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Explaining the Affects of Public
Participation and the State of the Local
Economy on Municipal Bond Elections

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**EXPLAINING THE AFFECTS OF PUBLIC PARTICIPATION AND
THE STATE OF THE LOCAL ECONOMY ON
MUNICIPAL BOND ELECTIONS:**

by

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Abstract

Are public participation and the health of the local economy predictors of municipal bond election success? This explanatory study evaluates the impact of public participation programs and the health of the local economy on municipal bond election outcome. Thirty-eight Texas municipal bond elections between the years 2000 and 2007 are observed, controlled for demographic factors of city size, wealth, debt, credit rating, and bond size. Using the scholarly literature as a guide, formal hypotheses dealing with the impact of public participation and the local economy are developed. The hypotheses are tested using a binary logistic regression and the results did not support the hypotheses. The regression failed to reveal any significant relationship among public participation or the local economy on bond election outcomes. Hence, other factors not accounted for by the study should be explored.

Chapter 1. Introduction

On Saturday, May 12, 2007 voters in San Antonio, Texas went to the polls and overwhelmingly voted for their city to borrow \$550 million. In doing so, the voters agreed to allow the City of San Antonio to incur more debt than ever before. These monies are to be used for various public works improvements such as streets, bridges, drainage, parks, and libraries. Meanwhile, voters in Hays County, Texas rejected a \$167 million proposition that would have been used for road improvements and traffic congestion relief. Approximately six months prior on November 7, 2006, voters in Austin, Texas had authorized \$567.4 million in tax supported municipal bonds to be used for streets, sidewalks, drainage, parks and public facility improvements.

Texas local public works service providers have a keen interest in these bond election outcomes. They depend on the voters to approve monies to meet the increasing service demands of a growing populace. Texas' rapid growth and development places increased demand and load on our infrastructure. The recent bridge collapse in Minneapolis has heightened public awareness to the state of the nation's public works infrastructure. To that end, a determination of what affects a successful bond election is of great value and interest to the public works professional. Why did the San Antonio and Austin bond elections pass and the Hays County election fail?

According to Shields (1998, 199), "Public administration deals with the stewardship and implementation of the products of a living democracy". Capital improvements are one of those products for which local governments annually spend millions of dollars. The money comes via formal approval from the electorate. Are there

ways to predict the likelihood that a bond election would be successful? Are there methods (citizen involvement) that can increase the likelihood of success? These are the questions this study explores.

Public Improvements Funding

Capital improvement projects such as new roads, bridges, libraries and parks are high dollar investments. Their costs are usually beyond the municipality's annual funding capacity without either exhausting their rainy day fund balances, or bankrupting their operating and maintenance budgets, not viable options for the local public works official. A more realistic approach is to finance these improvements over time, thus spreading the costs over the life of the improvement. In this manner costs are manageable and result in more improvements being accomplished.

As stewards of our public infrastructure, public works professionals utilize the capital improvements program (CIP) process to effectively prioritize and provide for needed infrastructure improvements. They develop the CIP as a list of public needs and then must explore avenues for paying for those needs. Funding for the CIP comes primarily from voter approved tax supported bonds and it is during the CIP process where many bond election programs originate. A successful bond program is very important given the enormous costs associated with the projects as shown in the following bond election examples.

City of San Antonio, Texas May 2007 Bond Election

Flooding deaths in the San Antonio region have been on the rise in recent years according to a June 8, 2007 San Antonio Express News article. These deaths include a young woman who was swept away by rushing flood waters at the five-points intersection. She subsequently drowned, her body recovered one and a half miles down stream. This particular intersection was always prone to flooding. However, the rains that day were not particularly heavy, perhaps an inch or two with-in a four hour time frame. This and other incidents have heightened the community's awareness for needed drainage improvements. What followed was a successful campaign for the largest public works improvements bond package ever presented to San Antonio voters. The bond package included; \$307 million for streets; \$152 million for drainage (including one million dollars for additional locations to the City's High Water Detection/Early Warning System); \$79 million for parks; \$11 million for libraries; and one million dollars for public health; a total of \$550 million. On May 12, 2007 all of the bond proposals passed easily with an approval rate ranging from 69 to 78 percent.

San Antonio's capital improvements bond program began with a city council appointed 128 member citizens advisory committee. This committee was charged with determining and prioritizing the communities pressing infrastructure improvements needs. They were given clear goals in terms of public safety, quality of life, economic development, and geographical distribution. City staff liaisons provided technical and data support to the committee. According to the City of San Antonio's Bond Information Website, the Community Bond Committee (CBC) conducted 15 public meetings and public hearings soliciting feedback from citizens. Over 500 citizens participated in the

public meetings offering over 170 written suggestions. Bond information packets were distributed to 368 neighborhood associations and community organizations. The end result was a proposed bond election to fund 151 individual improvement projects totaling \$550 million. The bond committee was able to propose this package with no projected tax rate increase to support it.

City of Austin, Texas November 2006 Bond Election

The City of Austin, Texas has experienced phenomenal growth (source, City of Austin budget reports) over the past decade, fueled in part by the explosive high-tech industry. This growth has placed tremendous strain on its infrastructure. In 2006 a citizen's bond committee reported \$769.1 million in community needs to their city council. This was streamlined to \$567.4 million to minimize the impact to tax rates projected at approximately one cent for each of the two years after bond issuance. For the owner of a median priced home of \$167,200, the rate increase would mean an additional fifty dollars per year in taxes.

The final proposed bond package included; \$103 million for streets and traffic; \$145 million for drainage; \$84.7 million for parks; \$31.5 million for the arts; \$55 million for affordable housing for low income families; \$90 million for a new main library; and \$58.1 million for other public facilities (police, municipal court, etc.).

Austin's bond committee had conducted an even more rigorous public campaign than the City of San Antonio. The bond information website reports 52 public meetings and six public hearings were conducted with over 1000 participants. Their task was made more challenging by virtue of the corresponding tax increase needed to support the

program. Nonetheless, the bond proposal was passed overwhelmingly during the November 2006 general election. Overwhelming support for bond projects is important to public works providers who are charged with subsequently implementing the projects which typically inconvenience citizens with construction noise and debris.

The Hays County May 2007 Bond Election

On May 12, 2007 Hays County, Texas voters, which include many municipalities, rejected a \$172 million bond proposal for road improvements, but approved \$30 million for parks and open space. The roads package was rejected despite the fact that most of the money would have been refunded by the state in a “pass-through” toll financing agreement. The San Antonio Express News reported on May 13, 2007 that county leaders disagreed on the reasons for the road bond failure, citing development concerns or citizen disillusionment concerning the costs. In either case, the bond program lacked any extensive citizen participation component which may or may not have contributed to the outcome.

Research Purpose

The three preceding bond election examples exhibit varying programs and results. Predicting the results and optimizing the chances for bond success is important for public works officials. While their task as data and technical expertise provider is invaluable during bond program development, it pales in comparison to the task of implementing the resulting projects. Planning resource requirements to carry out the will of the voter is an enormous task. However, there is much more at stake than merely passing or not passing

capital improvement projects. The American Society of Civil Engineers has conducted numerous studies on the deterioration rates of the nation's public infrastructure (road, bridges, drainage, etc.). Neglected infrastructure needs ultimately result in higher maintenance cost burdens for public works, and in extreme cases such as the Minneapolis bridge collapse, compromise life safety. The purpose of this research paper is to evaluate the determinants of successful municipal bond elections to optimize the likelihood of voter approval.

Chapter 2 reviews the scholarly literature on municipal bond elections, public participation in government, and the effects of the economy on voting behavior. The literature review is used to formulate three formal hypotheses concerning the factors affecting municipal bond election outcome. Chapter 3 presents the research methodology used to test each of the hypotheses including dependent and independent variables, units of measure, and statistical analysis. The test sample includes 38 municipal bond elections throughout Texas between the years 2000 and 2007. Chapter 4 contains the results and analysis of the research data and statistical tests. Chapter 5 provides conclusions based on the research results and recommendations for further research.

