OVERVIEW

The **Capital Improvement Program (CIP)** is a plan that projects the county's capital projects and capital equipment over the course of the next five years. The **Capital Budget** represents one year of the five-year CIP and it is a component of the Annual Operating Budget. Unlike the CIP plan, the Capital Budget represents the approved capital items contained in the current year Annual Operating Budget. The County's Capital Improvement Program is produced in a separate document and is available on the county's web site.

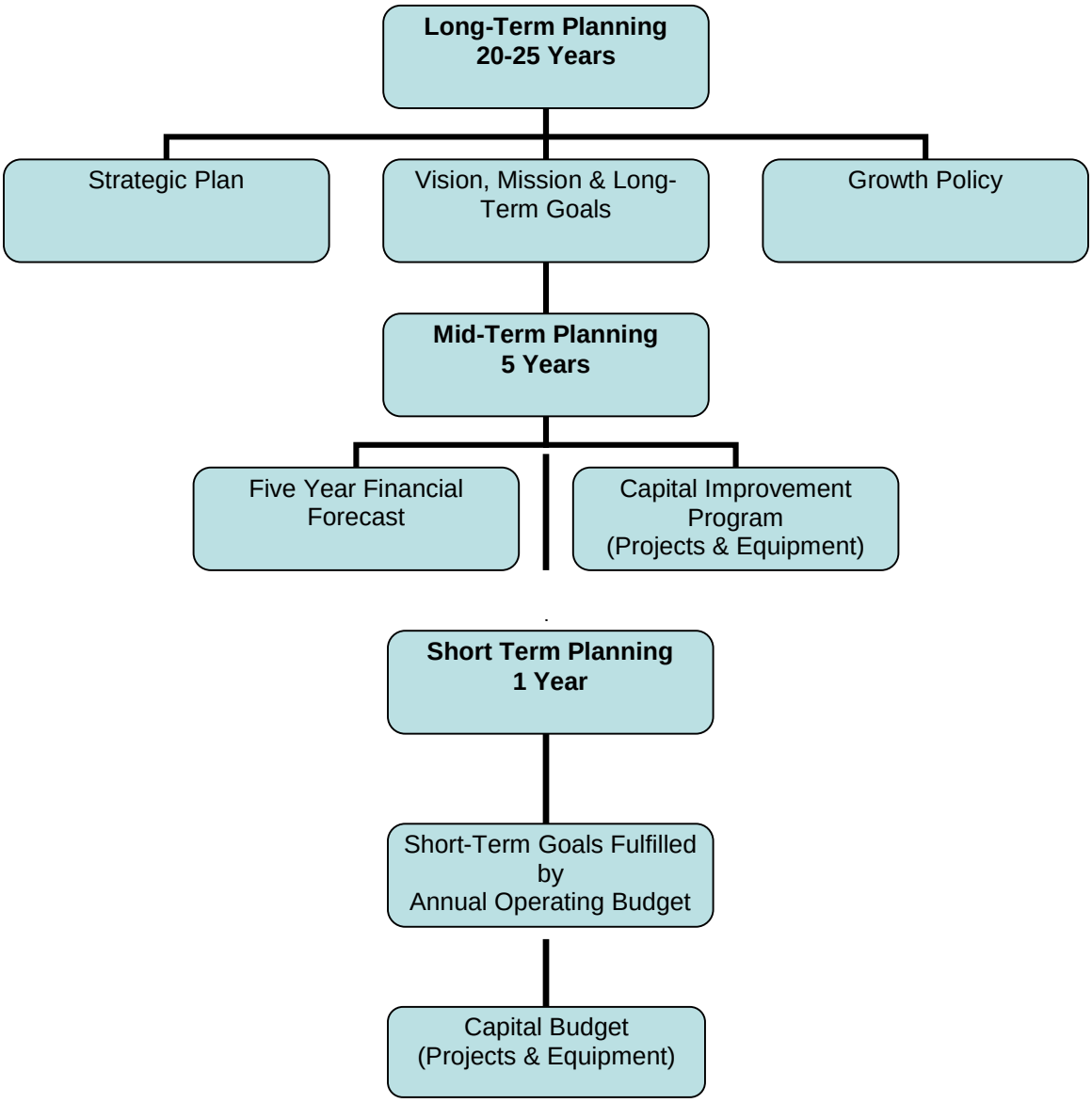
The capital budget is separate and distinct from the County's operating budget for several reasons. First, capital outlays reflect non-recurring capital improvements rather than ongoing expenses. Where possible, capital projects are funded from nonrecurring funding sources such as debt proceeds and grants; these one-time revenue sources are not appropriate funding sources for recurring operating expenses. Second, capital projects tend to be of high cost in nature, requiring more stringent control and accountability. To provide direction for the capital program, the County Commission has adopted policies relating to the Capital Improvement Program and the Capital Budget, which are discussed later in this section.

