

**NEW ISSUE  
BOOK ENTRY ONLY**

**MOODY'S RATING: Aa2  
NOT BANK QUALIFIED**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2026 Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, and (iii) is excluded from taxable income for Montana individual income tax purposes. Interest on the Series 2026 Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is includable in the computation of income for purposes of the Montana corporate income tax and the Montana alternative corporate income tax. The Series 2026 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. (See "TAX CONSIDERATIONS" herein.)

**CITY OF BILLINGS, MONTANA  
\$40,000,000\* Water System Revenue Bonds, Series 2026  
(the "Series 2026 Bonds")**

<b>Dated Date</b>	Date of Delivery (anticipated to be June 25, 2026)
<b>Sale Date</b>	Monday, June 1, 2026 until 10:00 A.M. Mountain Time (11:00 A.M. Central Time)
<b>Consideration of Award</b>	By Designated Pricing Committee, Subsequent to Bid Opening
<b>Security</b>	The Series 2026 Bonds, including interest thereon, are special, limited obligations of the City, payable solely from and secured by the Net Revenues of the City's municipal water system as provided in the Bond Resolution, equally and ratably with certain Outstanding SRF Bonds (as defined herein) and the City's Water System Revenue Bonds, Series 2023A (the "Series 2023A Bonds," and together with the Outstanding SRF Bonds, the "Outstanding Bonds") and any Additional Bonds hereafter issued on a parity therewith. The Series 2026 Bonds are <b>not</b> secured by amounts on hand in the Reserve Account (as defined herein). The Series 2026 Bonds and the interest thereon are not general obligations of the City and the City's full faith and credit and taxing power are not pledged to the payment of principal and interest thereon. The Series 2026 Bonds do not constitute a debt of the City within the meaning of any constitutional or statutory limitation or provision.
<b>Authorization</b>	The Series 2026 Bonds are being issued pursuant to the Constitution and laws of the State, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"); Resolution No. 23-11134 adopted by the City Council of the City on July 10, 2023, as amended and supplemented by Resolution No. 23-11140 adopted by the City Council of the City on July 10, 2023, respectively, and as further amended and supplemented by a resolution to be adopted by the City Council on or about June 8, 2026 (as so amended and supplemented, the "Bond Resolution"); and Parameters Resolution No. 26-11324 adopted on April 13, 2026 (the "Parameters Resolution"). See "AUTHORITY AND SECURITY" herein.
<b>Purpose</b>	The proceeds of the Series 2026 Bonds will be used by the City to (i) provide funds for certain improvements to the City's municipal water system, including design, engineering and construction of a new water reservoir, water treatment plant and related improvements; and (ii) pay the costs associated with the sale of the Series 2026 Bonds. See "PURPOSE OF THE SERIES 2026 BONDS AND USE OF FUNDS" herein.
<b>Principal and Interest Payments</b>	Principal will be payable annually on July 1, beginning July 1, 2027. Interest will be payable semiannually on January 1 and July 1, beginning January 1, 2027.
<b>Redemption Provisions</b>	The Series 2026 Bonds with stated maturities on or after July 1, 2036 will be subject to redemption on July 1, 2035, and any date thereafter, at the option of the City, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.
<b>Book Entry</b>	The Series 2026 Bonds will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "Appendix C – Book Entry" herein.
<b>Denominations</b>	The Series 2026 Bonds are being issued in the denomination of \$5,000 or integral multiple thereof.
<b>Registrar and Paying Agent</b>	U.S. Bank Trust Company, National Association, located in Salt Lake City, Utah ("Registrar" and "Paying Agent").
<b>Bidding Information</b>	Interested bidders should review the Terms and Conditions of Sale for additional instructions. See "Appendix I – Terms and Conditions of Sale and Bid Form" herein.

Further information may be obtained from Baker Tilly Municipal Advisors, LLC 30 East Seventh Street, Suite 3025, Saint Paul, MN 55101 (651) 223-3000 or bids@bakertilly.com.

\*Preliminary, subject to change.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITY SCHEDULE**  
(Base CUSIP(1) \_\_\_\_\_)

<u>Maturity</u> <u>(July 1)</u>	<u>Principal(2)</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP(1)</u>
2027	\$1,215,000				
2028	1,310,000				
2029	1,375,000				
2030	1,440,000				
2031	1,515,000				
2032	1,590,000				
2033	1,670,000				
2034	1,755,000				
2035	1,840,000				
2036	1,935,000				
2037	2,010,000				
2038	2,090,000				
2039	2,175,000				
2040	2,265,000				
2041	2,360,000				
2042	2,460,000				
2043	2,570,000				
2044	2,685,000				
2045	2,805,000				
2046	2,935,000				

(1) CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data (including CUSIP identifiers and related descriptive data) contained herein is provided by CUSIP Global Services (“CGS”), which is operated on behalf of the ABA by FactSet Research Systems Inc. CUSIP data is the valuable intellectual property of the ABA and the inclusion of CUSIP data herein is not intended to create a database and does not serve in any way as a substitute for any CUSIP Service provided by CGS. CUSIP data herein is provided for convenience of reference only. Neither the City, the Municipal Advisor, the Underwriter nor their agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026 Bonds.

(2) Preliminary subject to change. The City reserves the right to adjust individual maturity amounts to achieve its financial objectives.

The Series 2026 Bonds are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Dorsey & Whitney LLP, Missoula, Montana, Bond Counsel. The Series 2026 Bonds are expected to be available for delivery to DTC, in New York, New York on or about June 25, 2026.

In connection with this offering the underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2026 Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Series 2026 Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The information and expressions of opinion in the Preliminary Official Statement and the Final Official Statement are subject to change, and neither the delivery of the Preliminary Official Statement nor the Final Official Statement nor any sale made under either such document shall create any implication that there has been no change in the affairs of the City since the respective date thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the Final Official Statement since its delivery.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Series 2026 Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Series 2026 Bonds, the City, and the merits and risks of the investment opportunity.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," including the information in "Appendix A – The Water System: Pro Forma Coverage and Days Cash on Hand," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The City does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

## **CITY CONTACT INFORMATION**

For additional information regarding the Issuer may be obtained by contacting Andy Zoeller, Finance Director, City of Billings, 316 North 26th Street, Billings, Montana 59101, phone (406) 657-8209, email: [zoellera@billingsmt.gov](mailto:zoellera@billingsmt.gov).

**CITY OF BILLINGS, MONTANA**  
**316 North 26th Street**  
**Billings, Montana 59101**  
**Phone: (406) 657-8430**

**MAYOR AND CITY COUNCIL**

Mike Nelson	Mayor
Mark Nicholson	Council Member – Ward 1
Kendra Shaw	Council Member – Ward 1
Roy Neese	Council Member – Ward 2
Denis Pitman	Council Member – Ward 2
Bill Kennedy	Council Member – Ward 3
Amy Aguirre	Council Member – Ward 3
Scott Aspenlieder	Council Member – Ward 4
Andrew Lindley	Council Member – Ward 4
Mike Boyett	Council Member – Ward 5
Tony O'Donnell	Council Member – Ward 5

**CITY ADMINISTRATOR**

Chris Kukulski\*

\* Mr. Kukulski has resigned his position effective May 29, 2026. An interim city administrator will be selected and the City Council will begin the search for his replacement.

**FINANCE DIRECTOR**

Andy Zoeller

**CITY ATTORNEY**

Gina Dahl

**CITY CLERK**

Denise R. Bohlman

**MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota and Anaconda, Montana

**BOND COUNSEL**

Dorsey & Whitney LLP  
Missoula, Montana

**REGISTRAR/PAYING AGENT**

U.S. Bank Trust Company, National Association  
Salt Lake City, Utah

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- G. Rendering of the System Project
- H. 2025 Annual Comprehensive Financial Report
- I. Terms and Conditions of Sale and Bid Form

**OFFICIAL STATEMENT**  
**City of Billings, Montana**  
**\$40,000,000\* Water System Revenue Bonds, Series 2026**

**PURPOSE OF THE BONDS AND USE OF FUNDS**

**PURPOSE OF THE SERIES 2026 BONDS**

The proceeds of the Series 2026 Bonds will be used by the City to (i) provide funds for certain improvements to the City’s municipal water system (the “Water System”), including design, engineering and construction of a new water reservoir, water treatment plant and related improvements (collectively, the “System Project”); and (ii) pay the costs associated with the sale of the Series 2026 Bonds.

**SOURCES AND USES OF FUNDS**

The composition of the Series 2026 Bonds is as follows:

Sources of Funds:	
Principal Amount	\$ _____
Reoffering Premium	_____
 Total Sources of Funds	 \$ _____
Uses of Funds:	
Deposit to Construction Account	\$ _____
Costs of Issuance(1)	_____
 Total Uses of Funds	 \$ _____

(1) Includes fees for bond counsel, municipal advisor, registrar/paying agent, underwriter’s discount, and other miscellaneous expenses.

**INVESTMENT OF FUNDS**

The proceeds of the Series 2026 Bonds will be invested in accordance with the laws of the State relating to the depositing, holding, securing, or investing of public funds. The City shall direct the investment of Series 2026 Bond proceeds.

**THE SYSTEM PROJECT**

Clean dependable water is essential to the City’s population. In order to improve resiliency and meet the Water System’s demands, the City is constructing the West End Water System, which includes a new water reservoir, water treatment plant and related improvements (collectively, the “System Project”). The System Project is expected to cost approximately \$155,000,000, of which \$75,107,431 were funded from Series 2023A Bond proceeds, approximately \$40,000,000 will be funded from Series 2026 Bond proceeds, with remaining costs anticipated to be paid from available City funds.

A new raw water storage reservoir (the “West End Reservoir”) in the gravel pits north and south of Hesper Road between S 48<sup>th</sup> Street West and Shiloh Road is being constructed on the west end of the City. The water stored in the West End Reservoir will supply a new water treatment plant (the “West End Water Treatment Plant”) being constructed on the reservoir site. The West End Reservoir is sized to provide 3,020 acre-feet of storage and provide 40 days of capacity at a system demand of 18 million gallons per day (“MGD”). The top of the north reservoir embankment is being constructed to an elevation of approximately 3,253 with a bottom elevation of 3,230. The south reservoir embankment is being constructed to an elevation of 3,243 feet with a bottom elevation of 3,219 feet. The reservoir site is well above the 500-year flood elevation of the Yellowstone River in this vicinity of 3,203 feet.

\* Preliminary; subject to change.

Water will be conveyed from the Yellowstone River through the Billings Bench Water Association (BBWA) canal to the West End Reservoir and West End Water Treatment Plant. A pump station is being constructed near the BBWA canal and pumping equipment is being installed to provide full redundancy in the event that the largest pumping unit is out of service. As part of the System Project, the City is constructing certain improvements to the BBWA canal, which improvements are owned by BBWA but will be subject to use by the City pursuant to the BBWA Agreement (as hereinafter defined). See “Appendix A – The Water System – Water Agreements” herein.

The System Project will allow the City to utilize existing but currently unused water rights to draw water from the Yellowstone River, store it, and treat it to supply water to the Water System. The System Project will provide much needed resiliency to the City’s drinking water supply. If the existing Yellowstone River intake and treatment plant were to be damaged by a flood, landslide, or other natural disaster, man-made event, or hostile action the new intake, pumping station and WTP will provide full redundancy. If the Yellowstone River is affected by drought or a water quality event that prevents water from being drawn from the river at the existing water treatment plant or through the BBWA canal, the West End Reservoir will provide approximately 40 days of emergency water supply to the Water System.

## **DESCRIPTION OF THE SERIES 2026 BONDS**

### **INTEREST CALCULATION**

Interest on the Series 2026 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2027. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

### **REGISTRATION AND EXCHANGE FEATURES**

Each registered Series 2026 Bond shall be transferable or exchangeable only at the designated corporate trust office of the “Registrar” and “Paying Agent,” U.S. Bank Trust Company, National Association, Salt Lake City, Utah, at the written request of the registered owner thereof or its attorney duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney.

### **BOOK ENTRY**

When issued, the Series 2026 Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2026 Bonds will be made in book-entry-only form. See “Appendix C – Book Entry” herein.

### **PROVISIONS FOR PAYMENT**

The principal on the Series 2026 Bonds shall be payable at the designated corporate trust office of the Registrar and Paying Agent, or by wire transfer to DTC or any successor depository. All payments of interest on the Series 2026 Bonds shall be paid to the registered owners as the names appear as of the Record Date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Registrar or by wire transfer to DTC or any successor depository. If payment of principal or interest is made to DTC or any successor depository, payment shall be made by wire transfer in same-day funds. Payments on the Series 2026 Bonds shall be made in lawful money of the United States of America which, on the date of such payment, shall be legal tender.

So long as DTC or its nominee is the registered owner of the Series 2026 Bonds, principal and interest on the Series 2026 Bonds will be paid directly to DTC by the Paying Agent. The final disbursement of such payments to the Beneficial Owners of the Series 2026 Bonds will be the responsibility of the DTC Participants and Indirect Participants. See “Appendix C – Book Entry” herein.

### **NOTICE OF REDEMPTION**

The City is required to give notice of redemption at least 35 days prior to the redemption date to the Registrar. The Registrar will cause notice of redemption for the Series 2026 Bonds to be given not less than 30 days before the date of redemption by first-class mail, or other means required by the securities

depository, to the registered owners of the Series 2026 Bonds to be redeemed at their addresses as they appear on the bond register maintained by the Registrar. Provided that such notice of redemption has been given and funds sufficient for payment of principal and accrued interest on the Series 2026 Bonds to be redeemed have been deposited with the Registrar on or before the redemption dates, interest on Series 2026 Bonds called for redemption will cease to accrue on the date fixed for redemption. Failure to give such written notice to any registered owner of the Series 2026 Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2026 Bonds not affected by such defect or failure.

Any notice of optional redemption of Series 2026 Bonds may state that redemption is conditioned upon the receipt by the Registrar on or prior to the date fixed for such redemption of money sufficient to pay the redemption price of the Series 2026 Bonds to be redeemed or upon the satisfaction of any other condition stated in the notice, and that if such money is not so received or such condition not so satisfied, such notice shall be of no force and effect, and the City shall not be required to redeem such Series 2026 Bonds. In the event that a notice of redemption contains such a condition and such money is not so received or such condition is not so satisfied, the redemption will not be made and the Registrar will, within a reasonable time thereafter, give notice in the manner in which the notice of redemption was given, that such money was not so received or such condition not so satisfied and that such redemption was not made.

**OPTIONAL REDEMPTION**

The Series 2026 Bonds with stated maturities on July 1 in the years 2027 through 2035 are not subject to optional redemption prior to their stated maturities. The Series 2026 Bonds with stated maturities on or after July 1, 2036 are subject to redemption on July 1, 2035 and any date thereafter, at the option of the City, in whole or in part, and if in part from such stated maturities and in such principal amounts as the City may designate in writing to the Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner as directed by the City), at a redemption price equal to the principal amount thereof and interest accrued to the redemption date, without premium.

**MANDATORY REDEMPTION(1)**

The Series 2026 Bonds maturing on July 1, 20\_\_, July 1, 20\_\_, and July 1, 20\_\_ (the “Term Bonds”) are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

20__ Term Bond		20__ Term Bond	
Year	Amount	Year	Amount
20__		20__	
20__		20__	
20__(2)		20__(2)	
		20__ Term Bond -	
		Year	Amount
		20__	
		20__	
		20__(2)	

- (1) Preliminary; subject to change.
- (2) Final Maturity.

The principal amount of such Term Bonds required to be redeemed on the above mandatory dates shall be reduced by the principal amount of such Term Bonds theretofore redeemed at the option of the City and as to which the City has not previously applied amounts to reduce the principal amount of such Term Bonds.

## AUTHORITY AND SECURITY

### AUTHORITY

The Series 2026 Bonds are being issued pursuant to the Constitution and laws of the State, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"); Resolution No. 23-11134 adopted by the City Council of the City on July 10, 2023, as amended and supplemented by Resolution No. 23-11140 adopted by the City Council of the City on July 10, 2023, respectively, and as further amended and supplemented by a resolution to be adopted by the City Council on or about June 8, 2026 (as so amended and supplemented, the "Bond Resolution"); and Parameters Resolution No. 2 6-11324 adopted on April 13, 2026 (the "Parameters Resolution").

The City has issued and there are outstanding its:

- Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond");
- First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C (the "Series 2009C Bond");
- First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D (the "Series 2009D Bond");
- First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B (the "Series 2010B Bond");
- Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012 (the "Series 2012 Bond");
- Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2014 (the "Series 2014 Bond");
- Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2015 (the "Series 2015 Bond"); and
- Water System Revenue Bonds, Series 2023A (the "Series 2023A Bonds").

The Series 2009B Bond, Series 2009C, Series 2009D Bond, Series 2010B Bond, Series 2012 Bond, Series 2014 Bond, and Series 2015 Bond (collectively, the "Outstanding SRF Bonds"), and together with the Series 2023A Bonds, the "Outstanding Bonds", will be collectively outstanding in the aggregate principal amount of \$77,726,000 as of June 25, 2026, the settlement date for the Series 2026 Bonds. The Series 2026 Bonds are issued on a parity with the Outstanding Bonds under and pursuant to the Bond Resolution.

### SECURITY AND SOURCES OF PAYMENT

#### Special, Limited Obligations

The Series 2026 Bonds, including interest thereon, are special, limited obligations of the City, payable solely from and secured by the Net Revenues of the Water System, as provided in the Bond Resolution, equally and ratably with the Outstanding Bonds and any Additional Bonds hereafter issued on a parity therewith.

The Series 2026 Bonds are **not** secured by the Reserve Account. The Series 2026 Bonds and the interest thereon are not general obligations of the City, and the City's full faith and credit and taxing power are not pledged to the payment of the principal and interest thereon. No money raised from taxation by the City, other than to the extent the City is actually billed for services from the Water System, will be available to pay principal of or interest on the Series 2026 Bonds. The Series 2026 Bonds do not constitute a debt of the City or the State of Montana within the meaning of any constitutional or statutory limitation or provision.

See "Appendix F – Summary of Bond Resolution and Certain Definitions" for a further discussion of these terms and conditions.

### Pledge of Net Revenues

All Outstanding Bonds, including the Series 2026 Bonds, are secured, equally and ratably, by a first lien upon the Net Revenues of the Water System, the Gross Revenues being subject to the prior appropriation thereof to the Operating Account for payment of Operating Expenses.

Pursuant to the Bond Resolution, the City has covenanted to impose water rates and charges for the use and benefit of the Water System and will irrevocably pledge the Net Revenues of the Water System to the payment of the Outstanding Bonds, the Series 2026 Bonds, and any Additional Bonds hereafter issued on a parity therewith.

“Net Revenues” are defined in the Bond Resolution as the entire amount of the Gross Revenues of the Water System remaining upon each monthly apportionment, after crediting to the Operating Account the amount required by the Bond Resolution, including sums required to maintain the Operating Reserve in the minimum amount required by the Bond Resolution.

“Gross Revenues” are defined in the Bond Resolution as all revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the Water System and from any sales of property which is a part of the Water System and all income received from the investment of such revenues and receipts, including interest earnings on the Operating Account, the Reserve Account, the Replacement and Depreciation Account and the Surplus Account, but excluding any special assessments or taxes levied for construction of any part of the Water System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

“Operating Expenses” are defined in the Bond Resolution as the current expenses, paid or accrued, of operation, maintenance and current repair of the Water System and its facilities, as calculated in accordance with sound accounting practices, and include, without limitation, administrative expenses of the City relating solely to the Water System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices. Operating Expenses shall not include any allowance for interest expense or depreciation, renewals or replacements of capital assets of the Water System and shall not include any portion of the salaries or wages paid to any officer or employee of the City, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the Water System.