Chapter 2. Literature Review

Purpose

This chapter reviews scholarly literature on municipal bond elections, public participation, and the affects of the economy on voting behavior. Using this information, a conceptual framework is developed to explain why some bond elections pass while others fail. The first review section covers municipal bonds, municipal demographics, municipal finance and accounting, and finally, the municipal voter. These components provide the context used to hypothesize the impacts public participation and the local economy may have on Texas municipal bond elections. The relationships between public participation and health of the local economy on voting behavior are discussed in depth in the following sections. The chapter concludes by justifying the formal hypotheses.

Chapter overview

Local governments rely on municipal bonds as a major funding source to complete needed capital improvement projects. The bonds are “the means through which improvements, whose benefit is of a public nature, are financed” (Compton, 1920, pp. 51). These improvements affect the quality of life in all communities and range from streets and water, to libraries, parks, and fire stations. The needs are enormous. American Society of Civil Engineers studies identify \$1.6 trillion in national public infrastructure maintenance and repair needs. Simonsen et al (2001) state the nationwide bond market averages \$150 to \$350 billion annually. In the State of Texas, local governments issued \$20.1 billion in bonds during 2006 alone adding to a total

outstanding bond indebtedness of \$119.44 billion. Also during 2006, City of Dallas voters approved a whopping \$1.35 billion bond proposal. There is much at stake in ensuring successful bond elections.

The entire community should be involved in deciding how municipal bond proceeds are spent. King, et.al. (1998) assert that “decision making without public participation is ineffective”. Shields (2003) identifies “participatory democracy” as an essential component of the “community of inquiry”. It is inquiry that leads to defining the needs of the community. Shields further states that “Participatory democracy is not a replacement for representative democracy. The two should work together. Nevertheless, participatory approaches are better equipped to reach win-win solutions” (Shields, 2003, pp. 531). Participatory democracy is the essence of public participation and is the first research meta-framework.

Most municipal bonds must be approved by voters and are backed by the community’s promise to pay over time utilizing the tax base (Compton, 1920). The fact that municipal bonds are future tax liabilities and not current tax dollars means that they are paid for by the benefactors. “Here the principle of pay-as-you use finance is required to distribute costs among the various generations” (Musgrave, 1959, 563). Thus, municipal bonds represent an equitable financing mechanism in that only those that use the improvements pay for them. The ability to pay, however, can be influenced by the state of the local economy. Clark (1977) maintains that a city experiences fiscal strain if its population or economic base declines (Peterson, as cited by Clark 1977 pp. 54). Hildreth (1993) states that the economic disincentive to borrow is heightened by a lack of tax base diversity or growth, two symptoms of a stagnant economy. Pearson (2002) also

lists personal income as a measurement for economic health which could also impact the ability to pay. Hence, the state of the local economy is the second research meta-framework.

Using a review of the literature regarding the two meta-frameworks, the degree of public participation and the health of the local economy, three formal hypotheses are developed on their affects on municipal bond elections.

Municipal Bond Elections¹

Overview of municipal bonds

According to Harry Weil (1907), United States cities began using municipal bonds to finance major capital projects over a hundred years ago. Harry Weil (1907, 390) provides some of the earliest explanations on how municipal bonds are used. “The municipal bond is a form of obligation which a municipality acknowledges itself indebted, and agrees to pay the bearer at some future time...it’s face value”. This promise to pay concept still applies to the bond market today. The majority of these bonds are then paid from tax collections on real and personnel property located within the municipality (Compton, 1920, 52). Municipalities have been granted the authority to issue bonds by their State governments (Hastings, 1920, 5). Examples of capital improvement projects municipalities funded with bonds are roads, drainage improvements, water waste/water facilities, libraries, and fire stations. Hildreth (1993)

¹ Other Texas State Applied Research Projects dealing with Municipal bonds include Jamie Eng. (1992) The Tax Reform Act of 1986 and Municipal Bonds: A study of Three Texas Cities. Texas State University ecommons Student Applied Research Projects. <http://ecommons.txstate.edu/arp/227>. Also, Charles Matthews. (1999). The 1986 Tax Reform Act: It’s Impact, with Special Emphasis on Texas Cities. Texas State University ecommons Student Applied Research Projects. <http://ecommons.txstate.edu/arp/120>.

adds that municipalities also use bonds to increase political capital. Incumbents can use municipal bonds to build popular projects and enhance their re-election bids. Types of bonds issued for these purposes include general obligation, revenue, and certificates (Compton, 1920, 51).

The bond issuance process involves many stakeholders including citizens, administrators, bond underwriters, and investors (Hildreth, 1993, 43). Municipalities also employ financial advisors to help navigate the complex bond market. General obligation bonds always require voter approval and are the focus of this research. “County, city, and town bonds, practically without exception, are voted by taxpayers themselves and are authorized by a favorable vote at an election held for that specific purpose” (Compton, 1920, 52). Revenue bonds may or may not require voter approval and certificates only require the governing body’s approval. When the bonds are ready to be issued, the interest rate can be solicited by competitive sale or by negotiation (Weil, 1907, 393-394 and Simonsen 2001, 711).

The municipal bond process is also complex and filled with potential hurdles. Municipalities must take into account state imposed debt ceilings, bond interest rates, the city’s bond credit rating, and often voter approval during the bond approval process. “The bond expert also considers the limit of indebtedness allowed by various state constitutions on municipal investments legal for banks and corporations therein” (Weil, 1907, 392). Bond interest rates are the cost of borrowing money and they can vary according to municipality size and credit rating (Simonsen, 2001, 210). The interest rate can limit the size of the municipal bond issuance. Governing body approval is always an issue when selling municipal bonds. “Gaining approval for a particular debt issuance

requires governing body support, and, where applicable, voter approval and state validation” (Hildreth, 1993, 42). Hildreth (1993) also identifies voter approval as usually the most uncertain legal hurdle to be addressed. Voter approval is discussed in later sections. The ability of a municipality to borrow varies greatly due to city size, wealth, debt rating, debt load, and amount borrowed. According to Simonsen et al (2001) the municipal bond playing field is not created equal because of these factors. Collectively, these factors are called municipal demographics.

Municipal demographics

The city’s demographics can greatly impact their bond competitiveness. “Governmental jurisdictions are not created equal in their ability to borrow or in their cost of borrowing” (Hildreth, 1993, 41). City population, wealth, and debt rating all factor in the bond issuance process.

Larger cities benefit from greater staff resources to plan, organize, market, and issue bonds. This is referred to as “management capacity” (Simonsen et al, 2001, 709). Large cities utilize this resource to their advantage when navigating the complex bond market system, and this usually results in more competitive interest rates, and higher borrowing capacity (Simonsen et al, 2001, 711). Smaller cities, by contrast, have fewer resources to compete in the bond market. Simonsen et al (2001, 715) study reveals “that population is significantly related to interest rates, and it is especially powerful at the lower population range (below 10,000 people)”. Smaller cities frequently pay more interest on municipal bonds. Alternately, smaller cities can be more accessible for public input to enhance participation (Berman, 1997, 107).

Wealthy cities with affluent populations offer more services and have more supportive voters (Berman, 1997, 106). This demographic may translate into higher bond success rates. All personal and real property, or personal income (Shirota, 2003, 27, and Weil, 1907, 391) tax value can be defined as city wealth. Real property valuation is the less volatile of the two and greatly affects the city's debt rating.

