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AN ANALYSIS OF  
CAPITAL IMPROVEMENTS PLANNING  
IN  
MONTANA

By

Robert M. McCracken

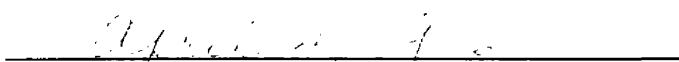
B. A., University of Kansas, 1977

Presented in partial fulfillment of the requirements  
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CHAPTER I  
INTRODUCTION

A National Problem: Infrastructure Needs, Land Use, and  
Capital Improvements Planning

Federal and state government officials and the national press have "discovered" a new crisis, the "infrastructure crisis." Infrastructure is the publicly built and maintained environment. Infrastructure is also known as public works or public facilities. It includes sewer, water, and solid waste systems, as well as streets, bridges, jails, public buildings, etc. Whether or not an impartial analyst would characterize the deterioration of the nation's infrastructure as of crisis dimensions, statistics on the scope of need are awesome. In order to meet 1984 national infrastructure needs, it is estimated that an investment of 1.2 to 3.0 trillion dollars will be necessary.<sup>1</sup>

Does the nation really need to invest such enormous sums in public facilities? What will happen if the

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<sup>1</sup>Montana Contractor's Association and Montana Department of Commerce, Community Development Division. Untitled Videotape on Montana's infrastructure situation. (Helena: Montana Contractor's Association and Montana Department of Commerce, Community Development Division, August, 1984.)

investment is not made? In other words, why should one care about infrastructure?

Adequate public facilities are important in supporting the American way of life. For example, water systems supply a substance vital to human life. From a public health viewpoint, sewer systems are also critical - they protect public health by spiriting away and rendering harmless human and industrial wastes. Substandard sewer or water systems expose the public to the horrors of life threatening diseases which were common only a few generations ago. Business expansion cannot take place without adequate sewer and water facilities. The "Love Canal incident" vividly illustrates the consequences of inadequate hazardous waste disposal facilities--hideous cancer, lost property values, and a polluted environment. The agricultural producer must have adequate roads and bridges to get farm products to market at reasonable prices. If the agriculturist has to slow down for potholes or detour around collapsed bridges, his transportation costs rise and his margin of return on investment is less. Improper or substandard drainage systems cause flooding problems which in turn cause loss of life, damage to private property, and soil erosion. The rationale for and necessity of other types of public facilities such as libraries, fire stations, parking facilities, sidewalks and

so on does not need extensive explanation. Adequate infrastructure is very important. Infrastructure is the physical underpinning of American communities. It protects our health, safeguards our environment, encourages commerce, provides cultural amenities, makes high speed and safe travel possible and provides us with basic necessities, such as potable water.

It is not the purpose of this paper to examine the reasons for the so called "infrastructure crisis." The purpose is to analyze one major technique which has been traditionally seen and used as a local government infrastructure planning and financing tool. This technique is called capital improvements planning. A capital improvements plan may be defined as "a plan and a schedule for providing capital expenditures over a period of time, typically five or six years. The plan specifies the needed facilities, approximate costs, expected revenue sources and schedule for construction."<sup>2</sup> Capital expenditures are typically, though not exclusively, expenditures for infrastructure.

It would be safe to say that if capital improvements planning worked ideally and was applied consistently the

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<sup>2</sup>Jim E. Richard. A Handbook: Capital Facilities Scheduling and Financing. (Helena: Montana Department of Commerce, Community Development Division, June, 1983) p.5.

nation would not be facing an "infrastructure crisis." As a technique, capital improvements planning has been available for at least fifty years. According to Roger Vaughn: "There is not a local government in the nation which is using capital improvements planning effectively."<sup>3</sup> If one accepts the veracity of this statement, then how are local governments using capital improvements planning? How effective is capital improvements planning in getting public facilities financed and built? If capital improvements planning is a primary tool to meet our infrastructure needs, and the process is not working perfectly, what is wrong?

Local government planners typically see capital improvements planning as a powerful tool in land use planning. Capital improvements planning can be used to manage new urban growth, control density, encourage new development in suitable locations, and provide efficiently laid out public facilities. Thus, capital improvements planning is referred to as one of the most useful tools for implementing local comprehensive plans. Some communities have actively used capital improvements planning and related public works policies to influence when, where, and

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<sup>3</sup>Roger Vaughn. Speech given as part of a workshop on Capital Improvements Planning conducted by the Council of State Planning Agencies and sponsored by the Montana Department of Commerce. Helena, Montana. April 1984.

how development occurs. For example, a local government can encourage new development by extending sewer or water lines to unserved areas. On the other hand a local government can discourage growth through the capital improvements planning process by: denying extensions of water and sewer, specifying the location of new roads, and carefully siting new schools. The concern over land use change is not only a planner's concern, it is also part of the infrastructure problem. Land use patterns dictate the future cost of maintaining and replacing public facilities. It is replacement of existing facilities which represents the lionshare of the current national "infrastructure bill." Despite the classic, theoretical planning dictum that capital improvements planning is a tool for land use control and comprehensive plan implementation, evidence from practioners suggests that such is not always the case. In fact the literature suggests that:

1. local decision makers do not always believe that capital improvements planning should be a landuse control tool;
2. capital improvements planning cannot always be used as a landuse control tool because local governments may not be able to control location of schools or facilities such as sewer or water provided by special districts, and;

3. local government representatives often perceive that the purpose of their capital improvements plan is for financing facilities not managing land use.

Thus, an important question for planners is how effective is capital improvements planning as a landuse control tool? If capital improvements planning is used as a tool, how do planners use a capital improvements plan to implement the comprehensive plan?

A Montana Problem: Infrastructure Needs, Land Use, and  
Capital Improvements Planning

The Governor's Task Force on Infrastructure has conservatively estimated that the 1984 Montana statewide needs for municipal and county governments only is in excess of 9 billion dollars. The 9 billion dollar figure represents community needs for municipal sewer and water, streets, roads, bridges, public buses, libraries, railroad reconstruction, airports, solid waste facilities, jails, and communication facilities.<sup>4</sup> Certainly paying for the needed infrastructure is an issue in Montana. Is capital

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<sup>4</sup>The Task Force was not able to estimate the dollar need for many types of facilities including schools, sidewalks, parks, firestations, drainage, parking facilities, and all facilities managed by special districts. Thus, the real need is much greater than 9 billion dollars.

improvements planning a worthwhile endeavor in the financing process for local public facilities in Montana? Some local officials and planners do not think capital improvements planning is worthwhile:

1. "We had a capital improvements plan for the County. It was a pretty book, but otherwise it wasn't useful." (A former County Administrative Assistant)<sup>5</sup>
2. "I think that capital improvements planning is a planner's relief project. Look, you know Mayor X. Do you really think he has the capability to do a capital improvements plan?" (A former local planner and current community development consultant.)<sup>6</sup>
3. "We had a capital improvements plan, but it became dated so fast that we gave it up." (A planning consultant for several rural jurisdictions.)<sup>7</sup>

On the other hand, some Montana local government representatives believe capital improvements planning is a

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<sup>5</sup>Gordon Morris. Former Administrative Assistant for Missoula County, Helena. Personal Communication. June 1984.

<sup>6</sup>Mike Ross. Private Community Development Consultant, Billings. Personal Communication. May 1983.

<sup>7</sup>John MacMartin. Private Planning Consultant, Billings. Personal Communication. April 1982.



useful financing tool. For example, at least 13 Montana local governments have prepared capital improvements plans. Moreover, the Montana Department of Commerce through its Community Development Block Grant Program and its Certified Cities Program has encouraged local governments to develop capital improvements plans. Thus, a key question is: In Montana, do local government representatives see capital improvements planning as a useful financing tool for local facility projects? If capital improvements planning is an effective financing tool, why are the local infrastructure needs so massive?

As for the use of capital improvements planning as a tool for landuse control and implementation of comprehensive plans in Montana, the author has been unable to find any published research. In contrast, some limited research on the use of capital improvements planning by local governments as a landuse tool has been conducted in other states. In Montana, as well as the rest of the nation, capital improvements planning is a potentially powerful landuse tool. But it is not known which if any Montana local governments have used capital improvements planning as a landuse tool. Likewise, it is not known how effective capital improvements planning is as a landuse tool under Montana conditions.

## Research Goals and Questions

The research project has the following goals:

1. to obtain an overall, statewide, practitioner perspective on capital improvements planning at the local government level;
2. to obtain the viewpoints of the key players in the local capital improvements planning process - the governing body, the coordinator of the plan, and the planning staff;
3. to determine the effectiveness of capital improvements planning as a financing tool or process for local government infrastructure; and
4. to determine the effectiveness of capital improvements planning as a tool for landuse control.

In order to achieve the above goals, this study will address two major and inter-related questions. The first major question is: "How effective is capital improvements planning in Montana as a financing process or financing tool for a community's public facility needs?" The following are subsidiary questions:

1. How does one measure effectiveness?
2. How do Montana state statutes positively or negatively influence the use of capital improvements plan as a financing process?

3. Is capital improvements planning effective but not applied consistently or rationally?
4. Do policymakers follow their capital improvements plan?
5. How do local practitioners view their capital improvements plan?
6. Is the problem simply that facility needs are never met because local governments are unable to raise adequate revenues to meet the needs?

The second major question is, "How effective is capital improvements planning in Montana as a tool for land use control and comprehensive plan implementation?"

The following are subsidiary questions:

1. How does one measure effectiveness?
2. How do Montana state statutes positively or negatively influence the use of capital improvements planning as a landuse tool?
3. Do local planners use the capital improvements plan to control landuse and to implement the comprehensive plan? If so, how? If not, why not?

#### Research Methodology

The aforementioned questions were researched using three techniques.

The first technique was a literature review. The review describes the experiences of local governments with

capital improvements planning from a national perspective.

The second technique was an analysis of selected Montana statutes. This sets the basic framework for capital improvements planning in Montana.

The third technique was a telephone survey of Montana municipal and county governments which have capital improvements plans. For each municipality or county sampled three key persons were interviewed:

1. the staff person who prepared the plan;
2. the planning director; and
3. the chief elected official (county commissioner or mayor).

Survey questions were formulated to provide answers to the two principal research questions.

The results of the literature review, legal analysis, and survey also have been analyzed in terms of the two major research questions.

## CHAPTER II

### WHAT IS CAPITAL IMPROVEMENTS PLANNING?

Although there are many definitions of what constitutes a capital improvements plan, the following one will suffice for purposes of this study:

The presentation and updating of a proposed schedule of public works and related equipment to be built or purchased by a local government during a specific period of time - usually 5 years. It covers a jurisdiction's entire range of public facility and service requirements. All anticipated future projects are listed in the plan in order of construction priority, with cost estimates and the anticipated means of financing each project. A capital improvements plan is based upon a jurisdiction's comprehensive plan (or objectives as defined by the local government) and upon proposals submitted by various officials, departments, and citizen groups.

Thus, a capital improvements plan (CIP) is a local government's plan to build and repair its infrastructure.

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<sup>8</sup>Neil L. Meyer. Coping with Growth: Programming Capital Improvements. WREP No. 30. (Corvallis: Western Regional Development Center, Oregon State University, 1980) p.2.

Various authors refer to capital improvements planning as capital facilities planning, capital facilities programming, and capital improvements programming. All these terms are synonymous. To avoid confusion, this study will always use the term "capital improvements planning" to describe the process and the term "capital improvements plan" (CIP) to describe the local government's written policy document. When quotations are cited which use the other terms the quotation will be changed to use the terms capital improvements planning or capital improvements plan.

Although capital improvements plans vary in content, scope, and format, they normally have the following elements and characteristics:

1. a list of needed public works projects;
2. the list is prioritized -- the most important projects are to be funded and built ahead of less critical projects;
3. the funding source(s) for each individual construction project is (are) identified;
4. there is a time schedule for completing each project; and
5. the plan is a formal written document.

In many states including Montana, the CIP is not binding -- it is a government policy without the effect of law. However, a plan becomes a binding commitment when a local government appropriates money through the adoption of a capital budget as a means of implementing the CIP. The capital budget is that part of the local government's annual budget which is reserved for capital expenditures (expensive fixed assets such as public works projects or major pieces of equipment).<sup>9</sup>

The CIP, the capital budget, and the resulting newly

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<sup>9</sup>See Richard, p.5.

built or repaired infrastructure are the products of the capital improvements planning process. A simplified summary of the capital improvements planning process is provided by Figure 1 which identifies, by step, what is to be done and who is to carry it out. The "what" column is a fairly standardized process. However, who carries out each step (column 2) varies tremendously among different local governments because of differences in:

1. the type of local government (city vs. county);
2. organizational structure of the government;
3. staffing level;
4. population size;
5. historical and political norms unique to each local government; and
6. personalities and philosophies of individual local officials.

In addition, how each step is accomplished may also vary tremendously between jurisdictions. Not surprisingly, the written formal capital improvements plans from different local governments vary from simplistic 3 page "needs lists" to sophisticated 200 page books with elaborate prioritization systems and financial analysis.

FIGURE 1  
SIMPLIFIED SUMMARY OF CIP PROCESS

<u>Step</u>	<u>What</u>	<u>Who</u>
1.	Identify the needs for building new public works or repairing existing facilities.	<ul style="list-style-type: none"> <li>* CIP Coordinator -- designated by the local government. (May be planning staff, city or county manager, finance officer or may be a committee).</li> <li>* Individual local government department heads (prepare project requests).</li> <li>* Consulting engineers, or architects (inventory facilities, analyze costs).</li> </ul>
2.	Compile individual project requests submitted by department heads into a draft CIP. Draft plan is a list of proposed projects with key information about each project. Draft may or may not be prioritized.	<ul style="list-style-type: none"> <li>* CIP Coordinator.</li> </ul>
3.	Review of draft plan.	<ul style="list-style-type: none"> <li>* Governing body.</li> <li>* All local government departments.</li> <li>* Public (through CIP hearings and formal budget hearings).</li> </ul>
4.	Projects reranked by importance, funding priorities set, final plan established and formally adopted.	<ul style="list-style-type: none"> <li>* Governing body.</li> </ul>
5.	CIP implemented by adoption of Capital Budget (Capital Budget allocates money for each project to be built).	<ul style="list-style-type: none"> <li>* Governing body.</li> </ul>



FIGURE 1 (Cont.)  
SIMPLIFIED SUMMARY OF CIP PROCESS

<u>Step</u>	<u>What</u>	<u>Who</u>
6.	Projects financed (e.g. tax money spent, grant obtained, special improvement district created).	* Governing body. * Finance Officer.
7.	Projects built.	* Department heads. * Private sector design and construction consultants. * CIP Coordinator (May manage and coordinate the process).
8.	Cycle begins again (Identify needs for next year based on the five year plan and the results of the past year's project financing efforts). Also, add a "new" year five to the plan to "replace" the year just completed.)	

## CHAPTER III

### LITERATURE REVIEW: FINANCIAL AND LANDUSE EFFECTIVENESS OF CAPITAL IMPROVEMENTS PLANNING

#### Value of Capital Improvements Planning In Financing Infrastructure

The goal of the capital improvements planning process is the rational planning and financing of infrastructure. According to knowledgeable sources the capital improvements planning process can assist in the financing of infrastructure by:

1. reducing project costs;
2. obtaining citizen support for bond issues; and
3. applying funding mechanisms to directly finance projects in the CIP.

