Does Form of Fiscal Governance Matter: Fiscal Practices and Outcomes in Chicago Suburbs

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Abstract

This paper explores the extent to which government performance varies between traditional council-mayor structures and reformed council-manager structures. Little research exists on the linkage between type of government and financial management practices outside of budgeting or performance measurement. The research presented here uses both qualitative and quantitative data on suburbs in the Chicago metropolitan region and a relatively unique, three-stage research design to address these analytical problems and provide more detailed inferences about the linkages between fiscal governance, financial management practices, and financial conditions in these local governments. The findings demonstrate interesting and complex relationships between fiscal governance (and form of government), financial management practices, financial conditions, and other factors important to these conditions.

Two dominant forms of local government are recognized in research on local government—council-mayor (CMY) and council-manager (CMA). Although the specific institutional features of individual governments may vary according to their size and other factors, in the ideal form, CMY governments have directly elected mayors who serve full time and have primary responsibility for the administrative functions of the municipality. The council is often elected by district and elections are partisan. In the ideal CMA form the mayor is president of the council or board and has few executive powers, elections are non-partisan, and administrative authority and responsibilities are vested in a professional, full-time manager who is appointed by the council. Theoretical and empirical research on CMY and CMA governments has linked them to a wide variety of administrative and political characteristics associated with traditional versus reformed governance systems respectively (Frederickson, et al., 2004). Reformed structures (CMA) separate policy making from administration to a greater degree than traditional structures (CMY) to insulate administrative functions from the "private regarding" demands and the self-interested behavior of elected officials (Lineberry and Fowler, 1967).

One of the pressing research questions in this area is the extent to which government performance varies in these two structures. Since the advent of the Progressive Era of the late 1900's, which initiated the "good-government" movement, scholars and others have argued that reformed governance is more accountable, less corrupt, and more efficient. As a result, reformed systems are generally considered to be more desirable than traditional systems, and widely embraced as the professional standard for public administration (Montjoy and Watson, 1995). However, the link between local governance structure, form of government, and performance is fairly tenuous and not consistent with expectations, especially in the area of fiscal performance.

Existing research demonstrates that CMA governments implement more innovative and rational managerial practices (Berman and West, 1995; Poister and Streib, 2005, 1989), but there is little research that directly links this form to improved service delivery or performance (Folz and French, 200x). There is virtually no research that examines the relationship between form of local government or governance system and financial management practices outside of budgeting or performance measurement, and research on the linkage between type of government and fiscal performance (e.g. taxes, spending, and fund balance) shows no impact or impacts in the wrong direction (Hendrick, 2004; Morgan and Kickham, 1999; Stumm and Corrigan, 1998; Schneider, 1989, 108; Hayes and Chang, 1990; Deno and Mehay, 1987; Farnham, 1987; Morgan and Pelissero, 1980).

There are several possible reasons for the latter findings. One is that the distinction between CMA and CMY is not refined enough to capture the wide variation in existing forms, especially with respect to financial management and fiscal policy. Second, the relationships between form of government, fiscal outcomes, and other factors that account for differences in practices and outcomes may be too non-linear or indirect to be observed with the applied methodologies. Third, form of government may be too unstable in some governments, especially smaller ones, to observe consistent effects in narrow time frames. Finally, the survey methodology on which most studies of government is based is likely to be subject to a significant level of misperception, misreporting, under-reporting, and sample bias that hinder an accurate and complete assessment of these relationships.

The research presented here uses both qualitative and quantitative data on suburbs in the Chicago metropolitan region and a relatively unique, three-stage research design to address these analytical problems and provide more detailed inferences about the linkages between fiscal governance, financial management practices, and financial conditions in these local governments.   Although some findings are not conclusive, they demonstrate interesting and complex relationships between fiscal governance (and form of government), financial management practices, financial conditions, and other factors important to these conditions.

The quantitative data measure a variety of short-term and long-term fiscal conditions in 264 suburban governments over a period of six years (1998-2003), and include demographic and socio-economic features. These data also include a five-category measure of form of government that distinguishes between the presence of a village (or city) manager and administrator and a finance director.

The primary purpose of stage one of the analysis was to acquire the information necessary to establish controls on and observe the relationships examined in stage two. Specifically, stage one focused on identifying the suburbs' primary institutional and structural features that mask or confound the relationships between form of government (defined subsequently), fiscal practices, and financial conditions over which these governments have more control. These features include the size of the government (population and budget), population growth, land use (commercial vs residential), revenue wealth, occupational class (blue or white collar), and other characteristics such as location (inner ring or outer ring suburb) and home rule. In this case, revenue wealth (an aggregate indicator of the value of the primary municipal revenue bases) was found to be the best predictor of fiscal performance on most outcome measures, and both revenue wealth and size of government are highly correlated with form of government. This stage also included grouping all governments based on their commonalities on the institutional and structural features, and determining the degree of variation in form of government for each group. This analysis demonstrated that the impact of form of government could not be determined for 93 governments because of their unique features (satellite cities or few residents) or little variation in form of government (e.g. all professionally administered and fiscally directed or mayor only).

The second stage of the research consisted of assessing the impact of fiscal governance, form of government, and financial practices on financial condition in the remaining seven groups (and 17 subgroups) of 171 suburbs using two techniques. First qualitative analysis was used to assess and summarize information obtained from two sources: 1) news articles that document elections, politics, governance, fiscal condition, and financial management practices on all suburbs, and 2) in-depth interviews on these topics in 46 municipalities across all seven groups (represents 12 to 58 percent of the municipalities in each group) in 2003. Second, the quantitative data on fiscal condition was evaluated for all governments in each group. Information from these two sources was then compared across municipalities with different forms of government in each group to determine whether there were systematic variations in fiscal outcomes and financial practices, and whether observed outcomes might be related to other factors such as governance systems (e.g. politically strong mayor), level of politics (e.g. split board, high conflict), and other important events (e.g. lawsuits, changes in governance, high turnover of professional staff. In this case, the interviews were particularly useful in documenting differences in financial management practices.

Stage three of the analysis consisted of regrouping some of the municipalities into two broader groups based on similarities of findings and outcomes, and then examining variations in outcomes across form of government and correlations among fiscal outcomes within the larger groups. The purpose of this stage is to corroborate the primary relationships found in stage two within a larger but appropriate context. These two groups consisted of: 1) municipalities with high levels of growth, and 2) moderate to large municipalities that are relatively poor (blue collar) and have low growth or population declines.

The next two sections explain the forms of fiscal governance recognized in this study and explain how financial condition and fiscal practices were assessed in the governments. Subsequent sections explain governance and fiscal features of local governments in Illinois and the region that are relevant to this study, describe the methodology in more detail, and present the findings from both the qualitative and quantitative analyses.

Forms of Fiscal Governance in Illinois

Although most research incorporating form of local government recognizes only CMA and CMY governments, recent studies differentiate a wider range of government forms that represent hybrids of the two ideal types (Ebdon and Brucato, 2000; DeSantis and Renner, 2002; Frederickson, et al., 2004, Fox and French, 2005). The existence of these hybrids and their specific features depend upon the size of the government, state statutes that constrain the institutional features of their local governments, and the manner in which the government has adapted to its environment. To understand the hybrids that are likely to exist in Illinois, it will be helpful to review the demographic features of the two ideal types, and the institutional features of traditional and reformed governance systems.

The Institute of Governance defines governance as “the traditions, institutions, and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern” (http://www.iog.ca/about_us.asp). As such, the features of governance are broader than a government’s structure or form. In addition to the structural features of CMY and CMA governments mentioned previously, governments may be classified more broadly as unreformed (political) and reformed (administrative). Table 1 presents highlights from figures in Frederick, Logan, and Wood (200x, pp 8-10) that detail both the formal and informal features of these two ideal types of governance systems as applied to most local governments in Illinois.

[Table 1 about here]

Unreformed governments, which are more political, separate executive and legislative powers, and the mayor is both the chief executive and chief administrative officer (CEO, CAO). In Illinois, the mayor of political governments (called aldermanic cities with legislative councils elected by district) can be strong with the power to appoint all officers and boards not covered by civil service, or a weak form in which the council must approve appointments (Kean and Koch, 1990). In corporate or administrative governments (which are villages), the mayor is president of the board and is most likely to be elected at large rather than by board members. Here, the mayor is not the chief administrative officer and does not retain chief executive powers in local governments that operate under the statutory manager form of government. A good example of a hybrid form of local government in Illinois are villages or cities that have not formally adopted the manager form, but appoint managers with significant administrative powers who share executive powers with the mayor. Another type of hybrid structure that represents a weaker administrative or corporate form is cities and villages that appoint an administrator rather than a manger in which the mayor is the chief executive officer and shares administrative authority (e.g. budget and staff appointments) with the administrator.

Table 2 demonstrates how size of municipality in the Chicago region varies by form of government. The table demonstrates that CMA governments are larger than CMY governments, especially among villages, and that cities are larger than villages. The table also shows that five governments have a commission form, which was much in favor throughout the US prior to 1920. In this form, each of the council members and the mayor serve as administrative heads of specific functions or departments within the government (Kean and Koch, 1990).

[Table 2 about here]

In addition to their varying structural features, political and administrative governments are associated with different electoral processes, cultures, values, operational processes, and decision-making criteria as demonstrated in Table 1. In Illinois, political parties in local partisan elections appear on the ballot and they can be national parties (e.g. Republican or Democrat) or local parties (e.g. Good Government or Reform). In non-partisan elections there are no political parties on the ballot, but the mayor, members of the council, and other local elected officials may run together under an informal slate (e.g. anti-growth) (Gove and Nolan, 1996).

More informally, ideal political governments will appoint key government officers based on patronage, distribute services according to voter and interest group support and political preferences, apply operational rules such as awarding of contracts and regulatory enforcement (e.g. building codes or budgetary compliance) based on expediency and powerful clienteles, and rely on informal political networks in all areas of policy making and operations. In contrast, ideal reformed governments appoint based on merit, distribute services according to standards of equity, enforce regulations in a neutral manner, operate according to recognized standards and statutory restrictions, and rely on formal structures to conduct business and deliver services (Clark, 2000; Frederickson et al, 2004; Abney and Lauth, 1986). To a great extent, the differences in operations and decisions in these two ideal types are derived from a different set of cultural values that each type promotes. Reformed or administrative governments will be more professional, more responsive to a broader set of interests, more transparent, and value efficiency and performance. Unreformed or political governments will value trust and familiarity of relationships, responsiveness to particular interests or specific requests, and secrecy (Hansell, 2002; Dunn and Legge, 2002; Svara, 2001; Schilling, 1995; Nalbandian, 1992).

Additionally, the characteristics of reformed governments tend to promote cooperation and arrest and reverse conflict when it arises (Svara, 1990).

Because this study focuses on the impact of fiscal governance on financial management practices and fiscal conditions of local governments, it will be important to include some designation of whether Chicago area municipalities have a designated financial manager or finance director with significant responsibility for the financial affairs of the municipality in assessing their form of government. Although some might consider financial management a managerial function and not a governance function, these functions are not so easily separated in smaller governments.

According to Svara's (1990) dimensions of governmental processes, local governance functions encompass three overlapping dimensions of activities: mission (e.g. type and scope of services to provide), policy (establishing the budget and economic development projects), and administration (delivering services and maintaining infrastructure). The last dimension is a managerial function, not a governance function. In the fiscal area, management encompasses all financial management operations including budget implementation, internal controls, risk management, purchasing, payroll, and others. However, finance directors in smaller governments, such as those prevalent in the Chicago metropolitan area (See Appendix B), will have a significant role in the financial affairs of the policy and administrative dimensions.

For instance, with respect to the policy dimension, finance directors in smaller governments often have significant influence over debt levels, capital spending, and revenue rates (e.g. taxes and charges). Administratively, finance directors may determine how capital spending is financed, types of debt incurred and how it is structured, surplus levels, end of the year deficits or surpluses, and how the budget is balanced during the fiscal year. Additionally, unlike city/village administrators or managers who can be political appointees without professional training or even administrative experience, the technical nature of financial management requires that finance directors have some professional training in accounting or financial management and prior experience in the field to the extent that they lack educational degrees in the finance area.

Based on this discussion of the role and responsibilities of local managers, administrators, and finance directors, this study distinguishes five forms of government among the suburbs: 1) governments with a city or village manager and finance director, 2) governments with city or village administrator and finance director, 3) governments with city or village administrators and managers and no finance director, 4) governments with finance directors but no city or village administrator or manager, and 5) governments without a city or village manager or administrator and no finance director. In this case, a village or city manager is someone with significant executive (CEO) and administrative authority (CAO), and is not limited only to governments with statutory city/village form of government. A city or village administrator is someone with significant administrative authority only (CAO).

For purposes of this study, the existence of a finance director and village/city administrator or manager was determined in 2003 for all 264 Chicago suburbs using four methods: examination of municipal websites and news articles for titles and description of powers and duties of these officials, phone calls, and the interviews. With respect to the other governance features in Table 1 (e.g. partisan elections, patronage appointments, and the professionalism of finance directors and administrators or managers), difficulty in operationalizing them and a lack of information prevents a clear determination of the extent to which the 171 governments in stage two are political or corporate. However, much more information was available on these features for governments that were interviewed or those in which news articles or the municipal website indicated their presence or absence.

