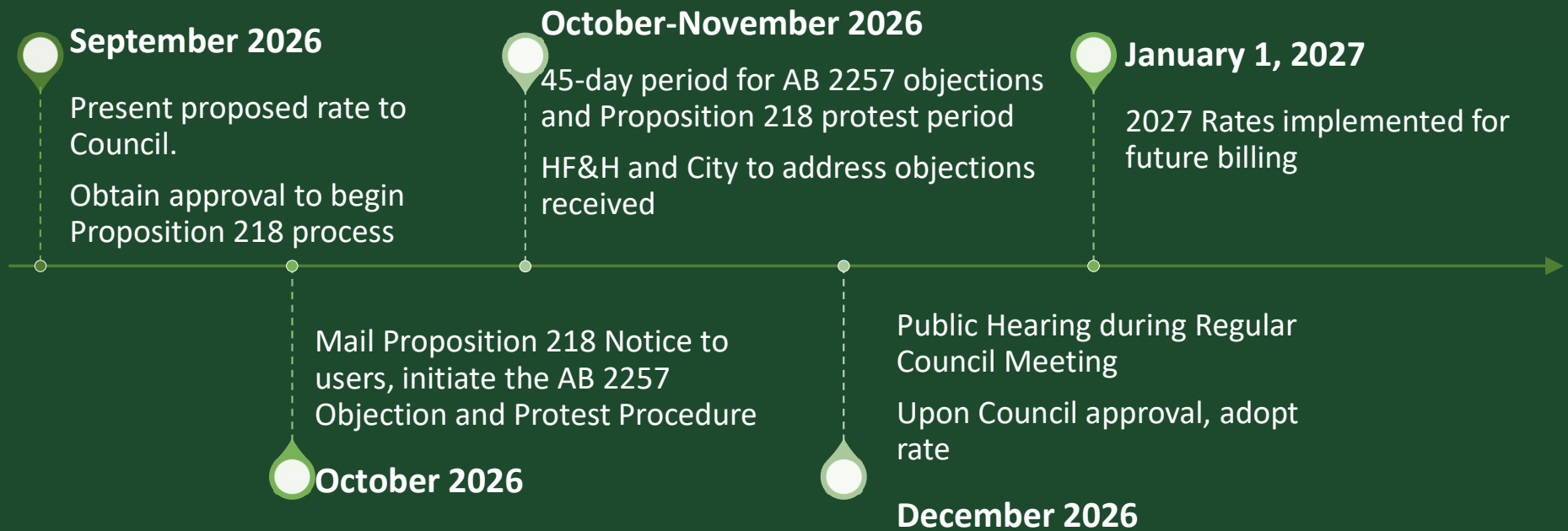
Hold public hearing and tabulate protests

If protests received from majority of parcels subject to rates, then cannot adopt rates



Proposition 218/AB 2257 Process

Rate Study Overview



Note: Schedule for future presentation to Council and Prop 218 procedure may be revised to earlier in the year.

Rate Study Schedule

Rate Study Overview



- **18-month Process**
- **Goal: Set rates to go into effect January 1, 2027**

Schedule Completed:

- **Project Kick-off Meeting** | July 2025
- **Provide Overview Presentation to UC** | October 21, 2025
- **Present Revenue Requirement to UC** | December 17, 2025
- **Present COS Analysis and Rate Design to UC** | February 17, 2026

Questions for Council Input

Cost of Service & Rate Design



• Feedback Requested of City Council

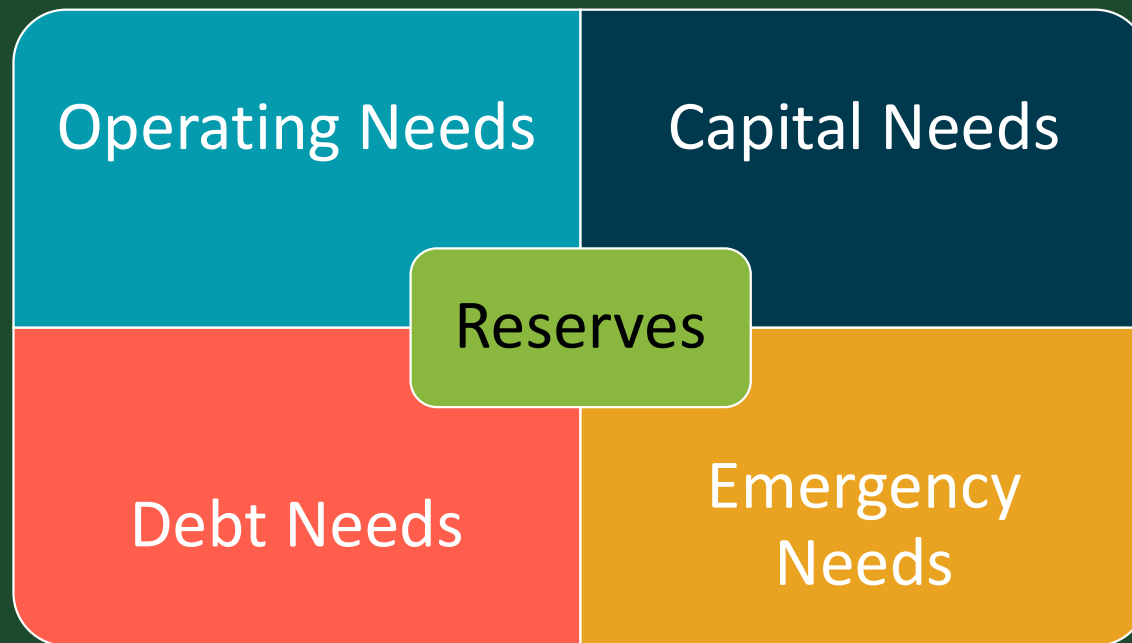
- Do you have any questions regarding the proposed reserve policies?
- Do you agree with the staff recommendations?
 - Proposed wastewater rates
 - Sutter Street Interceptor surcharges
 - Proposed water supply and water treatment surcharges
- Which proposed water rates option do you prefer?
 - Scenario 1 – 3 separate customer classes (Residential, Non-Residential, Irrigation)
 - Scenario 2 – 1 customer class (all customers subject to the same rates)
- Should the City continue to offer low-incomes rates for water?

Reserve Policies

Reserves and Revenue Requirement



- **Current Policy: Target is 40% of combined Annual Operations and Maintenance Expenses (O&M) + Capital**

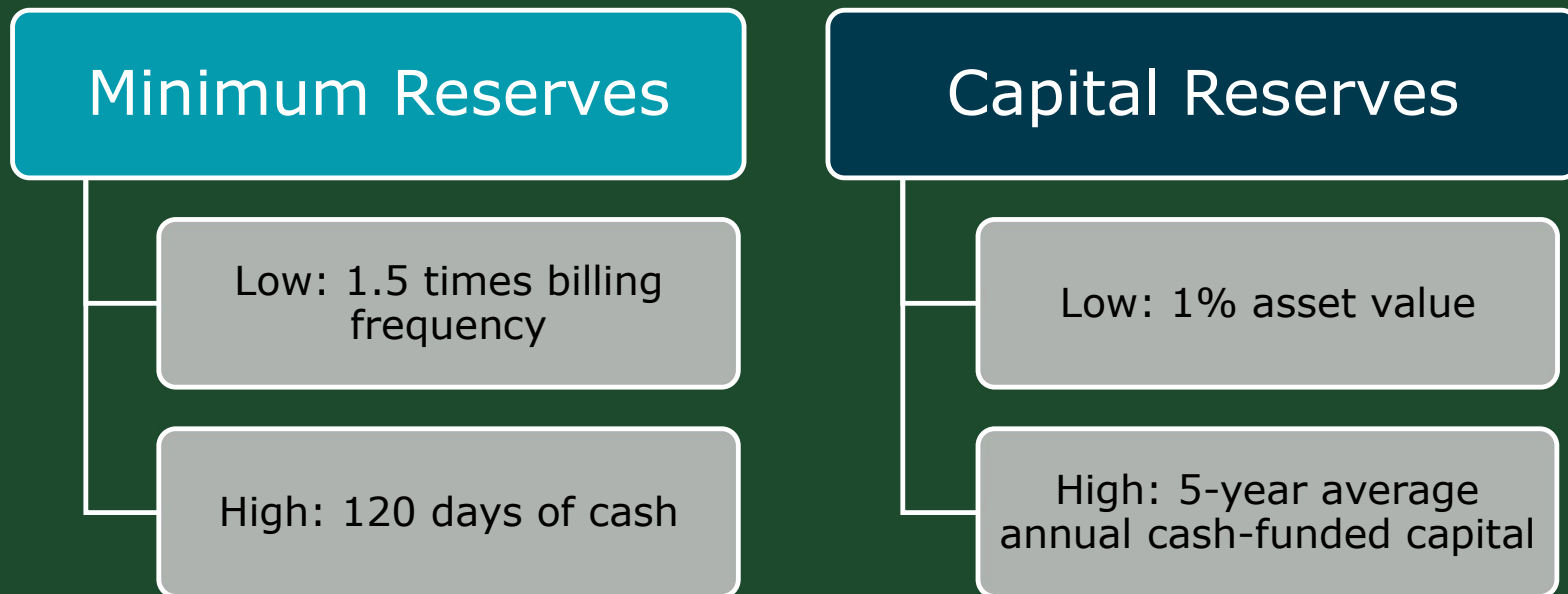


Reserve Policies

Reserves and Revenue Requirement



- Industry practice ranges among agencies



Reserve Policies

Reserves and Revenue Requirement



- **Current Policy: Target is 40% of combined Annual Operations and Maintenance Expenses (O&M) + Capital**
 - Wastewater Fund (530): \$7.4 million (FYE 2027)
 - Water Fund (520): \$11.7 million (FYE 2027)