Reducing Project Costs -- The capital improvements planning process can reduce infrastructure project costs. For example, with a CIP in effect, a municipal government would not pave a street and then turn around four weeks later and tear up the new street to replace a water line. The plan would provide for scheduling the two separate projects at one time, thus, saving the taxpayers money by

preventing the repair of the street twice.<sup>10</sup> A plan can also reduce infrastructure costs by replacing a part of a public facility when that component needs replacement and not wait until the entire facility fails. Although replacing a facility's components results in periodic public expenditures, it prevents far more expensive total system failures. This is the same principle as the value of periodic car maintenance - it is cheaper in the long run to replace the engine's oil and filter than to pay for a complete engine overhaul. For example, it costs about \$100,000 to resurface a mile of highway when maintenance is carried out on a regular basis. But if maintenance is deferred until the entire road bed must be replaced, the cost of rebuilding the same mile of highway may approach \$1 million.<sup>11</sup> A similar example could be presented for bridges with the difference being that the cost of delaying bridge maintenance may be measured in lives as well as dollars if the bridge deteriorates to the point of collapse.

Another way that a plan reduces costs is that bond underwriters are more likely to charge lower bond interest rates to local governments which have adopted sound

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<sup>10</sup>Ibid, Richard, p.3.

<sup>11</sup>Roger Vaughn, Rodney Smith et. al. Investing in Public Works: CSPA/CFED Working Paper. (Washington, D.C.: Council of State Planning Agencies, March 1984) p.3.

financial planning procedures as illustrated by effective capital improvements planning.<sup>12</sup>

Having a CIP can also help local governments anticipate land acquisition needs for future projects. Thus, local governments can purchase land in advance of actual need, thereby minimizing costs to the community.<sup>13</sup>

Tom Truelove, Mayor of Cheney, Washington, feels that capital improvements planning can help reduce overall expenditures on public facilities by forcing municipal staff to be more accurate and efficient in developing budget requests for facility projects. They have to justify their budget requests to the governing body.<sup>14</sup>

Of course, the reduction of project costs is not a direct method of financing infrastructure. It only helps if the local government has the political will and financial capability to finance the projects in the first place. However, the savings do add up and may result in:

1. more projects being financed with the same amount of money; or
2. taxes being reduced.

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<sup>12</sup>Ibid, Richard.

<sup>13</sup>Irving Schiffman. Alternative Techniques for Controlling Land Use: A Guide for Small Cities and Rural Areas in California. (Davis: University of California, Institute of Governmental Affairs, January 1983) p.22.

<sup>14</sup>Tom Truelove. Mayor, Cheney, Washington. Personal communication. July 15, 1985.

Obtaining Citizen Support -- The capital improvements planning process can improve the chances that citizens will pass bond issues. Many types of facilities, such as jails and large public buildings, are normally financed through general obligation bond issues which require a vote of the people. Citizens tend to be more receptive toward projects which are part of a community wide analysis. They will be less likely to feel that an individual construction project is someone's pet project that is being forced upon the taxpayers if the project is part of an overall plan, if plan priorities are based on formal criteria that establishes the need for the project, and if capital improvements planning provides for extensive public input. Thus, they should be more willing to support bond issues, rate increases and other funding methods.<sup>15</sup> The author has not been able to find any hard evidence -- such as surveys of taxpayers -- that support these claims.

Funding Mechanisms -- Indirectly the literature implies that capital improvements planning partially depends on the effectiveness of each financial method used to pay for each project in the plan. The CIP is implemented by financial mechanisms -- bonding, tax increment financing, lease-purchase, mill levys, sale-

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<sup>15</sup>Ibid, Richard.

leaseback, state or federal grants and loans, and other local government finance tools. Local governments which use capital improvements planning, in contrast to those which operate without a CIP, benefit from more intensive analysis of the appropriateness of the finance method used to pay for each project in the plan. This presumably allows less expensive financial choices to be made.<sup>16</sup>

### The Effectiveness Of Capital Improvements Planning For Financing Infrastructure

There is no known definition of "effectiveness" as it applies to capital improvements planning. The word "effective" commonly means "something that works or that works well." Such a definition is not specific enough for this study. Therefore, the author developed his own definition to help guide the research. Effectiveness in the financial context is defined, for the purpose of this study, as being: the financing and actual construction of the planned facilities in the order of priority as set out

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<sup>16</sup>The analysis of capital improvements planning and the analysis of individual finance methods is interrelated. This causes analytical problems in the study of the capital improvements planning. In other words, are we studying the effectiveness of capital improvements planning as a process or the effectiveness of an individual finance method (e.g. lease-purchase) to finance an individual facility (e.g. jail)? The primary focus of this study is on the process and the perceptions of the participants. This paper will not attempt to analyze the vast complexities of the suitability of a multitude of various financial methods for the many different types of public facilities.

in the CIP within a reasonable time period. Further, effectiveness does not mean that every project listed in the CIP must be built. A typical CIP may list 10 to 50 needed public facility projects. For this definition, effectiveness means that the top 3 projects have been built on the schedule specified in the CIP or within a reasonable time period (3 years).

There has been little attention given to the concept of financing effectiveness of capital improvements planning in the literature. The following items provide some insight to the subject.

Lisa Bay and Jim Boyer conducted case studies of 13 Montana cities and counties for the Governor's Task Force on Infrastructure. Bay and Boyer found that these 13 governments were reluctant to set up formal capital improvements plans financed by the capital improvement fund method. (The capital improvement fund financial method allows municipalities and counties to create "public works savings accounts" by reserving a portion of the annual budget. The money is to be used to pay for the CIP.) The governments did not use the fund because they said they would have to:

1. raise taxes; or

2. cut existing government services.<sup>17</sup>

But Bay's findings do not lead to clear cut conclusions. Is the financial mechanism (the fund) the problem? Or are there inherent flaws in the capital improvements planning process? Are local governing bodies simply opposed to raising taxes no matter how important the public works project appears to be to public works experts?

Phil Rosenberg, an author of many books on capital improvements planning, has listed the following mistakes or problems which can reduce the effectiveness of the capital improvements planning process:

1. putting a project into the "future" years of the CIP without adequate justification, leading to eventual funding without an adequate need being proven;
2. not reviewing the justification and project substance for projects that were in last years CIP, when circumstances could have changed significantly meaning modification or elimination of the project;
3. inadequate commitment and review to projects not included in the current fiscal year appropriation;
4. biting off more than you can "chew" by failing to give adequate attention to the need for staff effort to plan and supervise proposed projects;
5. major projects frequently going directly into the proposed budget year without ever having been in the CIP before;

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<sup>17</sup> Lisa Bay Consulting. Montana Local Government Infrastructure Case Studies. (Helena: Montana Department of Commerce, Community Development Division, June 1984) p. 2 (General Observations Section).



6. projects just drifting in the CIP from year-to-year but never getting funded even for study or design phases;
7. not providing or having the seed money needed for feasibility and planning activities in the years before permanent funding is arranged;
8. failure to analyze and plan for operating program requirements and costs associated with construction or utilization of new capital items;
9. not allowing sufficient flexibility for unforeseen circumstances or construction cost changes that increase a project's total budget requirements; and
10. basing choices on easily<sup>18</sup> available federal dollars versus local priorities.

Rosenberg's laundry list points out several key common mistakes which may reduce the financial effectiveness of capital improvements planning. However, Rosenberg's list is heavily oriented to local management problems which, presumeably, can be corrected. The author does not address the financial capacity issue, i.e., can the local governments raise the money to pay for their capital improvements projects or are they simply unable to raise any additional money?

Rosenberg goes on to summarize typical financial implementation problems in capital improvements planning:

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<sup>18</sup> Philip Rosenberg. Draft Capital Improvements Programming Guidebook for Maine Communities: Volume II, The Capital Improvements Plan (Augusta: State of Maine State Planning Office, June 1984) pp. 48-79.

Problems can arise. If the bond issue is rejected by the voters or if the bond market is unstable, the project can be delayed. It will take several years to accumulate sufficient cash in the capital reserve fund to pay for a capital item funded through this mechanism. The grant you thought you were going to get didn't come through. Or, construction bids and land acquisition costs were much higher than originally anticipated thus delaying project implementation. These and many more financial and non-financial factors can contribute to the delay or improbability of project implementation.<sup>19</sup>

Roger Vaughn and Robert Pollard in their landmark work on infrastructure problems noted "few state and local governments prepare adequate capital budgets and even fewer effectively integrate capital plans with annual budgets."<sup>20</sup> The authors went on to compare the government approach with the private sector when they commented:

A capital budget allows state and local governments to evaluate the condition of their public infrastructure, and how that condition is affected by public investment decisions. A private corporation that attempted to balance its books by ignoring depreciation on its plant and equipment would attract the attention of the Securities and Exchange Commission (SEC) and would invoke the ire of its stockholders. Yet that is precisely what all state and local governments are doing each year. Most have balanced their books and even financed tax cuts by underinvesting in infrastructure because they do not

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<sup>19</sup> Philip Rosenberg. Draft Capital Improvements Programming Guidebook for Main Communities: Volume III, Planning, Policy and Fiscal Issues (Augusta: State of Maine State Planning Office, June 1984) p.3.

<sup>20</sup> Roger Vaughn and Robert Pollard. Rebuilding America: Volume I, Planning and Managing Public Works in the 1980's. (Washington: Council of State Planning Agencies, 1984), p. 78.

include a basic element in the accounts of all private firms -- depreciation. A properly prepared<sup>21</sup> capital budget would provide this missing element.

Thus, Vaughn and Pollard contend that local governments do not commit themselves to capital budgets (the implementation of a CIP) because they:

1. are not aware of or underestimate infrastructure depreciation costs; and/or
2. desire to keep current taxes low or to cut taxes by ignoring the deteriorating infrastructure.

In addition, Frank So pointed out a number of real world political tendencies which may cause elected officials to abandon a scientific CIP when he said:

There are certain investment decisions and styles of decision making that are irresistible to elected officials and, therefore, are inevitable. These are: a desire to keep tax rates down; a desire to spread capital improvements throughout the city so that each neighborhood "gets something"; a tendency to "give in" to vocal community and neighborhood groups -- and sometimes ignore such opinion; a tendency to balance expenditures and allocate cuts and additions "across the board" among all city departments; a tendency at times to avoid seeking certain federal or state grants if there are too many strings attached; and a strong tendency to jealously guard the capital investment decision-making process to the point where technicians do not really participate and often do not know why certain decisions are made.<sup>22</sup>

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<sup>21</sup>Ibid, p. 79.

<sup>22</sup>Frank S. So, et. al. The Practice of Local Government Planning (Washington: International City Management Association, 1979), p. 142.

## Value of Capital Improvements Planning As A Landuse Plan Implementation Tool

Capital improvements planning has long been seen by planners as an important part of the local government comprehensive planning process to ensure implementation of landuse goals. The basic modern legal model which authorizes and underpins local government planning in the United States, including Montana, is the Standard City Planning Enabling Act. "The 1928 Standard City Planning Enabling Act called for city planning commissions to review major public works decisions for consistency with the comprehensive plan. The preparation and review of the capital improvements plan (CIP) was intended as a way to assure that public facilities reenforced the policies enunciated in the plan."<sup>23</sup> Thus, local government planners have been instructed that comprehensive plans are to be implemented in part by complementary capital improvements plans. For example, Judith Getzels and Charles Thurow state in their planning textbook:

The community's capital improvements plan (CIP) will also have a significant role to play in implementing the community plan . . . Capital improvements planning is increasingly used by cities and counties as an

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<sup>23</sup>Frank S. So et. al. Local Capital Improvements and Development Management: Literature Synthesis. (Washington: United States Government Printing Office, July 1977) p. iv.

extension of city plans as well as a fiscal tool.<sup>24</sup>

And Allen Gould instructs in the implementation section of his planning handbook:

Capital improvements planning establishes the timing and the financing of needed capital improvements. Thus, [other] policies and plans for the development of many public facilities can be implemented through the use of these plans. Through the public facility plan element of its Comprehensive Plan, the community establishes priorities of need for the construction of roads, water lines, sewer lines,<sup>25</sup> public buildings, or other major public facilities.

Planners have long recognized the relationship between public infrastructure development and subsequent patterns of community development and population growth. As Getzels and Thurow state:

The impact of capital improvements must be carefully considered. A decision to spend public funds to extend sewer and water lines, for example, or to develop or improve roads almost inevitably will lead to increased development adjacent to these facilities. Therefore, the location of these key capital facilities should be carefully considered before programming to insure that development<sup>26</sup> will occur where and when the community wants it.

Thus, the CIP, guided by the comprehensive plan, can be used to encourage or discourage community growth and

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<sup>24</sup>Judith Getzels and Charles Thurow. Rural and Small Town Planning. (Chicago: Planners Press, 1979) p. 36.

<sup>25</sup>Allen C. Gould. An Introduction to Comprehensive Planning. (Havre, MT: Bear Paw Development Corporation, 1975), p. 17.

<sup>26</sup>Ibid, Getzels and Thurow, p. 36.

development. The use of a CIP can contribute to sound land use planning through:

1. extension of public facilities and urban services to undeveloped areas in accordance with established planning policies;
2. encouragement of new development to coincide with scheduled capital improvements while discouraging development in areas not programmed for capital improvements; and
3. possible establishment of a growth management system under which developers maybe permitted to install public facilities at their own expense if these facilities are not scheduled until later years.<sup>27</sup>

To ignore the development impacts of public facilities or to try to manage and regulate development exclusively with other planning mechanisms is folly. As Fairfax County, Virginia found:

The decision to build the sewer effectively negated the attempt to keep the land from being developed. This episode shows that in areas with heavy growth potential, local level zoning and planning processes often cannot control the development pressures which sewers release.<sup>28</sup>

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<sup>27</sup> Ibid, Schiffman.

<sup>28</sup> Urban Systems Research and Engineering, Inc. for the Council on Environmental Quality. The Growth Shapers: The Land Use Impacts of Infrastructure Investments. (Washington: Council on Environmental Quality, May 1976) p. 48.

How have American local government planners and the local governments they serve used capital improvements planning to implement comprehensive plans and local government policies? This is illustrated by three examples: Dayton, Ohio; Ramapo, New York; and Prince George's County, Maryland.

#### Dayton, Ohio

The City of Dayton, Ohio desired to encourage new economic development. The City's capital improvements planning process was used to encourage development. The City "established administrative procedures to streamline consideration and approval of development proposals; it provided public facilities such as curb cuts, street improvements, and sewer extensions, sometimes exploiting its bonding authority to do this; and it attempted to improve a developer's cash flow through tax abatement or financing assistance from the City-Wide Development Corporation."<sup>29</sup> Thus, capital improvements planning was one tangible tool which was used in conjunction with other tools to promote business expansion.

