COUNTY WATER DISTRICT OF BILLINGS HEIGHTS

Rate Increase Public Hearing- MINUTES

Wednesday, June 24, 2026, 6 PM

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

The Pledge of Allegiance was led by Director Graves and President Essmann called the meeting to order at 6 pm. Board Secretary Bakker called the roll. Directors Ellis, Ewalt, Erpenbach, Kary, Graves and President Essmann were present and a quorum was established. Interim General Manager Oborn, Assistant Manager Simpson and Board Secretary were also in attendance.

Thirty-nine community members were in attendance in person and nine joined via the Zoom connection. The complete list of attendees is attached at the back of the minutes.

President Essmann welcomed the guests and read the instructions on the conduct of the meeting. To accommodate the number of people who may want to offer comments he announced that comments would be limited to two minutes. President Essmann asked the guests if there was anyone who wanted to comment on a non-agenda item. No one came forward.

Approval of Agenda

Director Ewalt made the motion to approve the agenda, and Director Kary seconded the motion. The motion passed unanimously.

New Business

Public Hearing regarding Proposed Water Rates Presentation

CWDBH 2026 Rate Study Report (Pg 3)

Chris Gonzales of FCS presented an overview of how the proposed rates were calculated. He explained what things go into consideration when creating the recommendations for water rates. Besides the cost of water, the rates must be sufficient to cover reasonable operation and maintenance, administrative costs, debt principal and interest payments, reserves to cover required maintenance and payments of rates, fees and charges levied by the water supplier. In preparing a forecast of the District's needs for funding, the study takes into consideration annual customer growth, baseline revenue forecast, operation expense forecast, expense inflation, existing debt service and the reserve target.

Following Mr. Gonzales' presentation, he and the Board answered questions from the guests.

Tom Roberts asked if the District actively utilizes grants and State Revolving Loans in funding projects. President Essmann reported that the District is pursuing those forms of funding. He explained the process of applying for those programs includes extensive engineering reports. An updated Capital Improvement Plan is being prepared for use in the applications.

Melinda Nelson asked about how non-revenue water leaks are found. Specifically, she wanted to know why the Main Street leaks were not detected sooner. President Essmann explained that some leaks are difficult to detect. Leaks don't always show themselves on the surface. Leak detection programs are being put into place to improve detection of leaks. Director Ewalt explained the timeline of the major leak on Main. The leaks showed up over several months. Initially, it was thought that the increase in water being billed by the city was a meter issue. After several months of investigation, it was determined that the meter was operating correctly, and the city had actually underbilled the District. Shortly after that determination, the actual leak was located and repaired due to the Board passing emergency measures to hire expert assistance.

Karl Miller wanted to know if the water pressure fluctuates during the year. IGM Oborn replied that the pressure is modified throughout the year. It goes up during the summer where usage triples. The increase in pressure is needed to ensure that fire suppression efforts have sufficient water supply.

Luke Houghton asked if the capital improvements would need to be completed prior to consolidation. Director Ewalt stated the talks are ongoing with the City to explore the possibility of consolidation. Recent changes in personnel at the City had delayed the process.

Jim Lilly asked how the District's rates compare to city rates? Director Ewalt explained that City has been adding the cost of the Westend water plant over several years to its customers. Under the existing contract from 1989 the City couldn't charge the District for the water plant until it was nearing completion. The District buys water from the City and will benefit from the new water plant. The District is now being charged for that plant.

Mr. Lilly asked if there were other options for buying water. President Essmann explained that getting an alternative supply of water is extremely expensive, gaining water rights is not guaranteed and building a water treatment plant was an expensive and lengthy process.

Ming Cabrera commented that he agreed that the rates need to go up. He stated that he felt that the IGM was being paid too much and that the staff had not been given raises.

Kathy Stevenson asked for more information on whether the District was going to consolidate with the City and what is the process of consolidating? President Essmann said that it is was a long process to go before consolidation would be a possibility. The City staff in the past has stated the city would like the district to make the decision via a vote of its customers.

Melinda Nelson came to the podium and rather than making comments on the evening's topic, made a political statement. President Essmann invited her to stay on topic or sit down. She declined. President Essmann called a brief recess to deal with the situation.

President Essmann called the meeting back to order and public comment continued. Renee Clampett wanted to know why the District existed. President Essmann gave a brief history of the District.

Patrica Walters wanted to know how to get an estimate of her bill after the increase. President Essmann told her that the staff would be able to do that calculation and to just stop by the office.

Jim Lilly asked it the District's water rates are higher or lower than the City of Billings. He was told that the District's rate is currently higher, the District purchases water from the City and re-sells it to the ratepayers. He asked if the Board was leaning toward consolation. President Essmann explained that The Board has a fiduciary duty to its customers. They are in the process of getting facts that can be reviewed to help determine what is best for ratepayers in the District. Director Graves said it would be decided by a vote by the rate payers.