### Rate Covenant

In the Bond Resolution, the City has covenanted to maintain rates, charges and rentals for all services and facilities furnished and made available by the Water System to the City and its inhabitants, and to all customers of the Water System within or outside the City’s boundaries, so that (i) Gross Revenues for each Fiscal Year will be at least sufficient to pay the Operating Expenses and to maintain the Operating Reserve; (ii) Net Revenues during each Fiscal Year will be not less than 125% of the maximum annual principal and interest payable on the Outstanding Bonds in any future Fiscal Year and to maintain the balance in the Reserve Account equal to the Reserve Requirement (including all amounts then owing to the issuer of a Surety Bond), if any; and (iii) to produce Surplus Net Revenues during each Fiscal Year sufficient to pay principal and interest on any Subordinate Obligations and to provide reserves for the replacement and depreciation of the Water System. If at the close of any Fiscal Year the Net Revenues actually received during such year were less than required, the City covenants to prepare and to place in operation at the earliest possible date a schedule of altered rates, charges and rentals which are sufficient to produce Net Revenues in such amounts.

Under State law, the City has the authority to establish its system of rates and charges for public utility services and to adjust those rates and charges, in accordance with statutory provisions, as it considers just and reasonable. The City must provide proper notice—both by publication and by mailing notice to all customers—and conduct a public hearing with respect to increases in rates and charges.

See “Appendix A – The Water System - Rates, Charges and Fees” for additional information.

### Additional Bonds and Subordinate Obligations

Pursuant to the Bond Resolution, the City reserves the right to issue Additional Bonds on a parity with Outstanding Bonds under certain conditions, including that the Net Revenues (as defined in the Bond Resolution) for the last complete fiscal year of the Water System, calculated in accordance with the Bond Resolution, were equal to at least 125% of the maximum amount of principal and interest to be payable from the Revenue Bond Account in any subsequent fiscal year during the term of the Outstanding Bonds, on the Outstanding Bonds and the additional bonds proposed to be issued. The maximum aggregate annual principal and interest payable with respect to the Outstanding Bonds and the Series 2026 Bonds is expected to be \$9,410,115(1). The Net Revenues of the System for fiscal year 2025 were equal to \$29,454,760, which is not less than 125% of \$9,410,115(1).

(1) Preliminary; subject to change.

In addition, the City has reserved the right to issue Subordinate Obligations under the Bond Resolution having a charge on only the Surplus Net Revenues of the Water System subordinate to the pledge of Net Revenues to the Revenue Bond Account and the Reserve Account; provided, however, no Subordinate Obligations may be issued if a deficiency exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the issuance of the Subordinate Obligations.

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## COVERAGE AND LIQUIDITY

### DEBT SERVICE AND COVERAGE(1)

Date	Series 2009B	Series 2009C	Series 2009D	Series 2010B	Series 2012	Series 2014	Series 2015	Series 2023A	Total Existing	Est. Series 2026 Bonds	Total System D/S	FY2025 - System Net Revenues	Debt Service Coverage
07/01/2026	19,269	185,590	450,640	148,620	194,475	407,540	222,550	4,705,438	6,334,121	-	6,334,121	29,454,760	4.650x
07/01/2027	19,954	185,565	450,460	148,720	194,675	408,045	223,088	4,700,688	6,331,194	3,071,865	9,403,059	29,454,760	3.132x
07/01/2028	20,613	185,405	450,920	148,700	194,710	408,250	221,525	4,702,188	6,332,310	3,075,675	9,407,985	29,454,760	3.131x
07/01/2029	20,263	185,080	451,975	148,560	195,595	408,155	220,875	4,704,438	6,334,940	3,075,175	9,410,115	29,454,760	3.130x
07/01/2030	-	-	-	149,300	194,315	407,760	223,113	5,357,188	6,331,675	3,071,425	9,403,100	29,454,760	3.132x
07/01/2031	-	-	-	-	194,900	408,065	221,188	5,507,688	6,331,840	3,074,425	9,406,265	29,454,760	3.131x
07/01/2032	-	-	-	-	195,305	407,040	222,175	5,509,188	6,333,708	3,073,675	9,407,383	29,454,760	3.131x
07/01/2033	-	-	-	-	-	407,700	222,025	5,703,438	6,333,163	3,074,175	9,407,338	29,454,760	3.131x
07/01/2034	-	-	-	-	-	408,000	220,750	5,705,438	6,334,188	3,075,675	9,409,863	29,454,760	3.130x
07/01/2035	-	-	-	-	-	-	110,363	6,223,938	6,334,300	3,072,925	9,407,225	29,454,760	3.131x
07/01/2036	-	-	-	-	-	-	-	6,332,688	6,332,688	3,075,925	9,408,613	29,454,760	3.131x
07/01/2037	-	-	-	-	-	-	-	6,330,438	6,330,438	3,073,525	9,403,963	29,454,760	3.132x
07/01/2038	-	-	-	-	-	-	-	6,331,938	6,331,938	3,073,125	9,405,063	29,454,760	3.132x
07/01/2039	-	-	-	-	-	-	-	6,332,800	6,332,800	3,074,525	9,407,325	29,454,760	3.131x
07/01/2040	-	-	-	-	-	-	-	6,334,600	6,334,600	3,074,806	9,409,406	29,454,760	3.130x
07/01/2041	-	-	-	-	-	-	-	6,333,000	6,333,000	3,073,544	9,406,544	29,454,760	3.131x
07/01/2042	-	-	-	-	-	-	-	6,332,800	6,332,800	3,073,244	9,406,044	29,454,760	3.131x
07/01/2043	-	-	-	-	-	-	-	6,333,600	6,333,600	3,075,619	9,409,219	29,454,760	3.130x
07/01/2044	-	-	-	-	-	-	-	-	-	3,074,969	3,074,969	29,454,760	9.579x
07/01/2045	-	-	-	-	-	-	-	-	-	3,074,144	3,074,144	29,454,760	9.581x
07/01/2046	-	-	-	-	-	-	-	-	-	3,074,413	3,074,413	29,454,760	9.581x
<b>Total</b>	<b>\$80,098</b>	<b>\$741,640</b>	<b>\$1,803,995</b>	<b>\$743,900</b>	<b>\$1,363,975</b>	<b>\$3,670,555</b>	<b>\$2,107,650</b>	<b>\$103,481,488</b>	<b>\$113,993,300</b>	<b>\$61,482,853</b>	<b>\$175,476,153</b>	<b>\$618,549,960</b>	

(1) Preliminary; subject to change.

## NET REVENUES AVAILABLE FOR DEBT SERVICE

	<b>FY 2025</b>
Gross Revenues	\$39,567,680
Operating Expenses	(23,368,068)
Net Operating Income	\$16,199,612
Add Back: Depreciation	7,861,225
Add Back: Interest and Investment Income	5,377,626
Add Back: Gain (Loss) on Sale of Capital Assets	16,297
<b>Net Revenues Available for Debt Service</b>	<b>\$29,454,760</b>

## LIQUIDITY

<b>Days Cash on Hand</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Cash and Cash Equivalents	\$29,538,287	\$61,216,822	\$53,221,635
Investments	27,834,075	71,276,172	63,787,582
Net Cash	\$57,372,362	\$132,492,994	\$117,009,217
Total Operating Expenses excluding Depreciation	\$15,203,241	\$14,569,440	\$15,506,843
<b>Days Cash on Hand</b>	<b>1,337</b>	<b>3,319</b>	<b>2,754</b>

(1) The City intends on using funds on hand available from working capital for payment of a portion of costs related to the System Project. Please see “THE SYSTEM PROJECT” and “Appendix A – The Water System – Pro Forma Coverage and Days Cash on Hand” for additional information.

## RATING

Moody’s Investors Service (“Moody’s”), 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York has assigned a rating of “Aa2” to the Series 2026 Bonds. Such rating reflects only the view of Moody’s and any explanation of the significance of such rating may only be obtained from Moody’s.

The rating is not a recommendation to buy, sell or hold the Series 2026 Bonds, and such rating may be subject to revision or withdrawal at any time by Moody’s. Any revision or withdrawal of the rating may have an adverse effect upon the market price of the Series 2026 Bonds.

The City has not applied to any other rating service for a rating on the Series 2026 Bonds.

## RISK FACTORS AND INVESTOR CONSIDERATIONS

Prospective purchasers of the Series 2026 Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the City or the Water System to meet the debt service requirements of the Series 2026 Bonds is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain such investment considerations are set forth below. This discussion of risk factors is not, and is not intended to be, exhaustive.

### MAINTENANCE OF RATING

The Series 2026 Bonds will be rated as to their creditworthiness by Moody’s. No assurance can be given that the Series 2026 Bonds will maintain their original rating. If the rating on the Series 2026 Bonds decrease or is withdrawn, the Series 2026 Bonds may lack liquidity in the secondary market in comparison with other such municipal obligations. See “Rating” herein.

### SECONDARY MARKET

While the Underwriter of the Series 2026 Bonds may expect, insofar as possible, to maintain a secondary market in the Series 2026 Bonds, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriter or others, and prospective purchasers of the Series 2026 Bonds should therefore be prepared, if necessary, to hold their Series 2026 Bonds to maturity or prior redemption, if any.

## **SPECIAL, LIMITED OBLIGATIONS**

The Series 2026 Bonds are special, limited obligations of the City, payable solely from and secured by, equally and ratably with the Outstanding Bonds and any Additional Bonds hereafter issued on a parity therewith, the Net Revenues of the Water System, as provided in the Bond Resolution. The Series 2026 Bonds are **not** secured by the Reserve Account. The Series 2026 Bonds are not general obligations of the City, and the City's full faith and credit and taxing power are not pledged to the payment of the principal and interest thereon. No money raised from taxation by the City, other than to the extent the City is actually billed for services from the Water System, will be available to pay principal of or interest on the Series 2026 Bonds. The Series 2026 Bonds do not constitute an indebtedness of the City or the State of Montana within the meaning of any constitutional or statutory provision.

## **NET REVENUES AND OPERATING EXPENSES**

The Series 2026 Bonds are payable from and secured by Net Revenues. Many factors outside of the control of the City could adversely affect the availability of Net Revenues including, among other matters, weather conditions (including unpredictable or unusual weather conditions resulting from climate change), population fluctuations and general and local economic conditions, as well as increases in Operating Expenses, including due to increased costs associated with conforming to environmental or other State or federal laws and governmental regulations.

Operating Expenses of the Water System are generally expected to increase in the future, and actual Operating Expenses may be greater than projected. Changes in climate, changes in technology, changes in regulatory standards and increased costs of materials, energy, regulatory compliance, labor and administration could significantly affect Operating Expenses.

The City has entered into an agreement with the Billings Bench Water Association (BBWA), a non-profit private ditch corporation (the "BBWA Agreement"), to provide for the use of the BBWA canal and associated infrastructure and facilities by the City to divert and carry City water from the Yellowstone River to the West End Reservoir. If the BBWA Agreement is terminated for any reason, the City will need to construct a diversion and carriage link between the Yellowstone River and the West End Reservoir. The City has not attempted to quantify the costs of constructing such infrastructure, but believes the costs would be material. The BBWA Agreement is expected to remain in effect during the term of the Series 2026 Bonds. See "Appendix A – The Water System – Water Agreements" herein.

Although the City has covenanted to prescribe, revise and collect rates and charges for the Water System to produce Net Revenues in amounts sufficient to pay debt service on the Outstanding Bonds, the Series 2026 Bonds and any Additional Bonds, there can be no assurance that such amounts will be collected. Increases in rates and charges with respect to the Water System could result in a decrease in usage of the Water System or an increase in the rate of delinquencies in the collection of water rates and charges. The City has an inclining block tiered residential rate structure to encourage conservation of water. This has decreased overall system water demand, but has a negligible effect on Gross Revenues.

## **ADDITIONAL BONDS**

The City has reserved the right, subject to limitations imposed by the Bond Resolution, to issue Additional Bonds having a lien on the Net Revenues of the Water System on a parity with the Outstanding Bonds and the Series 2026 Bonds. (See "SECURITY AND FINANCING -- Additional Bonds" herein.) To the extent that future needs of the System require the issuance of Additional Bonds, the City may be required to increase the level of charges imposed for the use and benefits of the Water System in order to pay debt service.

## **ENVIRONMENTAL AND REGULATORY COMPLIANCE**

The Water System is subject to numerous state and federal regulations. Costs of compliance with such regulations may increase significantly over time, and failure to comply may subject the City to significant fines and penalties. The City may be required to increase the level of rates imposed for the use and benefits of the Water System in order to pay costs of compliance, or fines or penalties for failure to comply, with such regulations. With respect to the System Project, the City expects to commence drawing water in the Summer of 2026 and is working with the DNRC in connection with any final reviews of related water rights. See "Appendix A – The Water System – Water Quality and Environmental Regulations."

## **TAX EXEMPTION**

Future state or federal legislative proposals, if enacted into law, clarification of the Code (defined herein) or court decisions may cause interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes or Montana individual income tax purposes, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

In addition, the tax-exempt status of interest on the Series 2026 Bonds, as described under "TAX CONSIDERATIONS" herein, is based on continuing compliance with the City with certain covenants contained in the Bond Resolution and the related tax certificate, and the reporting of certain information to the United States Treasury. These covenants relate generally to restrictions on the use of the improvements financed with proceeds of the Series 2026 Bonds, requirements regarding the timely and proper use of proceeds of the Series 2026 Bonds, arbitrage limitations and rebate of excess investment earnings (if any) to the federal government. Failure by the City to comply with any of these covenants could cause interest on the Series 2026 Bonds to become included in gross income for federal income tax purposes and Montana individual income tax purposes, which may be retroactive to the date of issuance.

The Bond Resolution does not provide for payment of additional interest on the Series 2026 Bonds, redemption of the Series 2026 Bonds, or acceleration of the payment of debt service on the Series 2026 Bonds in the event that interest thereon becomes subject to federal or state income taxation.

## **LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE SERIES 2026 BONDS**

No Acceleration. There is no provision for acceleration of maturity of the principal of the Series 2026 Bonds in the event of a default in the payment of principal of or interest on the Series 2026 Bonds. Consequently, the owners of the Series 2026 Bonds may have to enforce available remedies from year to year.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Resolution on behalf of the owners of the Series 2026 Bonds, and therefore the owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

No Mortgage. The Series 2026 Bonds are not secured by a mortgage lien or any other real estate security interest in any property or real estate in the City. The Series 2026 Bonds are payable solely from Net Revenues of the Water System, as described herein.

## **NO CREDIT ENHANCEMENT FACILITY**

There is no credit enhancement facility (letter of credit or bond insurance) securing the Series 2026 Bonds.

## **NOT SECURED BY RESERVE ACCOUNT**

The Series 2026 Bonds are not secured by the Reserve Account. The Outstanding Bonds are and Additional Bonds may be secured by the Reserve Account, and only Bonds secured by the Reserve Account are payable from amounts therein or from amounts transferred to the Revenue Bond Account from the Reserve Account in accordance with the Bond Resolution.

## **AMENDMENTS OF DOCUMENTS; WAIVERS**

Certain amendments to the Bond Resolution may be made with the consent of the owners of a majority of the principal amount of the Outstanding Bonds. Such amendments may adversely affect the security for the Series 2026 Bonds and the consenting Bondholders may be composed wholly or partially of holders of bonds other than the Series 2026 Bonds. (See "Appendix F – Summary of the Bond Resolution and Certain Definitions – Supplemental Resolutions.")

## **BANKRUPTCY RISK**

Bankruptcy proceedings involving the City could delay or otherwise adversely affect the enforcement of registered owners' rights or collection of the principal of or interest on the Series 2026 Bonds. A bankruptcy of the City could impose significant risks of delay, limitation or modification of the rights of bondholders against the City. These risks include, without limitation, the risk that the interest rate on and repayment and other terms of the Series 2026 Bonds could be modified in bankruptcy proceedings, and, if the value of the collateral for the Series 2026 Bonds, as determined by a court of competent jurisdiction, is less than the full amount due on the Series 2026 Bonds, the Series 2026 Bonds may not be repaid in full.

## **POTENTIAL IMPACTS RESULTING FROM EPIDEMICS OR PANDEMICS**

The City's finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics. The City cannot predict future impacts of epidemics or pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the City, including but not limited to the payment of debt service on any of its outstanding debt obligations.

## **CYBERSECURITY**

The City relies on computer networks, data storage, collection, and transmission to conduct the operations of the City and has implemented security measures to protect data and limit financial exposure, including securing cyber security insurance to assist with the reduction of potential risk of financial and operational damage resulting from network attacks. Even with these security measures, the City, its information technology, data stored by the City and its infrastructure may be vulnerable in the event of a deliberate system attack, including malware, ransomware, computer virus, employee error or general disruption. If breached or compromised, the networks could be disrupted and information could be accessed, disclosed, lost, or stolen. The City acknowledges that its systems could be affected by a cybersecurity attack and that a loss, disruption, or unauthorized access to data held by the City could have a material impact on the City. As cybersecurity threats evolve, the City will continue to evaluate and implement security measures and work to mitigate any vulnerabilities in its system.

## **CLIMATE CHANGE**

The City is affected by the impacts of climate change, and those impacts are projected to intensify over coming decades. Changes may include reduced low elevation snowpack, earlier spring snowmelt, more frequent and intense droughts and wildfires, greater variability in temperatures and weather conditions, and related impacts to agriculture, recreation and human health, including in the City. The City's economy is significantly benefited by the fossil fuel industry, and federal or State legislation restricting or targeting the extraction, refining or use of fossil fuels could materially adversely affect the regional economy as well as assessed and taxable values in the City.

## **PURCHASER/UNDERWRITING**

The Series 2026 Bonds are being purchased by \_\_\_\_\_ (the "Underwriter") [and its syndicate] at a purchase price of \$\_\_\_\_\_, which is the par amount of the Series 2026 Bonds of \$\_\_\_\_\_, less the Underwriter's discount of \$\_\_\_\_\_, plus/less the original [net] issue premium/discount of \$\_\_\_\_\_. All of the Series 2026 Bonds will be purchased by the Underwriter if any of such Series 2026 Bonds are purchased.

The Underwriter intends to offer the Series 2026 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Series 2026 Bonds into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may vary from time to time.

## **CONTINUING DISCLOSURE**

In order to permit the Underwriter in the primary offering of the Series 2026 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will enter into a continuing disclosure undertaking pursuant to which it will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2026 Bonds, to provide annual reports of specified information and notice of the occurrence of certain events. The form of the continuing disclosure undertaking is set forth in Appendix E to this Official Statement.

During the last five years, the City believes that it has materially complied with the prior continuing disclosure undertakings subject to the Rule; however, the City notes the following with respect to its compliance with previous continuing disclosure undertakings:

- Under previous undertakings related to the City's outstanding tax increment urban renewal revenue bonds (CUSIP 090141), the City's annual continuing disclosure requirements included the filing of the following information for each Tax Increment District: (i) Real Property Tax Increment Revenue Collected by the District; and (ii) Total Revenue Collected by the District. While the City timely filed its audited financial statements and annual operating data for the fiscal years ended June 30, 2018 through 2021, updated tables for each Tax Increment District were filed with EMMA on September 8, 2022, reflecting revised information to align with the information reported in the City's audited financial statements for each year.
- The City provided notice of the incurrence of various financial obligations as required by certain outstanding continuing disclosure agreements with EMMA on September 8, 2022.

