

Comparison of the Bond Ratings in Municipalities with City Managers and Municipalities
without City Managers

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Darryl A. Nettles

M.P.A., Augusta University, 2009

B.S., Stillman College, 1996

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This dissertation, "Comparison of the Bond Ratings in Municipalities with City Managers and Municipalities without City Managers," by Darryl A. Nettles, is approved by:

Dissertation



Committee

James W. Peterson, Ph.D.

Chair

Professor Emeritus of Political Science

Committee



Members

William Hatcher, Ph.D.

Associate Professor/MPA Director

 by 

Robert Yehl, Ph.D.

Associate Professor

Associate Provost

for Graduate

Studies and

Research


Becky K. da Cruz, Ph.D., J.D.

Professor of Criminal Justice

Defense Date



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ABSTRACT

Cash strapped municipalities have become the new normal in local city governments. This research was conducted to determine if council-manager systems of municipal government have better bond ratings compared to municipalities with other forms of local government. One theory is based upon evidence that city managers operate more professional cities. In addition, city managers may be trained to negotiate better financial contracts, make decisions utilizing analysis techniques, and practice extremely sound budgetary practices. This study examined if city managers give municipalities any advantages, when bond rating agencies award bond values for financial resources.

There was not a wealth of knowledge related to this topic. The data for this research was collected from secondary sources such as the US Census Bureau, Moody's Investors Service, Augusta University city database, and various American city websites. Excel 2013 was utilized to randomly select 330 cities from the Augusta University city database of over 10,000 American cities. Moody's Investment Services was the only chosen credit rating agency, because of the varied procedures that each agency utilizes to award city bond ratings. Moody's website was the resource that was employed to assign municipal bond ratings to the 330 randomly selected cities. This was a quantitative methods study. A measurable value was assigned for council-manager forms of government, and all other forms of local government were assigned a different value.

As a result of this study, there seems to be agreement that the form of local government in municipalities does influence the city's bond rating values awarded. This finding could aid municipalities in the future to determine what form of local government may work better for achieving better bond ratings.

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Chapter I

INTRODUCTION

In the United States of America, there are over 89,000 governmental units (Prall, 2013). The larger portion of these are local governments—municipalities, counties, special districts, and school districts. Concerning municipalities, there are five forms of government: council-manager, mayor-council, commission, town meeting, and representative town meeting (New Leaders Council [NLC], 2016). Research indicates that form of local government for cities matter. Within this dissertation, I expand this research by investigating whether the municipal government form affects financial practices, in particular the bond ratings of cities. Therefore, it is imperative that the challenges that face municipalities are understood and appropriate solutions are designed based upon the best research and findings.

Purpose of the Study

The purpose of this study is to determine if council-manager systems of municipal government have better bond ratings compared to municipalities with other forms of local government. This research will offer another opportunity to contribute to the body of work. The theory is that city managers operate more professional cities. Due to most city managers training, they negotiate better financial contracts and these professionals have very sound budgetary practices. In addition, this research will uncover if city managers in their cities give any extra advantage, when municipalities are rated by bond companies for financial resources. These resources are essential to complete expensive, long-lived, and large capital projects, such as schools and roads.

Statement of the Problem

Discover ways to address challenges that modern day municipalities face. Many cities are not able to obtain higher bond ratings. Those better bond ratings would open many opportunities to improve the services, economics, and skylines for many metropolitan areas. If local government officials could clearly understand how bond ratings are processed, this could create an even playing field for all local governments.

Most individuals come together to work, live, and play in municipalities. The chief city officials are responsible to provide services to people, repair potholes, and grow economies. Urban centers are where innovative ideas, social dynamism, and entrepreneurship are elevated. The National League of Cities' annual report reviewed State of the City speeches by mayors and found at least 10 critical issues that pertain to community/economic development, city operations, and municipal livability. There were 100 State of the City addresses utilized in this study from both small and large municipalities. In the ranking, Health Care is listed at 10, while Education and Infrastructure are listed at five (5) and four (4) respectively. While Budgets are in the top three (3), many city leaders see strong city finances that have returned to levels that existed before the recession (Rainwater, 2016). Many city leaders hope to elevate the quality of city services without increasing taxes. Economic development is top priority for most state of the city speeches delivered across the United States.

Research Areas Identified

This is one reason why the form of city government that offers the best outcomes, if there is one must be determined. There are five forms of local government for cities in the United States of America. These are the mayor-council, manager-council, commission, town meeting, and representative town meeting (NLC, 2016). A historical background for each of these

government forms will be highlighted. Characteristics of each will also be detailed throughout this work. The latest statistical data will be provided.

A brief description of the characteristics of each form of local government in the modern United States of America is outlined. The council-manager form is the most common local city government today. City operations are directed by a professional administrator and elected officials compose the legislative body. The mayor-council form is normally found in larger municipalities. In this form, the mayor is the executive officer and the city council is the legislative body. A commission is when the city council is both the executive and legislative branches of government and city department heads report to the commission and not a manager or mayor. The smallest cities utilize the town meeting form in which citizens come together at least once a year to elect someone to operate the city and adopt city laws. A representative town meeting is the same as the town meeting form except citizens select a small group to represent them in the meeting to make decisions (Roberts, 2018).

Study Significance

The reason this research is important is because there are still unanswered questions about the efficiency, effectiveness, and performance of municipalities that have chief administrative officers like city managers, and whether these professionally trained public administrators make a difference in the management of local city government. Ultimately through this study we will learn more about whether municipal government form affects cities' fiscal outcomes.

Research Questions

This study was designed to answer the following research questions: Does the form of local city government impact municipal bond ratings, particularly does the council-manager form of local government have better municipal bond ratings than other forms of local government? Do

geographical regions of the United States have better municipal bond ratings than other geographical regions of the country? Are some municipalities with higher minority populations awarded lower municipal bond ratings?

Hypotheses

The hypothesis is that municipalities that have managers have higher or better credit bond ratings than municipalities with other forms of local government. This should be the conclusion because most city managers are professionally trained and educated public administrators, who understand the detailed public policy and operations of local city government. City managers are trained to manage government efficiently. Their municipal decisions are not on the order of irrational choice, but the rational choice model. There are normally less indications of the garbage can model of decision making at play with city managers. It is believed also that the effective city managers have specific leadership qualities (Siegel, 2015).

Rational choice model in decision-making is interpreted to represent the process of determining what options are available and selecting the better preferred one given some logical criterion or procedures (Levin & Milgrom, 2004). This theory is individualistic and psychological. Rational choice is a psychological theory because it explains the person's actions according to mental states. The rational action is based upon the individual making the best available decisions given beliefs and preferences. The individualistic aspect of the theory is because this model applies to only individuals who have preferences (Satz & Ferejohn, 1994). From a business perspective, rational choice theory explains that many human decisions are established upon magnifying one's own benefits, while diminishing any individualistic harm (Huebsch, 2019).

The garbage-can model for an organization is a compilation of choices seeking for issues. Those problems are searching for decision situations or circumstances in which the issues may be disclosed. In addition, the resolutions are searching for problems in which they may be the answer. Some researchers describe it as decision makers seeking for a task. It is believed that solutions, issues, participants, and choice opportunities pour in and out of a garbage can. The mechanism by which issues and solutions get together or come together is mainly by chance (Cohen, March, & Olsen, 1972).

Solely based upon preliminary findings, the following hypotheses were derived.

- Hypothesis: Municipalities with City Managers are awarded better bond ratings compared to municipalities without City Managers, based upon professional financial management.
- Hypothesis: The Northeast/Mid-Atlantic region of the United States has better municipal bond ratings than other geographic regions of the US.
- Hypothesis: Municipalities with higher minority populations have lower municipal bond ratings, since this is an indicator of municipal fiscal health.

City Managers possess learned leadership qualities that make them effective leaders, for leadership training is part of public administration curriculums today. Local city government structure is more effective because of trained, professional city managers, with decisions that are based upon analysis techniques.

Research Description/Methodology

This study will be accomplished by utilizing readily available data largely from the internet such as the US Census. Some of the resources for large volumes of data are various websites/databases, individual city websites, the Summary of Commentary on Current Economic

Conditions by Federal Reserve District (Beige Book), the Municipal Bond Credit Report (SIFMA), and the Municipal Securities Rulemaking Board Fact Book. A tool will also be constructed if necessary to examine the bond ratings of cities with a city manager and those cities without a city manager. A sampling of 330 cities from the Augusta University city database of over 10,000 cities will serve as the dataset. This will be done to maximize the sampling of municipalities. The plan is to utilize database resources. Efforts will be made to group the cities by similar population, demographics, and economic profiles with the only noticeable difference being that one municipality has a city manager and the other does not have a chief administrative officer.

Research Goals/Objectives

The federal and state levels of government in this nation which almost never change, have settled and fixed governing arrangements. American cities have changed over the years and continue to change for what many describe as effectiveness (Frederickson, Johnson, & Wood, 2004). The research goals are to add to the existing literature concerning city managers' role in modern municipal government in the United States, and to create a clearer understanding of how major bond rating companies assign bond ratings to municipalities.

Organization of the Research

Chapter 1 introduced this study, included a justification, and illustrated the purpose of the research. Also included are what are the issues for cities today, what are the focused areas of this research, and a little background information on those covered topics. There is a statement of the significance or importance of this particular study in this section, as well as the researcher's hypothesis concerning the study. The researcher's prospective goals and objectives are outlined. The organization of the research is detailed in the conclusion of the chapter.

Chapter 2 contains literature related to the topic. Many sources provide information about local forms of government, leadership styles of city and organizational leaders, and historical revolutions in local city government in the United States. Other studies discuss the definition of municipal bonds, the process utilized by major bond rating companies to assign ratings to cities, and the indicators that the bond rating companies employ to assign values to municipal bond ratings. There are also many disagreements by many experts as to definitions, forms of local governments, and even categories that cities should be placed. These are all outlined in this chapter as well.

Chapter 3 discusses the methodology applied, profiles of the selected cities for study, reasons for elimination of municipalities, and the configuration of the data or findings are presented. Any charts and graphs created will be displayed to better give city bond ratings and governmental structure. The cities will be organized regionally together. A detailed description of the tool constructed to aid in the measurement of bond ratings for cities with city managers and those cities with no city manager is included as well.

Chapter 4 discusses details of each city included in the study. Charts of bond ratings and specific municipalities are displayed. Thorough examination of city finances, resources, and demographics are outlined here. Any analytical findings are expressed appropriately in either written or graphical form. Utilization of necessary statistical analyses is presented.

Chapter 5 examines the discussion and interpretation of the findings from chapter 4. All findings are compared to the research literature in accordance to the research question managing this study. All hypotheses were appraised and theoretical concepts and perspectives were assigned to the research findings. For each hypotheses portion, researcher suggestions are proposed to aid those in local municipal government and/or citizens to make structural decisions

for the future of city government. Any recommendations for future studies are presented. In conclusion, the researcher's observations along with a summation and conclusion guide the chapter and study to an end.

Chapter II

LITERATURE REVIEW

Introduction

This research highlights an analysis to determine if council-manager systems of municipal government have better bond ratings, compared to municipalities with other forms of local government. All of the resources examined thus far show that there has not been a vast amount of research that probes this aspect of local municipal government. The council-manager form of local city government was first introduced as a city government reform effort in the early 1900s, due to waste, corruption, and lack of local governmental responsiveness in the U.S. (McEvoy, 2002). This change was progressed by business leaders in large cities, as a mechanism to spur business growth and prosperity. There was a need for local government to become more attuned to the needs of the poor/abused children, elderly, and mentally ill (McEvoy, 2002).

During this time in American history, some city governments were operated by powerful political machines. These municipalities lacked responsiveness to its citizenry. These governments displayed inefficiency and corruption, as tax dollars were squandered. Local governments were also getting more complicated; water and sewer systems, paved streets, professional public safety, health, etc. In an effort to introduce efficiency, quality performance, responsiveness, and transparency to local government, the council-manager form of governance was taken from the tested business corporate structure (McEvoy, 2002).

