City Managers, Career Incentives, and Service Delivery Decisions: The Effects of Managerial Ambition on Interlocal Cooperation Choices

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Abstract

City Managers are believed to play a particularly influential role in brokering cooperative service deals on behalf of their jurisdiction (Krueger and McGuire, 2005; Thurmaier and Wood, 2002; Morgan and Hirlinger, 1991), however, their motivations for doing so are not well understood. One argument, drawn from theories of bureaucratic entrepreneurship and ambition theory suggests that cities with managers who want to move up in their career will engage in more interlocal service delivery as means of capturing economic efficiencies, which helps to build their record of career achievements. An alternative theoretical argument suggests that more altruistic motives including a desire for increased social equity, and valuing the common good of the region guide, are responsible for guiding city managers decisions for interlocal cooperation. We test these competing hypotheses using survey data from 134 city managers of large municipalities, and finance data from the Historical Database of Individual Local Government Finances. We find strong support for the first theory, and no support for the alternative argument. Managerial ambition has important consequences for the rate at which cities engage in interlocal service cooperation, but local fiscal capacity also shapes these decisions. Moreover, managerial ambition has complex effects; the desire of the city manager to move onto a larger city in the near future increases the rate at which a city sells services to other local governments, but managerial career ambition decreases the rate at which cities are willing to *buv* services from another jurisdiction.

Studies of intergovernmental service delivery have increased dramatically in the last decade, as scholars have sought to better understand the conditions that foster cooperation among politically fragmented yet functionally interdependent, local governments. Although studies of interlocal cooperation have advanced our knowledge about the types of services that cooperative agreements are most likely to encompass (Brown and Potoski, 2003; Feiock and Shrestha, 2006; Carr et al, 2008), the empirical research has yet to produce a consensus on the contextual factors explaining why cooperative service arrangements form.

One point scholars seem to agree upon is that individual actors within local government play a critical role in forging cooperation with other jurisdictions. While some studies have examined the specific role played by local elected officials in this process (Zeemering, 2008; Zeemering, 2006; Bickers, Post and Stein, 2006), others have highlighted the ways in which administrative officials promote inter-jurisdictional cooperation (Wood, 2006; Thurmaier and Wood, 2002; Frederickson, 1999). Among the latter group of actors, City Managers are thought to play a particularly influential role in brokering cooperative service deals on behalf of their jurisdiction (Krueger and McGuire, 2005; Thurmaier and Wood, 2002; Morgan and Hirlinger, 1991). However, their motivations for doing so are not well understood.

Two theoretical perspectives suggest that City Managers will work to increase interjurisdictional cooperation, but these theories diverge in their underlying assumptions about the motivations prompting City Managers to pursue cooperative ends. The first theoretical position suggests that ambitious managers intending to work their way up into positions managing larger cities will use interlocal service delivery as a means of building their record of achievements, since cooperation is likely to save their jurisdiction money, and may provide ambitious managers with an avenue for increasing their visibility within the regional job market. An alternative

theoretical argument suggests that City Managers have more altruistic motivations for cooperation. Some City Managers may be inclined toward greater cooperation as a result of public service values favoring social equity, standardization of service quality and levels, and by a longer-term outlook favoring decision-making in the best interest of the region, not simply the interests of a single jurisdiction.

While these differing motivations of city managers have been the subject of much speculation in the literature (Thurmaier and Wood, 2002; Frederickson, 1999; Teske and Schneider, 1994; Stein, 1990), neither of these arguments about City Manager's motivations for cooperation have been empirically linked to increased service cooperation at the city level. Do cities cooperate more for services when they are managed by an ambitious city manager hoping to move up in their career? We test the hypothesis that city managers motivated by progressive ambition and the prospect of increased financial reward will cooperate at higher rates for city services. We also test the alternative hypothesis, which is that altruistic, public-serving motives are responsible for city managers' decisions to cooperate with other local jurisdictions.

These hypotheses are tested using data from a nationally representative sample of City Managers, derived from the National Administrative Studies Project (NASP-IV). These survey data offer a unique opportunity to examine how specific career incentives, motivations, and professional values of City Managers shape decisions for cooperative service delivery among municipalities of population of 50,000 and over, which comprise the units of analysis in this study. The next section outlines two theoretical perspectives about the motivations of city managers for engaging in interlocal service cooperation, and examines the literature supporting each of these positions. Based on each of these lines of theoretical reasoning, we specify a set of hypotheses. These propositions are then empirically tested, and the implications of their findings discussed.

