



COUNTY WATER DISTRICT OF BILLINGS HEIGHTS

Board of Directors Meeting Minutes

August 20, 2025 at 6:00 PM

County Water District of Billings Heights 1540 Popelka Dr., Board room

Pledge of Allegiance

CALL MEETING TO ORDER: President Essmann called the meeting to order at 6:00 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, Adam

Also Present: Evelyn Pyburn, Nancy McManus, Ed Melcher, Ming Cabrera, Joyce Evanson, Paul Evanson, Butch Baily, Dan Vierthaler, Mike Macki, John Odea, Andrew Reid (Via Zoom)

Public Comment on Non-Agenda items

Mike Macky asked about how the consolidation meeting got changed to this meeting.

Dir. Essmann responds, saying that there was no change. The consolidation meeting will likely be held in September or later. He mentions that the meeting times and agendas are posted on the website a week before.

Ming Cabrera claims that the meeting was posted to happen at the senior center. He says that the merger would result in a forty-year lawsuit. People will worry about their SIDs.

Dan Vierthaler Passed out an outline of his comments for his meeting. He discussed a letter he had sent to the board. He went over the key concerns he had and requested several safeguards to be put in place should the board go forward with the merger. He also requested that the board release all financial records and studies that are produced.

Nancy McManus stated that she agreed with several of Dan Viethaler's points and appreciates that there will be open dialogue about the needs of the ratepayers and the transparency of the board

Agenda Approval

Dir. Essmann said that he received a request from the general manager to move item #2 on the agenda to item #1 and asks for a motion.

Dir. Graves moves to change item #2 to #1. Seconded by Dir. Ewalt.

Vote to change item #2 to #1: Motion was unanimously approved.

Approval of Minutes

- Board minutes July 16th, 2025 (Pg. 3-9)
- Board minutes June 18th, 2025 (Pg. 10-14)

Dir. Ellis moves to approve June 18th as corrected. Dir. Kary seconds.

Dir. Ellis says that it was sent to the county uncorrected and we need to ensure that the corrected ones are sent in.

Vote to approve June 18th as corrected: Approved unanimously.

Dir. Ellis moves to approve July 16th minutes. Seconded by Dir. Erpenbach.

Vote to approve July 16th minutes: Motion unanimously approved.

Consent Agenda

Dir Ellis requests to separate items #1, #2, and #6.

Dir. Ewalt moves to approve agenda items #3, # 4, 5, and #7. Dir. Kary seconds.

Vote to approve agenda items #3, # 4, 5, and #7: unanimously approved.

Item #1 Prepaid Bills for approval

Dir. Ellis asks about item #1. She says in July we withheld invoices 58406 and 58407, because several board members had questions and that they were told the General Manager was negotiating a reduction in some of those charges. She asks for a status update.

Mr. Andersson says we were issued credit.

Dir. Ellis asks that all the information be included in the September agenda.

Item #2 Balance Sheet.

Dir. Ellis says that our balance sheet shows refunds payable of \$10,523.79. She believes that represents deposits collected from ratepayers and never returned to them. She asks if this is an accurate representation. She also states that she doesn't believe that legally we can keep that and it should go to the state.

Mr. Simpson says deposits are already done. The refunds payable is from a billing issue. A meter got changed, a multiplier was put in incorrectly and the bill was multiplied by ten. It got sent out as the large bill, but we caught the mistake. It had to be shown as a refund for accounting purposes when the bill was corrected to the actual amount. The ratepayers never paid the higher amount, but the adjustment is put in that way.

Item #6 Stifel Statement.

Dir. Ellis says \$536,499 in a Stifel smart rate fund which is not FDIC insured and pays 1% less than STIP. She wants to make a motion to move the money from Steifel to STIP.

Dir. Essmann says that should be taken up in Old Business.

Dir. Ellis also asks about \$322,476 in mutual funds. She says Stifel has high charges on mutual funds as well as other charges. There are also two CDs that she thought we were transferring as they came due. There was one that came due July 28th and was moved to Stifel on August 5th. There is another CD that came due August 4th that we have yet to move. Dir. Ellis says she will bring these issues up in old business.

Dir. Kary moves to approve items #1, #2, and #6. Second by Dir. Graves

Dir Ewalt makes a substitute motion to approve items #1 and #2 and to move item #6 to old business. Second by Dir. Ellis.