Overview of the Literature

The hypothesis for this investigation was substantiated by information gathered from several resources referencing the council-manager historical perspective, various forms and characteristics of local government, leadership qualities of the city manager, effectiveness of city government, and an introduction to municipal bonds, as well as the bond rating process. It was very interesting to note that the council-manager form of local government is based upon a business corporate model which means that this form of government has the capability to transmit the business ethic of quality customer service to quality citizen service (McEvoy, 2002). Still other sources referred to the movement as a progressive political and social movement to improve democracy and society overall as the vision for “model cities” (Keene, Nalbandian, O’Neill, Portillo, & Svara, 2007).

Historical Perspective

There is some controversy concerning the first city to adopt the council-manager form of local government in the United States. According to the *American Political Science Review* in 1914 Staunton, Virginia, was the first municipality to create a city manager position in 1908 (Dove, 2017), although the old mayor and council government remained in place as well (James, 1914). It appears that in 1912, Sumter, South Carolina, employed a manager along with a commission (James, 1914). Then shortly thereafter, Dayton, Ohio, was hit by a great flood in 1913 and the city commissioners responded innovatively by hiring a city manager to operate the bureaucracy (James, 1914). Therefore, it became the first major metropolitan municipality with a population of over 30,000 to utilize a city manager (Dove, 2017). It happens that by the mid-twentieth century most American cities had adopted the council-manager form of local

government with this trend establishing a plateau by the 1960s (Knoke, 1982; Choi, Feiock, & Bae, 2013).

Forms of Local Government

As of December 2016, there were over 36,000 general purpose local governments in the U.S. and these include municipalities, towns, and county governments (NLC, 2016). A municipal charter outlines the powers, organization, essential procedures, and functions of the city government in a legal document. One would also be able to locate the form of municipal government in the charter and historically there are five forms: council-manager, mayor-council, commission, town meeting, and representative town meeting.

The literature at various times compares council-manager and mayor-council forms of local government to federal governmental systems. The argument is that structurally the presidential government is similar to mayor-council governments, because there is a greater separation of powers, which now includes less than half of all American cities ascribing to mayor-council systems (Frederickson et al., 2004). The policy authority is assigned to the council and the mayor is entrusted with administrative authority (Carr, 2015). Due to the historical perspective previously mentioned, the council-manager model is a unity-of-powers structured model similar to business corporations. It mirrors the parliamentary form of national government and well over half of American municipalities are utilizing the council-manager form of government today (Frederickson et al., 2004).

The council-manager form of government has the following characteristics. The city council appoints a professional administrator as the city manager to fulfil the daily operations of the municipality. A city council has oversight of the general administration, establishes the budget, and crafts policy. Many times a mayor is selected from the council on a rotational arrangement.

Council-manager is the most common form of local government in America according to the International City/County Management Association (ICMA). This form is normally seen in cities with over 10,000 people in the Pacific coast region and the Southeast (NLC, 2016). The city manager appears to be more attuned to professional peer expectations and the professional management norms highlighted by the ICMA rather than electoral politics (Carr, 2015).

A mayor-council form is when the mayor is elected directly by the citizens and separately from the city council. This individual is usually full-time and the position receives a salary along with budgetary and administrative authority. The municipal charter determines if the mayor is a strong or weak mayor by the powers delved out to this executive office. Of course, the council is elected and is the legislative branch. Some municipalities have chosen to appoint a professional manager with limited administrative authority. This is the second most popular form of government and is mostly functional in larger, older cities or very small cities. The areas of the nation that it is most common are the Midwest and Mid-Atlantic regions (NLC, 2016).

A commission form of government is the oldest form of government in the United States. Portland, Oregon, still maintains this form of government. The commission form can only be found in less than 1% of American cities today. Voters choose each commissioner to serve on a governing board. The individual commissioners are given duties or areas of responsibility such as police, public works, or fire. A single commissioner is selected as the mayor or chairman to preside over the meetings. In this form of government, the commission has both the executive and legislative powers (NLC, 2016).

A town meeting is where all voters gather and decide policy and elect town officials to execute those policies. This form is considered as the purest form of democracy in America,

since it grants all eligible voters the right to make local policy decisions, but the town meeting form is only conducted in around 5% of municipalities (NLC, 2016).

The last form is the representative town meeting form of government, which is only utilized in less than 1% of municipalities in the U.S. This form can usually be found in New England municipalities. The city voters select a sizable group of citizens to represent them all for town meetings and these representatives are the only voters during these meetings. All town meetings are announced in advance with the time, date, and location, along with the agenda of items to be debated. Those selected by the citizens are solely responsible for implementing town policy (NLC, 2016).

Table 1. Form of Local Government by Region in the United States and Percent of Cities

FORM OF LOCAL GOV.	COMMONLY FOUND	PERCENT OF CITIES
Council-manager	Pacific Coast/Southeast	59%
Mayor-council	Midwest/Mid-Atlantic	33%
Commission	Pacific Northwest (Oregon)	< 1%
Town Meeting	New England (Massachusetts)	6%
Representative Town Meeting	New England	< 1%

Source: NLC/ICMA

The Adapted City

Yet other researchers argue that after many years of observations, mayor-council and council-manager forms of local government are no longer adequate descriptions of the administrative and political structures in American cities. This group claims that council-manager and mayor-council forms over the last forty years are less distinctive from each other. Frederickson et al. (2004) continue to explain that these categories for these two forms do not describe how the cities are democratically managed, structured, and organized. These researchers fuel the debate that the council-manager form of local government over the past one hundred years has served its purpose. As the council-manager form was created to cure inefficiency, corruption, and management issues, these scholars boast that this form of government has accomplished this goal. The claim is that these issues are no longer the main problems of concern for reform cities, but that there are a new set of modern-day issues such as political responsiveness, economic development, and equity (Frederickson et al., 2004).

How can leaders and citizen values be satisfied as well as governmental concepts designed to enact such values be handled? The assumption was that the separation of powers logic and a political competition based institutional design would result in inclusiveness. The concept is that interest groups and neighbors would have a political voice. The logic of political cities is established in assumptions. Within the unity of powers logic, the city council selects a city manager based upon merit and all aspects of city administration are directly overseen by the manager. This is the corporate model that was mentioned earlier, and the authors argue the correct assumption is that good management and efficiency are sovereign values in this model.

The claim is that modern-day citizens seek both political responsiveness and administrative efficiency. The assumption by citizens is that these two are compatible values. The trend appears

to be inclined to the city institutional structure modification to achieve these values (Frederickson et al., 2004).

Effective Local Government Leadership

Modern cities governed by mayors are discussing converting to the council-manager model of government. Some are just exploring eliminating the strong-mayor form of government by appointing a city manager. Camas, Washington, for example, has had much success with the current mayoral system and a city administrator for years. A former Camas mayor explained that the city did not have any con artists for mayors or any incompetent mayors. This official elaborated that Camas was a town of 6,000 when he was able to hire [former city administrator Lloyd Halverson]. At this juncture the city is about 24,000 and laws are more complex (Axelrod, 2018). For Danville, Illinois, it was a community organization that created a petition to ask the voters to switch from a strong-mayor form to a council-manager form of government. In this proposal, the new model would preserve the council structure and hire a city manager/CEO along with the retention of the mayor, although operating under a reduced role.

It is found throughout the information gathered that there is a divide concerning the question of which form of government, council-manager or mayor-council, is more effective and efficient. A pair of researchers concluded that there is no proven difference in the efficiency of mayor-council and council-manager municipal government structures. Their theoretical review showed that according to the compensation and the labor market for city managers, either the city manager or mayor-council governmental form could be more efficient or even neither form should be systematically more efficient. These same authors claim that city managers may not be better trained and equipped to be a chief administrator than a mayor's appointed chief administrator. Another conclusion drawn from this study, is that in cities from 25,000 to 100,000

in population, the city manager's salary is very close to the combined salaries of the chief administrator and mayor (Hayes & Chang, 1990). Some may believe that compensation is not associated with efficiency. Many times it is believed that if the city manager is not paid for productivity improvements, then there is no incentive to be more efficient than a mayor operating under the mayor-council system of government. During the interviews for this study, the mayor in a council-manager form of government was labeled as supplying strong leadership in municipal affairs (Hayes & Chang, 1990).

To borrow from a former mayor/city councilman, Professor Nalbandian described it, "The bedrock of effective city management comes from an understanding that nothing significant can be accomplished unless it is both politically acceptable and administratively sustainable" (Greenwald, 2014, p. 1). Decisions based upon analysis will improve organizational performance, but as has been recorded, officials in the mayor-council government evaluate projects largely utilizing political gains. This makes the analysis of the economic or fiscal impacts useless (Carr, 2015). A study by Ha and Feiock (2012) evaluated 274 local government officials concerning the application of fiscal impact or cost-benefit analysis before awarding requests for development incentives. The study revealed that council-manager governments were more likely to disclose using these methods than officials of the mayor-council form of government. The conclusion from the study was just as the researchers anticipated that appointed administrators in council-manager systems in local government apply fiscal analyses more often than mayor-council forms of government (Ha & Feiock, 2012).

Many scholars believe what is important for the city manager is based upon how one manages as well as participates in relationships, as within the form of local government one finds themselves legally working in the boundaries. James Keene and others in a 2007 article in *Public*

Management discussed how it is impossible to be convincing about efficiency and results-driven if the city manager is not focused upon long-term goals or the whole community, because these type of results are not sustainable (Keene et al., 2007).

An example was given of how city departments were reoriented in Berkeley, California, toward neighborhoods to achieve more efficiency and results. At the same time, the city manager had to appeal to a city council separated by districts, fixated on community building and neighborhoods, and uptight about the distribution of services and the equity of citizen participation. Many city managers have to be creative and innovative in their roles because the organization is the vehicle for distribution of practices on a large scale and in order to maximize the effectiveness. This was a perfect example of combining community with structure and several practices with political values.

Good political leadership is crucial for effective public management and acquiring the maximum professional management gains (Keene et al., 2007). Another discovery of resources for city managers, in particular, is called “City Manager Insights,” it is a daily resource with the purpose of improving effective local leaders. It is an email subscription that keeps the city manager informed about trends or looming issues from all levels and sectors of business and government. It appears that this service is at no cost for city managers and their teams to hone their judgment and develop their knowledge (DP Consulting LLC, 2018). Therefore, there are various resources for even the trained, professional city manager to be continuously developed on the job.

One noticeable characteristic of city managers is that their appeal is professional training. The relationship of elected officials and administrators can also be viewed as an intersection of professional independence and political control. Independence comprises inserting professional

perspectives in policy formation and observing professional implementation standards, while controls entail the capacity to maintain oversight and set direction (Svara, 2001).

More about the professionalism of city managers, as scholars have found that council-manager forms of government adopt symbolic policies less than mayor-council governments (Carr, 2015). For this same study came to the conclusion that council-manager forms of government appear to support more comprehensive policy solutions, are more willing to adapt innovative policies/practices, and have less senior official conflict than the mayor-council form. It was also found that city managers as practitioners dedicate more of their time to their management role than those in the mayor-council form of government. It appears that the professional training of the city manager makes the difference in local government management. Literature mostly suggests that council-manager governments yield increased-quality services than the next most common form of government. Also as seen by scholars, the council-manager system is more effective in delivering basic governmental functions than the mayor-council form (Carr, 2015).

Effective Organizational Leadership

Due to the fact that the beginnings of the council-manager form of local government has its foundations based upon a business corporate model. Many of the leadership styles for organizational managers seem to be applicable to city managers. Goleman says there are six distinct leadership styles that appear to have direct impact upon the financial performance of the entity, in this case, the municipality. Authoritative leaders push individuals toward a vision. Coercive leaders require instant compliance. Democratic leaders construct agreement by participation. Affiliative leaders establish emotional harmony and bonds. Coaching leaders

cultivate individuals for the future. And pacesetter leaders anticipate self-direction and excellence (Goleman, 2000).