LINKAGE

Gallatin County conducts various planning processes (long-term, mid-term and short-term), to help guide the government and to insure that decisions are made in the context of the organization as a whole and with a long-term perspective. Diligent efforts are made to insure each of these component planning processes are in sync with one another. This so called "Linkage" is paramount to insure short-term decisions are consistent with the overriding values embodied in the mid-term and long-term planning processes adopted by the County Commission. This required linkage dictates that the CIP be developed within the context of, and consistent with, the county's long-term and mid-term plans.

Each element of the county's planning process has a different purpose and timeframe. The Strategic Plan, Vision, Mission, Long-term Goals and Growth Policy are the most far-reaching in nature — 20 to 25 years. The Capital Improvement Program and the Five-Year Financial Forecast are mid-term in nature — 5 years. The Annual Budget and the Capital Budget are short-term — covering a 1 year timeframe. The most important aspect is that they are coordinated and are in sync with one another.

Shown on the following page is a hierarchy of the County's layered planning processes, all which support one another and are designed with a common goal. The chart depicts how the Capital Improvement Program, the Annual Operating Budget, and the Capital Budget fit within the county's planning process hierarchy.


Long-Term Planning
20-25 Years
Strategic Plan
Vision, Mission & Long-Term Goals
Growth Policy
Mid-Term Planning
5 Years
Five Year Financial Forecast
Capital Improvement Program (Projects & Equipment)
Short Term Planning
1 Year
Short-Term Goals Fulfilled by Annual Operating Budget
Capital Budget (Projects & Equipment)

CAPITAL PLANNING

Capital Planning refers to the process of identifying and prioritizing County capital needs for determining which capital projects should be funded in the capital budget as resources become available. Countywide planning is guided by the Gallatin County Strategic Plan and the Growth Policy. These plans provide long term direction for the growth and development of the County.

Proposed capital projects are reviewed for compliance to the adopted Strategic Plan and Growth Policy as part of the budget adoption process.

THE CIP AND CAPITAL BUDGET PROCESSES DESCRIBED

Gallatin County updates its CIP every year. The Capital Budget is adopted annually. The county prepares its CIP only after significant efforts to insure the public has had ample opportunity to review and comment on the proposed capital plan. Linkage with the county's long-term and mid-term plans is of great importance to the CIP Committee and the County Commission in their deliberations and decision making process.

The CIP is prepared under the general direction of the County Administrator (CA). The CIP review begins in early winter when the Capital Improvement Program Committee (CIPC), comprised of 7 community leaders, one elected official and one department head with a County Commission being a non-voting member. The CIPC meet with program directors and managers to explain the overall process and to provide pertinent information, process, changes and general instructions. At this meeting the goals and direction for the CIP are outlined. As part of this process, the capital budget calendar of key budget cycle dates and written documentation including forms, instructions, and definitions to be used in preparing their capital project budgets, including revising current project estimates and submitting requests to add new capital projects are distributed.

All pertinent information is required including the reason for the project, the proposed project location and scope, project funding requirements by fiscal year, proposed project schedule and completion dates, and anticipated operating cost impacts. Requests are reviewed and evaluated by the Committee. In preparing the CIP, Committee may confer with departments to ascertain that the proposed program is in accordance with the County's Comprehensive Strategic Plan and Growth Policy. Throughout the development process, Committee meet with the County Commissioners to keep them up-to-date and to obtain overall policy guidance. Upon completing their review, the Committee meets with the appropriate program directors and representatives to resolve outstanding issues and ensure that all are in agreement with the recommendation.

As the process continues and the new CIP begins to take shape, the information is forwarded, as a recommendation to the County Commission. The Commission is free to modify the recommendation as they deem necessary. The Commission holds a public hearing as part of the in June to hear comments on Recommended CIP for the current and next two years. After the public hearing the Commission meets and incorporates their decisions on the Capital Projects into the Preliminary Budget. The County Commission then holds work sessions and public hearings to obtain public comment. The Capital Budget is finalized as part of the Annual Operating Budget in late August of each year. Final budget documents reflecting the adopted budget and CIP are then prepared and distributed, both via hardcopy and electronic format.