- **Proposed Minimum Reserve = 25% Annual O&M + 1 year Debt Service**
 - Aligns with GFOA practice of 90 days of cash on hand
- **Proposed Target Reserve = Minimum Reserve + 50% of 5-year average forecasted annual capital expenditure (cash-funded only)**
 - Provides working capital for cash flow to immediately fund construction



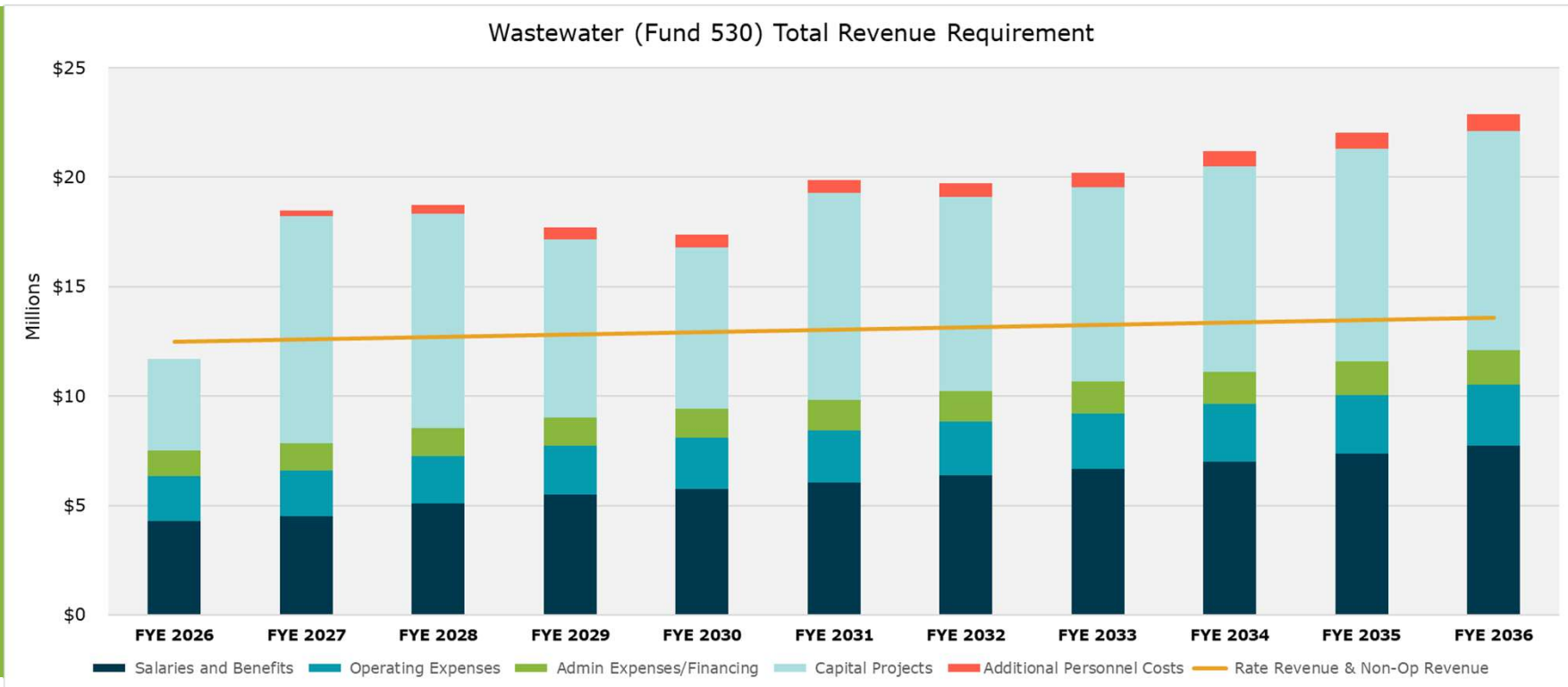
Wastewater Rates and Surcharge Analysis

Wastewater Revenue Requirement



Includes Additional Personnel Costs

\$8.7M/year in Capital in FYE 2027-31, \$9.1M/year in FYE 2032-36



Wastewater Capital Plan



Cash Funded Projects	530 Fund %	531 Fund %	Funding Source	Allocation	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36
WW Systems Communication Hardware Upgrade Project	100%	0%	PAYGo	Sewer Operations	\$68,384	\$668,000	\$538,000								
Basin 4 Sewer Phase 1 (3,170 feet) - 8 Inch -Granite Park	100%	0%	PAYGo	Sewer Operations	\$3,723,175										
Basin 4 Phase 2 (8,220 feet) - 8 Inch	100%	0%	PAYGo	Sewer Operations	\$28,175	\$7,168,611									
Basin 4 Phase 3 (6,500 feet - 8 Inch)	100%	0%	PAYGo	Sewer Operations					\$280,000	\$3,294,000					
Basin 4 Phase 4 (6,650 feet - 8 Inch)	100%	0%	PAYGo	Sewer Operations					\$260,000	\$3,050,000					
Basin 4 Phase 5 (4,325 feet - 8-inch)	100%	0%	PAYGo	Sewer Operations						\$356,000	\$4,221,200				
Basin 4 Phase 6 (2,325 feet - 8-inch)	100%	0%	PAYGo	Sewer Operations						\$196,000	\$2,269,200				
Oak Ave PS Surge, Force Main Rehab, Site Drainage, Roof Repair, wet well lining, etc.	100%	0%	PAYGo	Sewer Operations	\$80,580	\$504,580	\$3,932,000	\$6,678,000							
Possible Basin 6 East Bidwell Trunk Main Replacement	100%	0%	PAYGo	Sewer Operations			\$175,600	\$388,000	\$4,611,600						
Basin 1-3 Project No.1 (4,000 ft - 8 Inch Pipe)	100%	0%	PAYGo	Sewer Operations							\$290,000	\$3,416,000			
Basin 1-3 Project No.2 (5,000 ft - 8 Inch Pipe)	100%	0%	PAYGo	Sewer Operations							\$290,000	\$3,416,000			
Basin 1-3 Project No.3 (3,500 ft - 8 Inch Pipe)	100%	0%	PAYGo	Sewer Operations											
I/I Rehabilitation Project (To Help Reduce PWWF Flows to O	100%	0%	PAYGo	Sewer Operations		\$200,000	\$2,000,000								
Orangevale Ave and Mountain Oak P.S. Rehabilitation Project	100%	0%	PAYGo	Sewer Operations	\$50,383	\$1,289,733	\$1,330,116								
Del Norte Vista, PS 6A and Lake Forest PS Upgrades	100%	0%	PAYGo	Sewer Operations				\$75,000	\$1,105,000	\$915,000					
New Utilities Engineering and Administration Buidling (Water Portion)	100%	0%	PAYGo	Customer Account			\$1,000,000								
Future Wastewater Projects	100%	0%	PAYGo	Sewer Operations									\$7,000,000	\$7,000,000	\$7,000,000
Total Capital Projects Fund 530 - PAYGo					\$3,950,697	\$9,830,924	\$8,975,716	\$7,141,000	\$6,256,600	\$7,811,000	\$7,070,400	\$6,832,000	\$7,000,000	\$7,000,000	\$7,000,000
Construction Cost Index					1.000	1.033	1.068	1.104	1.141	1.179	1.219	1.259	1.302	1.345	1.390
Total Inflated CIP					\$3,950,697	\$10,160,225	\$9,587,096	\$7,882,900	\$7,137,964	\$9,209,829	\$8,615,845	\$8,604,205	\$9,111,081	\$9,416,270	\$9,731,682
								Average Annual 5-Year PAYGo	\$8,795,603				Average Annual 5-Year PAYGo	\$9,095,817	