Vote to approve items #1 and #2 and to move item #6 to old business: Motion passed unanimously.

Manager's report: Bo Andersson

1. Monthly Report (Pg. 34-51)

Mr. Andersson asks Andrew Rheem of Raftelis to explain his proposed plan to tackle the city's rate report.

Mr. Rheem explained his background, the theoretical timeline, and the plan going forward. He says that the district has been meeting with the City. The City Council considered the purposed water rates and included adjusted rates that went into effect July 1st, 2025 and an increase that will go into effect July 1st, 2026. There are two main concerns about the calculations for the district service. The first is the timing of when assets are included in the rate calculation for the Heights District. It seems that the City is recognizing those costs earlier than they should. The second concern regards how the peaking factors and units of service are incorporated in the second year. Mr. Rheem and his firm believes what they are doing is incorrect and it is distorting how the units of service are being applied. The next step is to informally initiate a clause within the contract that allows for arbitration. The process would take roughly three to four months.

Dir. Ellis says the process was very different with the two refineries over sewer issues. They wrote out exactly what their concerns were. We have two pages with only two unique paragraphs. The rest was pulled from our contract. She asks about his disagreement with the timing of assets and where in the AWA manual does it say they can't depreciate it until it is complete. She wants a memo from him that references the AWA manual.

Mr. Rheem responds, saying that you shouldn't necessarily air all of your complaints at a board meeting. Arbitration is set up for two sets of experts to present their cases. Then the independent arbitrator takes that information and compares it to the manual. There is a process to getting a decision and there are advantages to not arguing the complaints in a public setting.

Mr. Andersson says he contacted Jennifer early on asking if we could be included in the wastewater dispute and it would not work.

Dir. Ellis says they solved the problem openly and publicly.

President Essmann asks how much money the board will have to spend.

Andrew explains how his firm will generate the report. Says it is uncertain what the other party will do. He posits that it will be around \$75,000.

Further discussion was had regarding the previous rate studies and costs of going forward with arbitration.

Manager's report continued:

Mr. Andersson says the ratepayers should know that if we are not successful, we will pay 1.8 million a year. We are trying to reduce the rate. If we are not successful it becomes an annuity.

Dir. Ellis says the report says we need more money despite 12.2 rate increase. That number should be corrected to 12.5. She also says that converting the audio file to post with the agenda should not be a big problem.

Old Business:

1. Consolidation Study Progress Report

Dir. Ewalt talked about the July 16th meeting. What was gone over was a work in progress with a lot of numbers. The City has not been quick to give us their input. We are waiting for the information from the City, the lack of communication has slowed everything down.

2. Report of GM on Capital Equipment Replacement Policy

Mr. Andersson discussed the proposed policy. He says that Dir. Kary and him have put a lot of work into this. They are following the City's outline and acting based on President Essmann's input. Schedule on Pg. 54. Proposed policy on Pg. 52, Resolution 032-25.

3. Report of Committee to study use of GPS System to monitor District

Equipment use -Director Ewalt

Dir. Ewalt discusses his and Dir. Ellis' work researching GPS systems and suppliers. They went over several possible companies. They found that Samsara is likely the best choice.

Dir. Graves asks how much it will cost.

Dir. Ewalt says \$19.50 per month per unit.

Dir. Kary asks where the committee got the authorization to order the piece currently sitting in the office.

Dir. Essmann said that it was not authorized.

Dir. Ellis says that two companies offered to send equipment for us to test, we said yes to Samsara.

Dir. Graves asked how much equipment will cost upfront.

Dir. Ewalt responds that equipment costs are included in the monthly cost of \$19.50.

4. Report of Committee to study use of Preferred Provider Plan for employee health plan – Director Erpenbach

Dir. Erpenbach says the committee has not met yet, but has been gathering information on the existing plans. There will be a meeting will be scheduled soon.

Discussion on Item #6 from the Stifel statement from the consent agenda.

Dir. Ellis moves to moves to transfer all the funds from the CD that matured on August 4th totaling \$100,000, all the money from the mutual fund totaling \$322,476.40, and all of the money from the Stifel smart rate totaling \$536,499.99 to STIP. Dir. Erpenbach seconds.

Dir Kary says that he believes that \$500,000 is for monthly expenses.