#### Ramapo, New York

Ramapo, New York experienced extremely rapid growth in

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<sup>29</sup>Ibid, Getzels and Thurow. Local Capital Improvements and Development Management: Analysis and Case Studies, p. 107.

late 1960's as a result of its proximity to New York City. Ramapo adopted a comprehensive plan in order to guide development. The comprehensive plan stated: "Provisions should be made for adequate public facilities (transportation, circulation, education, recreation) consistent with the anticipated needs of a growing population."<sup>30</sup> To carry out this goal, Ramapo adopted a CIP and capital budget to provide development of the necessary capital improvements in its adjacent unincorporated area. Ramapo's growth control system integrated the CIP and budget with the official map, comprehensive plan, drainage map, and a "residential development use permit" which was part of the zoning ordinance.<sup>31</sup> Ramapo's residential development use permit procedure encouraged new development to be located near to existing sewers, drainage systems, parks, improved roads, and firestations. A new development proposal could be denied if the facilities were not adequate. In such a circumstance, the developer also had the options of:

1. providing the needed public facilities himself; or
2. waiting until the CIP would provide the new

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<sup>30</sup>Lawrence B. Burrows. Growth Management: Issues, Techniques And Policy Implications. New Brunswick, N.J.: Policy Research - Rutgers University, 1978) p. 104.

<sup>31</sup>Ibid, p. 105.



facility (a permit would be issued to the developer when the new facility was available).<sup>32</sup>

Thus, Ramapo's CIP was an integral and vital part of an overall program to manage new growth.

#### Prince George's County, Maryland

Prince George's County passed an Adequate Public Facilities (APF) ordinance based on its CIP in 1970 to control new growth.<sup>33</sup> The APF approach "seeks to guide development, making it consonant with municipal infrastructure availability. At best, this linkage enables growth to be encouraged in serviceable areas, staving off development in remote, unservicable locales."<sup>34</sup> The underlying rationale in Prince George's County was that the planning board must ascertain that sufficient services exist or are programmed for the proposal's area before preliminary plan approval. In making this determination, the board scrutinizes the project according to the following criteria:

1. the availability of existing or programmed sewer and water main capacity;
2. the potential effect on the efficient and economic

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<sup>32</sup>Ibid.

<sup>33</sup>Ibid, p. 99

<sup>34</sup>Ibid, p. 94.

- operation of existing or programmed public facilities;
3. the impact of extensions of sewage and water facilities through unsubdivided lands;
  4. the location of the project vis-a-vis articulated timing of facility plans;
  5. availability of adequate access roads; and
  6. availability of adequate fire, police, park, utility, and recreation services.<sup>35</sup>

#### Effectiveness Of Capital Improvements Planning as a Landuse Implementation Tool

There are no known definitions of "effectiveness" as it relates to capital improvements planning. The word "effective" generally means "something that works or that works well." Such a definition is not specific enough, so it is necessary to develop a definition to help guide this research. Effectiveness in the landuse context is defined, for the purpose of this paper, as being: the achievement of a land use goal specified in a formal local government policy or comprehensive plan.

Burrows, commenting on the Ramapo growth control approach, noted that: "the feasibility of providing services in advance of demand seems a questionable

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<sup>35</sup>Ibid, p. 99.

procedure. It would seem that statutory and practical demands placed upon the limited municipal finances would make such an approach impractical."<sup>36</sup> Justice Breitel in his dissent regarding Golden vs. Ramapo evoked a similar viewpoint when he commented that historically the movement has been in the opposite direction, first the demand, then services commensurate with this need.<sup>37</sup> Also, Richard Babcock reinforced this viewpoint, noting: "the economic and social mobility and the growth of American society is attributable in large part to the frontier psychology which insisted that the availability of public services follows the demand rather than controls it."<sup>38</sup> Thus, all three authors suggest that the American historical tradition contradicts the use of capital improvements planning as a landuse tool: facilities tend to follow growth instead of dictating where and when growth may occur.

Burrows, analyzing the Ramapo CIP, found that who controlled each public facility vitally effected the effectiveness of the CIP as a land use control tool:

The most serious impediment to a viable phasing program is the conditioning of development to services

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<sup>36</sup>Ibid p. 106.

<sup>37</sup>Ibid. Originally from: 285 N.E. 2nd 291, 300. 1972.

<sup>38</sup>Ibid. Originally from: Richard Babcock. The Zoning Game -- Municipal Practices and Policies (Madison, Wisconsin: University of Wisconsin Press, 1969) p. 149.

outside the municipality's control. Conditioning development to water and sewer standards is unrealistic for both are set for regional agencies, according to regional needs and demands . . . The town does not have any control over firehouses, and drainage programs are under the county's control. Therefore, the CIP and the point system has [sic] not facilitated a systematic timing and sequencing program.<sup>39</sup>

Like Burrows, other analysts have noted that capital improvements planning can only work if the local government controls and manages the facilities which support community development. Schiffman, describing the California experience pointed out: "capital improvement planning will not discourage development in areas where site conditions and development controls permit on site sewer and water systems or where key support facilities and urban services already exist."<sup>40</sup>

When Abigail Bacon surveyed 19 southern cities and counties, she found that only 1 out of the 19 jurisdictions linked its CIP with its comprehensive plan. Bacon however did not analyze the effectiveness of that jurisdiction's program.<sup>41</sup> The value of Bacon's research is that it points

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<sup>39</sup>Ibid, Burrows, p. 109.

<sup>40</sup>Ibid, Schiffman, P. 22.

<sup>41</sup>Abigail Bacon. "Capital Programming," Planning Vol. 51, No. 1 (January 1985) pp. 32-33. Also see: Abigail Bacon. "CIP Study." (Charleston, S.C.: City of Charleston, Department of Planning and Urban Development, December 19, 1983)

out that most local governments in her study region chose not to implement land use policies with their capital improvements plans.

Ruth Knack found that planning commissions are often, in reality, shut out altogether from the local government capital budgeting process. For example, in Cincinnati a capital improvements committee which included planning commissioners was created. The committee's goal was "to relate departmental priorities to the city's comprehensive plan."<sup>42</sup> But in the 1970's, a new Cincinnati city manager did away with the committee, leaving the planning commission and its staff with the role of simply providing data for research and evaluation. Planning Commissioner Estelle Berman lamented: "At this point we're totally excluded from the process, and there's a total absence of comprehensive infrastructure planning -- a particularly sad state of affairs when we have all these aging systems and no clear idea of how to maintain them."<sup>43</sup> Knack's research raises an important question: How can a CIP used to implement a comprehensive plan if the planning commission is excluded from the capital improvements planning process? If the governing body does not want planning commission

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<sup>42</sup>Ruth Knack. "How to Get a Say in Capital Budgeting" Planning. Vol 50, No. 8 (August 1984) pp. 8-9.

<sup>43</sup>Ibid, p. 8.

input, it seems unlikely that the governing body will, on its own, use the CIP to implement the comprehensive plan. This is consistent with the notion that the comprehensive plan is often seen by governing body officials as being a product of the planning commission and seldom as a daily policy instrument of the governing body.

Getzels and Thurow in their intensive study of capital improvements planning stated the following:

The use of capital improvements as a plan implementation or development management tool has long been advocated, but has historically been difficult to achieve. Although local officials and administrative staff believe that linking planning and capital allocation processes more closely makes good sense, they recognize that they must deal with certain persistent problems in attempting to unify the two activities. According to local officials, relating the provision of facilities to their development goals has been difficult, because:

1. Revenue sources supporting capital facilities are unpredictable and vary from year to year;
2. Operating budgets take precedence over capital budgets and changes in these costs influence what capital facilities can and cannot be built;
3. The need for infrastructure depends upon the amount, timing, and location of private development and it is difficult to predict these factors;
4. Major infrastructure that affects local development is often under the control of other levels of government;
5. City departments often work at cross purposes: planners fail to respond to fiscal realities, budget staff concentrate on too narrow a focus and public works officials do not coordinate their projects with the programs of other agencies; and

6. Previously agreed upon policy always gets redefined when money is about to be spent.<sup>44</sup>

Getzels and Thurow further noted:

In spite of progress made in limiting the expansion of capital facilities, the effectiveness of the capital allocation process as a tool for precisely controlling the location and timing of growth was limited.

1. In communities experiencing strong development pressure, developers were willing to move ahead of the public sector and pay for necessary capital facilities. Thus public control of the timing and location of development within an urban service boundary became difficult to achieve;
2. While local government planners generally believed that residential infill with high density or multi-family housing was desirable, there was little popular support for such thinking. Current market conditions in cities continued to favor single family, detached residences. Changing this pattern would have required strong market intervention;
3. Tying development permission to the presence of facilities other than major ones -- roads, sewers, and treatment plants -- was difficult to make operational. Nevertheless, a requirement for adequate school facilities related to new residential development was successfully enacted in San Jose; and
4. Programs which were able to combine capital investment strategies with land use regulations and tax incentives were believed to be most desirable and effective.<sup>45</sup>

While the authors who wrote about capital improvement planning efforts in Ramapo and Dayton did not discuss in detail the outcome of the plans, it is apparent that these

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<sup>44</sup>Ibid, Getzels and Thurow, Local Capital Improvements and Development Management: Analysis and Case Studies, pp. 2-3.

<sup>45</sup>Ibid p. 9.

communities had some measure of success in using capital improvements planning as a land use tool.

On the positive side, it is clear that some planners are using capital improvements planning as a growth management tool. Frank So, in a survey of 105 communities, found that 43% use capital improvements planning to influence growth timing and 59% use the location of facilities to influence growth. In addition to articulating the problems in achieving effectiveness, So's survey indicates that a significant proportion of planners are trying to use capital improvements planning as a landuse tool.<sup>46</sup>

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<sup>46</sup>Ibid, Frank So et. al., Local Capital Improvements and Development Management: Literature Synthesis, p. 19.



CHAPTER IV  
THE LEGAL FRAMEWORK FOR CAPITAL IMPROVEMENTS  
PLANNING IN MONTANA

In Montana, city and county governments are creatures of the State. That is, they generally have only those powers set out by state statute and they are forbidden or limited by statute to exercise some powers. Thus, state statutes must be examined to see how they affect and potentially limit the capacity of a municipality or county to use capital improvements planning as a financial tool and a landuse tool.

Three basic types of statutes are examined:

1. municipal and county planning laws;
2. infrastructure control and management laws; and
3. infrastructure finance laws.

Municipal and County Planning Laws

In Montana county and municipal governments are not required to have planning boards or retain professional planners -- planning is optional. For those governments that elect to have planning boards, the planning board is

legally required to prepare a comprehensive plan.<sup>47</sup> The governing body is legally required to approve, revise, or reject the comprehensive plan.<sup>48</sup> The statutes identify what elements a comprehensive plan may include but do not dictate what a plan must include. A comprehensive plan may include:

A long range development program of public works' projects, based on the recommended plans of the planning board, for the purpose of eliminating unplanned, unsightly, untimely, and extravagant projects and with a view to stabilizing industry and employment and the keeping of such program up-to-date for all separate taxing units within the city or county, respectively, for the purpose of assuring efficient and economic use of public funds.<sup>49</sup>

Thus, these planning laws state that public facilities planning may be part of the comprehensive plan. But note: planning is optional, public facility planning is optional, and the governing body can completely reject a comprehensive plan (including one which contains a capital improvements component).

The Montana codes require a capital improvements program (plan) to be prepared prior to the creation of a

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<sup>47</sup>Montana Legislature. Master plan -- contents. 76-1-601 Montana Codes Annotated, 1985.

<sup>48</sup>Montana Legislature. Adoption, revision or rejection of master plan. 76-1-604 Montana Codes Annotated, 1985.

<sup>49</sup>Ibid, Montana Legislature, Master plan -- contents.

capital improvements fund.<sup>50</sup> There is no legal linkage or cross-reference between the "fund statutes" (7-6-4134 MCA, 7-6-2219 MCA) and the statute which describes the public facilities component of the comprehensive plan (76-1-601 MCA). A government could prepare a CIP in order to use the capital improvement fund, and totally ignore the relationship between the CIP and the comprehensive plan. There is a real possibility that planning boards could be excluded from the capital improvements planning process because planning boards and governing bodies meet independent from one another and because someone other than the planning board may prepare the CIP.

The final planning law examined was the Montana Subdivision and Platting Act (MSPA). The MSPA is the state law which requires local governments to regulate new land subdivisions. However, the MSPA provides local governments with only limited power to regulate certain types of subdivisions. There are 18 exemptions to the law. Many land developers use the exemptions to create defacto, high density "subdivisions" that are exempt from local government review and approval. In fact, the Montana Department of Community Affairs estimated in 1976 that over

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<sup>50</sup> Ibid, Capital improvement program fund. 7-6-2219 Montana Codes Annotated, 1985 (counties). Capital improvement program fund 7-6-4134 Montana Codes Annotated, 1985 (municipalities).

90% of the land "subdivisions" constructed in Montana are exempt from local government review.<sup>51</sup>

In those "subdivisions" legally exempt from local government regulation, public works such as water, sewer, roads, drainage systems, and bridges are (sometimes) installed by private land developers. Many times these facilities are not constructed at all or are constructed improperly, resulting in expensive and dangerous public works problems. Some of the specific public works problems caused by the lack of regulation of "exempted subdivisions" include:

1. roads not constructed or improperly constructed (causing access and safety problems);
2. easements not provided, thus, electricity, gas, and phone utilities may not be provided;

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<sup>51</sup>Jim E. Richard. Former chief of the Planning Division of the Montana Department of Community Affairs, Helena. Personal communication. October 1983.

Precise statewide statistics are not available on the number of exempted subdivisions vs. reviewed subdivisions. Also see:

1. Mark Beardslee. "The Subdivision and Platting Act in Practice In Nine Montana Counties." (Master's Professional Paper, University of Montana, 1979); and
2. Montana Department of Community Affairs. Land Division In Montana: The Subdivision and Platting Act in Practice. (Helena: Montana Department of Community Affairs, January 1977).

3. bridges not constructed properly (causing safety problems); and
4. drainage systems and culverts not provided or not constructed properly (causing flooding and safety problems).

Because the MSPA, as currently written, does not give local governments the power to prevent these public works problems through regulation of new proposed subdivisions, local governments are often asked by property owners in the new subdivisions to fix the problems. (If the problems can be resolved, the solution often involves raising taxes for all taxpayers within the city or county.) Therefore, the MSPA prevents local governments from preparing a CIP that includes the public works installed in exempted subdivisions because the governments have little or no control over the construction of exempted subdivisions.

In summary, these statutes indicate that:

1. planning is optional;
2. local officials are given wide discretion to use capital improvements planning for whatever purposes serve the public interest;
3. there is a lack of statutory linkage between the preparation of a CIP to finance public works and

the use of the comprehensive plan to suggest public works policies; and

4. the Montana Subdivision and Platting Act prevents capital improvements planning for the majority of new land subdivisions built in the state.

#### Infrastructure Control and Management Laws

As the literature review made apparent, a city or county must directly control a public facility if they wish to control or influence landuse patterns via capital improvements planning. The four main entities which control community infrastructure in Montana are: municipal governments, county governments, autonomous special districts or authorities (special local governments), and private companies or individuals. Figure 2 relates the type of public facilities with control entities.