For instance, patronage appointments were particularly evident in municipalities in which the existing administrator, manager, attorney, engineer, or departmental heads were fired and new ones appointed after the election of a new mayor or board. The presence of political versus administrative values and culture and the level of political conflict could be determined for many municipalities in a similar manner, but the designations are fewer, more tenuous, and based more on interpretation.

The next section presents a model of financial condition that establishes the link between fiscal practices and financial condition and appropriate measures for assessing all governments' financial condition. The section also identifies and classifies the types of fiscal practices examined here, and discusses some of the methodology utilized to assess fiscal practices and features of governance systems from the interviews and news articles.

Financial Condition and Fiscal Practices

A Model of Financial Condition and its Measures

Figure 1 presents a model of financial condition that is used by this research to identify relevant indicators of financial condition and link them to types of solvency, fiscal practices, and different institutional and contextual environments of local governments. Following Groves et al. (2003), four different types of solvency are recognized-- long-run, service-level, budgetary, and cash. These solvencies distinguish between different stages or time frames of financial condition and levels of financial and service obligations. Long-run solvency refers to the long-run balance between government revenues and spending needs and implies that government has the ability to adapt to uncertain future fiscal conditions, some of which may be severe shocks. Financial states at this level do not often change dramatically in the short-run, and are less controllable or directly affected by government actions. Service-level solvency refers the ability of government to provide adequate services to meet the health, safety, and welfare needs of its citizens given its revenue resources. Budgetary solvency is defined as the ability to balance the budget or generate enough resources to cover expenditures in the current fiscal year. Cash solvency, which is the most controllable by officials and likely to change in the short-run, refers to the government's ability to generate enough cash over thirty or sixty days to pay its bills.

[Figure 1 about here]

These solvencies are related in that a government with low solvency in a longer time frame is likely to have low solvency in a shorter time frame. Over time, low short-term solvency may even lead to low long-term solvency. However, neither of these relationships is certain, which suggests that factors affecting these solvencies can function somewhat independently depending upon the practices and choices governments make within the set of constraints and opportunities they face. For instance, governments with low long-term solvency can make fiscal choices regarding short-term solvency that are consistent with and allow them to adapt to, and possibly improve, their long-term position (Hendrick et al., 2006; Hendrick, 2004). Alternatively, a government with a relatively good long-term position could make poor fiscal choices and institute fiscal practices that are not consistent with or may threaten their financial condition in the future.

According to Figure 1, government fiscal practices and choices are limited by and take place within the context of both external and internal institutions and structures. The former include factors such as state statutes, voter and business demands, and the regional economy. The latter includes features of the governance system described previously and other factors such as whether the government is home rule. Home rule is very important to local governments in Illinois because it determines the kinds and levels of taxation they can levy and many other activities that are likely to affect their fiscal position. With respect to long-term solvency, the factors that are most likely to affect government fiscal position are level of spending needs and the wealth or value of its revenue bases.

Government fiscal practices and choices within these environments directly determine its operating position, fiscal liabilities, and fiscal structure. Government operating position, which is most closely associated with cash and budgetary solvency, is indicated by characteristics such as level of fund balances, operating deficits and surpluses, and liquidity.   Budget and service-level solvency might be indicated by level of revenue diversification, tax or revenue burden, or dependence on particular sources of revenue (e.g. intergovernmental or elastic revenues). Fiscal liabilities include long-term and short-term debt, unfunded pension liabilities, and under-investment in capital equipment and infrastructure (e.g. high levels of depreciation, foregone maintenance). (Cash, budgetary, and service level solvency are considered short-term solvency in this case.)

Based on Figure 1, this study relies on six primary and four secondary measures of fiscal condition as described in Table 3 to assess the impact of form of government and other aspects of fiscal governance on municipal financial condition.   The primary measures of fiscal condition are debt, capital investment, governmental and enterprise budgetary balance, revenue wealth, and population change. In most municipalities in the region, the enterprise funds are dedicated to water and sewerage service, which represent, on average, 21 percent of governments' total revenues and receipts in all funds except capital. Population change and wealth (rows B) are indicators of long-run solvency and are used in conjunction with measures of other external characteristics primarily to group the municipalities in stage one and two. The other primary measures (rows A) are indicators of short-term solvency and are examined both as averages and trends from 1997 to 2003.

[Table 3 about here]

This seven-year time period covers two dramatically different economic periods for local governments in the region (and the US). The late 1990's through 2000 were a period of fiscal largesse due to high levels of state-shared income tax and infrastructure grants being distributed to local governments. Beginning in late 2001, many local governments were experiencing high levels of fiscal stress due to declining state-shared revenue and sales taxes.

The secondary measures are examined for municipalities in conjunction with the primary measures in rows A, but are secondary because they are less immediately controllable by government officials. Additionally, in the case of revenue budget and spending effort, complete data is only available for 2000. The secondary measures help assess the extent to which governments have adapted to their external environment, and present a context within which to interpret the other measures of short-term solvency.   In many cases, the conditions presented by the primary indicators in rows A and secondary indicators could be confirmed through the interviews or news articles examined.

Classifying and Assessing Fiscal Practices and Governance System

A broad range of fiscal practices implemented and decisions made could only be established for municipalities that were interviewed, although practices in many areas often could be determined from news articles for municipalities that were not interviewed. Using a variety of sources that establish standards for financial management practices, four categories of fiscal activities and decision making were identified which are: 1) planning and budgeting, 2) fiscal accountability and control, 3) financial and programmatic performance, and 4) fiscal stability and health (Anmar et al, 2001; Government Finance Officers Association, 2001; Moody's Investors Service, 2000; Standard & Poor's, 2003).

Table 4 describes these categories in more detail and the types of activities, structures, processes, and applications that are examined in the municipalities in each category. Because economic development was found to be such an important component of the fiscal plans and practices in municipalities interviewed, practices and priorities in this area were also examined focusing on the tools utilized (e.g. TIF or tax incentives) and the groups involved (e.g. economic development commission, employees, developers, or chamber of commerce). Statements from all interviews were coded into these five categories and several others that designate the degree and sources of fiscal stress and fiscal governance characteristics such as form of fiscal government and level of professionalization.

[Table 4 about here]

The interviews were open-ended but structured according to the topics indicated in appendix A. One interview was conducted with the chief financial decision maker in each of the 46 municipalities during the spring of 2003. In most cases, the person interviewed was the finance director (n=16), but the administrator or manager (n=12) was interviewed in municipalities that had such an officer but no finance director. Either the mayor (n=9) or the treasurer (n=6) was interviewed in municipalities where there was no fiscal officer, administrator, or manager, or where the mayor would not allow the finance director to be interviewed (n=1). In several instances both the finance director and administrator were interviewed together.

Although interviewing only one person in each municipality does not allow for cross-validating interview responses and, therefore, threatens the validity and reliability of conclusions one might draw from these interviews, the news articles reviewed for these municipalities offer some degree of confirmation of the findings. Additionally, due to the small size or governing structure of many of these municipalities, there was no other person to interview who could validate responses from those who were interviewed.

Information about all 171 suburbs in stage two, including those interviewed, was obtained from news articles from 70 newspapers with coverage in the Chicago metropolitan region. Articles from most of these newspapers were available through 2003 to 2001, but some were available only through 2004. The articles examined focus on elections, changes in elected and appointed personnel, and other reported events or conditions that provide information on the municipalities' institutional features as identified in Table 1, financial management practices, and fiscal decision-making. Due to wide variation in the number of articles about each municipality and the topics covered, the information obtained from them could not be coded in the same manner as the interviews. Instead, relevant information pertaining to the topics above was summarized for each municipality and the availability of information was noted. A profile was then written for each municipality that included information from the interviews and news articles and interesting details or quotes.

The next section of this study describes the methodology of stage one in more detail, and its findings, which focuses on assessing how form of fiscal government among suburbs in the Chicago region is related to their long-term solvency and other external features.

Form of Municipal Governments in the Chicago Region and Their Characteristics

One of the difficulties associated with determining the impact of form of government on short-term solvency may be the relatively strong association of this variable with long-run solvency and governments' other internal and external institutional and structural features such as population growth and home rule. These associations were confirmed for the 264 municipalities in the Chicago region through statistical analysis, which is not presented here. Additionally, the potential relationship between these features and the types of fiscal problems faced by municipalities and solutions available to them was evident from the interviews.

Appendix B provides descriptive statistics for the external and internal characteristics that were associated with form of government and also suspected of being important indicators of fiscal problems and solutions and short-term solvency. These statistics also demonstrate the tremendous variation in these features among Chicago suburbs. Population and expenditures are different measures of government size, and population change is measured for two time periods (1990-2000 and 2000-2004) to determine when governments experienced high growth rates. The percent of the equalized assessed value (EAV) that is residential, which is used in conjunction with percent EAV that is industrial or commercial, and sales receipts per capita demonstrate how residential, commercial or industrial each municipality is. Percent white collar (percent of the municipal population with managerial or professional occupations) is examined based upon the frequent references of persons interviewed to their town being blue-collar or having a professional population.

Table 5 shows how the municipalities' key institutional and structural features, including revenue wealth, index vary by form of government. The table shows that municipalities with managers and finance directors tend to be larger, wealthier, home rule, and in the second ring or wave of development away from the City of Chicago. They have also experienced little growth during the two time periods. Municipalities with administrators and finance directors are not as large, and are moderately wealthy and non-home rule, but they have experienced the highest population growth between 1990 and 2000 and relatively high population growth between 2000 and 2004. These municipalities also tend to be fairly evenly distributed between the three developmental rings.

[Table 5 about here]

Municipalities with administrators or managers and no finance directors tend to be small, mostly residential, non-home rule, located in the outer ring of development, and they have experienced the greatest growth between 2000 to 2004. Municipalities with no administrator or manager but with a finance director are large, poor, less residential (industrial), blue collar, home rule, located in the inner ring, and have experienced little growth or population decline in the two time periods. Municipalities with no CAO or finance director are also small, poor, blue collar, and non-home rule. Additionally, these municipalities have experienced high growth in both time periods, and they tend to be residential, non-home rule, and located in both the inner and out rings of development.

Grouping the municipalities according to these features indicates that 59 suburbs can be distinguished from the others based on significant levels of shared features, which greatly increase the likelihood of having good service-level solvency, and their minimal variation in form of government. Specifically, these suburbs are all large, wealthy, white-collar, have significant levels of commercial properties and sales receipts from which they receive high levels of sales tax revenue, and have not greatly increased their populations since the mid-1990's. Furthermore these governments all have a village administrator or manager and a finance director, which precludes being able to examine the effects of form of government on their budgetary and service-level solvency. An additional 24 suburbs in the region are all extremely small, residential, rural, and have no administrator, manager, or finance director. Their similarities also preclude being able to examine the effects of form of government on their budgetary or cash solvency. Finally, five suburbs have insufficient information on short-term solvency, and four municipalities are large, satellite cities rather than true suburbs of Chicago.

The remaining 171 suburban governments, which are categorized into seven groups and 17 subgroups, are relatively varied on the indicators in Table 5, but most are low or moderate wealth on the revenue index. More importantly, form of fiscal government is relatively varied within each group to provide a basis for assessing its impact on the short-term solvency measures. The next section of this study explains these groups in more detail and discusses how financial management practices, fiscal governance, and financial condition was assessed in each group.

Municipal Groups and Their Analysis

Table 6 shows how the municipalities were grouped hierarchically based on their revenue wealth, size, population growth, level of residential or commercial activity, and working class of residents. Some municipalities were placed in two or more groups indicating that the groups are not mutually exclusive. There are seven primary groups, 17 secondary groups, and 21 groups at the lowest level. Analysis of the relationship between form of government and financial condition at the lowest level was determined, first, by rank ordering the municipalities in these groups on the primary financial indicators in rows A of Table 3 and one or more secondary indicators. Second, the rank orderings were examined to determine if there was a pattern in which municipalities with a more corporate form of fiscal government (according to the five-category measure of form of government) had better solvency than those with a more political form.

[Table 6 about here]

Two additional, aggregate indicators of financial condition were developed and assessed in the same manner. One indicator represents the aggregate of all positive primary indicators in row A and secondary indicators (calculated as an average across all years indicated in Table A) except spending effort. In this case, the primary indicators are represented as a percent of the median for all suburbs in the Chicago region (N=264). Additionally, the final aggregate value for each municipality is calculated the difference between the sum of the positive indicators (e.g. budgetary balance) and sum of the negative indicators (e.g. revenue burden). The second indicator is, essentially, the same as the first, except it is calculated using rank orders of municipalities on each primary indicator rather than the percent medians (e.g. high revenue burdens have a low ranking).

The rankings of municipalities' financial condition based on the quantitative measures was then merged with information from the profiles on their fiscal condition, form of government, financial management practices, and type of governance (corporate versus political). A final judgment was then made on whether form of government and fiscal governance appears to affect financial management practices and short-term financial condition in each group, and the extent to which institutional features, such as political conflict, or particular events might contribute to these outcomes. Interviews and news articles in municipalities that were experiencing or wrestling with hiring their first administrator, manager, or finance director provided very useful information on fiscal practices and other aspects of fiscal governance prior to and after a change in form of government. Such information helps establish the link between fiscal governance structure, fiscal practice, and financial outcomes.