Positive results of the Capital Improvement Program and Capital Budget include:

- Translation of the County's Strategic Plan, Growth Policy, individual Department's functional plans, and other programs and policies into tangible projects.
- The coordination of the capital projects of all County Departments so that they will further the implementation of the long-term plans.
- The possibility of guiding private development so that it occurs in a way that is in conformity with the county's long-term plans.
- Enabling the County Commission to better plan the financing for both capital and operating activities.
- Protection of the County's investment in existing facilities, where appropriate, to avoid the higher cost of rehabilitation and/or replacement associated with deferment.
- Fostering economies of scale through inter-jurisdictional cooperation.
- Promotion of economic development and its inherent contributions.

CAPITAL BUDGET AND ITS IMPACT ON FUTURE OPERATING BUDGETS

Whenever the County commits to a CIP plan, there is an associated long-range commitment of operating funds. For this reason, it is important to evaluate capital commitments in the context of their long-range operating impact. Most capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered, or by increasing or decreasing revenue. Such impacts vary widely from project to project and are evaluated individually during the process of assessing project feasibility. The five-year financial forecast also provides an opportunity to review the operating impact of growth-related future capital projects.

The operating impact of capital projects is analyzed and taken into consideration during the extensive CIP prioritization process. Estimated new revenues and/or operational efficiency savings associated with projects are also taken into consideration (net operating costs). Life Cycle Cost of major projects may be used in the CIP Committees deliberations. Departmental staff plan and budget for significant start-up costs, as well as operation and maintenance of new facilities. The cost of operating new or expanded facilities or infrastructure is included in the operating budget in the fiscal year the asset becomes operational. Debt service payments on any debt issued for capital projects is also included in the operating budget.

Listed below are the capital items included in this year's Annual Budget, together with projected impacts on future operating budgets.

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
CAPITAL PROJECTS						
Airport at Three Forks			ESTIMATES ONLY			
Perimeter Fencing	2007	$ 499,850	$ -	$ 24,993	$ -	$ 24,993
Automated Weather Reporting	2007	43,880	-	2,194	-	2,194
subtotal Airport		$ 543,730	$ -	$ 27,187	$ -	$ 27,187
Open Space Acquisition			ESTIMATES ONLY			
Capital Reserve	2007	5,000,000	-	-	-	-
CIP - Current Year			ESTIMATES ONLY			
Joint Dispatch Building	2007	$ 3,000,000	$ 48,286	$ 150,000	$ 375,000	$ 573,286
Courthouse roof (Building Res. Fund)	2007	40,000	-	(1,020)	-	(1,020)
Detention Ventilation Grilles	2007	60,000	-	-	-	-
Fairgrounds Electrical	2007	65,000	-	(3,500)	62,500	59,000
Fairgrounds Sidewalk	2007	55,000	-	2,750	-	2,750
Fairgrounds Exhibit Building Upgrade	2006	205,166	-	(10,258)	-	(10,258)
Road - Shop	2007	2,276,000	-	113,800	125,000	238,800
Joint Dispatch Repeater & Equipment	2007	195,000	-	5,000	-	5,000
Guenther Building elevator	2007	65,000	-	4,500	-	4,500
Third District Court	2007	911,314	-	28,500	125,000	153,500
L & J Boiler/Cooling Tower Replacement	2007	296,000	-	(14,356)	-	(14,356)
L & J Carpet Project	2007	110,336	-	(14,356)	-	(14,356)
Courthouse Annex - Architect	2007	70,000	-	-	-	-
Detention Center - Reserve	2007	650,519	-	-	-	-
subtotal CIP Current Year		$ 7,999,335	$ 48,286	$ 261,060	$ 687,500	$ 996,846
CIP - Long Term			ESTIMATES ONLY			
Replacement Detention Center	2007	$ 26,000,000	$ 771,997	$ 81,188	$ 2,510,336	$ 3,363,522
Courthouse Annex (Remodel)	2008	630,000	48,286	26,700	26,250	101,236
Mental Health	2008	1,000,000	-	-	**125,000**	**125,000**
City / County Court Building	2010	18,909,250	48,286	189,093	1,825,714	2,063,093
Road - Shop Expansions	2011	1,500,000	-	75,000	125,000	200,000
Law Enforcement Building	2012	17,523,800	48,286	175,238	1,691,947	1,915,471
Noxious Weed Shop Building	2015	750,000	-	31,500	31,250	62,750
Courthouse Annex (Remodel Phs II)	2016	-	-	-	-	-
subtotal CIP Long-Term		66,313,050	$ 916,855	$ 578,719	$ 6,335,498	$ 7,831,072
TOTAL CAPITAL PROJECTS		$ 74,856,115	$ 965,141	$ 866,965	$ 7,022,998	$ 8,855,104

