

Billings City Administrator Weekly Report

March 12, 2021

1. Senator Tester's Municipal Town Hall Meeting – Mayor Cole and several staff attended this morning's town hall meeting to discuss how the latest federal stimulus legislation will directly impact cities and towns in MT. At this point, Billings will likely receive approx. \$15,000,000 over the next year from this legislation. We will be communicating with the council as we learn more. By working with Senator Tester and MLCT, Mayor Cole has helped maximize flexibility regarding how local governments use the legislation.

2. Legislative Update

- See the enclosed mid-session report from Greg Dorrington and Aimee Grmoljez. Both will be attending Monday's Council Work Session.
- HB115 – Deputy Mayor Yakawich spoke in favor of Representative Mercer's bill to which increases penalties for a person's fifth and subsequent DUI.
- HB255 – I testified in favor of Representative Brewster's HB-255 to improve accountability and transparency with utility district boards.

3. Bond Rating – Fitch Ratings has affirmed Public Works 2017 \$50.1 million sewer system revenue bonds at AA+. Fitch Ratings cites low operating costs, steady growth, a strong financial profile, affordability, and historical willingness to raise sewer rates as some of the key factors in assigning this very favorable rating and rating outlook. The full publication is attached below.

4. Legislative Video Conference – Thursday, March 25th at Noon. MSUB, College of Business MacDonald Hall, Room 163. The 5th of 7 in a partnership between the City, Chamber and MSUB. Please RSVP through wynette.

5. Hybrid Council Meeting Update

1. Technology installations were completed last weekend.
2. Throughout this week - Cannel 7, city IT and other key staff have been testing equipment and options throughout this week.
3. Monday, from 1:30- 3:30 the Clerk and staff users will be testing. We need a couple council volunteers to help by being on Zoom during the testing. **Please contact Denise if you can help.**

Rough protocol concepts are as follows – All in-person attendees will follow CDC guidelines.

1. The Mayor and each Council member have the option to attend council meetings in-person or by Zoom.
2. The city clerk, city administrator, city attorney, assistant city administrator and a tech/zoom support person will attend meetings in person. All other staff will attend meetings via Zoom - when they have items on the agenda.
3. The public will be allowed to attend in person or by Zoom. We need to determine the in-person room capacity. We will no longer use the phone line for public comment. Though the phone line is

a simple technology for users, it is cumbersome and disruptive to administer during a meeting. It is difficult to manage calls coming in and callers who are on hold in que to speak. Zoom attendees will need to register ahead of the meeting for Zoom access like the State, however we are looking at the registration deadline being 12:00 noon the day of the meeting. As has always been the case, citizens can contact any of us by email or by phone.

We are targeting April 5 to run our first in-person/Zoom hybrid Council Work Session.

6. **Park Board Meeting** – Parks and Rec Director, Mike Whitaker presented our draft parks funding options to the Parks Board this past week. We received good feedback as we prepare for Monday's parks funding discussion. The Park Board also listened to and supported a proposal from Tom Rupsis, Chairman of the Park Board. Tom will be presenting the Park Board recommendation after our staff presentation.
7. **Democratic Breakfast Study Club** – City Attorney, Gina Dahl presented the Massage and Spa Facilities Business License this past week to the group. Next Tuesday from 3-5 the city administrator's council sub-committee will be reviewing our latest draft.
8. **Proposed 2021 Budget Calendar** - Budget presentations to Council will begin in late April or early May. No councilmembers expressed concerns about trying the more condensed presentation schedule. Therefore, please pencil in the following schedule:

Proposed FY22 Budget Hearings:

Tuesday, April 27, 2021

Budget Overview

Admin Departments Budget

Monday, May 17, 2021

Public Safety Budget Presentations

Tuesday, May 18, 2021

Department Budgets

Wednesday, May 19, 2021

Department Budgets

Monday, June 7, 2021

Budget Wrap-up

Monday, June 21, 2021

Budget Adoption

By presenting the budget all together it may be easier to remain focused, it also provides more time between the budget presentations and the scheduled adoption. We are not proposing to spend less time on the budget. **Finally, as Department Directors are preparing their budget presentations, we would like your input on the following:**

What information in the past has been most helpful in understanding the City's budget?