From a landuse control and new land development standpoint, certain public facilities are critical. Water, sewer (or septic), electricity and roads (or streets) are almost universally necessary for any type of new residential, commercial, or industrial development. By examining Figure 2 it is apparent that county governments only partially control one facility (roads) out of the four critical facilities for development. In rural areas

FIGURE 2

WHO CONTROLS AND MANAGES MONTANA  
COMMUNITY INFRASTRUCTURE?<sup>1</sup>

<u>TYPE OF PUBLIC FACILITY</u>	<u>CONTROL AND MANAGEMENT ENTITY</u>			
	<u>MUNICIPAL</u>	<u>COUNTY</u>	<u>AUTONOMOUS SPECIAL DISTRICT</u> <sup>2</sup>	<u>PRIVATE</u>
1. airports	x	x	x	x
2. animal shelters	x	x		x
3. bikeways	x	x		x
4. bridges	x	x		x
5. cemeteries	x	x	x	x
6. municipal bus systems	x			
7. elderly bus systems	x			x
8. city halls	x			
9. civil defense systems (emergency centers, sirens)	x	x		
10. community centers	x	x		x
11. convention centers	x	x		x
12. courthouses	x			
13. dams	x	x		x

<sup>1</sup>Synthesized from the individual citations for each facility from the 1985 Montana Codes Annotated and from the Montana Public Works Assistance Database. This matrix does not show the very complex impact of state and federal regulation upon each facility.

<sup>2</sup>Autonomous special districts are special purpose local governments which are independent from county or municipal control.

FIGURE 2  
(CONTINUED)

TYPE OF PUBLIC FACILITY	CONTROL AND MANAGEMENT ENTITY			
	<u>MUNICIPAL</u>	<u>COUNTY</u>	<u>AUTONOMOUS SPECIAL DISTRICT</u>	<u>PRIVATE</u>
14. developmentally dis- abled homes				x
15. drainage systems (swales, retention ponds, storm drains)	x	x	x	x
16. electric utility				x
17. fairgrounds	x	x		
18. firestations	x		x	
19. flood control facilities (dikes, etc.)	x		x	
20. group homes				x
21. halfway houses				x
22. handicapped facilities				x
23. hazardous waste dumps	None in Montana			
24. hospitals		x	x	x
25. jails	x	x		
26. juvenile detention facilities	x	x		
27. landfills (dumps)	x	x	x	x
28. libraries	x	x	x	x
29. museums	x	x		x



FIGURE 2  
(CONTINUED)

TYPE OF PUBLIC FACILITY	CONTROL AND MANAGEMENT ENTITY			
	<u>MUNICIPAL</u>	<u>COUNTY</u>	<u>AUTONOMOUS SPECIAL DISTRICT</u>	<u>PRIVATE</u>
30. natural gas utility	x			x
31. nursing homes		x		x
32. other public buildings (city and county shops, maintenance buildings - this is a catchall category)	Generally, city or county government depending on who owns the facility.			
33. parks	x	x		x
34. parking facilities	x	x	x	x
35. police stations	x			
36. railroads			x	x
37. retirement homes	x	x		x
38. roads		x		x (unreviewed subdivisions)
39. schools			x	
40. senior citizen centers	x	x		x
41. septic systems				x
42. sewers	x		x	
43. sidewalks	x	x		x (unreviewed subdivisions)
44. streets	x			x (unreviewed subdivisions)

FIGURE 2  
 (CONTINUED)  
 CONTROL AND MANAGEMENT ENTITY

<u>TYPE OF PUBLIC FACILITY</u>	<u>MUNICIPAL</u>	<u>COUNTY</u>	<u>AUTONOMOUS SPECIAL DISTRICT</u>	<u>PRIVATE</u>
45. street furniture (benches, kiosks)	x			
46. swimming pools	x	x		x
47. traffic signals and signs	x	x		
48. water systems (drinking)	x		x	x

under county government, all of the other critical facilities (water, sewer, septic, electricity) are controlled by special districts, private companies, or by individual property owners.<sup>52</sup> Counties do not control these critical facilities. Even community roads can be provided privately in new "exempted subdivisions" created through the use of exemptions to the Montana Subdivision and Platting Act. Thus, in Montana it is impossible for a county government to effectively control community growth patterns using a capital improvements plan. However, county government can still influence growth and land development patterns through its road policies and by the location of those facilities which counties control.

Municipal governments have greater power over management of the four critical facilities. Municipalities generally control water, septic and sewer systems, and streets. As was the case with land development under county jurisdiction, it is also possible for new streets to

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<sup>52</sup>Control of county and municipal water, septic, and sewer systems is very complex from a legal standpoint. In general, local governments do not control if the facilities can be installed. For example, state law allows municipalities and counties to prohibit installation of wells and septic systems on individual building lots only if a health hazard might result. Local governments can not prohibit the installation of wells and septic systems for other reasons, such as the implementation of a local comprehensive plan or CIP. Local governments have very little discretion to manage water, sewer, and septic systems -- they merely carry out state laws.

be privately built without municipal approval by the use of the legal exemptions to the Montana Subdivision and Platting Act. Municipalities do not control the provision of electricity. In certain instances private water, septic, and sewer systems can be constructed within municipal boundaries without municipal approval. In summary, municipalities are in a much stronger position than counties regarding control, location, and timing of new development through capital improvements planning although municipalities do not fully control the four critical facilities either.

Other authors noted the problems caused by autonomous special districts and private companies in terms of the effectiveness of comprehensive capital improvements planning. Figure 2 also illustrates that special districts and private companies control many vital public facilities in Montana.

Thus, in terms of the potential effectiveness of capital improvements planning as a landuse control tool, counties are severely handicapped and municipalities have less than complete control. Both types of local governments can indirectly influence growth through their decisions on "less critical" or non land development dependent facilities (e.g., parks, hospitals).

From a financial perspective, Figure 2 simply

illustrates that county and municipal governments are not always responsible for the condition of and financing of public facilities within their boundaries. Special districts and private entities control the financing of many public facilities since they legally control the facilities in the first place.

#### Infrastructure Financing Laws

It is beyond the scope of this study to analyze all of the state finance statutes for each of the 48 public facilities listed in Figure 2. By necessity, this section will be selective.

Montana law provides one special funding mechanism for capital improvements plans. This mechanism is called the "capital improvement program fund." The Montana Codes authorize counties, but do not require them, to establish a capital improvement fund for the replacement and acquisition of property, plant or equipment which costs more than \$5,000 and has a life expectancy of five or more years. As a prerequisite to creating the fund, the governing body must adopt a CIP.<sup>53</sup> Further, the Codes dictate:

Money for the capital improvement fund is to be derived from the multiple levies authorized by statute

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<sup>53</sup>Montana Legislature. Capital improvement program fund. 7-6-2219 Montana Codes Annotated, 1985.

and appropriated to the capital improvement fund. However, no more than 10% of the money derived from any one levy may be appropriated to the capital improvement fund.<sup>54</sup>

Thus, the capital improvement fund becomes a way to pay for the CIP. However, the fund is simply a "pot of money" created by pooling money from existing annual mill levies (e.g. road levy, fair levy, bridge levy, etc.). Why does the law limit the amount of money in the fund to 10% of each individual levy? Discussions with local government professionals have not turned up a clue. If there were reasons, they are buried deep within the archives of legislative history. Is 10% of each levy enough to fund a CIP? Bay's research suggests that, after current operating expenses are deducted, there is no money left in individual mill levy accounts to adequately fund the capital improvements fund.<sup>55</sup>

For municipal governments, the legislature took an approach almost identical to that for counties. The Legislature limited the amount that could be put in the

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<sup>54</sup>Montana Legislature. Levy for capital improvement fund. 7-6-220 Montana Codes Annotated, 1985.

<sup>55</sup>Lisa Bay Consulting. Montana Local Government Infrastructure Case Studies. (Helena: Montana Department of Commerce, Community Development Division, June 1984) p.2 (General Observations Section).

fund to 5% of the municipality's all purpose mill levy.<sup>56</sup>

Questions as to the effectiveness of this approach apply just as they apply to the "county 10% limit."

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<sup>56</sup>Montana Legislature. Capital improvement program fund.  
7-6-4134 Montana Codes Annotated, 1983.

CHAPTER V  
LOCAL GOVERNMENT SURVEY

Survey Purpose

The literature review and the legal analysis provided insight into the potential benefits of and problems in capital improvements planning. However many of the research questions were still unanswered. A survey of Montana local governments which have used capital improvements planning was the only way to answer these questions (Appendix). The overall purpose of the survey was to gain an understanding of how the capital improvements planning process works at the local government level. Specifically, the intent of the survey was to shed light on the effectiveness of capital improvements planning as an infrastructure financing tool and as a land use tool. Questions subsidiary to these major questions, as stated in the Introduction, were also asked.

Basic Survey Approach

A telephone survey format was chosen for several reasons:

1. data collection time was limited -- telephone



- surveys allow fairly rapid collection of data;
2. two way communication, between surveyor and respondent, was deemed critical if the workings of the capital improvement planning process were to be uncovered -- telephone surveys allow two way communication;
  3. finances for data collection were limited -- telephone surveys allow data to be collected relatively inexpensively;
  4. a high response rate from the local governments was desired in order to get a meaningful overview of the capital improvements planning process and to ensure statistical validity -- telephone surveys can provide high response rates (in contrast to mail out surveys which have a lower response rate);
  5. mail out surveys often sit in a government worker's in-box -- people do not take time to fill out written surveys but they will take time to answer the phone.

There were no comprehensive records of local governments who had capital improvement plans and those who did not. The survey universe could not be established without this information. Therefore a preliminary phone survey of county and municipal representatives was

conducted to find out which governments had capital improvements plans.

### Preliminary Survey Results

The preliminary survey showed that:

1. two out of 2 consolidated governments (100%) had plans;
2. four out of 54 county governments (9%) had plans; and
3. twenty-two out of 113 municipal governments (19%) had plans.

Thus, there are 28 local governments in Montana which have capital improvements plans (the survey universe). Figure 3 illustrates those governments which have capital improvements plans.

While the research was focused on local governments which have capital improvements plans, the preliminary survey yielded some interesting and enlightening comments from governments without plans. Although not quantified, the information is still useful as a basic indicator as to why local governments do not have plans.

The preliminary survey respondents were mostly local planning directors, municipal or county clerks, mayors, and county commissioners. The author did not always probe for information as to why the local government did not use

FIGURE 3

MONTANA GOVERNMENTS WITH A  
CAPITAL IMPROVEMENTS PLAN

CONSOLIDATED GOVERNMENTS (2 out of 2 total governments)

Anaconda-Deerlodge

Butte-Silver Bow

COUNTY GOVERNMENTS (4 out of 54 total governments)

Flathead (+)

Hill (+)

Missoula

Stillwater (+)

MUNICIPAL GOVERNMENTS (22 out of 113 governments)\*

Bearcreek (+)

Joilet (+)

Belt (+)

Laurel

Bozeman

Libby

Columbus (+)

Livingston (+)

Conrad

Missoula

Geraldine (+)

Saco (+)

Great Falls

Stevensville

Hamilton (+)

Superior

Hardin

Three Forks (+)

Harlem

White Sulphur Springs (+)

Hot Springs (+)

Wolf Point

\* There are a total of 125 municipalities in Montana, however, only 113 could be reached by phone.

(+) = Capital improvements plans prepared as a prerequisite to obtain Community Development Block Grant (CDBG) funds.

capital improvements planning because the survey purpose was simply to find out whether or not they had a CIP. However, many local officials freely offered their perspectives.

The following are some overall impressions and findings based on comments from local officials as to why capital improvements planning is not being used:

1. Some local officials do not understand capital improvements planning.
2. Several planners and clerks commented that their governing body officials simply approach public works decisions in an ad hoc or reactionary way. They were not used to planning to prevent facility problems. They simply reacted to crises.
3. The existence of state and federal public works grants reinforces the reactionary mentality of local officials. One planner commented that in the past the city council did not have to plan ahead. When something broke, they would go looking for a grant.
4. Although many planners and other staff persons shared an interest in capital improvements planning, preparation of a plan had been less important than other more pressing responsibilities. Somehow they could never find

the time, money, staff, or political support to get the job done;

5. Some rural officials said they just did not have any construction projects, therefore, a plan seemed needless. (They did not understand that a plan can be used for perpetual replacement of existing facilities. They did not understand that a plan can be used to stretch routine maintenance and repair dollars.)
6. State budget law for county governments discourages capital improvements planning because state law does not allow counties to shift money from one mill levy fund to another. For example, if a county has a surplus of money in one fund (e.g., fair fund) the officials cannot shift it into another facility area that has overwhelming needs (e.g., road fund). Thus, state law retards the ability of counties to set overall priorities -- counties can only spend the money they raise for each separate facility. A county may set priorities within a fund, such as setting priorities for road projects within the road fund. In contrast, a municipal government has an all purpose mill levy and can shift money to priority facility areas. But municipalities still face

this problem to a lesser degree. For example, municipalities cannot shift money from the general fund into the sewer and water funds. (These respondents did not realize that if they would create a capital improvements fund, some money could indeed be shifted from one single purpose fund to another by using the capital improvements fund as the "go between.")

7. Some officials think a CIP automatically means new large projects and higher taxes -- they oppose any tax increases. For example, County Commissioner Ken Coulter remarked: "It is hard and inappropriate to raise property taxes for public works projects when farmers are losing their places."<sup>57</sup>
8. Rural governments tend to concentrate on a #1 priority project, such as rebuilding a municipal water system. They do not try to plan for other current or future needs. They approach public works decisions on a project by project basis.
9. Some small towns use the statutory capital improvement fund without having a written plan to guide the use of the money. (According to state

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<sup>57</sup>Ken Coulter. County Commissioner, Jordan. Telephone interview. December 11, 1985.

law the fund is to be used to pay for a CIP. Thus, these governments are legally required to have plans.).

10. Several local officials said that their government "has no money," so why should they plan for facilities they can not build? (They did not understand that a CIP can be used for perpetual replacement of existing facilities. They did not understand that a CIP can be used to stretch routine maintenance and repair dollars. When one small town official offered this reason it was also found that the town spent \$50,000 for street repair in 1985. This was plenty of money to make a plan worthwhile.)
11. Local governments are not required to have a plan under Montana law, therefore, plans do not get done. One planner stated that a CIP should be legally required by state law as it is in the State of California.
12. One town clerk said that her town council would see a plan as a restraint on their freedom to respond to a crisis and reappropriate money to solve the crisis.
13. In the real political world priorities get rearranged by political pressure groups. Because

capital improvements planning is a democratic, rational prioritizing process for budget decisions it is the opposite of pressure politics. In some cases pressure politics wins and plans lose. For example, a rural county commissioner said that substantial budgeting is affected by political pressure. The pressure group tells the commissioners what is needed. The group is right -- there is a need but it is not the highest priority need as determined by the commissioners. The commissioner said that if you have 10 to 20 people in your office you have to bend to pressure. The commissioner added that if there were no pressure, the commissioners set their own priorities based on countywide needs.

14. One long time town clerk stated that governing bodies do not care about plans -- they want grants.
15. Some local governments already have a separate plan and financing for each public works facility. Thus, they do not see a reason to do a CIP.
16. In some local governments, the planning board and staff are simply not involved in public works decisions. Public works decisions may be seen as the "exclusive turf" of the governing body.



Countywide planning boards often do not get involved in the fiscal affairs of municipalities even though the board legally represents the municipalities. Thus, the potential advocates for capital improvements planning -- the planners -- are excluded from the process.

17. Some local officials do not believe in setting priorities. Capital improvements planning is priority setting.
18. One town clerk didn't believe that a capital improvements plan -- if funded and followed -- could predict when public works facilities would need to be repaired. Thus, the clerk felt public works emergencies or crises were inevitable.
19. A planning consultant, Clete Daily, who had prepared several capital improvements plans, blamed turnover of local government officials for the lack of ongoing capital improvements planning. Mr. Daily provided an example of one major city which had a capital improvements plan because of the efforts of a previous planning director. The city government no longer has a plan -- due to the loss of that planning director.