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
CAPITAL EQUIPMENT						
Airport						
Reserve	$	8,545	-	-	-	-
Replace Roof on Admin Building		3,075	-	-	-	-
Sprinkler System		7,000	-	-	-	-
Attorney						
Attorney - Victim Witness	$	38,555	-	-	-	-
Auditor						
Computer/Printer Reserve	$	-	-	-	-	-
Remodel (General & PILT Funds)		29,000	-	-	-	-
Bridge						
Computer	$	2,500	-	-	-	-
Dump Truck Bed		15,000	-	-	-	-
Flatbed work truck with tool boxes		25,000	-	-	-	-
Clerk & Recorder						
Capital Reserves - Accounting	$	3,500	-	-	-	-
Computer - Accouning		2,500	-	-	-	-
M100 Precinct Counters - Elections		230,000	-	-	-	-
Polling Place Upgrades - Elections		60,506	-	-	-	-
HAVA contingency - Elections		62,719	-	-	-	-
Server/Printer/Plotter Reserve - Records		32,500	-	-	-	-
Project Reserves - Records		235,755	-	-	-	-
New Employee Furniture - Records		3,500	-	-	-	-
Computers (5) - Records		12,500	-	-	-	-
Document Recording System - Records		310,000	-	-	-	-
Copier - Records		10,000	-	-	-	-
Color Module - Records		3,000	-	-	-	-
Microfilm Reader - Records		20,000	-	-	-	-
HP Plotter - Records		15,000	-	-	-	-
11 X 17 Printer - Records		8,000	-	-	-	-
File Cabiners - Records		5,000	-	-	-	-
Commission						
FTR Computer	$	2,100	-	-	-	-
FTR Software & Sound Card		3,490	-	-	-	-
Commisssioner Computer		2,500	-	-	-	-
Rolling Display		10,000	-	-	-	-
Printer		2,000	-	-	-	-
Communications						
Telephone replacement	$	7,340	-	-	-	-
HVAC at Data Sites		85,000	-	-	-	-
Copier Revolving						
Fair Copier Reserve	$	2,339	-	-	-	-
Commission Copier Reserve		19,236	-	-	-	-
Clerk & Recorder Copier Reserve		1,428	-	-	-	-
Treasurer's Copier Reserve		4,316	-	-	-	-
HR Copier Reserve		339	-	-	-	-
Human Services Copier		7,560	-	-	-	-
Environmental Health		17,778	-	-	-	-
Fiscal Copier Reserve		3,742	-	-	-	-
Planning Copier Reserve		18,063	-	-	-	-

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
Coroner						
Vehicle Reserve		$ 18,000	-	-	-	-
Court Services						
Computers		$ 10,000	-	-	-	-
Laptop		2,500	-	-	-	-
Copier Replacement		5,000	-	-	-	-
CTEP / TSEP / CDBG						
Improvements - Bike Path - CTEP		$ 3,019	-	-	-	-
Bridge Replacement - TSEP		50,794	-	-	-	-
CDBG - Economic Development		459,050	-	-	-	-
DES						
Software Licenses etc.		$ 10,000	-	-	-	-
Extension Agents						
Vehicle / Printer Reserve		$ 5,000	-	-	-	-
Facilities						
Copier		$ 5,000	-	-	-	-
Desktop Computer		2,500				
Laptop Computer		2,500				
Fair						
Computer - Replacement		$ 2,500	-	-	-	-
Laptop		2,500	-	-	-	-
1 Ton Pickup		15,000	-	-	-	-
3 Box Furnaces		2,000	-	-	-	-
Building - Reserve		22,044	-	-	-	-
Finance						
Computer/Printer Reserve		$ 2,500	-	-	-	-
Fire						
Vehicle Replacement		$ 55,000	-	-	-	-
Vehicle Reserve		-	-	-	-	-
Fire Districts/Fire Service Areas		2,302,863				
Forest Receipts (Title III)						
Reserve		$ 67,205	-	-	-	-
General Fund - Miscellanious						
Courthouse Annex - data/voice (LWQD)		$ 7,000	-	-	-	-
Geographic Information Systems GIS						
Computer Reserve		$ 5,915	-	-	-	-
Computer - Replacement		2,500	-	-	-	-
Hazardous Materials						
Vehicle Reserve		$ 30,000	-	-	-	-