What information do you feel has been missing from the budget in the past?

Please e-mail your responses to Chris, Kevin, and Andy any other advice or concerns.

Have a good weekend!



**CITY OF BILLINGS
2021 Montana Legislature
Midsession Report – March 11, 2021**

MIDSESSION REPORT

City of Billings
March 11, 2021

- The yellow shaded and asterisked bills indicate that the bill is dead
- The governor must sign or veto a bill within 10 days of transmittal, or it becomes law
- All green shaded bills have become law

City of Billings INTRODUCED BILL DRAFTS

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 18  	Geraldine Custer (R) HD 39	(H) Tabled in Committee* -- (H) Appropriations	01/11/2021	Appropriation for Local Government Center	Support
HB 32  	Sue Vinton (R) HD 56	(S) Committee Report--Bill Concurred -- (S) Education and Cultural Resources	02/04/2021	Repeal ending fund balance limits for school district funds	Monitor
HB 50  	Frank Garner (R) HD 7	(S) Referred to Committee -- (S) Energy and Telecommunications	02/26/2021	Redistribute 9-1-1 funding to state library	Monitor
HB 62  	Mike Hopkins (R) HD 92	(H) Signed by Governor	02/26/2021	Update water and wastewater revolving loan program	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 73  	Barry Usher (R) HD 40	(S) Rerferred to Committee -- (S) Finance and Claims	03/10/2021	Generally revise laws related to the criminal justice oversight council	Monitor
HB 86  	Mary Ann Dunwell (D) HD 84	(H) Tabled in Committee* -- (H) Local Government	02/04/2021	Allow the creation of regional fire protection authorities	Monitor
HB 97  	Wendy McKamey (R) HD 19	(S) Referred to Committee -- (S) State Administration	01/25/2021	Revise ethics laws regarding application to boards and commissions	Monitor
HB 102  	Seth Berglee (R) HD 58	(H) Signed by Governor	02/18/2021	Generally revise gun laws	Oppose
HB 107  	Ron Marshall (R) HD 87	(H) Tabled in Committee* -- (H) State Administration	01/19/2021	Revise mill levy election laws	Oppose
HB 115  	Bill Mercer (R) HD 46	(S) Hearing -- (S) Judiciary	03/11/2021; 9:00 AM, Rm 303	Increase penalties for 5th and subsequent DUI	Support
HB 121  	David Bedey (R) HD 86	(S) Hearing -- (S) Business, Labor, and Economic Affairs	03/19/2021; 9:00 AM, Rm 422	Require elected official approval of local health board and officer actions	Monitor
HB 123  	David Bedey (R) HD 86	(H) Tabled in Committee* -- (H) Local Government	02/04/2021	Revise laws regarding the stringency of local septic regulations	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 126  	Kathy Kelker (D) HD 47	(H) Tabled in Committee* -- (H) Judiciary	01/15/2021	Revise laws concerning conduct of persons with alcoholism and drug addiction	Monitor
HB 132  	Fred Anderson (R) HD 20	(H) Tabled in Committee* -- (H) Taxation	01/22/2021	Require property tax bill to include comparison to prior year	Monitor
HB 134  	Danny Tenenbaum (D) HD 95	(H) Tabled in Committee* -- (H) Local Government	02/04/2021	Allow zoning for duplex, triplex, and fourplex housing in certain municipalities	Oppose through MLCT
HB 137  	Ron Marshall (R) HD 87	(S) Hearing -- (S) Business, Labor, and Economic Affairs	03/16/2021; 9:00 AM, Rm 422	Generally revise vaping and alternative nicotine products laws	Oppose through MLCT
HB 145  	Paul Fielder (R) HD 13	(H) Tabled in Committee* -- (H) Local Government	01/28/2021	Allow local boards of health and health officers to issue recommendations	Monitor
HB 154  	Dave Fern (D) HD 5	(H) 2nd Reading Not Passed*	01/29/2021	Revise resort tax population limits	Monitor
HB 158  	Caleb Hinkle (R) HD 68	(H) Scheduled for 2nd Reading	03/11/2021	Create study commission to review covid-19 statute & rule suspensions	Monitor
HB 165  	Jeremy Trebas (R) HD 26	(H) Tabled in Committee* -- (H) Taxation	01/28/2021	Increase vehicle fees to reduce residential property taxes	Monitor
HB 169  	Steve Gist (R) HD 25	(H) Tabled in Committee* -- (H) State Administration	01/27/2021	Deter the fraudulent use or theft of taxpayer-funded resources	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 174  	Kenneth L Holmlund (R) HD 38	(H) Tabled in Committee* -- (H) Agriculture	02/04/2021	Generally revise winery laws	Oppose
HB 187  	Dave Fern (D) HD 5	(H) Tabled in Committee* -- (H) Taxation	01/29/2021	Provide for local option sales tax	Support
HB 200  	Kenneth L Holmlund (R) HD 38	(S) Committee Report--Bill Concurred -- (S) Judiciary	03/09/2021	Establish laws prohibiting sanctuary cities in Montana	Oppose through MLCT
HB 201  	Kenneth L Holmlund (R) HD 38	(S) Hearing -- (S) Business, Labor, and Economic Affairs	03/16/2021; 9:00 AM, Rm 422	Revise prevailing wage district laws and dispatch city designations	Monitor
HB 234  	Mallerie Stromswold (R) HD 50	(S) Returned to House	03/10/2021	Remove sunset on requirement that massage therapy businesses display licenses	Monitor
HB 243  	Mike Hopkins (R) HD 92	(S) Referred to Committee -- (S) Judiciary	02/11/2021	Generally revise laws related to law enforcement officers	Monitor
HB 248  	Kelly Kortum (D) HD 65	(H) Tabled in Committee* -- (H) State Administration	02/04/2021	Revise the Montana primary election date	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 254  	Ross H Fitzgerald (R) HD 17	(S) Hearing -- (S) Business, Labor, and Economic Affairs	03/10/2021; 9:00 AM, Rm 422	Revise the wrongful discharge act	Monitor
HB 255  	Larry Brewster (R) HD 44	(S) Hearing -- (S) Local Government	03/10/2021; 3:00 PM, Rm 405	Revising time period to protest sewer and/or water district assessments	Support
HB 257  	Jedediah Hinkle (R) HD 67	(H) Transmitted to Senate	02/18/2021	Revise laws relating to government mandates and businesses	Monitor
HB 258  	Jedediah Hinkle (R) HD 67	(S) Hearing -- (S) Judiciary	03/16/2021; 8:00 AM, Rm 303	Revise laws related to firearms, ammunition, and accessories	Monitor