Wastewater Proposed Revenue Increases

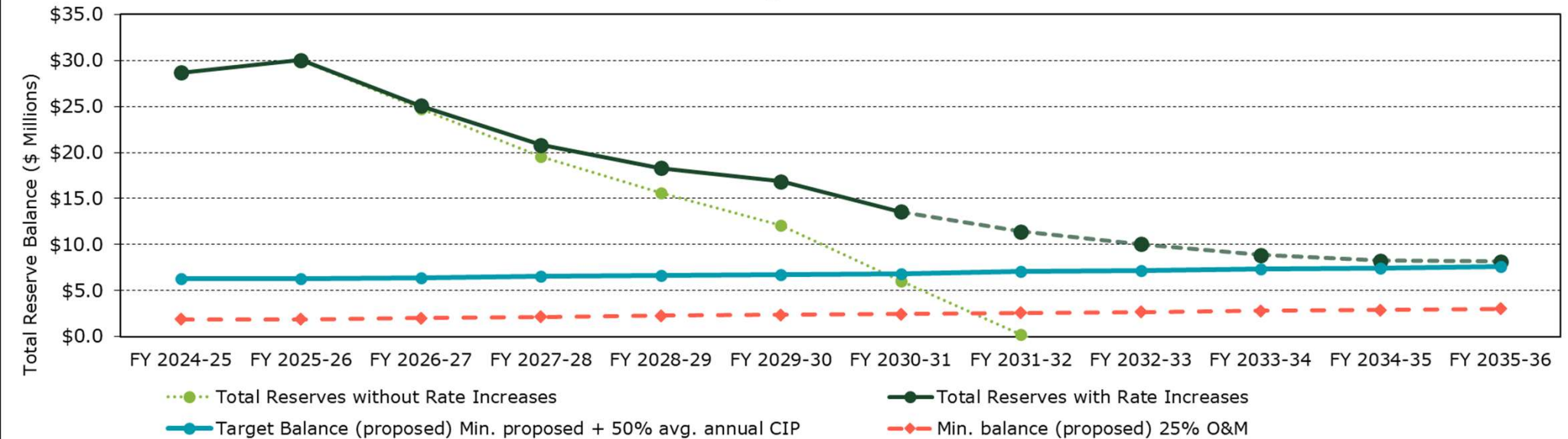


Includes Additional Personnel Costs

\$8.7M/year in Capital in FYE 2027-31, \$9.1M/year in FYE 2032-36

Fiscal Year:	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36
effective date:		1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	1/1/2033	1/1/2034	1/1/2035	1/1/2036
Revenue Increases	0.0%	5.0%	4.0%	4.0%	4.0%	4.0%	7.0%	6.0%	6.0%	6.0%	6.0%
Annual CIP (Fund 530)	\$3,950,697	\$10,160,225	\$9,587,096	\$7,882,900	\$7,137,964	\$9,209,829	\$8,615,845	\$8,604,205	\$9,111,081	\$9,416,270	\$9,731,682

Ending Reserve Fund Balance - Fund 530



Wastewater Cost of Service Allocation



Revenue Requirements FY 2026/27		
Fixed	Flow	Total
\$4,766,796	\$8,366,614	\$13,133,411
36%	64%	



Cost Allocations	
Fixed	Flow
\$4,766,796	\$8,366,614

System Wide Units of Service	
ESDs	HCF/year
41,588	3,561,918

\$114.62	\$2.35
\$/ESD	\$/HCF



Cost Component	Unit	Rate	COS Units	Charge Calculated
Fixed (ESD-related)	ESD / year	\$114.62	1 ESD	\$114.62 / year
Flow	HCF	\$2.35	85.79 HCF	\$201.50/ year
Total (Fixed + Flow)	ESD/month			\$316.12/ year or \$26.34/ month

Wastewater COS Results



Customer Categories	Accounts		Revenue at Current Rates		FY 2026-27 Cost of Service		Difference (COS - Current)	
	# of Accounts	% of Total	FY 2026-27 Revenue	% of Total	Revenue	% of Total	\$ Increase	% Increase
Residential	26,023	94.7%	\$10,468,819	83.7%	\$10,844,919	82.6%	\$376,100	3.6%
Non-Residential	1,435	5.2%	\$1,922,951	15.4%	\$1,992,034	15.2%	\$69,083	3.6%
Flow-Based Commercial Customers	19	0.1%	\$98,054	0.8%	\$262,398	2.0%	\$164,344	167.6%
Folsom Lake College	1	0.0%	\$18,186	0.1%	\$34,059	0.3%	\$15,873	87.3%
Total	27,478		\$12,508,010		\$13,133,411		\$625,401	5.0%

Wastewater Bill Impacts (1/1/2027)



Classification Customer Type	Current		Proposed		Change	
	Rate	Avg Bill	Rate	Avg Bill	\$ Inc	% Inc
Non-Residential						
Auto Dealer	\$5.09	\$260.61	\$5.27	\$269.82	\$9.22	3.5%
Bakeries	\$48.32	\$93.50	\$50.06	\$96.87	\$3.37	3.6%
Banks	\$7.63	\$31.68	\$7.90	\$32.81	\$1.12	3.5%
Salons	\$2.54	\$31.06	\$2.63	\$32.16	\$1.10	3.5%
Bars	\$17.80	\$40.13	\$18.44	\$41.57	\$1.44	3.6%
Bowling Alley	\$10.17	\$162.72	\$10.54	\$168.64	\$5.92	3.6%
Dry Cleaning	\$43.24	\$59.43	\$44.79	\$61.56	\$2.13	3.6%
Fire Station	\$25.43	\$287.46	\$26.34	\$297.75	\$10.29	3.6%
Garages	\$2.54	\$16.41	\$2.63	\$17.00	\$0.58	3.5%
Halls	\$7.63	\$33.76	\$7.90	\$34.96	\$1.19	3.5%
Health Studio/Gym	\$7.63	\$61.71	\$7.90	\$63.89	\$2.18	3.5%
Hotels	\$10.17	\$870.00	\$10.54	\$901.65	\$31.65	3.6%
Self Serve Laundry	\$12.72	\$457.92	\$13.18	\$474.48	\$16.56	3.6%
Market w/ Disp	\$43.24	\$319.50	\$44.79	\$330.95	\$11.45	3.6%
Market w/o Disp	\$5.09	\$96.84	\$5.27	\$100.27	\$3.42	3.5%
Medical/Dental	\$10.17	\$63.97	\$10.54	\$66.30	\$2.33	3.6%
Mini Storage	\$26.45	\$56.68	\$27.40	\$58.71	\$2.04	3.6%
Mortuary	\$45.78	\$61.04	\$47.42	\$63.23	\$2.19	3.6%
Office	\$5.09	\$95.06	\$5.27	\$98.43	\$3.36	3.5%
Park	\$1.02	\$0.88	\$1.06	\$0.91	\$0.03	3.9%
Places of Workship	\$5.09	\$58.09	\$5.27	\$60.15	\$2.05	3.5%
Rest Homes	\$10.17	\$707.38	\$10.54	\$733.12	\$25.74	3.6%
Dining Room Restaurant	\$129.71	\$537.31	\$134.37	\$556.61	\$19.30	3.6%
Takeout Restaurant	\$66.12	\$160.54	\$68.50	\$166.32	\$5.78	3.6%
Dine In / Takeout Restaurant	\$106.82	\$373.81	\$110.66	\$387.25	\$13.44	3.6%
Retail / Industrial	\$2.54	\$38.67	\$2.63	\$40.04	\$1.37	3.5%
Service Station	\$2.54	\$28.19	\$2.63	\$29.19	\$1.00	3.5%
Theater	\$7.63	\$191.17	\$7.90	\$197.93	\$6.76	3.5%
Warehouse	\$2.54	\$52.14	\$2.63	\$53.99	\$1.85	3.5%
Vacant	\$5.09	\$27.16	\$5.27	\$28.12	\$0.96	3.5%
Elementary School	\$25.43	\$58.93	\$26.34	\$61.04	\$2.11	3.6%
Middle and High School	\$63.58	\$1,113.29	\$65.86	\$1,153.21	\$39.92	3.6%
Folsom Lake College	\$0.27	\$1,515.51	\$0.51	\$2,862.62	\$1,347.12	88.9%
Metered Commercial customers	\$1.41	\$55.82	\$3.78	\$149.28	\$93.46	167.4%