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
Health						
Reserve - Admin		$ 129,723	-	-	-	-
Document Recording System - Admin.		30,000	-	-	-	-
Computer - (2) - Admin.		5,000	-	-	-	-
Reserve - Breast & Cervical		12,408	-	-	-	-
Capital Reserves - Communicable Dis.		120,000	-	-	-	-
Computers (5) - Communicable Disease		12,500	-	-	-	-
Reserve - Environmental		7,500	-	-	-	-
Replace GPS Unit - Environmental		3,800	-	-	-	-
Computers (3) - Environmental		7,500	-	-	-	-
Capital Reserve - Human Services		54,979	-	-	-	-
Capital Reserve - Maternal Child Health		66,373	-	-	-	-
Reserve - Health Preparedness		34,639	-	-	-	-
Capital Reserve - School Nursing		5,500	-	-	-	-
Human Resources						
Computer (2) Replace & New		$ 5,000	-	-	-	-
ITS						
Remodel		$ 18,500	-	-	-	-
Computers (5)		10,000	-	-	-	-
Training Lab Furniture		6,000	-	-	-	-
Active Directory		45,000	-	-	-	-
MS Office Upgrade		71,000	-	-	-	-
Remodel		17,500	-	-	-	-
Carry over FY 06		136,934	-	-	-	-
Forensic Software		13,000	-	-	-	-
Servers/ Network Equipment		63,603	-	-	-	-
Joint Dispatch - Interlocal						
Servers/ Network Equipment		$ 80,000	-	-	-	-
IMobile (two year commitment)		5,500	-	-	-	-
Float Charger (Nixon Ridge)		14,000	-	-	-	-
Parts		14,000	-	-	-	-
Paging Transmitter		128,010	-	-	-	-
Reserve		3,500	-	-	-	-
Joint Dispatch - Interlocal		178,924	-	-	-	-
Justice Court						
Scanner Reserve		$ 5,000	-	-	-	-
Copier Reserve		5,000	-	-	-	-
Computers (4)		10,000	-	-	-	-
Local Water Quality						
Capital Reserves		$ 75,000	-	-	-	-
Computer		2,500	-	-	-	-
Plotter		7,500	-	-	-	-

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
Noxious Weed						
Reserves		$ 20,400	-	-	-	-
New Employee Vehicle		15,000	-	-	-	-
Computer - Grant		2,500	-	-	-	-
Spray Unit - Grant		3,500	-	-	-	-
Open Land Board						
Capital Reserve		$ 2,375	-	-	-	-
Park						
Impr. To parks		$ 66,832	-	-	-	-
PILT - Commission						
Reserve - Copier & Reserve		$ 46,644	-	-	-	-
Reserve - Fax		2,200	-	-	-	-
Planning						
Connectivity		$ 15,000	-	-	-	-
Computer - Big Sky		2,500	-	-	-	-
Computers - Planning Board		10,000	-	-	-	-
Arc View Maintenance - Planning Board		2,200	-	-	-	-
Rest Home						
Capital Reserve		$ 761,830	-	-	-	-
Improvements to Grounds		20,000	-	-	-	-
Capital Outlay		270,890	-	-	-	-
Building - Reserve		25,000	-	-	-	-
Equipment Replacement		30,000	-	-	-	-
Food Service Reserve		38,000	-	-	-	-
Equipment Replacement		17,136	-	-	-	-
RID Constructions						
Equipment Replacemetn		58,925				

CAPITAL OUTLAY / CAPITAL PROJECTS

FY 2007 Capital Budget & Operating Budget Impacts
Projects by Department/Project Name