Debt ratings assigned by Standards & Poor's and Moody's, the two primary credit raters, can significantly impact a city's cost of borrowing. "Credit rating agencies are paid by the debt issuer to provide an assessment of its risk of non-payment of borrowed funds. More practically, rating agencies serve as *de-facto* gate-keepers to the broad municipal bond market" (Hildreth, 1993, 47). The debt rating is a measure of the likelihood that the city will repay the municipal bond. It is based on numerous factors such as existing debt ratios, tax base diversity, population, unemployment, personal income, statutory limits, and political culture (Shirota, 2003, 27). Cities with a lower debt rating exhibit financial strain and are a higher risk. Cities with higher credit ratings borrow money at lower rates and thus have more borrowing capacity. "Strong economic activity and diversification are the keys to a high bond rating" (Hildreth, 1993, 48). Lower costs for borrowing lowers tax rate impacts. Lower tax rate impacts, in turn, should affect voting behavior in municipal bond elections. The effect of economic activity on voting behavior is covered in more detail in following sections.

Municipal finance and accounting

Municipal finance and accounting departments track city operating revenues and expenditures. City services are as diverse as providing fire and police protection, to

nutritional and well-being services for women and infants. Municipal bonds support these services by funding the capital projects necessary for their operation (buildings, water lines, roads, etc.). Bond funds are also tracked by finance and accounting systems (Shirota, 2003, 7). The Governmental Accounting Standards Board (GASB) governs methods used to track municipal finance and accounting. The board publishes uniform accounting standards for governmental agencies, the most recent of which is GASB34 (Shirota, 2003, 7). The intent and goal of GASB34 is to make governmental accounting reporting more understandable to the general public. “Financial statements are not only used in the private sector, but also used in the public sector to allow decision makers to communicate with their stakeholders” (Shirota, 2003, 5). The standards defined by GASB34 provide clear direction on how financial information is conveyed to the citizens. Shirota (2003) contends that this information can then be used by the public to hold government accountable for how they spend their tax dollars.

Government financials include a statement of net assets and a statement of activities. “The net assets report assets, liabilities, and net assets based on the accrual method of accounting in a balance sheet format” (Shirota, 2003, 21). One of the key reporting changes dictated by 34 is the reporting on operations accountability. Municipalities have always reported on fiscal accountability. Statement 34 now requires them to report on operational accountability as well. Shirota (2003, 13) defines operational accountability as “whether the government has used its resources efficiently and effectively in meeting operating objectives”. GASB34 requires the Comprehensive Annual Financial Report (CAFR) to “...contain a Management’s Discussion & Analysis (MD&A) section that is easily readable and comprehensible” (Shirota, 2003, 25). This

section reports on operational accountability in addition to fiscal accountability. Easily read financial information raises public awareness of the amount of debt incurred by the municipality so that they may make an informed decision regarding municipal bond election passage.

Ingram and Copeland (1981) establish a relationship between municipal accounting information and voting behavior. His study evaluated the effects of accounting information on local mayoral elections.

Our results support the contention that municipal accounting ratios provide information which could be used in voting decisions. As discriminators of election results, accounting ratios are consistent with voter assessments of the effects of policy decisions. Thus, they can convey information to voters which is useful for quantifying the policy effects (Ingram & Copeland, 1981, 840).

Accounting information is used by voters to increase their fiscal policy awareness.

Ingram and Copeland's research reveal it has a substantial affect on voter behavior.

The municipal voter

Increasing public awareness of municipal bond elections is an initial step towards effective public participation. The bond election is the final participation step. (Verba, 1993, 305). Obtaining voter approval can be the most challenging hurdle for many bond programs and often requires repeated attempts (Hildreth, 1993, 42). Municipal elections are usually characterized by lower turnout and are affected by many factors. Hamilton (1971, 1135) cites the non-partisan nature of many city elections as a primary cause for low voter turn out. The non-partisanship fails to inspire party loyalty and local activism which are two primary voting motivators. "Low voter turnout is a serious democratic problem....it means unequal turnout that is systematically biased against less well-to-do

citizens” (Lijphart, 1997, 1). It also weakens the ability of elected officials to effectively administer the will of the people in our democratic society (Douglas, 2006, 16). While low voter turnout is a phenomenon common to many democracies, it is more pronounced in U.S. local elections (Lijphart, 1997, 5). The persons who do vote tend to be higher on the socio-economic and education level (Lijphart, 1997, 3). “The better educated [vote] more than the less educated;...higher status persons, more than lower.” (Seymour Martin Lipset, 1960, 182). The resultant voters are an unequal representation of the community. This makes voting a poor public participation effectiveness indicator.

An effective strategy for obtaining bond election voter approval involves sharing information, establishing trust, and establishing accountability. These are hallmarks of an effective public participation program (Hildreth, 1993, 48). Public participation is looked at in depth in the next section.

Public Participation

What is public participation?

Public participation is democratizing government. “By democratizing government, public administrators work to create conditions under which both citizens and administrators collaborate on decisions and implementation of programs in public agencies” (King and Stivers, 1998, 195). Bond elections provide public agencies with feedback on public policy issues that are important to the community, and are a mechanism that can incorporate those issues into the policy development process (Raffray, 1997, 10).

There are many types of public participation such as public forums, citizen surveys, standing committees, focus groups, workshops, and one-on-one interviews (Barron, 2006, 23). Some public participation approaches are more effective for bond programs.

Among the least effective are public town hall meetings. Berman (1997, 106) maintains that traditional public hearings fail to attract much citizen participation “except for in unusual crisis laden situations”. Public meetings do not promote the two-way dialogue necessary to gain meaningful input and involve citizens in the decision making process. Low turnout at public hearings can also be misinterpreted as “apathy or silent approval of the status quo” (King et al, 1998, 323). Citizen surveys are also less effective for bond programs because they only solicit a snapshot and are controlled by administrators. Bond elections can occur many months or years after initial investigations. Voting is not indicative of successful participation since it only occurs at the end of the public participation process.

Crosby et al (1986) define effective types of public participation for municipal bond programs as promoting two-way communication, involving a diversity of participants, and impacting decision making. These types include citizen panels, advisory boards, and committees. It is important to note that public participation can only impact decision making if it is used early in the process. Citizen panels were particularly effective in Kathlene and Martins’s (1991, 57) study of the Boulder, Co. transportation citizen participation program. Participants identified five positive aspects of the process, “1) the government was listening to the general public; 2) that citizens could participate easily in decision-making; 3) that they received excellent feedback; 4)

that it got them involved in the community; and 5) that it educated them about transportation issues and government budgeting”.

As previously noted, public participation should start very early in the municipal bond program process. One of Rosener’s (1978, 461) evaluation criteria for effective participation is evidence of citizen involvement in problem evaluation, priority setting, and identifying alternatives. These are all activities that occur at the start of program development and lend themselves nicely to citizen panels, committees, and focus groups.

In water resources planning, there has been a paradigm shift toward increasing the public in the planning process (Barron, 2006, 12). This stream of thought differs from the conventional one that places administrators as the role of experts and definers (Warner, 2001, 404). Box et al (2001) assert that public administrators should move beyond the expert role and practice public administration that recaptures the values of substantive democracy. Democratic public administration requires authentic public participation (King et al, 1998).

King et al (1998) argue that authentic public participation redefines the traditional roles for the two key participants, public managers and the citizens. “Authentic public participation, that is participation that works for all parties and stimulates interest and investment in both administrators and citizens requires rethinking the underlying roles of, and relationships between, administrators and citizens” (King et al, 1998, 317). King et al (1998) define authentic public participation as the opportunity for the public to influence decision-making early in the process

Practicing authentic public participation requires public managers to accept new roles. The current framing has the following components, “1) The issue or situation; 2)

the administrative structures, systems, and processes with in which participation takes place; 3) the administrators; and, 4) the citizens” (King et al, 1998, 319). Traditionally, the issues are defined by administrators, and presented to the citizens with in the context of the structures, systems, and processes. This places the administrator between the citizens and the issue and places the administrator in the role of expert (King et al, 1998, 320). “Participation in this context is ineffective and conflictual, and it happens too late in the process, that is, after the issues have been framed and most decisions have been made” (King et al, 1998, 320). Traditional participation is also more about convincing and less about collaboration.