Wastewater Rate Design

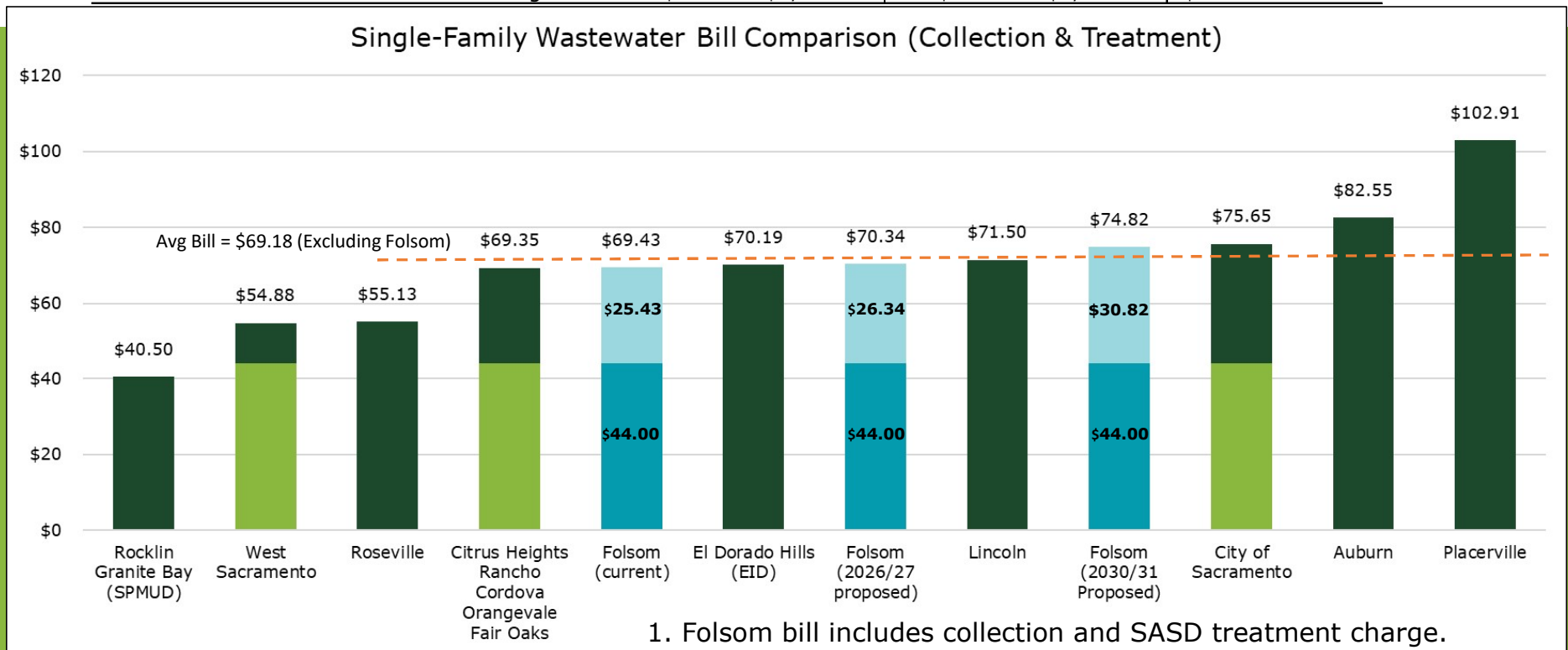


Customer Type	Unit of Service	Current	Proposed Rates				
		Rates	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
		% increase	COS	4%	4%	4%	4%
Residential	per dwelling/unit	\$25.43	\$26.34	\$27.39	\$28.49	\$29.63	\$30.82
Non-Residential							
Auto Dealer	per 1,000 sq. ft.	\$5.09	\$5.27	\$5.48	\$5.70	\$5.93	\$6.17
Bakeries	per 1,000 sq. ft.	\$48.32	\$50.06	\$52.06	\$54.14	\$56.31	\$58.56
Banks	per 1,000 sq. ft.	\$7.63	\$7.90	\$8.22	\$8.55	\$8.89	\$9.25
Salon	per chair	\$2.54	\$2.63	\$2.74	\$2.85	\$2.96	\$3.08
Bars	per 1,000 sq. ft.	\$17.80	\$18.44	\$19.18	\$19.95	\$20.75	\$21.58
Bowling Alley	per lane	\$10.17	\$10.54	\$10.96	\$11.40	\$11.86	\$12.33
Dry Clean	per 1,000 sq. ft.	\$43.24	\$44.79	\$46.58	\$48.44	\$50.38	\$52.40
Fire Station	per 1,000 sq. ft.	\$25.43	\$26.34	\$27.39	\$28.49	\$29.63	\$30.82
Garages	per bay	\$2.54	\$2.63	\$2.74	\$2.85	\$2.96	\$3.08
Halls	per 1,000 sq. ft.	\$7.63	\$7.90	\$8.22	\$8.55	\$8.89	\$9.25
Health Studios/Gym	per 1,000 sq. ft.	\$7.63	\$7.90	\$8.22	\$8.55	\$8.89	\$9.25
Hotels/Motels	per room	\$10.17	\$10.54	\$10.96	\$11.40	\$11.86	\$12.33
Laundry Self-Serve	per machine	\$12.72	\$13.18	\$13.71	\$14.26	\$14.83	\$15.42
Market w/ Disp	per 1,000 sq. ft.	\$43.24	\$44.79	\$46.58	\$48.44	\$50.38	\$52.40
Market w/o Disp	per 1,000 sq. ft.	\$5.09	\$5.27	\$5.48	\$5.70	\$5.93	\$6.17
Medical / Dental	per 1,000 sq. ft.	\$10.17	\$10.54	\$10.96	\$11.40	\$11.86	\$12.33
Mini Storage	per fixture	\$26.45	\$27.40	\$28.50	\$29.64	\$30.83	\$32.06
Mortuary	per slumber room	\$45.78	\$47.42	\$49.32	\$51.29	\$53.34	\$55.47
Office	per 1,000 sq. ft.	\$5.09	\$5.27	\$5.48	\$5.70	\$5.93	\$6.17
Park	per 1,000 sq. ft.	\$1.02	\$1.06	\$1.10	\$1.14	\$1.19	\$1.24
Places of Worship	per 1,000 sq. ft.	\$5.09	\$5.27	\$5.48	\$5.70	\$5.93	\$6.17
Rest Home	per bed	\$10.17	\$10.54	\$10.96	\$11.40	\$11.86	\$12.33
Dining Room Restaurant	per 1,000 sq. ft.	\$129.71	\$134.37	\$139.74	\$145.33	\$151.14	\$157.19
Takeout Restaurant	per 1,000 sq. ft.	\$66.12	\$68.50	\$71.24	\$74.09	\$77.05	\$80.13
Dine In/Takeout Restaurant	per 1,000 sq. ft.	\$106.82	\$110.66	\$115.09	\$119.69	\$124.48	\$129.46
Retail Store	per 1,000 sq. ft.	\$2.54	\$2.63	\$2.74	\$2.85	\$2.96	\$3.08
Service Station	per pump	\$2.54	\$2.63	\$2.74	\$2.85	\$2.96	\$3.08
Theater	per 100 seats	\$7.63	\$7.90	\$8.22	\$8.55	\$8.89	\$9.25
Warehouse	per 1,000 sq. ft.	\$2.54	\$2.63	\$2.74	\$2.85	\$2.96	\$3.08
Schools - Primary	per 100 students	\$25.43	\$26.34	\$27.39	\$28.49	\$29.63	\$30.82
Schools - Secondary	per 100 students	\$63.58	\$65.86	\$68.49	\$71.23	\$74.08	\$77.04
Vacant	per 1,000 sq. ft.	\$5.09	\$5.27	\$5.48	\$5.70	\$5.93	\$6.17
Schools - Colleges	per 100 gal. of water (winter average)	\$0.27	\$0.51	\$0.53	\$0.55	\$0.57	\$0.59
Metered Commercial Accounts	per HCF of water	\$1.41	\$3.78	\$3.93	\$4.09	\$4.25	\$4.42

Wastewater Residential Bill Comparison



Classification	Units	Current	Avg Bill	Proposed	Avg Bill	\$ Inc	% Inc
Residential							
Residential (Single Family)	1 dwelling unit	\$25.43	\$25.43	\$26.34	\$26.34	\$0.91	3.6%
Multi Family	24 units	\$25.43	\$610.32	\$26.34	\$632.16	\$21.84	3.6%
Mobile Home	80 dwelling units	\$25.43	\$2,034.40	\$26.34	\$2,107.20	\$72.80	3.6%



1. Folsom bill includes collection and SASD treatment charge.
2. Light green reflects SASD treatment charge.

Wastewater Interceptor Surcharge

Reserves and Revenue Requirement



- **Recommendation: Establish a sewer surcharge for Sutter Street businesses**

- 26 customers would pay a fixed amount per account each month to fund the future cleaning of the Sutter Street interceptors.
- Surcharge is in addition to monthly charges assessed to all customers for this additional service.
- Cleaning would occur once per five years.

Proposed Interceptor Surcharge				
FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
COS	4%	4%	4%	4%
\$6.99	\$7.26	\$7.56	\$7.86	\$8.17