The City has contracted with Baker Tilly Municipal Advisors, LLC to assist the City in complying with its continuing disclosure undertakings. Breach of the continuing disclosure undertakings will not constitute a default or an event of default under the Series 2026 Bonds or the Bond Resolution. A broker or dealer is to consider a known breach of the continuing disclosure undertakings, however, before recommending the purchase or sale of the Series 2026 Bonds in the secondary market. Thus, a failure on the part of the City to observe the continuing disclosure undertakings may adversely affect the transferability and liquidity of the Series 2026 Bonds and their market price.

## **FUTURE FINANCING**

As of the date of this Official Statement, the City does not currently anticipate issuing additional long-term debt payable from Net Revenues of the Water System in calendar year 2026.

The City periodically evaluates market conditions and outstanding financial obligations for refunding and refinancing opportunities and may issue refunding obligations if debt service savings can be achieved.

## **LITIGATION**

There is no litigation pending or, to the knowledge of the City, threatened restraining or enjoying the issuance, sale, execution or delivery of the Series 2026 Bonds questioning the power and authority of the City to issue the Series 2026 Bonds, challenging the validity of or security for the Series 2026 Bonds, or materially affecting the financial condition of the City.

On February 6, 2026, a group of plaintiffs filed a complaint in Yellowstone County District Court seeking declaratory judgement, injunctive relief, and monetary damages against the City of Billings for water bills they alleged were invoiced incorrectly. The Complaint has been filed as a class action however the class has not yet been certified. The City has filed a motion to dismiss, and the plaintiffs have since filed an amended complaint to which the City has not yet responded. Outside counsel represents the City in this matter. The City cannot predict the outcome of the complaint. However, the City does not believe a ruling in favor of the plaintiffs would have a material impact on the financial condition of the City.

## LEGAL MATTERS

The Series 2026 Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP, of Missoula, Montana, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. A legal opinion substantially in the form set forth in Appendix D herein will be delivered at closing.

## TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Montana income tax considerations relating to the purchase, ownership, and disposition of the Series 2026 Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Series 2026 Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Series 2026 Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Series 2026 Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Series 2026 Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences, except with respect to Montana income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Series 2026 Bonds for cash at original issue and hold the Series 2026 Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Series 2026 Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Series 2026 Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Series 2026 Bonds is the first price at which a substantial amount of Series 2026 Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

### TAX-EXEMPT INTEREST

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2026 Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, and (iii) is excluded from taxable income for Montana individual income tax purposes. Interest on the Series 2026 Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is includable in the computation of income for purposes of the Montana corporate income tax and the Montana alternative corporate income tax.

The Code establishes certain requirements that must be met after the issuance of the Series 2026 Bonds in order that interest on the Series 2026 Bonds be excluded from federal gross income. These requirements include, but are not limited to, provisions regarding the use of proceeds of the Series 2026 Bonds and use of the facilities financed or refinanced with such proceeds and restrictions on the investment of proceeds of the Series 2026 Bonds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Series 2026 Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes and Montana taxable income for Montana individual income tax purposes, which may be retroactive to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Series 2026 Bonds in the event that interest on the Series 2026 Bonds is included in gross income for federal income tax purposes or Montana taxable income for Montana individual income tax purposes.

#### **ORIGINAL ISSUE DISCOUNT**

Series 2026 Bonds may be issued at a discount from their principal amount (any such Series 2026 Bonds being "Discount Bonds"). The excess of the principal amount payable on Series 2026 Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income of individuals, estates and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal tax basis.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Series 2026 Bonds, even if the Series 2026 Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

#### **MARKET DISCOUNT**

If a Series 2026 Bond is purchased for a cost that is less than the Series 2026 Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Series 2026 Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Series 2026 Bond (to the extent that the gain realized does not exceed the accrued market discount on the Series 2026 Bond).

## **BOND PREMIUM**

A holder that acquires a Series 2026 Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal tax basis for the Series 2026 Bond. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Series 2026 Bonds at a premium might recognize taxable gain upon sale of the Series 2026 Bonds, even if such Series 2026 Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes.

## **RELATED TAX CONSIDERATIONS**

Section 86 of the Code requires recipients of certain social security and railroad retirement benefits to take interest on the Series 2026 Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2026 Bonds. In the case of a financial institution, generally no deduction is allowed under section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Series 2026 Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Series 2026 Bonds for this purpose even though not directly traceable to the purchase of the Series 2026 Bonds. The Series 2026 Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Income (including interest) or loss on the Series 2026 Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2026 Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depend upon the particular tax status of the holder and the holder's other items of income or deduction.

## **SALE OR OTHER DISPOSITION**

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Series 2026 Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Series 2026 Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Series 2026 Bond. A holder's adjusted tax basis in a Series 2026 Bond generally will be equal to the amount that the holder paid for the Series 2026 Bond, increased by any accrued original issue discount with respect to the Series 2026 Bond and reduced by the amount of any amortized bond premium on the Series 2026 Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Series 2026 Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

## **INFORMATION REPORTING AND BACKUP WITHHOLDING**

Payments of interest on the Series 2026 Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Series 2026 Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

## MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC (the “Municipal Advisor” or “BTMA”) as municipal advisor in connection with certain aspects of the issuance of the Series 2026 Bonds. BTMA is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. BTMA is a subsidiary of Baker Tilly Advisory Group, LP (“BTAG”) which is indirectly owned by (a) H&F Waterloo Holdings, L.P., an affiliate of Hellman & Friedman LLC (“H&F”), an investment adviser registered with the Securities and Exchange Commission (the “SEC”), (b) Valeas Capital Partners Fund I Waterloo Aggregator LP, an affiliate of Valeas Capital Partners Management LP (“Valeas”), an investment adviser registered with the SEC, and (c) individuals who are principals of BTAG. None of these parties own a majority interest in BTAG, or indirectly, BTMA. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International, Ltd. Baker Tilly US, LLP (“BTUS”) is a licensed CPA firm providing assurance services to its clients. BTAG and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

BTMA has been retained by the City to provide certain municipal advisory services to City and, in that capacity, has assisted the City in preparing this Official Statement. The information contained in the Official Statement has been compiled from the sources stated or, if not otherwise sourced, from records and other materials provided by the City. The Municipal Advisor makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information.

The Municipal Advisor’s duties, responsibilities and fees arise solely as Municipal Advisor to the City, and it has no secondary obligations or other responsibility. The Municipal Advisor’s fees are expected to be paid from proceeds of the Series 2026 Bonds. BTMA provides certain specific municipal advisory services to the City but is neither a placement agent to the City nor a broker/dealer.

### *Other Financial Industry Activities and Affiliations:*

Baker Tilly Wealth Management, LLC (“BTWM”), an SEC registered investment adviser, Moss Adams Wealth Advisors, LLC, an SEC registered investment adviser and Baker Tilly Capital, LLC (“BTC”), a broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority (“FINRA”), are controlled subsidiaries of BTAG. Both H&F and Valeas, are registered with the SEC as investment advisers and serve as managers of, or advisers to, certain private investment funds, some of which indirectly own BTAG.

BTWM and other subsidiaries of BTAG may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its municipal advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

## MISCELLANEOUS

The information contained in this Official Statement has been compiled from the City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2026 Bonds, the security for the payment of the Series 2026 Bonds and the rights and obligations of the owners thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2026 Bonds.

## **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Series 2026 Bonds and a Final Official Statement following award of the Series 2026 Bonds. The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

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## THE WATER SYSTEM

### Description of the Water System

The City's water treatment and distribution system (the "Water System") serves a population of approximately 121,500, comprised of 33,700 customers. The Water System's service area comprises approximately 42 square miles. The Water System includes 13 pump stations and 16 storage reservoirs with a combined total storage capacity of approximately 29.91 million gallons, and distributes water through 525 miles of water mains.

The City purchased the waterworks facility in 1915. The plant has undergone many upgrades and expansions and now provides complete conventional treatment for up to 60 MGD. The Yellowstone River, a high-quality surface water source and the longest free-flowing river in the country, is the source of the City's drinking water. The City's water treatment facility plays a critical role in removing various contaminants to provide residents with safe, high-quality drinking water.

The City owns and operates separate sewer and storm water utilities, which service areas extend beyond the boundaries of the Water System.

### Governance and Management

The Water System is operated as a division of the City's Public Works Department, under the full authority and control of the Public Works Director, subject to the supervisory control of the Mayor and Chief Administrative Officer and pursuant to policies adopted by the City Council. The Public Works Department also operates the City's storm water system; wastewater system; and street maintenance, traffic services, traffic signals and communication divisions. The total operating budget for the fiscal year ended June 30, 2026 for the Public Works Department in aggregate is approximately \$172 million.

The Water System and all Water System operations, including billing and collection of water rates, is under the direction of Jennifer Duray, CPA, Deputy Director of Public Works. Ms. Duray assumed the role of Deputy Director in 2018. Ms. Duray has been with the City for 26 years, first as an accountant at the Airport for 8 years prior to serving as the Public Works Fiscal Manager for 13 years, and now in her current role as Deputy Director.

The total budget for the Water System for the fiscal year ending June 30, 2026, as adopted by Council, is \$38,128,968, and the Water System currently employs 52 City employees. About 75% of these employees are represented by a collective bargaining unit. See "GENERAL INFORMATION CONCERNING THE CITY – Labor Relations" herein. Additionally, 23 Public Works employees, including 9 in utility billing, are funded in the Public Works Administration fund and charged back to the Water Fund through a cost allocation plan.

### Water Master Plan

A Water Master Plan update was completed in 2022. Previous studies include a 2006 Water and Waste Water Facilities Master Plan, 2014 Integrated Water Plan Implementation Water Master Plan Update, and 2017 Integrated Water Plan Supplement. The 2022 update included the evaluation of customer demands, growth projections, water distribution modeling, the review of pressure zones, storage planning, and capital improvement planning. The effect on the distribution system with regards to the System Project was also evaluated.

### Water Agreements

The City has had an agreement with the County Water District of Billings Heights (CWDBH) since 1963 to provide treated water to the CWDBH. The CWDBH resells this water to customers in east Billings, called Billings Heights. The majority of CWDBH customers are within the City. The most recent agreement is dated August 11, 2003, with a subsequent Memorandum of Understanding dated June 10, 2013.

The City has entered into an agreement with the Billings Bench Water Association (BBWA), a non-profit ditch corporation (the "BBWA Agreement"), to provide for the use of the BBWA canal and associated infrastructure and facilities by the City to divert and carry City water from the Yellowstone River to the West End Reservoir. The BBWA Agreement has an initial term of 20 years, commencing May 16, 2023, with automatic renewals for successive three-year terms absent notice from either party of intent not to renew.

As part of the System Project, the City will construct certain improvements to the BBWA canal, which improvements will be owned by BBWA but will be subject to use by the City pursuant to the BBWA Agreement. The City will pay an annual fee to BBWA for use of the BBWA canal, which shall be \$150,000 for the first year and will increase annually based on the consumer price index. This fee may be payable in cash or in-kind services. In addition, the City has agreed to contribute to the maintenance and repair of the BBWA canal, payable in cash or in-kind services. The City's use of the BBWA canal carrying capacity is subordinate to and shall not interfere with the use of the BBWA canal and the capacity thereof by the BBWA, its shareholders and third parties under carriage agreements that pre-date the BBWA Agreement. The City currently expects that the BBWA canal and arrangements pursuant to the BBWA Agreement will result in sufficient water supply for the West End Reservoir. If the BBWA Agreement is terminated for any reason, the City will need to construct a diversion and carriage link between the Yellowstone River and the West End Reservoir. The City believes the costs of constructing such infrastructure would be material. The BBWA Agreement is expected to remain in effect during the term of the Series 2026 Bonds.

## **Water Quality and Environmental Regulations**

The Environmental Protection Agency (EPA) and the Montana Department of Environmental Quality (MDEQ) establish regulations that limit the amount of certain contaminants in water provided by public water systems. The Public Water Supply Bureau at MDEQ regulates public water systems in Montana to ensure that the water being served meets federal Safe Drinking Water Act and state laws and regulations. Montana regulations require all community public water systems to monitor the microbial, chemical and radiological quality of the water. MDEQ conducts a variety of inspections and requires mandatory reporting to ensure compliance and protection of public health. The City continually meets or exceeds all federal and state drinking water standards.

The following provides specific information about significant regulations and associated risks.

Surface Water Treatment Rule. The Surface Water Treatment Rule (SWTR) applies to all public water systems (PWSs) using surface water sources. The SWTR:

- Requires water systems to filter and disinfect water from surface water sources.
- Establishes maximum contaminant level goals for viruses, bacteria and *Giardia lamblia*.
- Includes treatment technique requirements for filtered systems to protect against adverse health effects of exposure to pathogens.
- Requires sanitary surveys for all surface water systems.
- Requires systems to maintain microbial protection while taking steps to reduce the formation of disinfection byproducts.

Revised Total Coliform Rule (RTCR). A variety of bacteria, parasites, and viruses, known as pathogens, can potentially cause health problems if humans ingest them. EPA considers total coliform bacteria a useful indicator of other pathogens for drinking water. Total coliforms are used to determine the adequacy of water treatment and the integrity of the distribution system. The RTCR:

- Sets a maximum contaminant level goal and maximum contaminant level for E. coli for protection against potential fecal contamination.
- Requires systems to monitor for total coliforms and E. coli according to a sample siting plan and schedule specific to the Public Water System.
- Requires assessments and corrective action if monitoring results show that the system may be vulnerable to contamination.

Disinfection Byproducts Rule (DPB). Disinfection is used to kill harmful microbiological organisms and is required for all surface water systems. However, disinfectants can react with naturally occurring materials in the source water to form disinfection byproducts. EPA has developed the DBP Rule to limit exposure to these disinfectant byproducts.

Consumer Confidence Report. In accordance with EPA requirements, the City publishes a Consumer Confidence Report each year that summarizes information regarding source water, detected contaminants, compliance and education information. This report allows consumers to make educated decisions regarding any potential health risks pertaining to the quality, treatment, and management of their drinking water supply. This report is available on the City’s website.

Lead and Copper Rule (LCR). The LCR protects public health by minimizing lead and copper levels in drinking water, primarily due to water corrosivity. The LCR requires water systems to monitor drinking water at customer taps. If lead or copper concentrations exceed the action level in more than 10% of customer taps sampled, the water system must undertake a number of additional actions to control corrosion and inform the public about steps they should take to protect their health. Systems are required to identify and make public the locations of lead service lines.

Source Water Protection. Protecting source water reduces the risks to public health by preventing contamination before it enters the drinking water system, helping utilities lower treatment costs and avoid more complex solutions. Source water protection programs consist of an assessment phase and a protection phase. The City Source Water Delineation and Assessment Report is available upon request.

**Water Rights**

Water Rights. Water rights in the State are guided by the doctrine of prior appropriation (i.e., first in time, first in right), and by the Montana Water Use Act of 1973, codified at Montana Code Annotated, Title 85, Chapter 2. Water rights in the State are managed by three entities: the Department of Natural Resources and Conservation (the “DNRC”), the Montana Water Court, and the State district courts.

The City has several water rights that date back to January 19, 1887. The table below lists the surface water rights including the maximum flow rate and maximum volume per year. The existing surface water rights have a total flow rate of 171.3 cubic feet per second (cfs). The flow does not include the water reservation, as discussed below.

	January 19, 1887	January 1, 1895	October 25, 1905	August 27, 1906	<b>Total</b>
Cubic Feet per Second	1.93	3.47	2.3	164.3	<b>171.3</b>
Acre Feet per Year	234	336	1,476.20	68,688.80	<b>70,435</b>

A water reservation authorized by the State is a water right for future beneficial use, to serve a public need and public interest. All water reservations currently authorized by the State were authorized between 1978 and 1994 for municipalities, conservation districts, as well as a few state and federal agencies, within the Upper and Lower Missouri River and Yellowstone River Basins. The West End Water Treatment Plant will actualize the 74 cfs water reservation into an official water right with a priority date of December 15, 1978.

**Water Demand by Connection Type**

Shown below are the daily average amounts of water consumed (in gallons per day, “GD”) and the total annual amount of water consumed (in gallons “G”) for the Water System by customer classification for fiscal year 2025.

	Daily Average Consumption (GD)	Annual Consumption (G)
Residential	6,843,274	2,497,795,000
Commercial	5,292,849	1,931,890,000
Public Building	583,403	212,942,000
Multi-Family	1,697,153	619,461,000
Irrigation	1,188,600	433,839,000
Resale	3,164,984	1,155,219,000
<b>Total</b>	<b>18,770,263</b>	<b>6,851,146,000</b>

The water demand peaking factors (in million gallons per day) by customer classification are shown below:

<u>Customer Classification</u>	<u>Max Day MGD / Average Day MGD</u>	<u>Max Hour MGD / Average Day MGD</u>
Residential	2.3	4.00
Multi-Family	1.4	4.00
Commercial	1.5	3.00
Irrigation	3.75	6.00
Resale	2.55	3.61
System-Wide Data	2.2	3.40

Historically, water demand and consumption is higher in the summer months, driven by irrigation needs of Water System customers. The following table shows the water production on a monthly basis, illustrating the seasonality of water consumption:

**Water System Metered Customer  
Consumption (G) By Month**

	<u>FY 2024</u>	<u>FY 2025</u>
July	1,103.3	1300.8
August	1,188.5	1189.4
September	902.8	941.0
October	503.7	594.4
November	426.1	446.2
December	425.4	463.8
January	448.9	467.8
February	386.9	438.0
March	423.8	361.1
April	465.6	462.8
May	607.0	610.1
June	996.8	910.2
<b>Total</b>	<b>7,878.8</b>	<b>8,185.6</b>

Source: The City.

**Largest Water Customers**

The following table lists the ten largest users of the Water System as of June 30, 2025 based on the percentage of total Gross Revenue generated. The total annual billing for those customers is also listed. The total of these customer's bills equaled approximately 31% of the total Gross Revenues of the Water System in fiscal year 2025.

### Major Water System Customers

<u>Customer</u>	<u>Type of Enterprise</u>	<u>Fiscal Year 2025 Water Charges</u>	<u>Percentage of Total Fiscal Year 2025 Gross Revenue</u>
Phillips 66	Refinery	\$3,564,771	11.3%
County Water District	Utility	3,500,220	11.1
City of Billings - Parks	Municipality	665,741	2.1
Billings Clinic	Healthcare	394,407	1.3
Jupiter Sulphur Inc	Refinery	367,864	1.2
Billings Public Schools	School District	348,218	1.1
Public Works Streetscapes	Municipality	270,443	0.9
Fisher Water Service	Bulk Water Reseller	253,708	0.8
SCL Health	Healthcare	217,902	0.7
Western Sugar Company	Refinery	184,153	0.6
<b>Total</b>		<b>\$9,767,427</b>	<b>31.1%</b>

Source: The City.

### Historical Water Customers

100% of the Water System's total current customers are metered customers.

The table below lists the approximate number of customer connections for calendar years 2021 through 2025.

<u>Calendar Year</u>	<u>Metered Customer Connections</u>
2025	33,731
2024	33,109
2023	32,683
2022	31,605
2021	31,257

Source: The City.

The table below lists the Water Gross Revenue by customer classification in fiscal years 2024 and 2025:

### Water Gross Revenue by Customer Connection Type

	<u>2024</u>	<u>2025</u>
Residential	\$15,399,728	\$17,938,286
Commercial	5,789,129	5,753,195
Public Building	514,161	593,818
Multi-Family	1,382,675	3,290,458
Irrigation	2,385,292	2,606,519
Resale	2,744,502	3,223,694
Outside	3,305,707	2,671,093
<b>Total</b>	<b>\$31,521,194</b>	<b>\$36,077,063</b>

Source: The City.

