

July 16, 2025

Pledge of Allegiance

CALL MEETING TO ORDER: Director Essmann called the meeting to order at 6:02 p.m.

WELCOME AND INTRODUCTIONS:

Board Members present: President Essmann, Director Kary, Director Ewalt, Director Erpenbach, Director Ellis, Director Graves. Board Secretary Lena Loftsgaard was also present.

Staff members present: Bo Andersson, Josh Simpson

Also Present: Jim Brown, Tim Goodridge, Mr. Odea, Doug Walters, Patricia Walters, Craig Favero, Paul Evanson, Dan Vierthaler, Jim Kane, Karie Kane, Lyle Fogle, Patti Vierthaler, Joyce Engelhardt, Leon Scheeler, Cynthia Finch, Evelyn Pyburn

PUBLIC HEARING ON PROPOSED RATE INCREASE:

- a. Rate Increase Documents (Pg 2-4)
- a. Resolution 027-25 (Pg. 5)

Dir. Kary moves to adopt the proposed rate increase. Dir. Ewalt seconds the motion.

Mr. Andersson describes the proposed rate increase. Discusses the components to an individual's monthly charge, a volumetric component and the service line fee. The new proposed rate would increase the volumetric component in response to the City of Billings new rates charged for delivery of water to the District.

Public Comment:

Jim Brown says City of Billings has been working on the water plant for several years. He says the City has been incrementally increasing the rates whereas the Heights has not. He asks why the Heights did not act similarly.

Tim Goodridge is opposed to a rate increase. Says he can understand the reasoning behind the increase but disagrees with the idea that he should pay more for the same water, especially compared to the rate paid by ratepayers in Billings. Mentions that he believes that this is only the first increase of several to come.

Mr. ODea. Opposed to the rate increase. He agrees with Mr. Goodridge and says it is poor planning on the City Council's part.

Doug Walters disagrees with the increase. He wants to know why we are paying for something going in on the West side of town. He asks if we will be charged if something goes in in Laurel too.

Patricia Walters says that her husband and her are retired and live on social security. They cannot pay any more for water, especially after her social security check was lowered. The rate increase is only the beginning.

Paul Evanson says that there needs to be better planning in the future. He believes things were not well thought out and now the people are stuck paying for these rate increases.

Craig Favero states that he worked for more than forty years in construction, much of that was for municipal projects which involved water infrastructure in the heights. He says he has a good idea on the costs of infrastructure. He thinks the City has been getting a break as the Heights funds its own infrastructure, but the water rates for the City as a whole includes the costs of infrastructure in the rest of the City. He believes that since the Heights has paid for its own infrastructure, it is unfair that our rate payers should have to also pay for the City of Billings. He thinks that the Heights is not being dealt with fairly by the City.

Dan Vierthaler says he has lived in his home for twenty-five or more years. It was just a field when he moved in, now, after a lot of effort and money it is a nice lawn. His highest utility concern is his water bill. His family has discussed moving to the West End in order to avoid the Heights water rates. He has looked into alternatives and cannot find a good solution. He also asked about the tiered system. Why is it the more water you use, the more you pay?

Discussion on the motion

Dir. Ellis says our rates are currently significantly higher than the City of Billings. The Heights rate for the meter rate is \$19.70, the City pays \$8.75 which is a 225% difference. Legally, the City cannot charge us for infrastructure that doesn't directly benefit us. Dir. Ellis mentions that the tier system was theoretically designed to encourage conservation, but it does not work. She also says that our system development fees are dramatically higher than the city. Businesses say that the Heights water rates are a barrier to development in the Heights. She says she will vote "no" on the rate increase as she does not believe it will be necessary.

Dir. Kary disagrees with Dir. Ellis. He states that the base rate for the City of Billings is less, but they have significantly more meters than the Heights which makes the comparison misleading. He asks what the solution is, if not the rate increase. Will we take money out of the ten million dollar set aside? He says the City of Billings has built the new plant and it will service us. The issue was pushed off for years and pushing it off further will not solve the problem.

Dir. Ewalt talks about the cost of the infrastructure. He says the city doesn't pay for the infrastructure; the developer pays for it. The City only maintains after the infrastructure is put in. The cost of pipe is roughly 3.3 million dollars per mile. There are more than five miles of pipes in the Heights. If the District has to replace a line on Main Street, it will likely cost everything in the ten-million-dollar emergency fund. He also mentions that Montana is technically a desert, making a nice, green lawn less reasonable. This is part of the reason for the tiered system.

Dir. Erpenbach says that he has been worrying about the Heights Water District's operation. He will vote yes on the rate increase, but he will also work to lower operational expenses.

Dir. Graves asks about the ten million dollars in reserves. He asks about what happens to that fund if we go forward with consolidation as consolidation with the City Of Billings was mentioned multiple times.

President Essmann says that it would be highly dependent on negotiations if there is interest on their part which we have not seen yet.

Dir. Graves also mentioned that Laurel increased their rates over the last several years. We are not the only ones.