One primary confounding factor that must be taken into consideration in assessing the effect of form of government and governance system (e.g. political or corporate), which was revealed by the interviews and news articles, is the time in which a particular form of government was in place prior to 2004. These sources revealed the extent to which municipalities in the region, but especially those that are growing, become more corporate over time. However, for many governments it is not a smooth incremental upward shift, but a cyclical one that vacillates, for instance, between managers or administrators being merit and political appointments, or having a finance director and not having one. Additionally, there were more than several examples of governments with a statutory manager form of government, which functioned as such in one administration, only to change to a more political system under a new government (e.g. a new mayor appointing himself as city manager) during the period of study. Another problem that limits the ability to link fiscal governance and fiscal outcomes is the limited information on many governments regarding the other aspects of governance from Table 1, and that most municipalities have mixed features making it difficult to classify them as either political or corporate.

The next section of the study presents the results from this second stage of the study, and the following section presents the results from stage three.

Qualitative Analysis of Fiscal Governance, Practices, and Condition

Table 6 also indicates how form of government is distributed and the number of interviews in each group, and Table 7 summarizes the findings for each group. The findings from each group are discussed below in more detail.

[Table 7 about here]

Group A: Small, White-Collar and Wealthy

These 26 municipalities are divided into two groups—those with high levels of commercial versus residential land use. Although they are wealthy, they display a wide range of financial conditions according to the short-term fiscal indicators. Among the ten commercial municipalities, which are highly dependent on sales taxes and have high daytime populations, five have an administrator or manager and finance director, three have an administrator only, and one has a mayor only. The municipality with a mayor only is clearly in the worst fiscal position, and the municipalities that are the best off have finance directors. Among the 16 residential municipalities, only two have an administrator or manager and finance director, ten have an administrator or manager only, three have a mayor only, and one has a finance director only. Many of the residential municipalities have few service responsibilities (no water, sewer, and no fire, library, or park services because they are special districts), and are highly dependent upon property taxes.

Three significant patterns emerge from the data, interviews, and news articles concerning the link between fiscal governance, financial practice, and financial outcome in the commercial subgroup. One concerns the tension between political demands and sound fiscal practice, even in more corporate types of government. Election and political issues in at least four of these governments revolved around fiscal practices such as not using debt to finance capital infrastructure, dramatically lowering the fund balance, increasing reliance on sales taxes to maintain low or no property taxes, and maintaining artificially low water rates. In one of the municipalities interviewed, which was one of the four municipalities above, the finance director talked at length about the board micromanaging the financial staff, but having little to say about overall fiscal policy. He also talked about having to work at bringing new boards along to understand the government's fiscal affairs and not "suspend the laws of economics."

The second pattern, which is linked to the first, is that governments that are highly dependent on sales taxes are vulnerable to economic declines which impact their budgetary and service-level solvency, which engenders significant political turmoil, turnover in elected and appointed officials, and a worse fiscal position. This pattern was seen in three of the governments above during the economic downturn post 2001. However, all of these municipalities have the capacity to easily recover from their fiscal problems, especially those that are home rule. The lesson here is that form of government and governance matters to practice and outcome, but it is moderated by pressure from the public and elected officials to alter fiscal practices in particular ways.

In contrast, the residential communities in the second subgroup of Group A display no such clear pattern of effect, although they indicate that fiscal expertise may provide advantages in certain situations. The interviews suggest why this is the case, and relate the difficulties some of these municipalities face in managing their finances. First, many of these municipalities, especially those with low growth and stable fiscal resources, face few fiscal problems that require high levels of fiscal expertise or control. Fiscal practices are often informal and not according to recommendations. Auditors and board members with expertise in particular areas also may provide enough fiscal guidance in some cases, and some are small enough that they require no full-time administrator. However, some face significant fiscal pressures, especially regarding development.

One municipality for instance faced very high fiscal stress due to expensive lawsuits driven by the board regarding a development project, but quickly recovered once a new board settled the lawsuits. Another municipality that was interviewed demonstrated the struggle that growing municipalities are likely to have with managing their finances and economic development, especially as the revenue from building permits declines as growth slows. However, one interesting comparison is between the two municipalities with the lowest income in this group, and which are very similar on other external measures, but have different forms of government. The one with the professional finance director performs much better on all the fiscal indicators than the one with only an administrator. In general, one might conclude that all governments in this subgroup are less vulnerable to economic events, and also have the capacity to easily recover from fiscal stress. Form of government and system of governance have little direct impact on fiscal outcomes in wealthy, small, and residential municipalities, but fiscal expertise provides an advantage in certain situations.

Group B: Small, Blue-Collar and Lower Growth

These 36 municipalities are divided into four groups, one of which is not very homogenous. The first subgroup of 12 municipalities includes some of the poorest suburbs in the region with very high revenue burdens, and two might be classified as, generally, insolvent. Three of the municipalities have an administrator, two have a finance director, seven have a mayor only, and six have had the same mayor for over 10 years. Three of the four interviews indicate the extent to which change to a more corporate form of government has little effect on short-term solvency, and the difficulties of improving short-term solvency under these conditions. Four of the seven mayor-only municipalities in this group experienced corruption, fraud, or stealing by a government official during the period of study, which corresponded to news reports of problems of transparency and lack of internal controls in these governments. News reports also indicate that these governments have other characteristics that make them political rather than corporate. However, two of these four have relatively good short-term solvency by comparison to others.

The two governments in this subgroup that are in the best fiscal position both have finance directors only, but one is more political and the other more corporate. An interview in the latter government indicates many recommended fiscal practices. The other two more corporate governments, which have an administrator but no finance director, do not have good fiscal position. However, interviews with these governments indicate that fiscal control was in the process of being transferred to the administrators due to poor performance by the treasurer in one case and the board relying on bad fiscal advice from the auditors in the other. In both cases, the administrators are attempting to move the governments towards better fiscal practices. The conclusion here is that corruption and political governance features do not always lead to a poor financial condition, and governments with administrators and more corporate features do not always have good financial condition. However, fiscal expertise and control appear to be an important factor in improving fiscal practices in governments in all governments and maintaining financial condition in governments that are not insolvent.

Four of the eight governments in the second sub-group overlap with the first sub-group, but governments in the second sub-group are all home rule, and they have a wide variety of forms. Governments with finance directors have better governmental budgetary balance, but those with mayors only clearly have better enterprise budgetary balance. Municipalities with a mayor only have lower debt and lower revenue burden, but also less capital investment. The government that is clearly the worst off financially has a finance director only, and there are reports of misused and inappropriate use of funds (there is no website), but there is little indication of how long this the finance director position has existed. The two other governments with evidence of corruption do not have poor financial condition relative to the others, and the three governments with many corporate features are not necessarily better off. Two of these corporate governments (both with an administrator or manager and finance director) have significant economic development programs relative to the others, higher debt and capital investment, but higher revenue burden.

In conclusion, it seems that corporate governments in this subgroup with a more professional form encourage economic development, higher capital investment, which is funded through debt and higher revenue burden. They also have higher government budgetary balance, but they may rely on their enterprise funds to subsidize these financial demands. This mixed picture of financial condition may demonstrate the tradeoffs that such governments are forced to make to maintain capital investment and long-term fiscal position.

The third sub-group in Group B contains municipalities that are more commercial, have higher revenue wealth, and some growth. Unfortunately, none of these municipalities were interviewed, and they are not very homogenous. Three have administrators only and three have mayors only. The municipality that is the worst off has had an administrator for some time, but they have many political features. They are also facing lawsuits relating to fraud and ghost payrolling by an employee. Governance seems to be a family affair (mayor, council members, clerk, admin, secretaries related) in 4 of the 6 towns. Growth is a significant source of political conflict in the two governments that have growth, which led to high staff turnover in one (administrator only), and a mayor resigning in another (mayor only) because of the "fiscal mess" and pressures the growth has created, including lawsuits. Similar to the prior sub-group form of government appears to have little effect on finances or handling of growth, but municipalities with high political conflict as reported in the news are worse off financially. The strong political features of these governments may counteract the effects of form of government, and make it difficult to assess the broader features of governance structure on financial condition.

The last subgroup in Group B with 10 municipalities has equal numbers of administrative only and mayor only governments (five each), but they demonstrate the difficulty in determining the impact of form of government on financial condition when there is little consistency in the administrative position. In this case, municipalities may not replace their administrators when they leave or when they are fired after a change in mayor. Instead, the duties may be assumed by police chief, fire chief, or finance director for an extended period of time. In one case, the mayor became full time when he retired from his "real" job to avoid hiring an administrator. The municipal attorney also shares significant administrative responsibilities with the administrator in one municipality, and with the mayor in another. This practice of sharing executive and administrative duties with other departmental heads and inconsistency in form seems to be driven both by the need for trust in chief administrators and fiscal expediency.

Two of the municipalities that were interviewed here have mayors only and demonstrate the poor fiscal practices that lead to audit qualifications regarding lack of internal controls and appropriate accounting in enterprise funds. Neither town has an operating or capital budget, nor do they maintain a consistent fund balance. Both routinely borrow from their water funds or use other short-term borrowing, and they were dependent upon the one-shot revenues from the state in the late 1990's. However, one is in relatively good financial position. The municipalities that appear to be the most corporate from news articles are in relatively good financial position compared to the others. It is also clear that municipalities with high debt have high capital investment, and those with low debt and low capital investment have low revenue burden.

In general, the evidence from Subgroup 5 suggests that corporate governance with administrators help to improve fiscal position across the indicators, but it is neither a necessary nor sufficient condition. Additionally, the lack of consistency in form of government makes it difficult to assess its impact.

Group C: Moderate Size and Wealth, Blue-White Collar Mix, Low Growth

This group of 19 municipalities contains two sub-groups: one is residential with 8 municipalities that are all non-home rule, and the other is commercial. Unfortunately, the residential sub-group has relatively little variation in form of government with only two governments having an administrator only and the others having an administrator or manager and a finance director. Thus, the only distinction to be made here is between municipalities with and without a finance director. However, the interviews and news reports in this subgroup both demonstrate the extent to which political governance and politics can affect fiscal practices and outcomes.

The two governments with administrators only are ranked at the bottom of the others on fiscal position, but the worst municipality has both an administrator and finance director. However, an interview with municipality showed that the administrator is also the police chief who spends more time on the latter tasks, and the finance director is primarily an accountant focusing on cash management and accounts. They have implemented a budget process and document only recently, and they do not appear to have good spending controls.

In contrast, another municipality in this sub-group with a poor fiscal position has an administrator with a qualified, part-time finance director, both of which were interviewed. The interview revealed that recent turnover in the board and a new mayor precipitated the town hiring their administrator, who then hired the finance director. The interview was very useful in revealing the fiscal practices of a mayor only form of government with many political governance features (city with wards, no administrator), and the attempts of a new administrator to institute a more corporate fiscal approach and recommended fiscal practices. In this case, some of the fiscal practices in the old government include the following: interfund transfers, no debt, follow the money, cash is king, avoid the constraints of fiscal policies, and pursue risky proposals to obtain revenue. This administrator was almost fired twice for disagreements with the council, and both he and finance director were gone to new towns within six months of the interview. The city hired another administrator afterwards, but that person left and then the position was not refilled.

High professional staff turnover is seen in two other towns, but it does not appear to guarantee a poor fiscal position since one is relatively well off. Of the two politically and professionally stable municipalities, which are both more corporate than the others here, one is experiencing fiscal stress due to economic downturn. The other municipality has the best fiscal position of the subgroup. News reports indicate that this municipality has a reputation for political stability, which facilitates planning, completing projects, and working with businesses. This municipality indicated that their good reputation would help insure finding a good village manager. Another municipality has experienced recent political and staff turnover, but has had the same finance director for many years. It too is in good financial position, but implements many traditional fiscal practices that are tied to the town's conservative philosophy (low service, low spend, no debt) that seem to limit its capital investment and economic development choices.

One can conclude from the evidence on municipalities in Subgroup 6 that fiscal direction and control is important to these governments' fiscal position, but turnover in professional staff, political conflict, and a political perspective on fiscal governance makes it more difficult to maintain a good fiscal position or to encourage broad-based, proactive, and investment-oriented financial choices at a policy level.

The second sub-group in Group C with 11 municipalities contains many different forms of government, and all have many political governance features. These suburbs are older, inner ring, commercial/industrial with very active politics. One is a commission form, three are cities, and five more have had the same mayor for 20 or more years. Additionally, many of the administrators or managers are political appointments rather than professional. However, the worst government has a mayor only and, as related in the press, numerous deficiencies in their fiscal practices, including relying on long-term auditors for fiscal advice (and to determine their fiscal position) and misappropriations of pension funds. One of the other governments in poor fiscal position also has only a mayor, but another mayor only government is relatively well off.

Of the two municipalities interviewed in this subgroup, both had professional administrators and finance directors, some corporate features, but not very good financial condition. Both discussed the difficulties of promoting recommended fiscal practices in their government, including strategic and capital planning, raising fees and charges to cover costs, outsourcing, and reducing dependence on sales (which keeps property taxes low). The practice of high reliance on sales taxes has contributed to this government's precarious fiscal position during the economic decline.