The new view of participation shifts the role of the public manager from expert, to issue facilitator. This places citizens next to the issue and away from the administrative processes and structures (King et al, 1998, 321). The public manager as facilitator, like the shoe maker recognizes that “The man who wears the shoe knows best that it pinched and where it pinches, even if the expert shoe maker is the best judge of how the trouble is remedied” (Dewey, 1954 cited in Shields 2003, 528). While this view does not advocate administrators entirely relinquish their traditional expert role, it does implicitly take into account the public’s view.

Many public managers are ambivalent about this approach and find it problematic and an impediment to progress. King et al (1998) assert that the manager must shift their public participation viewpoint from confrontational to collaborative. Nalbandian (1999) shares this viewpoint shift. “The new public manager must enable democracy in getting things done collectively while building a sense of inclusion” (Nalbandian, 1999, 190). Managers must become effective listeners to promote working relationships with the

community (Stivers, 1994, 366). Finally, Box et al (2001) argue that managers must be willing to share authority and power in formulating public policy. Democratizing the public policy making process involves shifting the traditional roles of public participation, and in turn, legitimizes government.

Why involve the public?

Involving the public in the municipal bond process is important to increase voter approval probability. King et al (1998) assert that citizens feel isolated from the public administrative process. Involving citizens helps ensure administrators do not lose touch with community needs. When cities present a bond package to the voters, they are asking for permission to borrow money for needed capital projects, and frequently, to increase taxes. Voter approval requires a degree of public trust in public officials and bond objectives. Citizens that participate in defining bond objectives should be more likely to support it as voters.

Public participation is also necessary to address public cynicism towards government, a barrier to bond success. Berman, (1997) defines cynicism as low trust, and disbelief of positive dealings with others. Berman's study identified cynicism in about one third of all cities with over 50,000 populations (Berman, 1997, 110). If the public believes nothing positive can come from a bond election, they are less likely to vote for it. Public participation is important to help overcome the negative effects of public cynicism regarding bond elections.

The goal of public participation in municipal bond programs is to involve citizens early in the policy and decision making process. This is important for increasing the

likelihood that the bond package put forth aligns with citizen preferences and thus will be approved. Some municipal leaders view public participation as a perfunctory necessity (Kathlene, 1991, 49) in order to impose the superiority of their views on the public (Roberts, 1997, 128). This view seeks to drown out the opposition and manipulate people to gain support (Roberts, 1997), rather than seek citizen involvement and input.

An effective public participation program should optimize the bond election chances for success. Barron (2006) developed a set of ideal public participation program criteria in her study on the participation process for water resource planning. Barron developed the following criteria using the practical ideal type conceptual framework:

- Determining the goals of the participants
 - Determining the key stakeholders
 - Determine the appropriate level of participation
 - Minimize conflict
- (Barron, 2006, 12-15)

Satisfying these criteria involves practicing authentic participation that promotes debate and contributes to results. These criteria work to gain public trust, empower the citizens, and increase program effectiveness and efficiency. This is important to defining community needs and focusing the bond process. “Empowering citizens means designing processes where citizens know that their participation has the potential to have an impact, where a representative range of citizens are included, and where there are visible outcomes” (King et al, 1998, 323). This is a reoccurring theme found throughout the literature and is valuable in formulating a program evaluation instrument.

One primary advantage of public participation in municipal bond programs is avoiding having to repeat the bond process at a later time. While some bond elections fail and go away, the basic capital needs do not. American Society of Civil Engineer

studies have determined that public infrastructure such as streets, drainage, and municipal buildings deteriorate exponentially over time. As infrastructure ages, they also become more maintenance intensive, requiring frequent emergency repairs, and negatively affect operational effectiveness. It is a classic case of pay me now, or pay me later, frequently resulting in higher costs down the road. It is very important to conduct an effective public participation program to help ensure capital bond projects have the highest chance for success.

Measuring effective public participation

Measuring public participation effectiveness (other than by election results) requires an evaluation methodology that tests ideal performance criteria and is a topic of much past research. Rosener (1978) maintains that in order to sufficiently evaluate a public participation program it must have two main characteristics. The program must have clear and understood goals, and the participants should have a clear understanding of the effect on the results (Rosener, 1978, 459-463). Failing these two litmus tests can effectively render the participation effort non-effective. Unfortunately, meeting the tests does not automatically guarantee the plan is effective, only that it lends itself to effectiveness evaluation. According to Wendy Barron (2006, 12), the dialog between government officials and citizens involve three necessary components - opportunities, information, and response. These components are similar to the evaluation criteria developed by Rosener in that they require open two-way communication.

Rosener (1978, 459) uses a decision matrix (see table 2.1) to evaluate how well a participation plan lends itself to evaluation.

**Table 2.1
Citizen Participation Evaluation Matrix**

Agreement on program goals and objectives, whose goals and objective they are, and the criteria by which success or failure will be measured	Knowledge of a cause/effect relationship between a participation program or activity and the achievement of specified goals and objectives		
		Complete	Incomplete
	YES	I	II
	NO	III	IV

Source: Rosener, 1978, 459

Public participations plans that have clear goals and objectives that are understood by all involved parties, and complete knowledge of cause/effect relationships fall in quadrant I. Quadrant I programs lend themselves to complete evaluation. Plans in quadrants II, and III support less reliable evaluations. Plan evaluations in quadrant IV are almost impossible to evaluate. In quadrant IV, neither government officials nor the public agree on goals and objectives, nor acknowledge their effect on the outcome. Rosener (1978) applied this evaluation matrix to the California transportation department (Caltrans) public participation program. In the initial evaluation she found a lack of agreed upon goals and a cause/effect relationship. To evaluate effectiveness “required a determination of where the goals of the Caltrans participation program were perceived to be, and to relate the participation activities to those goals so that a cause and effect relationship between them could be determined” (Rosener, 1978, 461). Further work was done to establish these baseline criteria and improve the Caltrans participation process. “By

clearly articulating the participation program goals and objectives, and by establishing a way for determining a cause and effect relationship between the activities and the goals and objectives, the program moved out of quadrant IV assessment environment” (Rosener, 1978, 461). Using this methodology enabled Rosener to conduct public participation program evaluation using document analysis.

For public participation programs in quadrant I, measures can be developed to evaluate their effectiveness. Rosener used the following measures for the Caltrans transportation public participation effort.

1. Evidence of formalized courses of action?
 2. Evidence of funding?
 3. Evidence of interaction?
 4. Evidence of citizen input implementation?
 5. Evidence of early citizen involvement in problem definition, alternative evaluation, and priority setting?
- (Rosener, 1978, 461-462)

Once these measures are evaluated, the effectiveness of the public participation process can be judged based on the number of them that are satisfied (Rosener, 1978, 462). This can be a subjective process, but not as subjective as it would be without clear goals, objectives, and causal relationships (Rosener, 1978, 462). Municipal bond programs are similar to transportation planning programs in that they both involve funding requirements for future capital improvements. The effectiveness measurement criteria used by Rosener (1978) for Caltrans can also apply to municipal bond programs. One additional measurement criteria that should be added is diversity and identification of key stakeholders. These two criteria are commonly identified throughout the literature.

Linking public participation to municipal bond passage

Public participation involves and engages citizens in the government policy making process. Municipal bond programs are a primary governmental policy making function. Thus, public participation should influence the outcome of bond elections. By involving the public in defining capital improvement needs, the citizenry are more likely to recognize the need, identify solutions in the form of projects, and support the projects as voters. Administrators that involve the public are also more likely to stay in touch with community priorities and present bond packages consistent with those priorities. Voters are more likely to pass bond elections that they deem important. Hildreth (2001) maintains voters will view “highly perceived but justified need” more favorably if they play a role in its identification. Thus one would expect:

H₁: There is a positive relationship between municipal bond election passage and an effective citizen participation program.