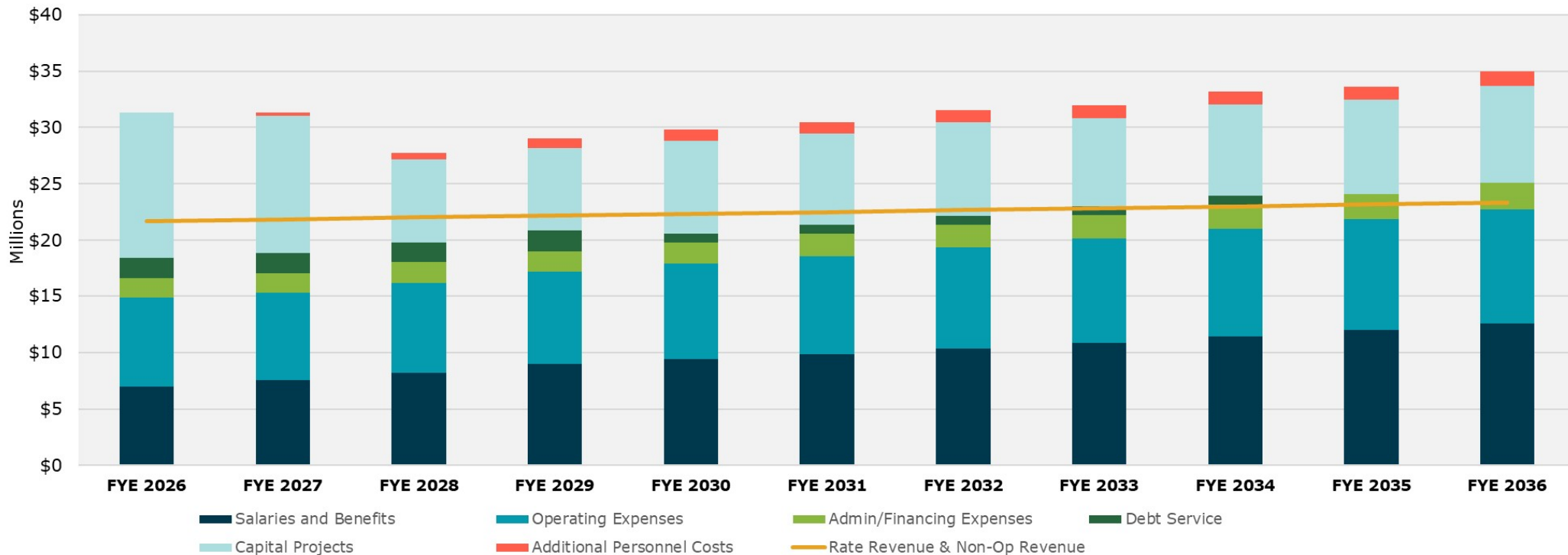
Water Rates and Surcharge Analysis

Water Revenue Requirement



Includes Additional Personnel Costs
\$8.4M/year in Capital in FYE 2027-31, \$7.9M/year in FYE 2032-36

Water (Fund 520) Total Revenue Requirement



Water Capital Plan



Capital Improvement Projects	520 Fund %	521 Fund %	Funding Source	Allocation	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36
WTP and BPS Facilities Communication Hardware Upgrade Project	100%	0%	PAYGo	Water Treatment	\$166,233	\$1,326,000	\$1,076,000								
Tower Tank Rehabilitation Project	100%	0%	PAYGo	Capacity	\$7,001,818	\$1,689,916									
Zone 4 Water Storage Tank and Power Vent System	100%		PAYGo	Capacity		\$600,000									
Zone 4 Interior Tank Rehabilitation and replace lid on 24" check valve on outlet of Zone 4 Reservoir. Replace wooden fence at East Tank with prototype 2 CMU wall	100%	0%	PAYGo	Max Day					\$350,000	\$3,500,000					
Water System Rehab Project No. 1 (Willow Hill Valve)	100%	0%	PAYGo	Water Quality	\$65,826	\$908,048									
Old Town Water R&R Project (O&M Identified)	100%	0%	PAYGo	Water Quality				\$189,200	\$2,186,240						
Water System Rehab Project No. 3 (O&M Identified)	100%	0%	PAYGo	Water Quality	\$1,906,515	\$2,105,955									
Water System Rehab Project No. 4 (O&M and WMP Identified)	100%	0%	PAYGo	Water Quality	\$44,704	\$1,558,671									
Water Project No. 6 - Valley Pines and waterline along Iron Pt Rd (O&M Identified)	100%	0%	PAYGo	Capacity		\$398,800	\$2,371,680	\$2,371,680							
Water Project No. 7 - Sibley Road, Rumsey/Coloma Alley, Blue Ravine Oak neighborhood (valves and water service lines) - O&M Identified	100%	0%	PAYGo	Water Quality			\$221,200	\$3,076,640							
Water Project No. 5 (WMP Identified)	100%	0%	PAYGo	Water Quality	\$116,800	\$2,089,040	\$887,680								
Water Project No. 8 (WMP Identified)	100%	0%	PAYGo	Water Quality				\$275,600	\$3,171,600						
Water Project No. 9 (WMP Identified)	100%	0%	PAYGo	Capacity					\$243,600	\$2,849,920					
Water Project No. 10 (WMP Identified)	100%	0%	PAYGo	Water Quality						\$216,400	\$2,518,080				
Water System Flow Control Facilities Rehabilitation Project	100%	0%	PAYGo	Water Quality	\$1,922,403										
Install new PRV above ground at Clarksville and Broadstone/Palladio	100%	0%	PAYGo	Capacity			\$40,000	\$400,000							
WTP Caustic Soda Project (Fund 520) Portion	100%	0%	PAYGo	Capacity	\$1,112,242	\$476,625									
WTP and BPS Facilities Condition Assessment CIP	100%	0%	PAYGo	Water Treatment	\$350,000	\$100,000	\$1,100,000	\$100,000	\$1,100,000	\$100,000	\$1,100,000				
New Utilities Engineering and Administration Building (Water Portion)	100%	0%	PAYGo	Services			\$1,000,000								
Future Water Capital Projects	100%	0%	PAYGo								\$3,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Total Capital Projects/ Fund 520					\$12,686,541	\$11,598,544	\$6,696,560	\$6,413,120	\$7,051,440	\$6,666,320	\$6,618,080	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Construction Cost Index					1.000	1.033	1.068	1.104	1.141	1.179	1.219	1.259	1.302	1.345	1.390
Total Inflated CIP					\$12,686,541	\$11,987,054	\$7,152,695	\$7,079,398	\$8,044,772	\$7,860,155	\$8,064,657	\$7,556,386	\$7,809,498	\$8,071,089	\$8,341,442
								Average Annual 5-Year PAYGo	\$8,424,815			Average Annual 5-Year PAYGo	\$7,968,614		

Water Proposed Revenue Increases

Reserves and Revenue Requirement

Includes Additional Personnel Costs

\$8.4M/year in Capital in FYE 2027-31, \$8.0M/year in FYE 2032-36

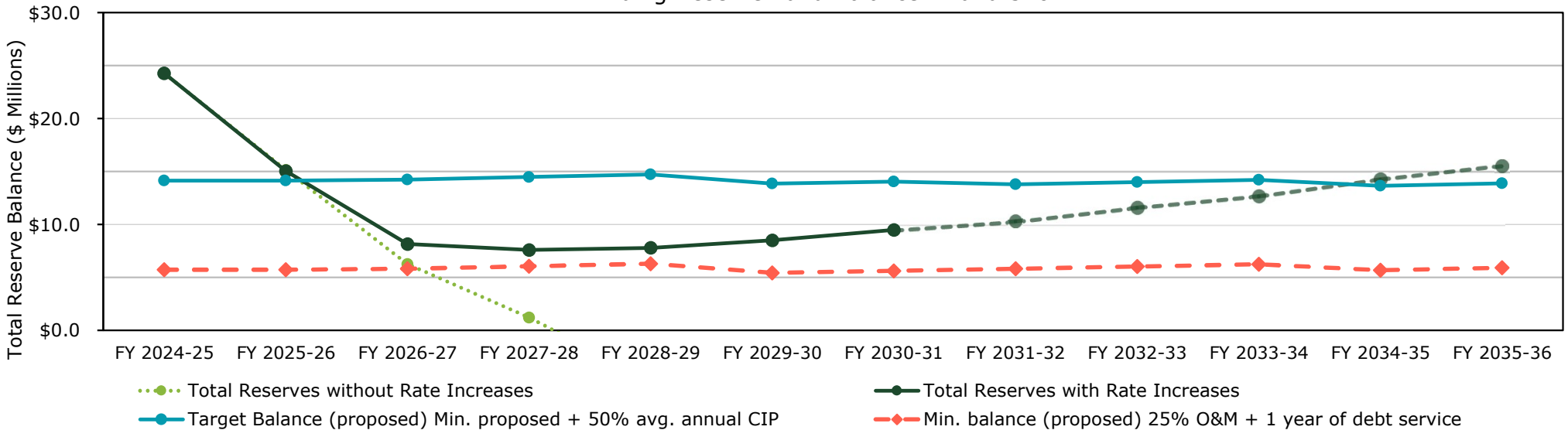


Fiscal Year: **FY 2025-26** **FY 2026-27** **FY 2027-28** **FY 2028-29** **FY 2029-30** **FY 2030-31** **FY 2031-32** **FY 2032-33** **FY 2033-34** **FY 2034-35** **FY 2035-36**

effective date: 1/1/2027 1/1/2028 1/1/2029 1/1/2030 1/1/2031 1/1/2032 1/1/2033 1/1/2034 1/1/2035 1/1/2036

Revenue Increases	0.0%	12.0%	9.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Debt Coverage	2.99	3.44	4.23	4.58	10.81	10.85	10.80	10.78	10.72	-	-
Annual CIP (Fund 520)	\$12,686,541	\$11,987,054	\$7,152,695	\$7,079,398	\$8,044,772	\$7,860,155	\$8,064,657	\$7,556,386	\$7,809,498	\$8,071,089	\$8,341,442

Ending Reserve Fund Balance - Fund 520



Water Cost of Service Allocations



FY 2026/27 Total	Average Day	Maximum Day	Public Fire Services	Public Fire Protection Svcs	Capacity	Private Fire Protection Svcs
\$24,042,786	\$10,664,817 44.36%	\$2,278,232 9.48%	\$6,024,549 25.06%	\$966,475 4.02%	\$3,835,760 15.95%	\$272,953 1.14%
\$24,042,786 100.00%	Demand \$12,943,048 53.83%			Fixed \$11,099,737 46.17%		