The municipality with the best fiscal position is a true council/manager form of government, but political controversy between the mayor and council over firing and hiring of the village manager and finance director is apparent. The other municipalities that are well off have no finance director, but have significant fiscal guidance from knowledgeable elected officials. Based on all evidence, there seems to be very little relationship between form of government and fiscal position in governments in Subgroup 7. However, all have many strong political governance features that appear to limit their ability to implement recommended fiscal practices over a sustained period of time.

Group D: Small, High Growth

This primary group contains two sub-groups, each of which has been subdivided further to reflect the high diversity of features. The first subgroup (8a) contains nine municipalities that are blue collar, residential, rural, and have low wealth. The second subgroup (8b) of five municipalities has similar features as the first, but its municipalities are commercial and wealthier. Although the impact of form of government in the first subgroup is not clear, when these subgroups are combined it is apparent that governments with finance directors, either by themselves (n=2) or with an administrator or manager (n=4), are better off than those with administrators only (n=4), and those with administrators only are better off than those with mayors only (n=4).

Two of the municipalities interviewed in Subgroup 8a had finance directors (the first employed by these towns) and administrators or managers, and demonstrate the effects that a finance director can have under these circumstances. Both interviews indicated that the municipalities followed many recommended fiscal practices (e.g. budget, CIP, cost analyses) and related the fiscal practices that existed prior to the finance director being employed, including informal accounting, manual ledgers, audit problems related to internal controls, many checking accounts, and problems paying bills. One finance director talked about trying to influence the board to increase capital spending to maintain health of water system and accommodate growth and to think more long-term. He also talked about the growing pains associated with the board relinquishing control of administration and fiscal operations, and having to educate new board members on recommended fiscal practices.

With respect to the mayor-only governments in this Subgroup 8a, one has had recent problems with fiscal corruption, and has not turned in several audits to the state. Another is reported to be experiencing financial chaos due to resignation of long-time treasurer and the staff's inability to perform these duties correctly. A third mayor-only government debated whether to hire an administrator to deal with the growth pressures, including developers, but decided it could not afford one. One of the municipalities with a finance director only, which also experienced problems with missing funds, recently hired an administrator, but this person was a prior mayor in that town.

News reports from this municipality and several others without an administrator indicate all are concerned about hiring outsiders who "may not care about the village," and they prefer to "operate as a family business" using their "good ole boy" networks. One of the governments with an administrator only recently hired a finance director to "improve their fiscal situation" and news reports relate the recommended fiscal practices this person has implemented. However, the solvency of other town with a finance director only (part-time), which was interviewed, is severely threatened due to lawsuits regarding flooding and infrastructure deficiencies. The interview also indicated that the municipality does no financial or operational planning.

In total, these municipalities demonstrate that fiscal expertise, administrative guidance in the area of planning and managing growth, and corporate governance can be very effective in helping governments that are experiencing high growth to improve their financial condition, but it may not be necessary in the early stages of growth. It is also apparent that negotiating the fiscal and service-demands of growth and planning for a sound fiscal position in the future are the primary challenges facing these governments, and that the switch to more corporate governance can be difficult for the current political system.

In contrast to Subgroup 8, the municipalities in Subgroup 9 (three sub-subgroups) are more white-collar, and two have higher revenue wealth. Additionally, there is no clear indication that form of government has an effect on short-term fiscal condition. However, similar to Subgroup 8, interviews and news reports of the governments in Subgroup 9 demonstrate the strain that growth places on these municipalities and the extent to which they struggle to become more corporate.

The interview in Subgroup 9a with an administrator only indicated the difficulties of managing growth and its fiscal demands (e.g. not enough resources to meet growth needs, especially water and sewer) while trying to attract commercial enterprises. He is very concerned that the municipality will end up as a “doughnut hole” with a ring of retail around community and highly reliant on growth funds for operations. This municipality relied on auditors for fiscal advice until they hired a finance director more recently, and has only recently moved to a formal budget process. However, there seems to be little fiscal planning beyond basic capital needs. News reports from many other municipalities in these subgroups report difficulty in determining the costs of growth and making sure the growth is “paying for itself.”

Another theme than emerges from municipalities in Subgroup 9 is the time demands that growth places on elected and appointed officials. Mayors in several municipalities did not choose to run for re-election due to the time demands, and several other municipalities decided not to hire an administrator because the mayors were retiring from their full-time jobs and claimed they could devote more time to their mayoral duties. News reports from another municipality indicated their difficulties with growth and the time that must be devoted to dealing with these issues and developers, which led to lawsuits and the town eventually hiring an administrator. News reports on another municipality demonstrate how the administrator was able to manage development to the benefit of the municipality.

Similar to some municipalities in the prior subgroups, elected officials in several municipalities in Subgroup 9 expressed suspicion of hiring outside professional administrators and a lack of trust and confidence in these individuals. Political conflict between the board and mayor in one municipality resulted in the elimination of the administrator by the board to reduce costs and “improve” commercial development. The mayor indicated this sentiment was backward because not having the administrator would cost more in billable hours to their engineering and legal firms to handle development than the administrator’s yearly salary. Additionally, he noted the lag-time costs of not having a knowledgeable, full time staff member to deal with contractors and builders. Similar sentiments were reported in another town that debated and eventually decided to hire an administrator.

Another theme that emerges from Subgroup 9 is the extent to which political conflict leads to high turnover in professional staff. One municipality replaced some of their top staff (development director and administrator) and contracting firms (legal and engineering) twice in five years. News reports from another municipality detail the debate for hiring a finance director to establish checks and balances, update accounting, and keep better track of resources (1.4 million in missing funds). One was hired, but left shortly afterwards with the election of a new mayor who fired the professional administrator and replaced him with a former mayor. The new mayor cited the need for trust and confidence in the administrator (not professionalism). Conflict over how to manage growth can also lead to dramatic changes in the boards.

As with Subgroup 8, growth is the primary factor affecting financial condition in these municipalities, however, political conflict, turnover among professional staff, and the circuitous route these municipalities take in becoming more corporate may obscure the effects of form of government and corporate governance on financial condition. High growth often forces municipalities to make unpleasant political tradeoffs between improving or maintaining fiscal solvency (attracting commerce and raising taxes and fees to support growth) and the demands of residents (less commerce, traffic, and lower taxes and fees), which leads to political conflict that makes it difficult to work with developers efficiently and pursue consistent goals, which, in turn, leads to lawsuits. Growth increases water, sewer, and drainage demands exponentially, which, if poorly funded, can lead to significant water, sewer, drainage problems and more lawsuits.

Another factor that may affect conclusions regarding the financial condition of these municipalities is that the indicators examined here may not be as valid for municipalities with low growth. High growth requires more debt and greater reliance on non-tax revenues. Furthermore, developers may be constructing much of the infrastructure needed for growth, and such capital spending is not represented in the data. This situation suggests that the criterion for good financial condition in high growth governments is very different and somewhat contrary from low growth governments, and such differences must be accounted recognized in assessing financial condition and the impact of form of government.

Group E: Moderate-Large, Blue-White Collar Mix, Moderate Income, High Growth

This group has 20 municipalities divided into two sub-groups. One is residential with low revenue wealth, and the other is commercial or industrial with higher revenue wealth. Almost all have aggregate fiscal indicators that are above the median for the region. Municipalities in both subgroups have been experiencing high growth, but they are close to being built-out and nearing the end of their growth period. Thus, these municipalities represent the future state for municipalities in Group D, and demonstrate the trend towards growing municipalities eventually hiring an administrator or manager and finance director. The majority of municipalities in this group (15 total) have persons in both positions, one government has a mayor only, and the other four have an administrator only. Thus, there is little basis for determining the effects of different forms of government on financial condition in this group.

However, the mayor only municipality, which was interviewed and is in the worst fiscal shape among the residential subgroup (#10), does provide an interesting contrast to the others in Group E. It is the only municipality with no significant economic development program. In fact, it has no website. The mayor of this town had been in office 30 years until he lost recently to a candidate that was promoting the need for economic development. The interview indicated that the mayor relied on auditors and the police chief for fiscal advice (the police chief answered many of the interview questions), and the town instituted few recommended fiscal practices. News reports on the new mayor indicated he was having difficulty getting an accurate picture of the municipality's financial position.

Group E also provides an opportunity to examine the effects of governance and political factors on fiscal practices and financial condition other than form of government, which is strengthened by the large number of governments with an administrator or manager and finance director, four interviews, and extensive news reports on three other municipalities. For instance, events in one municipality, whose finances are reported to be "in disarray" with no clean audit in several years, are particularly enlightening. Significant political conflict has led to 7 different finance directors and 10 village managers since 1999. News reports also indicate that political factors are driving fiscal practices regarding their fund balance, interfund transfers, water rates, capital maintenance, internal controls, and insurance costs. A strategic planning activity by the most recent administration indicated that staff turnover has prevented meaningful planning, especially regarding economic development, and has made interacting with town more difficult for such purposes.

In contrast, another municipality, which was interviewed and demonstrated many recommended fiscal practices, had a similar reputation for handling planning and development that improved greatly with a new mayor and a dramatic change in the board. An editorial by news staff emphasized the increase in professionalism in the government brought about by political changes. According to the data on financial condition, the former municipality has a worse fiscal position than the latter, but none of these municipalities are in poor fiscal condition due to their growth and moderate to high wealth.

News reports from a third municipality with mixed financial condition measures show significant internal control issues regarding improper charges (personal entertaining) to the town credit card over many years by the mayor that was uncovered by a board member (not the finance director). The news reports indicated other deficiencies in fiscal checks and balances. The mayor of this municipality wants the position to be full time to manage growth. Another mayor in municipality with a mixed fiscal position, which was interviewed, also wants to be full time due to the need to manage growth. Conflicting politics in this second municipality also appears to limit fiscal/growth planning and coordination, and creates a reputation for being uncooperative among other governments and development stakeholder. Similar problems exist in two other towns, but their fiscal position is relatively good.

Of the municipalities that are best off in Group E, one recently hired a finance director who solicited a bond rating and GFOA awards, instituted fiscal and capital planning, and placed many fiscal items one their website shortly after arriving. News reports indicated that another municipality fought to retain their long-time administrator with salary increases, and that the board recognized a good manager “will save them $100,000” a year. Another municipality, which was interviewed, also demonstrated many corporate features. A fourth well-off municipality changed to a village manager form with a new mayor some years ago, rather than changing the mayor’s position to full time as the existing mayor wanted (to handle the problems of development).

The fiscal indicators of one of the municipalities with an administrator only, which was interviewed, show it is in relatively good fiscal position and has many recommended practices. The interview also indicated that the government is very stable and fiscally conservative (low debt, low capital, low revenue burden), and that the part-time treasurer of 40 years is a banker and provides the “financial brain,” for the government. This interviewee also reported that a prior mayor ran the town like a business, which helped to improve their fiscal situation (e.g. services and capital are adequately supported by revenues). The other municipality interviewed here has a finance director and administrator, and its fiscal position is relatively good, but both officials are political appointees. The finance director was recently from the private sector and indicated he was on a steep learning curve regarding financial management in government. News reports from all other municipalities in Group E indicated major growth issues, e.g. mayor resigns due to pressures, problems of accurately assessing financial position, and poor fiscal planning for growth.

Based on the evidence here, this group demonstrates how bad fiscal practices, turnover in staff, political conflict, political governance, and lack of fiscal planning for growth may worsen a government’s financial condition. However, the increasing revenues from growth allows some municipalities with these conditions to remain relatively well off by comparison to others, at least in the short run. The primary challenges governments face here are making growth pay for itself, establishing the correct fiscal structure to do this, accommodating the end of growth, and diversifying revenue structure to reduce pressure on property taxes. With the exception of one municipality, all those in the highest half of the fiscal position indicators have very active economic development programs and units according to websites and news reports. The three municipalities with the lowest financial condition are less active in economic development.

The fiscal data also shows that finance directors are associated with more debt, higher capital spending, and better enterprise funds, which probably leads to these governments having higher revenue burdens. Interviews and news reports demonstrate that administrators, and especially finance directors, encourage revenue increases to accommodate growth and prepare for fiscal future. In contrast, mayoral and less corporate forms of governance are more wedded to no debt policies and limiting capital spending. Mayoral governments also appear to borrow more from enterprises to run governmental operations.

Group F: Moderate-Large, Industrial, Blue-Collar, No Growth

This group of 30 municipalities has three subgroups, which overlap and vary only by size and wealth. In total, nine governments have managers or administrators and finance directors, two governments have administrators only, nine governments have finance directors only, and nine governments have a mayor only.   Most have aggregate fiscal indicators that are worse than the median for the region. The smaller governments tend to have mayors only and the larger governments have administrators or managers and finance directors.   Many of the governments demonstrate how political governance features counteract corporate forms of government and attempts to implement recommended fiscal practices. These municipalities also demonstrate the struggle between corporate and political governance that can exist in many circumstances.