Economy Effect on Voting Behavior

Municipal fiscal strain

Clark (1977) establishes municipal fiscal strain as derived from the relationship between resources and expenditures established by municipal leaders. “Fiscal strain is largely a consequence of a lack of correspondence between resources which vary widely with the social and economic base, and expenditure or debt commitments by the municipal government” (Clark, 1977, 55). Cities can adapt to changing economic conditions by influencing their tax burden, their payroll, and capital projects undertaken (Clark, 1977). Changing the amount of capital projects undertaken in response to fiscal

strain can influence the size and scope of the bond election package and in turn, voter behavior.

Economic theory of voting behavior

The economic theory of voting behavior is a topic of much research, particularly as it applies to presidential elections.² Voter sensitivity to economic conditions significantly affects the outcome of these elections. Ingram and Copeland (1981) reveal that economic indicators such as unemployment, personal income, and property market value have been correlated to voter support for the incumbent party. These economic indicators can be easily measured. The federal government regularly post economic data and make it readily available. The data allows us to measure periodic spikes and dips in the economy.

According to Bloom and Price (1975), economic downturns and upturns affect voter behavior to opposite, but varying degrees. Essentially, Bloom and Price (1975, 1240) reveal that incumbents are affected more negatively by economic downturns than they are positively by economic upturns. “State and national time-series and selected cross-sectional survey data indicate that economic downturns have a pronounced effect on the vote” (Bloom & Price, 1975, 1251). Conversely, “We believe that economic conditions play a small role in the determination of voting behavior in times of prosperity” (Bloom & Price, 1975, 1240).

² For more information regarding the economic theory of voting behavior see Francisco Arcelus and Allan H. Meltzer, “The effect of aggregate economic variables on congressional elections,” *American Political Science Review*, 69 (December, 1975), 1232-1239.

Linking the local economy to municipal bond voters

Ingram and Copeland (1981) believe “that voters in the aggregate are generally aware of the consequences of an incumbent’s fiscal policy decisions and use this in their voting decisions. Ingram and Copeland’s (1981) research tested the economic theory of voting behavior on 113 mayoral elections in cities with over 25,000 in population. Their results produced significant functions explaining voting behavior as they may be affected by municipal accounting data. Municipal fiscal policy is greatly influenced by the state of their local economy.

Babbie (2004, 90) defines three criteria to establish causality in social research: (1) the variables must be correlated, (2) the cause takes place before the effect, and (3) the variables are non-spurious. The literature establishes the relationship and sequencing between the state of the national economy and voter behavior. Research on the economic effects on national elections establishes a non-spurious relationship between the two variables.

The state of the local economy is relatively easy to measure. Pearson (2002) used labor force, unemployment rate, personal income, population change, and earned income among other variables in his assessment of the impact of hospital closures on local Texas economies. Happy’s (1986) study reveals a direct relationship between voter sensitivity and economic conditions. These studies establish an empirical link between the economy and voting behavior.

During economic upturns, citizens may have more disposable income and demand more services (Shields, 1984, 15). Citizen’s tax liabilities are also less demanding and they are more likely to approve bond elections in response to service demand.

Conversely, during economic downturns, more citizens are out of work or are concerned about job security. They would be tightening their belts and be less likely to vote for the added tax liabilities commonly associated with municipal bonds. Given these logical arguments, one would expect:

H2: There is a positive relationship between municipal bond election passage and the health of the local economy.

Local economy as the predominating factor

Happy (1986) found the economy as the predominating factor affecting voter behavior. The assumption that “economic events during the year of the election dominate voting behavior has been supported in subsequent analysis” (Kramer as referenced by Happy, 1986, 45)³. Happy (1986) further asserts that changes in income and inflation the year preceding the election as well are directly related to voting behavior, and that the incumbent party is held responsible for those changes. Per capita income and inflation are leading local economic indicators.

Public participation is established as a primary factor affecting municipal bond election outcome. However, the literature on the economic effect on voting behavior suggests a weak local economy would overwhelm the influence of an effective public participation effort. Thus, one would expect:

H3: The health of the local economy is the predominating factor affecting municipal bond elections.

³ For examples on U.S. voting behavior see Kramer, Gerald H. 1971. Short-term fluctuations in U.S. voting behavior. *American Political Science Review*. Vol. 65. Mar. 1971.

Chapter Summary

This chapter reviews the literature on municipal bond elections, public participation, and the local economy. The purpose is to justify the formal hypotheses regarding public participation and local economy effects on municipal bond elections. The literature provides the basis for establishing the relationships among the three research variables. These relationships are expressed in three formal research hypotheses used to conduct the research.

Conceptual Framework

Table 2.2 outlines the conceptual framework as it is supported by the literature and will form the basis to operationalize the methodology in the next chapter.

Table 2.2
Conceptual Framework Linked to the Literature

Formal Hypothesis	Sources
<p>H₁: There is a positive relationship between municipal bond election passage and effective public participation.</p>	<p>Barron, Wendy, 2006; Berman, Evan, 1997; Box, Richard, Gary Marshall, B.J. Reed, and Christine M. Reed, 2001; Crosby, Ned, Janet Kelly, and Paul Schaefer, 1986; Hildreth, Bartley, 1993; Kathlene, Lyn, and John Martin, 1991; King, Cheryl, and Camilla Stivers, 1998; King, Cheryl, Kathryn Feltey, and Bridget Susel, 1998; Nalbandian, John, 1999; Raffray, Lane, 1997; Roberts, Nancy 1997; Rosener, Judy 1978; Shields, Patricia, 2003; Stivers, Camilla 1994; Warner, Beth 2001;</p>
<p>H₂: There is a positive relationship between municipal bond election passage and the health of the local economy.</p>	<p>Babbie, Earle, 2004; Bloom, Howard and H. Douglas Price, 1975; Clark, Terry 1977; Happy, J.R. 1986; Ingram, Robert, and Ronald Copeland 1981; Pearson, David, 2002; Shields, Patricia 1984,</p>
<p>H₃: The health of the local economy is the predominating factor affecting municipal bond election passage.</p>	<p>Happy, J.R. 1986; Kramer, Gerald, 1971.</p>

Conclusion

The literature identifies citizen participation and economic conditions as key factors affecting the democratic process and voter behavior. These have significant bearing on the passage of municipal bond elections, and in turn, on which projects and programs get built and implemented. In municipal bond elections, the decision to act or not to act rests with the voters. If the election passes, the bonds get sold, and the new road, library, fire station or parkland etc. gets built. If the election fails, the bonds are not sold and nothing gets built. When placed in this perspective, the importance of these two key factors is easily recognized.

In the council – manager form of local government the city manager is the top executive. Nalbandian (1999) believes that it is the city manager’s responsibility to “empower the governing body *and* citizens by helping to develop and use the tools of engagement” (Nalbandian, 1999, pp. 195). Effective public participation is an important means towards citizen empowerment. It is also a key planning component in forming government policy. Regarding bond elections, Hildreth (1993) asserts that voter approval is the most uncertain of all the hurdles that must be addressed. Hildreth (1993) further argues that, “An effective strategy for voter approval tends to be built around a highly perceived but justified need coupled with a political-style campaign to motivate citizens to vote for the proposal within a political environment of fiscal trust and accountability” (Hildreth, 1993, 46). This strategy supports the very objectives of an effective public participation program. Based on the literature, the critical importance of effective public participation to the success of municipal bond elections is undeniable. The literature also

supports the positive relationship between effective public participation and voter approval of municipal bond elections.

The literature also shows the economy is easily measured (Pearson, 2002) and affects voter behavior (Happy, 1986; Bloom and Price, 1975). Since most municipal bonds are approved by voters, the economy impacts bond success as well. According to Bloom (1975) economic upturns and downturns inversely affect voter behavior, and hence, municipal bond elections. An empirical link is established between the health of the overall economy and voting behavior. A logical argument follows that supports the positive relationship between the state of the local economy and municipal bond passage.