### Rates, Charges and Fees

The City has the authority to establish its system of rates and charges for public utility services provided to its inhabitants and to other persons served by the utility and to alter and adjust those rates in accordance with statutory provisions as it considers just and reasonable. The approval of the Montana Public Service Commission for municipal utility system rate increases is not necessary.

The City's current rates and fees were adopted by the City Council on May 27, 2025, and became effective July 1, 2025. The City's water rate structure consists of two components: a fixed monthly charge based on the size of the water meter at each connection, and a series of volumetric rates assessed based on total water use as measured in units of one-thousand gallons (kGal). The tables below show rates for FY2026 and rates that were adopted for FY 2027.

The City regularly reviews the water and wastewater rates to determine whether the current rates are generating adequate revenue to cover the cost of providing safe drinking water and wastewater services to the entire community. Safe drinking water and reliable infrastructure is a priority for the City in order to accommodate current needs and future growth.

<b>Water Metered Monthly Charges Within the City</b>			
<b>Customer Class</b>	<b>Volume</b>	<b>Rate per kGal</b>	
		<b>Effective 07/01/25-06/30/26</b>	<b>Effective 07/01/26-06/30/27</b>
Residential – Tier 1	0-10,000 gallons	\$ 4.87	\$ 4.97
Residential – Tier 2	11,000-32,000 gallons	\$ 5.82	\$ 5.94
Residential – Tier 3	33,000-75,000 gallons	\$ 7.57	\$ 7.72
Residential – Tier 4	>75,000 gallons	\$ 11.37	\$ 11.60
Non-Residential	N/A	\$ 4.07	\$ 4.07
Multi-Family	N/A	\$ 4.78	\$ 4.78
Seasonal	N/A	\$ 7.05	\$ 7.80
Bulk Water Resellers	N/A	\$ 5.03	\$ 5.03

<b>Water Metered Monthly Charges Outside the City</b>			
<b>Customer Class</b>	<b>Volume</b>	<b>Rate per kGal</b>	
		<b>Effective 07/01/25-06/30/26</b>	<b>Effective 07/01/26-06/30/27</b>
Residential – Tier 1	0-10,000 gallons	\$ 5.03	\$ 5.13
Residential – Tier 2	11,000-32,000 gallons	\$ 6.04	\$ 6.16
Residential – Tier 3	33,000-75,000 gallons	\$ 7.87	\$ 8.03
Residential – Tier 4	>75,000 gallons	\$ 11.79	\$ 12.03
Non-Residential	N/A	\$ 4.33	\$ 4.33
Resale	N/A	\$ 3.41	\$ 4.38

The City also charges other miscellaneous water charges, including private fire hydrant fees, system development fees, and connection fees.

**Affordability**

The U.S. Environmental Protection Agency (“EPA”) has historically evaluated the affordability of water and wastewater service by comparing average household utility costs to community income levels. While EPA no longer prescribes a single affordability threshold, utilities commonly evaluate affordability using the “Residential Indicator,” which measures household water costs as a percentage of median household income (“MHI”).

The median household income in the City was \$73,712 in 2024 according to the United States Census Bureau’s estimates.

In fiscal year 2025, assuming the use of 6,000 gallons of water per month and a 3/4-inch meter connection (together, the “Affordability Assumptions”), a residential customer’s monthly water bill was \$38.77.

Based on these assumptions, the average residential water bill represented approximately 0.62% of median household income, which is substantially below commonly referenced affordability benchmarks used in the water utility industry.

## Competitive Rate Environment

The City's monthly residential water bill, based on the Affordability Assumptions, compared to the monthly residential water bills for customers located in other major cities throughout the State are provided in the following table:

<b>Major Montana Cities</b>	
<b>Monthly Residential Water Bill(1)</b>	
Missoula(4)	\$50.62
Kalispel(4)	46.60
Bozeman(2)	52.33
Helena(2)	39.11
<b>Billings(3)</b>	<b>38.77</b>
Great Falls(3)	37.31

(1) Based upon residential service and use of 8,000 gallons per month of water.

(2) Both Surface and Groundwater System

(3) Surface Water System

(4) Groundwater System

Source: 2026 City of Billings Utility Rate Survey.

## **Billing Policies**

The City's Public Works Department renders bills to customers of the Water System and collects payments of such bills. The bills contain charges for water, wastewater, and solid waste collection services. An automated meter infrastructure (AMI) system is utilized throughout the entire system. Bills are mailed to all customers monthly.

Interest is charged at 1.5% per month on all bills that are late more than ten days. Public Works discontinues service to all customers that have at least a \$100 balance and are two or more months delinquent if the customer does not have a current payment arrangement with the department. Customers are required to pay the full outstanding amount of bills as well as a delinquency fee before water is reinstated. This robust collection process allows the City to maintain a Water Fund bad debt ratio of less than 0.2%.

## Pro Forma Coverage and Days Cash on Hand

The table below reflects pro forma estimated revenues and expenses and changes in unobligated cash balance for the Water System, as well as pro forma estimated debt service, debt service coverage and days cash on hand, for the fiscal years ended June 30, 2026 through 2030. The City has prepared the pro forma estimated financial information based on historical financial information and user rates and charges. Past performance, however, is not necessarily indicative of future results. The City's Water System is subject to a number of risks, uncertainties and factors, including, but not limited to those described in this Official Statement, that could cause actual results to vary materially from those described below. See "FORWARD-LOOKING STATEMENTS."

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Working Capital Balance Forward	\$ 114,618,598	\$ 48,061,972	\$ 36,009,618	\$ 31,403,373	\$ 22,212,087
<b>Operating Revenue</b>					
Revenue from rates	\$ 34,993,000	\$ 36,580,100	\$ 39,121,901	\$ 41,469,215	\$ 43,957,368
Non-rate revenues	1,065,243	870,656	888,069	905,831	923,947
SDF revenues	2,000,000	1,800,000	1,854,000	1,854,000	1,909,620
<b>Total Operating Revenues</b>	<b>\$ 38,058,243</b>	<b>\$ 39,250,756</b>	<b>\$ 41,863,970</b>	<b>\$ 44,229,046</b>	<b>\$ 46,790,935</b>
<b>Operating Expenses</b>					
Projected Personnel	\$ (5,331,268)	\$ (6,306,270)	\$ (6,558,521)	\$ (6,820,862)	\$ (7,093,696)
Projected O&M	(13,728,730)	(16,489,076)	(16,411,248)	(16,897,586)	(17,398,513)
<b>Total Operating Expenses</b>	<b>(19,059,998)</b>	<b>(22,795,346)</b>	<b>(22,969,769)</b>	<b>(23,718,448)</b>	<b>(24,492,209)</b>
<b>Net Operating Income</b>	<b>\$ 18,998,245</b>	<b>\$ 16,455,410</b>	<b>\$ 18,894,201</b>	<b>\$ 20,510,598</b>	<b>\$ 22,298,726</b>
<b>Non-Operating Income (Expenses)</b>					
Interest Revenues	\$ 3,669,161	\$ 2,800,500	\$ 692,539	\$ 458,231	\$ 226,790
Grants/Donations	6,786,451	-	-	-	-
Bond Proceeds	40,586,185	-	-	-	-
Debt Service (1)	(6,334,121)	(9,403,059)	(9,407,985)	(9,410,115)	(9,403,100)
Capital Projects	(130,262,547)	(21,905,205)	(14,785,000)	(20,750,000)	(14,760,000)
<b>Total Non-Operating Income (Expenses)</b>	<b>\$ (85,554,871)</b>	<b>\$ (28,507,764)</b>	<b>\$ (23,500,446)</b>	<b>\$ (29,701,884)</b>	<b>\$ (23,936,310)</b>
<b>Ending Unobligated Cash Balance</b>	<b>\$ 48,061,972</b>	<b>\$ 36,009,618</b>	<b>\$ 31,403,373</b>	<b>\$ 22,212,087</b>	<b>\$ 20,574,503</b>
<b>System Net Revenues</b>					
<b>Total Operating Revenues</b>	<b>\$ 38,058,243</b>	<b>\$ 39,250,756</b>	<b>\$ 41,863,970</b>	<b>\$ 44,229,046</b>	<b>\$ 46,790,935</b>
Less: Operating Expenditures	(19,059,998)	(22,795,346)	(22,969,769)	(23,718,448)	(24,492,209)
Add: Interest Revenues	3,669,161	2,800,500	692,539	458,231	226,790
<b>System Net Revenues</b>	<b>\$ 22,667,406</b>	<b>\$ 19,255,910</b>	<b>\$ 19,586,740</b>	<b>\$ 20,968,829</b>	<b>\$ 22,525,516</b>
<b>Debt Service</b>					
Outstanding Bonds	\$ 6,334,121	\$ 6,331,194	\$ 6,332,310	\$ 6,334,940	\$ 6,331,675
Est. Series 2026 Bonds	-	3,071,865	3,075,675	3,075,175	3,071,425
<b>Total Debt Service</b>	<b>\$ 6,334,121</b>	<b>\$ 9,403,059</b>	<b>\$ 9,407,985</b>	<b>\$ 9,410,115</b>	<b>\$ 9,403,100</b>
<b>Debt Service Coverage</b>	<b>3.579x</b>	<b>2.048x</b>	<b>2.082x</b>	<b>2.228x</b>	<b>2.396x</b>
<b>Day's Cash (1)</b>	<b>920 days</b>	<b>577 days</b>	<b>499 days</b>	<b>342 days</b>	<b>307 days</b>

(1) The City intends to use funds on hand available from working capital for payment of a portion of costs related to the System Project. Going forward, the City will continue to evaluate its sources of capital for System Projects, including, but not limited to, funds on hand or the issuance of Additional Bonds.

NOTE: "Estimated Debt Service Coverage above includes Outstanding Bonds and estimated debt service on the Series 2026 Bonds. "Estimated Debt Service Coverage Including Estimated Future Project Bonds" includes Outstanding Bonds, estimated debt service on the Series 2026 Bonds.

## Historical Financial Statements

The tables on the following pages provide the Statement of Net Position; and the Statement of Revenues, Expenses and Changes in Fund Net Position for the Water System for the fiscal years ended June 30, 2021 through 2025. The financial statement information was taken from the City's Annual Comprehensive Financial Reports and should be read in conjunction with those reports.

<b>City of Billings, Montana - Water Fund</b>					
<b>Statement of Net Assets</b>					
<b>Years Ended June 30,</b>					
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 22,547,521	\$ 26,688,023	\$ 29,538,287	\$ 61,216,822	\$ 53,221,635
Restricted Cash and Cash Equivalents with Fiscal Agent	-	1,379,221	1,379,396	3,540,600	3,389,660
Investments	19,705,069	25,165,289	27,834,075	71,276,172	63,787,582
Receivables:					
Accounts and Unbilled Usage	9,016,588	4,257,395	3,831,112	4,805,163	6,300,202
Accrued Interest	11,894	18,633	91,908	810,321	547,760
Lease Receivable	-	22,313	8,380	-	-
Receivables from Other Governments	-	-	3,710,025	5,163,423	2,479,865
Inventories	1,083,218	1,204,523	1,363,460	1,352,119	1,079,663
<b>Total Current Assets</b>	<u>\$ 52,364,290</u>	<u>\$ 58,735,397</u>	<u>\$ 67,756,643</u>	<u>\$ 148,164,620</u>	<u>\$ 130,806,367</u>
Noncurrent Assets:					
Lease Receivable	\$ -	\$ -	\$ -	\$ 11,216	\$ -
Property and Equipment:					
Land	4,347,462	4,347,462	4,347,462	4,347,462	4,347,462
Buildings	25,844,697	25,846,486	25,862,415	26,987,525	27,812,658
Improvements other than Buildings	1,149,943	1,240,465	1,386,633	1,386,633	1,615,910
Equipment and Vehicles	18,251,528	18,371,833	18,560,883	19,038,472	20,270,354
Infrastructure	269,238,045	275,518,149	286,726,584	295,059,485	299,369,074
Construction in Progress	10,827,724	14,574,929	20,255,535	36,728,821	84,773,343
Less: Accumulated Depreciation/Amortization	<u>(134,869,894)</u>	<u>(142,317,500)</u>	<u>(149,984,827)</u>	<u>(157,506,354)</u>	<u>(165,139,332)</u>
<b>Total Noncurrent Assets</b>	<u>\$ 194,789,505</u>	<u>\$ 197,581,824</u>	<u>\$ 207,154,685</u>	<u>\$ 226,053,260</u>	<u>\$ 273,049,469</u>
<b>TOTAL ASSETS</b>	<u>\$ 247,153,795</u>	<u>\$ 256,317,221</u>	<u>\$ 274,911,328</u>	<u>\$ 374,217,880</u>	<u>\$ 403,855,836</u>
<b>DEFERRED OUTFLOWS</b>					
Other Post Employment Benefits	\$ 186,661	\$ 154,353	\$ 186,397	\$ 162,920	\$ 247,845
Pensions	1,057,111	736,169	721,434	662,700	528,482
<b>TOTAL ASSETS AND DEFERRED</b>					
<b>OUT FLOWS OF RESOURCES</b>	<u>\$ 248,397,567</u>	<u>\$ 257,207,743</u>	<u>\$ 275,819,159</u>	<u>\$ 375,043,500</u>	<u>\$ 404,632,163</u>

Sources: City's Annual Comprehensive Financial Reports.

**City of Billings, Montana - Water Fund**  
**Statement of Net Assets**  
**Years Ended June 30,**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 2,678,993	\$ 2,211,097	\$ 2,536,229	\$ 6,614,338	\$ 11,376,721
Accrued Wages and Benefits	227,375	253,119	104,163	123,142	126,435
Compensated Absences	600,627	615,112	568,716	499,069	616,953
Accrued Interest Payable	273,247	244,221	214,396	1,764,600	1,718,660
Notes Payable	2,225,000	2,285,000	2,346,000	2,406,000	1,904,000
Revenue Bonds Payable From Restricted Assets	-	-	-	580,000	445,000
Total Current Liabilities	<u>\$ 6,005,242</u>	<u>\$ 5,608,549</u>	<u>\$ 5,769,504</u>	<u>\$ 11,987,149</u>	<u>\$ 16,187,769</u>
Noncurrent Liabilities:					
Compensated Absences	\$ 137,623	\$ 156,990	\$ 124,237	\$ 165,153	\$ 467,461
Other Post Employment Benefits	716,789	657,808	749,853	760,481	812,404
Net Pension Liability	4,638,847	2,939,651	4,046,128	3,994,201	3,794,725
Revenue Bonds Payable	-	-	-	-	4,672,015
Notes Payable	17,692,000	15,407,000	13,061,000	74,806,331	78,171,000
Other liabilities	-	-	1,400,000	10,655,000	-
Total Noncurrent Liabilities	<u>\$ 23,185,259</u>	<u>\$ 19,161,449</u>	<u>\$ 19,381,218</u>	<u>\$ 90,381,166</u>	<u>\$ 87,917,605</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 29,190,501</b>	<b>\$ 24,769,998</b>	<b>\$ 25,150,722</b>	<b>\$ 102,368,315</b>	<b>\$ 104,105,374</b>
<b>DEFERRED INFLOWS</b>					
Other Post Employment Benefits	\$ 149,564	\$ 191,237	\$ 152,631	\$ 137,345	\$ 184,986
Leases	-	21,801	8,032	9,601	-
Pensions	287,420	1,327,217	296,214	142,464	84,384
Total Deferred Inflows	<u>\$ 436,984</u>	<u>\$ 1,540,255</u>	<u>\$ 456,877</u>	<u>\$ 289,410</u>	<u>\$ 269,370</u>
<b>NET POSITION</b>					
Net Investment of Capital Assets	\$174,872,505	\$179,889,824	\$ 191,747,685	\$ 137,594,713	\$ 187,857,454
Restricted for:					
Bonds and Notes Payable Ordinance Reserve	1,386,571	1,386,571	1,386,571	1,386,571	1,386,571
Unrestricted	42,511,006	49,621,095	57,077,304	133,404,491	111,013,394
<b>TOTAL NET POSITION</b>	<u><b>\$218,770,082</b></u>	<u><b>\$230,897,490</b></u>	<u><b>\$ 250,211,560</b></u>	<u><b>\$ 272,385,775</b></u>	<u><b>\$ 300,257,419</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<u><b>\$248,397,567</b></u>	<u><b>\$257,207,743</b></u>	<u><b>\$ 275,819,159</b></u>	<u><b>\$ 375,043,500</b></u>	<u><b>\$ 404,632,163</b></u>

Sources: City's Annual Comprehensive Financial Reports.

**City of Billings, Montana - Water Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Years Ended June 30,**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues:					
Charges for Services	\$ 31,645,030	\$ 31,525,734	\$ 31,777,571	\$ 33,113,796	\$ 39,567,646
Lease Interest	-	-	-	-	34
Total Operating Revenues	<u>\$ 31,645,030</u>	<u>\$ 31,525,734</u>	<u>\$ 31,777,571</u>	<u>\$ 33,113,796</u>	<u>\$ 39,567,680</u>
Operating Expenses:					
Salaries and Benefits	\$ 5,322,241	\$ 4,686,408	\$ 5,135,579	\$ 4,743,467	\$ 5,095,178
Supplies	2,397,690	3,089,270	3,480,973	2,996,370	3,009,844
Contracted Services	3,964,654	3,849,607	4,035,912	4,134,088	4,257,988
Utilities	1,840,215	1,941,232	2,049,304	2,027,401	2,111,771
Other	388,159	633,740	502,173	668,114	1,032,062
Depreciation	7,238,365	7,620,471	7,745,755	7,785,518	7,861,225
Total Operating Expenses	<u>\$ 21,151,324</u>	<u>\$ 21,820,728</u>	<u>\$ 22,949,696</u>	<u>\$ 22,354,958</u>	<u>\$ 23,368,068</u>
Operating Income (Loss)	\$ 10,493,706	\$ 9,705,006	\$ 8,827,875	\$ 10,758,838	\$ 16,199,612
Non-Operating Revenues:					
Intergovernmental	\$ 240,893	\$ 2,006,443	\$ 5,663,427	\$ 6,012,704	\$ 6,075,677
Interest Expense	(560,723)	(503,055)	(443,805)	(3,377,761)	(3,184,216)
Lease Interest	-	-	-	1,525	-
Interest and Investment Income	83,932	(627,547)	1,277,210	6,481,040	5,377,626
Gain (Loss) on Sale of Capital Assets	(34,818)	7,192	(1,772)	1,650	16,297
Other	314,173	114,639	34,146	887,436	572,987
Total Non-Operating Revenues (Expenses)	<u>\$ 43,457</u>	<u>\$ 997,672</u>	<u>\$ 6,529,206</u>	<u>\$ 10,006,594</u>	<u>\$ 8,858,371</u>
Income (Loss) Before Contributions and Transfers	\$ 10,537,163	\$ 10,702,678	\$ 15,357,081	\$ 20,765,432	\$ 25,057,983
Capital Contributions	1,928,343	1,585,573	3,925,849	1,422,579	3,068,395
Transfers In	6,950	-	-	48,774	5,899
Transfers Out	-	(22,800)	(144)	-	-
Change in Net Position	<u>\$ 12,472,456</u>	<u>\$ 12,265,451</u>	<u>\$ 19,282,786</u>	<u>\$ 22,236,785</u>	<u>\$ 28,132,277</u>
NET POSITION, Beginning of Year	<u>\$ 206,881,002</u>	<u>\$ 218,770,082</u>	<u>\$ 230,897,490</u>	<u>\$ 250,211,560</u>	<u>\$ 272,385,775</u>
Change in accounting principle/estimate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,570)</u>	<u>\$ (260,633)</u>
Prior Period Adjustment	<u>\$ (583,376)</u>	<u>\$ (138,043)</u>	<u>\$ 31,284</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION, Beginning of Year, as restated				<u>\$ 250,148,990</u>	<u>\$ 272,125,142</u>
NET POSITION, End of Year	<u>\$ 218,770,082</u>	<u>\$ 230,897,490</u>	<u>\$ 250,211,560</u>	<u>\$ 272,385,775</u>	<u>\$ 300,257,419</u>

Sources: City's Annual Comprehensive Financial Reports.