Theories of Managerial Motivations for Interlocal Service Delivery

City Managers play an important part in cities' decisions to engage in interlocal service delivery. Work by Ruhil et al (1999) demonstrates that when cities opt for some form of external service delivery, city managers are the key catalysts in these decisions. Previous multivariate studies of interlocal cooperation have attempted to proxy the influence of city managers on this form of service delivery, by controlling for the council-manager form of government. However, these attempts have been unsuccessful, most likely because forms of government have become too hybridized for these simple dichotomies to capture subtle concepts such as managerial motivations and the value managers place on public service norms (Carr and Karrupusamy, 2008). While the evidence is fairly clear that council-manager cities engage in more private sector contracting for services (Joassart-Marcelli and Musso, 2005; Brown and Potoski, 2003), empirical studies are inconsistent about whether council-manager cities engage in higher rates of intergovernmental contracting. Some studies have found a positive link between councilmanager form of government and increased interlocal service delivery (Krueger and McGuire, 2005; Morgan and Hirlinger, 1991), while other analyses have found no relationship (LeRoux and Carr, 2007; Feiock and Shrestha, 2004; Krueger, 2006; LeRoux, Carr and Shrestha, 2008). We overcome some the limitations posed by the council-manager form of government as a proxy for managerial influence, through more precise conceptual measures of city managers' values with regard to service delivery, as well as measures of their self-reported career aspirations.

Two theoretical perspectives posit a role for city managers in municipal decisions to engage in interlocal service delivery. While these theoretical perspectives lead to the same conclusion about the effects of the manager's influence on service decisions, they are derived from competing epistemological orientations and are thus based on different assumptions about the motives underlying manager's preference for cooperation. Drawn from theories of bureaucratic entrepreneurship and political ambition theory, we will call the first of these theoretical perspectives *managerial progressive ambition*. The second theoretical perspective is drawn from institutional theories and suggests that public service values favoring equitable outcomes and the interest of the "common good" are what guide manager's service delivery decisions. Each of these theoretical perspectives is described in greater detail and contrasted below.

Managerial Progressive Ambition

Rational choice based theories of bureaucratic entrepreneurship (Teske and Scheider, 1994), and political ambition theory (Schlesinger, 1666), prompt us to propose a "theory of managerial progressive ambition." This theory suggests that city managers wanting to advance in their career to manage a larger city will engage in activities that help to satisfy that objective. Bureaucratic entrepreneurs are administrative actors "who help propel dynamic policy change in their community." Citing external service delivery as the quintessential example of dynamic policy change, Teske and Schneider (1994) find that city managers are more likely than other actor to emerge as a local policy entrepreneur. These authors assert that "city managers seek to enhance their professional reputation and career mobility, which can best be achieved by successfully implementing professionally approved policies that leaders in other municipalities will recognize and respect" (Teske and Schneider, 1994).

While ambition theory was formulated to study the aspirations of *elected officials* seeking to run for higher office, we suggest ambition theory can be applied to city managers as well. Despite the idealized notion of professional managers as neutrally competent and apolitical, a vast literature on city manager turnover suggests that professional city managers are highly mobile, and often "pulled" upward in a trajectory of career advancement (Feiock and Stream, 1998; DeSantis and Renner, 1993; DeHoog and Whitaker, 1990). Watson and Hassett (2004) report that at least a quarter of City Managers in America's largest council-manager cities are "ladder-climbers," meaning they've worked their way up to their current position through a series of progressive city management moves.