HB 259  	Sue Vinton (R) HD 56	(S) Hearing -- (S) Local Government	03/12/2021; 3:00 PM, Rm 405	Revise property and zoning laws	Oppose
HB 264  	Ross H Fitzgerald (R) HD 17	(S) Referred to Committee -- (S) Highways and Transportation	03/08/2021	Revise emergency vehicle passing laws	Monitor
HB 269  	Ron Marshall (R) HD 87	(S) Hearing -- (S) Local Government	03/15/2021; 3:00 PM, Rm 405	Require elected official approval of sanitation related local health board rules	Monitor
HB 327  	Julie Dooling (R) HD 70	(H) Tabled in Committee* -- (H) Judiciary	02/12/2021	Provide default definitions for covenants limiting the use of real property	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 357  	Jim Hamilton (D) HD 61	(H) Scheduled for 3rd Reading	03/11/2021	Revise property tax assistance program inflation adjustment laws	Monitor
HB 366  	Kelly Kortum (D) HD 65	(H) Bill Withdrawn per House Rule H30-50(3)(b)*	02/15/2021	Generally revising election terminology for mail and absentee ballots	Monitor
HB 391  	Frank Fleming (R) HD 51	(S) Referred to Committee -- (S) Judiciary	03/08/2021	Revise and enhance penalties for criminal distribution of dangerous drugs	Monitor
HB 395  	Julie Dooling (R) HD 70	(H) Tabled in Committee* -- (H) Local Government	02/25/2021	Prohibit the creation of new zoning districts during a state of emergency	Oppose
HB 420  	Scot Kerns (R) HD 23	(H) Tabled in Committee* -- (H) Transportation	02/24/2021	Revise bicycle laws	Monitor
HB 422  	Kelly Kortum (D) HD 65	(H) 3rd Reading Failed*	03/02/2021	Authorize municipalities to operate broadband utilities	Monitor
HB 435  	Bill Mercer (R) HD 46	(S) Hearing -- (S) Business, Labor, and Economic Affairs	03/16/2021; 9:00 AM, Rm 422	Generally revise civil liability laws for government	Monitor
HB 436  	Scot Kerns (R) HD 23	(S) Hearing -- (S) Judiciary	03/16/2021; 8:00 AM, Rm 303	Generally revise firearms laws	Monitor
HB 444  	Edward Buttrey (R) HD 21	(S) Referred to Committee -- (S) Local Government	03/08/2021	Revise subdivisions of land exempted from sanitation in subdivision review	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 450  	Steve Gunderson (R) HD 1	(S) Referred to Committee -- (S) Local Government	03/08/2021	Provide that exempt divisions of land must meet zoning regulations	Monitor
HB 452  	Kelly Kortum (D) HD 65	(H) Tabled in Committee* -- (H) State Administration	02/24/2021	Permit local governments to use ranked choice voting in local elections	Monitor
HB 470  	Marty Malone (R) HD 59	(H) Tabled in Committee* -- (H) Local Government	02/25/2021	Allow for a citizen initiated planning board and additional zoning criteria	Monitor
HB 496  	Bill Mercer (R) HD 46	(S) Referred to Committee -- (S) Local Government	03/08/2021	Remove prohibitions on county board of appeals re: property use and zoning	Monitor
HB 504  	Casey Knudsen (R) HD 33	(S) Hearing -- (S) Judiciary	03/16/2021; 8:00 AM, Rm 303	Generally revise firearms and weapons laws	Monitor
HB 527  	Fiona Nave (R) HD 57	(S) Referred to Committee -- (S) Local Government	03/08/2021	Require draft proposals before initiating a county zoning/planning board	Monitor
HB 528  	Julie Dooling (R) HD 70	(H) Tabled in Committee* -- (H) Local Government	02/25/2021	Generally revise county planning, zoning, and subdivision regulation laws	Monitor
HB 529  	Julie Dooling (R) HD 70	(H) Tabled in Committee* -- (H) Local Government	02/25/2021	Revise planning, zoning, and subdivision regulation laws	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 531  	Caleb Hinkle (R) HD 68	(H) Bill Withdrawn per House Rule H30-50(3)(b)*	02/24/2021	Revise qualified immunity laws	Monitor
HB 561  	Jim Hamilton (D) HD 61	(H) Tabled in Committee* -- (H) Human Services	02/26/2021	Generally revise involuntary commitment hearing requirements	Monitor
HB 578  	Terry Moore (R) HD 54	(S) Referred to Committee -- (S) Judiciary	03/08/2021	Revise laws related to commitment of defendants	Monitor
HB 584  	Kerri Seekins-Crowe (R) HD 43	(H) Tabled in Committee* -- (H) Appropriations	03/09/2021	Requiring certain costs paid to detention center be based on actual costs	Monitor
HB 591  	Joe Read (R) HD 93	(H) Tabled in Committee* -- (H) Judiciary	02/24/2021	Generally revise evidence laws	Oppose
HB 592  	Joe Read (R) HD 93	(H) Tabled in Committee* -- (H) Judiciary	02/24/2021	Generally revise absolute liability laws	Oppose
HB 596  	Joe Read (R) HD 93	(H) Tabled in Committee* -- (H) Judiciary	02/24/2021	Generally revise laws related to false arrest and imprisonment	Oppose
HB 615  	Mike Hopkins (R) HD 92	(H) Tabled in Committee* -- (H) Taxation	02/26/2021	Revise tax increment financing laws related to bonding	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
HB 616  	Mike Hopkins (R) HD 92	(S) Hearing -- (S) Taxation	03/11/2021; 9:00 AM, Rm 405	Revise laws related to the adoption of a tax increment provision	Monitor
SB 23  	Daniel R Salomon (R) SD 47	(S) Signed by Governor	02/23/2021	Eliminate state school flexibility account	Support
SB 44  	John Esp (R) SD 30	(H) Hearing -- (H) Local Government	03/16/2021; 3:00 PM, Rm 472	Revise subdivision laws	Oppose
SB 47  	Ryan Lynch (D) SD 37	(S) Scheduled for 2nd Reading	02/19/2021	Generally revise laws related to DOC commits	Oppose
SB 48  	Mike Fox (D) SD 16	(S) Tabled in Committee* -- (S) Highways and Transportation	01/19/2021	Allowing transfer of certain highway funding to tribes	Monitor
SB 51  	Jason W Ellsworth (R) SD 43	(H) Hearing -- (H) Taxation	03/09/2021; 8:00 AM, Rm 152	Exempting certain fiber optic, coaxial cable from property taxation	Monitor
SB 65  	Steve Fitzpatrick (R) SD 10	(S) Signed by Governor	02/10/2021	Revise civil liability laws	Monitor
SB 67  	Steve Fitzpatrick (R) SD 10	(S) Signed by Governor	03/08/2021	Revise laws pertaining to law enforcement	Monitor
SB 73  	Keith Regier (R) SD 3	(S) Tabled in Committee* -- (S) Taxation	01/29/2021	Provide for local distribution of lodging sales tax revenue	Support