## GENERAL INFORMATION OF THE CITY

*The information presented under this heading is provided to give prospective investors an overview of the City. However, inclusion of this information is not intended to imply that owners of the Series 2026 Bonds will be able to look to any general or other fund of the City for payment of the Series 2026 Bonds. (See "AUTHORITY AND SECURITY" in this Official Statement). Furthermore, the information presented under this heading is not to be relied upon as a representation or guarantee of the City.*

The City is located in Yellowstone County in southeastern Montana, and is the county seat. The City encompasses an area of approximately 41.95 square miles (26,848 acres).

**Population**

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2024 U.S. Census Estimate	121,483	3.7%
2020 U.S. Census	117,116	12.4
2010 U.S. Census	104,170	15.9
2000 U.S. Census	89,847	10.7
1990 U.S. Census	81,151	--

Sources: The City and the United States Census Bureau, <http://www.census.gov/>.

The City's estimated population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2025/26	25,995	27,747	44,458	24,264
2024/25	26,312	28,533	44,395	23,893
2023/24	26,764	27,405	44,265	24,343
2022/23	27,153	26,048	44,065	23,204
2021/22	26,995	25,132	43,260	21,979

Source: Claritas, LLC.

**Economic Base**

With the Rocky Mountains to the west and the plains to the east, the City lies in the Yellowstone River Valley and serves as a regional trade center for the State of Montana and northern Wyoming. The trade and services industries account for nearly two-thirds of the jobs throughout Yellowstone County. The City is located at the intersection of I-90 and I-94.

In addition to regional wholesale and retail trade businesses, the health care industry, tourism, and conventions are significant sources of economic activity in the area. Accredited hospitals and clinics are located in the City. The City operates an airport that is served by passenger service airlines providing non-stop year-long service to major urban markets, with seasonal service to other major urban markets and year-long daily service to north and northeastern Montana communities through the Essential Air Service program. These airlines help to provide access to the local tourist attractions such as the Lewis and Clark Trail, the Little Big Horn Battlefield, and Yellowstone Park, all located within three hours of the City, and the Red Lodge Mountain Ski Resort, which is approximately one hour southwest of the City.

## Transportation

Logan International Airport, located in the City, is currently served by six passenger service airlines. The airport is owned and operated by the City and is wholly self-supporting.

Interstate highways 90 and 94, which intersect in the City, give the City direct freeway access to most major metropolitan areas in the western and northwestern part of the country. Railway service is provided by Burlington Northern Santa Fe Railroad and Montana Rail Link.

## Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Billings Clinic Hospital	Health care services	3,300
St. Vincent Health Care (Intermountain Health)	Health care services	2,393
Billings Public Schools	Education	2,000
Montana State University – Billings	Higher education	1,119
City of Billings	Government	1,075
Wells Fargo Bank, National Association	Financial services	800
Albertson's (six locations)	Food and drug stores	542
St. John's Lutheran Ministries	Retirement/nursing facility	540
First Interstate BancSystems, Inc.	Bank services	534
Yellowstone County	Government	500
Sysco Food Service of Montana	Food services	460
Wal-Mart (two locations)	Retail	383
Yellowstone Boys and Girls Ranch	Youth services	314
Par Montana, LLC (formerly ExxonMobil)	Pipeline	300
U.S. Postal Service	Post office	204

Source: Information obtained from D&B Hoovers, <https://app.dnbhoovers.com/>. This does not purport to be a comprehensive list.

## Labor Force Data

	<u>2021</u>	<u>Annual Average</u>		<u>2024</u>	<u>December 2025</u>
		<u>2022</u>	<u>2023</u>		
Labor Force:					
City of Billings	60,694	62,954	63,212	63,370	63,211
Yellowstone County	85,718	88,499	88,723	88,924	88,742
Billings MSA	95,628	98,762	99,048	99,260	98,960
State of Montana	547,983	563,605	573,862	578,589	575,889
Unemployment Rate (%):					
City of Billings	3.1%	2.4%	2.4%	2.8%	3.4%
Yellowstone County	3.1	2.4	2.4	2.8	3.4
Billings MSA	3.1	2.4	2.4	2.8	3.4
State of Montana	3.4	2.7	2.7	3.0	3.7

Source: Montana Department of Labor and Industry, <https://lmi.mt.gov/Home/DS-Results-LAUS>. 2025 data are preliminary.

## Retail Sales and Effective Buying Income (EBI)

### City of Billings

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2025/26	\$4,904,622	\$4,411,107	\$65,411
2024/25	5,057,885	4,580,977	67,022
2023/24	3,677,622	4,103,116	61,502
2022/23	3,951,689	3,942,949	58,765
2021/22	3,448,987	3,773,942	57,486

### Yellowstone County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2025/26	\$6,208,315	\$6,208,315	\$67,974
2024/25	5,982,877	6,413,977	69,547
2023/24	4,530,261	5,780,172	63,707
2022/23	4,824,162	5,540,800	61,169
2021/22	4,252,888	5,372,837	59,633

The 2025/26 Median Household EBI for the State of Montana was \$67,549. The 2025/26 Median Household EBI for the United States was \$75,389.

Source: Claritas, LLC.

## Permits Issued by the City

<u>Fiscal Year</u>	<u>New Single Family Residential</u>		<u>New Commercial/Industrial</u>		<u>Total Value(1) (All Permits)</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2026 (to 2-28)	128	\$ 42,182,787	18	\$556,282,824	\$ 755,068,244
2025	232	78,203,056	54	142,353,260	448,716,759
2024	209	71,701,898	88	82,541,759	261,376,084
2023	223	68,296,256	89	144,762,684	313,106,864
2022	409	116,444,427	101	169,188,108	333,639,301
2021	431	119,520,038	63	45,706,990	212,810,461
2020	264	70,830,904	78	56,542,265	325,057,802
2019	304	77,974,865	69	67,294,314	258,338,694
2018	308	71,519,348	55	59,259,933	255,279,881
2017	295	69,846,622	67	78,801,880	328,788,389
2016	399	86,199,599	140	79,697,699	253,254,669
2015	419	100,954,761	76	75,258,982	386,885,991

(1) In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

Source: City of Billings.

## **Recent Development**

### Residential Development

Trestles Subdivision has been approved for residential development on the west end of Billings. This subdivision will provide 337 residential lots.

High Sierra subdivision in Billings heights continues expansion and will be developing 38 residential lots in their next phase.

### Commercial Development

Intermountain health has begun construction on a new state-of-the-art hospital, which will replace the existing facility, and will be located next to the current hospital in the medical corridor, with an estimated construction cost of \$1 billion.

The City of Billings is developing the Amend Recreation Center to provide a multi-purpose courts facility with an estimated cost of \$20 million.

Rocky Vista University has constructed a veterinarian school located on the west end of Billings. This is the only veterinary school within 400 miles.

Signal Peak Energy Arena is building an ice arena near the Amend Park Rec Center to compliment the sports and recreation activity in that area. The arena will be home to a junior hockey franchise. The projected is expected to be opened in May 2026.

## **Future Development**

The Paddy Shack is being built in west billings, as part of the Copper Farms commercial development. The Paddy Shack is a pickleball club that will act as an anchor tenant to the development.

An AC Marriott hotel is expected to be constructed in 2027 in downtown Billings. The seven-story hotel will be the first new hotel in downtown Billings within the last 48 years.

## **Education**

School District No. 2 and High School District No. 2 of Yellowstone County provide elementary, secondary and vocational-technical instruction for students in the City and much of the surrounding area. Several parochial schools are also located in the City.

### Post-Secondary Education

Three higher education facilities are located within the City: The Billings Campus of Montana State University, Rocky Mountain College, and Rocky Vista University, which is Montana's first four-year medical school.

## **GOVERNMENTAL ORGANIZATION AND SERVICES**

### **Organization**

The City is designated a first-class city of the State of Montana. The City exercises and provides all mandatory City powers and functions as provided by law, and has all rights and powers delegated under the Constitution and laws of the State for exercise by cities. In addition, the City has adopted a Home Rule Charter (the "City Charter"), pursuant to Article XI, Section 5 of the Montana Constitution and the laws of the State thereunto enabling. The City Charter became effective May 2, 1977, following an approving election thereon, and establishes the organization and structure of City government.

The City Council is the legislative and policy-making body of the City, composed of a Mayor and ten council members elected by the voters of the City to serve for staggered four-year terms. The Mayor is the presiding officer and is a voting member. The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Mike Nelson	Mayor	December 31, 2029
Mark Nicholson	Council Member – Ward 1	December 31, 2029
Kendra Shaw	Council Member – Ward 1	December 31, 2027
Roy Neese	Council Member – Ward 2	December 31, 2027
Denis Pitman	Council Member – Ward 2	December 31, 2029
Bill Kennedy	Council Member – Ward 3	December 31, 2027
Amy Aguirre	Council Member – Ward 3	December 31, 2029
Scott Aspenlieder	Council Member – Ward 4	December 31, 2027
Andrew Lindley	Council Member – Ward 4	December 31, 2029
Mike Boyett	Council Member – Ward 5	December 31, 2027
Tony O'Donnell	Council Member – Ward 5	December 31, 2029

The Council meets two times per month, currently on the second and fourth Mondays of the month.

### **Key Administrative Staff**

The administration of the City is conducted by appointive department heads, all of whom report to the City Administrator. The duties of such officers are provided for by State statutes and the City Charter. The powers and functions vested in the City officers by State statutes may be performed by any City officer so designated in the City Charter.

City Administrator. The chief administrative officer of the City is the City Administrator, who is hired by, responsible to, and serves at the pleasure of the City Council. The City Administrator is responsible for carrying out Council policy, administering the affairs of the City, and directing, organizing, establishing, supervising and administering all departments, agencies, and offices of the City. The City Administrator also prepares and presents the City budget to the Council for its approval and submits quarterly reports to the Council on the financial conditions of the City. Council members and the Mayor are forbidden by Charter from dealing with City employees or officers except through the City Administrator.

Mr. Chris Kukulski assumed the role of the City Administrator in November 2018. Previously, Mr. Kukulski was the City Administrator for the City of Bozeman for 13 years and the City of Kalispell for 5 years. Mr. Kukulski resigned his position effective May 29, 2026, as his contract calls for a 60-day transition period before he leaves his position. An interim city administrator will be selected and the City Council will begin the search for his replacement.

Finance Director. The Finance Director is responsible for the accounting of all the financial activities, assets of the City, including the investment of City moneys, all debt issuance including debt payments, purchasing for the City, tax billings and collections, accounts payable, business licenses, annual financial report and budget, overseeing three tax increment districts and providing financial advice to City Administration, City Staff and City Council.

Mr. Andy Zoeller assumed the role of Finance Director in March 2018. Prior to that date, Mr. Zoeller was the Interim Finance Director and also served as the Accounting Manager for the City since 2014.

City Attorney. The City Attorney is appointed by the City Administrator and is responsible for advising the Council, the City Administrator, various advisory boards and City department heads on legal matters as they relate to administrative policy and decision making; determining legal means to implement City policies; and representing City officials in legal proceedings affecting the City. The City Attorney also manages all litigation in which the City is a party, including matters involving elected and appointed officials and employees.

Ms. Gina Dahl assumed the role of City Attorney in February 2021. Ms. Dahl worked as the Assistant City Attorney since 2016 and previously worked for Hill County for thirteen years, and Cascade County for two years.

## City Services and Employment

Basic services provided through City government include police and fire protection, municipal water and wastewater, public works, building inspection, public library, parks and recreation, airport administration and public transit. As of March 13, 2026, the City employed approximately 1,130 personnel (1,027 permanent full-time and 103 seasonal and part-time).

### Labor Contracts

The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Teamsters Local 190	459	June 30, 2027
MPEA Police	136	June 30, 2028
Local 521 IAFF Fire	<u>137</u>	June 30, 2026
Subtotal	732	
Non-unionized employees	<u>295</u>	
Total employees	1,027	

(1) In negotiations.

### Employee Pensions

Substantially all full-time City employees are eligible for one of three State-wide cost-sharing, multiple-employer retirement plans; Public Employees' Retirement System (PERS), Firefighters' Unified Retirement System (FURS), and Municipal Police Officers' Retirement System (MPORS). All three plans are administered by the State's Public Employee's Retirement Board and offer retirement, disability, and death benefits to plan members. Contribution rates for the plans are determined by State law and the City has made the statutorily required contributions. In addition, City employees can also participate in a deferred compensation plan. A detailed description of these plans, along with the City's required contributions to each plan, are represented in the City's Annual Comprehensive Financial Reports. See "Appendix H – 2025 Annual Comprehensive Financial Report" herein.

### Other Postemployment Benefits

The City has obligations to its employees for post-employment benefits other than pensions, accounted for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The City's OPEB liabilities and associated contributions are represented in the City's Annual Comprehensive Financial Reports. See "Appendix H – 2025 Annual Comprehensive Financial Report" herein.

### Budget Process

The City is subject to the Local Government Budget Act (codified at Title 7, Chapter 6, Part 40, Montana Code Annotated), which stipulates that money may not be disbursed by the City except pursuant to an appropriation. A legally adopted budget is required for all City funds. The City Manager is responsible for preparation of the preliminary annual budget. The City Commission modifies and/or approves this budget. The City Commission must meet prior to the budget adoption for the purpose of holding a public hearing on the final budget. This hearing can be continued until the budget is finally approved and adopted by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the Department of Revenue. By the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values, the City Commission must fix the tax levy for each fund.

**Funds on Hand (as of February 28, 2026)**

<u>Fund</u>	<u>Cash and Investments</u>
General Fund	\$ 8,071,788
Public Safety	5,714,330
Debt Service Funds:	
Sidewalk & Curb	639,825
Special Improvement Districts	2,385,637
General Obligation	940,006
City Hall Lease Finance	677,776
Storm Sewer Bonds	1,067,700
Special Revenue Funds	107,488,716
Capital Projects	11,648,293
Enterprise Funds:	
Solid Waste	17,277,617
Airport	35,061,624
Water	96,117,958
Waste Water	32,547,557
Other(1)	9,673,706
Internal Service Funds	22,014,104
Cemetery Trust Fund	<u>900,021</u>
Total	\$352,226,664

(1) Parking and Transit Enterprise Funds with balances of \$2,542,697 and \$7,131,008 respectively.

**City Investments**

Cash management is handled by the City's Finance Director, who is the designated investment officer of the City and is responsible for investment decisions and activities under the direction of the City Administrator. Cash is pooled, except for legally restricted funds. The City adopted its current investment policy in March 4, 2004. The policy established guidelines for the prudent investment of City funds within the limitations imposed by Montana State law. The primary objective of the investment policy is safety of principal, with secondary objectives including return on investment, maintenance of public trust, diversification and liquidity. Allowable investments are dictated by State law. The City is authorized to invest in repurchase agreements; the State Short-Term Investment Pool ("STIP"); U.S. government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States; and certificates of deposit of commercial banks, savings and loans and credit unions. Investments with any one financial institution or dealer may not exceed 40% of the total investment portfolio.

As of February 28, 2026, the City's funds were invested as follows:

<u>Investment Instrument</u>	<u>Market Value</u>
Montana Short-Term Investment Pool	\$151,833,230
U.S. Government Obligations	179,275,000
Certificates of Deposit	6,482,398
Premium and Discounts	<u>74,188</u>
Net Investments	\$337,664,816

**BOOK ENTRY**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2026 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2026 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2026 Bond documents. For example, Beneficial Owners of the Series 2026 Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2026 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## FORM OF BOND COUNSEL OPINION

City of Billings, Montana  
Billings, Montana

[PURCHASER]

Re:     \$[PAR] Water System Revenue Bonds, Series 2026  
          City of Billings, Montana

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Billings, Montana (the “City”) in connection with the authorization, sale and issuance by the City of the Water System Revenue Bonds, Series 2026, dated, as originally issued, as of June [\_\_\_], 2026, and issued in the aggregate principal amount of \$[PAR] (the “Series 2026 Bonds”). In that capacity, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Series 2026 Bonds, including Resolution No. 11134, adopted by the City Council of the City on July 10, 2023, as amended and supplemented by Resolution Nos. 11140 and [\_\_\_\_], adopted by the City Council of the City on July 10, 2023 and [\_\_\_\_], respectively (as so amended and supplemented, the “Resolution”), and the forms and terms of the Series 2026 Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Resolution.

From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Series 2026 Bonds are valid and binding special, limited obligations of the City, enforceable in accordance with their terms and the terms of the Resolution.
2. The principal of and interest on the Series 2026 Bonds are payable solely from Net Revenues of the System pledged and appropriated to the Revenue Bond Account in the Water System Fund, all in accordance with the provisions of the Resolution. The Series 2026 Bonds are secured by a first lien on Net Revenues, equally and ratably with the City’s outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009B; First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009C; First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009D; First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2010B; Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2012; Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2014; Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2015; and Water System Revenue Bonds, Series 2023A; and any additional bonds hereafter issued on a parity therewith under the Resolution (collectively, the “Bonds”).

3. In and by the Resolution, the City has validly made and entered into covenants and agreements for the benefit of the owners from time to time of the Series 2026 Bonds, including covenants that it will pay all Gross Revenues of the System into the Water System Fund; that, except as expressly authorized in the Resolution, no other obligation will be incurred and made payable from Net Revenues of the System unless the lien thereof shall be made subordinate to the lien of the Bonds on the Net Revenues; and that all provisions for the security of the owners of the Series 2026 Bonds as set forth in the Resolution will be punctually and faithfully performed as therein stipulated.

4. The Series 2026 Bonds are not general obligations of the City and the general credit and taxing power of the City are not pledged to the payment of the principal thereof and the interest thereon.

5. Interest on the Series 2026 Bonds: (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"); and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

6. Interest on the Series 2026 Bonds is excluded from taxable income for Montana individual income tax purposes.

The opinions expressed in paragraphs 1, 2 and 3 above are subject, as to enforceability, to the effect of any applicable state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and principles of equity, whether considered at law or in equity.

The opinions expressed in paragraphs 5 and 6 above are subject to the condition of the City's compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and from taxable income for State of Montana individual income tax purposes. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Series 2026 Bonds in gross income for federal income tax purposes and taxable income for State of Montana individual income tax purposes, which may be retroactive to the date of issuance of the Series 2026 Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to the holders of the Series 2026 Bonds. We note, however, that interest on the Series 2026 Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is includable in the computation of income for purposes of the Montana corporate income tax and the Montana alternative corporate income tax.

We do not express any opinion as to any laws other than the laws of the State of Montana and federal laws of the United States of America as in effect on the date hereof. We assume no obligation to revise, supplement, or update this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in the laws of the State of Montana or of the United States of America that may occur after the date hereof, including, but not limited to, laws which may have retroactive effect.

We have not been engaged, and have not undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or any other offering materials relating to the Series 2026 Bonds and, accordingly, we express no opinion with respect thereto.

Dated: June [ ], 2026.