*Costs recovered through
consumption charges*

*Costs recovered through
fixed monthly base charges*

Water – COS Results (Demand)



Scenario 1: 3 Separate Customer Classes

Residential ONLY		
Tiered Consumption Rates	Tier 1	Tier 2
Demand Condition	Average Day	Max Day
Tier Structure		
Volume per tier (hcf)	0-15 hcf	15+ hcf
hcf by Tier	4,335,602	1,570,692
Cost of Service by Tier	\$5,832,613	\$1,208,940
Unit Cost per hcf (by Tier)	\$1.35	\$2.11

Non-Residential ONLY		
Tiered Consumption Rates	Tier 1	Tier 2
Demand Condition	Average Day	Max Day
Tier Structure		
Volume per tier (hcf)	0-66 hcf	66+ hcf
hcf by Tier	1,613,426	1,471,565
Cost of Service by Tier	\$2,629,153	\$483,750
Unit Cost per hcf (by Tier)	\$1.37	\$1.69

Irrigation ONLY		
Tiered Consumption Rates	Tier 1	Tier 2
Demand Condition	Average Day	Max Day
Tier Structure		
Volume per tier (hcf)	0-183 hcf	183+ hcf
hcf by Tier	1,613,426	1,021,184
Cost of Service by Tier	\$2,203,051	\$585,541
Unit Cost per hcf (by Tier)	\$1.37	\$1.94

Scenario 2: 1 Customer Class

Combined Customer Class		
Tiered Consumption Rates	Tier 1	Tier 2
Demand Condition	Average Day	Max Day
Tier Structure		
Volume per tier (hcf)	0-24 hcf	24+ hcf
hcf by Tier	7,874,513	4,069,727
Cost of Service by Tier	\$10,664,817	\$2,278,232
Unit Cost per hcf (by Tier)	\$1.35	\$1.91

Water – COS Results (Fixed)



Services + Public Fire Protection	\$6,991,024	Capacity Unit Costs	\$3,835,760	Private Fire Costs	\$272,953
Total Services/DU + Private Fireline Services	27,950	Total Equiv. Meter Units (EMU)	76,638	Total Equiv. Fire Units (EFU)	25,367
per Service/DU	\$250.13	per EMU	\$50.05	per EFU	\$10.76
Monthly	\$20.84	Monthly	\$4.17	Monthly	\$0.90

Applicable Service Size	% of Meters	Service Component (\$/mo.)	Capacity Component				COS Monthly Proposed Rate	Total Current Rate	\$ Difference
			\$/EMU	Capacity Multiplier	Capacity Total	Capacity Total			
		a	b	c	d = b * c	e = a + d	f	g = e - f	
5/8" Meter	16.74%	\$20.84	\$4.17	1	\$4.17	\$25.01	\$13.39	\$11.62	
3/4" Meter	0.92%	\$20.84	\$4.17	1.5	\$6.26	\$27.10	\$20.08	\$7.02	
1" Meter	75.58%	\$20.84	\$4.17	2.5	\$10.43	\$31.27	\$33.47	(\$2.20)	
1.5" Meter	1.54%	\$20.84	\$4.17	5	\$20.85	\$41.70	\$66.93	(\$25.23)	
2" Meter	4.14%	\$20.84	\$4.17	8	\$33.37	\$54.21	\$107.09	(\$52.88)	
3" Meter	0.50%	\$20.84	\$4.17	16	\$66.73	\$87.58	\$200.80	(\$113.22)	
4" Meter	0.39%	\$20.84	\$4.17	25	\$104.27	\$125.12	\$334.67	(\$209.55)	
6" Meter	0.14%	\$20.84	\$4.17	50	\$208.54	\$229.39	\$669.33	(\$439.94)	
8" Meter	0.03%	\$20.84	\$4.17	140	\$583.92	\$604.76	\$1,070.93	(\$466.17)	
10" Meter	0.02%	\$20.84	\$4.17	210	\$875.88	\$896.73	\$1,539.46	(\$642.73)	
12" Meter	0.01%	\$20.84	\$4.17	265	\$1,105.28	\$1,126.12	\$2,258.99	(\$1,132.87)	

Private Fire Service Lines Size (in)	Service Annual Proposed Rate	Private Fire Service Capacity Multiplier	Capacity Annual Proposed Rate	Total Proposed Rate	Monthly Proposed Rate	Current Rates	\$ Change	
	a	b	c	d = b * c	e = a + d			
2" Meters	\$250.13	\$10.76	1.00	\$10.76	\$260.89	\$21.74	\$2.43	\$19.31
3" Meters	\$250.13	\$10.76	2.90	\$31.26	\$281.38	\$23.45	\$3.64	\$19.81
4" Meters	\$250.13	\$10.76	6.19	\$66.61	\$316.74	\$26.39	\$4.93	\$21.46
6" Meters	\$250.13	\$10.76	17.98	\$193.49	\$443.61	\$36.97	\$7.50	\$29.47
8" Meters	\$250.13	\$10.76	38.32	\$412.33	\$662.46	\$55.20	\$10.08	\$45.12
10" Meters	\$250.13	\$10.76	68.91	\$741.51	\$991.64	\$82.64	\$12.66	\$69.98
12" Meters	\$250.13	\$10.76	111.31	\$1,197.74	\$1,447.87	\$120.66	\$15.23	\$105.43

Note: City has long-term goal to replace all 5/8" and 3/4" meters with 1" meters

Water – Rate Design



Base Service Charge (Meter Size)	Fixed Base Charges					
	Current Rates	Proposed				
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Residential						
Single Family Residential Base	\$20.09	<i>applicable meter size</i>				
Single Family Residential - Low Income	\$12.65	<i>applicable meter size</i>				
Condo	\$12.66	<i>applicable meter size</i>				
	% increase	COS	9%	3%	2%	2%
5/8" Meter	\$13.39	\$25.01	\$27.26	\$28.08	\$28.64	\$29.21
3/4" Meter	\$20.08	\$27.10	\$29.54	\$30.43	\$31.04	\$31.66
1" Meter	\$33.47	\$31.27	\$34.08	\$35.10	\$35.80	\$36.52
1-1/2" Meter	\$66.93	\$41.70	\$45.45	\$46.81	\$47.75	\$48.71
2" Meter	\$107.09	\$54.21	\$59.09	\$60.86	\$62.08	\$63.32
3" Meter	\$200.80	\$87.58	\$95.46	\$98.32	\$100.29	\$102.30
4" Meter	\$334.67	\$125.12	\$136.38	\$140.47	\$143.28	\$146.15
6" Meter	\$669.33	\$229.39	\$250.04	\$257.54	\$262.69	\$267.94
8" Meter	\$1,070.93	\$604.76	\$659.19	\$678.97	\$692.55	\$706.40
10" Meter	\$1,539.46	\$896.73	\$977.44	\$1,006.76	\$1,026.90	\$1,047.44
12" Meter	\$2,258.99	\$1,126.12	\$1,227.47	\$1,264.29	\$1,289.58	\$1,315.37

Fire Service Lines Size (in)	Private Fire Services					
	Current Rates	Proposed				
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
	% inc.	COS	9%	3%	2%	2%
2" Meters	\$2.43	\$21.74	\$23.70	\$24.41	\$24.90	\$25.40
3" Meters	\$3.64	\$23.45	\$25.56	\$26.33	\$26.86	\$27.40
4" Meters	\$4.93	\$26.39	\$28.77	\$29.63	\$30.22	\$30.82
6" Meters	\$7.50	\$36.97	\$40.30	\$41.51	\$42.34	\$43.19
8" Meters	\$10.08	\$55.20	\$60.17	\$61.98	\$63.22	\$64.48
10" Meters	\$12.66	\$82.64	\$90.08	\$92.78	\$94.64	\$96.53
12" Meters	\$15.23	\$120.66	\$131.52	\$135.47	\$138.18	\$140.94