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
SB 77  	Tom McGillvray (R) SD 23	(S) Tabled in Committee* -- (S) Taxation	02/12/2021	Revise special district financing and dissolution provisions	Oppose
SB 78  	Douglas (Doug) Kary (R) SD 22	(S) Tabled in Committee* -- (S) Taxation	01/29/2021	Revise allowable special district assessment methods	Oppose
SB 80  	Keith Regier (R) SD 3	(H) Committee Report--Bill Concurred -- (H) Local Government	02/24/2021	Limit the duration of interlocal agreements	Monitor
SB 89  	Keith Regier (R) SD 3	(S) 2nd Reading Indefinitely Postponed*	03/01/2021	Revise laws related to collection of union dues	Monitor
SB 127  	Chris Friedel (R) SD 26	(H) Committee Executive Action--Bill Concurred -- (H) Judiciary	03/10/2021	Revise laws on the selection of municipal court judges	Monitor
SB 135  	Steve Fitzpatrick (R) SD 10	(H) Hearing -- (H) Local Government	03/11/2021; 3:00 PM, Rm 472	Allow a county commission to hold certain zoning appeal hearings de novo	Monitor
SB 161  	John Esp (R) SD 30	(H) Hearing -- (H) Local Government	03/09/2021; 3:00 PM, Rm 472	Allow certain subdivisions to qualify for an expedited review	Oppose
SB 165  	Carl Glimm (R) SD 2	(H) Hearing -- (H) Natural Resources	03/22/2021; 3:00 PM, Rm 172	Generally revise laws related to the department of environmental quality	Oppose through MLCT