Very truly yours,

## FORM OF CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING is made by the CITY OF BILLINGS, MONTANA (the “City”) in connection with the issuance and delivery by the City of its \$[PAR] Water System Revenue Bonds, Series 2026 (the “Series 2026 Bonds”), as of this [ ] day of June, 2026.

1. Purpose and Beneficiaries. The Series 2026 Bonds were issued by the City in a public offering pursuant to an Official Statement dated [OS Date], 2026 with respect to the Series 2026 Bonds (the “Official Statement”). To provide for the public availability of certain information relating to the Series 2026 Bonds and the security therefor and to permit participating underwriters in the primary offering of the Series 2026 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City hereby makes the following covenants and agrees, for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Series 2026 Bonds, to provide annual reports of specified information and notice of the occurrence of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system website (“EMMA”), as hereinafter described. The City is the only “obligated person” in respect of the Series 2026 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

If the City fails to comply with this Continuing Disclosure Undertaking, any person aggrieved thereby, including the Owners of the outstanding Series 2026 Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of this Continuing Disclosure Undertaking, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained in this Continuing Disclosure Undertaking, in no event shall a default under this Continuing Disclosure Undertaking constitute a default under the Series 2026 Bonds or under any other provision of Resolution No. 11134, adopted by the City Council of the City on July 10, 2023, as amended and supplemented by Resolution Nos. 11140 and [ ], adopted by the City Council of the City on July 10, 2023 and June 8, 2026, respectively (collectively, the “Resolution”). Capitalized terms used herein but not otherwise defined shall have the respective meanings given such terms in the Resolution.

As used in this Continuing Disclosure Undertaking, “Owner” means, in respect of a Series 2026 Bond, the registered owner or owners thereof appearing in the Bond Register or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used in this Continuing Disclosure Undertaking, “Beneficial Owner” means, in respect of a Series 2026 Bond, any person or entity that (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2026 Bond (including persons or entities holding Series 2026 Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Series 2026 Bond for federal income tax purposes.

2. Information To Be Disclosed. The City will provide, in the manner set forth in Section 3 hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(a) On or before 365 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2026, the following financial information and operating data in respect of the City (the “Disclosure Information”):

(i) audited financial statements of the City for the then most recent completed fiscal year or, if unavailable by the date specified, the City shall provide on or before such date unaudited financial statements as part of the Disclosure Information and, within 10 days after the receipt of thereof, the City shall provide the audited financial statements. The audited financial statements are to be prepared in accordance with generally accepted accounting principles or as otherwise provided under State law, as such principles may be changed from time to time as permitted by State law. If and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, the discrepancies will be noted; and

(ii) updated information for the City for the then most recent completed fiscal year compiled by the City and publicly available under applicable data privacy or other law to include:

(A) a list of the major System users for the then current fiscal year in format similar to the table titled “Major Water System Customers” in the Official Statement; and

(B) updated information regarding the number of customers served by the System in a format similar to the table under the heading “Historical Water Customers” in the Official Statement;

(C) updated information regarding any changes in the user rates in a format similar to the tables under the heading “Rates, Charges and Fees” in the Official Statement;

(D) debt service coverage for the then most recent completed fiscal year.

The Disclosure Information will be provided as described in Section 3 and may be provided in a single document or multiple documents, and may be incorporated by specific reference to documents available to the public on the internet website of the MSRB or filed with the Securities Exchange Commission (the “SEC”). Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on EMMA. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect;

provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material (as hereinafter defined), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Continuing Disclosure Undertaking is amended as permitted by Section 4(b) hereof, then the City shall include in the next Disclosure Information to be delivered pursuant to this Continuing Disclosure Undertaking, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(b) In a timely manner not in excess of ten (10) business days, the City will provide notice of the occurrence of any of the following events:

- (A) principal and interest payment delinquencies;
- (B) non-payment related defaults, if material;
- (C) unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) substitution of credit or liquidity providers, or their failure to perform;
- (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2026 Bonds or other material events affecting the tax status of the Series 2026 Bonds;
- (G) modifications to rights of holders of the Series 2026 Bonds, if material;
- (H) bond calls, if material, and tender offers;
- (I) defeasances;
- (J) release, substitution or sale of property securing repayment of the Series 2026 Bonds, if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the City;
- (M) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement

to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) incurrence of a financial obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or obligated person, any of which affect security holders, if material; and

(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City or obligated person, any of which reflect financial difficulties.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2026 Bond or, if not disclosed, would materially alter the total mix of information otherwise available to an investor from the Official Statement or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Series 2026 Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For purposes of paragraphs (O) and (P) above, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of either (i) or (ii). A “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

(c) In a timely manner, the City will provide notice of the occurrence of any of the following events or conditions:

(i) the failure of the City to provide the Disclosure Information described under Sections 2(a) and 2(b) hereof at the time specified thereunder;

(ii) the amendment or supplementing of this Continuing Disclosure Undertaking pursuant to Section 4(b) hereof, together with a copy of such amendment or supplement and any explanation provided by the City; and

(iii) any change in the fiscal year of the City.

**3. Manner of Disclosure.** The City agrees to make available the information described in Section 2 hereof to the MSRB through EMMA in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

4. Term; Amendments; Interpretation.

(a) This Continuing Disclosure Undertaking shall remain in effect until all Series 2026 Bonds have been paid or defeased under the Resolution.

(b) Notwithstanding paragraph (a) above, this Continuing Disclosure Undertaking (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided under Section 2(c)(ii) hereof), or the consent of the Owners of any Series 2026 Bonds, by a resolution or ordinance of the City filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule, assuming that such provisions apply to the Series 2026 Bonds. If this Continuing Disclosure Undertaking (and the form and requirements of the Disclosure Information) are so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(c) This Continuing Disclosure Undertaking is entered into as a continuing disclosure undertaking to provide continuing disclosure identical to that required by the continuing disclosure provisions of the Rule and should be construed so this Continuing Disclosure Undertaking would satisfy the requirements of paragraph (b)(5) of the Rule, assuming it was otherwise applicable to the Series 2026 Bonds.

5. Further Limitation of Liability of City. None of the agreements or obligations of the City contained in this Continuing Disclosure Undertaking shall be construed to constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

CITY OF BILLINGS, MONTANA

By \_\_\_\_\_  
City Administrator

By \_\_\_\_\_  
City Finance Director

**SUMMARY OF BOND RESOLUTION AND CERTAIN DEFINITIONS**

The following is a summary of certain provisions of the Bond Resolution not summarized elsewhere in the Official Statement. Reference is hereby made to the actual Bond Resolution for a complete recital of its terms. Certain defined terms used herein and in the Official Statement are defined below.

**General**

The Bond Resolution generally provides for the issuance of the Outstanding SRF Bonds, the Series 2023A Bonds, the Series 2026 Bonds and Additional Bonds, defines the terms thereof and determines the duties of the City and the rights of Holders of the Bonds. All Bonds are secured, equally and ratably, by a first lien upon the Net Revenues of the System, the Gross Revenues being subject to the prior appropriation thereof to the Operating Account for the payment of Operating Expenses.

**Water System Fund**

The Bond Resolution establishes a separate fund designated as the Water System Fund, consisting of the following accounts to be held and administered by the City: (a) an Acquisition and Construction Account, (b) an Operating Account, (c) a Revenue Bond Account, (d) a Reserve Account, (e) a Replacement and Depreciation Account, (f) a Surplus Account, (g) a Subordinate Obligations Account, (h) a Note Account, and (i) a Rebate Account. All proceeds of Bonds and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Water System Fund. In addition, by the Bond Resolution, there is irrevocably pledged and appropriated to the Water System Fund all Gross Revenues, which shall be apportioned monthly as described in this section. The Water System Fund is subdivided into separate accounts as designated and described in this section to segregate income and expenses received, paid and accrued for the respective purposes described in this section.

*Acquisition and Construction Account.* Upon delivery of the Series 2026 Bonds, the City shall credit to the Acquisition and Construction Account, from the proceeds of the Series 2026 Bonds, the sum specified in the section titled "SOURCES AND USES OF FUNDS" in the Official Statement attached hereto. The Acquisition and Construction Account shall be used only to pay as incurred and allowed costs which under generally accepted accounting principles are capital costs of a Project and of such future constructions, improvements, betterments or extensions of the System as may be authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the acquisition, construction and financing of any such undertaking, including costs of issuance. To the Acquisition and Construction Account shall be credited all proceeds of Bonds, Notes and Subordinate Obligations issued under the Bond Resolution (except proceeds appropriated to the payment of Outstanding Bonds, Notes or Subordinate Obligations and amounts required to be credited to the Revenue Bond Account or the Reserve Account), all other funds appropriated by the City for the System and any other funds appropriated by the City to the Acquisition and Construction Account for improvements to the System. Upon completion of a capital improvement or program of capital improvements for the System, the balance remaining in the Acquisition and Construction Account shall be credited to the Revenue Bond Account to the extent required to establish the required balance therein or as required by the Code and the Regulations and, to the extent not so required, to the Replacement and Depreciation Account.

*Operating Account.* On each monthly apportionment there shall first be set aside and credited to the Operating Account, as a first charge on the Gross Revenues, such amount as may be required over and above the balance then held in the account to pay the reasonable and necessary Operating Expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. There shall also be credited to this account amounts to establish an Operating Reserve equal to the estimated

Operating Expenses of the System over a 30-day period. The Operating Reserve shall be maintained by additional transfers upon each monthly apportionment whenever necessary, or may be augmented by transfers of additional amounts from the Replacement and Depreciation Account and the Surplus Account if determined by the governing body of the City to be necessary to meet contingencies arising in the operation and maintenance of the System. Money in the Operating Account shall be used solely for the payment of current Operating Expenses of the System.

*Revenue Bond Account.* Upon each monthly apportionment there shall be set aside and credited to the Revenue Bond Account out of the Net Revenues an amount equal to not less than one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to Outstanding Bonds payable semiannually from the Revenue Bond Account. The City shall be entitled to reduce any monthly credit by the amount of any surplus previously credited and then on deposit in the Revenue Bond Account. Money from time to time held in the Revenue Bond Account shall be disbursed only to meet payments of principal of, premium, if any, and interest on the Bonds payable therefrom as such payments become due; provided that on any date when the amount then on hand in the Revenue Bond Account, plus the amount in the Reserve Account allocable to a series of Bonds is sufficient with other moneys available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, it may be used for that purpose. If any payment of principal or interest becomes due when money in the Revenue Bond Account is temporarily insufficient therefor, to the extent of such deficiency funds shall be advanced to the Revenue Bond Account out of any funds then on hand in the Reserve Account (but only to the extent such deficiency is with respect to Bonds secured by the Reserve Account), the Replacement and Depreciation Account or the Surplus Account, in that order. Only Bonds secured by the Reserve Account shall be payable from funds transferred to the Revenue Bond Account from the Reserve Account as described in this paragraph.

*Reserve Account.* Upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, the City shall credit to the Reserve Account such Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Reserve Requirement. Money in the Reserve Account shall be used only to pay maturing principal and interest on Outstanding Bonds secured by the Reserve Account when money within the Revenue Bond Account is insufficient therefor; provided that on any date when the balance then on hand in the Revenue Bond Account allocable to a series of Bonds secured by the Reserve Account, plus the balance then on hand in the Reserve Account allocable to such series of Bonds (exclusive of any Surety Bond), is sufficient with other money available to pay or discharge all Outstanding Bonds of that series and the interest accrued thereon in full, and the balance thereafter on hand in the Reserve Account will be at least equal to the Reserve Requirement for all Outstanding Bonds secured by the Reserve Account and not to be discharged, it may be used for that purpose. If the balance in the Reserve Account exceeds the Reserve Requirement, the excess shall be transferred to the Revenue Bond Account for payment of Bonds secured by the Reserve Account. **The Series 2026 Bonds are not secured by the Reserve Account.**

The City may elect to satisfy in whole or in part the Reserve Requirement with a Surety Bond. Any Surety Bond shall be valued at the amount available to be drawn thereon. At any time the Reserve Account contains both cash and a Surety Bond, the cash shall be used first to pay principal and interest due on the Bonds, to the extent money in the Revenue Bond Account is insufficient therefor, before any demand is made on the Surety Bond. In the event the Reserve Account contains more than one Surety Bond, any draw on the Surety Bonds to pay principal and interest on the Bonds shall be made on a pro rata basis.

If the balance in the Reserve Account is less than the Reserve Requirement, Net Revenues transferred to the Reserve Account shall be used first to reimburse the issuer of a Surety Bond *pro rata* based on the amounts drawn thereon (thereby remarketing the Surety Bond), second to replenish the cash in the Reserve Account such that the cash plus the amounts available to be drawn on any Surety Bond are equal to the Reserve Requirement, and third to pay the issuer of a Surety Bond for interest due on any amounts advanced under a Surety Bond. In the event the Reserve Account contains more than one Surety

Bond, any reimbursement to the issuer of a Surety Bond shall be *pro rata* based on the amounts drawn thereon.

If funds are required to be drawn on a Surety Bond to pay principal or interest due on Bonds, the City shall deliver to the issuer of the Surety Bond a demand for payment under the terms of the applicable Surety Bond at least three days prior to the date on which funds are required to make such payment, and the City shall maintain adequate records, verified with the issuer of the Surety Bond, as to the amount available to be drawn at any given time under the Surety Bond and as to amounts paid and owing to the issuer thereof under the terms of the Surety Bond.

*Replacement and Depreciation Account.* Upon each monthly apportionment, there shall next be set aside and credited to the Replacement and Depreciation Account, Surplus Net Revenues required for the accumulation of a reasonable allowance as the governing body of the City shall determine for depreciation of the System and for replacement or renewal of worn out, obsolete or damaged properties and equipment. Money in the Replacement and Depreciation Account shall be used only for the purposes above stated or, if so directed by the governing body of the City, to redeem Bonds which are prepayable according to their terms, to pay maturing principal, premium and interest when money within the Revenue Bond Account is insufficient therefor, to fund any deficiency in the Reserve Account, or to pay the cost of improvements to the System; provided that Surplus Net Revenues in the Replacement and Depreciation Account may be used to pay Subordinate Obligations as they come due in advance of payments required to be made into the Replacement and Depreciation Account subject to the prior lien on Net Revenues to pay any deficiency of the Revenue Bond Account and the Reserve Account, and provided that no default under the Bond Resolution is then in effect.

*Surplus Account.* Any amount of the Surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Water System Fund as the City may establish for bookkeeping purposes to account for Surplus Net Revenues in accordance with the purposes of the Bond Resolution), and the money from time to time in that account, when not required to restore a current deficiency in the Operating Account, the Revenue Bond Account, the Reserve Account, the Note Account, the Replacement and Depreciation Account or the Subordinate Obligations Account, may be used for any of the following purposes and not otherwise:

- (a) To redeem Bonds when and as such Bonds become prepayable according to their terms; or
- (b) To purchase Bonds on the open market, whether or not the Bonds may then be prepayable according to their terms; or
- (c) To be held as a reserve for redemption of Bonds which are not then but will later be prepayable according to their terms; or
- (d) To be transferred to the Acquisition and Construction Account to pay costs authorized to be paid therefrom; or
- (e) To pay for repairs of or for the construction and installation of improvements or additions to the System; or
- (f) To pay Operating Expenses or to restore the Operating Reserve or increase the same when determined to be necessary by the governing body of the City; or
- (g) To pay Notes or Subordinate Obligations; or
- (h) To make payments of arbitrage rebate to the United States of America pursuant to Section 148(f) of the Code in respect of any series of Bonds.

No money shall at any time be transferred from the Surplus Account or any other account of the Water System Fund to any other fund of the City, nor shall such moneys at any time be loaned to other municipal funds or invested in warrants, bonds or other obligations payable from other funds, except as provided in “Deposit and Investment of Funds” below.

*Subordinate Obligations Account.* Upon the issuance of any Subordinate Obligations as described under “Additional Bonds, Notes and Subordinate Obligations—Subordinate Obligations” below, all Surplus Net Revenues remaining after the required credits to the Replacement and Depreciation Account pursuant to the Bond Resolution may be credited to the Subordinate Obligations Account to the extent required to pay a Subordinate Obligation or otherwise necessary to cure a current deficiency therein, subject to the prior lien of the Revenue Bond Account and the Reserve Account. The City irrevocably appropriates to the Subordinate Obligations Account the proceeds of any Bonds issued to refund one or more Subordinate Obligations, as received and to the extent necessary for the payment of such Subordinate Obligations.

Amounts on deposit in the Subordinate Obligations Account shall be used solely to pay the principal of and interest on Subordinate Obligations made payable therefrom; provided that if on any date the balance in the Revenue Bond Account or the Reserve Account is less than then required, an amount equal to such deficiency will be transferred from the Subordinate Obligations Account. Upon payment or discharge of a Subordinate Obligation and upon the making of the credits to the Subordinate Obligations Account required in connection with any other Subordinate Obligations made payable therefrom, all surplus funds therein shall be transferred to the Surplus Account.

*Note Account.* If a Note is Outstanding, the City shall appropriate to the Note Account proceeds of the Bonds in anticipation of which the Note is issued, and Net Revenues remaining after the required credits to the Revenue Bond Account and the Reserve Account pursuant to the Bond Resolution may be credited to the Note Account to the extent required to pay an Outstanding Note or otherwise necessary to cure a current deficiency therein, subject to the prior lien of the Revenue Bond Account and the Reserve Account.

*Rebate Account.* The City shall make deposits to and disbursements from the Rebate Account pursuant to one or more rebate certificates executed and delivered by the City in connection with the issuance of Bonds, and for such purposes may make transfers, in the following order of priority, from the Surplus Account and the Replacement and Depreciation Account, as necessary, to meet the requirements of the Rebate Account. The City shall invest the Rebate Account in accordance with the provisions of the rebate certificates and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

## **Deposit and Investment of Funds**

The City Finance Director shall cause all money appropriated to the Water System Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Water System Fund as defined and authorized in the Bond Resolution; except that money from time to time on hand in the Water System Fund may at any time, in the discretion of the governing body of the City, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, bank repurchase agreements with respect to such obligations, certificates of deposits of national banks having a combined capital and surplus of at least \$1,000,000 or in the State short-term investment program administered by the Board of Investments, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective

accounts; provided that funds on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account may be invested in said securities maturing not later than five years from the date of the investment; and provided, further, that money on hand in the Surplus Account may, in the discretion of the governing body of the City, be invested in any securities which are direct, general obligations of the City. Income received from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

### **Priority of Payments**

All Bonds shall be secured, equally and ratably, by a first lien upon the Net Revenues of the System (the Gross Revenues being subject to the prior appropriation thereof to the Operating Account for the payment of Operating Expenses), without preference or priority of any one Bond over any other by reason of serial number, date of issue, series designation or otherwise; provided that if at any time the Net Revenues on hand in the Water System Fund are insufficient to pay principal and interest then due on all such Bonds, any and all Net Revenues and taxes then on hand shall be first applied *pro rata* toward payment of interest accrued on all Outstanding Bonds, and the balance, if any, shall be applied *pro rata* toward payment of the maturing principal of such Bonds; provided further, that only Bonds secured by the Reserve Account shall be payable from amounts therein or from amounts transferred to the Revenue Bond Account from the Reserve Account as described under “Water System Fund—Revenue Bond Account” and “Water System Fund—Reserve Account.”