Mr. Andersson asks about what the numbers are.

Dir. Ellis says that it is not FDIC ensured and therefore not legal.

Further discussion was had regarding the optimal investment rate.

Dir. Ellis moves to amend her previous motion to transfer all the money from the mutual fund of \$322,476.40 and all of the money from the Stifel smart rate of \$536,499.99 to STIP. (removing any reference to the CDs from August 4th. Dir. Erpenbach agrees to the amendment.

Public comments:

Ming says we have large bills to pay that we have to pay. He says this will take options away from the General Manager to run the business. He says the board should leave the money be.

Vote to transfer all the money from the mutual fund totaling \$322,476.40 and all of the money from the Stifel smart rate totaling \$536,499.99 to STIP.: Dirs. Ellis, Erpenbach, Ewalt, and Essmann approve. Dirs. Kary and Graves oppose. The motion passes 4-2.

New Business:

Item #1: Commence arbitration of differences with City on Water Rate

a. Resolution 032-25 (Pg. 56)

Dir. Kary Moves to put Resolution 032-25 forward for discussion, seconded by Dir. Essmann.

Dir. Kary says he does not believe that the board is knowledge enough to argue this case themselves. He believes it will be worth bringing in a professional.

Dir. Ellis states that she will vote against the resolution. She says there is a fundamental misunderstanding that this can be discussed privately. There are open record laws. The arbitrator will be costly.

Dir. Ewalt says he has reservations about Raftelis. He says he would not hire them himself.

Public comment:

Dan Vierthaler says the board are not experts on this and they should rely on the experts. He also asks if there are other services that could be considered as the board clearly has reservations.

Ming Cabrera says we should have gone with Raftelis eight months ago. The board's indecision caused lost revenue. He says to let Raftelis do its job and mediate with the city.

Dir. Essmann responds that under our contract, unless the parties engage in sidebar discussions to negotiate a settlement, the arbitrator is limited to siding with one side or the other and will not be a negotiator.

Mr. Andersson says his job is to give as much information as possible so the board can make the best decision. This consultant has previously beat the city. Unless we can win, the district will be in limbo. He urges the board to hire Andrew Rheem of Raftelis.

Mr. Macki says that if number and figures are too much they really need to hire an expert to take out the guessing.

President Essmann states that there is a lot of money at stake. This is a slim shot, but it's the only one we have.

Vote to adopt Resolution 032- 25: Commence arbitration of differences with City on Water Rate. (Pg. 56): Dirs. Essmann, Kary, Ewalt, Erpenbach, and Graves approve. Dir. Ellis opposed. Motion passes 5-1.

Item # 2: Capital Equipment Replacement Policy (Pg. 52-54)

a. Resolution 033-25 (Pg. 55)

Dir. Kary moves to approve Resolution 033-25: Capital Equipment Replacement Policy. Dir. Ewalt seconds

Dir Ewalt asks if the resolution states that we will set a certain amount of money aside per year in order to pay for replacements in cash rather than taking out a loan.

Mr. Andersson discusses depreciation. He explained that since the water district is a nonprofit organization, we fund our depreciation. In a private business, depreciation gets deducted from the income tax, but the district does not pay income tax. He says that the money is there for the replacement.

Dir. Ellis mentions that the policy is based on the City's equipment plan. All of the departments in the city have to put a certain amount of money aside to pay for equipment replacements in cash.

Dir. Kary says he went outside of the City and checked a number different government entities and found that they all essentially worked the same way.

Vote to adopt Resolution 033-25: Capital Equipment Replacement Policy: Motion unanimously passes.

Item #3: Adopt GPS System to monitor District equipment and appoint a committee to propose a policy for its use.

a. Resolution 036-25 (Pg. 59-60)

Dir. Ewalt moves to approve Resolution 033-25. Dir. Ellis seconds.

Dir. Kary says he will vote against the motion on principle, because of the way it was handled.

Dir. Graves says he will also vote against it.

Mr. Andersson states that Dirs. Ellis and Ewalt did good work on the project. Mentions that the GPS may help encourage less mileage which will lower costs.

President Essmann says they are characterizing the opinions of the board.