Siegel's work on municipal administrative officers gives many insights into the leadership qualities of city managers. This scholar details how a city manager must lead in three different directions—lead out, down, and up. Leading out is the city manager's relationship with individuals or groups outside of the municipal organization, like business organizations, the media, citizen's groups, and other municipal governments. This is important because the city manager is seen as the voice of the municipality for outside entities. New Public Management (NPM) first introduced terms such as entrepreneurial and empowerment in government and this concept has helped to shape the relationship of citizens and public servants. Therefore, performance management and results accountability necessitate the city manager to focus on the user service perspective and not just the provider perspective (Siegel, 2015).

Of course, city managers have to deal with department heads, as the superior to one's subordinates. This is referred to as leading down. This researcher discusses how a municipal government is responsible for a variety of public services. The city manager is the only administrator who possesses the extensive corporate perspective. The city manager also has another important role within the municipal structure. This professionally trained manager is the pinch point in the hourglass model described by Siegel to ensure the departmental interests and council interests are fused into a corporate perspective (Siegel, 2015).

The next example of Siegel is leading up, which this researcher considers the most challenging task for the city manager. For in the democratic system, this relationship is between the public servants and politicians. Many politicians rely upon the expertise of city managers as

public servants. Only the irresponsible city manager would not exercise reasonable leadership by leading up to his or her superiors for the public good (Siegel, 2015).

It is inescapable to mention the work of James MacGregor Burns in 1978 concerning transformational and transactional leadership for political leaders, which is now utilized in organizational psychology. The transactional approach is established upon a give and take relationship between the leader and the follower. Transformational leadership initiates or motives individuals and even social systems to change. The ideal form of this leadership type produces positive and valuable change in followers and these same followers will eventually develop into leaders (Burns, 1978).

Municipal Bonds

Experts have labeled a bond rating as a credit risk assessment. The bond does not authorize or advocate bond investment and does not consider the investor's risk preference. According to data discovered, there are several components that influence the decision making process of investment, although the bond rating is frequently the most valuable element influencing bond interest costs (Municipal Bond Ratings, 2018). The Securities and Exchange Commission have designated Standard & Poor's, Moody's Investors Service, and Fitch Ratings, along with two smaller regional firms as a "recognized rating agency" (Petersen, 2006).

Scholars content that governments or governmental institutions issue municipal bonds (or munis), as an avenue to supply revenue for public projects. There are varied entities that may issue these bonds such as cities, towns, states, counties, hospitals, school districts, transportation authorities, housing projects, universities and colleges, water districts, road/highway authorities, and power districts. Municipal bonds are debt securities disseminated by organizations to bondholders. The face value or par value of the bond is paid back at the maturity date plus

interest that is excluded from federal income taxes and at times not taxed at all. The bond interest is normally paid every six months until the maturity date is reached. There are (3) types of municipal bonds: general obligation bonds, revenue bonds (this is a revenue stream and there is more risk involved), and prerefunded bonds, which are backed by U.S. Treasury Bonds (Municipal Bonds vs. Corporate Bonds, 2018).

Historically, researchers have discovered that municipal bonds existed before corporate bonds. During the Italian Renaissance, the city-states borrowed money from banking families. It appears the first recorded use of the municipal bond in the United States occurred in New York City in 1812 to build a canal (Neighborly, 2015). Shortly thereafter, New York State issued bonds to construct the 7 million dollar Erie Canal (Neighborly, 2015). According to Dove, the original intent of the council-manager form of government was to guarantee long-term economic stability and growth. The terms of city managers are not based upon election cycles, therefore many of these individuals serve for many years and are able to conduct long-term city operations planning. Therefore, efficiency theories apply for independent city managers who are directed more by efficiency, stability, and increased long-term factors rather than elected mayors. All of the rating agencies have incentive to objectively evaluate the respective, comprehensive outlook and efficiency in the short and long-term for every municipality that is evaluated (Dove, 2017).

The financial crisis of 2007-2009 imposed immediate and obvious harm for asset values in the American securities markets discussed by financial analysts. Experts weighed in that this event also reshaped the functioning, structure, and regulation of the municipal bond markets (Belz & Sheiner, 2017). An upgrade or downgrade of a municipality's initial bond rating is normally contingent upon the municipality's fiscal health. After the financial crisis of 2008, the three major rating agencies revamped their criteria for rating municipality debt. According to

another scholar, the agencies do not have the same debt rating methodologies nor do they all cover the same issuers, so there was not a presumption that the outcomes would align (Farmer, 2013). S&P had an unpredicted number of municipal credit rating upgrades around 2013-2014. The agency analyst contends that the initial predictions were determined by old economic data and the more subjective elements of the S&P scoring criteria were excluded (Farmer, 2014a). The analyst described management as being an essential component of ratings reevaluations. This procedure normally proceeds with management team dialogues. These particular conversations offer knowledge about future expectations and plans of the municipalities' management teams (Farmer, 2014b).

The managing director of S&P's U.S. Public Finance-State & Local Government Group made the statement in a December 2014 *Governing* article that investors maintain a government's financial management are the substantial difference-makers in S&P's rating assessments. The researcher shows that 90% of the governments that S&P awarded the top (AAA) rating have a very strong or strong management score. On the other hand, the majority of the credit ratings of BBB or lower received a very weak or weak management score (Farmer, 2014a). The new criteria that S&P utilizes to grade municipalities has seven categories: management practices of the governing body, budgetary flexibility, liquidity, economy, institutional framework (governance), debt/liabilities, and budgetary performance (Farmer, 2014a). In addition, the total score is calculated by economy which is 30% of the total score and all the other categories are valued at 10% each of the final rating (Farmer, 2014a). Crucial modifications for the scoring criteria encompasses assigning more influence to the local economy score and adding more components to the management score to factor into account performance under financial anxiety.

There were some results by scholars of positive results from evaluations of better bond ratings associated with council-manager forms of local government. The researcher points to the conclusion based upon the data that council-manager governments are relatively more efficient than mayor-council governments according to bond rating results for all three major reporting agencies (Dove, 2017).

According to many scholars, bond ratings are influenced by several independent variables or factors. These variables are a municipality's debt structure, economy, demographic profile, financial condition and the management practices of the city's administration. The final bond rating is not a scientific calculation, but seems to be more subjective by the rating agency analyst. As previously outlined, the bond rating is a credit risk evaluation, and the rating is an essential determinate affecting bond interest cost (Municipal Bond Ratings, 2018).

Bojinov (2011) details how rating agencies weigh all bond issuer economic components (independent variables) to assign a dependent variable (a bond rating). The economic healthiness of the municipality is evaluated by examining several variables. These components are how dependent is the city on one industry or employer, what is the median household income, is the tax base diverse, is the populous young or old, what is the population growth rate, are tax dollars increasing or decreasing, why is revenue increases or decreases, what is the tax rate, is the economic condition of the city challenged, and is the area affluent (Bojinov, 2011). There are many scholars that summarize various independent variables that affect bond ratings. Many of these variables appear to be the same although different terminology may be utilized.

Table 2. Listing of Summarized Independent Variables and Dependent Variable

Dependent Variable =	<i>Bond Rating</i>
Independent Variable (s) =	<i>Management</i>
	<i>Economy</i>
	<i>Institutional Framework (Governance)</i>
	<i>Budgetary Flexibility</i>
	<i>Debt/Liabilities</i>
	<i>Liquidity</i>
	<i>Budgetary Performance</i>

Source: www.Governing.com

By this researcher's assessment, it appears that the Trump administration's latest tax reforms did not end the state and local tax deductibility for municipal bonds. The belief by scholars is that this could have led to a decline in state and local governmental credit ratings (Belz & Sheiner, 2017). This is an area for future research.

Table 3. Model Variables Operational Definitions

Variables	Source	Data Measured	Frequency
Management/Institutional Framework (Governance)	Moody's Investor's Service	Tax Caps, Organized Labor, Costs Predictability, Increasing revenue options, state- oversight of reserves operating revenues/operating expenditures = operating history	Annual
Economy	Moody's Investor's Service	Tax Base Size: Full Value, Full Value/by population, Socioeconomic indices: Median Family Income	Past Five (5) years
Debt/Liabilities	Moody's Investor's Service	Gross debt minus (-) self-supporting debt = % of full value,	Past Three (3) years

		<p>The average of</p> <p>Moody's adjusted</p> <p>Net Pension</p> <p>Liability in each of</p> <p>the past three</p> <p>years/Full Value +</p> <p>Operating Revenue</p> <p>= % of Full Value</p>	
<p>Budgetary</p> <p>Flexibility/Liquidity/Budgetary</p> <p>Performance</p>	<p>Moody's</p> <p>Investor's</p> <p>Service</p>	<p>Fund Balance = %</p> <p>of Revenues, 5-year</p> <p>Dollar Change Fund</p> <p>Balance = % of</p> <p>Revenues, Cash</p> <p>Balance = % of</p> <p>Revenues, 5-year</p> <p>Dollar Change Cash</p> <p>Balance = % of</p> <p>Revenues</p>	<p>Historical</p> <p>Multiyear</p> <p>Financial Trends</p>

Source: December 16, 2016 (Rating Methodology: US Local Government, General Obligation Debt)

Chapter III

METHODOLOGY

Introduction

Chapter 1 and 2 explained how bond ratings for municipalities with city managers appear different from those municipalities with other forms of local government. The chapters discussed that there has not been a large volume of research exploring bond ratings of municipalities with city managers and those cities without city managers. The previous sections also explored the history of the council-manager form of local government and other forms of government. In Chapter 1, the research question was revealed along with other related topics. This chapter outlines the methodology, procedures, and data collection techniques utilized for this inquiry along with examination restraints and concerns.

Particularly, this research investigated the effect of municipalities' form of local government has upon its financial practices, especially the bond ratings of cities. Its purpose is to determine if council-manager municipal governments possess better bond ratings compared to other forms of local government found in municipalities. Ultimately, this study will contribute to the body of research related to municipality bond ratings and form of local government. The belief is that city managers operate more professional cities. Another supporting theory is due to many city managers training, they negotiate better financial contracts. In addition, these professionals have highly stable budgetary practices. This study will also establish if city managers in municipalities offer any additional advantage, when municipalities are rated by bond agencies for financial resources.

Professional City Manager

It is well established that city management is a profession and city managers possess several characteristics that differentiate them from other professions. Those characteristics are: 1) profession members have akin values, perceptions, and experiences, 2) job requirements are similar for any professional member regardless of the locale, 3) there are an established, well-known set of standards of conduct for professional members (Guy, 1985).

Professional city managers have technical skills and abilities, personality traits, professional prowess, and education that enable them to perform as a chief municipal executive. According to Moore (2002), it is essential for efficient and effective municipal management to have technical skills. Because of the unique position of the city manager at the apex of municipal executive power, there is a demand that the skill set to perform all required duties be immediately available (Adrian, 1988). Historically, Gulick (1937), details the array of skills that effective public managers should possess with his utilization of the acronym POSDCORB (Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting).

Personality traits in conjunction with work experience and education (which is usually a bachelor or master in public administration) are vital for city managers to be considered for appointment in municipal governments. These traits are soft skills such as leadership capability, character, organizational fit, and management style. The range of literature that details the necessary traits for effective city management are vast (Hershey & Blanchard, 1988; Fielder & Garcia, 1987). A successful city manager's personality traits are in keeping with the community served, and this requires administrative leadership as one of the manager's personality traits (Oliver, 2012).

City Manager Training

Local government management is a continuously evolving discipline. The principal method that most city managers utilize for professional development/training is the International City/County Management Association (ICMA) membership, as well as state and local city management associations. Of course, an effective city manager has to stay abreast of what a particular community is experiencing currently. Many managers hold frequent discussions with council members, are avid readers of the local newspapers, and attend/speak at various community group events to maintain a current pulse of the community. In addition, city managers must utilize the network of city managers at their disposal, which is an awesome resource for any successful city manager (Oliver, 2012).