President Essmann says that the Heights water board is in a difficult position. Mentions a grey water system as a possible option for lawn maintenance. He is concerned about the cast iron pipes in Main Street. Recent tests have shown that some of our piping may be in poor condition. Neither the current board nor the board manager were here when these choices were made or the contract with the City was entered into.

Dir. Kary responds to the public comments. Mr. Brown had asked why they weren't put in before. Dir. Kary asks what he meant by before? He explains that the City could not legally charge the Heights until the new plant went into use. Previous boards decided not to increase rates like the City did. This is why the rate did not increase earlier. Mr. ODea asked about the tier rate. Dir. Kary responds that the incentive of the tier system is designed to help conserve water. To the Walters he says we will start paying for the West end as the facility will start providing water for the Heights.

Dir. Ewalt says that we recently received information from the city that they will be working to rebuild Wicks from Hawthorne to Bitterroot over the next few years. He says it will take three years with the new increase to pay for replacement.

Dir. Graves says in the past there were rate raises enacted that did not include a public hearing, the hearing is a step in the right direction.

President Essmann moves to separate the bulk water increase of 12.2% so that he could recuse himself from voting on the issue due to a potential conflict of interest. Seconded by Dir. Ewalt.

Dir. Ellis states that at the last meeting the board voted not to include system development fees or fire line fees in the rate schedule. Those were removed and the board should not be voting on them.

Vote on the volumetric rate increase of 12.2% on bulk resale customers: Dirs. Erpenbach, Ewalt, and Kary approve. Dirs. Ellis and Graves oppose. Motion passes 3-2

Vote on the balance of the Volumetric Rate Increase: Dirs. Erpenbach, Ewalt, Kary, and President Essmann approve. Dirs. Ellis and Graves oppose. Motion passes 4-2

JULY 16 BOARD MEETING

Public Comment on Non-Agenda items

Tim Goodridge asks about the consolidation item on the agenda. He says from his point of view, consolidation seems like the best long-term solution.

Jim Brown agrees that consolidation looks like the best option at the moment due to previous mismanagement of the District.

Lyle Fogle states that the Independent Subdivision he lives in is at least thirty years old and the fire plugs have never been tested. He brought up this concern at a board meeting three or four years ago, but his concerns were never addressed. He asks when the fire plugs will be tested.

President Essmann says that it is on the agenda and that the Board manager will discuss it in his report.

Approval of Minutes

Motion to approve June 18 Minutes by Dir. Ewalt, seconded by Dir. Graves.

Ellis moves to withhold voting on June 18th minutes until the next meeting so they can be corrected.

Vote Ellis moves to withhold voting on June 18th minutes until the next meeting so they can be corrected. Seconded by Dir. Erpenbach.

Motion approved unanimously.

Consent Agenda

Dir. Ewalt Moves to approve all items except the Interstate Engineering prepaid bill, item #1. Seconded by Dir. Erpenbach.

Dir. Ellis asks to separate the report from Stifel.

Dir. Kary moves to approve consent agenda items 2, 3, 4, 5, and 7. Motion seconded by Dir. Ewalt.

Vote to approve consent agenda items 2, 3, 4, 5, and 7: Motion unanimously passed.

Dir. Ewalt talks about Interstate Engineering Invoice 58406. The bill received was for \$25,000 to do the second connection engineering again. He asks why it is so much when the only change is moving from a double check valve to a single valve. Why are we paying to redo the study?

Mr. Andersson says that he had a meeting to discuss the bills with Interstate Engineering. The Heights had them change a few things. Hydraulics is the major hang up. We still do not have them from the City.

Mr. Simpson says that in 2024 the modeling wasn't done because it wasn't feasible. Now they have to readdress it.

Further discussion was had about the charges on the Interstate Engineering bill.

Dir. Ewalt moves to defer Interstate Engineering invoice 58406. Dir. Graves seconds.

Vote to defer Interstate Engineering Invoice 58406: Motion passed unanimously.

Dir. Ewalt asks why Interstate Engineering invoiced us invoice 58407

Mr. Andersson says that that is part of the adjustments.

Dir. Ewalt moves to defer invoice 58407 until next month. Second by Dir. Erpenbach.

Vote to defer Invoice 58407 until next month: Motion passed unanimously.

Dir. Ellis moves to transfer funds from the CDs that come due for Stifel into the STIP fund. Seconded by Dir. Kary.

Vote to transfer funds from the CDs that come due for Stifel into the STIP fund: Motion passed unanimously.

Dir. Ewalt mentions a repair item from Blue Creek Excavation for a repair on Pemberton and Wicks. There is no possible way to be on Pemberton and Wicks.

Dir. Essmann asks the General Manager to produce the invoices for the next meeting as there seems to be some clerical errors

Mr. Simpson says he will check on it.

Manager's report: Bo Andersson

Mr. Andersson says that they think we will find a few more leaks. The non-revenue water was around 20% for 6 years. The nationwide average is roughly 16-17%. We are currently aiming for 11.4% which is what we had in May and June.