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
SB 171  	Chris Friedel (R) SD 26	(H) Hearing -- (H) Local Government	03/16/2021; 3:00 PM, Rm 472	Increasing county procurement options with cooperative purchasing agreements	Monitor
SB 174  	Greg Hertz (R) SD 6	(H) Hearing -- (H) Local Government	03/11/2021; 3:00 PM, Rm 472	Revise laws related to local subdivision review	Oppose
SB 211  	Steve Fitzpatrick (R) SD 10	(H) Hearing -- (H) Local Government	03/11/2021; 3:00 PM, Rm 472	Revise local subdivision review criteria regarding agriculture	Monitor
SB 215  	Carl Glimm (R) SD 2	(H) Hearing -- (H) Judiciary	03/11/2021; 8:00 AM, Rm 137	Establish the religious freedom restoration act	Oppose through MLCT
SB 219  	David Howard (R) SD 29	(H) Referred to Committee -- (H) Judiciary	02/27/2021	Providing for release of call location to law enforcement in an emergency	Monitor
SB 228  	Greg Hertz (R) SD 6	(S) 2nd Reading Indefinitely Postponed*	03/01/2021	Generally revise public employee union laws	Monitor
SB 231  	Mark Blasdel (R) SD 4	(H) Hearing -- (H) Natural Resources	03/12/2021; 3:00 PM, Rm 172	Revise exempt well laws related to family transfer parcels	Oppose Through MLCT
SB 232  	Terry Gauthier (R) SD 40	(S) Rerferred to Committee -- (S) Finance and Claims	03/02/2021	Revise laws related to highway patrol compensation	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
SB 238  	Terry Gauthier (R) SD 40	(H) Hearing -- (H) Local Government	03/18/2021; 3:00 PM, Rm 472	Revise compensation for sheriffs, undersheriffs, and deputy sheriffs	Monitor
SB 257  	Jason D Small (R) SD 21	(H) Hearing -- (H) Taxation	03/11/2021; 8:00 AM, Rm 152	Prohibit local governments from imposing carbon penalties, fees, or taxes	Monitor
SB 268  	Brian Hoven (R) SD 13	(S) Tabled in Committee* -- (S) Business, Labor, and Economic Affairs	02/26/2021	Allow for the condemnation and reacquisition of a mobile home park	Monitor
SB 269  	Brian Hoven (R) SD 13	(S) Hearing -- (S) Business, Labor, and Economic Affairs	02/24/2021; 8:00 AM, Rm 422	Allow mobile home owners the option to purchase a mobile home park	Monitor
SB 286  	Steve Hinebauch (R) SD 18	(H) Hearing -- (H) Local Government	03/18/2021; 3:00 PM, Rm 472	Prohibit certain prescriptive easements in a platted subdivision	Monitor
SB 294  	John Esp (R) SD 30	(H) Hearing -- (H) Local Government	03/16/2021; 3:00 PM, Rm 472	Allow for a referendum to terminate a county zoning district	Monitor
SB 301  	Theresa Manzella (R) SD 44	(H) Referred to Committee -- (H) Business and Labor	03/02/2021	Provide statewide uniformity regarding wages/benefits for political subdivisions	Monitor