Stable Budgetary Practices

Due to a city manager's professional training and education, this chief executive shall be competent in recommended budgetary practices. The National Advisory Council on State and Local Budgeting which is a group of eight organizations representing government administrators, elected officials, and finance professionals at the local and state government levels released a set of recommended budgetary practices in 1998. This compilation was necessary and useful, since budgeting is a complex process that comprises politics, compromise, and contentious visions of government's role in serving citizens (National Advisory Council on State and Local Budgeting [NACSLB], 1998).

A good budget process has the following essential components:

- Links broad organizational goals
- Promotes effective stakeholder communication

- Budget Decisions are results focused
- Has a long-term perspective
- Has incentives for government officials

In addition, there are twelve ingredients in the budget process:

Set Broad Goals for Government Decision Making

1. Tap into community challenges and opportunities
2. Identify ways to utilize capital assets, government services, and management
3. Compile and distribute broad goals

Cultivate Means to Accomplish Goals

4. Follow financial policies
5. Establish operating, programmatic, and capital plans
6. Establish services/programs consistent with aforementioned plans
7. Establish management strategies

Cultivate a Consistent Budget to Accomplish Goals

8. Establish Budget Adoption Process
9. Establish and assess financial alternatives
10. Make decisions to adopt a budget

Test Performance and Create Adjustments

11. Watch, measure, and test performance
12. Create adjustments as necessary

Procedure

The methodology utilized to conduct this research was data collected from secondary sources such as the US Census Bureau, Moody's Investors Service, Augusta University city

database, and various American city websites. The US Census Bureau website provided information such as population and racial/gender demographics for municipalities. Moody's Investors Service is the chosen credit rating agency for the municipal bond ratings for each city included in this study. The reason that the other agencies' bond ratings were not considered is because the varied procedures that each agency utilizes to award city bond ratings.

The Augusta University city database has a listing of over 10,000 cities from around the United States along with the local form of government. Excel 2013 was utilized to randomly select 330 cities from that listing for this study. If the researcher was unable to determine from the Augusta University database alone, what form of local government the city operates, then the individual city's website was investigated for further information. The randomly selected list of 330 US cities and the corresponding form of local governments were assigned municipal bond ratings from resources available at the Moody's website.

Data Collection/Research Design

For this study, a quantitative methods approach was utilized. The researcher assigned measurable values to the local form of government for cities listed in the study pool of 330. For example, when a city is found to be operating using the council-manager form, it is assigned the numerical value of one (1) and if a city functions under another form of government such as mayor council, commission, town meeting or representative town meeting then that city is awarded a value of zero (0) to represent that other form.

Moody's municipal bond credit rating system is assigned the following top, long term scores: Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, and B3. The researcher has assigned corresponding numeral values for measurement purposes of 16, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, and 1 respectively for these top scores. Excel 2013 and

SPSS were used to examine the quantitative data statistically. The collected data was manipulated utilizing the ordinary least squares regression or linear regression method. A frequency distribution was displayed in a table accompanied by a graphic representation. The dependability and trustworthiness of data was adopted by utilizing various sources (Patten, 2009). Linear regression was the statistical test used to access the relationship, the relationship direction, and the relationship's statistical significance among the categorical variables studied (Bryman, 2008).

OLS Regression or Linear Regression

Ordinary least squares (OLS) regression is the statistical analysis that evaluates the relationship of independent variables to a dependent variable. This is accomplished by diminishing the squares sum, utilizing differences of the predicted and observed values of the dependent variable displayed as a straight line. Linear least squares regression is the most universally utilized statistical method in social science research and is the basis for many other statistical techniques (Fox, 1991). This method can be used to understand the mean change in a dependent variable as there is a one-unit difference in each independent variable. Polynomials may be used to represent model curvature with this technique also (Frost, 2018).

Research Questions

This study was designed to answer the following research questions: Does the form of local city government impact municipal bond ratings, particularly does the council-manager form of local government have better municipal bond ratings than other forms of local government? Do geographical regions of the United States have better municipal bond ratings than other geographical regions of the country? Are some municipalities with higher minority populations awarded lower municipal bond ratings?

Hypotheses

The hypotheses listed below were studied utilizing the procedure defined in this chapter:

- Hypothesis: Municipalities with City Managers are awarded better bond ratings compared to municipalities without City Managers, based upon professional financial management.
- Hypothesis: The Northeast/Mid-Atlantic region of the United States has better municipal bond ratings than other geographic regions of the US.
- Hypothesis: Municipalities with higher minority populations have lower municipal bond ratings, since this is an indicator of municipal fiscal health.

Research Limitations

This research is susceptible to many difficulties ascribed to OLS regression (Fox, 1991). Sometimes linear regression may fail to show the curvilinear data pattern. There is also the potential for an outlier data point to unduly influence the fitted data points, when utilizing the linear regression method. Linear regression would be totally unreliable if only one data point fit the estimated regression coefficients (Fox, 1991). These are some of the research limitations of utilizing OLS regression for this study.

The researcher was very dependent upon secondary data supplied by various sources. There is a risk, when utilizing data that is secondary and not primary. This was taken into consideration, as the researcher has chosen the secondary data sources with extreme care. All appear to be the most credible resources available for this specific study.

There are recognized limitations from utilizing only 330 samples of the total data population. One cannot definitively assign any generalization concerning the data population.

The mean of the smaller sample may be different from the total data population mean due to sampling error. There is no exact mechanism to measure sampling error.

Bond Ratings Determined

The researcher utilized the (SPSS), Version 25.0, to produce cross-tabulation tables in addition to *Pearson's Chi-Square* to assess the probability of independence of the relationship of the categorical data collected. One key finding that must be discussed is the equation for the dependent and independent variables must be altered. The initial equation was configured to be:

Bond value = a + form of government (x) + budgetary performance (x) + economy (x) + institutional framework (x) + budgetary flexibility (x) + debt liabilities (x) + liquidity (x) + e

Consequently, it was found that the calculation method for assigning values to these independent variables forced a correlation with the bond values, this is one of the first rules of calculating a regression model. If a correlation already exists, a regression model should not be calculated. There were several variations of assigning values to the seven independent variables, but all of them were related or correlated to the bond value. One method assigned a top rating to the highest value and the lowest rating to the lowest value, such as A would be 7, B would be 6, etc. Another method calculated the percentage that each independent variable approximately represented in the Moody's Investment Municipal Bond Rating Scorecard. None of these methods were successful.

Moody's Analytics was contacted. The researcher submitted a request for access to Moody's scorecards of the seven independent variables to obtain accurate data for analysis for 330 randomly selected cities. Moody's informed the researcher that Economy.com has this information in the form of Precis' Metro 100, which is a paid subscription. Further research

revealed that the cost per city is hundreds of dollars to obtain access to each of the scorecards to all 330 municipalities in this study.

Therefore, the actual equations for this study are:

$$\text{Mayor/Other Bond value} = a + \text{form of government (0)} + (-.367) (\text{Region of US}) + (-.029) (\text{Minority Population}) + 14.312$$
$$\text{City Manager Bond Value} = a + \text{form of government (1)} + (-.595) (\text{Region of US}) + (-.012) (\text{Minority Population}) + 14.823$$

Ethical, Moral, and Political Considerations

There are no identified ethical or moral issues that obviously surround this study. No human subjects are participating in this research other than the researcher conducting the study, therefore an Institutional Review Board Exempt Application was necessary. The data is strictly from local city governmental forms and municipal bond ratings for those entities. Politically, this research could add to the issues or debates about local forms of government adoptions for modern municipalities.

Study Population

The city study population was selected from an Augusta University city database of over 10,000 American cities. Excel 2013 was utilized to randomly select only 330 of the cities in the database for further analysis. Due to time restraints, it was unreasonable to study all of the 10,000 cities in the database. It appears that a larger sampling pool could increase the reliability of the data obtained. The sampling will randomly select municipalities from the South, West, Northeast, and Midwest regions of the United States. Each region of the US is unique in its development and interpretation of local city government. These factors will increase the reliability and validity of the data utilized in this study population.

Distribution of Results

When suitable to proceed, results obtained from this study will be presented at various regional and national conferences related to government, governance, political science, and public administration. These results would be beneficial to both practitioners and academicians. Findings will be readily available to others who wish to acquire the results. Data and information may also be utilized in other future research projects.

Study Delimitations

By assessing municipal bond ratings for local city governments, this study will be different from other studies and will establish the importance that the local form of government has upon the financial status of cities. This work will not produce the same results as other studies. It is expected that this analysis will establish a need to examine form of local government more closely as a factor upon municipal bond ratings.

Assumptions

Unreasonable assumptions about the data structure can be attributed to linear regression (Fox, 1991). The researcher assumed that the data obtained from secondary sources are accurate and updated. It is also assumed the software utilized for data manipulation is functioning properly as it was created.

Resources

All resources utilized for this research have been retrieved without purchase price. Existing data were resources publicly accessible and has not identified any individual participants. The total funding associated with this research is provided by the researcher.

Chapter IV

RESULTS

Introduction

This chapter focuses upon the subsequent research question: *Does the form of local city government impact municipal bond ratings, particularly does the council-manager form of local government have better municipal bond ratings than other forms of local government?* As discussed in Chapter 1, this research is to determine if council-manager systems of municipal government have better bond ratings compared to municipalities with other forms of local government. There is a theory that city managers administer more professional cities. The budgetary sound practices and contract negotiating skills of city managers could be attributed to professional training. It is crucial to understand the intricate details of how municipal bond ratings are awarded to modern US cities. If municipal governments have more knowledge of how rating agencies are evaluating them, then municipal bond ratings could be purposefully improved by local city governments.

This chapter is partitioned into three sections. The first division discusses the findings of the impact, if any that council-manager form of local government has upon municipal bond ratings compared to other forms of local government. The second section examines if certain geographical regions of the US have better municipal bond ratings than other geographical regions of the nation. The third and final portion outlines more analysis of the independent variables related to municipal bond ratings and also gives integral data to detail if municipalities with higher minority populations are bestowed lower municipal bond ratings.

Statistical Package for the Social Sciences (SPSS) was utilized to examine the quantitative data statistically. Data was analyzed employing the ordinary least squares regression or linear regression method. A frequency distribution was displayed in a graphic representation. The statistical test of linear regression was used to access the relationship, the relationship's statistical significance, and any relational direction among the definitive variables examined.

Reliability/Validity

The procedure applied in this study was created to calculate the total minority population of 330 municipalities excluding white women. Due to the fact, that this data is an estimated value, it is stronger in validity than reliability. Generalizations are restricted and limited. However, this data is the most accurate data available for this aspect of this study. Accordingly, the reliability of the 330 cities randomly selected, due to the larger sampling pool may increase the data's reliability. Since, the municipalities were randomly chosen from the West, South, Northeast, and Midwest regions of the United States. This is another factor that increased both the data reliability and validity applied in this population investigation. The researcher utilized ordinary least squares (OLS) regression to evaluate the dependent variable and independent variables relationship. Cross-tabulation and *Pearson's Chi-Square* were applied to determine the independence probability of the categorical data relationship. The applicable hypothesis is discussed, along with the associated data. The statistical findings are presented in graphs and tables throughout each section.

