

## **\*\*ATTENTION\*\***

The City Council meeting will be held in a hybrid format that may include both in-person AND virtual attendance via Zoom. Unless they have cause to appear virtually, Councilmembers will attend the meeting in person in Council Chambers, fifth floor of City Hall, 316 N. 26th Street. In order to honor the Right of Participation and the Right to Know in Article II, Sections 8 and 9, of the Montana Constitution, the City of Billings and City Council are making every effort to meet the requirements of the open meeting laws.

Citizens are invited to:

- . Review the Agenda Packet on the City's website at: [www.billingsmt.gov](http://www.billingsmt.gov) and click on "Your Government," "City Council," and "Agendas & Minutes".
- . View the meeting:
  - . On Community 7 TV - Channel 7 or Channel 507 -- Spectrum Cable. *(On evenings when there is a conflict with School District No. 2 Board meetings, the City Council meeting will be broadcast on Channel 8 - Spectrum Cable.)* Channel 7 or Channel 978 - TDS Fiber.
  - . Online at [www.comm7tv.com](http://www.comm7tv.com) and click on the "Watch Live" icon. Community 7 also has links to their Facebook page and YouTube channel.
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  - . In-Person.

Citizens may submit public comment via the following methods:

- . Mail: City Clerk, P.O. Box 1178, Billings, MT 59103
- . Email: [Council@billingsmt.gov](mailto:Council@billingsmt.gov)
  - . Emails received after 3:00 PM on the day of the meeting, may be posted on the Council's webpage the following day for public viewing.
- . Attend the meeting in person

Please contact Denise Bohlman, City Clerk, at [bohlmand@billingsmt.gov](mailto:bohlmand@billingsmt.gov), or at 406.657.8210, with any questions.



**VISION STATEMENT:**  
"The Magic City: A diverse,  
welcoming community  
where people prosper and  
business succeeds."

## WORK SESSION AGENDA

**COUNCIL CHAMBERS**

**JUNE 1, 2026**

**5:30 P.M.**

**CALL TO ORDER:** Mayor Nelson

**PUBLIC COMMENT ON ALL ITEMS.** This is the time to comment on any matter (Agenda or Non-Agenda) falling within the scope of the Billings City Council. You may only speak once for each item during the meeting.

Please note, the City Council cannot take action on any item of significant interest to the public that does not appear on the agenda. Comments are limited to three (3) minutes during each public comment period or as set by the Mayor. **Speaker sign-in required.** Please sign the roster located at the back of the Council chambers or at the podium.

**1. Wholesale Wastewater Rates.**

-Public Comment

**2. Residential Cardboard Collection and Recycling Program.**

-Public Comment

**3. Stormwater Fee Credits.**

-Public Comment

**HIGHLIGHT UPCOMING AGENDA ITEMS OF COUNCIL INTEREST:**

**COUNCIL DISCUSSION:**

**PUBLIC COMMENT on "NON-AGENDA ITEMS". Speaker Sign-in required.** (*Restricted to ONLY items not on this printed agenda. Comments are limited to 3 minutes or as set by the Mayor. Please sign the roster located at the back of the Council chambers or at the podium.*)

**ADJOURN:**

Note:

- This meeting is an "informal" meeting of the City Council. The content of the Agenda is subject to change at the meeting.
- In the event there is a Closed Executive Session, the sole purpose is to discuss litigation strategy. The other parties to the case(s) discussed are not public bodies or associations as described in Section 2-3-203(1) and (2), MCA. The meeting is closed, as allowed by Section 2-3-203(4)(a), MCA, "to discuss a strategy to be followed with respect to litigation when an open meeting would have a detrimental effect on the litigating position" of the City of Billings.

## City Council Work Session

1.

**Meeting Date:** 06/01/2026  
**TITLE:** Wholesale Wastewater Rates for FY27  
**PRESENTED BY:** Jennifer Duray  
**Department:** Public Works  
**Presentation:** Yes  
**Legal Review:** No  
**Project Number:** N/A

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### RECOMMENDATION

No action is required for this Council agenda item as it is informational only. On June 22, 2026 at a Council business meeting, Council will be asked to consider approval of a resolution setting wholesale rates for FY27.

