



COUNTY WATER DISTRICT OF BILLINGS HEIGHTS

Board Meeting Minutes

January 21, 2026

Board Room, County Water District of Billings Heights, 1540 Popelka.

Pledge of Allegiance

The Meeting was called to Order at 6 P.M. by President Essmann.

Roll Call of Board Members and Introduction of Guests and Visitors:

Board members present: Directors Kary, Ewalt (via ZOOM), Erpenbach, Graves, Ellis, President Essmann

Guests and Visitors present:

Bo Andersson, General Manager; Josh Simpson, Assistant Manager; Carolyn Bakker, Board Secretary

Also present:

Evelyn McDaniel, Susan Knaub, Sheri Frederickson, Paul Evanson, Debbie Fogle, Kathy Stevenson, Lyle Foye, Tina Reichenbach, Mike Merki, Bristol Bailey, Toni Ordener, Evelyn Pyburn (Yellowstone Co News), Spencer Stone, Karie Kane, Jim Kane, Luke Houghton, Eve Schwendt, Tom Zurbuchen, Quin Fuhrman,

President's Remarks on Conduct of Meeting:

There are two opportunities for members of the public, our customers, and employees, to make their voice heard on issues with the Water District. The first is the next agenda item. Any member of the public may be heard on any subject that is NOT on the agenda. You will have one opportunity to speak which is limited to 3 minutes. Please come to the lectern so your comments may be recorded by the microphone and may be heard. Please identify yourself by name and address and spell your last name for the Secretary. This is a good time to request items for consideration at future Board meetings. The Board will not engage in debate but will attempt to provide brief answers to relevant questions.

There is also an opportunity for you to be heard on the Agenda items before a vote. The Board President will acknowledge the Public after a motion has been made and discussed by the Board for their input. The President will recognize speakers who raise their hand. You may comment for up to three minutes. Each speaker will have only one opportunity to speak on an agenda item.

PUBLIC COMMENT and Questions to the Board on Non-Agenda Items:

Several members of the community participated in the public comment portion of the meeting.

Luke Houghton expressed appreciation of the Board distribution of the President's Report that communicated to the activities of the Board and the important issues such as the potential consolidation with the City of Billings Water Department. He mentioned that he had observed inflammatory comments on neighborhood Facebook pages regarding the potential consolidation. Issues that were being raised are whether employees would be treated fairly and how rates would be handled. He suggested that the Board enhance their communication efforts by adding information to the website and through social media.

Kathy Stevenson asked about earlier assurances that the district would not be paying for any of the new treatment system. The letter indicated that the district would be paying for part of the treatment system. Additionally, she asked whether Meadowlark sub would need to join the city to get water.

Tom Zurbuchen spoke about the origination of the consideration of the consolidation study. The contract for exploration of the consolidation pros and cons started back in 2024. The cost of the study was to be paid equally by the District and City. The contract the consolidation contract expired as of 12/31/2025. The original process was to have produced a report. He asked where the report was.

Tina Reichenbach questioned the board's representation of the Heights residents. She expressed her opinion that the customers of the Water District are just fine without the City. She went on to state that the Heights customers were not responsible for bailing out the City's water issues. She went on further to question the cost of changing out the water meters and the Board's interaction with the manager and employees. She expressed concern about President Essmann representation of the district as the city's appointee.

Paul Evanson encouraged the board to take their time in consideration of the consolidation. It is important to get this right. Ask questions and communicate. Spencer Stone, the owner of Curb Box Specialists was in attendance to introduce himself to the board. His company worked with the District for many years.

Directors' Responses to Questions from the public:

President Essmann addressed Tina's concern about his representation of the District. He told the group that he has been a property owner and customer of the district for over 42 years and that he's on nobody's payroll except for the \$100 per month that he and the other directors receive. He was appointed by the City of Billings to this board under a law.

He went on to thank Tom Zurbuchen for his comments. He went on to recognize that he and Mr. Zurbuchen had correspondence regarding the consolidation process. He stated that he reviewed the member agreement, and it clearly states that the study was limited to be a preliminary feasibility study. The feasibility study step is complete and just the first of many steps in a long process. He stated that he is in favor of posting the feasibility study as soon as possible.

Director Ellis explained that there are plans to have the presentation of the study in a larger forum and record it so it can be shared with the consumers. She also mentioned that the information about the consolidation study is available on the District's website.

Director Ellis addressed Kathy Stevenson's question regarding who pays for the City's new water treatment plant. She reminded the group that the City has been paying for the west side water plant for the last 8 years. The District will only start paying for it next year with the 28% increase in water rates and 20% the following year. The District purchases water from the City, so apart of the fees we pay go towards the water plant. 89% of the District's customers are city residents.