Despite the varied reasons given for not having plans, many local officials were interested in capital

improvements planning. Several local governments had started to prepare a plan. Others wanted to prepare a plan. Some asked the author for further information on capital improvements planning.

#### Design of the Survey of Governments with a Capital Improvements Plan

The survey was administered by telephone. The survey universe, those local governments with capital improvement plans, was 28. A stratified random sample method was adopted for the survey. A standard formula was used to select the sample size of 22. Considering a response rate of 22 from a universe of 28, it can be said with 95 percent confidence that given a sample proportion,  $p$ , the interval  $p \pm 10\%$  includes the true value.

The sample was stratified (evenly split) between those local governments which had prepared capital improvements plans as part of an application for federal Community Development Block Grant (CDBG) funds and those local governments that had prepared a capital improvements plan for other reasons. The rationale behind this was to ensure that there was adequate representation from the "non-CDBG" governments. While the "CDBG governments" were required to prepare plans in order to receive a grant, the "non-CDBG governments" had other reasons -- reasons possibly more persuasive in terms of why capital improvements planning is

FIGURE 4

LOCAL GOVERNMENT SAMPLE  
(FINAL SURVEY)

Governments That Independently Prepared a CIP

Anaconda-Deerlodge Consolidated Government  
City of Bozeman  
Butte-Silver Bow Consolidated Government  
City of Conrad  
City of Great Falls  
City of Laurel  
City of Libby  
City of Missoula  
Missoula County  
Town of Superior  
City of Wolf Point

Governments That Prepared a CIP as a Part of a CDBG  
Application

Town of Bearcreek  
Town of Columbus  
Flathead County  
Town of Geraldine  
Town of Joliet  
City of Hamilton  
City of Harlem  
Hill County  
Town of Hot Springs  
Town of Saco  
Stillwater County

worthwhile. Figure 4 shows the sample local governments.

For each government surveyed the CIP coordinator, planning staff, and the chief elected official (mayor or county commissioner) were interviewed. The CIP coordinator was the person who was in charge of preparing and implementing the CIP. For each government, the following interview procedure was adopted:

1. interview the CIP coordinator using the entire survey form;
2. interview the chief elected official, the mayor or county commissioner, using a subset of the survey form (Questions 3, 5, 6, 8, 9, 10, 11, 12, 13, 14, 16, 17); and
3. interview the planning director using the landuse questions.

This survey method worked reasonably well. In some governments the planning director and the CIP coordinator were the same person. In one government the mayor did everything and there was no planning board or planning director, so only the mayor was interviewed.

The Appendix is the questionnaire used and is composed of three parts:

1. the capital improvements planning process;
2. capital improvements planning as a method to finance public works; and

3. capital improvements planning as a method to implement comprehensive plans and landuse policies.

The questions in the first part were designed to provide background information on how the capital improvements planning process works for each individual local government. The questions in the second part were designed to test the effectiveness of capital improvements planning as a method for financing public works. For example, responses to questions 7 and 7a allowed the author to test effectiveness (i.e. effectiveness is where the top 3 projects on the plan are built within the time schedule specified by the plan or within a three year time period). Also, financial effectiveness was tested by question 11 which asked respondents whether they thought their CIP was effective. The third part contained questions designed to test the effectiveness of capital improvements planning as a tool to implement comprehensive plans or landuse goals. The author's definition of "effectiveness" (i.e., effectiveness is the achievement of a landuse goal as a result of the CIP) was difficult to apply in a questionnaire. Therefore, in order to test for landuse effectiveness, respondents were asked if they thought their CIP was effective in achieving landuse goals (question 16).

## Final Survey Results

A total of 52 interviews were completed. Only two local officials, the chief elected officials for Butte-Silver Bow and Great Falls, were impossible to reach.

The key results of the survey are summarized in Figure 5. The survey results were compiled by comparing and synthesizing the individual responses for the officials interviewed for a single government. For each question individual governments were assigned a single composite answer (This was derived from the mayor's response, coordinator's response, and the planner's response). There were surprisingly few differences of opinion regarding the "correct" answer for each question among the officials representing a single government. The one exception to this rule was the Town of Geraldine. The mayor and the town clerk (the CIP coordinator) disagreed on several questions.

Question 1 asked for the year in which the capital improvements plan was prepared. The oldest plan was prepared by the City of Conrad in 1971. The average date for all twenty-two governments is 1980. The mode is 1983. Although capital improvements planning as a technique has been available for decades, the practice of capital improvements planning in Montana is a very new phenomenon.

Question 2 asked if the plan was formally adopted by

FIGURE 5  
KEY SURVEY RESULTS FROM LOCAL GOVERNMENT SAMPLE

Local Government	Ques. 1 Year CIP Prepared?	Ques. 2 CIP Formally Adopted?	Ques. 3 Why CIP Prepared?	Ques. 7+ 7a. Top Projects Built on Time?	Ques. 8 All Projects Built are on CIP?	Ques. 11 Is CIP Effective for Finance?	Ques. 14 Is CIP Used for Landuse?	Ques. 16 Is CIP Effective for Landuse?
Anaconda-Bearlodge	1975	Yes	Bring city and county together	NA (No schedule)	Yes	Yes	No	NA
Bearcreek	1984	Yes	CDBG	NA (No schedule)	No	Yes	No	NA
Bozeman	1983	Yes	Financial crisis	No	No	Yes	No	NA
Butte-Silver Bow	1973	No (Not currently)	Do not know	Do not know	Do not know	Do not know	No	NA
Columbus	1983	No (Guidelines)	CDBG	NA	Yes	Yes	Yes	Yes
Conrad	1971	Yes	Money available from Fed.	NA	No	Yes	No	NA
Flathead County	1984	Yes	CDBG	No	No	No	No	NA
Geraldine	1983	Yes	CDBG	No*	No*	No*	Yes*	NA
Great Falls	1976	Yes	Wanted long range plan. Stretch money	No	Yes	Yes	Yes*	Do not know
Jolie	1983	Yes	CDBG	NA (No schedule)	Yes	Yes*	No	NA
Hamilton	1983	Yes	CDBG	Yes	Yes	Yes	Yes	Yes
Harlem	1983	Yes	CDBG	Yes	No	Yes	Yes	Yes
Hill Co.	1983	Yes	CDBG	Yes	No	Yes	Yes	Yes

\* = Difference of opinion between different respondents for this government.  
 CDBG = Required for preparation of a CDBG grant application.  
 NA = Not applicable.

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Hot Springs	1983	Yes	CDBG	NA	No	Yes	Yes	NA
Laurel	1974	No (not currently)	Do not know	Do not know	Do not know	Do not know	Yes	No
Libby	1973	No (guide lines)	Result of master plan	No	No	Yes	No	NA
Missoula City	1982	Yes	Several reasons	Yes	Yes	Yes	Yes	Yes
Missoula Co.	1983	Yes	To set priorities	Yes	Yes	Yes	No	NA
Saco	1984	Yes	CDBG	No	No	Do not know	No	NA
St. Helens Water Co.	1983	No (guide line)	CDBG	NA	Yes	Yes	Yes	Yes
Superior	1982	Yes	Prevent public works emergencies	No (2 out of 3)	No	Yes	Yes	NA
Wolf Point	1973(?)	No (not currently)	Do not know	No	Do not know	Do not know	No	NA
Totals		Yes: 16 No: 6		Yes: 5 No: 8 NA: 7  Do not know: 2	Yes: 6 No: 11 Do not know: 3	Yes: 16 No: 2 Do not know: 4	Yes: 11 No: 11	Yes: 6 No: 1 NA: 14  Do not know: 1

\* = Difference of opinion between different respondents for this government.  
CDBG = Required for preparation of a CDBG grant application.  
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the governing body. This question was a test to see whether there was real commitment behind the plan or whether the plan was a "nice book" prepared by staff and ignored by the decision makers. Sixteen (73%) of the plans were formally adopted. Twelve (55%) of the governments were forced to adopt plans as a prerequisite for submitting a federal grant application. Also, adoption of the plan -- in itself -- does not commit the government to spend money. Nevertheless, the majority of the governments have taken their plans seriously enough to adopt them -- to formally say "This is what we want and plan to do." Three governments that had not adopted their plans were using it as a guideline and apparently taking their plans very seriously.

Question 3 asked why the government decided to prepare the plan. Twelve (55%) of the governments prepared the plans in order to get federal money. Although the responses varied somewhat for the other governments, the following are the four major reasons:

1. to get the government out of a purely crisis oriented, "wait till it breaks" approach to public works decisions;
2. to provide a rational, coordinated way of examining public works needs (good administrative management);

3. to establish a fair way to set funding priorities since there was never enough money for all needs;
4. to allow the governments to spread major expenditures over a multiyear period to ease the tax bite in a single year (phase projects); and
5. to allow the government to use the capital improvement fund (the "public works savings account").

County Commissioner Barbara Evans described one reason why Missoula County adopted a CIP:

Everybody wants something. They don't usually want to wait their turn. It is a real problem making judgments on these demands without a plan. A plan helps us to set priorities based on reasonable criteria and logic. A plan helps to take some of the pressure off of the commissioners.

Question 4 asked the respondents to describe the process of how the plan was prepared. The responses indicated that the "classic" procedure, as described in Chapter II, was followed fairly closely. (In other words, the needed public works projects were submitted by department heads to the coordinator. The coordinator helped to assemble the draft plan. The governing body made the final decisions.) Some of the respondents actively

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<sup>58</sup>Barbara Evans. County Commissioner, Missoula. Telephone interview. December 11, 1985.

sought out "needs lists" from citizens or groups outside the government. In some cases, outside consultants prepared the plan and left the government officials to implement the plan. Responses to this question indicated a wide range of practices in regard to the updating of plans. For example, the cities of Missoula and Bozeman update their plans every year and plug the CIP into the annual budget process. Anaconda-Deerlodge updated its 1975 plan in 1980 and is currently planning a third update. Wolf Point, Laurel, and Butte-Silver Bow prepared plans in the early 1970's and have apparently not updated them.

Question 5 asked how the priorities for the plan were established. In some governments, each department head (street department, sewer department etc.) prioritized his own project list before it went to the coordinator. In other governments the coordinator applied a qualitative or quantitative ranking system to the project list submitted by each department head. In some governments both processes applied with the coordinator re-ranking the projects to reconcile differences. Jurisdictions such as Columbus, City of Missoula, and Missoula County used formal "point systems" which gave each proposed project a quantitative score. Points were assigned based on how well the project met predetermined government criteria for need and benefit of the project. Then projects could be placed

in priority order based on the number of points received by each project. In many small towns, the coordinator simply talked to the governing body officials. Priorities in the small towns were usually determined by simple recognition of long standing and critical needs. Most of the small towns badly needed new water or sewer systems. Citizens had an opportunity to help set CIP priorities in some governments. The CDBG plans were required by federal law to include substantial public involvement in preparation of the plan. Public hearings, town meetings and citizen surveys were typically used to meet the federal requirement. In all governments, the governing body made the final decisions.

Question 6 asked if the project priorities as listed in the plan were changed after the plan was adopted by the governing body. The question was designed to see whether the governing body really tried to follow its plan or whether the plan was changed for political or technical reasons. Eleven governments (50%) said they did not change the plan while eight governments (36%) made changes. Three governments (14%) did not know. Some of the reasons given for changing the plan included:

1. a federal agency mandated a project that the local government would not have done on its own;
2. the plan is only a guide (not bound by it);

3. engineering delays for one project meant that other lower priority projects were done first; and
4. a grant or other type of financing would become available and the priorities would be rearranged to take advantage of the availability of money. Still, governments tried to follow their plan unless "new money" was available for lower priority projects.

Question 7 asked whether the three priority projects listed in the plan were built on the time schedule specified in the plan. Question 7a allowed the author to determine the length of the delay if the projects were not built on time. Together these two questions tested whether or not each government's CIP met the author's definition of financing effectiveness. (This definition is "the top three priority projects on the CIP were built on the time schedule in the plan or within three years from the planned time.") Although the definition is arbitrary, it was a quantitative benchmark. It was simply a consistent way to measure whether the plans were fairly effective in scheduling the financing of projects or whether projects got so hopelessly delayed that they were not very meaningful. Question 7b asked the reason for delayed projects. Five governments (23%) met the definition for financial effectiveness. Eight governments (36%) did not

meet the definition. The following are examples of why projects were delayed beyond three years:

1. For a planned new law enforcement center in one county the CIP coordinator said that one county commissioner decided he didn't like the project and was able to block the project.
2. A city council knew they needed the project but felt they could not pay for it. The "plan" showed the need but the council was not committed to do it.
3. Grants did not come through.
4. A street project was to be payed for via a Special Improvement District. Property owners protested and the project was legally blocked.
5. Problems with an engineer and the subsequent selection of a new engineer delayed a needed sewer project 5 years.
6. A city needed a water system but felt they couldn't afford it. Finally, eleven years after it was scheduled in the plan the project is being put out for competitive bids. The water system has not yet been built.

Thus, projects were delayed because: engineering problems arose, local officials changed their minds, grants failed to materialize, taxpayers disagreed with their government officials on whether the project was worth paying for, and governing bodies either could not or would not raise the money. There was a high proportion of situations where it was impossible to measure effectiveness using the definition that was developed. Seven governments (32%) were in this "nonapplicable" category. In some governments the plan did not set out a time schedule for

completion of each project. In other governments the CIP was so new that projects were either on schedule, but not yet built or were delayed and the 3 year "cutoff" time had not yet been reached. In summary, the majority of local governments were not able to effectively finance public works using the capital improvements planning. But it should be pointed out that the author's definition was an arbitrary measurement that was employed for analytical purposes only.

Question 8 asked if all the capital projects which are budgeted and built were included in the CIP. The question was another check on whether the plans were being followed. Eight governments (36%) said that all projects were in the CIP. However, eleven governments (50%) said that the government built public works projects that were never included in the CIP. Because of time constraints for the survey, governments were not asked why projects were constructed without being part of the CIP. Some respondents who had not religiously followed their CIP said that the CIP was only a guideline. In one case a respondent said that a federal agency had mandated that a sewer project be done that was not in the CIP. In other cases respondents said that even though some projects were not in the CIP they generally tried to follow the plan.

Question 9 asked the respondent to state the value of

having a CIP. It also gave one alternative to a CIP (the alternative being a separate plan for each facility) and asked for a reaction to the alternative. The alternative was presented because it was discovered in the preliminary survey that several governments did not feel they needed a CIP. Instead of a CIP they had a separate plan for each facility. It was not clear whether this option was as good as a CIP, therefore, the question was posed to those governments that had a CIP. Their responses show why a CIP is superior to the "separate plan" approach:

1. Without a CIP you cannot compare all public works needs side by side in order to determine funding priority.
2. Having a CIP helps administrative staff to plan and manage public works projects (i.e., such as: planning staff time, bidding, cash flow, etc.).
3. No one would ever take the time to sit down and read a whole stack of separate plans. A CIP pulls it all together.
4. A CIP makes comparisons of tradeoffs between projects easier.
5. A CIP provides a formal, rational, fair way of setting priorities. It was suspected that this would be difficult to do with the separate plan approach.