Kathy Matevosky asked why the District isn't already part of the City. President Essmann explained there had been an opportunity when the City of Billings annexed in the 1980's, but it wasn't done at the time.

Jacob Withham wanted to know when the hydro model for the CIP would be completed. President Essmann said that the engineering should be available in the fall. It won't detect leaks but is designed to determine the water demands for the District.

Mr. Gonzales proceeded with a brief discussion of Phase 2 of the Water Rate review process. Phase 2 of the rate study will look at categorization of accounts by customer class. Director Ellis stated that the District's operations are 55% higher than the City. She asked if Phase 2 would include meeting with the local developers in reviewing System Development fees. Director Kary asked if we are moving toward being closer to a fairer system with the proposed rates. Mr. Gonzales explained that Phase 2 will work towards moving to a fairer rate schedule where the customer classes are appropriately designed and are allocated properly according to the cost of serving each class.

Director Ewalt predicted that the district water usage will change with this current increase. Mr. Gonzales said the new usage rates will be reflected in the Phase 2 study.

President Essmann said that City PUD Meter Charges are quite low compared to those of the District which may be a result of the City's ability to rely on the District's purchases to mitigate the need for higher base charges. He suggested that the meters should provide the base line for covering bills.

Director Ellis asked a question regarding the big difference between cost of the meters. Commercial Meters are being charged at rates that supplement the residential customer. Director Ewalt asked if the 3" meters could be separated from the group that it is currently in.

00X-026 Resolution to Adopt Change of Water Rate and Fees

Director Ewalt made a motion to approve the Resolution to Adopt Change of Water Rate fees. Director Erpenbach seconded the motion.

Director Ellis made a motion to amend the Non-Residential/Commercial rate to remove tiers for commercial and adopt the option $6.56 rate. No second was offered. President Essmann made an alternative motion to amend to $6.03 per 1000 gallon as a flat usage rate for all non-residential/commercial customers. Director Ellis seconded the motion. Director Ewalt explained why there are tiers in the first place. Tiers were originally put in place to encourage conservation. Director Kary asked Mr. Gonzales about combining certain tiers. Mr. Gonzales replied that conservation is difficult for typical Commercial accounts, so tiers aren't effective for that. A roll call vote was taken and the motion failed 4-2. Directors Ellis and President Essmann voting yes, Directors Ewalt, Erpenbach, Kary and Graves voting no.

Director Kary made a substitute motion to adopt a single tier rate of $6.56 for Commercial. Director Erpenbach seconded the motion. A roll call vote was taken, the motion passed 5-1, with Director Ewalt voting no.

The Board proceeded to review and vote on each section of the proposal.

Action 1: Bulk Resale Rate

Motion to approve the bulk rate of $8.79 was made by Director Ewalt, seconded by Director Erpenbach. President Essmann recused himself from voting on this motion as he owns a Bulk Resale business that competes with the Bulk Resale business customers of the District. The motion passed 5-0, with President Essmann recusing himself.

Action 2: Approval of:

- **Residential Meter Charges & Residential Usage**
- **Non-Residential**
- **Irrigation**
- **Commercial as amended**

Director Ellis made the motion to approve the proposed rates for Residential Meter Charges, Residential usage Charges, Irrigation, Non-Residential & Commercial as amended. Director Erpenbach seconded the motion. Director Ewalt made a motion to amend the motion to specify a rate for a 3" meter at $143.00. Director Ellis seconded the amendment. The motion to amend passed unanimously. The following vote on the motion as amended passed unanimously.

Action 3:
Fire Line Rates

Director Kary made the motion to approve the Fire Line Rates with an addition of a rate of $ 28.80 for a 3" fire line. The motion was seconded by Director Ellis. The motion passed unanimously.

Special Fees and Charges & System Development Fees

Director Kary made the motion to accept the Special Fees and Charges, and Director Ewalt seconded the motion. Director Ellis mentioned that some of the fees are higher than the City and some are lower. She suggested that it may be a good idea to adjust those rates in the future to more closely follow the current formula of being 55% higher than the City. President Essmann suggested that that could be addressed in Phase 2. Director Kary asked if there was any specific data supporting the fees that are being charged. IGM Oborn explained that the fees are estimated due to the lack of tracking of time and expenses related to service calls, etc. President Essmann stated that the Board should work towards having the capability of tracking such things to ensure that the staffing levels are appropriate. The motion passed unanimously

Director Kary made the motion to pass the Resolution to Adopt Change of Water Rate and Fees as amended. Director Graves seconded the motion. The motion passed unanimously.

President Essmann made the announcement that the next Board meeting was scheduled for July 15 at 6 PM. He then requested that room be cleared of everyone with the exception of members of the Board and the Board Secretary as the Board was going into an Executive Session to discuss potential litigation, of which he had recently become aware. No action would be taken during the Executive session.

The executive session ended at 8:50 pm and the meeting was adjourned.

Carolyn B. Bakker

Carolyn B. Bakker, Board Secretary