For instance, the village manager form in one municipality in Subgroup 12 that was interviewed was established by voters due to past corruption by elected officials. The town also has a finance director, but the mayor and board try to function as a mayor-council form with respect to the staff.   These officials even attempted a ballot measure to return to a mayoral form, which was defeated. Turnover of administrative staff is high; both the manager and finance director changed jobs shortly after the interview. The interview with the finance director, which was a relatively new position, indicated the wide range of financial management practices she was trying to change and the fiscal problems that resulted from past practices.

Another municipality in Subgroup 13 had similar experiences, and is in relatively poor financial condition compared to all municipalities in Group F.   As with the prior example, the town has a managerial form via referendum, but the elected officials are reported to try to function as a mayor-council form. This municipality also has cycled through numerous managers and finance directors.

One set of news articles on this town provide significant details of its poor fiscal practices by a finance director who had resigned. She also reports that elected officials would intervene in her activities to implement unsound fiscal practices (e.g. allowing departments to deficit spend), prevent reforms, and appoint unqualified people into her unit. The town issued bonds to fund capital emergencies and operating expenses, which required bond insurance and a bond covenant requiring quarterly review of its finances and fiscal practices by an auditing and consulting firm. Three of these reports were obtained and indicate the extent to which the firm was acting as its finance department and guiding the finance department in improving their financial practices. Once the town was removed from the bond covenant due to improved fiscal position, subsequent fiscal mismanagement placed the municipality in a worse fiscal position.

Another government with a poor fiscal position within Subgroup13, which has a mayor only, had similar experiences with their finances and fiscal practices according to discussions with a prior finance director who resigned for reasons similar to the finance director in the prior example. A class report on this municipality indicates it has no budget, and relies on its audit for knowledge of financial position after it has passed an appropriations ordinance that is based on highly padded estimates of expenditures.

Two other municipalities in Subgroup 12 demonstrate the link between type of governance, financial practices, and fiscal condition based on interviews that document the experiences of new finance directors in governments that were mayor-only several years prior to the interview. Although these municipalities have very low revenue wealth, improvements can be seen in the short-term fiscal indicators over time in both cases. The finance directors in these towns have four features in common: 1) they were hired by new mayors to clean up a fiscal mess, 2) they negotiated contracts with the board and mayor that gave them significant authority over financial management and other administrative areas, 3) they have very strong personalities, and 4) they engage in many duties that are more common to administrators or managers in other municipalities. Both interviews documented the fiscal practices that existed prior to and after the finance director was hired, however, most changes focused on improving internal and fiscal controls.

Another municipality that was interviewed in Subgroup 12, which has an administrator only, also demonstrated the struggle to become more corporate and institute more sound fiscal practices, but from a slightly different perspective. Although this municipality had two prior professional administrators, one resigned and the other was fired not long after taking the position. The administrator was also a political appointee (past board member) and discussed the need for the board to have a trusted person as an administrator to successfully move the town towards more corporate features, including greater focus on policy and less on administration. Having had prior experience with financial management in local government, he was very knowledgeable about recommended fiscal practices, and knew which of his municipality's practices were not recommended. He claims that the municipality's poor long-term solvency and the actions of prior boards prevent him from instituting some of these practices (e.g. fund balance policy and adequately maintaining infrastructure.), but the government's fiscal position is quite good compared to the larger group even though it is one of the poorest in terms of revenue wealth. Although he is administrator, the interview indicates he spends a great deal of time managing the municipality's finances.

The other municipalities in Subgroups 12 and 13 demonstrate a mixture of corporate and political features, fiscal practices, and levels of financial condition that are hard to tie together. One municipality with a manager and finance director that was interviewed shows many political features and informal fiscal practices regarding the CIP, internal controls, fiscal planning. Another municipality with a finance director only is a city with wards and a strong mayor, but had a managerial form in the past. Current and prior elected officials successfully fought several referenda to re-establishing a manager form. The interview with the mayor indicates he establishes numerous fiscal practices, including a policy of low fund balance and short-term borrowing for cash flow (line of credit), and expects the finance director to work within his fiscal policies. Another government that was interviewed, which has a managerial form and a finance director, shows few of the political features of the other governments in this group, and they have many recommended practices and high fiscal expertise (the mayor is also a CPA). However, the fiscal indicators show that this municipality is not in very good condition. Three other governments with poor fiscal performers and many political features had officials that were caught stealing government funds and involved in other illegal activities. In contrast, news reports from most of the top fiscal performers in the large, low wealth group relate fewer political issues and cooperation between the board and mayor.

Among the ten governments in Subgroup 14, only one has a mayor only, but it is in the worst fiscal position. Another municipality that is in poor shape has significant recent and past problems with corruption, does not have a reputation for "good governance," and has not performed an external audit in three years. However, the other municipalities in this group have a mixture of levels of financial condition, corporate and political features, cooperative and conflicting politics, and electoral stability and change.

In conclusion, governments in Group F that have mayors or finance directors only and significant political features are the worst off, and those with administrators, finance directors, and more corporate features have better fiscal practices and better financial condition. However, the strong political features of the latter governments muddle the connection between form of government and fiscal outcome. The interviews clearly indicate how fiscal practices can change in governments that have adopted strong fiscal direction and are trying to become more corporate, but their political features often prevent full implementation or reverse the implementation of recommended fiscal practices. Municipalities with political governance features seem to value responsiveness to constituents over efficiency, and define accountability in terms of political control. As indicated by the interviews and news reports, the relatively good financial position of some of these municipalities may be due to very conservative fiscal policies (low debt, capital spending from reserves only, and low tax/low revenue burden), a stable government, and cooperation among elected officials.

Group G: Moderate-Very Large, Low Wealth, Blue Collar, No Growth

As with the prior group of municipalities, many of the 18 in Group G have significant political features that conflict with the corporate tendencies of the managers, administrators, or finance directors. Although many of the stories and experiences of these municipalities, as related by the interviews and news reports, are also the same as Group F, there is less evidence that municipalities with fewer political features or more corporate forms are better off financially. For instance, the interview with a finance director in a municipality in which the manager was a political appointee related similar experiences to several municipalities in the Group F that led to poor financial condition. However, the municipality's fiscal position is moderate within the entire group. This finance director, which was a new position, was trying to change many fiscal practices in his government, including budgeting, internal controls, and fiscal controls, and he was performing many managerial duties. He changed jobs shortly after the interview.

The municipality that is consistently in the worst position also has a manager and finance director, but the mayor (who has been in office for many years) is attempting to change his position to full time. The manager is hired from within the town, and the finance director appears to have little input on fiscal policy. In contrast, three of the mayor only governments, one of which was interviewed, have relatively good fiscal standing. They are very stable governments, relatively good cooperation exists between the mayor and board or elected treasurer, and the have conservative fiscal practices (as opposed to recommended)

Comparing the only two corporate municipalities in Group F, one of which was interviewed, financial condition in one is very good and very poor in the other. The interview in the municipality that was in poor condition revealed many recommended fiscal practices, and the town is well known in the region and within professional associations its for its activities and "strong professionals in key positions that run day-to-day activities." They are also known not to have the "election rebound" seen in many governments with political features.

In contrast, two other municipalities with a manager or administrator and finance director are in relatively good shape although they have significant political features. One presents another example of a mayor and board trying to manipulate the managerial form to increase political control, in this case, by making the manager position part time and appointing the police chief, a political supporter, to both positions. Similar to municipalities in this group and others, there seems to be a lack of trust in hiring outside professionals, and wanting to share operational decisions with existing top staff, which leads to high turnover in these positions. The administrator in the other municipality in this comparison is a political appointee and is known for "Chicago-style politics." The interview with the finance director (the first one) revealed that she uncovered long-term corruption by the public works director. Although she has been in the position for ten years, she stated that maintaining internal and fiscal controls were her biggest battles. Here too, there is election rebound in the top staff when a new mayor is elected.

Among the governments Subgroup 17, all have very political governance systems, although none have mayors only, and they represent a mixture of fiscal conditions that do not seem tied to specific features. Three have corruption problems relating to fiscal controls (e.g. abuse of open purchase orders, illegal spending, stealing funds, ghost payrolling). The board in one other town, which has a manager and finance director, fired the entire economic development department contrary to the wishes of the mayor who noted that the town had the best economic development year ever. Another town, which also has a managerial form and a finance director, displays a similar pattern of the mayor and board trying to circumvent the managerial form to have more control over government activities, which creates high turnover the staff. In this case, the mayor wanted to appoint himself as village manager. In another case, as the interview revealed, the elected treasurer in a strong mayoral government, who was a financial professional, had little influence over fiscal practices in many areas such as budgeting and capital improvements because of the governance structure. As demonstrated by these examples, form of government seems to have little direct effect on financial condition, possibly due to instability in these governments, and the strong influence of political governance features.

As indicated in Table 7, the major findings for this stage of the research are that form of government is not a necessary or sufficient condition for good short-term financial condition in all instances, but administrators, managers, and finance directors influence practices in specific ways that increase the likelihood of improving and maintaining financial condition. Additionally, it is apparent that finance directors provide a level of fiscal expertise and control that is helpful in many situations, and administrators and managers are critical in managing the pressures of growth. The value of having both an administrator or manager and finance director is also apparent in growing or moderate to large governments.

The financial condition measures are not as useful in assessing short-term fiscal health in very poor or small governments, because of the tradeoffs that are made between under investment in capital and low revenue burden. The measures also are not as useful in municipalities that are experiencing high growth due to their high capital demands and irregular fiscal structure. This analysis also demonstrates the extent to which political governance features, political preferences, political conflict, and instability in government officials (elected or appointed) confounds the effects of form of government on fiscal practices and financial condition. However, as with form of government, political factors also are not necessary or sufficient for producing a poor fiscal position.

In conjunction with the results from stage one, the other important finding from stage two is the different sub-populations of suburban governments (Group A to Group F) that exist in this region with respect to internal and external institutions and structural features (including long-term solvency) that will affect fiscal practices and short-term solvency. Of the 93 governments that were eliminated from the analysis in stage two, two additional sub-populations of suburban governments can be identified. Fifty-nine government all have finance directors and managers or administrators, and are all wealthy, white-collar, large, and established with little growth. Another 25 of these governments, which are all mayor-only, primarily residential, and have populations less than 2,000, can be divided into two subgroups. One subgroup is blue collar, the other is white-collar.

Stage two of the analysis also revealed that two larger sub-populations of governments could be constructed from five of the seven groups examined here. One supra group consists of 53 municipalities that are small or medium sized, experiencing high growth (Groups D and E), and 59 municipalities with little or no growth that are less wealthy, blue-collar, and medium to large (Groups C, F, and G). Stage three of the analysis, which is presented in the next section, examines how the financial condition indicators vary across these two supra groups and correlations of these indicators with key measures of external and internal features to assess whether these groups react differently to their environment.

Quantitative Analysis of Form of Government and Financial Condition

The last stage of this study determines the impact of form of government on fiscal condition in two larger groups of municipalities that are constructed from the seven primary groups examined in stage two. This impact is determined by examining two sets of statistics: 1) the means and medians of the short-term fiscal condition variables for each category of form of government, and 2) correlations among contextual variables (institutional and structural) and fiscal outcome variables within these two group of municipalities. The second set helps to establish the extent to which these factors were more or less important than form of government to fiscal outcomes, and the differences in their impacts within the groups. For comparison, the large group of wealthy, large, and professionally run municipalities that were eliminated in stage two is added to the correlation analysis. Thus, three groups of municipalities are compared in the correlation analysis.

Table 8 presents the means and medians by form of government for all the fiscal indicators of cash, budgetary, and service-level solvency that were used in stage two of the analysis for the two supra groups. These indicators also include the aggregate indicators that combined the ranks and percent medians of the individual fiscal indicators. One more fiscal indicator was added to this analysis that combines percent medians of governmental budgetary balance and enterprise budgetary balance to create a measure of general short-term balance.

[Table 8 about here]

Among the high growth municipalities (Groups D and E), municipalities with administrators or managers and finance directors have a higher aggregate ranking on fiscal condition than municipalities with administrators only, administrators only have a higher ranking than those with finance directors only, and mayor only governments have the lowest aggregate ranking. Significant differences across form of government are also seen for debt, revenue burden, capital spending, and dependence on intergovernmental revenue. In this case, municipalities with more corporate forms have higher debt and capital spending than those with political forms, but less revenue burden and dependence on intergovernmental revenue. Although not statistically significant, the means and medians for enterprise budgetary balance also show that more corporate governments have healthier enterprises than more political governments. In total, this suggests that growing municipalities with more corporate forms are more willing to issue debt and rely less on current spending to fund their capital needs, and they tend fund their capital and enterprise needs at a higher level. They are also less willing to rely on grants to fund the growth.

Among the low-growth municipalities (Groups C, F and G), the aggregate indicators of rank, all medians, and short-term balance show that more corporate forms of government are better off than more political forms. Although there are significant differences among the forms of government for capital spending and governmental balance that mirror the pattern in the first supra-group, the trend is less clear here. It is apparent, however, that mayor only governments have lower capital spending and governmental budgetary balance. Another pattern that is obvious from the medians in this supra-group, but not the means, is that more corporate forms of government have higher revenue burden.