While the research on manager turnover has shed much light on reasons managers opt to move on or stay in one place, Clingermayer and Feiock's (1997) study is the only one to consider the relationship between managerial mobility and municipal service delivery decisions. Clingermayer and Feiock suggest that the choice to engage in external service delivery may serve self-promoting city managers, although these authors find that in some cases, turnover among administrators actually reduces the likelihood of external service delivery. Arguing from the perspective of city managers as rational self-interested actors, Clingermayer and Feiock suggest that city managers are aware that their careers may be advanced if they are successful in financial management and efficient administration. Citing Stein's work from 1990, they assert "Even if their accomplishments in these areas (financial management and efficiency gains) are not appreciated by their own council, managers know that other city governments will be favorably impressed and may seek to hire them at higher salaries" (Clingermayer and Feiock,

1997, p. 232). Clingermayer and Feiock's argument that career incentives provide an underlying motivation for external service delivery aligns with the arguments suggested by the theory of public entrepreneurship (Schneider, Teske and Mintrom, 1995). As these authors contend "City managers are interested in their own careers, which usually mean moving up to a larger city with a higher salary, control over more resources, and greater prestige within the profession." (Teske and Schneider, 1994, p. 332). While these authors contend that city managers try to increase the efficiency of local services by adopting cost-saving measures, they also acknowledge that many of these innovations are born out of managers' professional norms.

In addition to realizing greater economies of scale and cost-savings which help to bolster the manager's record of achievements, the use of interlocal agreements might help to promote a city manager's career in another way. When cities are located in metropolitan areas containing a large number of municipalities, interlocal cooperation might provide a means for the manager to increase his visibility within the regional job market. Studying *elected officials*, Bickers, Post, and Stein argued that local officials with aspirations for higher office may use interlocal agreements to promote themselves to wider constituency. In a study of eighty three municipalities, these authors found that interlocal service agreements were linked higher rate of successful bids for higher office among mayors (Bickers, Post, and Stein, 2006). Clearly, the circumstances are different for city managers because they do not need to sell their achievements to constituents, only to council members in other cities who represent prospective employers. Also, it is true that many city managers, particularly those looking to "climb the ladder" do not limit their search to their current region or state, although some managers will indeed move around within the same region many times in the course of their career (Watson and Hassett, 2004). We expect that city location in a metropolitan will increase interlocal cooperation. While

we include this measure as a proxy for access to regional job opportunities, Post (2002) has demonstrated a link between location in an MSA and higher rates of interlocal cooperation, arguing this is because MSAs offer a larger supply of prospective buyers/sellers of services.

The logic of bureaucratic entrepreneurship and progressive ambition theories leads us to the following propositions:

- H1a: Municipalities run by City Managers who aspire to move up to a larger city will evidence higher levels of interlocal service cooperation.
- H1b: Municipalities will display higher levels of interlocal service cooperation when they are run by City Managers who are highly motivated by financial reward.

An Alternative Thesis

Frederickson has argued that market theories and rational choice based models are illsuited for explaining why local governments cooperate for services. He proposes an alternative explanation for cooperation that is grounded in institutional theory. According to Frederickson (1999; 2003) professional public managers share a common set of values, and a professional culture that serves as a guide for their practice decisions. These public service norms, including a tendency to govern with a longer time horizon, and in interest of the common good, are imparted to managers by their disciplinary training and provide a set of normative heuristics for public managers when making decisions about services. Frederickson states, "Conjunctions (interlocal cooperation) seem to be driven by the values and beliefs of public service professionals, and by the innate and learned instinct to cooperate shared by all humans" (Frederickson and Smith, 2003, p. 224). Frederickson has argued that the staying power of civil servants make professional managers the set of actors best suited for brokering and maintaining cooperative service arrangements across local government boundaries. He argues that professional managers will be more inclined toward inter-jurisdictional cooperation than elected officials, who have a shorter time horizon and may be averse to the electoral consequences of cooperation. Professional public servants are thought to be more likely to govern with a long-term outlook, weighing service delivery decisions with greater consideration of the long-term consequences of various alternatives.

Others who study cooperation from the institutional perspective have argued that a sense of mutual fate, or a sense of community and "the greater good" provide a compelling motive for service cooperation. For example, Thurmaier and Wood (2002) have argued that "cooperative arrangements derived from administrative conjunction result from a shared understanding of interdependence" (Thurmaier and Wood, 2002, p. 586). These authors argue based on case study evidence that the primary impulse to cooperate is not to economize, but rather to be a "good neighbor." They find that a "norm of reciprocity" was the most important factor explaining the use of interlocal service arrangements by managers in the Kansas City metropolitan area (Thurmaier and Wood, 2002).