Happy's (1986) research reveals the economy as the predominating factor affecting voter behavior. The assumption that "economic events during the year of the election dominate voting behavior has been supported in subsequent analysis" (Kramer as reference by Happy, 1986, 45) forms the basis for the third formal hypothesis establishing the local economy as the predominant factor affecting bond elections. Other municipal demographic factors that can influence the bond process are city size, city wealth, city debt load, city credit rating, and bond size (Simonsen 2001, and Shirota 2003). These factors are treated as control variables in the next chapter.

Chapter 3. Methodology

Purpose

This chapter describes the methodology used to explain the determinants of a successful municipal bond election outcome. This study uses existing aggregate data and document analysis to explain the factors that predict success in municipal bond elections. Aggregate economic data is easily obtained from sources like the U.S. departments of labor and commerce. Rosener (1976) used document analysis to thoroughly evaluate public participation program effectiveness for Caltrans. This methodology is a preferred approach to conducting explanatory research to answer the, if “X then Y” question.

The units of analysis are Texas municipal bond elections. Thirty eight elections in thirty five Texas cities were observed between 2000 and 2007. This study uses information on these events and cities to create variables and a data set that tests the hypotheses. The dependent variable is the municipal bond election. Independent variables are the state of the local economy, and citizen participation. Control variables are city size (population), debt load (percent of budget), credit rating (Standard & Poor’s and/or Moody’s), and per capita bond size (\$).

These hypotheses are operationalized in table 3.1. The operationalization table outlines the variables used in the study and their relationship to each other (the hypothesis).

**Table 3.1
Operationalization of the Hypotheses**

Dependent Variable	+/-	Measurement	Data Source
Municipal bond election (Pass / Fail)		0 = fail 1 = pass	State and county elections database Municipal public records
Independent Variables			
Public participation (criteria) 1. Formalization 2. Funding 3. Interaction 4. Citizen input implementation 5. Citizen involvement in problem definition and priorities	+	0 thru 5, measuring number of criteria met, with 5 being most effective	Rosener, (2001) City Council minutes, program documents, planning documents, citizen panel minutes, public meeting minutes.
State of the local economy. (indicators) 1. Employment growth 2. Per capita income growth 3. population growth	+	Growth rate	Pearson, 2002. Dept. of Labor economic data. Municipal financial reports
Strongest effect – local economy		The coefficients for citizen participation and local economy will be compared	
Control Variables			
City size, (pop.)		number	2000 census data
City wealth, (average per capita income)		\$	Dept. of Commerce economic data. Municipal financial reports.
City debt load, (% of appraised value)		%	Municipal financial reports State bond review board statistics
City credit rating, (Credit score)		0 – B rating, poor 1 – A rating, medium 2 – Aa rating, highest	Municipal financial reports, Standard & Poor’s and Moody’s rating co.
Bond size, (\$ per capita)		\$	Municipal financial reports, Election data.

Dependent Variable

Municipal bond election outcome is the dependent variable. Data was obtained from state and county election records as well as municipal open records. Municipal demographic data (size, wealth, debt, and credit ratings) was obtained from financial reports and U.S. department of commerce data. Bond elections were chosen from between 2000 and 2007. This encompasses two recent periods assumed to exhibit economic recession (post Sept. 11, 2001), and prosperity (2005-2006). The dependent variable is dichotomous (pass/fail).

Municipal Election and Demographic Data

Data that describes the municipality during the election event year are found in table 3.2. The data include election results, population, per capita income, debt load, credit rating, and per capita bond size for each election event. Dallas, Frisco, and Houston each conducted two municipal bond elections during the sample time period and are listed for each election.

**Table 3.2
Data Sample and Demographic Data**

City/Election yr. (sample size, 38)	Election result	Population (a)	Per capita income, \$ (b)	Debt load \$/tax value (c)	Credit rating Moody(d)	Per capita bond size, \$ (e)
1. Abilene / 2006	Pass	115,930	18,627	0.0293	Aa3	257
2. Allen / 2007	Pass	76,600	34,552	0.0232	Aa2	1,016
3. Arlington / 2003	Pass	332,969	34,121	0.0235	Aa2	309
4. Austin / 2006	Pass	656,562	36,721	0.0189	Aa1	864
5. Balch Springs / 2006	Fail	19,600	39,556	0.0200	A3	1,480
6. Carrollton / 2004	Fail	109,576	35,521	0.0162	Aa2	716
7. Corpus Christi / 2004	Pass	277,454	27,068	0.0182	A2	353
8. Dallas / 2003	Pass	1,188,580	34,121	0.0111	Aa1	467
9. Dallas / 2006	Pass	1,188,580	39,556	0.0203	Aa1	1,138
10. Denton / 2005	Pass	105,550	37,209	0.0260	Aa3	711
11. El Paso / 2004	Fail	563,662	22,074	0.0203	Aaa	205
12. Frisco / 2002	Pass	92,100	34,276	0.0442	A1	2,144
13. Frisco /2006	Pass	92,100	39,556	0.0630	Aa3	2,150
14. Ft Worth / 2004	Pass	534,694	35,521	0.0129	Aa1	512
15. Garland / 2004	Pass	215,768	35,521	0.0389	Aa2	1,037
16. Georgetown /2004	Pass	41,851	32,726	0.0165	A1	296
17. Houston / 2001	Pass	1,953,631	35,353	0.0172	Aa3	397
18. Houston / 2006	Pass	1,953,631	41,354	0.0169	Aa3	320
19. Hurst / 2005	Fail	38,500	26,433	0.0142	Aa2	304
20. Irving / 2006	Pass	191,615	39,556	0.0139	Aaa	1,748
21. Keller / 2006	Fail	37,700	39,556	0.0231	A1	265
22. Lewisville / 2003	Pass	91,550	34,121	0.0126	Aa3	751
23. Longview / 2007	Pass	75,609	32,298	0.0129	A1	318
24. Lubbock / 2004	Pass	199,564	26,510	0.0353	A1	150
25. McKinney / 2002	Pass	112,000	34,276	0.0173	Aa3	714
26. Midlothian / 2006	Fail	13,750	39,556	0.0533	A1	2,455
27. Missouri City / 2003	Pass	69,941	34,929	0.0116	A1	1,072
28. Pasadena / 2002	Pass	141,674	34,369	0.0239	A1	720
29. Pearland / 2007	Pass	80,500	43,256	0.0522	A1	2,013
30. Plano / 2005	Pass	222,030	37,209	0.0142	Aaa	927
31. Richardson / 2006	Pass	99,263	31,672	0.0301	Aa1	554
32. Round Rock / 2001	Pass	86,316	32,194	0.0152	Aa3	1,042
33. Rowlett / 2006	Fail	53,750	39,556	0.0304	A1	279
34. San Antonio / 2007	Pass	1,144,646	33,539	0.0172	Aa2	480
35. San Marcos / 2005	Fail	46,111	34,441	0.0241	A2	264
36. Selma / 2006	Fail	3,900	32,191	0.0211	A3	2,051
37. Victoria / 2000	Pass	61,790	25,158	0.0032	A1	486
38. Waco / 2007	Pass	113,726	29,640	0.0505	Aa3	554

Sources:

(a) Census 2000 data statistics.

(b) Yrs. 2000-2005, Bureau of economic analysis (bea), U.S. dept of commerce;
<http://www.bea.gov/regional/reis/CA1-3fn.cfm>, metropolitan statistical areas
(msa's).

- Yrs. 2006-2007, municipal financial reports except;
- 1.) Dallas 2006, www.bigd-ed.org, Dallas economic review
 - 2.) Houston 2006, bea state of Texas data
 - 3.) Longview 2007, bea state of Texas data
 - 4.) Selma 2006, City of San Antonio financial report.
- (c) Texas Bond Review Board data; <http://www.brb.state.tx.us/pub/lgs>
- (d) Moody's, www.moody.com
- (e) Municipal data, council resolutions, cafr reports

Election results were obtained from county election records. The 2000 Census provided population data for each municipality. This data is sufficient to measure city size.