FY 2007 Capital Budget			Annual Operating Budget Impacts Over FY 07 Budget			
Department/Project Title	Fiscal Year	Appropriation	Personal Services	Operating Costs	Debt Service Costs	Total
Road						
Reserves - projects		$ 75,030	-	-	-	-
Computer		2,500	-	-	-	-
Laser Printer		2,500	-	-	-	-
Furniture		15,000	-	-	-	-
Public Works Software		40,000	-	-	-	-
Impact Fees		166,753				
Reserve - Junk Vehicle		12,794	-	-	-	-
Equipment Replacement - Junk Vehicle		20,000	-	-	-	-
Vehicle Reserve - Motor Pool		26,000	-	-	-	-
Vehicle Replacment - Motor Pool		15,396	-	-	-	-
Dozer - Operations		70,000	-	-	-	-
Crusher Jaws Reserve - Operations		60,000	-	-	-	-
Right of Way Acquisition - Operations		50,000	-	-	-	-
Dump Truck with Sander/Plow - Operations		46,000	-	-	-	-
Pickup 1/2 - Operations		26,000	-	-	-	-
Asphalt Paver - Operations		40,360	-	-	-	-
1 Ton Pickup - Operations		12,500	-	-	-	-
Welder - Operations		2,000	-	-	-	-
Sheriff						
Vehicle - Aiport		$ 38,648	-	-	-	-
Computer - Airport		2,500	-	-	-	-
Vehicles - Big Sky		48,000	-	-	-	-
Vehicle Reserve - Big Sky		24,000	-	-	-	-
Computers (4) - Detention		10,000	-	-	-	-
Garage Doors - Detention		15,000	-	-	-	-
Vehicle - Van - Detention		20,000	-	-	-	-
Vehicles - Law Enforcement		195,595	-	-	-	-
Alternative Light Source		10,000	-	-	-	-
6 Computers		15,000	-	-	-	-
Veh. Exchange packages		6,400	-	-	-	-
5 Vehicle Packages (new)		118,405	-	-	-	-
Reserve - Search & Rescue		3,263	-	-	-	-
Building - Search & Rescue		2,500	-	-	-	-
Computer - Search & Rescue		2,500	-	-	-	-
Dry Suits - Search & Rescue		2,300	-	-	-	-
Orion Sled - Search & Rescue		5,600	-	-	-	-
Solid Waste Districts						
Capital Equipment/Cell / Cap - Logan		$ 2,432,512				
West Compost - Reserve		705,465				-
Special Districts						
Captial Equipment etc.		$ 402,893				
Supt. Of Schools						
Computer		$ 2,500	-	-	-	-
Treasurer						
Computer - Treasury		$ 2,500	-	-	-	-
Kiosk Reserve - Motor Vehicle		10,000	-	4,400	-	4,400
TOTAL CAPITAL EQUIPMENT		$ 12,132,449				

FUNDING SOURCES FOR CIP AND CAPITAL BUDGET

A variety of funding sources are available to finance the Capital Improvement Program and Capital Budget. As noted before, capital projects, unlike operating expenses which recur annually, only require one-time allocations for a given project. This funding flexibility allows the County to use financing and one-time revenue sources to accelerate completion of critical projects.

All potential capital funding resources are evaluated to ensure equity of funding for the CIP. Equity is achieved if payment is made by the beneficiaries of a project or service. For example, general tax revenues and/or General Obligation Bonds appropriately pay for projects that benefit the general public as a whole. User fees, development fees, and/or contributions pay for projects that benefit specific users. The following summarizes the funding sources for the CIP.

General Fund: The County's general fund is available for use for any expenditure deemed to be in the public interest by the Gallatin County Commission.

State Revenues: The County receives various payments from the State of Montana for different purposes. A portion of Gas Tax revenues is earmarked for material costs of road projects.

Grants/Donations: This fund source consists of Federal grants, State grants, and donations by citizens and businesses where the money is passed through the County.

CTEP: These are Federal grants primarily directed towards improving or expanding non-motorized transportation.

General Obligations Bonds: These are bonds for which the full faith and credit of the County is pledged. G.O. Bonds require voter approval.

Special Assessments & Other Debt: Special Assessments are charges against certain properties to defray the cost of infrastructure improvements deemed primarily to benefit those properties. Also included are Revenue bonds where the debt service payments are paid for exclusively from the project earnings and Assessments.

User Fees: User fees are charges for county services where the benefits received from such services can be directly and efficiently applied to those who receive the benefits.

Park Acquisition & Development Fund: This fund is set up to account for funding that developer's pay to the County instead of donating park land when they are subdividing bare land.

Other & Private: This fund source represents other miscellaneous categories.

REVIEW PROCESS

In the Spring, prior to the start of year-end activity, the Finance Director conducts a review of projects contained in the previous year's Capital Budget. The reasons for this review is:

- To identify projects with excess appropriations that might be subject to reallocation.
- To identify projects with total expenditures and encumbrances exceeding the current appropriation that might require additional appropriations.
- To track impact fee revenues and expenditures to ensure that impact fees are being spent in a timely manner as required by ordinance.