Equity is another professional public service value (Klingner and Nalbandian, 2002) that may influence managers' motivations for using interlocal service agreements. Somenblum, Kirlin and Ries (1977) suggested that professional administrators might favor the use of interlocal service agreements as a means of promoting consistent service standards across metropolitan areas. Others have suggested that interlocal service cooperation provides a mechanism for ensuring regional access to certain services that aren't available in all communities (Bartle and

Swayze, 1997, Morgan and Hirlinger, 1991). Hefetz and Warner (2002) provide evidence that contracting with another local government results in greater equity and voice for citizens than contracting with a private sector organization for the same service.

Institutional theories highlighting the long-term outlook of professional managers and the altruistic public service values that shape decisions about public service delivery, leads us to specify the following set of alternative hypotheses:

- H2a: Municipalities will engage in higher levels of interlocal cooperation when the City Manager highly values equity in making service delivery decisions.
- H2b: Municipalities will engage in higher levels of interlocal cooperation when the City Manager highly values long-term consequences in making service delivery decisions.
- H2c: Municipalities will engage in higher levels of interlocal cooperation when the City Manager highly values the "common good" in making service delivery decisions.

Data and Method

This analysis relies on data from the City Manager subset of the National Administrative Studies Project (NASP-IV). NASP-IV is a multi-method study, a key part of which is a webbased survey administered to City Managers, and several other categories of municipal management staff of U.S. cities with population 50,000 and overⁱ. This sampling frame was constructed from contact information provided by The International City County Management Associationⁱⁱ. Each respondent in the study sample received an initial letter through US mail which introduced the study and provided details about how to participate. Each potential respondent was directed to the study website and provided with a study participation code to access the survey. The survey generated complete responses from 202 City Managers, for a total response rate of 46.4%. Table 1 provides some information about the characteristics of respondents in our sample.

[TABLE 1 HERE]

We supplemented the NASP-IV survey database with additional information on each jurisdiction, including measures of fiscal capacity from the U.S. Census Historical Database on Individual Local Government Finances, population demographics from the U.S. Census Bureau, and information on the career trajectories of City Managers included in this study gleaned from the ICMA membership database. Additional information about the NASP-IV data collection and study protocol is provided in the endnotes ⁱⁱⁱ.

Multivariate regression was used to estimate the effects of managerial progressive ambition and altruistic motives of managers on the extent of interlocal service delivery, while controlling for a range of local economic, and demographic characteristics of the jurisdiction. Interlocal service delivery is measured in two ways. First, we measure interlocal cooperation as the percentage of the city's total income from interlocal revenues. Second, we measure interlocal cooperation as the percentage of the city's total spending on interlocal expenditures. Previous studies of interlocal cooperation have failed to capture the *direction* of these transactions, which is important because different sets of factors may explain the choice to *sell* services to another jurisdiction than those that explain the decision to *buy* services. Table 2 provides a detailed description of the measurement for the dependent variable and each of the explanatory variables. Descriptive statistics for each measure are also reported in the table.

[TABLE 2 HERE]

Since our dependent variable is based on finance data from the year 2004, and our survey data was collected at the start of 2007, we wanted to ensure that managers we were analyzing would have been the same ones responsible for service delivery decisions in 2004. We identified the year each manager began his/her current position, and eliminated those cases in which the manager in our sample was not the manager in 2004. We matched up a total of 134 of the original 202 managers who were the manager of the city in 2004. To test for differences in this reduced sample that might bias our results, we conducted a sensitivity analysis to determine whether the means of the relevant sample (134) were any different from the sample at-large. The means for both samples are included in Appendix 1, although an independent samples difference of means test produced no statistically significant difference between the two groups.

Ordinary least squares regression (OLS) is used to test competing hypotheses about the motivations guiding City Managers' decisions to engage in interlocal service delivery. The first set of hypotheses predicts that interlocal service delivery is shaped by managers' progressive ambition, and motivation for financial reward. The second cluster of hypotheses posit that interlocal service delivery is explained by City Managers' longer time horizon and public-serving motivations for greater equity and regional standardization of services.