6. A CIP, because it sets priorities based on fair criteria, helps to take pressure off of governing body officials to fund projects demanded by vocal pressure groups. The official can say, "I'm sorry. I recognize the need. But your project must get on the CIP. It must be compared to all other pressing needs in our community." It would be difficult to do this with the "separate plan" approach.

Question 10 asked if the government was using the statutory capital improvements fund method to finance the CIP. The Montana Legislature specifically created "the fund" as one way to finance the plans. Question 10a asked those who were not using the fund to explain why they were not using it. Only six governments (27%) were using the fund. Twelve governments (55%) were not. Quite a few of those who were not using the fund simply did not realize that the fund even existed. In one small town the CIP coordinator said that the council did not use the fund because they had to decide ahead of time how the money would be used and they could not change their mind. One wonders how they ever wrote their CIP! Some officials said that the amounts which may be reserved (5% for municipalities, 10% for counties) simply were not enough money to be useful. However, a few governments were very

interested in using the fund. Missoula County and the City of Missoula both were able to use the fund effectively. In fact, one of the reasons that both jurisdictions even prepared a plan was to be able to use the fund (state law requires preparation of a CIP as a prerequisite to using the fund).

Question 11 asked whether the plan was effective in getting projects financed and built. The local officials overwhelmingly felt that their CIP was effective. Sixteen (73%) felt their plan was effective. Only 2 (9%) did not think their plan was effective. The answers to question 7, the author's definition of effectiveness for finance, showed that capital improvements planning was not effective for the majority of governments. How then does one account for the contradiction? Apparently the delays of project funding and completion (some more than three years) are not seen as major problems by local government officials. Also, it appears that capital improvements planning as a method was praised. The CIP method helped the government to bring order to difficult public works dilemmas. The CIP process was clearly superior to the "wait till it breaks" approach. Also, the author's definition was arbitrary. Perhaps a 3+ year delay does not ultimately mean that the CIP is financially ineffective. On the other hand, at a certain point in time, delays mean that the CIP in general

and the individual funding method in particular simply is not working. For example, Wolf Point's 11 year delay of water system repairs suggests there are serious problems in their capital improvements planning process. Where that point in time begins is not clear.

Question 12 asked whether there were any problems which prevented the government from using capital improvements planning as a financing tool. Ten governments (45%) agreed that they had experienced problems. Some of the problems included:

1. A CIP is time consuming.
2. Financing availability changes month to month.
3. Turf battles between different government departments cause problems.
4. The CIP process can point out that some traditional government practices are inefficient. However, traditional practices are often strongly defended.
5. Many governments are so poor they can't even maintain the public works that they have and a CIP forces them to look ahead and anticipate even more needs.
6. Turnover of staff.
7. Grants failed to come through.

It is revealing that no one mentioned the time delays in

financing projects as a problem. A high proportion of the governments (8, 36%) said there were no problems.

Question 13 asked what changes should be made to improve the capital improvements planning process as a means to finance public works. Some respondents stated the changes they wanted to make in their local process. Others took a broader view and advocated legal changes or fundamental statewide changes. The following are the principal responses regarding the "broader view":

1. State government grant programs should make preparation of a CIP a prerequisite to the award of grant funds.
2. Each individual project on the CIP should be assigned a code number from the local government Budgeting and Accounting System (BARS). This would help to link the projects to the local cash accounting system.
3. Local government mill levy limits (tax limits) set by state law should be raised or eliminated -- let the local taxpayers decide how much is enough.
4. Find a way (introduce legislation?) to allow local governments to set up permanent depreciation reserve funds for each public works facility so that as a facility wears out money will automatically be available for replacement.

Private business has used depreciation mechanisms for decades in order to keep physical assets in top shape.

5. Local governments could set up a reserve fund composed of sewer and water connection fees, developer charges (exactions), and other monies. The reserve fund would be used to cost-share new public works expansion with private developers.

Question 14 began the landuse questions section.

Although the landuse questions were posed to all respondents, the planners provided the most descriptive answers. Question 14 asked if the government's CIP was used to implement the comprehensive plan or other landuse policies. Examples were given to show how a CIP could be used to implement comprehensive plans or landuse policies. Fifty percent of the governments (11) used their capital improvements plans to implement comprehensive plans and policies while the other half did not. The following examples show how capital improvement plans are being used as an implementation tool.

The City of Hamilton wanted to encourage increased real estate development, prevent low density urban development in the undeveloped area outside the city limits, and provide new central sewer and water to service new growth. The water and sewer extensions to the

undeveloped area were built according to the CIP. The process was coordinated with the annexation of the undeveloped area into the city. Developers and businessmen benefited because their land development costs were much lower with the central water and sewer. The city also achieved its goals of encouraging commercial development, preventing low density development, and providing the central water and sewer facilities.

Stillwater County and the Town of Columbus have informally used their plans as an aid in reviewing new subdivision and annexation proposals. The CIP is used to determine whether or not the area proposed for development has adequate facility capacity (sewer, water, roads) to service the development. New development is encouraged to locate in geographic areas that have sufficient public facilities. The information is also used to quantify possible shortfalls in facility capacity. Since these governments both have a policy that "new development shall pay its own way," the CIP can help identify how much a developer should pay if his project overloads water, sewers, or roads.

The City of Missoula has used its capital improvements plan to encourage redevelopment of its downtown. The City's urban redevelopment agency, a semi-autonomous special district, submits project requests to the City for

funding. The requests are placed in the CIP. The City relocated utilities, built storm sewers, and built access streets in order to encourage the construction of a new Sheraton Hotel in the downtown. Repair of downtown sidewalks, construction of a parking garage, alley repair, and park improvements are some of the current projects.

Hill County and the cities of Great Falls, Harlem, Superior, Geraldine, and Hot Springs, all have tried to use their capital improvements plans to encourage new business development. In most cases, the CIP has simply proposed the construction of adequate water and sewer facilities -- the key facilities new business needs.

The City of Laurel has tried to use its CIP to encourage orderly new growth in conjunction with its annexation and utility extension policies. The government's policy is to provide new sewer or water services to fringe areas but only on the condition that the area is annexed into the city.

Question 15 asked if the governing body adopted the landuse components of the government's capital improvements plan. Many times planners propose landuse policies which are not adopted by the decision makers. Question 15 was formulated to see whether this was the case in regard to capital improvements plans. In all eleven governments with plans, the governing body had approved of using the CIP to

promote landuse goals. Of those governments 82% were using the CIP to promote or increase urban development. None of the plans was being used to stop development or limit urban growth. One wonders what the CIP approval percentage might have been if some of the plans had advocated limiting urban development.

Question 16 asked respondents whether their CIP has been effective in acheiving landuse goals. Questions 16a and 16b asked for the reasons behind their success or failure. Six (55%) of the governments said their CIP was effective, one (9%) said it was not, and four (36%) said they did not know. Dick King, representing both the City of Harlem and Hill County, said that the CIP was effective as part of a community's overall economic development promotion package. According to King, the CIP:

1. helps with the "sales pitch" made to businesses considering relocation to the area;
2. prevents political blowups over public works projects and encourages new businesses which want to locate in towns with political harmony; and
3. allows town leaders to concentrate on attracting new business as opposed to being continually bogged down on public works crises.<sup>59</sup>

Several other governments that were using their plans to

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<sup>59</sup>Dick King. Consultant, Bearpaw Development Corporation, Havre. Telephone interview. December 4, 1985.



promote economic development thought the plans were effective. Jeff Badenock, representing the Missoula Redevelopment Agency, said that the CIP had been effective in promoting downtown redevelopment. Badenock stressed that the CIP allowed the city council to "preview" major public works projects. According to Badenock:

You just can't tell the council we need a new six million dollar multipurpose center in the downtown in this year's budget. The council can't make a decision that fast. They need time to look at the project. A CIP gives the council time to analyze the project. We get time to explain and lobby for the project.

Representatives of Stillwater County and the Town of Columbus felt that their plans were moderately effective. These governments were using the plans to measure the capacity of sewer, water, and roads to service new development. The CIP worked well for sewer and water because they provided quantified data on these facilities. The CIP did not work for analyzing the impact on roads because there was incomplete technical data available for road capacity. The City of Laurel had problems implementing its "no sewer or water without annexation" policy which was part of its CIP. A Montana Supreme Court ruling allows landowners adjacent to municipal boundaries to automatically connect to municipal sewer and water. Also,

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<sup>60</sup>Geoff Badenock. Administrator, Missoula Redevelopment Agency. Telephone interview. December 13, 1985.

annexation laws allow property owners living between the city limits and an outlying area to protest the annexation. These property owners took advantage of the law to defeat the annexation proposal. Thus, Laurel found its CIP not to be effective in achieving its landuse goal. Four governments were not able to gauge the effectiveness of their plans for landuse purposes because the plans were too new.

Question 17 asked if there were any problems which prevent the government from using the CIP to achieve landuse goals. The intent of the question was to probe for legal restrictions which tie the hands of local officials, philosophical problems which inhibit the use of CIP, and other restraints which limit the use of CIP for landuse purposes. If the landuse goal is to control where development occurs, local officials think the following things prevent or restrict achievement of that goal:

1. Development regulations (zoning, subdivision regulations, annexation) are very weak under Montana law. The CIP could try to restrict development in a geographic area but the development could occur anyway because of loopholes or weaknesses in zoning, subdivision, and annexation laws.
2. It is impossible for county governments to

exercise control using only the CIP. Special districts control all the key facilities and services. The County only partially controls one facility (roads).

3. Some Montanans would oppose the goal on philosophical grounds. Antiregulation pressure groups can block implementation of this goal.

If the landuse goal is to increase or encourage new development, the following things hinder the achievement of the goal:

1. It is difficult to convince people that they need a CIP. They say "Huh? We don't need a plan, we need jobs!"
2. Having a CIP and building good sewer and water facilities does not ensure that any businesses will relocate just because of the availability of the utilities. A business relocates for many other reasons. Some of the officials of smaller towns wonder if any new growth is really possible.

Other problems in the use of plans to promote landuse goals include:

1. Planners are often intentionally or unintentionally left out of the CIP process. It is difficult to promote landuse goals if the professional experts are not involved.

2. Government actions designed to encourage, discourage, or manipulate development promote public controversy.

Question 18 asked if there were any changes that would improve the CIP process as a means to implement comprehensive plans or landuse goals. Many of the respondents were not sufficiently experienced in the use of capital improvements planning as a landuse tool to offer any comments. Suggestions from those who understood the problems included:

1. If the goal is to control where development occurs, tie the CIP to zoning. (This will be hard to do given the unpopularity of zoning and the fact that only 3 out of 56 of Montana counties have countywide zoning.)
2. Enact legislation to require that the local government's CIP must be submitted for review and comment to the planning board.
3. If the goal is orderly extension of sewer and water to suburban fringe areas, annexation and utility extension laws must be changed to allow local governments to control the conditions under which utility extensions occur.
4. There is a need for better education. Government officials and citizens must understand the

significant impact that public works decisions have on community development, jobs, and the level of local taxation.

It was interesting that there were only a few conflicting opinions among officials representing the same government. In terms of problems and suggestions for change, the planners and coordinators stressed legal changes and local administrative changes. The chief elected officials thought more in terms of developing new sources of money to finance public works.

The CDBG governments differed from the non-CDBG governments in that the CDBG governments took their plans far less seriously. They saw the benefits in doing a CIP but were not as strongly convinced as were those governments that had done a CIP on their own. One small town mayor frankly confided that his town's CIP was a paper exercise to get the CDBG grant. Besides, he said, everyone in town already knew that the water system needed to be fixed.

There were three governments (Butte-Silver Bow, Laurel, and Wolf Point) that were obviously not really using their plans. Officials representing Butte-Silver Bow and Wolf Point did not realize they even had a plan. For Laurel, only the planning consultant was aware of the plan. Laurel had tried to use the CIP to promote orderly

extension of water and sewer facilities. However, the mayor and "CIP coordinator" did not know about the plan. It was apparent that turnover of elected officials and staff was one reason why the capital improvements plans were not being used by these jurisdictions.

Government officials overwhelmingly endorsed capital improvements planning as an effective method to finance public works yet they also acknowledged that they had unmet public works needs. How does one account for this apparent contradiction? There was evidence that the "don't raise taxes" philosophy was part of the reason. For example, a CIP coordinator stated: "The philosophy of the commissioners was that they would go along with the CIP if they did not have to raise taxes."<sup>61</sup> Similarly, a Mayor commented: "We first set the funding limit [budget], then we set the [public works] priorities. This is how we keep our taxes in line."<sup>62</sup> A related reason for the aforementioned paradox was stated by a local planner who said that certain projects were never placed in the CIP because there would then be public pressure to finance the projects. Thus, needed projects were left off the plan in order to prevent tax increases.

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<sup>61</sup>Milo Manning. Planning Director, Anaconda-Deerlodge. Telephone interview. November 26, 1985.

<sup>62</sup>Ken Weaver. Mayor, Bozeman. Telephone interview. December 11, 1985

## CHAPTER VI

### CONCLUSIONS

#### How Well Does Capital Improvements Planning Work as a Financing Process?

Clearly Montana local governments have overwhelming public works needs. If there is an "infrastructure crisis," local governments have fewer and fewer tools to combat the problem -- federal and state funds are drying up, inflation has increased costs, the recession has stagnated or caused declines in local tax bases, and the eleventh commandment seems to be, "Thou shalt not increase taxes." Montana local governments are experiencing extreme financial problems. Given this bleak financial outlook, Montana governments that have used capital improvements planning are enthusiastic about it. Why the positive attitude? Because those governments using capital improvements planning feel that the process helps them to exercise better financial control over their money. They also see capital improvements planning as a way to avoid the crisis atmosphere inherent in the "wait till it breaks" attitude. Mayors and County Commissioners feel that the procedures for setting priorities in a CIP reduce the

ability of pressure groups to force funding of projects that are not of the highest community wide priority or the most efficient expenditure of funds. In short, a CIP helps put the government in control of its own physical plant. Governments with a CIP are confident that somehow they can find a way to provide at least the most crucial public works facilities in these difficult times. To them, knowing what they need and facing the problems squarely is better than the anxiety inherent in the "wait till it breaks" approach.

The survey revealed that local officials think their plans are effective as a method to finance public works. The responses to the author's definition of effectiveness indicated that the plans were ineffective. Obviously, delays of even three years for a single project do not invalidate the effectiveness of a CIP in the eyes of local officials. Delays are, of course, inevitable. The author accepts the views of the local government officials. Perhaps the author's "three year delay definition of effectiveness" was too stringent. However, the author feels that long-term delays in crucial projects indicate real problems. For example, Wolf Point's eleven year delay to build a needed drinking water facility indicates a problem. Of course the problem may be traced to other causes and may not be a defect in the CIP process.



The CIP process can help a government more efficiently manage its money. It can stretch tax dollars. But capital improvements planning cannot compensate for a serious lack of local financial capacity. For example, the town of Bearcreek (population 61) can raise only about \$3,000 per year with its property tax. It is impossible for Bearcreek to ever come up with enough local money to pay for the \$820,000 sewer that Bearcreek needs. For example, if Bearcreek saves one-half of its annual maximum property tax revenue (\$1,500) for the sewer, it will take 547 years to come up with the money required. Bearcreek's CIP process could not overcome this basic lack of local financial capacity.<sup>63</sup> Even in cities and counties with much greater financial resources, needs and demands for public works projects always outstrip local resources.