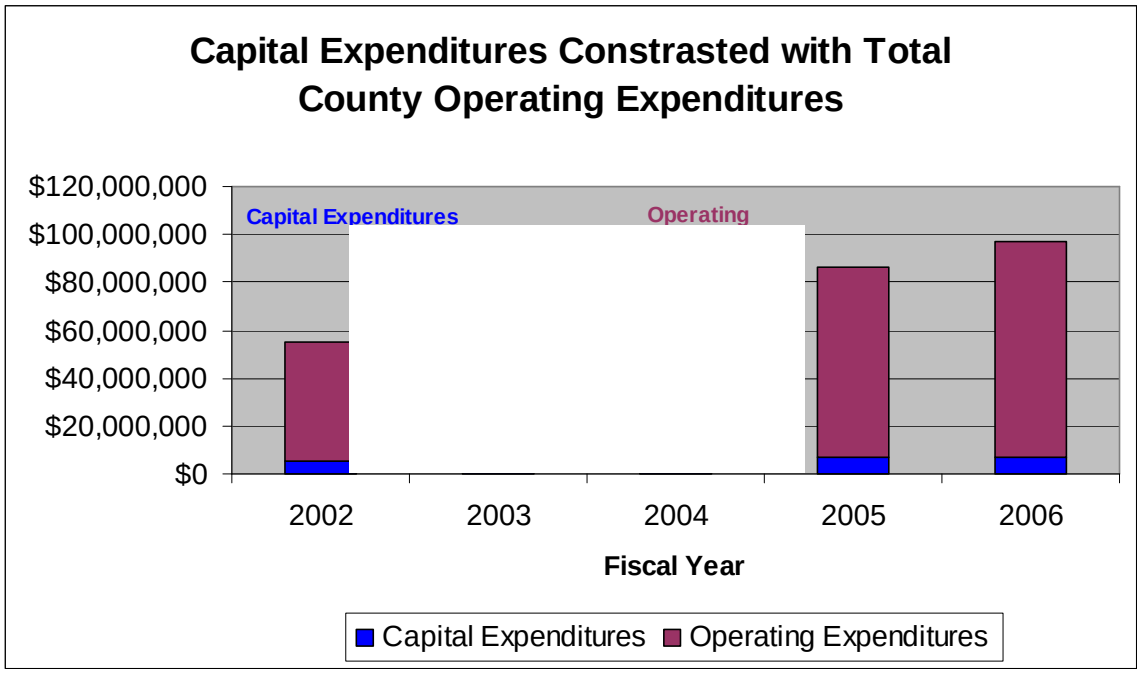
Relevant findings are forwarded to each of the project managers to provide an opportunity for feedback. Following the review, a project report is prepared, which is forwarded to the County Commission and the CA. The report highlights each project, major milestones to be met by the project, completion dates for each milestone, a map of the site, the name of the project manager, and a narrative explaining the current project status. This layer of review provides timely and quantitative in formation regarding each department's capital projects and the foresight necessary for the planning process in the ensuing fiscal year.

CAPITAL EXPENDITURES CONTRASTED WITH TOTAL COUNTY OPERATING EXPENDITURES

The investment by the county in its capital and infrastructure is of primary importance to insure the long-term viability of service levels. The amount of capital expenditures in relation to the total county budget is a reflection of the county's commitment to this goal.

Gallatin County strives to provide for adequate maintenance of capital, plant, and equipment and for their orderly replacement. All governments experience prosperous times as well as periods of economic decline. In periods of economic decline, proper maintenance and replacement of capital, plant, and equipment is generally postponed or eliminated as a first means of balancing the budget. Recognition of the need for adequate maintenance and replacement of capital, plant, and equipment, regardless of the economic conditions, will assist in maintaining the government's equipment and infrastructure.