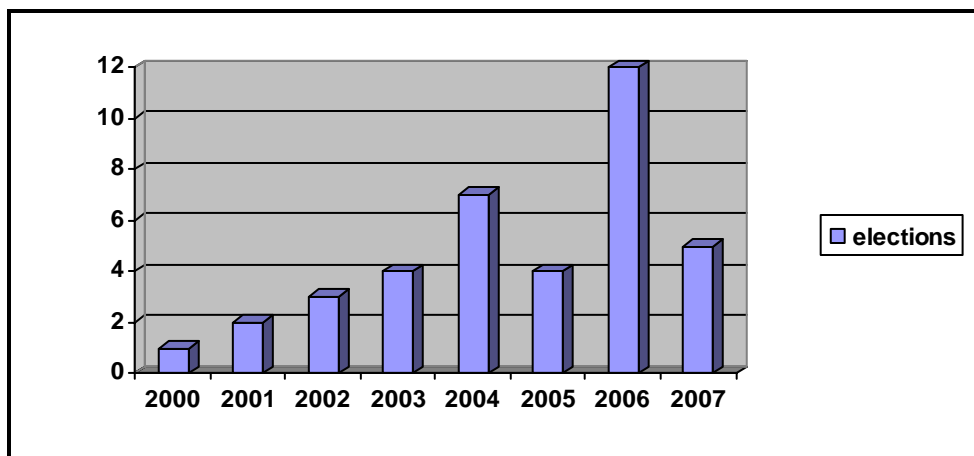
Metropolitan statistical area (MSA) income data for years 2000 thru 2005 was obtained from the bureau of economic analysis (BEA) division of the U.S. department of commerce. This data is used for the local income indicator and is expressed as average per capita income in dollars. Because income data is not yet available from the BEA for 2006 and 2007 elections, local income data was collected from the municipalities themselves by accessing their comprehensive annual financial reports (CAFR) and annual budget reports. These reports are available on line for all but four elections, the Dallas 2006, Houston 2006, Longview 2007, and Selma 2006 elections. Income for the Dallas 2006 election was obtained from Dallas economic review publications, BEA data for the state of Texas was used for the Houston 2006 and Longview 2007 elections, and 2006 City of San Antonio (of which Selma is a suburb) income data was used as a proxy for the Selma 2006 election.

Municipal debt loads were taken from the Texas Bond Review Board database and are expressed in dollars per total taxable assessed value. Moody's bond ratings were obtained for each municipality to measure credit worthiness. Bond size data was

obtained from city public records including CAFR and annual budget reports, as well as city council meeting minutes and resolutions.

Municipal bond elections were selected from years 2000 thru 2007. Prior to 2000, data becomes increasingly difficult to obtain thru document analysis, particularly for public participation programs. The original sample size was expanded to 35 municipalities (from 25 municipalities) and 38 municipal bond elections to collect additional failed bond election data. The original data set, based on the twenty five most populous Texas cities, only contained five failed elections out of 25. The election date range was also expanded to obtain sufficient samples (see figure 3.1). Allowing only post 9-11 and recent bond elections would restrict the sample size and limit the empirical analysis. The sample distribution by year is shown in figure 3.1.

Figure 3.1
Municipal bond elections observed by year



Observed bond elections gradually increase thru 2004 with seven then reduce to four in 2005. The number surges with 12 in 2006 and five more thru May 2007. Out of

38 observed municipal bond elections, a majority (29) passed. Most bond elections involve multiple project propositions that can be voted upon separately. An election is said to have succeeded when all propositions passed, and fail when at least one proposition is defeated. Bond election results data is taken primarily from county clerk records, since most elections encompass multiple jurisdictions. Election outcomes are also verified from city council meeting minutes.

Independent Variables

The independent variables hypothesized to effect municipal election outcome are public participation effectiveness and state of the local economy. Data collected and analyzed for these variables are presented in the following two sections.

Public participation program evaluation data

Public participation programs are obtained from city planning documents, council minutes, citizen panel group meeting minutes, and program literature. Participation is gauged using an instrument obtained from the literature review (Rosener, 1978). Rosener defines five evaluation criteria used to gauge public participation effectiveness. A scale of 0-5 was used to measure effectiveness with 5 satisfying all criteria and deemed most effective.

Evaluating municipal public participation program effectiveness for each election event requires extensive review of available public documents. These documents consist primarily of city council meeting minutes, city bond advisory board agendas and minutes, comprehensive annual financial reports (CAFRs), and city budget reports. References to

municipal debt in these documents almost always reference a bond election authorizing the debt issuance. Verifying evidence of public participation effectiveness criteria as defined by Rosener (2001), is largely dependent on the availability of supporting documents. Municipalities vary widely in the posting of these documents on-line. Table 3.3 outlines the document(s) required as evidence for each public participation evaluation criteria.

**Table 3.3
Public Participation Document Evidence Requirements**

Evaluation Criterion	Required Documentation
<ol style="list-style-type: none"> 1. Formalization 2. Funding 3. Interaction 4. Recommendation Implementation 5. Early Involvement 	<ol style="list-style-type: none"> 1. Council mtg minutes establishing bond program. 2. Council mtg minutes calling public hearings and calling for elections. 3. Citizens board minutes and/or news releases containing citizen workshops 4. Council mtg minutes with language adopting citizen board recommendation(s) 5. Council mtg minutes/bond information websites which confirm citizen involvement 10 mos prior to election. /Standing committees

Nearly all the sample election events produced evidence of a formalized and funded public participation approach, even if that approach only involves city council meetings holding public hearings and calling for the elections. Evidence of interaction, recommendation implementation, and early involvement were more varied among the elections. These criteria are verified by the documented activities of an appointed citizen advisory panel. Interaction is credited for those documents that verified public workshop

meetings with citizen stakeholder groups. Interaction is not credited for evidence of town hall meetings only, as these frequently are controlled by staff and are one-way in communication. Recommendation/Implementation is credited for evidence of the governing body approving packages as recommended by the advisory board. This frequently is contained in the ordinance language with statements similar to, “as recommended by the bond advisory board”. Early involvement is credited for those municipalities that maintain standing citizens bond advisory boards and for those that establish blue ribbon committees at least ten months in advance of the election. The public participation evaluation results are given in table 3.4.

**Table 3.4
Public Participation Evaluation**

City	Election Result	Formalization	Funding	Interaction	Recommendation Implementation	Early Involvement	Score
Abilene	Pass	√	√	√	√	√	5
Allen	Pass	√	√	√	√	√	5
Arlington	Pass		√				1
Austin	Pass	√	√	√	√	√	5
Balch Springs	Fail	√	√				2
Carrollton	Fail	√	√	√	√	√	5
Corpus Christi	Pass		√				1
Dallas 03	Pass	√	√				2
Dallas 06	Pass	√	√				2
Denton	Pass	√	√	√	√	√	5
El Paso	Fail	√	√	√		√	3
Frisco 02	Pass	√	√		√		3
Frisco 06	Pass	√	√	√	√	√	5
Ft Worth	Pass	√	√				2
Garland	Pass	√	√		√		3
Georgetown	Pass	√	√	√	√	√	5
Houston 01	Pass	√	√		√		3
Houston 06	Pass	√	√		√		3
Hurst	Fail	√	√		√	√	4
Irving	Pass	√	√		√		3
Keller	Fail	√	√	√	√	√	5
Lewisville	Pass	√	√		√		3
Longview	Pass	√	√	√	√	√	5
Lubbock	Pass	√	√	√	√	√	5
McKinney	Pass	√	√		√		3
Midlothian	Fail	√	√	√	√	√	5
Missouri City	Pass	√	√	√	√	√	5
Pasadena	Pass	√	√				2
Pearland	Pass		√				1
Plano	Pass	√	√				2
Richardson	Pass	√	√				2
Rd Rock	Pass	√	√	√	√	√	5
Rowlett	Fail	√	√				2
San Antonio	Pass	√	√	√	√	√	5
San Marcos	Fail	√	√	√	√	√	5
Selma	Fail	√	√				2
Victoria	Pass	√	√				2
Waco	Pass	√	√	√	√	√	5
Totals/Avg	29 P 9 F	35	38	17	24	18	3.48

Sources: Archived City Council and Bond Committee agendas, meeting minutes, and news releases.