Bill Draft No.	Primary Sponsor	Status	Status Date	Short Title	Position: Support; Monitor; Oppose
SB 313  	Christopher Pope (D) SD 31	(S) Tabled in Committee* -- (S) Taxation	02/26/2021	Provide for local option tax: Montana Tax Fairness and Rural Revenue Initiative	Monitor
SB 333  	Brad Molnar (R) SD 28	(S) Hearing -- (S) Judiciary	03/09/2021; 9:00 AM, Rm 303	Generally revise drug and human trafficking laws	Monitor
SB 335  	Gordon Vance (R) SD 34	(S) Hearing -- (S) Finance and Claims	03/11/2021; 9:00 AM, Rm 317	Prohibiting certain funding to be used for state or local elections	Monitor
SB 362  	Brian Hoven (R) SD 13	(S) Tabled in Committee* -- (S) Business, Labor, and Economic Affairs	02/26/2021	Generally revise the Residential Mobile Home Lot Rental Act	Monitor

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Billings, MT's Sewer Revenue Bonds at 'AA+'; Outlook Stable

Thu 04 Mar, 2021 - 2:48 PM ET

Fitch Ratings - San Francisco - 04 Mar 2021: Fitch Ratings has affirmed the Billings, MT sewer revenue (the system) obligations at 'AA+':

--\$50.1 million sewer system revenue bonds, series 2017.

Additionally, Fitch has assessed the 'Stand-Alone Credit Profile (SCP) to the city's sewer system (the system) at 'aa+'.

The Rating Outlook is Stable.

ANALYTICAL CONCLUSION

The 'AA+' rating and 'aa+' SCP reflect very strong assessments for the system's financial profile, operating risks and revenue defensibility. The system's high customer growth bolsters its very strong revenue defensibility and necessitates ongoing capex for expansion. Operating costs are very low, consistent and manageable.