Table 9 presents the results of the correlation analysis with these two supra-groups plus the group of wealthy, low growth, and large municipalities that were excluded from stage one. With respect to the revenue wealth variable, this variable drives more of the short-term solvency indicators in the low growth municipalities than the other two groups. In addition, wealthy municipalities in the low growth group have lower debt and dependence on non-tax revenues, but this relationship is reversed in the other two groups.

With respect to the two population change periods, population change in the current period (2000-2004) has little effect on the low growth municipalities and very different effects in the high growth and wealthy governments respectively. In the former group, recent population changes increase debt and reduce dependence on intergovernmental revenue, but have no effect on debt and increase dependence on intergovernmental revenue in wealthy governments. The wealthy governments have a similar reaction to change in population in the prior period (1990-2000). Commercial activities in all groups reduce revenue burden and dependence on intergovernmental and non-tax revenue sources. They also improve governmental and enterprise budgetary balance, but especially for the low growth municipalities. The opposite pattern is seen in municipalities with high levels of residential properties.

With respect to correlations among the short-term fiscal condition variables, higher debt is associated with higher capital spending in low growth governments only. Higher governmental balance is also associated with higher enterprise balance, lower revenue burden, lower dependence on non-tax revenues, higher dependence on sales tax, and lower dependence on intergovernmental revenues in low growth municipalities. The remaining correlations demonstrate the associations between capital spending, governmental balance, revenue burden and other short-term indicators in the low growth municipalities that is probably driven by their low wealth.

The varied pattern of correlations among the three groups of municipalities indicates the extent to which they, indeed, represent different populations. Revenue wealth is more of a factor in the financial condition of the low growth municipalities than the growing ones, and its relationship to the short-term fiscal indicators is more what one would expect in the former than the latter. The pattern of means and medians also show the extent to which fiscal policies regarding debt, capital spending, and dependence on intergovernmental revenues (fiscal structures) vary by corporate form of government in high growth municipalities by comparison to more short-term governmental and enterprise budgetary balance.   In contrast, more corporate forms of government in low growth municipalities tend to have better overall fiscal condition and short-term fiscal health, and no difference in policies regarding debt, capital spending, and fiscal structure.

Conclusion

This paper, which represents a draft of several chapters to be included in a book-length manuscript on how Chicago municipalities manage their finances in the metropolitan and Illinois environment, has presented an in-depth assessment of the relationships between form of government, other features of a municipal governance system, fiscal practices, and financial condition. The research has shown the tremendous variation in these features among the municipalities, and the extent to which this creates complex, non-linear relationships. This study has provided a framework for dividing these municipalities into groups in a manner that accounts for the primary conditional factors in these relationships. This study has also demonstrated the extent to which many of these features fluctuate over time, which suggests that future research on this could benefit from in-depth case studies of municipalities as they transform from rural to high growth to established communities, or from political to corporate governance systems. However, the grouping framework indicates there are few “typical” municipalities on which to bases such studies.

To summarize the primary findings of this research, form of government is not a necessary or sufficient condition for good short-term financial condition in all instances, but administrators, managers, and finance directors influence practices in specific ways that seem to increase the likelihood of improving and maintaining financial condition. Specifically, municipalities with high growth have higher debt, but higher capital spending, lower revenue burden, and less dependence on intergovernmental revenue. They also seem better able to handle the demands of growth (developers, lawsuits, annexation), and they implement more recommended fiscal practices. By comparison, more corporate forms of government in low growth municipalities have better overall financial condition, higher capital spending is higher, and lower debt. They also have more recommended fiscal practices.

This research also shows that governments' other political features and its political preferences regarding fiscal practices (policies and management) modify these relationships. It is apparent that municipalities with more political governance features, especially political appointments of top staff, have poor or informal internal and fiscal controls, and tend to distribute benefits based on expediency, favoritism, and clientelism. These circumstances probably led to corruption, missing funds, and finances in being in disarray in at least 12 governments. Such governments tend to have a culture of responsiveness and attention to particularistic interests, which discourages planning and forward thinking and makes development and handling growth more difficult. Another finding is the extent to which elected officials sometimes have specific preferences regarding no debt, low fund balance, relying on grants or one-shot revenues, and keeping water and sewer charges artificially low. Elected officials are also very sensitive to political pressure to reduce property taxes, which encourages higher dependence on sales taxes and intergovernmental revenue.

Another important finding concerns the relationship between growth, politics, and form of government. Growth creates a great deal of political conflict over the need to generate revenue and the desire to remain residential. Conflict is also created by growth pressures from new residents, developers, and businesses, and very apparent in the struggle to become more corporate to deal with these pressures. This conflict often leads to high turnover of professional staff and elected officials, and fluctuations in form of government and governance features in the short run. One predominant issue in the struggle to become more corporate is the lack of trust in professional managers, administrators, and finance directors. Another issue is the difficulty of redefining accountability to be more rule-based rather than grounded in political control. Finally, this research this demonstrated that lawsuits relating to growth, worker compensation (risk management), and water/sewer can have huge negative effects on municipal financial condition, especially governments whose overall solvency is threatened or tenuous to begin with.

One possible advance of the research begun here is to determine whether findings in stage two regarding the governance factors in Table 1 outside of form of government apply to the 59 governments excluded from the analysis in stage one. These governments all have finance directors and managers or administrators, and are all wealthy, white-collar, large, and have little growth. One might begin this assessment by examining the similarities among governments with the worst fiscal conditions to determine whether the patterns observed in other governments regarding politics, views of accountability, culture, and distribution of benefits in the other governments apply here, or whether financial factors, such as lawsuits, explain these outcomes.

TABLE 1

INSTITUTIONAL FEATURES OF LOCAL GOVERNMENTS IN ILLINOIS

Political	Corporate / Administrative
Mayor **is not** a member of board or council	Mayor **is** a member of board
Mayor is the chief executive and administrative officer	Village manager is the chief administrative officer
Partisan elections	Non-partisan elections
Departmental heads appointed based on patronage, Elected official involved in administration	Departmental heads appointed based on merit, Elected officials focus on policy
Distribution of benefits and rule enforcement based on favoritism, clientelism, and expediency	Distribution of benefits and rule enforcement based on equity, neutrality, and rule-based
Government culture of targeted responsiveness, particularistic interests, secrecy, and trust	Government culture of efficiency, inclusiveness, transparency, and professionalism

TABLE 2

SIZE AND FORM OF GOVERNMENTS IN CHICAGO SUBURBS: MEDIAN POPULATION AND EXPENDITURES, 2003

	Administrative & Executive Role of Mayor [2]					
			CMY	**CMA**	**Commission**	**TOTAL**
Separation of Powers	Village	Population	6,000	19,000	15,400	9,400
		Spending [1]	$3	$12	$12	$5.5
		N	125	86	1	212
	City	Population	22,000	28,000	27,000	23,000
		Spending [1]	$9	$23.5	$16	$12.5
		N	27	20	4	51
	TOTAL	Population	7,000	21,000	24,000	11,300
		Spending [1]	$3.5	$12.5	$14	$6.3
		N	152	106	5	263

1: in millions of dollars

2: Distinction between CMY and CMA form of government based on ICMA (04) which classifies governments based on a survey of municipalities with populations > xx,xxx. Classification of municipalities with populations < xx,xxx is based on interview and telephone surveys of these governments.

FIGURE 1

MODEL OF LOCAL GOVERNMENT FINANCIAL CONDITION

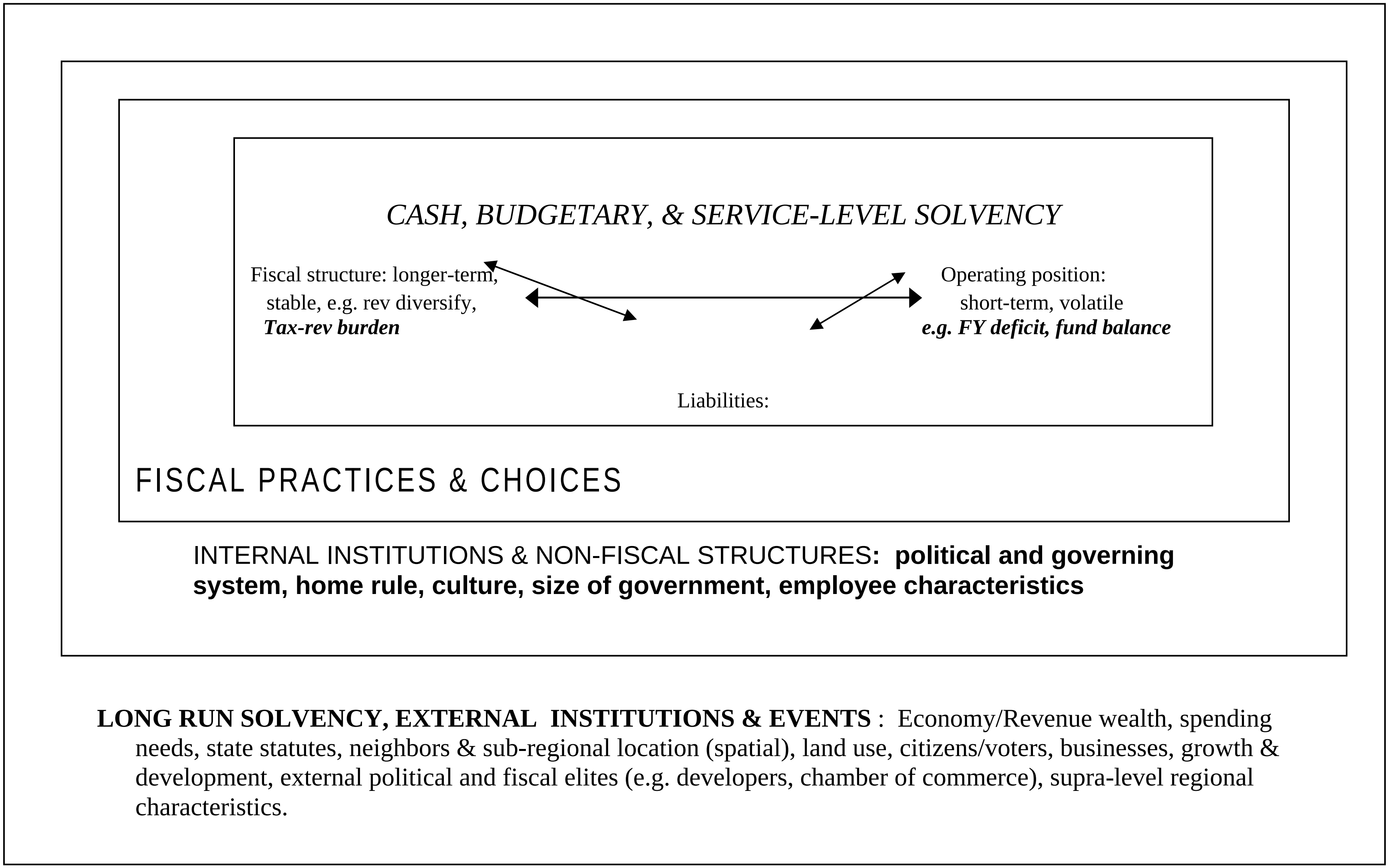

TABLE 3
PRIMARY AND SECONDARY MEASURES OF FINANCIAL CONDITION

	Indicator	Description	Calculation	Years
A Primary **Budgetary and Service-Level Solvency**	Debt	Total bonds per capita	((GO + alternate revenue + revenue bonds) / population) * (residential EAV / total EAV)	Avg of 1997-2003
	Capital Investment	% Capital Spending	Capital spending / (total spending in general, debt service, and special revenue funds)	Avg of 1997-2003
	Governmental Budgetary Balance	% Operating surplus (deficit) + fund balance	((Revenues – expenditures) + fund balance) / revenues for general, debt service and special revenue funds combined	Avg of 1997-2003
	Enterprise Budgetary Balance	% Operating surplus (deficit) + retained earnings	((Receipts – expenses) + retained earnings) / receipts for enterprise funds	Avg of 1997-2003
B Primary **External Conditions**	Revenue Wealth	Index of 3 primary revenue bases	Sum of values of bases weighted by standardized regression slopes with *own source revenue per capita* as dependent variable. Regressions are run and the index is calculated separately for home rule and non-home rule municipalities. Bases: income per capita, EAV per square mile, and sales taxes per capita. [1]	2000
	Population Change	% change for 2 time periods	$(\text{Population}_t - \text{Population}_{t-x}) / \text{Population}_{t-x}$	1990-2000; 2000-2004
Secondary	Revenue burden	Total revenues / revenue wealth	Total revenues in governmental, debt service, and special revenue funds / revenue wealth index	2000
	Spending Effort	Total spending / spending needs	Total expenditures in governmental, debt service, and special revenue / spending needs index. Spending needs index is sum of values of need indicators weighted by standardized regression slopes with *expenditures per capita* as dependent variable. Need indicators: crime per capita, population density, median age housing, and whether in a fire district. [1]	2000
	Reliance on IGR Revenue	% Intergovt. revenue	Intergovernmental revenue / total revenue for general, debt service and special revenue funds combined	Avg of 2000-2003
	Reliance on Sales Taxes	% Sales taxes	Sales tax revenue / total revenue for general, debt service and special revenue funds combined	Avg of 2000-2003
	Reliance on Non-Tax Revenue	% Non-tax revenue	Not tax revenue (usually growth fees in growing municipalities) / total revenue for general, debt service and special revenue funds combined	Avg of 2000-2003

1: All per capita variables except income per capita are standardized by residential EAV / total EAV. Revenues, expenditures, and sales taxes are calculated for governmental, debt service, and special revenue funds combined.