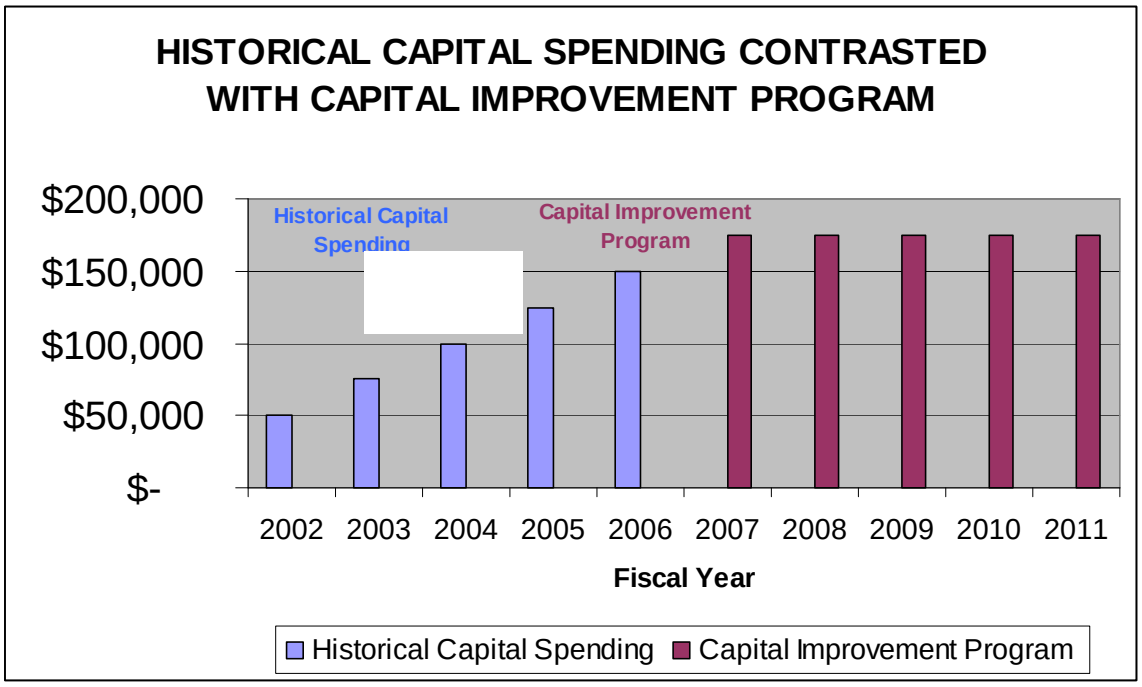
The graph below illustrates Gallatin County's historical investment in capital. The graph depicts actual capital expenditures over the last five years as compared to the county's operating budget. Obligating resources to capital investment is appropriate for a growing community as Gallatin County strives to meet level of service standards identified in the Strategic Plan and community outcomes identified in the Growth Management Plan.



CAPITAL IMPROVEMENT PROGRAM (NEXT FIVE YEARS) CONTRASTED WITH HISTORICAL CAPITAL SPENDING (PREVIOUS FIVE YEARS)

Another indicator of Gallatin County's commitment to providing for the adequate maintenance of capital, plant, and equipment and for their orderly replacement, is the level of projected capital spending over the next five years as compared to the previous five-year period. This information is useful to the County Commission in their deliberations when determining which items will be included in the Capital Budget. This information also helps the County Commission make decisions with a long-term perspective.

Shown below is a graph which contrasts historical capital spending (last five years) with the capital spending identified in the Capital Improvement Program (the next five years).



CAPITAL IMPROVEMENT POLICIES

Gallatin County has developed a set of financial management policies that cover all aspects of its financial operations. These and other policies are reviewed periodically by the County Administrative Office, the Finance Director and the County Commissioners and are detailed in the Executive Summary section of this document. Policies on capital improvements are one component of those financial policies. Listed below are excerpts from those policies, which relate specifically to capital improvements.

CIP Formulation.

1) **CIP Purpose.** The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan organized into the same functional groupings used for the operating programs. The CIP will reflect a balance between capital replacement projects that repair, replace or enhance existing facilities, equipment or infrastructure; and capital facility projects that significantly expand or add to the County's existing fixed assets.

2) **CIP Criteria.** Construction projects and capital purchases of $10,000 or more will be included in the Capital Improvement Plan (CIP); minor capital outlays of less than $10,000 will be included in the regular operating budget. The Capital Improvement Plan (CIP) differentiates the financing of high cost long-lived physical improvements from low cost "consumable" equipment items contained in the operating budget. CIP items may be funded through debt financing or current revenues, while operating budget items are annual or routine in nature and should only be financed from current revenues.

3) **Deteriorating Infrastructure.** The capital improvement plan will include, in addition to current operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.

Project Financing.

1) **Minor Capital Projects.** Minor capital projects or recurring capital projects, which primarily benefit current residents, will be financed from current revenues. Minor capital projects or recurring capital projects represent relatively small costs of an on-going nature, and therefore, should be financed with current revenues rather than utilizing debt financing. This policy also reflects the view that those who benefit from a capital project should pay for the project.

2) **Major Capital Projects.** Major capital projects, which benefit future residents, will be financed with other financing sources (e.g. debt financing). Major capital projects represent large expenditures of a non-recurring nature which primarily benefit future residents. Debt financing provides a means of generating sufficient funds to pay for the costs of major projects. Debt financing also enables the costs of the project to be supported by those who benefit from the project, since debt service payments will be funded through charges to future residents.