### EXECUTIVE SUMMARY

In FY25, the Public Works Department completed a comprehensive wastewater cost-of-service analysis to establish equitable FY26 and FY27 utility rates using industry-standard methodologies. Following concerns raised by the refinery wholesale customers regarding the allocation of strength-related capital costs, City staff, rate consultants, and refinery representatives worked collaboratively over several months to refine the methodology and develop a more stable and predictable long-term rate structure. The proposed methodology balances rate stability for industrial users with the City's obligation to recover the costs associated with maintaining wastewater treatment capacity and readiness-to-serve infrastructure, while also protecting residential and commercial ratepayers from subsidizing industrial treatment costs. FY27 wholesale wastewater revenue is projected to total approximately \$2.3 million.

### BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

In FY25, the Public Works Department engaged AE2S Nexus to complete a comprehensive cost-of-service analysis (COSA) for the City's water and wastewater utilities to establish FY26 and FY27 rates. The study utilized industry-standard rate-setting methodologies designed to allocate costs equitably among customer classes and ensure the City recovers the proportional costs associated with providing service in compliance with applicable legal requirements. The analysis segregated wastewater costs based on flow and wastewater strength constituents, including biochemical oxygen demand (BOD), total suspended solids (TSS), and total Kjeldahl nitrogen (TKN).

The City currently provides wholesale wastewater treatment service to three customers: Phillips 66 Refinery, Par Montana Refinery, and the Lockwood Water and Sewer District. Both refineries raised concerns regarding the methodology used to allocate strength-related capital costs, particularly the use of fluctuating historic discharge strengths that resulted in significant year-to-year variability in rates. Following discussions between City staff, the refineries, and rate consultants, the parties reached agreement on FY26 rates with the understanding that the methodology would be further evaluated and refined for FY27. Since January 2026, City staff, refinery representatives, and the City's rate consultants have met multiple times to review alternatives and develop a more stable and predictable long-term rate structure.

A key objective of these discussions has been balancing rate stability for industrial users with the City's obligation to recover the costs associated with maintaining wastewater treatment capacity and readiness-to-serve infrastructure for high-strength industrial discharges. Several alternative methodologies were evaluated, including approaches utilizing fixed baseline strength values, surcharges for exceedances, and additional readiness-to-serve cost recovery mechanisms. Ultimately, staff and the refineries reached consensus on a refined methodology that generally follows the FY26 framework, while incorporating additional clarifications and refinements intended to improve predictability, transparency, and long-term equity.

Staff and the refineries believe the agreed-upon methodology represents a fair and equitable approach for allocating wastewater treatment costs between wholesale industrial customers and the City's residential and commercial ratepayers. The revised approach is intended to ensure wholesale customers are neither overcharged nor undercharged, while also protecting residential customers from subsidizing the costs associated with industrial treatment capacity and infrastructure.

### FISCAL EFFECTS

FY27 wholesale wastewater revenue is projected to total approximately \$2.3 million.

### STAKEHOLDERS

**ALTERNATIVES**

At a future meeting, Council may approve, not approve, or request amendments to the wholesale rates.

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**Attachments**

Presentation

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**FY27  
Wholesale  
Wastewater  
Rates**

# Background

FY26/FY27 water and wastewater rate study conducted

Met with refineries 3 times regarding rates

Met with refineries 5 times  
Explored various methodologies

- Contracted rate maximums
- Surcharges
- Rolling 7-day maximums

Came to consensus on methodology going forward



Rates disputed by refineries

Reached consensus on rates  
Agreed to revisit methodology before setting FY27 rates  
Council approved FY26 wholesale rates



# Methodology



## Capacity

Flow set at contracted maximums  
Strengths based on 7-day rolling average to get  
max month concentrations  
Non-detects set at ½ reporting limit



## Usage

Flow – load balancing incorporating I&I into  
retail calculation  
Strengths set using the rolling 7-day average



# Financial Updates

Budget Updates	FY26	FY27
Administrative	\$2,590,000	\$2,478,697
Service Center	\$81,920	\$82,908
Treatment	\$7,741,063	\$6,689,243
Collection System	\$2,464,205	\$2,593,304
Environmental	\$575,012	\$748,551
Non-Rate Revenue	\$(431,350)	\$(114,160)
Total	\$12,520,850	\$12,478,543