TABLE 4

FINANCIAL MANAGEMENT PRACTICES, PROCESSES, AND APPLICATIONS

PLANNING & BUDGETING

Recommended Practices: **A multi-year perspective on budgeting and other areas of financial management that includes meaningful and current assessment of future revenues and expenditures, and an ability to gauge the future impact of decisions.**

- projection of revenues and spending.
- budget versus appropriations ordinance, GFOA award; comprehensive budget document
- capital budget or program.
- strategic planning or planning exercises
- long-range financial planning
- formal statements of goals and objectives (programmatic and fiscal)

Processes & Structures Examined: **top-down vs bottom-up, authority and responsibility of key officials, how priorities are transmitted.**

FISCAL ACCOUNTABILITY & CONTROL: **Handling of financial operations and transactions (accounting), reporting, auditing, transparency**

- accounting for purchasing & contracts
- internal auditing procedures
- monitoring of overtime and hours worked
- CAFR vs AFR, GFOA award
- GAAP and basis of accounting
- auditor's role in reporting and fiscal operations (independent?)
- website information on budget or CAFR and other fiscal info to public
- illegal activities
- presence of financial information systems
- existence of checks and balances
- formal policies regarding accountability and control
- **recording of transactions and mid-year reporting**

FINANCIAL AND PROGRAMMATIC PERFORMANCE

Practices**: types of monitoring and assessment, obtaining and using information to guide operations and financial decisions**

Applications**: what information is gathered and how it is used**

Specific areas: capital needs, pension (e.g. unfunded liabilities), cash flow and budget (e.g. spending in line with revenues), short-term and long-term debt (cost of borrowing), risk (investments, operational, legal), fiscal risks and uncertainty (e.g. elasticity of revenue base or reliance on risky revenue source), costs of services (fees and charges).

Performance, outcomes, productivity (programmatic, operational, and financial)

Costs and benefits of fiscal operations and policies

Rate studies

Financial status-- sources of problems and financial resources, long-term trends

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FISCAL STABILITY & HEALTH: **practices and policies that affect the long-term and short-term solvency currently and in the future.**

Recommended Practices: cash management, risk management, debt, pensions, revenues, spending

<u>Capital equipment & infrastructure and debt</u>**:** maintenance, condition (liability), funding mechanisms (e.g. grants, earmarking, pay as you go).

<u>Fund balance and reserves</u>: function--cash management, rainy day, capital savings; how manage cash flow-- tax anticipation notes, line of credit, reserves

<u>Fiscal policies and priorities on spending and revenues</u>: tax and spend priorities, use of grants, how utilize revenue increases from late 90's.

<u>Risk perception and reduction</u>**:** risk reduction activities (e.g. working safety programs), funding of liability and health insurance

TABLE 5

VARIATION IN DESCRIPTIVE STATISTICS OF MUNICIPAL CHARACTERISTICS BY FORM OF GOVERNMENT: STAGE ONE

		City/village manager and finance director	City/village administrator and finance director	Administrator or manager, no finance director	Finance director, no administrator or manager	No administrator, manager, or finance director
Population 2003 **	Mean	**33,000**	**19,600**	**7,700**	**26,500**	**8,300**
	Median	**26,600**	**19,800**	**6,000**	**16,600**	**3,900**
	St. Dev	**26,000**	**11,500**	**5,600**	**37,700**	**13,000**
Total Expenditures **	Mean	**36,000**	**18,700**	**7,200**	**29,900**	**7,400**
	Median	**27,000**	**14,800**	**5,000**	**19,200**	**2,600**
	St. Dev	**35,300**	**14,800**	**6,600**	**37,200**	**12,600**
% Population Change, 1990-2000	Mean	**17.5**	**46.0**	**28.2**	**11.2**	**44.5**
	Median	**7.5**	**24.6**	**13.5**	**5.4**	**8.0**
	St. Dev	**28.5**	**55.2**	**34.9**	**16.3**	**184.0**
% Population Change, 2000-2004 *	Mean	**7.0**	**14.5**	**16.2**	**-.71**	**12.9**
	Median	**1.1**	**6.7**	**9.4**	**-2.6**	**3.1**
	St. Dev	**23.0**	**22.9**	**34.9**	**5.1**	**26.2**
Revenue Wealth [1] **	Mean	**.26**	**.16**	**.12**	**-.46**	**-.40**
	Median	**.05**	**-.06**	**.01**	**-.56**	**-.51**
	St. Dev	**.89**	**.66**	**.71**	**.43**	**.60**
% White Collar Population **	Mean	**42.2**	**40.3**	**37.1**	**24.2**	**27.8**
	Median	**41.9**	**40.5**	**34.6**	**21.3**	**24.9**
	St. Dev	**13.5**	**9.9**	**13.0**	**11.1**	**13.0**
% Residential EAV **	Mean	**71.6**	**73.6**	**75.1**	**53.8**	**70.7**
	Median	**71.9**	**77.2**	**78.7**	**56.4**	**73.3**
	St. Dev	**15.7**	**16.9**	**19.3**	**21.4**	**21.1**
% Villages / % Cities		**80 / 20**	**79 / 21**	**86 / 14**	**60 / 42**	**85 / 15**
% Home Rule / % Non-Home Rule **		**55 / 45**	**38 / 62**	**27 / 73**	**66 / 33**	**25 / 75**
% Ring 1 / % Ring 2 / % Ring 3 [2] **		**37 / 51 / 12**	**29 / 33 / 38**	**20 / 36 / 45**	**53 / 11 / 37**	**39 / 14 / 47**
TOTAL N = 264		**74**	**45**	**53**	**20**	**72**

1: Revenue Wealth is distributed as a Z distribution
2: Ring 1 represents the first wave of suburban development is closest to the city of Chicago. Ring 3 is considered exurbia
*** Statistically significant at .05**
**** Statistically significant at .001**

TABLE 6

GROUPING OF MUNICIPALITIES AND THEIR FEATURES: STAGE ONE

Description: primary group (1)	(2)	(3)	Description	N	Budget, in Millions	Form of Govt.** (Num of govts)	Number of Interviews
A) **small,* white collar, wealthy, various growth**	**1**		**Commercial**	**10**	**2 - 13, 1 = 31**	**1(3), 2(2), 3(4), 5(1)**	**2**
	2		**Residential**	**16**	**1– 8**	**1(1), 2(1), 3(10), 4(1), 5(3)**	**4**
B) **small, blue collar, lower growth**	**3**	**a**	**Industrial, some commercial, no growth, poor, inner ring**	**12**	**1 – 6**	**3(3), 4(2), 5(7)**	**4**
		b		**8**	**2 – 13, all home rule**	**1(1), 2(1), 3(1), 4(1), 5(4)**	**1**
	4		**more commercial, higher wealth some growth**	**6**	**1 – 5**	**3(3), 5(3)**	**0**
	5		**residential, poor, some growth**	**10**	**2– 9**	**3(4), 4(1), 5(5)**	**3**
C) **moderate size & wealth, blue-white collar mix, low growth**	**6**		**residential**	**8**	**3– 9**	**1(4), 2(2), 3(2)**	**3**
	7		**commercial & industrial**	**11**	**9– 20**	**1(1), 2(3), 3(3), 4(1), 5(3)**	**2**
D) **small, high growth**	**8**	**a**	**blue collar, low wealth, residential**	**9**	**2– 15**	**2(2), 3(3), 4(1) 5(3)**	**2**
		b	**blue collar, low wealth, commercial**	**5**	**2– 7**	**1(2), 3(1), 4(1), 5(1)**	**1**
	9	**a**	**white collar, residential, low wealth (no sales)**	**5**	**1– 6**	**3(1), 5(4)**	**1**
		b	**white collar, residential, high wealth (very high income)**	**5**	**1– 4**	**2(1), 3(3), 5(1)**	**1**
		c	**white/blue mix, high wealth (high sales)**	**9**	**2– 14**	**1(1), 2(2), 3(6)**	**0**
E) **mod. – large size, moderate income, blue-white collar mix, high growth**	**10**		**low wealth, residential**	**10**	**8– 34**	**1(3), 2(5), 3(1), 5(1)**	**5**
	11		**high wealth, commercial & industrial**	**10**	**6– 27**	**1(2), 2(5), 3(3)**	**1**
F) **mod – large size,**	**12**		**moderate size, low wealth**	**13**	**9– 35**	**1(3), 4(3), 3(1), 5(6)**	**7**

industrial, blue collar, no growth	13		large, low wealth	14	19– 38	1(2), 2(1), 4(6), 5(5)	7
	14		large, moderate wealth	10	19– 35	1(4), 2(1), 3(1), 4(3), 5(1)	0
G) **mod. – very large size, poor, blue collar, no growth**	15		mostly residential, moderate size	6	8– 15	1(2), 3(1), 5(3)	4
	16		mostly residential, large	6	18– 27	1(3), 2(2), 5(1)	2
	17		mostly industrial or commercial, very large	6	22 - 60	1(2), 1(4), 4(2), 5(1)	1

***** Population Categories

Very small = population less than 1,500 (10th percentile)
Small = population 1,500 to 7,000 (10th - 35th percentile)
Moderate = population 7,000 to 20,000 (35th - 65th percentile)
Large = population 20,000 to 40,000 (65th - 90th percentile)
Very large = population greater than 40,000 (90th percentile)

** Form of Government Categories

1 = manager & finance director
2 = administrator & finance director
3 = administrator or manager only
4 = finance director only
5 = no administrator, manager, or finance director (mayor only)

TABLE 7
SUMMARY OF FINDINGS FROM THE STAGE TWO

Description: primary group (1)	(2)	(3)	Description	Summary
A) **small, white collar, wealthy, various growth**	**1**		**Commerci al**	**Form of government and governance matters to practice and outcome, but it is moderated by pressure from the public and elected officials to alter fiscal practices in particular ways. However, all have the capacity to easily recover from their fiscal problems, especially those that are home rule**
	2		**Residential**	**Form of government and governance have little direct impact on fiscal outcomes, but fiscal expertise may provide an advantage in certain situations, e.g. growth. These governments are less vulnerable to economic events, but also have the capacity to easily recover from fiscal stress.**
B) **small, blue collar, lower growth**	**3**	**a**	**Industrial, some commercia l, no growth, poor, inner ring**	**Corruption and political governance features do not always lead to a poor financial condition, and governments with administrators and more corporate features do not always have good financial condition. However, fiscal expertise and control appear to be an important factor in improving or maintaining financial condition and fiscal practices in governments that are not insolvent**
		b		**Corporate governments with a more professional form encourage economic development, higher capital investment, which is funded through debt and higher revenue burden. These governments also have higher government budgetary balance, but they may rely on their enterprise funds to subsidize these financial demands. This mixed picture of financial condition may demonstrate the tradeoffs that such governments are forced to make to maintain capital investment and their long-term fiscal position.**
	4		**More commercia l, higher wealth some growth**	**Similar to Subgroup 3 form of government appears to have little effect on finances or handling of growth, but municipalities high political conflict, as reported in the news, are worse off financially. The strong political features of these governments may counteract the effects of form of government, and make it difficult to assess the broader features of governance structure on financial condition.**
	5		**residential, poor, some growth**	**The evidence suggests corporate governance with administrators help to improve fiscal position across the indicators, but it is neither a necessary nor sufficient condition. Additionally, the lack of consistency in form of government makes it difficult to assess its impact.**
C) **moderate size & wealth, blue-white collar mix, low growth**	**6**		**Residential**	**Fiscal direction and control is important to these governments' fiscal position, but turnover in professional staff, political conflict, and many political governance features makes it difficult to maintain a good fiscal position or to encourage broad-based, proactive, and investment-oriented financial choices at a policy level.**

	7		commercial & industrial	There seems to be very little relationship between form of government and fiscal position in these governments, but they have many strong political governance features, which may limit the ability to implement recommended fiscal practices over a sustained period of time.
D) **small, high growth**	8	a	blue collar, low wealth, residential	These municipalities demonstrate that fiscal expertise and administrative guidance in the area of planning and managing growth, and corporate governance, can be very effective in helping governments that are experiencing high growth to improve their financial condition. However, these features may not be necessary in the earlier stages of growth. It is also apparent that negotiating the fiscal and service-demands of growth and planning for a sound fiscal position in the future are the primary challenges facing these governments, and that the switch to more corporate governance can be difficult for the current political system.
		b	blue collar, low wealth, commercial	
	9	a	white collar, residential, low wealth (no sales)	Similar to Subgroup 8, growth is the primary factor affecting financial condition in these municipalities. However, political conflict, turnover among professional staff, and the circuitous route these municipalities take in becoming more corporate obscure the effects of form of government and corporate governance on financial condition in this group. High growth often forces municipalities to make unpleasant political tradeoffs between improving or maintaining fiscal solvency (attracting commerce and raising taxes and fees to support growth) and the demands of residents (less commerce, traffic, and lower taxes and fees), which leads to political conflict that makes it difficult to work with developers efficiently and pursue consistent goals, which, in turn, leads to lawsuits. Growth increases water, sewer, and drainage demands exponentially, which, if poorly funded, can lead to significant water, sewer, drainage problems and additional lawsuits. Financial indicators also may not be as valid for municipalities with high growth, which requires more debt and greater reliance on on-tax revenues. Furthermore, developers may be constructing much of the infrastructure needed for growth, and such capital spending is not represented in the data.
		b	white collar, residential, high wealth (very high income)	
		c	white/blue mix, high wealth (high sales)	
E) **mod. – large size, moderate income, blue-white collar mix, high growth**	10		low wealth, residential	This group demonstrates how bad fiscal practices, turnover in staff, political conflict, political governance, and lack of fiscal planning for growth may worsen a government's financial condition. However, the increasing revenues from growth allows some municipalities to remain relatively well off by comparison to others, at least in the short run. The primary challenges governments face here are making growth pay for itself, establishing the correct fiscal structure to do this, accommodate the end of growth,