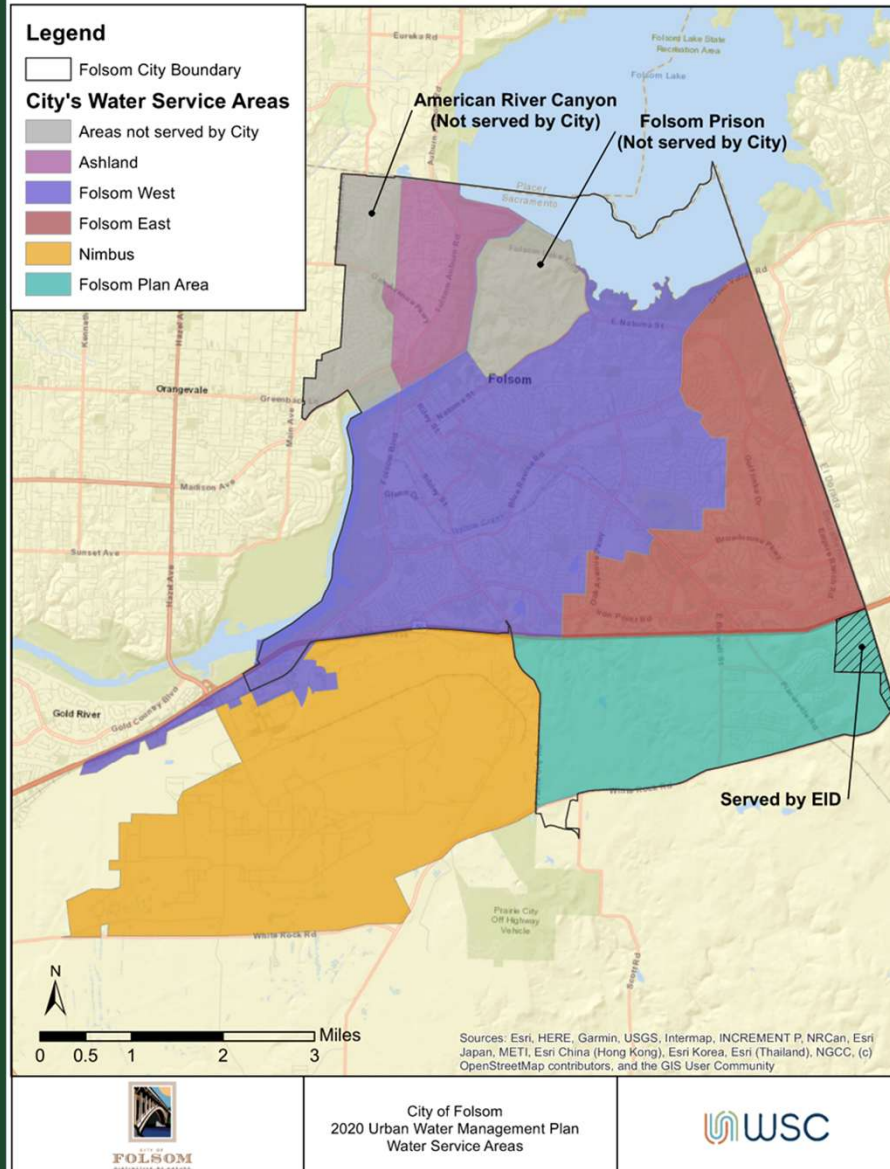
Water – Rate Design



Consumption Charges							
Current Structure	Current Rates		Proposed Rates				
	FY 2025-26	New Structure % increase	FY 2026-27 COS	FY 2027-28 9%	FY 2028-29 3%	FY 2029-30 2%	FY 2030-31 2%
Residential		Residential	<i>Scenario 1: 3 Separate Customer Classes</i>				
Tier 1 (0-20 HCF)	\$1.51	Tier 1 (0-15 hcf)	\$1.35	\$1.47	\$1.51	\$1.54	\$1.57
Tier 2 (20-40 HCF)	\$1.61	Tier 2 (15+ hcf)	\$2.11	\$2.30	\$2.37	\$2.42	\$2.47
Tier 3 (Over 40 HCF)	\$1.75						
Non-Residential/Irrigation		Non-Residential*					
All Consumption	\$1.55	Tier 1 (0-66 hcf)	\$1.37	\$1.49	\$1.53	\$1.56	\$1.59
		Tier 2 (66+ hcf)	\$1.69	\$1.84	\$1.90	\$1.94	\$1.98
Temporary Meters		Irrigation					
Tier 1 (0-10 HCF)	\$3.00	Tier 1 (0-183 hcf)	\$1.37	\$1.49	\$1.53	\$1.56	\$1.59
Tier 2 (Over 10 HCF)	\$1.90	Tier 2 (183+ hcf)	\$1.94	\$2.11	\$2.17	\$2.21	\$2.25
		All Customers	<i>Scenario 2: 1 Customer Class</i>				
		Tier 1 (0-24 hcf)	\$1.35	\$1.47	\$1.51	\$1.54	\$1.57
		Tier 2 (24+ hcf)	\$1.91	\$2.08	\$2.14	\$2.18	\$2.22

* Including temporary meters

Surcharge Areas



Water Surcharges



- **Currently there are two surcharges:**

- East Area Surcharge
- Folsom Plan Area Surcharge
- Current billing: Residential charges fixed amount per account; Commercial billed based on water use

- **Proposed water supply surcharge structure:**

- 3 surcharges – each of the 4 areas in the City would pay a surcharge
 - East Area Surcharge – revise to Central Valley Project Surcharge, applies to Folsom Main and East Area
 - Folsom Plan Area Surcharge – continues to apply solely to Folsom Plan Area
 - Create new Ashland Surcharge – accounts for San Juan Water District treated water purchases, applies only to Ashland customers

- **Proposed water treatment surcharge**

- Applies to East Area, Folsom Main, and Folsom Plan Area

- **All surcharges would be charged according to water use.**

Water Surcharges



Water Surcharges							
Current	Current Rates		Proposed				
Current Structure	FY 2025-26	New Structure	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Residential	Fixed Monthly	Water Supply Surcharges (\$/HCF)					
East Area Surcharge	\$4.20	Ashland	\$0.54	\$0.55	\$0.56	\$0.58	\$0.61
Folsom Plan Area Surcharge	\$9.20	Folsom Ranch	\$1.12	\$1.16	\$1.20	\$1.25	\$1.30
		East Area	\$0.06	\$0.06	\$0.07	\$0.07	\$0.07
Non-Residential	\$/HCF	Folsom Main	\$0.06	\$0.06	\$0.07	\$0.07	\$0.07
East Area Surcharge	\$0.12	Treatment Surcharge (\$/HCF)					
Folsom Plan Area Surcharge	\$0.85	Folsom Ranch	\$0.04	\$0.04	\$0.04	\$0.05	\$0.06
		East Area	\$0.04	\$0.04	\$0.04	\$0.05	\$0.06
		Folsom Main	\$0.04	\$0.04	\$0.04	\$0.05	\$0.06

- Water Supply surcharges would be increased in FYE 2028-2031 according to schedule of rate increases applicable to the water agency supplying each service area
- Treatment surcharge would follow revenue increases of 9%, 4%, 3%, and 0% in FYE 2028-2031

Residential Water Bill Impacts

Includes surcharge(s) applicable to service area



Residential Bill Impacts - 1" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Ashland	Low (50% Average)	8	43%	\$32.17	\$46.39	\$14.22	\$46.39	\$14.22
	Average	15	66%	\$42.74	\$59.62	\$16.88	\$59.62	\$16.88
	High (2x Average)	30	87%	\$66.39	\$99.37	\$32.98	\$91.33	\$24.94

Residential Bill Impacts - 1" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Main	Low (50% Average)	8	43%	\$32.17	\$42.87	\$10.70	\$42.87	\$10.70
	Average	15	66%	\$42.74	\$53.02	\$10.28	\$53.02	\$10.28
	High (2x Average)	30	87%	\$66.39	\$86.17	\$19.78	\$78.13	\$11.74

Residential Bill Impacts - 1" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
East Area	Low (50% Average)	8	43%	\$36.37	\$42.87	\$6.50	\$42.87	\$6.50
	Average	15	66%	\$46.94	\$53.02	\$6.08	\$53.02	\$6.08
	High (2x Average)	30	87%	\$70.59	\$86.17	\$15.58	\$78.13	\$7.54

Residential Bill Impacts - 1" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Ranch	Low (50% Average)	8	43%	\$41.37	\$51.35	\$9.98	\$51.35	\$9.98
	Average	15	66%	\$51.94	\$68.92	\$16.98	\$68.92	\$16.98
	High (2x Average)	30	87%	\$75.59	\$117.97	\$42.38	\$109.93	\$34.34

Non-Residential Water Bill Impacts

Includes surcharge(s) applicable to service area



Non-Residential Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Ashland	Low (50% Average)	33	68%	\$158.24	\$117.24	(\$41.00)	\$121.62	(\$36.62)
	Average	66	79%	\$209.39	\$180.27	(\$29.12)	\$202.47	(\$6.92)
	High (2x Average)	132	86%	\$311.69	\$327.45	\$15.76	\$364.17	\$52.48

Non-Residential Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Main	Low (50% Average)	33	68%	\$158.24	\$102.72	(\$55.52)	\$107.10	(\$51.14)
	Average	66	79%	\$209.39	\$151.23	(\$58.16)	\$173.43	(\$35.96)
	High (2x Average)	132	86%	\$311.69	\$269.37	(\$42.32)	\$306.09	(\$5.60)

Non-Residential Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
East Area	Low (50% Average)	33	68%	\$162.20	\$102.72	(\$59.48)	\$107.10	(\$55.10)
	Average	66	79%	\$217.31	\$151.23	(\$66.08)	\$173.43	(\$43.88)
	High (2x Average)	132	86%	\$327.53	\$269.37	(\$58.16)	\$306.09	(\$21.44)

Non-Residential Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Ranch	Low (50% Average)	33	68%	\$186.29	\$137.70	(\$48.59)	\$142.08	(\$44.21)
	Average	66	79%	\$265.49	\$221.19	(\$44.30)	\$243.39	(\$22.10)
	High (2x Average)	132	86%	\$423.89	\$409.29	(\$14.60)	\$446.01	\$22.12