A CIP can help bring order to financial decision making but there will always be projects -- and people -- that lose out. Although governments with a CIP can defend their financing actions as being based on fair criteria, this will not always pacify the losers.

In summary, the capital improvements planning technique is an effective tool in the financing of public works

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<sup>63</sup>Figures based on Bearcreek's fiscal year 1986 budget. Computation assumes all factors remain constant including inflation. State and federal transfer payments not included because they are negligible.

projects. Delays and problems are inherent in public works financing. Individual finance methods, such as bonding or lease-purchase, have defects which will delay or defeat certain public works projects. These delays and problems do not nullify the value of capital improvements planning. One can not blame capital improvements planning for the existence of the "infrastructure crisis." Many other factors -- especially the lack of financial capacity and the desire not to raise current taxes -- have attributed to the infrastructure problem. The preliminary survey illustrated that only a handful of local governments have used capital improvements planning. Even those who have used the technique have only recently adopted it. Today's statewide infrastructure needs would be less forbidding if more governments had adopted and implemented capital improvements plans.

#### How Well Does Capital Improvements Planning Work as a Landuse Tool?

The experiences of the cities of Missoula, Hamilton, Harlem, and Hill County indicate that a CIP can indeed help promote new economic development. For towns that are not growing or which are isolated, the adoption and implementation of a CIP is no guarantee that new businesses will flock to the town. For example, one mayor stated:

"As far as economic development goes, we are not kidding ourselves [with our CIP]. The provision of

adequate sewer and water are only two of many things a business considers in determining where to locate."<sup>64</sup>

Still, having a good CIP that is implemented so that adequate water and sewer is available will ensure that these vital utilities are available if a business chooses a small town location. Without adequate water and sewer, the town might miss attracting a new business.

The experience of Stillwater County and the Town of Columbus shows that a CIP can be put to practical use for reviewing subdivision and annexation proposals. Having information on facility capacity allows government officials to:

1. require that new development be located where facilities are available;
2. require that developers upgrade substandard facilities where needed; and
3. estimate the share (exaction) the developer should pay to upgrade substandard facilities.

There are two major legal restraints which retard or prevent the use of capital improvements planning for managing new development in Montana. The first of these restraints is the Montana Subdivision and Platting Act (MSPA). Because the MSPA gives local

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<sup>64</sup>Dave Boisvert. Mayor, Harlem. Telephone interview. December 12, 1985.

government the right to review only about 10% of all new Montana land subdivisions, a CIP can only deal with a small proportion of new developments. Every day, new public works are being improperly built -- or worse yet, not built at all -- in exempted subdivisions. Under the MSPA as it is currently written, local governments can not prevent public works problems through regulation. Thus, effective capital improvements planning is impossible under these circumstances. The problem is the scope of the Montana Subdivision and Platting Act -- not the technique of capital improvements planning. Changes need to be made to allow local governments to regulate those subdivisions currently exempt in order to ensure that critical public works are properly installed. The repeated failure of the Montana Legislature to address this problem has allowed the development of serious public works problems which may physically or financially injure property owners in the exempted subdivisions. Also, the Legislature's failure has ensured that local taxes will rise as local governments try to solve public works problems after the exempted subdivisions have been built. Perhaps greater documentation of problem -- in financial terms and human terms -- and meaningful press coverage of these findings would goad the Legislature into a comprehensive overhaul of the exemptions to the MSPA. Also, advocates for change

must teach the legal fact that fair regulation of new land subdivisions does not violate the constitutional property rights of property owners and land developers.

The second legal restraint which retards or prevents the use of capital improvements planning for management of new development in Montana is the control of public facilities needed for land development by independent special districts and private entities. As indicated in Chapter IV, county governments have limited control over public works decisions because special districts and private entities control many types of facilities. For example, county governments do not control the critical sewer, water, and electricity facilities. Thus, capital improvements planning for county governments is severely limited in scope. Conversely, municipal governments control more types of public facilities. Special districts control fewer facilities within municipal boundaries. Municipalities control sewer and water facilities. Thus, capital improvements planning can be more comprehensive and effective for municipal governments.

No government studied was trying to limit or prevent development through the use of the CIP. As Chapter IV indicates, it is legally impossible for county governments to do so through the use of a CIP, because they only partially control one out of the four facilities necessary

for new land development. On the other hand, municipal governments could limit or prevent development using a CIP. Thus, it is not known how effective a CIP could be to limit or prevent development for Montana municipal governments. The literature review indicated that it is possible to limit growth using a CIP and related public works policies. John Devore aptly pointed out the philosophical issue: "The fundamental question is, should infrastructure control and drive development or should zoning be used to control development?"<sup>65</sup>

The following summarizes important aspects of capital improvements planning as a method to implement landuse policies and comprehensive plans:

1. Capital improvements planning is effective for promoting economic development in towns or cities where there is some stimulus for business growth;
2. It is effective as a way to analyze subdivision and annexation proposals and to leverage developers to provide adequate facilities;
3. It is less effective for county governments than municipal governments if the goal is real control and limitation of development;

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<sup>65</sup>John Devore. Operations Officer, Missoula County. Telephone interview. December 6, 1985.

4. The effectiveness of the method for the prevention or limitation of development is basically unknown since none of the municipalities studied tried to use their capital improvements plans for this purpose.

#### Other Conclusions

Time and again local officials stressed the administrative benefits of capital improvements planning. Capital improvements planning helps a government plan, coordinate, schedule, finance, bid, build, and repair its public works.

The need to update the CIP and turnover of local officials were related problems for some governments. Local officials suggested that the CIP should be tied directly to the annual budget process. The plan should be part of the annual budget document. The plan should be automatically updated each year. These changes would insure that:

1. new officials would know if the government had a CIP (last year's budget is always reviewed);
2. the officials would review the CIP;
3. the plan would be updated; and
4. new officials would better understand what a CIP meant to them (most local officials receive some basic training in budgeting, thus, they would

receive some training in capital improvements planning).

After all, local governments must adopt a budget each year by law. With the CIP tied to the budget, the CIP would be automatically updated and turnover of officials would not mean that the CIP was forgotten.

Planners and planning boards are sometimes shut out of the CIP process either intentionally or unintentionally. Without assigning guilt, the author feels this is deplorable. The planners, CIP coordinators, and governing body all must be involved with the CIP if a government is to have a consistent approach to planning and development. It is easy for the different boards and departments within a single government to work at cross purposes if they are not involved in the plan. The role of the planning board and staff is especially important. They are continuously making decisions related to public works. If the planning board and staff are not involved with the CIP how can they make meaningful recommendations to the governing body on subdivision, zoning, and annexation proposals? How can they provide meaningful recommendations on changes to the comprehensive plan or more specific plans such as park plans, transportation plans, and neighborhood plans?

The preliminary telephone survey undertaken for this study showed that a significant number of small towns were



using the capital improvement fund without having a CIP. Such a practice is not in compliance with Montana law. In most cases, it appeared the local officials did not understand that they had to have a plan.

Several governments, due to turnover, had difficulty figuring out just who, if anybody, was in charge of the CIP.

Several of the above problems could be comprehensively addressed through continual capital improvements planning training for local officials. The training might be sponsored by the Montana Association of Planners, Montana Association of Counties, and Montana Association of Cities and Towns. Another approach would be to draft a new state law that would:

1. define the basic elements of a CIP;
2. require the government to designate a CIP coordinator if they had a CIP;
3. require a copy of the CIP to be sent to the planning board or person serving as planner (e.g. planning consultant) for their nonbinding review and comment;
4. require that a copy of the CIP accompany the annual budget document;
5. cross reference the new law to other relevant statutes (e.g. the public facilities component of

the comprehensive plan law and the capital improvement fund laws); and

6. require a state agency to provide samples of capital improvement plans or other guidance on how to prepare a CIP to local officials.

The preliminary survey showed that many governments whose officials said they "had no money," were spending tens-of-thousands-of-dollars annually on repair and replacement of public works. A CIP should be a plan for repairing existing facilities as well as a plan for building new facilities. These officials simply did not understand that a CIP applies to small scale repairs as well as large scale new facilities. Those governments who felt they did not need a plan could benefit from a CIP even if they never build a new facility because a CIP could help them more efficiently "stretch" money used for repairing and replacing infrastructure.

Finally, the verdict on the effectiveness of the capital improvement fund mechanism is still out. Several governments have used this "public works savings account" effectively. Other governments say that the limit on the amount of money that can be put into the fund makes it difficult to accumulate money. Still other governments complain that they are already using every penny they have and cannot set aside 5% or 10% of their budget for public

works projects. Governments with larger tax bases (e.g. City of Missoula) are able to raise more money than governments with low tax bases (e.g. Town of Bearcreek). Since the CIP fund is based on a percentage of the tax money collected by a local government, governments with low tax bases are at a distinct disadvantage under the law. Further study of the capital improvement fund law is needed.

APPENDIX

CAPITAL IMPROVEMENT PLANNING  
TELEPHONE SURVEY FORM

Date \_\_\_\_\_

Local Government \_\_\_\_\_

Planning Board \_\_\_\_\_

Person Interviewed \_\_\_\_\_

Title \_\_\_\_\_

Representing (check one) Governing Body \_\_\_\_\_

Planning Staff \_\_\_\_\_

Other Staff \_\_\_\_\_

(e.g. clerk, city  
manager)

Other (Specify) \_\_\_\_\_

PART 1 - CIP PROCESS

1. In what year did your local government prepare your current Capital Improvement Plan (CIP)?

\_\_\_\_\_

2. Was the plan formally adopted by the governing body?

Yes \_\_\_\_\_

No \_\_\_\_\_

2a. [If no] Why not?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Why did you decide to prepare your current Capital Improvements Plan? What motivated you?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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4. Describe the process of preparing and implementing the plan. (i.e. Who did what? Who prepared plan?)

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5. How were individual project priorities set for the Capital Improvements Plan? Who set them?

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6. Were the project priorities modified after the plan was prepared?

Yes \_\_\_\_\_

6a. [If yes] Why?

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No \_\_\_\_\_

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PART 2 - CIP FINANCE

7. Were each of the 3 top priority projects listed in your plan built on the time schedule specified in the plan?

Yes, all three \_\_\_\_\_

No \_\_\_\_\_

7a. [If no] How long was each of the projects delayed (in months or years)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7b. [If no] What was the reason for the delay for each of the projects?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. Are all capital projects that are budgeted and built by your local government included in the CIP?

Yes \_\_\_\_\_

No \_\_\_\_\_

8a. [If no] What project(s) have been budgeted and built that are not on the CIP? (list)

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\_\_\_\_\_  
\_\_\_\_\_

9. Why have a CIP? Why not have a separate plan and



financing for each public works facility?

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10. Do you use the statutory Capital Improvement Fund\* to finance the CIP?

\*Municipal: 7-6-4134 MCA, County: 7-6-2219 MCA

Yes \_\_\_\_\_

No \_\_\_\_\_

10a. [If no] Why not?

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11. In your opinion, has your Capital Improvements Plan been effective in getting projects financed and built?

Yes \_\_\_\_\_

No \_\_\_\_\_

11a. [If no] Why has it not been effective?

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12. Are there any problems which prevent you from using the Capital Improvements Plan to finance public works?

These problems could be legal, structural, political or other problems. Please describe.

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13. What changes - if any - would you like to see made to improve the capital improvement planning process as a means to finance public works?

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PART 3 - LANDUSE QUESTIONS

14. Is your capital improvement plan used to implement your comprehensive plan or other landuse policies? (For example: If your comprehensive plan advocates increased real estate development in a certain geographic area, is the CIP used to encourage new development by providing new sewer, water, and roads?)

Yes \_\_\_\_\_

14a. [If yes] How is it used? Please be very specific.

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No \_\_\_\_\_

14b. [If no] Why isn't the capital improvement plan used to implement the comprehensive plan? Please be very specific.

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\* IF NO, SKIP TO QUESTION #17 \*

15. Did the governing body adopt the landuse components of your Capital Improvements Plan?

Yes \_\_\_\_\_

No \_\_\_\_\_

15a. [If no] Why not?

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16. In your opinion, how effective has your capital improvements plan been in achieving landuse goals?

Effective \_\_\_\_\_

16a. [If "effective"] Why is it effective?

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Not Effective \_\_\_\_\_

16b. [If "not"] Why isn't it effective?

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17. Are there any problems which prevent you from using the CIP to achieve land use goals? These problems could be legal, structural, political or other problems. Please describe.

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18. What changes - if any - would you like to see made to improve the CIP process as a means to implement comprehensive plans or other landuse goals?

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19. Additional comments.

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Montana Contractors' Association and Montana Department of Commerce, Community Development Division. Untitled Videotape on Montana's Infrastructure Situation. Helena: Montana Contractors' Association and Montana Department of Commerce, Community Development Division, August, 1984.

The videotape presents both a national and Montana perspective on local public works needs.

Vaughn, Robert J. Pollard, Robert. Rebuilding America, Volume 1: Planning and Managing Public Works in the 1980's. Washington, D.C.: Council of State Planning Agencies, 1984.

Capital budgeting is the process by which long-term plans are tied to annual expenditures. Charges that local and state governments (unlike private corporations) ignore depreciation on capital investments. Advocates that a capital budget should contain cost estimates of not undertaking major rehabilitation projects upon future budgets.

## MONTANA INFRASTRUCTURE SITUATION

Governor's Task Force on Infrastructure (Montana Department of Commerce, Community Development Division). The Governor's Task Force On Infrastructure: Final Report. Helena: Montana Department of Commerce, Community Development Division, November, 1984.

A fairly comprehensive statistical overview of Montana's local public facility needs and situation. Includes local case studies and recommendations to improve public facility planning and financing.

Lisa Bay Consulting for the Governor's Task Force on Infrastructure. Montana Local Government Infrastructure Case Studies. Helena: Montana Department of Commerce, Community Development Division, June, 1984.

The "case studies" are the results of interviews with local officials and staff in 13 local governments. For each jurisdiction, several managers of different types of public facilities were interviewed. States that cities and counties have

been reluctant to enter into a formal CIP funded through a set aside of the general fund, because they would either have to reduce service levels or raise taxes - there is no cushion in the mill levy.

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Knack, Ruth and Peter James. "How to Get a Say in Capital Budgeting." Planning Vol. 50, No. 8. (August, 1984) pp. 8-9.

Maintains that , historically, planning commissioners haven't had much say in expenditure of public funds. Asks whether the planning commission is to be the data generator or a data elevator in the CIP process. Illustrates the frustration when politicians ignore the CIP priorities.

Lubin, Roger. "Technology and Capital Investment." In Productivity Improvement Handbook For State and Local Government, pp. 327-341. Edited by George J. Washnis. New York: John Wiley and Sons, 1980.

Provides formula and questions to conduct cost/benefit analysis of public projects. States that local governments treat capital budgeting as a special event (since the budget is adopted once a year) instead of an ongoing process.

Meyer, Neil L. Coping With Growth: Programming Capital Improvements. WREP No. 30. Corvallis: Western Regional Development Center, Oregon State University, 1980.

An overview brochure which explains the basics of capital improvements planning. Brochure is written for laypersons, not technicians.

Milliman, Jerry, Sipe, Neil and Fishkind, Henry. Model Financing Alternatives For Capital Improvements. Gainesville: University of Florida, Bureau of Economic and Business Research, June, 1983.

This is a companion book to the State of Florida computerized capital improvement planning model. The model is available to Florida local governments.