All models control for length of the manager's tenure in current position, local revenueraising capacity (per capita property tax, per capita sales tax), intergovernmental mandates/incentives for cooperation, (federal and state funding), city size, (population), and location of the city in an MSA. While property taxes and local sales tax are both indicators of local revenue-raising capacity, they are characterized by different politics and may have different effects on interlocal service delivery rates. Property tax revolts and state property tax limits severely constrain the ability of cities to increase property taxes, while sales taxes are more

politically palatable since they are an economic development tool used to capture revenue from both residents and non-residents. Thus, higher per capita property tax is typically a sign of fiscal stress (Morgan and Hirlinger, 1991; Sharp and Elkins, 1991), whereas higher sales tax may be a sign of fiscal health. Higher per capita property tax should therefore increase the use of interlocal service delivery and higher per capita sales tax should decrease the need to cooperate. Observations are clustered by state and robust standard errors are used to correct for heteroskedasticity common in cross-sectional analyses.

Findings

The first set of hypotheses tests the theory that managerial progressive ambition drives interlocal service delivery. The second set of hypotheses tests the theory that interlocal cooperation is explained by an altruistic public service orientation of City Managers who seek to maximize social equity and govern in the interest of larger public that extends beyond their city's borders. To what extent does empirical evidence support these theories? The results in Table 3 help to shed some light on this question.

[TABLE 3 HERE]

Looking first at Model 1, there is strong evidence to support our hypotheses that managerial career ambitions and financial reward seeking increase interlocal service cooperation, when the city is the *seller* of services. Given the persistent decline in discretionary funds the federal government, and limited ability of cities to raise additional revenues through taxes (Peterson, 1981), the entrepreneurial manager may seek out ways to maximize income opportunities for his city by selling services to neighboring jurisdictions. Model 1 shows a statistically significant relationship (b=.004; p<.05) between the manager's desire to move on to a larger city in the near future, and the amount of revenue he is able to capture from other local governments. The manager's motivation for financial reward is also positively linked to increased interlocal cooperation. (b=.005; p<.05). Managers who are highly motivated by financial reward may find a personal incentive to generating additional income for their city by selling off excess service capacity to other jurisdictions. As Feiock and Clingermayer (1997) have suggested, even if they are not rewarded for this accomplishment by their own council, the manager can claim credit for this entrepreneurial achievement when marketing himself to future employers.

Model 1 also confirms that local fiscal capacity plays an important role in the decision to sell services to other cities. Higher per capita property taxes typically signals fiscal stress and should make cities more inclined to cooperate for services (Ferris and Graddy, 1986; Sonenblum, Kirlin, and Ries, 1977). However, we find that per capita property taxes decreases the rate at which cities sell services to other jurisdictions (p<.01). It may be that cities struggling financially have a difficult enough time providing adequate service coverage to their own residents, that selling services to another jurisdiction becomes impossible. By contrast, cities with greater sales tax revenues sell services to other cities at higher rates (p<.01). These findings underscore the point local fiscal capacity shapes interlocal cooperation decision and perhaps in more complex way than we once realized. Different forms of local revenues create different financial incentives and disincentives for cooperating.

Turning to Model 2, in which the city is the buyer of services, the effects of local fiscal capacity are reversed. Consistent with previous work that has linked fiscal stress to increased reliance on external service providers (Ferris and Graddy, 1986), we find that per capita property taxes increase the rate at which cities buy services from another jurisdiction (p<.01). On the

other hand, higher sales tax revenues decrease the rate at which cities buy services from another local government (p<.10). This suggests that cities with more sales tax revenue may be more financially well off and are able to meet the service needs of their residents without relying on another local government. These findings underscore the importance of the buyer/seller distinction in studying interlocal service delivery, and highlight complexity in the way that fiscal factors shape these forms of exchange.

What effect does managerial progressive ambition have on the rate at which cities buy services from other jurisdictions? We find a statistically significant negative relationship between managerial progressive ambition and the percentage of the jurisdiction's budget that is spent on buying services from other local governments (b=-.006; p<.05). As managers' desire to move on to a larger city increases, the rate at which they purchase services from another city decreases. Again, we believe this reveals an important distinction between being a buyer versus a seller in the interlocal service exchange. Even though fiscal stress increases buying of local services which suggests that cost-savings are indeed important considerations, progressively ambitious managers may be less likely to do so because they must give up control over service outcomes such as response times and citizen satisfaction rates; outcomes for which they can be held responsible or may damage their professional reputation and hurt their future career prospects. While managers' motivation for financial reward increases his city's rate of selling services, it has no effect on the rate at which his city buys services from another local jurisdiction.