Bond Ratings Determined

As previously mentioned, the initial equation was configured to be:

Bond value = a + form of government (x) + budgetary performance (x) + economy (x) + institutional framework (x) + budgetary flexibility (x) + debt liabilities (x) + liquidity (x) + e

Consequently, it was found that the calculation method for assigning values to these independent variables forced a correlation with the bond values, therefore the actual equations for this study are:

$$\text{Mayor/Other Bond value} = a + \text{form of government (0)} + (-.367) (\text{Region of US}) + (-.029) (\text{Minority Population}) + 14.312$$
$$\text{City Manager Bond Value} = a + \text{form of government (1)} + (-.595) (\text{Region of US}) + (-.012) (\text{Minority Population}) + 14.823$$

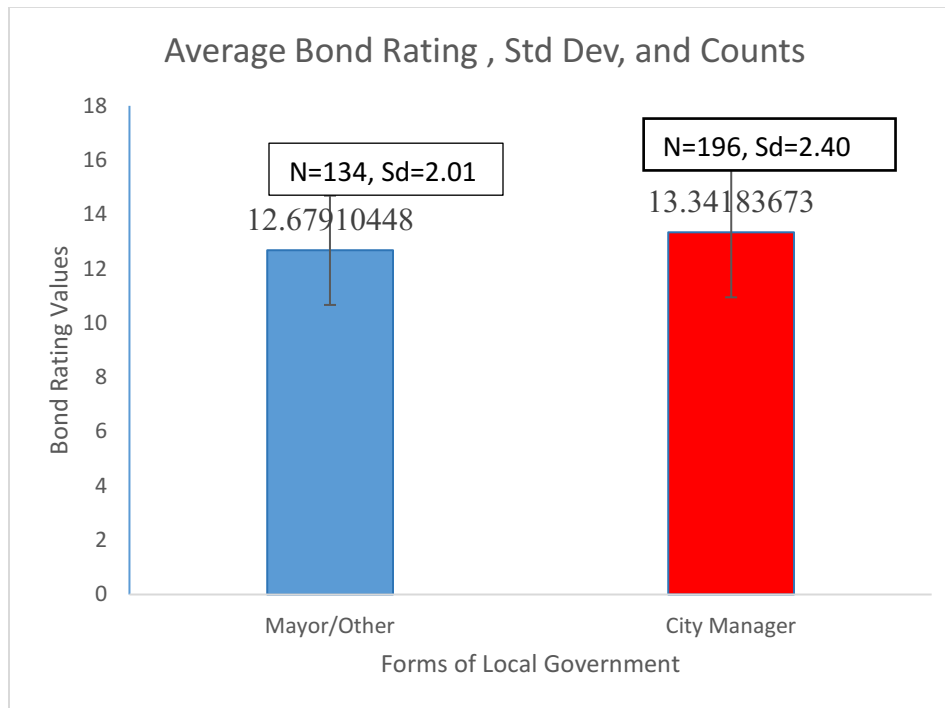
There appears to be a consistent pattern that the form of local government in municipalities does influence the city's bond rating values assigned. Due to the slightly higher bond ratings values seen by the municipal data for the city manager forms of local government, these type of local governments could achieve higher municipal bond ratings than the mayor/other forms of local government. A possible explanation for this is that city managers are professionally trained, negotiate better financial contracts, and practice sound budgetary practices based upon the findings in this investigation. A city manager would normally have a formal college degree based upon a curriculum that would be in preparation for managing a municipality effectively/efficiently.

These findings can be interpreted to mean that there is a strong relationship between bond rating values assigned for municipalities with city managers and those cities that have a mayor/other form of local government. These results are considered exclusive to the Moody's Investment Services Rating Agency. This particular agency's bond ratings were selected for this investigation. The reason this was done was because each rating agency has its own unique procedure for awarding bond values. In order to be consistent in the bond value allocations, only one of the three major rating agencies was chosen for this study.

The graphs presented in the following pages exhibit the findings from bond rating data collected. The Chart 1 shows the bond rating mean values, standard deviation, and counts for municipalities with a city manager and mayor/other forms of local government. It appears that out of the 196 municipalities with city manager form of local government, the majority received a bond rating of Aa2 equivalent to 14. In addition, the display of the 134 municipalities that have mayor or other forms of local government and the majority of those cities have bond ratings at Aa2 and Aa3 respectively. From the data obtained, the municipalities with city manager forms of local government appear to have higher bond ratings (Mean value) and the lowest city was a Ba2 or 5 bond rating, while the mayor/other form of local government had a bond rating as low as B3 or 1.

Upon closer inspection of the next table it reaffirms that city manager governments have higher bond rating values due possibly to professional training or even negotiating skills. One reminder is that the council-manager form of government is the most common form of local government in the United States of America today, therefore it appears that more municipalities are making this decision for a variety of reasons. The council-manager model is a unity-of-powers structured model similar to business corporations. The main reason that city managers were incorporated into city government over a hundred years ago was to curtail corruption, inefficiency, and management issues. This could potentially assist in explaining why municipalities that have city managers have higher average bond ratings.

Chart 1: Mean Bond Ratings, Standard Dev, and Counts



According to the data analyzed in Chart 2, one US region seems to have more and higher bond ratings than others for city manager form of local government. The South region in this particular study appears to garner better bond ratings than the Northeast which was expected by the researcher to have better bond ratings. In addition, Chart 3 appears to display that the Midwest region for mayor/other form of local government has better bond ratings and the number of these cities seem to be higher. A possible explanation for the results obtained is that council-manager form of local government are characteristically found in the Southeastern portion of the US and the Pacific coast region. If a certain region has more of these particular forms of local government, then it would have a higher chance of receiving better bond ratings because there are higher numbers or quantities of this certain type of government.

Similarly, as with the Chart 2, the mayor-council form of local government findings could be explained by the fact that this second most popular form of local government is more functional for older, larger or very small cities. These forms of government are fluently found in the Midwest and the Mid-Atlantic regions.

From the data observations, there seems to be more cities in the South and West Coast region (Texas and California) of the US randomly selected. If this is the case, as it appears to be, then this could explain why the city manager form of local government and US regions have a significant correlation. In the same frame, it could possibly explain why there is no significant correlation for mayor/other forms of local government, ascribed potentially to lower numbers of randomly selected municipalities from the Midwest and Mid-Atlantic regions.

On the other hand, bond ratings for city manager cities and minority population show no correlation, because bond ratings in these cities have little or nothing to do with demographics, and the economically disadvantaged portion of the municipality, but the role of the city manager.

As minority populations increase in mayor/other forms of local government, bond ratings decrease, this can possibly be explained by the simple fact the management in these cities do not influence the awarding of bond ratings. Therefore demographics and those portions of the populous that are more economically disadvantaged will take a toll upon the awarding of bond ratings for this type of local government.

Chart 2: US Regional Bond Ratings for City Manager government

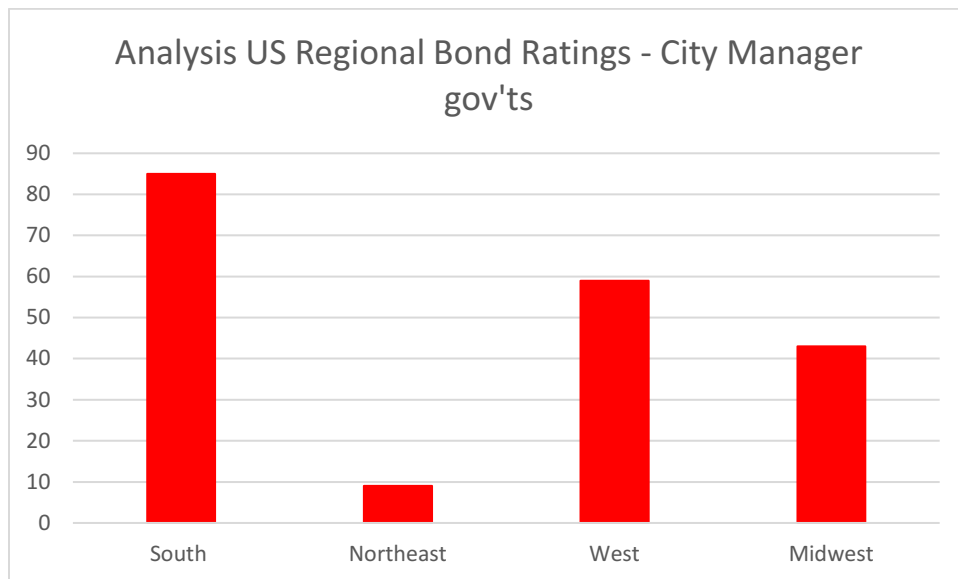
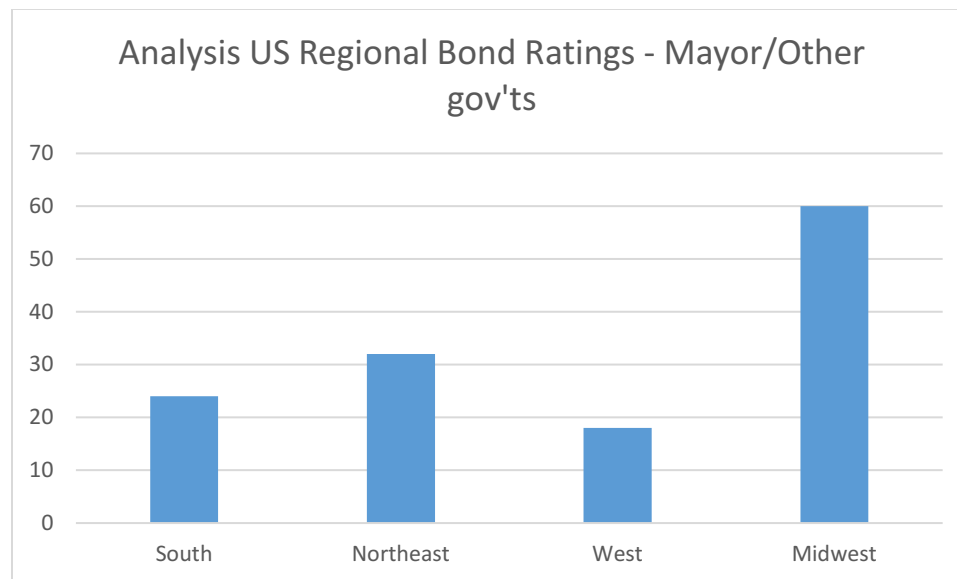


Chart 3: US Regional Bond Ratings for Mayor/Other governments



Tables 3A–6 show possible correlations between bond ratings and US regions, in addition to bond ratings and minority population. The researcher relates the following SPSS results to the data sets that were analyzed. There seems to be significant correlation at the 0.01 level for bond ratings for city manager form of local governments and US regions in Table 5 ($p = .000$).

Although, it appears to not be the same correlation for bond ratings for mayor/other forms of local government in US regions in Table 3A ($p = .050$). According to bond ratings and minority population, in Table 6 ($p = .293$) the opposite seems to be the case, there is no significant correlation for bond rating for city manager cities and minority population. The Table 6A shows the R^2 linear value of 0.006, which is a slight inverse relationship. Conversely, Table 4 ($p = .004$) suggests a significant negative correlation between bond rating and minority population in cities with a mayor/other form of local government. It appears that as minority population increases that for some reason bond ratings decrease in these cities. The R^2 linear value is 0.062 more of a negative slope in Table 4A.