While the system is in the midst of a moderate capex cycle, significantly higher capital spending is possible if the city is required to make significant improvements to its

Feedback

wastewater reclamation facility in 2027 as the result of a mandate from the state. Leverage, measured as net adjusted debt-to-adjusted funds available for debt service, is projected to remain under 5.0x through fiscal 2025 through Fitch's scenario analysis, but could move higher to levels consistent with the 'aa' financial profile assessment and rating in later years. The city expects further clarity related to the state mandate and required spending in 2022.

CREDIT PROFILE

The Billings wastewater reclamation and sanitary sewer system consists of a wastewater reclamation facility, 483 miles of sanitary sewer main and 11 sewer lift stations. The system serves a growing number of customers, with more than 35,000 connections in fiscal 2020. Fitch has assessed the system's SCP at 'aa+'. The SCP represents the credit profile of the utility on a stand-alone basis irrespective of its relationship with and the credit quality of, the city of Billings.

Fitch considers the system a related entity of the City of Billings, MT for rating purposes given the organization of the system services as individual enterprise funds of the city. The rating on the water revenue bonds is not currently constrained by the credit quality of the city.

Coronavirus Considerations

The outbreak of coronavirus has not had a material impact on the system's operations or financial performance. Revenues have not been impacted by the pandemic and the city has not made any adjustments for revenue expectations or operating expenses. Fitch's ratings remain forward looking in nature, and the agency will continue to monitor developments related to the severity and duration of the virus outbreak, as well as revise expectations for future performance as appropriate.

Feedback

KEY RATING DRIVERS

Revenue Defensibility 'aa'

Favorable Service Area Characteristics with Consistent Rate Increases.

The Billings sewer system is approaching 36,000 customers, a figure that increases about 1.8% per year. The service area has midrange median household income and unemployment to accompany the high customer growth rate. Rate flexibility is strong, with regular rate increases and rates that are affordable for the vast majority of the population.

Operating Risks 'aa'

Very Low Operating Cost Burden with Declining Capital Expenses Over the Near Term.

Operating costs have averaged about \$2,000 per million gallons (mg) of wastewater conveyed and treated. Operating costs are very stable, with a dip in volume leading to higher costs per mg in fiscal 2016. The life cycle ratio is low at 32%, and has declined from 38% in fiscals 2016 and 2017. The capital improvement plan forecasts lower spending the next five fiscal years compared to the previous five years, but it could significantly increase in fiscal 2027.

Financial Profile 'aa'

Very Low Leverage with Neutral Liquidity but Expanded Capex Is Possible Beyond Fiscal 2025.

Leverage is projected to remain very low and stable at around 4.0x through fiscal 2025. However, state regulatory mandates could significantly increase capex around fiscal 2027. While the required spending could drive leverage higher, ratios are expected to remain in-line with the financial profile assessment and current rating. Liquidity is similarly robust, albeit neutral to the assessment, with coverage of full obligations always above 2.0x and cash on hand of 1,445 days in 2020.

Feedback

ASYMMETRIC ADDITIVE RISK CONSIDERATIONS

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Sustained leverage approximating 5.0x or below in Fitch's base and rating cases, factoring in the system's capital spending plans around fiscal 2027 after they become clearer.

Factors that could, individually or collectively, lead to a negative rating action/downgrade:

--Sustained leverage approximating or above 7.0x in Fitch's base and rating cases;

--Deterioration in the city's credit quality.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [\[https://www.fitchratings.com/site/re/10111579\]](https://www.fitchratings.com/site/re/10111579).

Feedback

SECURITY

The bonds are payable from and secured by a first pledge of and lien on all net revenues derived from the city's sewer system. In addition, the bonds are secured by a pledge of all moneys in the bond service fund and reserve fund, including all accounts derived from the investment of such moneys.

REVENUE DEFENSIBILITY

The system's revenue source characteristics, service area characteristics and rate flexibility combine for a 'aa' revenue defensibility assessment. Billings provides services that are monopolistic within a service area with favorable characteristics. Customer growth is stronger, and median household income and unemployment are solidly within the midrange designation supporting demand. The total number of district connections has risen about 1.8% annually over the past five years despite no significant growth in the city's population. Single family housing construction and additional connections beyond the city's borders have increased the customer base, which is approximately 93% residential. The top 10 customers represent only 12% of revenue.