Asset Updates	FY26	FY27
Collection	\$52,252,938	\$56,424,727
Trunks/ Interceptors	\$51,538,223	\$52,551,650
Lift Stations	\$2,560,708	\$2,400,267
Common Conveyance	\$496	\$548
Preliminary Treatment	\$12,672,263	\$12,189,383
Lab	\$459,922	\$433,179
Primary Treatment	\$15,528,165	\$14,833,446
Secondary Treatment	\$31,258,811	\$29,902,929
Residuals	\$12,296,445	\$16,406,876
Disinfection/ Outfall	\$13,241,861	\$12,650,814
Customer	\$1,261	\$1,176
<b>Total</b>	<b>\$191,811,092</b>	<b>\$197,794,995</b>



# Par Montana Refinery



## Capacity

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	2.50	25.0	27.0	38.0
<b>FY27</b>	2.50	37.6	26.6	36.7

## Use

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	1.87	22.6	12.6	19.3
<b>FY27</b>	1.63	17.0	11.9	21.7

## Revenue Requirements

	Fixed O&M	Variable O&M	Depreciation	Return	Total
<b>FY26</b>	\$51,368	\$356,123	\$108,799	\$463,352	<b>\$984,642</b>
<b>FY27</b>	\$63,608	\$282,876	\$126,764	\$508,809	<b>\$982,057</b>



# Phillips 66 Refinery



## Capacity

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	1.50	124.0	73.0	55.0
<b>FY27</b>	1.50	100.2	57.1	45.0

## Use

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	1.03	32.2	25.6	18.3
<b>FY27</b>	0.97	16.7	25.4	8.2

## Revenue Requirements

	Fixed O&M	Variable O&M	Depreciation	Return	Total
<b>FY26</b>	\$62,588	\$210,395	\$93,588	\$406,413	<b>\$772,984</b>
<b>FY27</b>	\$60,280	\$160,752	\$108,457	\$441,057	<b>\$770,545</b>



# Lockwood Water and Sewer District

**Capacity**

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	0.728	230.0	236.0	27.0
<b>FY27</b>	0.728	230.0	236.0	27.0

**Use**

	Flow (MGD)	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)
<b>FY26</b>	0.15	179.7	236.1	27.4
<b>FY27</b>	0.15	179.7	236.1	27.4




**Revenue Requirements**

	Fixed O&M	Variable O&M	Depreciation	Return	Total
<b>FY26</b>	\$8,280	\$67,583	\$82,737	\$360,437	<b>\$519,037</b>
<b>FY27</b>	\$9,748	\$66,951	\$90,141	\$371,388	<b>\$538,228</b>



# THANK YOU

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## City Council Work Session

2.

**Meeting Date:** 06/01/2026

**TITLE:** Residential Cardboard Collection and Recycling Program

**PRESENTED BY:** Jennifer Duray

**Department:** Public Works

**Presentation:** Yes

**Legal Review:** No

**Project Number:** N/A

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### RECOMMENDATION

This item is for discussion only and does not require formal Council action at this time; however, staff will seek policy direction from Council regarding the future of the cardboard collection and recycling program.

### EXECUTIVE SUMMARY

At the request of City Council, this work session will provide an overview of the City's curbside cardboard collection and recycling program, including program utilization, operational challenges, and associated costs. Staff will present information regarding the financial impacts of the program, potential cost savings if the program is discontinued, and alternative service options that may better align with customer usage and operational efficiency. No formal action is required at this time; however, staff will seek policy direction from Council regarding the future of the cardboard collection and recycling program.

### BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

The City's curbside cardboard collection and recycling program commenced in September 2023 as an additional residential solid waste service intended to provide customers with a convenient option for recycling corrugated cardboard materials. The program was implemented in response to community and Council interest in expanded recycling opportunities and is currently provided as part of the City's residential solid waste services.

Currently, approximately 4,000 customers per month utilize the program. As the program has matured, staff has continued to evaluate participation levels, operational impacts, processing costs, contamination issues, equipment and staffing requirements, and the overall financial sustainability of the service within the Solid Waste Fund.

During this work session, staff will present information regarding the current operational costs and challenges associated with the cardboard collection and recycling program and estimated cost savings if the program were discontinued. Staff will also discuss potential alternative service models and associated costs that may better align with customer utilization and operational efficiency.

The cardboard collection program is currently authorized under Article 21-200 of the Billings Municipal Code. If the City Council desires to discontinue the program, amendments to the Municipal Code would be required.

### FISCAL EFFECTS

The full operational and financial impacts of the current cardboard collection and recycling program are still being evaluated. Staff will present estimated program costs, potential cost savings associated with discontinuation, and the fiscal impacts of alternative service options during the Council work session.