Approval of Agenda:

Director Graves made a motion to approve the agenda. It was seconded by Director Kary.

Public Comment:

Tom Zurbuchen asked to comment prior to the vote on the agenda. He stated that the agenda item regarding employment practices should be removed since the Board does not have the authorization to make employment decisions. Those decisions are solely the responsibility of the General Manager.

President Essmann responded that this District benefits from Federal Grants administered by the State of Montana. Part of the requirements for receiving those grants is meeting equal opportunity obligations. Qualifying for those grants is critical in terms of obtaining grant money that can reduce the costs for the District. It is the Board's fiduciary duty to oversee the budget. If the District fails to qualify, it will cost our customers a lot of money. He stated that he was in support of the motion to adopt the agenda. In respect to item 3, it is the board's duty to establish budgets and those budgets can be amended from time to time. The District has two vacancies coming up and is facing major increases in the cost of the water supply. No decisions will be made on this time during this meeting.

A roll call vote was taken on the acceptance of the addenda. The motion was passed unanimously.

Approval of Minutes

Director Graves made the motion to approve the minutes for the December 1, 2025 Special Meeting and the December 17, 2025, Board Meeting. The motion was seconded by Director Erpenbach. The motion was passed unanimously.

Consent Agenda:

1. Prepaid bills for approval
2. Balance Sheet
3. Income Statement
4. Budget Statement
5. Expense Statement
6. Stifel Statement
7. Montana Board of Investments, STIP
 - i. Investment Summary

President Essmann asked if of the Directors had questions or separations regarding the consent agenda. Director Ellis had a question about why the checks listed on the pre-paid bills list don't match the checks on the bank statement. She was concerned that the Board wasn't seeing a complete list of the checks issued.

Additionally, she asked where the Accrued Interest came from? GM Andersson explained that the interest that had been accruing on the District's loans hadn't been recorded. This has been corrected.

Director Ellis noted that there were two similar accounts- 401K and Profit sharing. GM Andersson explained that one is the amounts of the employee's contribution to

the 401k plan, the other is the accumulated amounts to be sent to the 401k plan provider. She also noted that the bank service charges are 136% over the budget after 6 months. MG Andersson said he would check it.

Director Kary made the motion to approve the Consent Agenda and Director Graves seconded it. The motion passed unanimously.

Managers' Monthly Report:

President Essmann posed a question the GM Andersson regarding the life-expectancy of PB (Polybutylene) pipe that has been used by the District. GM Andersson explained that the life expectancy of this pipe has been reached and then some. These pipes need to be replaced. He will prepare a report to describe the size of the issue.

President Essmann expressed his and the board appreciation for Suzie McKethen's service. She will be a loss for the District. Suzie is beloved by the customers and will be missed. She had submitted her letter of resignation after nearly 20 years of service.

Additionally, he recognized GM Andersson's retirement and expressed his appreciation for his service. GM Andersson has decided not to stay under his contract for another year and is departing on March 31, 2026.

Old Business:

Board Committee Reports

Audit Committee Report: Director Ellis reported that Strom and Associates are working on the contract. The online contract isn't complete and needs to be updated. They have given GM Andersson the instructions to submit the financials, and that has been completed.

Consolidation Study Committee Report: Director Ewalt reported that they had met to start negotiations. Morrison-Maierle report had presented their report to the City. They are working on cost analysis of any water mains that need to be changed. That will be the big thing they are studying and are getting close. It suggested posting the Consolidation study be posted on the District's website be added to New Business.

City Rate Negotiations Committee Report: Director Ellis reported that there wasn't a meeting. The City released their report and the report stated that none of the concerns brought up by the District were valid. The City remains willing to reopen the existing agreement and engage in good faith discussions. Director Ellis said that the last thing the District will want to do is reopen it. She recommended that the Board direct President Essmann contact the City inform them that we are satisfied with the report and do not intend to open the contract. Director Ellis made motion to direct President Essmann to write a letter to city that the District is not electing to re-open the contract. Director Erpenbach seconded the motion.

Public Comment:

Mike Mackie expressed his disappointment with the Board's intention to conclude the negotiations at this time. He pointed out that the District had paid \$57,000 to Raftelis for a report and didn't use it. Director Ellis pointed out that the Raftelis report had been given to the city and they replied that the issues that the report pointed out were not valid.

Tom Zurbuchen brought up concern that emails from the city regarding Rate Negotiation are not readily available to the public as per state law. Director Ellis replied that the letters were included in the GM's report and that report is available in the meeting packet online.

Luke Houghton stated that it is very clear that given our relationship with the city is that they are who we purchase water from we are at their mercy of the rates we pay. Re-opening the contract could result in higher rates. He appreciates the thoughtful negotiation of the Board and not pushing so far are that we potentially suffer a higher rate as rate payers.