Billings has independent capacity to raise sewer rates, and its historical willingness to do so has greatly reduced the need for borrowing to finance capital improvements. The city raised rates in 2016, 2017, 2019 and 2021, and is conducting a rate study to determine rate increases for fiscals 2022 and 2023. The trend of higher rates has not adversely affected affordability, which is a concern for just 13% of the population.

OPERATING RISKS

The operating risks assessment is 'aa' based on a very low operating cost burden and very strong capital planning and management. The operating cost burden has averaged about \$2,000 per mg conveyed and treated the last five fiscal years, last exceeding \$2,000 in fiscal 2016. The higher cost per mg in fiscal 2016 was the result of lower volume, 15.2 million of gallons per day (mgd) compared to the average of 18.1 mgd from fiscals 2016 to 2020. The life cycle ratio is low at 32%.

Billings is in a stable capital investment phase, projecting to average about \$7 million in capex from fiscal 2021 to 2025. This is a significant decrease from fiscals 2016 to 2020, in which the system spent about \$19 million annually. The major capital project was the overhaul of the wastewater reclamation facility, which was funded through 2017 bond proceeds and \$14 million of cash. Now that the treatment plant project is complete, the majority of capex over the next five years is for main replacements. During the forecast period ending in fiscal 2025 the system will maintain its capital infrastructure through regular revenues, enhanced with rate increases.

However, the city may face significantly increased capital spending in fiscals 2026 through 2030, especially in fiscal 2027. A state regulatory mandate for improvements to the wastewater reclamation facility could cost as much as \$54 million. The city lists the project's total expense in fiscal 2027, although it could be a lower figure. The state could also determine the project is not necessary at all, eliminating all costs. The state's decision is not expected until 2022.

Including the possible wastewater reclamation facility improvements, capex for 2026 to 2030 would be \$105 million, an average of \$21 million. The capex should improve the capital planning and management ratios, but would likely increase leverage, as discussed in the financial profile.

FINANCIAL PROFILE

The financial profile is assessed at 'aa', with metrics that project to be very strong and stable through fiscal 2025. The system's leverage ratio totaled only 2.6x at YE 2020 and has remained below 4.0x since 2016.

The liquidity profile is neutral to the financial profile assessment. Coverage of full obligations has averaged 4.5x over the last five years, and that metric projects to remain above 2.4x over the next five years. Days cash on hand has always been at least 1,139 days, averaging 1,799 days, and 1,445 days in 2020. Fitch-calculated total debt service coverage for fiscal 2020 was 2.4x.

Fitch Analytical Stress Test (FAST)

The FAST considers the potential trend of key ratios in a base case and a stress case. The stress case is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios.

Under Fitch's base case scenario, net leverage increases to 4.0x in fiscal 2021, and ends at 3.7x in fiscal 2025 as the city anticipates issuing no debt during the next five years to fund capex. Capex is expected to decline to \$74 million in total from fiscal 2021 to 2025, compared to \$95 million the previous five fiscal years. The city expects to fund capex through rate increases, though the rate increases for fiscals 2022 and 2023 have not yet been presented or approved. In Fitch's stress case, leverage is modestly higher at 4.1x in fiscal 2021, and ends at 4.2x in fiscal 2025.

Given the overriding economic uncertainty related to the coronavirus, Fitch has also considered a sensitized downside scenario that assumes a 4% revenue decline in fiscal 2021 with a recovery stretched over the following three years. Under this downside scenario, leverage reaches 4.6x in fiscal 2021 before declining to 4.3x in fiscal 2025.

Even though projected leverage ratios through fiscal 2025 support a 'aaa' financial profile in all cases, the uncertainty of capex beyond 2025 and potential funding requirements suggest that leverage could rise further, particularly if the state mandated capital improvements come to fruition. The system's financial profile assessment of 'aa' and current rating of 'AA+' factor in the prospective capital plan and funding.

SOURCES OF INFORMATION

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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APPLICABLE CRITERIA

[U.S. Water and Sewer Rating Criteria \(pub. 03 Apr 2020\) \(including rating assumption sensitivity\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 23 Feb 2021\) \(including rating assumption sensitivity\)](#)

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