Table 3A: Correlation of Mayor/Other City Bond Ratings vs. US Regions

Table 3A Mayor/Other Govt Bond Rating vs. US Region Correlation			
		Bond Value	Regions
Bond Value	Pearson Correlation	1	-0.17
	Sig. (2-tailed)		0.05
	N	136	134
Regions	Pearson Correlation	-0.17	1
	Sig. (2-tailed)	0.05	
	N	134	134

Table 4: Correlation of Mayor/Other City Bond Ratings vs. Minority Population

Table 4 Mayor/Other Govt Bond Rating vs. Minority Population Correlation			
		Bond Value	Minority Pop.
Bond Value	Pearson Correlation	1	-0.248
	Sig. (2-tailed)		0.004
	N	136	134
Minority	Pearson Correlation	-0.248	1
Population	Sig. (2-tailed)	0.004	
	N	134	134

Table 4A: Fit Line of Mayor/Other Gov't Bond Value by Minority Population

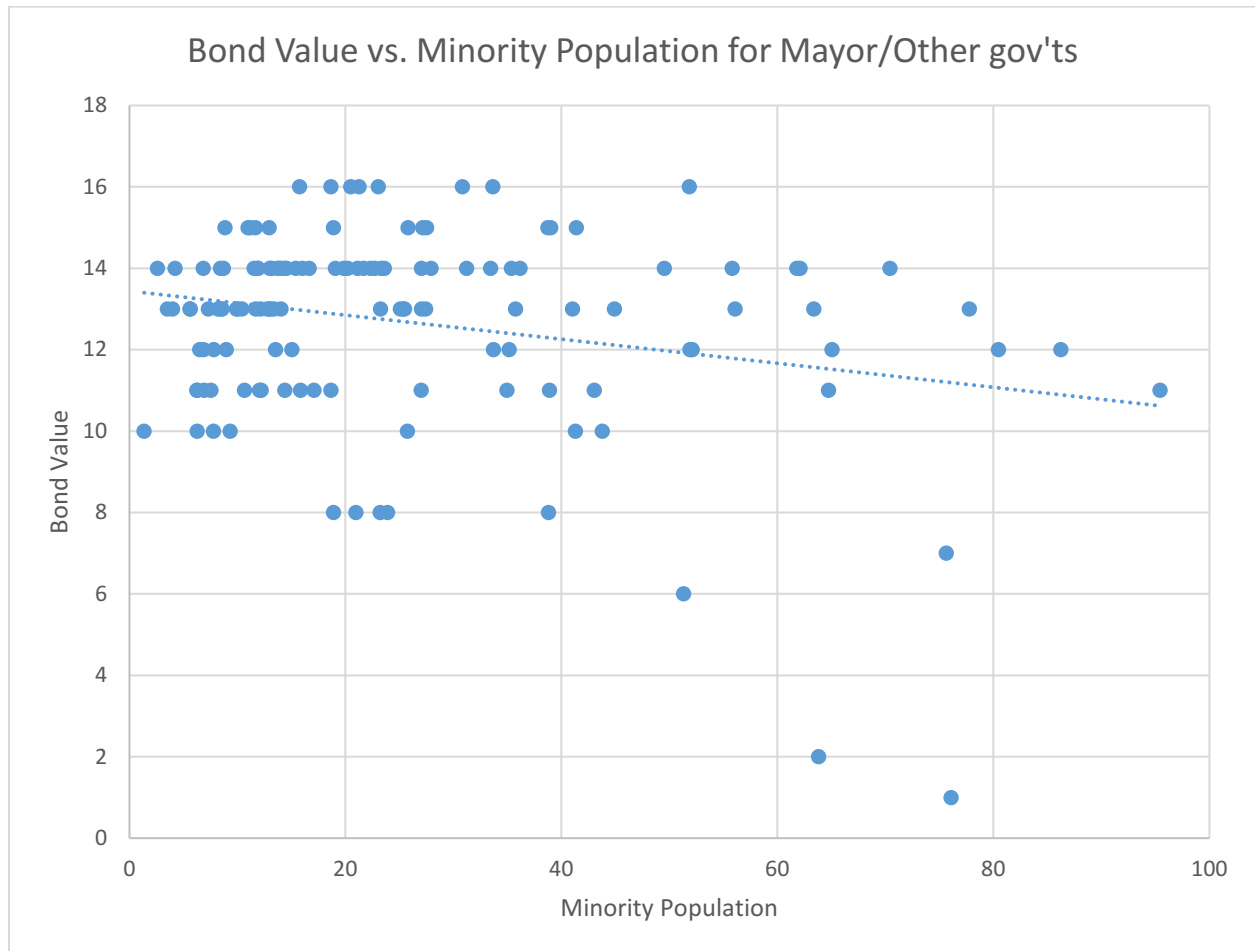


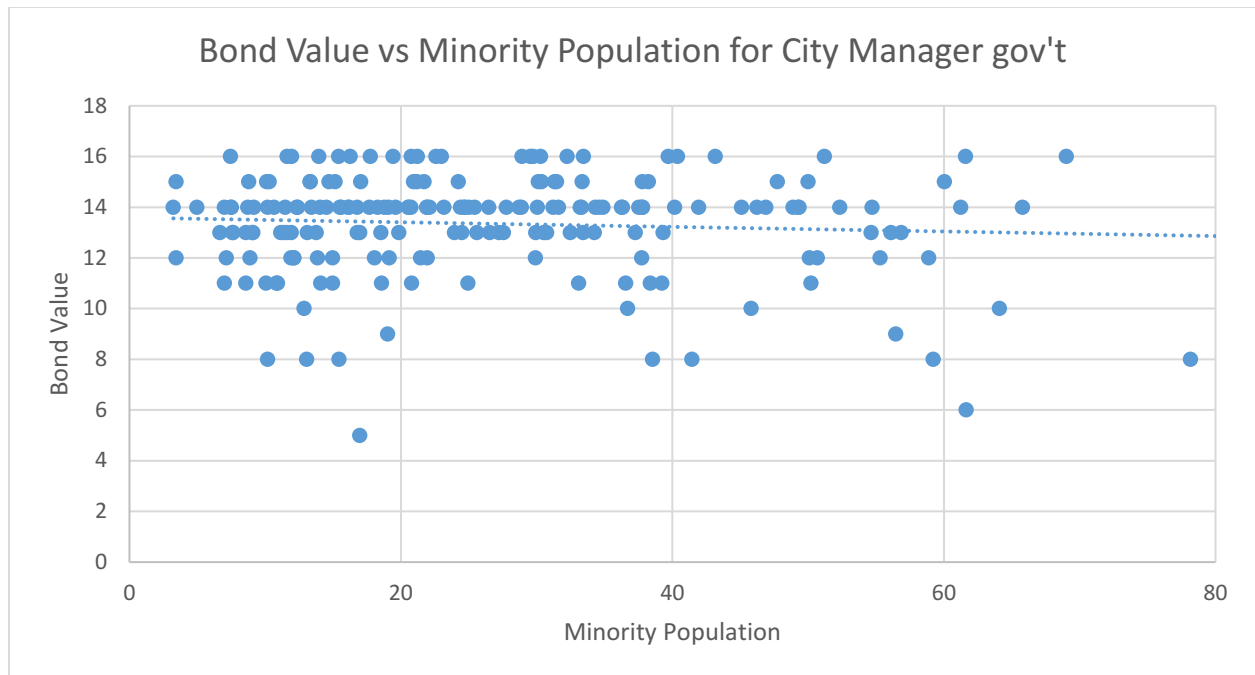
Table 5: Correlation of City Manager City Bond Ratings vs. US Regions

Table 5 City Manager Govt Bond Rating vs. US Region Correlation			
		Bond Value	US Region
Bond Value	Pearson Correlation	1	-0.277
	Sig. (2-tailed)		0.000
	N	198	196
US Region	Pearson Correlation	-0.277	1
	Sig. (2-tailed)	0.000	
	N	196	196

Table 6: Correlation of City Manager City Bond Ratings vs. Minority Population

Table 6 City Manager Govt Bond Rating vs. Minority Population Correlation			
		Bond Value	Minority Population
Bond Value	Pearson Correlation	1	-0.075
	Sig. (2-tailed)		0.293
	N	198	196
Minority	Pearson Correlation	-0.075	1
Population	Sig. (2-tailed)	0.293	
	N	196	196

Table 6A: Fit Line of City Manager Gov't Bond Value by Minority Population



The final set of tables (Tables 7-9) are regression/correlation of the dependent variable and independent variables for city manager municipalities and mayor/other form of local government. Of course, the dependent variable is bond rating. The list of independent variables include US regions and minority population. According to the regression model, Table 7 shows that US regions and minority population are possible predictors of bond rating in municipalities that have mayor/other forms of government (adjusted R square value of 73%). A closer look reveals that minority population ($p = .004$) is a more significant predictor than region ($p = .058$). Now, the regression/correlation of the variables for municipalities with city manager forms of local government in Table 8 demonstrates that minority population along with US regions are predictors of bond ratings in these cities with an (adjusted R square value of 76%). Of course, for reasons mentioned previously, all other independent variables were excluded by the researcher.

US region as a predictor of bond rating in city manager municipalities could be explained by that certain regions of the country are considered more financially stable than other regions which have more mayor-council local governments located in that particular region. A city manager is labeled as one that practices sound budgetary practices. Leadership skills are known to be essential for city managers to be effective organizational managers. Goleman's six distinct leadership styles impact financial performances of municipalities with city managers. The role of a city manager is to lead in three different directions, which influences the performance of the city budget from all directions as well.

Of course minority population is a predictor of bond ratings in municipalities with mayors/other forms of local government, because any rating agency is attempting to determine whether this city is credit worthy and can pay this bond back. As has been demonstrated by all of the findings thus far, minority population is a predictor of bond ratings. For the mayor/other local

governments this is key because each city has financial resources and budgets. Many minorities are financially disadvantaged, therefore, the larger the minority population in a particular city, then the less likely those financial resources are available to contribute to the city's budget. Some at the management level are trained and others are not, there is a whole range of different varieties/styles of management, unlike the municipalities with the city manager form of local government.

Table 7: Regression Model for Dependent/Independent Variables Mayor/Other Municipalities

Regression Model	Mayor/Other	Form of	Local	Gov't	
		Unstandardized	Coefficients	Std. Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	14.312	.560		25.576
	Regions	-.367	.192	-.160	-1.911
	Minority Population	-.029	.010	-.242	-2.894
					.000
					.058
					.004

a. Dependent Variable: Bond Value

Table 8: Regression Model for Dependent/Independent Variables City Manager Municipalities

Regression Model	City Manager	Form of	Local	Gov't	
		Unstandardized	Coefficients	Std. Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	14.823	.400		37.048
	Regions	-.595	.145	-.284	-4.111
	Minority Population	-.012	.008	-.096	-1.393
					.165

a. Dependent Variable: Bond Value

Table 9: All Independent Variables for Model 1 and 2

Variables	Model 1- Mayor/Other Gov't	Model 2- City Manager Gov't
Regions	-.160* (-1.911)	-.284** (-4.111)
Minority Population	-.242** (-2.894)	-.096 (-1.393)
Intercept	14.312	14.823
Adjusted R ²	.073	.076
F Significance	6.250	9.053
N =	134	196

*p < .10 (two-tailed); **p < .05 (two-tailed); ***p < .01 (two-tailed)

Summary of Findings

The question of are municipal bond ratings better in council-manager forms of local government compared to other forms of local government was analyzed to see if any trends were determined from the data. The hypotheses and findings of the data triangulation are presented below.

Bond Rating and Form of Local Government

Hypothesis 1: Municipalities with City Managers are awarded better bond ratings compared to municipalities without City Managers, based upon professional financial management.

There appears to be higher bond values for city manager forms of local government compared to mayor/other forms of local government, which appear to be predicted by either US region or minority population. A city manager has been determined to possess professional training, sound budgetary practices, and better contract negotiating skills than mayor/other forms of local government officials. The profession of city manager has many resources that enable these individuals to incorporate continuous professional development throughout one's career.

Many cities have modified out dated structures to provide citizens political responsiveness and administrative efficiency, and city managers are usually part of that institutional structure modification. The corporate model is what the council-manager form of local government is based upon. This model is known for good management and efficiency. Mayor/other forms of local government do not possess the formal leadership skills to maximize organizational and financial performance. Therefore, this particular hypothesis is found to have different results. The researcher was unable to determine the reason for the higher bond ratings for council-manager form of local government.

Hypothesis 2: The Northeast region of the United States has better municipal bond ratings than other geographic regions of the US.

It seems that the South region of the United States has better municipal bond ratings for city manager forms of local government and the Midwest has better municipal bond ratings for mayor/other forms of local government. It has been determined that the Southeast and Pacific Coast are the most common US regions to find the council-manager form of local government. Conversely, the Midwest and Mid-Atlantic regions have a large majority of municipalities that are mayor/other forms of local government.