Irrigation Water Bill Impacts

Includes surcharge(s) applicable to service area



Irrigation Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Ashland	Low (50% Average)	92	59%	\$249.69	\$229.93	(\$19.76)	\$266.17	\$16.48
	Average	183	71%	\$390.74	\$403.74	\$13.00	\$489.12	\$98.38
	High (2x Average)	366	83%	\$674.39	\$857.58	\$183.19	\$937.47	\$263.08

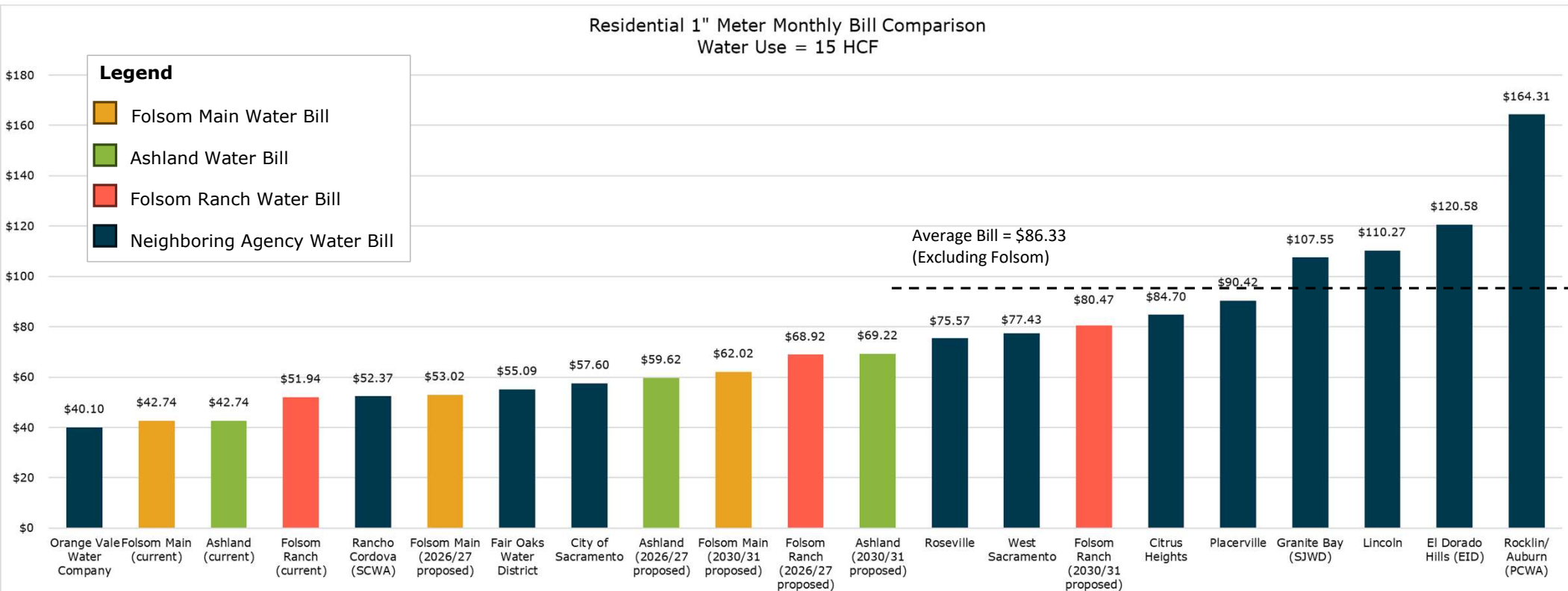
Irrigation Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Main	Low (50% Average)	92	59%	\$249.69	\$189.45	(\$60.24)	\$225.69	(\$24.00)
	Average	183	71%	\$390.74	\$323.22	(\$67.52)	\$408.60	\$17.86
	High (2x Average)	366	83%	\$674.39	\$696.54	\$22.15	\$776.43	\$102.04

Irrigation Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
East Area	Low (50% Average)	92	59%	\$260.73	\$189.45	(\$71.28)	\$225.69	(\$35.04)
	Average	183	71%	\$412.70	\$323.22	(\$89.48)	\$408.60	(\$4.10)
	High (2x Average)	366	83%	\$718.31	\$696.54	(\$21.77)	\$776.43	\$58.12

Irrigation Bill Impacts - 2" Meter		Water Use		3 Separate Classes			1 Combined Class	
	Level of Water Use	(hcf/mo)	% of Bills	Bill at Current Rates	Bills at Proposed Rates	\$ Difference	Bills at Proposed Rates	\$ Difference
Folsom Ranch	Low (50% Average)	92	59%	\$327.89	\$286.97	(\$40.92)	\$323.21	(\$4.68)
	Average	183	71%	\$546.29	\$517.20	(\$29.09)	\$602.58	\$56.29
	High (2x Average)	366	83%	\$985.49	\$1,084.50	\$99.01	\$1,164.39	\$178.90

Residential Water Bill Comparison

*Results do not vary by rate scenario for average water use

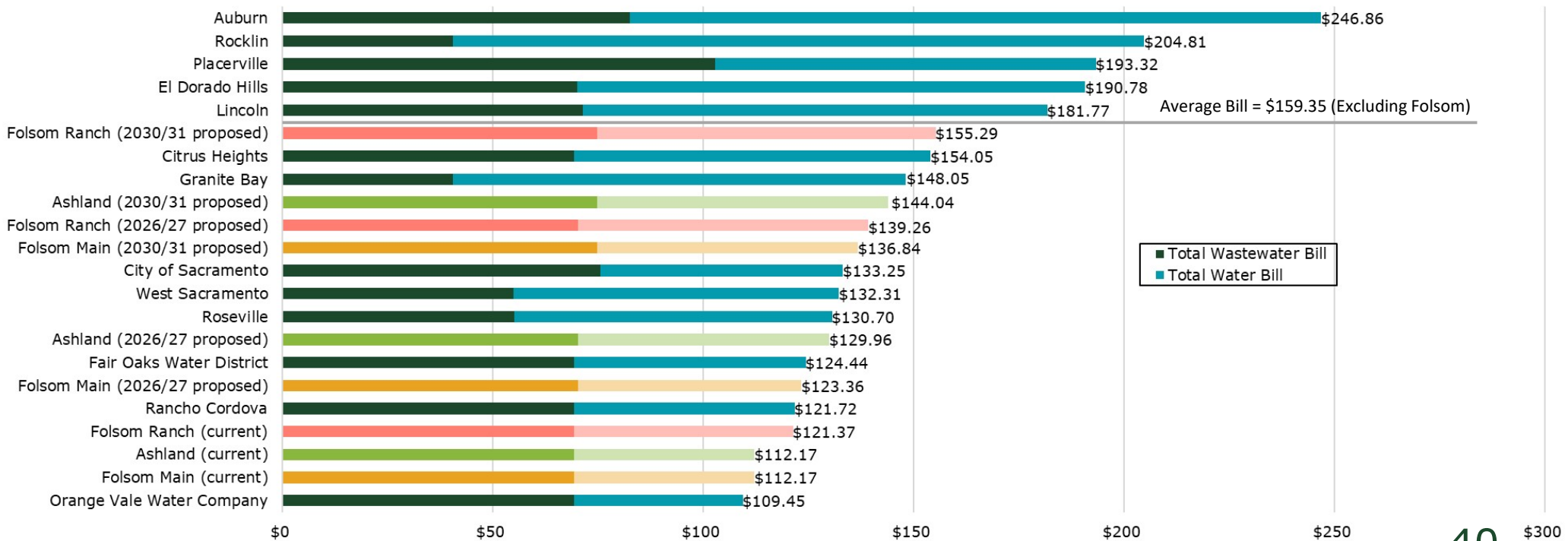


Combined Residential Bill Comparison

*Results do not vary by rate scenario for average water use



Combined Water and Wastewater Bill Comparison
Water Use = 15 HCF, 1" meter



Low Income Rates



- **Currently offered for water customers – 282 accounts**
- **Sewer is offered by Sacramento Area Sewer District**
 - \$30 per year for collections
 - \$165 per year for treatment – only this applies to Folsom customers
- **Water is about a 37% discount to the base rate**
- **Cannot use rate funds to offset these costs – per Prop 218**
- **Currently cost difference is covered by General Fund**
 - About \$25,200 per year
 - Projected to be about \$39,200 per year with rates presented tonight using the same discount percentage

Questions for Council Input

Cost of Service & Rate Design



• Feedback Requested of City Council

- Do you have any questions regarding the proposed reserve policies?
- Do you agree with the staff recommendations?
 - Proposed wastewater rates
 - Sutter Street Interceptor surcharges
 - Proposed water supply and water treatment surcharges
- Which proposed water rates option do you prefer?
 - Scenario 1 – 3 separate customer classes (Residential, Non-Residential, Irrigation)
 - Scenario 2 – 1 customer class (all customers subject to the same rates)
- Should the City continue to offer low-incomes rates for water?