Moak, Lennox and Killian, Kathryn. A Manual of Suggested Practice for the Preparation and Adoption of Capital Programs and Capital Budgets by Local Governments. Chicago: Municipal Finance

Officers' Association of the United States and Canada, 1964.

A comprehensive, well written how-to-do-it CIP manual with a big city focus. Good explanation of administrative procedures. Discusses agency and policymaker decision making structure.

National Association of Regional Councils. Regional Capital Improvements Programming: An Evaluation and Analysis. Washington, D.C.: National Association of Regional Councils, 1976.

Explains regional (multi-jurisdictional), capital improvements planning.

Rood, Sally and Rosenberg, Philip. Capital Improvements Programming Guidebook For Maine Communities (June, 1984 Draft). Augusta, Maine: State of Maine, State Planning Office, June, 1984.

A three volume set which describes, in detail, how to do a CIP. Good sections on the local facility inventory and fiscal issues.

Rosenberg, Philip and Stallings, C. Wayne. A Capital Improvement Programming Handbook for Small Cities and Other Governmental Units. Chicago: Municipal Finance Officers Association, 1978.

One of the best known national works on capital improvements planning.

So, Frank S., et. al. The Practice of Local Government Planning. Washington: International City Management Association, 1979.

A classic handbook on local government planning. Good chapter on capital improvements planning.

State of North Dakota, Planning Division and Briscoe, Maphis, Murray and Lamont, Inc. Capital Improvement Programming Handbook. Bismark: State of North Dakota, August, 1981.

A typical CIP handbook for local governments. Good explanation of the planning process but superficial treatment of project financing. Great graphics.

Stewart, J. David and Buehler, Dan for the American Public Works Association. Administration of State Capital Improvement Programs: Nine Selected Profiles. Chicago: American Public Works Association, 1979.

Although this volume analyzes state government capital improvements planning, some of the questions and observations can be applied to local government. The survey questionnaire is particularly relevant as a basis for analyzing state and local government capital improvements policies.

Vaughn, Roger; Smith, Rodney; et.al. Investing in Public Works: CSPA/CFED Working Paper. Washington, D.C.: Council of State Planning Agencies, March, 1984.

Good explanation of benefits of capital improvements planning. Maintains that cost/benefit analysis is an integral component of capital budgeting. Proposes principles for financing capital investment. Describes the false economy of delaying maintenance of public works.

Vogt, A. John. Capital Improvement Programming: A Handbook for Local Government Officials. Chapel Hill, N.C: Institute of Government, University of North Carolina, 1977.

A typical "how-to-do-it" handbook on capital improvements planning.

Washington Planning and Community Affairs Agency. "Capital Planning" in The Washington State Public Works Report, pp. 19-22. Tacoma: Washington Planning and Community Affairs Agency, December, 1983.

States that the failure to plan virtually assures that scarce resources will be consumed in reacting to crisis and that crucial facilities will continue to deteriorate. Suggests that capital planning offers no magic remedy to public works problems, but it may avert some of the expensive mistakes that are frequently the result of crisis management.

CAPITAL IMPROVEMENTS PLANNING:  
OVERVIEW -- MONTANA PERSPECTIVE

Gould, Allen C. An Introduction to Comprehensive Planning. Havre, MT: Bear Paw Development Corporation, 1975.

An introduction to planning. Includes a brief section on capital improvements planning.

Montana Legislature. Master plan -- contents. 76-1-601(4) Montana Codes Annotated, 1983.

This citation defines the "capital improvements plan component" of a community comprehensive plan.

Montana Legislature. Use of adopted master plan. 76-1-605(1) and (2) Montana Codes Annotated, 1983.

Explains the legal status of an adopted master plan. The citation requires local governing bodies to be guided by the Comprehensive Plan in constructing public improvements.

Montana Legislature. Capital improvement program fund. 7-6-4134 Montana Codes Annotated, 1983.

This citation allows municipalities to establish a CIP fund by reserving 5% of the money from their all purpose levy. The citation specifies the allowable uses for the CIP fund.

Montana Legislature. Authorization to establish capital improvement fund. 7-6-4135 Montana Codes Annotated, 1983.

The citation requires municipal CIP fund money to be invested in a bank.

Montana Legislature. Authorization to establish capital improvement fund. 7-6-2219 Montana Codes Annotated, 1983.

The citation authorizes county governments to establish a CIP fund. The citation specifies allowable uses for the CIP fund.

Montana Legislature. Levy for capital improvement fund. 7-6-2220 Montana Codes Annotated, 1983.

The citation establishes the funding for a county CIP fund.

Montana Legislature. Limitations on capital improvement fund. 7-6-2221 Montana Codes annotated, 1983.

The citation limits the amount of money which can be placed in a county CIP fund and requires that money placed in the fund must be expended within a ten-year period.

Richard, Jim E. A Handbook: Capital Facilities Scheduling and Financing. Helena: Montana Department of Commerce, Community Development Division, June, 1983.

The current Montana "bible" on how to do a Capital Improvements Plan under Montana law.

Richard, Jim E. and Thoreson, Randy. "An Untitled Proposal to Conduct a Series of Local Government Infrastructure Case Studies for the Governor's Task Force on Infrastructure." A proposal submitted to the Montana Department of Commerce, Community Development Division. East Helena, Montana: April 12, 1984.

Explains the typical public facility financing problems faced by Montana local governments. Asserts that problems facing local governments in providing public facilities fall into at least three main categories: insufficient funding capacity, constraints imposed by state law or administrative policy or rule, and local planning and management policies.

#### CAPITAL IMPROVEMENTS PLANS -- MONTANA EXAMPLES

Beaudry, John et. al. Stillwater County and Town-of Columbus Community Needs Assessment. Columbus, MT: Stillwater County Planning Office, June, 1983.

Submitted as a part of a grant application for a Montana Community Development Block Grant. A citizen survey and government department recommendations were used to establish project needs.

DeVore, John et.al. Capital Improvement Program, Missoula County 1983-1987. Missoula: Missoula City County Planning Office, 1983.

A rather massive Capital Improvements Plan.  
Sophisticated project prioritization system.

Fraser, Michael W. "1984 Montana Community Development Block Grant Program Town of Hot Springs." Hot Springs, MT: Town of Hot Springs, 1984.  
The "Public Facilities Plan" section is the CIP.

Jentz, Tom. "Application for 1984 Montana Community Development Block Grant Program, Flathead County." Kalispell: Flathead Regional Development Office, 1984.  
The "Public Facilities Plan" section is the CIP.

King, Dick. "Hill County Montana Community Development Block Grant Application." Havre, MT: Bearpaw Development Corporation, 1983.  
The "Community Facilities and Public Improvements" section is the CIP.

King, Dick. "City of Harlem Community Development Block Grant Application." Havre, MT: Bearpaw Development Corporation, June 1983.  
The "Public Facilities Plan" section is the CIP.  
Intermountain Planners, Inc. "Capital Improvements Program Hardin, Montana 1974." Billings: City of Hardin, 1974.  
Preface contains a good discussion of capital improvements planning.

Kolar, James V. "Application For 1983 Community Development Block grant Town of Joliet, Montana." Joliet, MT: Town of Joliet, June 1983.  
The "Summary of Local Public Facilities Plan" section is the CIP.

Missoula City-County Planning Office. Capital Improvements Program, Capital of Missoula, 1984-1988. Missoula: Missoula City County Planning Office, April, 1983.  
Sophisticated project prioritization system.

Northwest Planners for the Libby City-County Planning Board. Libby Comprehensive Plan - Plan

Implementation: Capital Improvements Program.

Libby, MT: City of Libby, May, 1973.

Financed under the HUD "701" grant program. Well written CIP. Comprehensive analysis of the government's fiscal condition.

Northwest Planners for the Conrad-Pondera County City-County Planning Board. Conrad Capital Improvements-Program. Conrad, MT: Conrad, 1971.

Financed under the HUD "701" grant program. Easy to understand. Good format for describing each public facilities project.

Peterson, Peter L. "Town of Bearcreek, Montana, CDBG Program 1984 Application." Billings: Peter L. Peterson, September, 1984.

The "Public Facilities Plan" and "Community Development Needs Assessment" sections are the CIP.

Robert Peccia and Associates. Capital Improvements Program for Anaconda - Deer Lodge County. Anaconda: Anaconda - Deer Lodge County Planning Board, 1980.

Well written and comprehensive CIP. Contains revenue and expenditure trend analysis.

Smith, Hanne. "Geraldine Water Supply Project Application for CDBG Funds 1983." Geraldine, MT: Town of Geraldine, 1983.

The "Current Assessment" section is the CIP.

Stevens, Thompson & Runyan, Inc. Capital Improvement Program, Butte - Silver Bow City - County Planning Board. Butte: Butte-Silver Bow City - County Planning Board, October 1973.

Contains several matrices.

Stevens, Thompson and Runyan, Inc. Laurel Capital Improvement-Program. Laurel: City of Laurel, October, 1974.

Contains fairly intensive financial analysis. Financing mechanisms for each project are not specified. Unusual in that it includes an

environmental assessment of the proposed facility program.

Young, Mike et. al. City of Missoula Capital Improvement Program 1986-1990. Missoula: City of Missoula, April 1985.

Very comprehensive. Contains a useful spreadsheet that shows: all projects, funding sources, and other pertinent financial information. Sophisticated project ranking system.

Wolf Point City-County Planning Board. Capital Improvements Program, Wolf Point Planning Area, City of Wolf Point (Roosevelt County). Wolf Point, MT: City of Wolf Point, 1973.

Brief CIP. Contains several financial matrices. Contains revenue and expenditure trend analysis.

THE CAPITAL IMPROVEMENTS PLAN AS AN IMPLEMENTATION TOOL FOR COMMUNITY PLANNING: NATIONAL PERSPECTIVE

Bacon, Abigail. "Capital Programming" Planning Vol. 51, No. 1 (January, 1985).

Bacon surveyed 19 southern cities and counties. Only one government linked its CIP to its comprehensive plan.

Bacon, Abigail. "CIP Study" Charleston, S.C.: City of Charleston, Department of Planning and Urban Development, December 19, 1983.

The detailed handwritten results of Bacon's survey of 19 southern cities and counties.

Buckley, Michael Patrick. "Assessing the Issues and Trends in Public Facilities Financing: Planning and Policy Considerations for State and Local Governments in Oregon." Master's Thesis, University of Oregon, Department of Urban and Regional Planning, May, 1982.

Section 2.2 discusses the relationships between comprehensive planning, capital improvements planning and public facilities financing. Buckley found that the relationship between comprehensive planning and capital improvements is much weaker in practice than the standards sought by planning theorists. Buckley also criticizes contemporary capital improvements



plans because they are weak on providing analysis of alternate methods of financing public facilities.

Burrows, Lawrence B. Growth Management: Issues, Techniques and Policy Implications. New Brunswick, NJ: Rutgers University, 1978.

One of the best volumes on the use of capital improvements planning as a growth control tool. Good case studies of several communities.

Forestell, William. "Should Water Utilities Control Growth?" in Management and Control of Growth: Issues, Techniques, Problems, Trends Volume II, pp. 457-458. Edited by Randall Scott. Washington, D.C.: Urban Land Institute, 1975.

Presents a synopsis of three interviews with water system managers who were asked whether or not the provision of water facilities should be used as a growth control measure.

Getzels, Judith and Thurow, Charles. Local Capital Improvements and Development Management: Analysis and Case Studies. Chicago: America Planning Association, 1980.

The product of three years' research by the American Planning Association. A comprehensive study of capital improvements planning and growth control. Landmark work on this topic.

Getzels, Judith and Thurow, Charles. Local Capital Improvements and Development: Executive Summary. Chicago: American Planning Association, 1980.

The overview of three years of research conducted by the American Planning Association.

Hirst, Joanna and Hirst, Thomson. "Capital Facilities Planning as a Growth Control Tool: And a Case Study of Metropolitan Washington, D.C.," in Management and Control of Growth: Issues, Techniques, Problems, Trends Washington, D.C.: Urban Land Institute, 1975.

Asserts that sewer is the ultimate no-growth weapon; without sewer nothing can be built. The case study illustrates the impacts and problems which occur

if a community limits growth by limiting sewer capacity.

Ramsay, Barbara A. "Utility Extensions: Timing and Location Control," in Management and Control of Growth: Issues, Techniques, Problems, Trends Volume II, pp. 442-456. Edited by Randall Scott. Washington, D.D.: Urban Land Institute, 1975.

Explains the real growth control power of utility extension.

Rivkin, Malcolm D. "Sewer Moratoria as a Growth Control Technique," in Management and Control of Growth: Issues, Techniques, Problems, Trends Volume II, pp. 473-482. Edited by Randall Scott. Washington, D.C.: Urban Land Institute, 1975.

Explains the rationale, national extent, and impacts of sewer moratoria.

Schiffman, Irving. Alternative Techniques for Controlling Land Use: A Guide for Small Cities and Rural Areas in California. Davis: University of California, Institute of Governmental Affairs, January 1983.

Brief but well written description of capital improvements planning. Describes limitations of capital improvements planning for landuse control.

Seeger, Williams. "Water Planning in a No-Growth County," in Management and Control of Growth: Issues, Techniques, Problems, Trends Volume II, pp. 459-460. Edited by Randall Scott. Washington, D.C.: Urban Land Institute, 1975.

Asserts that, in the past, the water works industry has had as its motto that it would provide water in any place and in any amount. Explains the impact of a "no more water policy" in Marin County, California.

Sidor, John. "Public Facilities Planning and Residential Development in Oregon" in Providing Infrastructure For Residential Development: Florida, Utah, and Oregon. Washington, D.C.: Council of State Community Affairs Agencies, March, 1984.

Oregon state law requires local governments to

prepare local comprehensive plans based on state wide goals which are set by a state commission. To guide public facilities planning throughout the state, the Commission adopted Goal II which requires local governments to prepare a CIP based on "the types and levels of urban and rural public facilities and services appropriate for, but limited to, the needs and requirements of the urban, urbanizable, and rural areas to be served." According to the guideline for Goal II, the local CIP has one dominant purpose: to ensure the implementation of land-use objectives. The analysis describes local plans and whether the plans actually proposed implementation of landuse policies.

So, Frank S., et. al. Local Capital Improvements and Development Management: Literature Synthesis. Washington: United States Government Printing Office, July, 1977.

A comprehensive study and literature review of capital improvements planning and growth control throughout the United States. Very good analysis. Valuable textbook.

Urban Systems Research and Engineering Inc. for the Council on Environmental Quality. Growth Shapers: The Land Use Impacts of Infrastructure Investments. Washington, D.C.: U.S. Government Printing Office, May, 1976.

Explains the basic relationships between the provision of public facilities and the location of developed land uses. Analyses impacts of public facility decisions on development. Invaluable reading for planners.

#### OTHER RELEVANT WORKS

Beardslee, Mark. "The Subdivision and Platting Act In Practice in Nine Montana Counties." Master's Professional Paper, University of Montana, 1979.  
Describes problems with the Montana Subdivision and Platting Act.

Montana Department of Community Affairs. Land Division in Montana: The Subdivision and Platting Act in Practice. Helena: Montana Department of Community Affairs, January 1977.

A brief overview of the problems with the Montana Subdivision and Platting Act. Contains statistics on the amount of land that has been subdivided through the use of the exemptions to the MSPA.