Our analysis also provided for a test of an alternative theory, which explains interlocal cooperation as a function of altruistic managerial motivations. However, the results yield no support for the alternative hypotheses that a desire to increase equity and contribute to the

common good influence manager's decisions to cooperate, in either the buying or selling end of the transaction. Finally, we did not find any evidence that intergovernmental revenues (federal or state) are linked to increased interlocal cooperation, nor do any of the other control variables have statistically significant effects.

Conclusion and Implications

The goal of our analysis was to test a theory of managerial progressive ambition, drawn from rational choice theories of bureaucratic entrepreneurship and political ambition theory. Managerial progressive ambition suggests that city managers seeking to advance in their careers will govern in ways that may help to promote that end. In this case we examined interlocal service cooperation, a common form of external service delivery, and found that managerial ambitions are indeed linked to this activity, and in complex ways.

We find fairly strong support for our hypotheses, which suggests that managerial progressive ambition may be a useful lens through which to examine other high profile local government decisions. It may be especially useful for examining municipal service delivery choices, as manager's personal interests seem to shape these choices in significant ways. What other types of local government decisions might be influenced by managerial ambition and reward seeking motivations? In addition to contracting and service delivery choices, future research might apply this theory to municipal land use decisions, development choices, or the adoption of management innovations. Other applications may exist as well. Future research might also integrate the literature on city manager turnover to determine how the managers' history of moves interacts with ambition for further career advancement to influence municipal outcomes/decisions in the present.

Our study also has important implications for future research related to interlocal service delivery. Analyses of interlocal service cooperation typically fail to distinguish between jurisdictions as providers of services and jurisdictions as recipients of services. Our findings point to the importance of separating the buyer/seller relationship, because the explanations used to predict cooperation are likely to have different effects on buying versus selling. Lastly, studies have produced mixed evidence on whether local fiscal conditions play a role in interlocal service cooperation decisions. Conventional wisdom suggests that economic factors are responsible for compelling cities to share services, but others have brought contradictory evidence to bear on the argument that fiscal considerations drive cooperation (Thurmaier and Chen, 2005; Thurmaier and Wood, 2002; Morgan and Hirlinger, 1991). Our findings conform to conventional wisdom but with a twist; fiscal conditions do account for a large share of the interlocal service delivery explanation, but variations in local revenue composition shapes the buying and selling of municipal services in different ways.

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ⁱ The theoretical population of interest for NASP-IV was comprised of senior managers (both general and functional) in US local government jurisdictions with populations over 50,000. The larger NASP-IV database contains responses from assistant/deputy city managers, as well as functional managers of key departments: Finance/Budgeting, Public Works, Personnel/HR, Economic Development, Parks & Recreation, Planning, and Community Development, for a total of 1,538 respondents. Since our theoretical arguments and empirical models are derived from the literature on Chief Administrative Officers, we examine only City Managers and respondents with equivalent titles for the purpose of this study.

ⁱⁱ The sample design and construction for the NASP-IV study was aided by the International City/County Management Association (ICMA). ICMA is widely regarded as the authoritative source of information about US local government jurisdictions and professionals serving in these jurisdictions. Based on the study criteria, ICMA compiled a list with contact details of potential respondents (ICMA was not able to provide e-mail addresses because of its policy not to share email addresses). The NASP-IV team used the initial list provided by ICMA and augmented it in a number of ways to finalize the sample. These steps -- relying on publicly available information on different local government jurisdictions and their management team -- included: 1.Verifying the accuracy of the information; 2. Augmenting the list where the ICMA list did not have complete information; 3. Correcting the list to ensure that only individuals who met study criteria were on the list; 4. Compiling working e-mail addresses for the respondents in the sample.

ⁱⁱⁱ On visiting the study website, the respondent was provided an informational note about their rights as a potential study participant. This note highlighted that participation was voluntary and that except for respondents' time, there were no foreseeable risks and that the study team will take all necessary steps to protect the confidentiality of respondents, including conducting analyses and reporting results at the aggregate level only. After the initial letter via US mail, multiple methods were used in follow-up efforts to contact the respondents – e-mail, fax, and phone calls. Most measures used in the study have been tested and validated in earlier studies; some measures were developed in earlier administrations of the National Administrative Studies Project; and yet others were written and/or refined for NASP-IV. The study protocol was reviewed and approved by the Institutional Review Board at the University of Kansas.