Director's comments:

Director Erpenbach asked if the report from the rate report has been released to the public? GM Andersson reported that the Nexis report hadn't been included in the packet.

Director Kary made a substitute motion to defer the decision until such time that the letters and reports related to rate negotiation be posted the letters from the City online. The Board will hold a Special Meeting after the documents are available online for the public to review.

Director Ellis made a substitute motion to include the Nexis, Raftelis reports on the District website. Director Ewalt recommended that a letter be sent to Raftelis to let them know to stop any further work. The President will call a Special meeting to address these issues. Director Erpenbach seconded the motion.

Mr. Evanson agreed that publishing the reports and letters was a good idea and in the public's interest.

The motion was passed.

RFQ for PER and CIP Committee report: Director Ewalt reported that Morrison-Maierle that the City is also preparing a CIP Study and doing a CIP report would be redundant. They suggested that we may want to review their report before going forward. President Essmann suggested that the Board continue the study so they know what Capital Improvements would be needed in the future in the event that consolidation doesn't occur.

Employee Handbook Committee Report: Director Erpenbach stated that the function of the board is supervision. The committee's purpose was to update the manual to bring it up to current laws and regulations. The old manual was outdated, had policies that had not been approved by the Board. The committee did an extensive review of the manual with assistance of the GM. The manual has been reviewed by the attorney, Associated Employees.

The committee received a letter from the employees bringing up a discrepancy between old policy and current policy regarding overtime and holiday policy. The committee requested that these policies be added to the manual at this time. The other items in the letter will be reviewed at a later date.

Director Erpenbach moved for pass the Resolution with the addition of Overtime and Holiday pay. Director Ellis seconded the motion.

Public Comment

Quin Fuhrman, an employee of the District stated Height Water employees operate professionally, and transparently. He disagrees with the Board's interference and overreach of certain board members in the employee's ability to do their jobs. Additionally, he disagrees with the policy in the manual that sets the policy that employees

are not allowed to take District vehicles home, except when on call. He stated that this policy would cause delays in response time to emergency water leak calls.

Josh Simpson, Asst Manager requested that the approval of the be delayed until the changes all of the issues in the letter have been addressed.

Mr. Spencer spoke in favor of allowing employees home to make the response time quicker. Tina Reichenbach recommends working with employees. Tom Zurbuchen stated that he is favors employees taking trucks home to provide better service.

Director's Comments

Director Ellis clarified that the policy states that the on-call person takes their trucks home and must live within 15 minutes. Employees taking truck home can become a tax issue. Director Graves expressed the feeling that the employees having trucks at home- other entities allow it.

President Essmann stated that the on-call person will call for assistance from other employees if needed. The policy can be updated as is needed.

GM Andersson told the Board that they should have consulted with the employees in the process of updating the policy. He further explained that trucks are part of their tools and feels that the employees should be allowed to take the trucks home. President Essmann reminded the group that other entities only have one person on call.

Resolution to Adopt Employee Handbook- Roll call vote was conducted and passed 5-1.
Director Graves voting no.

New Business:

Discussion of Employee Hiring Process and Guidelines: GM Andersson said that District must follow Montana guidelines. We didn't have one in place, and we should adopt formal hiring procedures. Director Ellis proposed a committee be assigned to review the policy. It will be added to February Board meeting Agenda.

Resolution to Adopt General Policy to Transfer all funds from maturing CD's and Cash Accounts with Stifel to the State of Montana Short Term Investment Pool: Director Ellis made a motion that the resolution be adopted, it was seconded by Director Kary.

Public Comment:

Tom Zurbuchen made the comment that State fund is short term fund. With interest rates falling, he questioned how wise that is to move funds into short-term investments. President Essmann replied that we will still have long term investments, not everything will come due in the next 14 months.

The resolution was passed unanimously.

Discussion of pause in filling anticipated vacant staff positions pending a study of consolidation of positions: President Essmann stated that the Board is looking for ways to reduce the expenses. They would like to see a study of what individual staff members do, to see if there are ways to be more efficient. The exit of Suzie may be an opportunity.

GM Anderson has asked Suzie to update her job description and assist in the hiring process. Assistant Manager Simpson stated that the audit dings the district for separation of duties. If Suzie's position isn't filled that aggravates the separation of duties. Having the two employees to cover each other's desk for lunch, vacations and answer phones.

GM Andersson suggested having the staff create a task list and look to see what can be re-arranged. Director Ellis pointed out that the City only has 1 receptionist and still has the duties covered. Director Graves commented that he feels that there need to be 2 people to cover the front desk.

Items for future Board Meetings

Announcements:

Next Board Meeting: February 18, 2026, 6-9 pm

ADJOURNMENT



Carolyn B. Bakker, Board Secretary