Dir. Ellis read a comment from the district's insurance agent: "GPS tracking systems are becoming more widespread for business practice. Some transportation industries already require this system to help minimize claims and track driving habits. It is highly supported by the insurance industry. At this point there is no discount that the service would be communicated to your insurance provider for future auto rate renewal discussions."

Further discussion was had regarding the benefits and drawbacks of Samsara and GPS.

Public comment:

Paul Evanson says he runs a small business, and all of his trucks have GPS, not necessarily to track his employees, but to protect them. More of a safety issue than a trust issue.

Ming Cabrera stated that the GPS idea came up because a former employee took her child to school. He says that we are a small enough entity that GPS should not be necessary.

Adam says that the City didn't put GPS in every truck, only problem trucks. Later they put GPS in additional trucks to see who's closest to an issue when a need arises.

Vote to adopt resolution 036-25: Adopt GPS system to monitor District equipment and appoint a committee to propose a policy for its use: Dirs. Essmann, Ewalt, Erpenbach, and Ellis approved. Dirs. Kary and Graves. Motion passes 4-2.

Item #4: Adjust employee wages and adopt a Performance Rewards Program

a. Resolution 031-25 (Pg. 61-63)

Dir. Ewalt makes a motion to adopt resolution 031-25 excluding the performance rewards program. Seconded by Dir. Erpenbach.

Dir. Ewalt says that the performance incentive is unnecessary. It would be like giving a 4% raise rather than 3%.

Dir. Ellis asked Mr. Andersson about a revision of staff layout where Jennifer Burnside and Clay McCaffree were promoted. She asked if there was a change in their salaries.

Mr. Andersson says there was no change in job title or salary.

Public comment:

Paul Evanson says he has an issue with the percentage of the rate increase. He found the National average to be 3.5. He says the wage is a little excessive. He also mentions that the benefits Heights employees receive are more than the City's plan, careful of disgruntled employees when their benefits are cut if the merger goes forward.

Dan Vierthaler says it is also costly when employee morale is down. There are savings to be had with an efficient, motivated team.

Mr. Simpson asks about the adopted budget. Budget was four percent and now its gone to three.

When the preliminary budget was presented for the year, employee salary wages were at 4%. The justification for that was based on the City's collective bargaining agreement. We are budgeted for 4%. He points out that the 1% is still in the budget.

Dir. Essmann agrees that the 1% is still in the budget and could theoretically be awarded at a later date. The motion on the floor is for a 3% increase retroactive to the beginning of the fiscal year.

Dir. Ewalt says when comparing it to the City's increase we have to take the City's health benefits into account. You can't get the good without the bad.

Further discussion was had regarding potential incentives and the up to date non-revenue water rate.

Dir. Graves agrees that you have to include the health insurance in this decision.

Vote to approve modified resolution 031-25: Adjust employee wages: Unanimously passed.

Item #5: Approve the replacement of two District desktop computers (Pg. 64-68)

a. Resolution 034-25 (Pg. 69)

Dir Graves moves to approve Resolution 034-25, second by Erpenbach.

Dir. Ellis says that the contract has the assistant manager's signature, but it should be Board president's signature.

President Essmann says they will fix that.

Vote to adopt Resolution 034-35: Approve the replacement of two District desktop computers:

Motion passes unanimously.

Item #6: Accept settlement offer on hail damage to District vehicle from June storm (Pg. 70-78)

a. Resolution 035-25 (Pg. 79)

Dir. Kary moves to approve Resolution 034-35. Dir. Graves seconds.

Dir. Ewalt clarifies that they will pay us \$19,680 to buy our vehicle or \$14,680 if we keep it. The vehicle is worth \$20,000, why not try and sell it to make a profit.

Mr. Simpson says that there will be a salvage title on it that may impede the sale.

Further discussion was had regarding the possible sale.

Vote to adopt resolution 035-25: Accept settlement offer on hail damage to District vehicle from June storm: Dirs. Kary, Erpenbach, Ellis, and Graves vote in favor. Dirs. Ewalt and Essmann opposed. Motion passes 4-2.

Items for future Board Meeting:

1. RFQ for Audit of FY2025 Financials
2. Potential for revision of Fireline Policy to provide better clarity
3. Preparation and approval of Employee Handbook
4. Approval of Bid policy for replacement of one Service Truck

Announcements:

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

ADJOURN 8:14 p.m.

Board Secretary,

Board President, Doug Kary