### STAKEHOLDERS

### ALTERNATIVES

Council may provide direction to staff to continue the current cardboard collection and recycling program, pursue discontinuation of the program, discontinue the program and implement alternative service options, or defer further discussion to a future date.

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## City Council Work Session

3.

**Meeting Date:** 06/01/2026  
**TITLE:** Stormwater Fee Credits  
**PRESENTED BY:** Jennifer Duray  
**Department:** Public Works  
**Presentation:** No  
**Legal Review:** No  
**Project Number:** N/A

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### RECOMMENDATION

No formal action will be taken during this work session. Council will be asked whether it wishes to direct staff to reconvene the Stormwater Advisory Committee this fall to further evaluate potential stormwater rate credit options.

### EXECUTIVE SUMMARY

At the request of City Council, this work session will provide an opportunity for Council to provide direction to staff regarding further evaluation of stormwater fee credit for commercial customers. During the development of the City's stormwater utility program and rate structure, both the City's consultant and the Stormwater Advisory Committee evaluated stormwater rate credits and ultimately recommended continuing the current practice of not offering credits due to administrative complexity, limited impact on overall system costs, and the continued need to maintain citywide stormwater infrastructure and services. No formal action will be taken during the work session; however, Council may provide direction on whether staff should further evaluate stormwater rate credit options in FY27, including reconvening the Stormwater Advisory Committee.

### BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

As part of the Stormwater Utility Development process initiated in 2020, the City retained FCS Group to complete a comprehensive stormwater rate study and assist in the development of a long-term stormwater utility program. In conjunction with that effort, the City also formed a Stormwater Advisory Committee consisting of community stakeholders to evaluate program needs, capital requirements, operations, maintenance, and rate structure alternatives. The development process was completed in 2024 and included discussions regarding potential stormwater rate credits for customers who provide onsite stormwater mitigation measures.

As part of the rate study process, FCS Group prepared "Issue Paper #4 – Rate Credits and Adjustments," which evaluated industry practices and policy considerations associated with stormwater utility rate credits. The report noted that stormwater utility fees are intended to function as a fee for service rather than a tax, and that any credit structure should maintain a rational relationship between the level of service provided and the fees charged. The report further noted that overly broad credit policies may reduce legal defensibility and shift costs to other ratepayers if the credited activities do not meaningfully reduce system-wide utility costs.

The consultant also evaluated common credit approaches utilized in other jurisdictions, including credits for onsite detention or retention facilities, low impact development practices, green infrastructure, and rainwater harvesting. While the report acknowledged that some communities offer credits for these activities, it concluded that many stormwater utility costs remain fixed regardless of onsite mitigation measures. The report recommended that if the City were to consider credits in the future, the credits should be analytically based, limited in scope, and tied specifically to measurable reductions in utility costs. The consultant further recommended that any theoretical maximum credit would likely range between 25% and 40% and should only apply to activities that demonstrably reduce system costs or delay future capital investments.

Stormwater rate credits were also discussed during a December 7, 2022 Stormwater Advisory Committee meeting. Based upon discussions with the Advisory Committee, industry experience, and the professional opinion of the City's consultant, a formal stormwater rate credit program was not recommended at that time.

In addition to individual parcel runoff management, the City's stormwater utility is responsible for broader community-wide stormwater functions and infrastructure. Even in situations where a commercial property fully infiltrates or retains stormwater onsite, the City must continue to maintain and operate the public stormwater conveyance system, including streets, curb and gutter, catch basins, pipes, and regional drainage infrastructure necessary to protect public safety and property citywide. The stormwater system also provides broader public benefits including roadway access, emergency access, flood protection, water quality improvements, and regional stormwater management during large storm events that exceed localized onsite design standards.

This work session was requested by City Council to discuss if it desires staff to proceed with evaluating

stormwater fee credits for commercial customers. Per Council direction, no formal presentation is planned; however, Public Works staff will be available during the work session to answer questions.

**FISCAL EFFECTS**

Staff estimates that further evaluation of stormwater rate credit options would require approximately \$25,000 in consultant services and approximately 200 hours of staff time.

**STAKEHOLDERS**

**ALTERNATIVES**

Council may direct staff to further evaluate stormwater rate credit options during FY27, including reconvening the Stormwater Advisory Committee, or defer additional consideration to a future date.

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