### **Special, Limited Obligations**

All payments of principal of and interest on the Bonds and other payment obligations of the City under the Bond Resolution shall be special, limited obligations of the City payable solely out of Net Revenues and shall not be payable out of any other revenues of the City. The obligations of the City under the Bond Resolution and the Bonds shall never constitute an indebtedness of the City within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. The taxing powers of the City are not pledged to pay principal of and interest on the Bonds, and no funds or property of the City other than the Net Revenues are pledged to pay the principal of and interest on the Bonds.

### **General Obligations; Issuable in Series**

The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under the Bond Resolution is not limited, except as described under “Additional Bonds, Notes and Subordinate Obligations” below or in any Supplemental Resolution under which any series of Bonds is issued and except as may be limited by law. Bonds may be issued in series as from time to time authorized by the City.

Each series of Bonds shall be created by a Supplemental Resolution. The Bonds of each series shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest at such rate or rates, from such date or dates, shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the City may determine. The City shall state whether or not each series of Bonds is secured by the Reserve Account. The City may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain provision for:

- (a) a sinking, amortization, improvement or other analogous fund;

(b) limiting the aggregate principal amount of the Bonds of that series and of additional Bonds thereafter to be issued;

(c) exchanging Bonds of that series, at the option of the Holders thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; or

(d) registration, transfer and delivery.

If the Stated Maturity for the payment of any interest on or principal of any Bond or if any Redemption Date or Sinking Fund Payment Date shall be a day which is not a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Sinking Fund Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month).

### **Additional Bonds, Notes and Subordinate Obligations**

*General Provisions.* In addition to the Outstanding SRF Bonds, the Series 2023A Bonds and the Series 2026 Bonds, Additional Bonds may at any time and from time to time be issued, sold and delivered by the City but only upon compliance with the provisions of “—Additional Bonds for Projects” or “—Additional Bonds Issued for Refunding Purposes” below, whichever may be applicable, and upon filing with the City Finance Director the following:

(a) A Supplemental Resolution authorizing the issuance of such series of Additional Bonds and fixing the amount and the details thereof and the sale thereof to the purchaser or purchasers named therein for the purchase price set forth therein. The Supplemental Resolution shall also state whether or not such series of Additional Bonds is secured by the Reserve Account.

(b) A certificate executed by the Mayor and the City Finance Director stating that upon the issuance of such series of Additional Bonds, no default under the Bond Resolution has occurred and is continuing which would not be cured upon the issuance of such series of Additional Bonds and application of the proceeds thereof.

(c) An opinion of Bond Counsel (who may rely on factual representations of the City and which opinion may be qualified by customary qualifications and exceptions) stating that:

(i) all conditions precedent provided for in the Bond Resolution relating to the issuance and delivery of such series of Additional Bonds have been complied with, including any conditions precedent specified in this section; and

(ii) the series of Additional Bonds when issued and delivered by the City will be valid and binding special, limited obligations of the City in accordance with their terms and entitled to the benefits of and secured by the Bond Resolution.

Any Additional Bonds shall be dated, shall bear interest at a rate or rates, shall have Stated Maturities and may be subject to redemption at such times and prices and on such terms and conditions, all as may be provided by the Supplemental Resolution authorizing their issuance. All Additional Bonds issued pursuant to “—Additional Bonds for Projects” and “—Additional Bonds Issued for Refunding Purposes” below shall be payable and secured ratably and equally and on a parity as to both principal and interest with the Outstanding SRF Bonds, the Series 2023A Bonds, the Series 2026 Bonds and any Additional Bonds theretofore issued, entitled to the same benefits and security of the Bond Resolution; provided, however, that only Bonds secured by the Reserve Account shall be payable from amounts therein or amounts transferred from the Reserve Account to the Revenue Bond Account as described under “Water System Fund—Revenue Bond Account” and “Water System Fund—Reserve Account” above.

*Additional Bonds for Projects.* Additional Bonds may be issued, at one time or from time to time, subject to the conditions provided under “—General Provisions” above and in this section, for the purpose of providing funds, with any other funds available and committed therefor, for paying the cost of one or more Projects and any expenses in connection with such financing.

Prior to the execution and delivery of any series of Additional Bonds under this section, there shall be filed with the City Clerk a certificate executed by the Mayor and the City Finance Director stating that the Net Revenues of the System for the last complete Fiscal Year preceding the date of issuance of such Additional Bonds equaled at least 125% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent Fiscal Year during the term of the Outstanding Bonds, on all Bonds then Outstanding and on the Additional Bonds proposed to be issued. For the purpose of the foregoing computation, the Net Revenues for the Fiscal Year preceding the issuance of Additional Bonds shall be those shown by the financial reports caused to be prepared by the City for such Fiscal Year, except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding Fiscal Year, then the rates and charges in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 60 days thereafter shall be applied to the quantities of service actually rendered and made available during such preceding Fiscal Year to ascertain the Gross Revenues, from which there shall be deducted to determine the Net Revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the Consultant estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the Additional Bonds proposed to be issued. In no event shall any Additional Bonds be issued and made payable from the Revenue Bond Account if the City is then in default in any payment of principal of or interest on any Outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by the Bond Resolution to be maintained in any of the accounts of the Water System Fund, which will not be cured or restored upon the issuance of the Additional Bonds. In connection with the issuance of a series of Additional Bonds secured by the Reserve Account, the City shall cause amounts in the Reserve Account to be increased to the extent necessary, from the proceeds of the Additional Bonds, from Surplus Net Revenues and/or from Surety Bonds, to an amount equal to the Reserve Requirement.

*Additional Bonds Issued for Refunding Purposes.* Additional Bonds may be issued, at one time or from time to time, subject to the conditions provided under “—General Provisions” above and in this section, for the purpose of providing funds, with any other funds available and committed therefor, for paying at, or redeeming prior to, their Stated Maturities any Outstanding Bonds, including the payment of any redemption premium thereon and interest which will accrue on such Bonds to any Redemption Date or the Stated Maturities thereof, and any expenses in connection with such financing. Such Additional Bonds shall be designated substantially as the Bonds to be refunded, with the addition of the term “refunding.”

Prior to the execution and delivery of any series of Additional Bonds under this section, there shall be filed with the City Clerk:

(a) such documents as shall be required to show that provisions have been duly made in accordance with the Bond Resolution for the redemption of all of the Outstanding Bonds to be refunded; and

(b) a certificate executed by the Mayor and the City Finance Director or a report of a Consultant to the effect that (i) the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any moneys to be withdrawn from the Revenue Bond Account and/or Reserve Account for such purpose, together with any other funds deposited for such purpose, will be not less than an amount sufficient to pay the redemption price on the Outstanding Bonds to be refunded, or (ii) from such proceeds there shall be deposited in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other moneys which shall have been deposited in trust irrevocably for

such purpose, but without reinvestment, sufficient moneys to pay such principal, redemption premium and interest.

If Additional Bonds are issued to refund Subordinate Obligations, the conditions for the issuance of Additional Bonds pursuant to “—Additional Bonds for Projects” above must be satisfied in lieu of this section.

*Subordinate Obligations.* Nothing in the Bond Resolution prevents the City from issuing Subordinate Obligations which are expressly made a charge on only the Surplus Net Revenues of the System subordinate to the pledge of Net Revenues to the Revenue Bond and the Reserve Account and payable only from amounts in the Subordinate Obligations Account, subject to the prior claims of the Operating Account, Revenue Bond Account, Reserve Account and Note Account (such additional obligations, the “Subordinate Obligations”). No payment of principal or interest shall be made on any Subordinate Obligation if the City is then in default in the payment of principal of or interest on any Bond or if there is a deficiency in the Revenue Bond Account, the Operating Account or the Reserve Account.

*Notes.* The City may from time to time issue Notes in anticipation of the issuance of Additional Bonds subject to the following conditions:

(a) The Additional Bonds in anticipation of which the Notes are issued, assuming a maximum rate of interest on such Bonds, shall be authorized to be issued as described under “—Additional Bonds for Projects” above,

(b) The payment of principal and interest on the Notes from Net Revenues shall be subordinated to Outstanding Bonds and the principal of the Notes shall be payable solely from the proceeds of the Additional Bonds and other amounts then on hand in the Note Account, unless the City is unable to sell the Additional Bonds, in which case the Notes shall be exchanged for the Additional Bonds on a par-for-par basis bearing interest at the maximum rates assumed under subsection (a) of this section, and

(c) The Notes shall have a Stated Maturity within 3 years from their date of issuance or such later Stated Maturity as may then be permitted under State law.

### **Certain Covenants of the City**

*Maintenance of System; Liens.* The City shall maintain the System in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The City shall not grant or permit to exist any lien on the Projects or any other property making up part of the System that is owned by the City, other than liens provided for in the Bond Resolution; provided that this section shall not be deemed to be violated if a mechanic’s or contractor’s lien is filed against any such property so long as the City uses its best efforts to obtain the discharge of such lien.

*Maintenance of Existence; Merger; Consolidation, Etc.; Disposition of Assets.* The City shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the City) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the City under the Bond Resolution, the Outstanding Bonds and any collateral documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the City under the Bond Resolution, the Outstanding Bonds and any collateral documents, (b) such action does not violate the Act, the State Act or the Safe Drinking Water Act and does not adversely affect the exclusion of interest on Outstanding Bonds or State Bonds from gross income for federal income tax purposes, and (c) the City delivers to the Holders on the date of such action an opinion of Bond Counsel

that such action complies with this section. Other than pursuant to the preceding sentence, the City shall not transfer the System or any portion thereof to any other Person, except for property which is obsolete, outmoded, worn out, is being replaced or otherwise is not needed for the operation of the System.

*Competing Service.* The City will not establish or authorize the establishment of any other system for the public supply of service or services in competition with any or all of the services supplied by the facilities of the System.

*Property Insurance.* The City will cause all buildings, properties, fixtures and equipment constituting a part of the System to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of the State, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain insurance, it will obtain insurance in such amounts and against risks as are reasonably obtainable. The proceeds of all such insurance shall be available for the repair, replacement or reconstruction of damaged or destroyed property, and until paid out in making good such loss or damage, are pledged as security for the Outstanding Bonds. All insurance proceeds received in excess of the amount required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated to the Water System Fund. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the City shall supply the deficiency from revenues on hand in the Replacement and Depreciation Account and the Surplus Account.

*Books and Records.* The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the System, the Net Revenues derived from its operation, and the segregation and application of the Net Revenues in accordance with the Bond Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting practice and principles. It will cause such books to be maintained on the basis of a Fiscal Year.

*Handling of Funds.* The employees of the City, under the direction and control of the City Finance Director, shall keep books of accounts and collect the rates, charges and rentals for the services and facilities provided by the System and for other money currently receivable on account thereof. All money collected with respect to the System shall be deposited as received with the Finance Director. The Finance Director shall be bonded at all times with a surety company authorized to do business in the State, in the amount of at least \$100,000, to assure the faithful carrying out of such duties, which requirement may be satisfied by a blanket bond covering other City employees as well as the Finance Director.

*Billing and Collections.* The City covenants to impose rates and charges for the use and benefit of the System. The City shall charge for services provided by the System in accordance with the rules and regulations of the City and State law, and shall enforce collections in accordance with the City's policies and procedures.

*Rate Covenant.* While any Bonds are Outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the City and its inhabitants, and to all customers within or without the boundaries of the City, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating it, and the amounts necessary for the payment of all Outstanding Bonds and the interest accruing thereon and all Subordinate Obligations and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System. No free service shall be provided to any third parties. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of water services shall be maintained and shall be revised whenever and as often as may be necessary, according to schedules such that the Gross Revenues for each Fiscal Year shall be sufficient to pay the Operating Expenses and to maintain the Operating Reserve, to produce Net Revenues during each Fiscal Year commencing with the Fiscal Year ending June

30, 2026, not less than 125% of the maximum annual principal and interest payable on the Outstanding Bonds in any future Fiscal Year and to maintain the balance in the Reserve Account equal to the Reserve Requirement (including all amounts then owing to the issuer of a Surety Bond), and to produce Surplus Net Revenues during each Fiscal Year sufficient to pay principal and interest on any Subordinate Obligations and to provide reserves for the replacement and depreciation of the System.

If at the close of any Fiscal Year the Gross Revenues and Net Revenues actually received during such year have been less than required by the Bond Resolution, the City will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Gross Revenues and Net Revenues in such amounts, and place such schedule in operation at the earliest possible date.

## **Remedies**

No Holder of any Bond shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants contained in the Bond Resolution, without the written concurrence of the Holders of not less than 25% in aggregate principal amount of all such Bonds which are at the time Outstanding; but the Holders of such amount of Bonds may, either at law or in equity, by suit, action or other proceedings, protect and enforce the rights of all Holders of Bonds and compel the performance of any and all of the covenants required by the Bond Resolution to be performed by the City and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of the Gross Revenues and the application and use thereof. The Holders of a majority in principal amount of Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Bond when due. Nothing in the Bond Resolution, however, shall impair the absolute and unconditional right of the Holder of each Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such principal, premium and interest respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the City with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds, and to apply the Net Revenues in conformity with the Bond Resolution and the laws of the State.

## **Defeasance**

When the liability of the City on all Bonds issued under and secured by the Bond Resolution and all interest thereon has been discharged as provided in this section, all pledges, covenants and other rights granted by the Bond Resolution to the Holders of such Bonds shall cease, other than to the payment of such Bonds from money segregated for such purpose. The City may also discharge its liability with respect to one or more Bonds in accordance with this section.

*Maturity.* The City may discharge its liability with reference to any Bonds and interest thereon which are due on any date by depositing with the Registrar for such Bonds on or before the date a sum sufficient for the payment thereof in full; or if any Obligation or interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

*Prepayment.* The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Registrar therefor on or before the Redemption Date a sum sufficient for the payment thereof in full; provided that notice of the redemption thereof has been duly given as provided in the Bond Resolution or any Supplemental Resolution relating thereto.

*Escrow.* The City may at any time discharge its liability with reference to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action and this section, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or Government Obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on such Bonds at their Stated Maturities or, if such Bonds are prepayable and notice of redemption thereof has been duly given or irrevocably provided for, to such earlier Redemption Date. .

### **Supplemental Resolutions**

Notwithstanding the following paragraph, the City reserves the right to adopt Supplemental Resolutions from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Bond Resolution, or of making such provisions with regard to matters or questions arising under the Bond Resolution as the City may deem necessary or desirable and not inconsistent with the Bond Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Bonds, or for the purpose of adding to the covenants and agreements contained in the Bond Resolution, or to the revenues pledged in the Bond Resolution, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Water System Fund, or for the purpose of surrendering any right or power reserved to or conferred upon the City in the Bond Resolution, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds, Notes or Subordinate Obligations, as provided in and subject to the conditions and requirements described under “Additional Bonds, Notes and Subordinate Obligations.” Any such Supplemental Resolution may be adopted pursuant to this paragraph without notice to or the consent of the Holder of any of the Bonds issued under the Bond Resolution.

With the consent of the Holders of at least a majority in aggregate principal amount of the Outstanding Bonds affected thereby, and, if SRF Bonds are Outstanding, the written consent of the DNRC, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending the Bond Resolution by adding any provisions thereto or changing in any manner or eliminating any of the provisions of the Bond Resolution or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Holders of all Outstanding Bonds affected thereby, if it would extend the time of payment of interest thereon or principal thereof, would reduce the interest rate thereon or the amount of the principal or the redemption price thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would reduce the sources of revenues or income appropriated to the Water System Fund, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

Notice of the Supplemental Resolution to be adopted as described in this section shall be mailed by first-class mail to the Holders of all outstanding Bonds at their addresses appearing in the Bond Register, or given by such other means as then required by the securities depository, and shall become effective only upon the filing of written consents with the City Finance Director, signed by the Holders of the requisite principal amount of the Outstanding Bonds affected thereby. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Holders in person or by agent duly appointed in writing, and shall become effective when delivered to the City Finance Director. Any consent by the Holder of any Bond shall bind him and every future Holder of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent; provided that any Holder may revoke his consent with reference to any Bond by written notice received by the City Finance Director before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Bonds have not been received by the City Finance Director within one year after the mailing of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Bonds shall be sufficient for any purpose of the Bond Resolution and shall be conclusive in favor of the City if made in the manner provided in this paragraph. The fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register.

### **Payments and Performance on Business Days**

If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Bonds, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Bond Resolution or the Bonds.

### **Certain Definitions**

Set forth below are the definitions of certain of the terms used in the Bond Resolution and in the Preliminary Official Statement.

Accountant or Accountants means an independent certified public accountant or a firm of independent certified public accountants selected by the City.

Acquisition and Construction Account means the account created as described under “Water System Fund—Acquisition and Construction Account.”

Act means Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended.

Additional Bonds means any Bonds issued as provided under “Additional Bonds, Notes and Subordinate Obligations—Additional Bonds for Projects” and “Additional Bonds, Notes and Subordinate Obligations—Additional Bonds issued as Refunding Bonds” above.

Bond Counsel means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the City.

Bond Register means the registration books to be maintained by the Registrar with respect to any series of Bonds.

Bond Resolution means Resolution No. 11134, adopted by the City Council of the City on July 10, 2023, as supplemented and amended by Resolution Nos. 11140 and [\_\_\_\_], adopted by the City Council of the City on July 10, 2023 and June [\_\_\_], 2026, respectively, as it may from time to time be further amended or supplemented pursuant to the applicable provisions thereof.

Bonds means the Outstanding SRF Bonds, the Series 2023A Bonds, the Series 2026 Bonds and any Additional Bonds.

City means the City of Billings, Montana, or its successors.

Code means the Internal Revenue Code of 1986.

Consultant means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill

and experience in the preparation of financial feasibility studies or projections for facilities similar to the System or any Project, selected by the City.

Council means the City Council of the City.

DNRC means the Department of Natural Resources and Conservation of the State of Montana, an agency of the State, and any successor to its powers, duties and obligations under the State Act.

Fiscal Year means the period commencing on the first day of July of any year and ending on the last day of June of the next calendar year, or any other twelve-month period authorized by law and specified by the Council as the City's Fiscal Year.

Government Obligations means direct obligations of or obligations the principal and interest on which are fully and unconditionally guaranteed as to payment by the United States of America, or money market funds invested in such obligations, which are not subject to redemption or prepayment other than at the option of the holder thereof.

Governmental Unit means governmental unit as such term is used in Section 145(a) of the Code.

Gross Revenues means all revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the System and from any sales of property which is a part of the System and all income received from the investment of such revenues and receipts, including interest earnings on the Operating Account, the Reserve Account, the Replacement and Depreciation Account and the Surplus Account, but excluding any special assessments or taxes levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

Holder means the Person in whose name a Bond is registered in the Bond Register.

Net Revenues means the Gross Revenues for a specified period less the Operating Expenses for the same period.

Note Account means the account created as described under "Water System Fund—Note Account."

Notes means all Notes issued as provided under "Additional Bonds, Notes and Subordinate Obligations—Notes".

Operating Account means the account created as described under "Water System Fund—Operating Account."

Operating Expenses means the current expenses, paid or accrued, of operation, maintenance and current repair of the System and its facilities, as calculated in accordance with sound accounting practices, and shall include, without limitation, administrative expenses of the City relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices. Operating Expenses shall not include interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the City, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System.

Operating Reserve means the reserve to be maintained in the Operating Account as described under "Water System Fund—Operating Account."