Therefore this particular hypothesis is found not to be accurate. It was believed that since the Northeast is one of the oldest regions of the United States that the municipalities in this regions would have an administrative/management advantage over other regions of the nation. Unfortunately, this was found not to be the case at all, but those regions with more city manager forms of local government seem to have better bond ratings.

Hypothesis 3: Municipalities with higher minority populations have lower municipal bond ratings, since this is an indicator of municipal fiscal health.

Higher minority population appears to lower bond ratings for mayor/other forms of local government. This can certainly be ascribed to the findings that mayor/other forms of local government do not influence bond ratings awarded as city manager forms of local government have been determined in this study to influence. Higher minority population in council-manager forms of local government do not significantly lower the municipal bond rating. The reason is because city managers functioning in municipalities appear to receive better bond ratings based upon professional training, sound budgetary practices, and overall management style/abilities.

This hypothesis is determined to be true for mayor/other forms of local government, but not for council-manager forms of government. It was believed that the economically disadvantaged and demographics of a city would have more influence upon assigning bond ratings than city management. Due to the sound budgetary practices and the propensity to apply fiscal analyses more than mayor-council forms of local government, city managers have more influence over bond ratings than the economically disadvantaged population of a city.

In Chapter 4, Results, three hypotheses were examined to investigate the research questions, *Does the form of local city government impact municipal bond ratings, particularly does the council-manager form of local government have better municipal bond ratings than other forms of local government? Do geographical regions of the United States have better municipal bond ratings than other geographical regions of the country? Are some municipalities with higher minority populations awarded lower municipal bond ratings?* This chapter explained the data collected from various resources. The data was then contrasted and compared to ascertain the reliability of data collected. This study sought to understand and explain bond ratings as they relate to city manager forms of local government.

Chapter V

DISCUSSION/CONCLUSION

Significant Findings

As a result of this study, the interpretation and discussion of the findings for Chapter 4 are presented in this chapter. The research question that is pivotal to this study was: *Does the form of local city government impact municipal bond ratings, particularly does the council-manager form of local government have better municipal bond ratings than other forms of local government?* The theory is that city managers administer more professional cities. These city managers have demonstrated more budgetary sound practices and contract negotiating skills due to their professional training than those officials in other forms of local government. According to the data obtained from this research, there appears to be agreement that the form of local government in municipalities does influence the city's bond rating values awarded. There were slightly higher bond ratings values observed from the city manager municipal data, for these local governments received higher municipal bond ratings than the mayor/other forms of local government. This finding could aid more municipalities in their decisions, as many determine what form of local government may work better for awarding better bond ratings. The statistical findings presented in this research only support the discipline of public administration in United States' municipalities. This study may increase the need for more public administration students. For public administrators may be in higher demand in the future, if the trend continues of decreased budgetary funds for public services rendered in U.S. cities.

History tells the story of the council-manager form of local government. This form of local government was first introduced to combat waste, corruption, and unresponsiveness found in local government in the United States. The close alignment of the council-manager local government to the business corporate model was done to initiate quality performance, efficiency, transparency, and responsiveness in local government. This unity-of-powers structured model of local government, some experts contend, has served its purpose. Conversely, it was noted by the researcher that in 2019, a historical mayoral election has occurred in the United States. The third largest city in the US, Chicago, has just elected its first black woman mayor. The significant part is not that she is a black woman, but that she campaigned as a political outsider. For those experts that say the council-manager system has served its purpose (Frederickson, Johnson, and Wood, 2004), maybe one should not be so certain. Since American history demonstrates that the powerful political machines were in operation in most American cities and this led to the adoption of the council-manager form of government (McEvoy, 2002). Now, today there is a mayor-elect that campaigned to combat political corruption, although she is a member of the Daley political dynasty (Smith, 2019). By the mid-twentieth century most American cities had evolved and preferred the council-manager form of local government.

Frederickson, Johnson, and Wood (2004) have stated vehemently that the council-manager form of local government does not have a purpose in today's local city government. These same scholars have blasted the two terms of council-manager and mayor-council governments to debate that these classifications do not adequately depict the way cities are democratically structured, managed, and organized. The authors claim there is no difference in the two forms of government. However, this research presents that there is a difference between council-manager and mayor-council forms of government by the bond rating values assigned by the same rating

agency for both types of local government. Conversely, this research could support these author's claim of how modern-day citizens prefer both political responsiveness and administrative efficiency (Frederickson et al., 2004). The research supports that the bond rating agency considers customer service of municipal citizens into the overall tabulation for awarding bond values to municipalities.

Another finding is there is a strong relationship between bond rating values for municipalities with city managers and those cities that have a mayor/other form of local government. This substantial statistical relationship is not unusual, since the lone rating agency utilizes the same scorecard with every city assigned bond rating values. Due to the utilization of Moody's Investment Services Rating Agency's bond ratings for this study, the results are exclusive. Each rating agency has its own unique method or procedure for assigning bond values.

A significant finding is that a calculation method tool could not be created by the researcher, due to key data not being obtainable from Moody's Analytics. This tool would have been utilized to assign values to at least seven independent variables. It was found that this significant data can be recovered from Moody's scorecards. This data is located at Economy.com in the form of Precis' Metro 100 by paid subscription.

In addition, it was found that one United States geographical region has more and higher bond ratings than all others for the city manager form of local government. The researcher did not expect the South to have higher bond ratings than the Northeast. However, the South region was found by the study to have higher bond ratings for council-manager form of local government, and the Midwest for mayor/other form of local government has better bond ratings. It was also determined by investigation that the quantity of these particular forms of local government are more prevalent in these respective regions as well, therefore, there is a greater

probability of obtaining a better bond ratings because of the higher quantities of this particular type of local government. This could mean that more municipalities could elect to become council-manager forms of local government in the future. Of course, this may result in dynamic growth in the arena of public administration. With the addition of more innovative individual minds, this could expand many more opportunities for further advancement of the public administration discipline in American cities.

Onward to a similar discovery pertaining to the 330 municipalities randomly selected. The majority of the cities were in Texas and California, which are the South and West Coast regions respectively. This could be the explanation for the significant correlation of city manager form of local government and US regions. Also, it potentially explains the reason that there is no significant correlation for mayor/other forms of local government, due to the lower numbers of these randomly selected cities mostly found in the Mid-Atlantic and Midwest regions of the US. On the other hand, cities in Texas have a dedicated sales tax base, which also could explain these municipalities having access to more revenue and being awarded potentially higher bond ratings.

An important finding is that as minority population grows in mayor/other forms of local government, bond ratings were observed by the data to decline. While for the city manager cities, there is no correlation of bond ratings and minority population. These findings potentially demonstrate what rating agencies are evaluating in municipalities, when the scorecards are completed, particularly as it relates to city management and demographics. When the scorecards are completed, there appears to be evaluations related to city management and demographics. Therefore, municipalities with significant minority populations could potentially acquire better bond ratings, if the city is managed by a professionally, trained city manager. This is a

significant finding for municipalities as they seek to gain an advantage when agencies award bond ratings.

Consideration of the Findings in Light of Existing Research

Other studies have compared council-manager and mayor-council forms of local government, particularly to federal governmental systems. The council-manager form is attuned to professional peer expectations and professional management models demonstrated by the ICMA. A group of researchers argue that there is little distinction between the two most popular forms of local government. These same researchers also say that the issues municipalities faced one hundred years ago are not the modern-day issues confronted by cities. Yet there are other researchers who question which form of local government is more effective and efficient. This study adds to the research that city manager forms of local government provide better bond ratings than municipalities without city managers.

Therefore, this research contradicts previous work by Hayes and Chang in 1990. These authors, as one may recall, were unable to determine if either council-manager or mayor-council are more effective and efficient. The results of this study support the argument that city manager forms of local government are more effective and efficient. Particularly, Moody's Rating Agency considers city management in its scorecard analysis procedure for awarding municipal bond ratings.

James Keene et al. in 2007 made an extremely poignant observation about the fact that city managers have to be very diverse and innovative in training and professionalism. Keene et al. (2007) discussed the importance of the city manager's management style and participation in relationships in the entire community. Once again, the findings of this research support Keene's belief that city managers are innovatively trained to handle many varied types of individuals

throughout the political and social community. This is part of the academic curriculum for a degreed, trained, professional city manager.

Along the same lines, Svava in 2001, described how appealing the city manager is for the administrator's professional training. Svava contended that the city manager's role is an intersection of political control and professional independence of elected officials and administrators. He goes on to explain how the professional policy formation and implementation of standards, operate concurrently, while the city manager maintains oversight and set direction. For this research supports and refines Svava's research in this area, for there is no other municipal official that could operate in this capacity without the professional training afforded to a city manager. Many mayors are not professionally trained for the role, but elected. There may come a time, when even for the title or role of mayor that professional training would be more preferable.

Study Overview

This study sought to understand how bond ratings were awarded by rating agencies and if city managers provided any advantage for municipalities in this process. This research highlights findings that contribute to the current body of work in this field. City managers are professionally trained to negotiate superior financial contracts, make decisions utilizing analysis techniques, and by training they practice sound budgetary practices which are common to the profession. Economic development is a top priority for metropolitan cities in the United States today. Therefore municipalities are working to obtain the best bond ratings possible from bond agencies. Research is a key component to prepare these local governments to take their competitive position in the modern municipal bond rating market. City managers operate more within a rational choice model than a garbage can model of decision making. Not everyone is

born a leader, some are trained, for city managers it is a component of the public administration curriculum that many city managers complete. Scholars believe modern-day citizens seek political responsiveness and administrative efficiency. If this is the case, then this study's findings display city managers demonstrate qualities for both.

Implications of This Study

While there are many municipalities that ascribe to the council-manager form of local government, the findings demonstrate there is still work to be done. There is not a clear understanding among local government officials of what exactly bond rating agencies are evaluating municipalities on when awarding bond rating values. This study shows that minority population is an integral factor for mayor/other forms of local government. While the geographical region that a city is located is key for council-manager forms of local government. There were higher bond ratings values observed from the city manager municipal data, because the mayor/other forms of local government received lower bond ratings overall. This finding could aid more municipalities in their decisions, as more determine what form of local government could be fiscal advantageous. In addition, the municipal bond rating procedure utilized by the Moody's Investment Services Rating Agency was examined extensively

Limitations of This Study

Every study has inherent limitations. This study utilized secondary data from various sources. Secondary data is never ideal for any research study conducted, for primary data is always preferred. The secondary data sources were selected with extreme care to obtain the most accurate and credible data. The number of municipalities examined were randomly selected at 330 samples from the total data population. Of course this is a limitation. Therefore, no generalizations can be assigned to the data population. This study was also limited by the lack of

municipal scorecards for additional independent variables. Another limitation is that the US regions are those defined by the US Census Bureau and geographers may not always agree upon which states belong in which region. White women are considered as part of the minority population in many studies, but white women were not considered part of the minority population for this study. Hispanics can be of any race, therefore they are included in all other racial groups or categories in this study.

Recommendations for Further Research

This study explored primarily the comparison of bond ratings in municipalities with city managers and municipalities without city managers. In concluding this study, it is still unclear why council-manager forms of local government have better bond ratings than other forms of local government. It could be any of these or none of these - management, budgetary performance, sound budgetary practices or professional city manager training, as the reason(s) why council-manager forms of government have higher bond ratings. The strong correlation between higher bond ratings and the council-manager form of local government could have been associated with a variety of variables. One can only speculate that management, and the professional training of a city manager gives a municipality with someone operating in this capacity an advantage prior to being awarded a bond rating. Indeed, there are ample opportunities for further research in this area of municipal bond ratings and form of local government utilizing survey tools, specific case studies, or larger sample sizes beyond what this study employed. The accuracy of its results was dependent upon the municipal bond rating data obtained from the Moody's Rating Agency online database and other publicly, utilized online databases. A more comprehensive study would include more municipalities, as well as access to

the Moody's Analytics scorecards at Economy.com in the form of Precis' Metro 100 currently only available by paid subscription.