Dir. Ewalt asks about the newest leak found at 2244 Main. He asks how many leaks will have to happen before we consider replacing lines on Main Street.

Mr. Andersson says that there will almost certainly be additional leaks found on Main. Our biggest problem is with our service lines. There is now a program in place to check the Hydrants every year.

Dir. Kary asks about when they will get out to check the area out by Independence School Subdivision.

Mr. Simpson says they are going page by page through the atlas, odds and evens by two teams, but is not sure exactly where that area is on the list.

Further discussion was had regarding timelines for hydrant checks and excavating AC pipes identified by Echologics in West Wicks and Hilltop to confirm the accuracy of Echologics testing and the condition of the AC pipes. The Assistant Manager said he would schedule the locates so that the excavations could be scheduled.

Old Business:

Item # 1: Consolidation Study Progress Report

Dir. Ewalt discussed the meeting on the 14th regarding the consolidation study. He reviewed the schedule:

- Discussion of Financial Consideration Preliminary Information at Teams Meeting (week of July 14)
 - Comments from District/City Due July 16
- Incorporation of comments into TM – July 22
- Draft Consolidation Report – July 31
 - Comments from the District/City due August 7
- Final Consolidation Report – August 15
- Presentation at District Board Meeting – August 20

Discussion was had regarding the best venue for the meeting on August 20th

Dir. Ellis suggests the board send out a postcard to all ratepayers to inform them about the consolidation study meeting.

Item # 2: City rate review

- a. Raftelis Invoice 39576 (Pg. 46)

Mr. Andersson says that it looks like the Heights will be charged for the West end plant before the plant begins to provide value to the district, which would be illegal. When the asset is put in place, it can be depreciated. When it is not in use, it cannot be depreciated.

President Essmann says that they will likely need someone to negotiate the contract.

Dir. Ewalt asks if we would be better off having our attorney or Raftelis look at the contract.

Pres. Essmann agrees that it would be good to go straight to the attorney.

Mr. Andersson says that we have to get the facts. He does not recommend calling the attorney at this point.

President Essmann says he is willing to wait more information.

Further discussion was had regarding the attorney and the potential next steps

Dir. Ellis moves to require an itemized bill from Raftelis. Dir. Erpenbach seconds.

Vote to require an itemized bill from Raftelis: Dirs. Ellis and Erpenbach in favor. Ewalt, Kary, and Graves against. Motion dies 2-3.

New Business:

Item #1 RTP for Rate Study (Pg. 47-50)

a. Resolution 028-25 (Pg. 51)

Dir. Kary moves to consider Resolution 028-25. Second by Dir. Erpenbach.

Dir. Ewalt believes that this resolution is premature by at least a month.

Dir. Essmann says that the rate has some problems.

Further discussion was had regarding RTP for the Rate Study.

Dir. Kary withdraws his motion.

Item #2 Appoint a committee to study use of GPS System to develop data on use of GPS System to develop data on use of District Vehicles.

a. Resolution 029-25 (Pg. 52)

Dir. Ewalt moves to accept resolution 029-25 (Pg. 52) seconded by Dir. Kary.

Public comment: None

Dir. Ellis says it is a great idea. It is standard procedure for government vehicles to have GPS tracking.

Vote on Resolution 029-25: Motion passed Unanimously.

Mr. Andersson says that he sent an email regarding his disagreement with the motion. He says that the issue is more of an administrative issue than a board issue.

Dir. Ellis makes a Point of order as the time for discussion has passed.

Item #3 Appoint a committee to study use of Preferred Provider Plan for employee health plan

a. Resolution 030-25 (Pg. 54)

Dir. Ellis moves to approve Resolution 030-25 (pg.54). Seconded by Dir. Erpenbach.

Public Comment: None

Dir. Ellis says that our employees have nearly triple the benefits than the city employees receive. To pay for our portion of the West End water plant, we can either raise the rates or cut our expenses. She says it is important to look at where we can save.

Dir. Kary says that he saw on the news that they expect a 7% increase this year nationally on insurance.

Dir. Ewalt clarifies that this resolution is just a study to look into the issue. He is in favor of seeing where we can save some money.

Vote to approve Resolution 030-25: Motion passes unanimously.

Dir. Ellis moves to send postcards to all ratepayers to inform them about the August consolidation report meeting. Seconded by Dir. Erpenbach

Public comment: None

Dir. Ewalt says that dates are tentative. He asks if we will send out additional postcards if the timeline changes.

President Essmann agrees that deadlines have not been consistently hit.

Dir. Ellis says that they don't need a date, can they send out postcards when a date is decided.

Further discussion was had regarding the timeline.

Vote to send postcards to all ratepayers as soon as we know the date of the meeting: Motion passes unanimously.

Dir. Ewalt asks to stop chain emails as information gets lost.

Items for future Board Meeting:

1. Potential Revision of Resolution on Fireline charges
2. Preparation and approval of Employee Handbook
3. RFQ for Audit of FY2025 Financials

Announcements:

August Board meeting will be @ 6:00 pm on August 20th, 2025

ADJOURN 8:26 p.m.