	11		**high wealth, commercial & industrial**	**and diversifying revenue structure to reduce pressure on property taxes. With the exception of one municipality, all those in the highest half of the fiscal position indicators have very active economic development programs and units according to websites and news reports. The three lowest municipalities are less active in economic development. Fiscal data also show that finance directors are associated with more debt, higher capital spending, and better enterprise funds, which probably leads to their higher revenue burdens. Interviews and news reports demonstrate that administrators, and especially finance directors, encourage revenue increases to accommodate growth and prepare for fiscal future. In contrast, mayoral and less corporate forms of governance are more wedded to no debt policies and limiting capital spending. These governments also borrow more from enterprises to run governmental operations.**
F) **mod – large size, industrial, blue collar, no growth**	**12**		**Moderate size, low wealth**	**Governments with mayors or finance directors only and significant political features are in the worst position, and those with administrators, finance directors, and more corporate features have better fiscal practices and better financial condition. However, their strong political features muddle the connection between form of government and fiscal outcome. The interviews clearly indicate how fiscal practices can change in governments that have adopted strong fiscal direction and are trying to become more corporate, but their political features prevent full implementation or reverse the implementation of recommended fiscal practices. Municipalities with political governance features seem to value responsiveness to constituents over efficiency, and define accountability in terms of political control. Interviews and news reports also indicate the relatively good financial position of some of these municipalities may be due to very conservative fiscal policies (low debt, capital spending from reserves only, and low tax/low revenue burden), a stable government, and cooperation among elected officials.**
	13		**Large, low wealth**	
	14		**large, moderate wealth**	
G) **mod. – very large size, poor, blue collar, no growth**	**15**		**mostly residential, moderate size**	**Although many of the stories and experiences of these municipalities as related by the interviews and news reports are also the same as group F, there is less evidence that municipalities with fewer political features or more corporate forms are better off financially.**
	16		**mostly residential, large**	
	17		**mostly industrial or commercial, very large**	**Form of government seems to have little direct effect on financial condition, possibly due to instability in these governments, and the strong influence of political governance features.**

TABLE 8: MEANS &MEDIANS OF FISCAL CONDITION MEASURES BY FORM OF GOVERNMENT: HIGH VS LOW GROWTH MUNICIPALITIES

FORM OF FISCAL GOVERNMENT		1	2	3	4	5	ALL MUNIS
HIGH GROWTH MUNICIPALITIES (groups D & E)							
	N	8	17	15	2	10	263
Sum of Ranks	**Median**	**1010**	**1049**	**973**	**911**	**793**	**962**
	Mean	**1023**	**1025**	**1003**	**911**	**817**	**974**
Sum of % medians	**Median**	**-120**	**-222**	**-162**	**-342**	**-154**	**-164**
	Mean	**-436**	**-202**	**-212**	**-342**	**-170**	**-240**
Short-term Balance	**Median**	**318**	**277**	**226**	**144**	**248**	**116**
	Mean	**325**	**291**	**243**	**144**	**229**	**115**
Debt	**Median**	**119**	**101**	**104**	**56**	**16**	**102**
	Mean	**404**	**152**	**129**	**56**	**40**	**159**
Revenue burden	**Median**	**87**	**82**	**102**	**105**	**100**	**90**
	Mean	**104**	**89**	**99**	**106**	**96**	**96**
Capital spending	**Median**	**169**	**157**	**113**	**93**	**88**	**146**
	Mean	**191**	**182**	**122**	**93**	**120**	**150**
Governmental balance	**Median**	**140**	**100**	**110**	**48**	**110**	**115**
	Mean	**124**	**106**	**112**	**48**	**129**	**113**
Enterprise balance	**Median**	**156**	**133**	**121**	**59**	**70**	**111**
	Mean	**150**	**123**	**121**	**59**	**-58**	**90**
Depend on non-tax	**Median**	**111**	**137**	**160**	**128**	**146**	**134**
	Mean	**128**	**136**	**132**	**128**	**139**	**133**
Depend on sales	**Median**	**80**	**110**	**104**	**122**	**68**	**108**
	Mean	**77**	**110**	**116**	**122**	**71**	**116**
Depend on IGR	**Median**	**111**	**137**	**130**	**128**	**146**	**95**
	Mean	**128**	**136**	**132**	**128**	**138**	**101**
LOW GROWTH, LOW-MOD WEALTH MUNICIPALITIES (groups C, F & G)							
	N	17	8	8	9	17	263
Sum of Ranks	**Median**	**859**	**833**	**843**	**668**	**718**	**962**
	Mean	**862**	**802**	**863**	**692**	**699**	**974**
Sum of % medians	**Median**	**-130**	**-224**	**-186**	**-255**	**-302**	**-164**
	Mean	**-188**	**-162**	**-186**	**-254**	**-284**	**-240**
Short-term Balance	**Median**	**96**	**92**	**88**	**96**	**46**	**116**
	Mean	**100**	**79**	**112**	**86**	**53**	**115**
Debt	**Median**	**118**	**74**	**57**	**130**	**107**	**102**
	Mean	**111**	**90**	**74**	**134**	**106**	**159**
Revenue burden	**Median**	**82**	**82**	**102**	**105**	**196**	**90**
	Mean	**104**	**89**	**88**	**106**	**100**	**96**
Capital spending	**Median**	**106**	**82**	**144**	**58**	**58**	**146**
	Mean	**120**	**127**	**136**	**70**	**59**	**150**
Governmental balance	**Median**	**89**	**79**	**78**	**93**	**42**	**115**
	Mean	**93**	**74**	**114**	**82**	**50**	**113**
Enterprise balance	**Median**	**108**	**91**	**107**	**67**	**56**	**111**
	Mean	**113**	**101**	**134**	**75**	**65**	**90**
Depend on non-tax	**Median**	**82**	**92**	**90**	**82**	**99**	**134**
	Mean	**84**	**95**	**91**	**82**	**100**	**133**
Depend on sales	**Median**	**75**	**93**	**95**	**77**	**86**	**108**
	Mean	**79**	**119**	**127**	**121**	**111**	**116**
Depend on IGR	**Median**	**107**	**85**	**104**	**88**	**104**	**95**
	Mean	**107**	**84**	**108**	**100**	**107**	**101**

Form of Government Categories **1 = manager & finance director** **2 = administrator & finance director**
3 = administrator or manager only **3 = administrator or manager only**

Shaded are significant at .10 **5 = no administrator, manager, or finance director**

TABLE 9
CORRELATIONS OF PRIMARY AND SECONDARY CONDITION MEASURES FOR HIGH GROWTH, LOW GROWTH, AND WEALTHY MUNICIPALITIES

	Wealth			Chg pop 00-04			*Chg pop 90-00*			Commercial			*Residential*		
	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL
Wealth	xx	xx	xx												
Chg pop 00-04	--	.23	--	xx	xx	xx									
Chg pop 90-00	--	.21	-.17	.29	.57	.44	xx	xx	xx						
Commercial	--	.68	.19	--	--	.17	--	--	--	xx	xx	xx			
Residential	.35	-.19	.34	--	.15	--	.20	--	--	-.66	-.59	-.61	xx	xx	xx
Debt	.24	-.27	.21	.63	--	--	--	--	--	--	--	-.16	--	--	.19
Capital spend	--	.28	.15	--	.20	.18	--	.41	--	--	--	--	-.25	--	--
Govt balance	--	.42	--	--	--	.34	-.16	.19	.23	-.24	.25	--	--	--	--
Ent. Balance	--	--	--	--	..18	--	--	.42	--	.25	.26	-.36	--	--	.39
Revenue burden	xx	xx	xx	---	--	-.19	--	-.19	-.26	-.31	-.15	-.50	--	.43	.41
Depend on n-tax	.18	-.21	.28	.51	.16	.34	.24	--	.30	-.16	-.27	--	.19	.27	.34
Depend on sales	.22	.62	--	-.17	--	--	--	--	.24	.64	.33	.80	-.29	-.49	-.61
Depend on IGR	-.22	-.40	-.51	-.47	--	.23	--	--	.39	--	-.30	-.17	--	.51	--

	Debt			Capital Spending			Government balance			Enterprise Balance		
	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL
Debt	xx	xx	xx									
Capital spend	--	.22	--	xx	xx	xx						
Govt balance	-.31	--	-.24	.21	.36	.33	xx	xx	xx			
Ent. Balance	.17	.-.18	--	.17	--	--	-.16	.26	.15	xx	xx	xx
Revenue burden	.19	.44	.67	--	--	--	--	-.15	-.21	--	-.18	--
Depend on n-tax	.27	--	--	--	--	.20	--	-.27	.31	--	--	.27
Depend on sales	--	-.16	-.37	--	.20	--	--	.33	--	.20	--	-.37
Depend on IGR	-.40	-.32	-.37	-.26	-.23	--	--	-.30	--	--	--	.19

	Revenue burden			Depend on n-tax			Depend on sales		
	GR	NGLW	WCL	GR	NGLW	WCL	GR	NGLW	WCL
Depend on n-tax	-.20	.20	--	xx	xx	xx			
Depend on sales	-.61	-.67	-.70	-.23	-.41	-.17	xx	xx	xx
Depend on IGR	-.40	--	-.51	--	.20	--	--	-.41	.17

GR: **high growth municipalities (groups D & E), N=53** NGLW: **no growth, low wealth municipalities (groups C, F & G), N=59**
WLC: **wealthy and large municipalities, N=59** Shaded**: are significant at .10**

APPENDIX A
INTERVIEW QUESTIONS

- Roles and responsibilities of primary actors in determining fiscal practices and polices: mayor, board, treasurer, finance director, manager/administrator, comptroller
- Philosophy towards service provision and revenues on a continuum: 1) under spend services and infrastructure to keep taxes and fees low, 2) service provision at whatever cost (e.g. plow sidewalks, vacation watch, garbage can retrieval)
- Factors affecting current fiscal health: revenues (e.g. cuts from state, sales, assessment appeals, commercial and industrial closings); spending (e.g. lawsuits, workman's comp claims, under-funded pensions, insurance)
- Fiscal strategies /practices to cope (slack vs service):
    1. At budget time: spending (e.g. cut or slow capital, attrition or layoffs, other discretionary), revenues (e.g. taxes, fees, grants), fund surpluses
    2. During the fiscal year: e.g. short-term borrowing, fund subsidy or sharing
    3. Future: improves revenues (e.g. economic development), reduce costs (e.g. shared services, risk and purchasing pools, cost analyses), alter constraints (e.g. home rule)
- Miscellaneous:

1. Impact and fiscal practices during the good times of the late 1990's
2. Internal controls and monitoring during the fiscal year
3. Policies and practices regarding fund balances
4. Fiscal impacts and interactions between municipality and wide host of special districts (e.g. school, park, library, fire)
5. Competition with neighbors and others in region (e.g. tax abatements, comparables)
6. Interaction with sub-regional council of governments, and professional organizations (e.g. IML, IGFOA, mayors caucuses, municipal conferences)
7. GASB 34 & TIF's

APPENDIX B

DESCRIPTIVE INFORMATION FOR INTERNAL AND EXTERNAL CHARACTERISTICS

	MEAN	MEDIAN	MIN	MAX	STDEV
NON-FISCAL INSTIUTIONAL AND STRUCTURAL					
Population, 2003	18,422	11,275	112	162,394	21,939
Total expenditures, gov't & ent. funds	19 million	11 million	18,000	233 million	26 million
% Change Pop, 90-00	34	10	-97	1,489	108
% Change Pop, 00-04	11	2.7	-7.4	234	26
% White Collar	36	34	8	70	14
% Resident EAV	70	73	3.0	100	20
FISCAL WEALTH AND NEED					
Crime per capita	41	28	4	1056	71
Population Density	3204	2747	25	15,78	2495
Median Age House	1969.5	1971.5	1939	1979	13
Income per capita	21,667	18,265	3,565	71,798	11,082
Sales Receipts per capita *	10,258	5,836	19	353,954	24,157
EAV per capita *	18,348	12,840	1880	496,612	35,697
INTERNAL FISCAL STRUCTURE					
Expenditures per capita *	630	427	37	16,000	1372
Own Source Rev per cap *	515	359	25	15,666	1,178

* In 1988 dollars