Further inquiry comparing municipalities with similar demographics, within the same geographic US regions, and the same form of local government would aid researchers to understand more about how rating agencies award municipal bond ratings. Also inquiry to determine what other criteria do rating agencies consider when awarding bond rating values, other than what is published on the municipal scorecards.

Conclusion

The quantitative analyses in this investigation suggest bond ratings for municipalities with city managers have better bond ratings than municipalities with other forms of local government. The possible predictors of bond rating for municipalities are minority population and US region. There needs to be further studies to determine if there are other predictors like management and budgetary performance which influence municipal bond ratings. This research is important because it demonstrates that municipalities with city managers have a slight advantage, when these cities are rated by bond companies for financial resources. This study suggests that more research needs to be conducted to determine predictors of bond ratings for municipalities.

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APPENDIX A:

IRB EXEMPT APPLICATION

Valdosta State University
APPLICATION FOR USE OF HUMAN PARTICIPANTS IN RESEARCH

EXEMPT APPLICATION

INSTRUCTIONS: Complete all required information, and check appropriate boxes. Attach all CITI training documents, answers to questions 12–15, and obtain all required signatures before submitting to the Office of Sponsored Programs & Research Administration.

Project Title: *Comparison of Bond Ratings in Municipalities with City Managers and Municipalities without City Managers*
 Responsible Researcher: *Darryl Nettles*
 Mailing Address: *1021 Dardignac Street*
 Department: *Public Administration*
 Email: *dnettles@valdosta.edu*
 Telephone: *706-339-1970*

Project Dates: *01/01/2019* to *05/31/2019*
 MM/DD/YYYY MM/DD/YYYY

Minimum # of Participants: *N/A*
 Maximum # of Participants: *N/A*
 External Funding: ☐ Yes ☒ No
 If Yes, Sponsor:

(Note: If research will be externally funded, include a copy of the proposal or award that describes use of human participants.)

Supervising Faculty: *William Hatcher*
 Supervising Faculty Email: *w.hatcher@augusta.edu*

VSU Status:

- ☐ FT/PT Faculty
☒ Adjunct Faculty
☐ Research Associate
☐ Administrator/Staff Member
☐ Graduate Student
 ☐ Doctoral Dissertation
 ☐ Master's Thesis
☐ Undergraduate Student
 ☐ Senior Project
☐ Unaffiliated Investigator

Co-Investigator	Institutional Affiliation	Email Address	*IRB FWA #

Note: Unaffiliated Investigators must fill out the last column IRB FWA # and complete the Unaffiliated Agreement form at the link below:
<http://www.valdosta.edu/academics/graduate-school/research/office-of-sponsored-programs-research-administration/institutional-review-board-irb-for-the-protection-of-human-research-participants.php>

1. ☒ YES ☐ NO Does your proposed study (a) meet the Valdosta State University Institutional Review Board definition of research (as cited below) or (b) does it involve a condition for IRB oversight as listed below?

VSU IRB Definition of Research: Valdosta State University describes research as a systematic investigation, including research development, testing and evaluation designed to develop or contribute to generalizable knowledge.

Conditions: The following conditions may not meet the definition of "research" as provided above, but will cause your research to be subject to IRB oversight:

- Intent to produce results that will be submitted for peer-reviewed publication or presentation
- Include minors (e.g. those under the age of 18)
- Target potentially vulnerable individuals
- May place pregnant women and/or fetuses at risk of physical harm
- Deal with a topic of sensitive nature in a way which anonymity cannot be sustained
- Involve any activity that places the participants at more than minimal risk (see Question 9 for definition of "minimal risk")

2. ☐ YES ☒ NO Are the human participants in your study living individuals?

3. ☐ YES ☒ NO Are you collecting information about deceased persons that may put third parties (i.e., surviving spouses and/or living descendants) at more than minimal risk of harm?

4. ☐ YES ☒ NO Will you obtain data through intervention or interaction with living or third party individuals?

"Intervention" includes both physical procedures by which data are gathered (e.g. measurement of heart rate of venipuncture)

"Interaction" includes communication or interpersonal contact between the investigator and participant (e.g. surveying or interviewing)

5. ☐ YES ☒ NO Will you obtain identifiable private information about these individuals?

Private information includes information about behavior that occurs in a context in which an individual can reasonably expect that no observation or recording is taking place. Identifiable means that the identity of the participant may be ascertained by the investigator.

Note: If you have questions as to whether your research requires IRB oversight, additional information is available at our website:
<http://www.valdosta.edu/academics/graduate-school/research/office-of-sponsored-programs-research-administration/institutional-review-board-irb-for-the-protection-of-human-research-participants.php>

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6. EDUCATIONAL REQUIREMENTS: In accordance with federal regulations, the VSU IRB requires all responsible researchers, co-investigators, key personnel, including unaffiliated investigators, and faculty advising student researchers to complete the CITI educational program. Co-investigators from other institutions are not required to complete this if they have a certificate of completion from their own federally assured IRB.

Please visit: <http://www.citiprogram.org> to complete all of the following mandatory trainings:

1. Introduction
2. History and Ethical Principles
3. Defining Research with Human Subjects
4. The Regulations and the Social and Behavioral sciences
5. Basic Institutional Review Board (IRB) Regulations and Review Process
6. Assessing Risk in Social and Behavioral Sciences
7. Informed Consent
8. Privacy and Confidentiality
9. Valdosta State University Module

Additional modules may be required for specific types of research. Please check all that apply and complete the corresponding modules:

Study population targets	Additional CITI Modules Required
<input type="checkbox"/> a. Minors (under the age of 18)	Research with Children
<input type="checkbox"/> b. Public School Children	Research in Public Elementary and Secondary Schools
<input type="checkbox"/> c. Pregnant Women	Vulnerable Subjects
<input type="checkbox"/> d. Prisoners	Research with Prisoners
<input type="checkbox"/> e. Potentially vulnerable individuals (those whose consent may be compromised due to socio-economic, educational or linguistic disadvantage.)	Research with Protected Populations
<input type="checkbox"/> f. Individuals in foreign countries	International Research
<input type="checkbox"/> g. Individuals from different cultures or individuals from a particular racial/ethnic group	Group Harms: Research with Culturally or Medically Vulnerable groups
<input type="checkbox"/> h. Individuals about whom data will be collected from records (e.g., educational, health, or employment records)	Records-Based Research
<input type="checkbox"/> i. Individuals from or about whom Private Health Information (PHI) subject to HIPAA compliance will be collected	HIPAA and Human Subjects
<input type="checkbox"/> j. Individuals from whom information will be collected via Internet	Internet Research
<input type="checkbox"/> k. VSU Employees	Workers as Research Subjects

7. ☐ YES ☒ NO Does the primary researcher, co-investigator, or any other key person, have a potential or actual significant financial conflict of interest in performance of the research? If YES, it is required that the researcher completes the CITI module "Conflicts of Interest in Research Involving Human Subjects" and complete the VSU Conflict of Interest form available at: <http://www.valdosta.edu/grants/forms>

8. As a researcher you are expected to follow VSU's code of ethics. Will there be an additional code of ethics followed? N/A
Include organization's name & Web address:

9. Name and location of external organization(s) providing research participants (attach letter(s) of cooperation) N/A

10. ☐ YES ☒ NO ☐ UNCERTAIN

Does the study present more than minimal risk to the participants?

"Minimal Risk" means that the risk of harm or discomfort anticipated in the proposed research are not greater, considering probability and magnitude, than those ordinarily encountered in daily life or during performance of routine physical or psychological examinations or tests. Note that the concept of risk includes psychological, emotional, or behavioral risks to employability, economic well-being, social standing, and risk of civil criminal liability.

11. Federal Regulations permit the exemption of some types of research from IRB Committee review.

NOTE: Studies involving fetuses, pregnant women, children, or prisoners are not eligible for exemption.

☐ **Category 1:** Research conducted in established or commonly accepted educational settings, involving normal educational practices, such as (i) research on regular and special education instructional strategies, or (ii) research on the effectiveness of or the comparison among instructional techniques, curricula, or classroom management methods.

☐ **Category 2:** Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: (i) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and (ii) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation. **Note:** This category of exemption is not applicable to research involving minors (45 CFR 46.401 b).

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☐ **Category 3:** Research involving the use of educational tests (cognitive, diagnostic, aptitude achievement), survey procedures, interview procedures, or observation of public behavior that is not exempt under Category 2 if: (i) the human subjects are elected or appointed public officials or candidates for public office, or (ii) federal statute(s) require(s) without exception that the confidentiality of the personally identifiable information will be maintained throughout the research and thereafter

☒ **Category 4:** Research involving the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens, if these sources are publicly available or if the information is recorded by the investigator in such a manner that subjects cannot be identified, directly or through identifiers linked to the subjects.

☐ **Category 5:** Research and demonstration projects which are conducted by or subject to the approval of department or agency heads, and which are designed to study, evaluate, or otherwise examine: (i) Public benefit or service programs, (ii) procedures for obtaining benefits or services under those programs, (iii) possible changes in or alternatives to those programs or procedures, or (iv) possible changes in methods or levels of payment for benefits or services under those programs.

☐ **Category 6:** Taste and food quality evaluation and consumer acceptance studies, (i) if wholesome foods without additives are consumed or (ii) if a food is consumed that contains a food ingredient at or below the level and for a use found to be safe, or agricultural chemical or environmental contaminant at or below the level found to be safe, by the Food and Drug Administration or approved by the Environmental Protection Agency or the Food Safety and Inspection Service of the U.S. Department of Agriculture.

Please answer each question below (12-15) in 1-3 paragraphs - answers to be submitted as a separate document.

12. In lay terms, what are the objectives of the proposed research?

13. Describe how the participants and/or data will be collected. Attach copies of posters, brochures, flyers, and/or signed letters of cooperation. Briefly describe the consent process utilized for this research.

14. Describe the research methodology. Attach all questionnaires, assessments, and/or focus group questions. If questionnaires or assessments will be developed during the research project please indicate the general nature of the questions in an attachment.

15. Describe how you will insure the privacy of participants and the confidentiality of the information about them, including how and by whom the data will be collected, managed, stored accessed, rendered anonymous, and destroyed.

CERTIFICATIONS AND REQUIRED SIGNATURES

Note: Applications without all required signatures will not be reviewed.

Statement of Responsible Researcher:

I certify that I have completed required training regarding human participant research ethics and am familiar with the ethical guidelines and regulations regarding the protection of human participants from research risks. I will adhere to the policies and procedures of the Valdosta State University Institutional Review Board (IRB). I will not initiate this research project until I receive written exemption or approval from the IRB. I will not involve any participant in the research until I have obtained and documented his/her informed consent as required by the IRB. I agree to (a) report to the IRB any unanticipated problems or adverse events which become apparent during the course or as a result of the research and the actions taken as a result, (b) cooperate with the IRB in the continuing review of this project, (c) obtain prior approval from the IRB before amending or altering the scope of the project or the research protocol, and (d) maintain documentation of consent and research data and reports for a minimum of three years and in accordance with approved data retention and procedures and confidentiality requirements after completion of the final report or longer if required by the sponsor or the institution. I understand that my department chair/unit director/faculty advisor (if I am a student) will receive a copy of my IRB exemption or approval report.

SIGNATURE: _____


Responsible Researcher

Date: 12-15-18

Statement of Faculty Advisor if Responsible Researcher is a Student:

I certify that I am familiar with the ethical guidelines and regulations regarding the protection of human participants from research risks and have completed training required by the VSU IRB. I agree to provide guidance and oversight as necessary to the above named student regarding the conduct of his/her research. I will ensure the student's timely requests for protocol modifications and/or continuing reviews, compliance with the ethical conduct of human participant research, and the submission of the final report. I understand that an IRB protocol cannot be closed until final report is submitted, and I agree that, if the student fails to complete a final report, I will be responsible for timely completion and submission of the report.

SIGNATURE: _____


Supervising Faculty

Date: 12-15-18

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