Outstanding means, with reference to Bonds or Notes, as of the date of determination, all Bonds or Notes theretofore issued and delivered under the Bond Resolution except:

- (a) Bonds or Notes theretofore cancelled by the City or delivered to the City cancelled or for cancellation;
- (b) Bonds or Notes and portions of Bonds or Notes for whose payment or redemption money or Government Obligations (as provided under “Defeasance—Escrow”) shall have been theretofore deposited in trust for the Holders of such Bonds or Notes; provided, however, that if such Bonds or Notes are to be redeemed, notice of such redemption shall have been duly given pursuant to the Bond Resolution or irrevocable instructions to call such Bonds or Notes for redemption at a stated Redemption Date shall have been given by the City; and
- (c) Bonds or Notes in exchange for or in lieu of which other Bonds or Notes shall have been issued and delivered pursuant to the Bond Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Bond Resolution, Bonds owned by the City shall be disregarded and deemed not to be Outstanding.

Outstanding SRF Bonds means the Outstanding, Series 2009B Bond, Series 2009C Bond, Series 2009D Bond, Series 2010B Bond, Series 2012 Bond, Series 2014 Bond, and Series 2015 Bond.

Person means any Private Person or Public Entity.

Private Person means an individual, corporation, partnership, association, joint venture, limited liability company, limited liability partnership, joint stock company, trust or unincorporated organization, except a Public Entity.

Project means the designing, engineering, acquiring, constructing, installing, improving, or enlarging the System, or any part thereof.

Public Entity means a State agency, municipality, city, county, school district, political or administrative subdivision of State government, irrigation district, county water and sewer district or other public body established by State law.

Rebate Account means the account created as described under “Water System Fund—Rebate Account.”

Redemption Date means, with respect to any Bond, Note or Subordinate Obligation to be redeemed, the date on which it is to be redeemed.

Registrar means, with respect to any series of Bonds, the Registrar appointed pursuant to the Bond Resolution or the Supplemental Resolution authorizing the issuance of such Bonds.

Regulations means the Treasury Regulations promulgated under the Code.

Replacement and Depreciation Account means the account created as described under “Water System Fund—Replacement and Depreciation Account.”

Reserve Account means the account created as described under “Water System Fund—Reserve Account.”

Reserve Requirement means, as of the date of calculation, an amount equal to one-half of the sum of the highest amount of principal and interest payable on Bonds secured by the Reserve Account in the current or any future Fiscal Year (giving effect to any Sinking Fund Payment Dates, if any, with respect to any series of Bonds).

Revenue Bond Account means the account created as described under “Water System Fund—Revenue Bond Account.”

Safe Drinking Water Act means Title XIV of the Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 U.S.C. §§300f et seq., as amended, and all regulations, rules and interpretations issued by the EPA thereunder.

Series 2009B Bond means the Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009B, Outstanding as of June 25, 2026 in the principal amount of \$68,000.

Series 2009C Bond means the First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009C, Outstanding as of June 25, 2026 in the principal amount of \$612,000.

Series 2009D Bond means the First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2009D, Outstanding as of June 25, 2026 in the principal amount of \$1,488,000.

Series 2010B Bond means the First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2010B, Outstanding as of June 25, 2026 in the principal amount of \$622,000.

Series 2012 Bond means the Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2012, Outstanding as of June 25, 2026 in the principal amount of \$1,143,000.

Series 2014 Bond means the Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2014, Outstanding as of June 25, 2026 in the principal amount of \$3,040,000.

Series 2015 Bond means the Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Series 2015, Outstanding as of June 25, 2026 in the principal amount of \$1,778,000.

Series 2023A Bond means the Water System Revenue Bonds, Series 2023A, Outstanding as of June 25, 2026 in the principal amount of \$68,975,000.

Series 2026 Bonds means the Water System Revenue Bonds, Series 2026, issued in the aggregate principal amount of \$[PAR].

Sinking Fund Payment Date means a date set forth in any applicable provision of the Bond Resolution or a Supplemental Resolution for the making of a mandatory principal payment for the redemption of a Term Bond.

State means the State of Montana.

State Act means Montana Code Annotated, Title 75, Chapter 6, Part 2, as amended from time to time.

State Bonds means the State’s General Obligation Bonds (Drinking Water State Revolving Fund Program) issued pursuant to the Indenture of Trust, dated as of May 1, 1998, between the Board of

Examiners of the State and the U.S. Bank Trust Company, National Association, as such may be supplemented or amended from time to time in accordance with the provisions thereof..

Stated Maturity means, with respect to any Bond, Note, Subordinate Obligation or other obligation, the date specified in such obligation as the fixed date on which the principal of such obligation is due and payable.

Subordinate Obligations means any bonds, notes or obligations of the City issued on a subordinate basis to the Bonds as to Net Revenues as described in “Additional Bonds—Subordinate Obligations.”

Subordinate Obligations Account means the account created as described under “Water System Fund—Subordinate Obligations Account.”

Supplemental Resolution means any resolution supplemental to or amendatory of the Bond Resolution adopted as described under “Supplemental Resolutions.”

Surety Bond means a surety bond issued for the Reserve Account by an insurance company initially rated in one of the two highest rating categories by Fitch, Inc., Moody’s Investors Service, Inc., or S&P Global, Inc., or any successors thereto.

Surplus Account means the account created as described under “Water System Fund—Surplus Account.”

Surplus Net Revenues means that portion of the Net Revenues in excess of the current requirements of the Revenue Bond Account and the Reserve Account.

System means the existing municipal water system of the City and all extensions, improvements and betterments thereof hereafter constructed and acquired, including, without limitation, each Project.

Term Bond means any Bond for the payment of the principal of which mandatory payments are required by the Bond Resolution or Supplemental Resolution to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

RENDERING OF THE SYSTEM PROJECT



**NORTH RESERVOIR**

- TOTAL ACREAGE - 156 ACRES
- PARKING - 146 SPACES
- PRIMARY PATHS - 1.4 MI
- SECONDARY PATHS - 2.9 MI
- OVERLOOK SHELTER
- BEACH - 1.25 ACRES
- RESTROOMS - x2
- WETLANDS - 0.2 ACRES

**SOUTH RESERVOIR**

- TOTAL ACREAGE - 111 ACRES
- PARKING - 120 SPACES
- PRIMARY PATHS - 1 MI
- SECONDARY PATHS - 1.4 MI
- RESTROOMS - x1
- WETLANDS - 6 ACRES
- CONSERVATION CENTER - 3,400 SF



**BILLINGS RESERVOIR**  
END LAND USE MASTER PLAN



**2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT**

The City's Annual Comprehensive Financial Report for fiscal year ended June 30, 2025 ("2025 ACFR") can be found [here](#).

## TERMS AND CONDITIONS OF SALE AND BID FORM

## TERMS AND CONDITIONS OF SALE

\$40,000,000\*

Water System Revenue Bonds, Series 2026  
City of Billings, Montana

The City Council (the "Council") of the City of Billings, Montana (the "City"), will receive bids for the purchase of Water System Revenue Bonds, Series 2026, in the aggregate principal amount of \$40,000,000\* (the "Series 2026 Bonds"), subject to adjustment as described below. Bids will be received by Baker Tilly Municipal Advisors, LLC, the City's municipal advisor ("Baker Tilly MA") or by electronic transmission through PARITY® pursuant to the instructions set forth herein until 10:00 a.m., M.T., on Monday, June 1, 2026 (the "Sale Time"), at which time bids will be opened and tabulated. The tabulation of bids will be presented to a designated Pricing Committee subsequent to the opening of bids, at which time, the Pricing Committee will consider the bids received and, if a responsive and acceptable bid is received, award the sale of the Series 2026 Bonds to the bidder with the lowest true interest cost.

## SUBMISSION OF BIDS

All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2026 Bonds regardless of the manner in which the bid is submitted.

Baker Tilly MA will assume no liability for the inability of a bidder or its bid to reach Baker Tilly MA prior to the Same Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2026 Bonds regardless of the manner in which the bid is submitted.

**Sealed Bidding.** Completed, signed bids may be submitted to Baker Tilly MA by email to bids@bakertilly.com, and must be received prior to the Sale Time.

OR

**Electronic Bidding.** Bids may also be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Terms of Bid.* Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Series 2026 Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms and Conditions of Sale conflict with information provided by PARITY®, this Terms and Conditions of Sale shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

## THE SERIES 2026 BONDS

The Series 2026 Bonds shall be dated, as originally issued, as of their date of delivery, expected to be June 25, 2026, and shall bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027, to the registered owners of the Series 2026 Bonds as such appear in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month, at a rate or rates designated by the successful bidder at public sale and approved by the Council. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

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\* Preliminary; subject to change.

The Series 2026 Bonds shall mature, subject to redemption as hereinafter provided, on July 1 in each of the following years and amounts (unless combined into one or more term bonds), subject to adjustment as described below:

<u>Year</u>	<u>Principal Amount(1)</u>	<u>Year</u>	<u>Principal Amount(1)</u>
2027	\$1,215,000	2037	\$2,010,000
2028	1,310,000	2038	2,090,000
2029	1,375,000	2039	2,175,000
2030	1,440,000	2040	2,265,000
2031	1,515,000	2041	2,360,000
2032	1,590,000	2042	2,460,000
2033	1,670,000	2043	2,570,000
2034	1,755,000	2044	2,685,000
2035	1,840,000	2045	2,805,000
2036	1,935,000	2046	2,935,000

(1) Preliminary; subject to change.

**The City reserves the right, after bids are opened and prior to award, to increase or decrease the amount of any maturity or maturities in multiples of \$5,000 in order to produce sufficient net proceeds and to meet the City’s structuring goals. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Series 2026 Bonds as that of the successful bid. Gross spread for this purpose is the differential between the price paid to the City for the Series 2026 Bonds and the prices at which the bid indicates the Series 2026 Bonds are initially offered to the investing public.**

Bidders will have the option of combining the Series 2026 Bonds into one or more term bonds. If any Series 2026 Bonds are issued as term bonds, such term bonds will be subject to annual mandatory sinking fund redemption in the principal amount set forth in the foregoing schedule on each July 1, concluding no later than July 1, 2046, at a redemption price equal to the principal amount of such Series 2026 Bonds or portions thereof to be redeemed with interest accrued thereon and payable on January 1 and July 1 to the redemption date, in installments and in the same amounts and on the same dates as the Series 2026 Bonds would have matured if they were not included in a term bond.

The Series 2026 Bonds with stated maturities on or after July 1, 2036 will be subject to redemption on July 1, 2035, and any date thereafter, at the option of the City, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium. If less than all of the Series 2026 Bonds are to be redeemed, the Series 2026 Bonds to be redeemed shall be from such stated maturities and in such principal amounts as the City may designate in writing to the Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner as directed by the City).

The Series 2026 Bonds shall be in the denomination of \$5,000 each or any integral multiple thereof of single maturities. The Series 2026 Bonds will be issued as fully registered bonds only. The Series 2026 Bonds will be issued in book-entry only form.

#### BOOK ENTRY

The Series 2026 Bonds will be issued by means of a book entry system with no physical distribution of Series 2026 Bonds made to the public. The Series 2026 Bonds will be issued in fully registered form and one Series 2026 Bond representing the aggregate principal amount of the Series 2026 Bonds maturing in each year will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2026 Bonds. Individual purchases of the Series 2026 Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Series 2026 Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the “Purchaser”), as a condition of delivery of the Series 2026 Bonds, will be required to deposit the Series 2026 Bonds with DTC.

## PURPOSE AND SECURITY

The proceeds of the Series 2026 Bonds will be used by the City to (i) provide funds for certain improvements to the City's municipal water system, including design, engineering and construction of a new water reservoir, water treatment plant and related improvements; and (ii) pay the costs associated with the sale of the Series 2026 Bonds.

The Series 2026 Bonds, including interest thereon, are special, limited obligations of the City, payable solely from and secured by, equally and ratably with the i) Outstanding Water System Revenue Bonds, Series 2023A Bonds, dated July 20, 2023, ii) Outstanding Bonds, and iii) any Additional Bonds hereafter issued on a parity therewith, the Net Revenues of the City's municipal water system. The Series 2026 Bonds are **not** secured by amounts on hand in any Reserve Account. The Series 2026 Bonds and the interest thereon are not general obligations of the City and the City's full faith and credit and taxing power are not pledged to the payment of principal and interest thereon. The Series 2026 Bonds do not constitute a debt of the City within the meaning of any constitutional or statutory limitation or provision. Bidders should consult a copy of the Official Statement for a discussion of the security for the Series 2026 Bonds and the form of opinion of bond counsel relating to the Series 2026 Bonds.

## CONTINUING DISCLOSURE

In order to permit bidders of the Series 2026 Bonds and other participating underwriters in the primary offering of the Series 2026 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the City will covenant and agree for the benefit of the registered holders and beneficial owners from time to time of the outstanding Series 2026 Bonds to provide annual reports of specified information and notice of the occurrence of certain events. The City is the only "obligated person" in respect of the Series 2026 Bonds within the meaning of the Rule for the purposes of disclosing information on an ongoing basis. A description of the undertaking will be set forth in the Official Statement. Failure of the City to enter into an undertaking substantially similar to that described in the Official Statement would relieve the successful bidder of its obligation to purchase the Series 2026 Bonds.

## BIDDING PARAMETERS

Bids shall be for not less than \$40,000,000 (Par), plus accrued interest, if any, on the total principal amount of the Series 2026 Bonds. No bid can be withdrawn or amended after the time set for receiving bids on the Sale Date. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the bid must be 98.0% or greater. Series 2026 Bonds of the same maturity shall bear a single rate from the date of the Series 2026 Bonds to the date of maturity. No conditional bids will be accepted.

## GOOD FAITH DEPOSIT

To have its bid considered for award, the successful bidder is required to submit a good faith deposit via wire transfer to the City in the amount of \$800,000 (the "Deposit") no later than 1:00 p.m. M.T. on Monday, June 1, 2026. The successful bidder shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the bid of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of bids. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the successful bidder will be retained by the City and no interest will accrue to the successful bidder. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the successful bidder fails to comply with the accepted bid, the Deposit will be retained by the City.

## AWARD

The Series 2026 Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost basis calculated on the bid prior to any adjustment made by the City. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Series 2026 Bonds, (ii) reject all bids without cause, and (iii) reject any bid that the City determines to have failed to comply with the terms herein.

## BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank Trust Company, National Association, located in Salt Lake City, Utah will act as bond registrar, transfer agent and paying agent (the "Registrar") in connection with the Series 2026 Bonds. The bond register will be kept, transfers of ownership will be effected and principal of and interest on the Series 2026 Bonds will be paid by the Registrar. The City will pay the charges of the Registrar for such services. The City reserves the right to remove the Registrar and to appoint a successor.

## NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Series 2026 Bonds will not be designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and financial institutions described in Section 265(b)(5) of the Code may treat the Series 2026 Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

## LEGAL OPINION

An opinion as to the validity of the Series 2026 Bonds and the exclusion from gross income for federal and Montana income tax purposes of the interest on the Series 2026 Bonds will be furnished by Dorsey & Whitney LLP, of Missoula, Montana, as Bond Counsel. The legal opinion will be delivered at the time of closing. The legal opinion will state that the Series 2026 Bonds are valid and binding special, limited obligations of the City enforceable in accordance with their terms, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

## DELIVERY

On or about June 25, 2026, the City will deliver to the Registrar the printed Series 2026 Bonds for completion, authentication and delivery to The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. The successful bidder will not receive physical certificates representing its interest in the Series 2026 Bonds. Payment for the Series 2026 Bonds must be received by the City in immediately available funds at its designated depository on the day of closing.

## ESTABLISHMENT OF ISSUE PRICE

In order to establish the issue price of the Series 2026 Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Series 2026 Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, third-party distribution agreement or other agreement relating to the initial sale of the Series 2026 Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Series 2026 Bonds with a separate CUSIP number constitute a separate "maturity," and "the public" does not include underwriters of the Series 2026 Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Series 2026 Bonds.

If, however, a bid is submitted for the bidder's own account in a capacity other than as an underwriter of the Series 2026 Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Series 2026 Bonds, the bidder shall notify the District to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the winning bidder that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the winning bidder will be required to deliver to the City at or prior to closing a certification, substantially in the form attached hereto as Exhibit A, as to the reasonably expected initial offering price as of the award date.

If the City advises the winning bidder that the requirements for a competitive sale have not been satisfied, the hold-the-offering price rule will apply. The winning bidder shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Series 2026 Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification substantially in the form attached hereto as Exhibit B, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

**Bidders should prepare their bids on the assumption that the Series 2026 Bonds will be subject to the "hold-the-offering-price" rule. Any bid submitted pursuant to the Terms of Bid shall be considered a firm offer for the purchase of the Series 2026 Bonds, and bids submitted will not be subject to cancellation or withdrawal.**

#### BOND INSURANCE AT PURCHASER'S OPTION

The City has not applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2026 Bonds. If the Series 2026 Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's bid. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest true interest cost to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2026 Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2026 Bonds.

#### COSTS; CUSIP NUMBERS

The City will pay the fees and charges of its municipal advisor, bond counsel, and Registrar, along with costs of printing the Official Statement, and other miscellaneous costs associated with the sale and issuance of the Series 2026 Bonds. If the Series 2026 Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2026 Bonds; however, neither the failure to print such numbers on any Series 2026 Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 2026 Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

## RATING

The City has applied for a rating from Moody's Investors Service on the Series 2026 Bonds. If the City obtains such rating, rating agency fees for obtaining the rating will be the responsibility of the City.

## OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Series 2026 Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email [bids@bakertilly.com](mailto:bids@bakertilly.com). The Preliminary Official Statement will also be made available at <https://www.muniplatform.com/calendar>.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Series 2026 Bonds, together with any other information required by law. By awarding the Series 2026 Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

City of Billings, Montana

**EXHIBIT A**

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ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED  
UNDERWRITERS

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**[\$[PRINCIPAL AMOUNT]]  
Water System Revenue Bonds, Series 2026  
City of Billings, Montana**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

**2. Defined Terms.** For purposes of this Issue Price Certificate:

(a) *Issuer* means the City of Billings, Montana.

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (i.e., an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dorsey & Whitney, LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
*(Attached)*

**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
*(Attached)*

**EXHIBIT B**

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**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED  
UNDERWRITERS**

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**[\$[PRINCIPAL AMOUNT]  
Water System Revenue Bonds, Series 2026  
City of Billings, Montana**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ( [“[SHORT NAME OF UNDERWRITER]”][the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **First Price at which Sold to the Public.** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means the City of Billings, Montana.

(c) **Maturity** means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) **Member of the Distribution Group** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) **Public** means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the

corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dorsey & Whitney, LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A  
INITIAL OFFERING PRICES OF THE BONDS**

*(Attached)*

**SCHEDULE B  
PRICING WIRE**

*(Attached)*

CITY OF BILLINGS, MONTANA

\$40,000,000\* Water System Revenue Bonds, Series 2026

For the Series 2026 Bonds, which shall mature and bear interest at the respective annual rates as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$40,000,000 (par)) plus accrued interest, if any, to the date of delivery.

Table with 8 columns: Year, Interest Rate (%), Yield (%), Dollar Price, Year, Interest Rate (%), Yield (%), Dollar Price. Rows for years 2027-2036 and 2037-2046.

Designation of Term Maturities

Years of Term Maturities \_\_\_\_\_

In making this offer on the sale date of June 1, 2026 we accept all of the terms and conditions of the Terms and Conditions of Sale published in the Preliminary Official Statement dated May 18, 2026 including the City's right to modify the principal amount of the Series 2026 Bonds.

By submitting this bid, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Series 2026 Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

The Bidder  will not  will purchase municipal bond insurance from \_\_\_\_\_.

Account Members

By: \_\_\_\_\_ Account Manager
Phone: \_\_\_\_\_

The foregoing proposal has been accepted by the City.

Attest: \_\_\_\_\_

Date: \_\_\_\_\_

\* Preliminary; subject to change.