As noted previously, nearly all the elections produced evidence of formalization and funding. This may be attributed to the fact that municipalities must adhere to specific laws and policies when calling municipal bond elections. Approximately half of the elections scored high in public participation (17 of 38 score four or above), while 13 municipalities rated low (two or below). The remaining eight elections rated average (three). Evidence of recommendations and implementations from public participation were found in most elections (24 of 38). Evidence of interaction and early involvement are less frequent, found in only 45 percent and 47 percent respectively. This may be due to the difficulty in locating these types of grass roots supporting documents.

The results are fairly evenly distributed across the sample size, with almost equal numbers of effective public participation programs as compared to non-effective programs. This distribution is not consistent with the bond election outcome distribution and shall be analyzed with a binary logistic regression in chapter 4.

Local economy data

Municipal financial reports and department of labor statistics provided local economic data regarding employment, per capita income, and population. These variables are used to measure the state of the local economy and are expressed as a rate of change (%) from the year preceding the election event. A positive number indicates economic growth, while a negative result indicates economic decline. The following is an example of the economic rate of change calculation.

$$\text{EGR}(e) = \frac{E(e) - E(e-1)}{E(e-1)} \times 100$$

EGR(e) = employment growth rate, election year (%)

E(e) = employment, election year

E(e-1) = employment, year prior to election

Similar calculations were conducted for income and population growth for each election. Local economy data is shown in table 3.5.

Table 3.5
Local Economy Data

City	Election Result	Employment Growth Rate (%) (a)	Income Growth Rate (%) (b)	Population Growth Rate (%) (c)
1. Abilene	Pass	3.9	6.9	-0.6
2. Allen	Pass	4.6	0.5	0.1
3. Arlington	Pass	-1.9	0.6	2
4. Austin	Pass	4.7	6.6	3.1
5. Balch Springs	Fail	3.9	4.6	5
6. Carrollton	Fail	1.0	4.1	2
7. Corpus Christi	Pass	0.3	4.5	0.3
8. Dallas 03	Pass	-1.9	0.6	2
9. Dallas 06	Pass	3.9	4.6	3
10. Denton	Pass	2.3	4.8	2.3
11. El Paso	Fail	3.3	5.6	1
12. Frisco 02	Pass	-2.9	-1	2.3
13. Frisco 06	Pass	3.9	4.6	13.6
14. Ft Worth	Pass	1.0	4.1	2
15. Garland	Pass	1.0	4.1	2
16. Georgetown	Pass	2.8	4.5	2.2
17. Houston 01	Pass	2.1	3.9	2.6
18. Houston 06	Pass	4.1	5.5	5.3
19. Hurst	Fail	2.2	1.7	1.6
20. Irving	Pass	3.9	4.6	0.9
21. Keller	Fail	3.9	4.6	2.9
22. Lewisville	Pass	-1.9	0.6	2
23. Longview	Pass	3.4	4.6	1.1
24. Lubbock	Pass	1.9	4.8	0.7
25. McKinney	Pass	-2.9	-1	2.3
26. Midlothian	Fail	3.9	4.6	7.1
27. Missouri City	Pass	-0.9	1.6	2.3
28. Pasadena	Pass	-0.4	-2.8	2.8
29. Pearland	Pass	4.6	4.6	7.4
30. Plano	Pass	2.2	4.8	2.3
31. Richardson	Pass	3.9	10.9	0.5

32. Round Rock	Pass	-3.1	-1.1	4.4
33. Rowlett	Fail	3.9	4.6	2.9
34. San Antonio	Pass	3.9	4.6	2.1
35. San Marcos	Fail	4.7	5.2	3
36. Selma	Fail	3.5	4.3	70
37. Victoria	Pass	2.7	1.3	0.7
38. Waco	Pass	2.6	4.6	1

Sources:

- (a) Texas Workforce Commission data; www.tracer2.com
- (b) Yrs. 2000-2005, Bureau of economic analysis (bea), U.S. dept of commerce; <http://www.bea.gov/regional/reis/CA1-3fn.cfm>, for metropolitan statistical areas (msa's).
Yrs. 2006-2007, municipal financial / budget reports except;
 - a. Dallas 2006, www.bigd-ed.org, Dallas economic review
 - b. Houston 2006, bea state of Texas data
 - c. Longview 2007, bea state of Texas data
 - d. Selma 2006, City of San Antonio financial report.
- (c) Municipal annual budget and comprehensive annual financial reports

Employment growth rate data is obtained from the Texas Workforce Commission database. This data is maintained for all Texas municipalities on their website www.tracer2.com.

Metropolitan statistical area (MSA) income data for years 2000 thru 2005 was obtained from the bureau of economic analysis (BEA) division of the U.S. department of commerce and used to compute the rate of income change. Because income data is not yet available from the BEA for 2006 and 2007 elections, local income data was collected from the municipalities themselves by accessing their comprehensive annual financial reports (CAFR) and annual budgets reports. These reports are available on line for all but four elections, the Dallas 2006, Houston 2006, Longview 2007, and Selma 2006 elections. Income for the Dallas 2006 election was obtained from Dallas economic review publications, BEA data for the state of Texas was used for the Houston 2006 and

Longview 2007 elections, and 2006 City of San Antonio (of which Selma is a suburb) income data was used as a proxy for the Selma 2006 election.

Population growth rates are obtained from municipal budget and CAFR reports in most cases. Using the census 2000 as a baseline, these reports contain demographic sections estimating population histories based on building permits and other development data. The exceptions are the Lewisville 2003, Keller 2006, Selma 2006, and Rowlett 2006 elections which use the surrounding MSA population growth rate data.

Annual employment growth rates range from a low of minus 3.1 percent for Round Rock 2001 to a high of 4.7 percent for Austin 2006 and San Marcos 2005. The median per capita income growth rate is 4.6 percent with a range of minus 2.8 percent for the Pasadena 2002 election, and a high of 10.9 percent for the Richardson 2006 election. Population growth rates range from a low of minus 0.6 percent for the Abilene 2006 election to a high of 70 percent for the Selma 2006 election. The median population growth rate is 2.2 percent.

Statistics

A binary logistic regression analysis is used to define the relationship between the dependent and independent variables. When the values of the dependent variable are not continuous (as in this case) and can be expressed as membership/non-membership, completion/non-completion, survival/failure, or pass/fail, a logistic regression analysis can be used to predict the outcome. The logistic regression is based on the probabilities (odds) of the outcome occurring, and the logarithm of the odds (George & Mallery,

2000). This statistical method was used to analyze the data and test the validity of the hypotheses. The results of the logistic regression test are presented in the next chapter.

Chapter 4. Results

Introduction

The purpose of this chapter is to test the hypotheses about the influence of citizen participation and the local economy on the likelihood of a bond election passing. Binary logistic regression tests are used to test the hypotheses without taking into account the control variables. The control variables measure demographic differences among the sample municipalities. The binary logistic regression results present the affects of the citizen participation and the health of the local economy on municipal bond election outcome. The hypotheses are summarized below.

- H1: There is a positive relationship between municipal bond election passage and effective citizen participation,
- H2: There is a positive relationship between municipal bond election passage and the health of the local economy,
- H3: The health of the local economy is the predominating factor affecting municipal bond election passage.

Simple statistical results

The average public participation score was 3.48 on a scale of 0 to 5, meaning most elections satisfied a majority of the effectiveness participation criteria. The median public participation score was 3. For those elections below the median, 78.9 percent passed compared to 73.7 percent for those elections above the median.

For elections below the median employment growth rate (2.75 percent) 89 percent passed compared to 63 percent for elections above the median. Seventy-nine percent of elections below the median income growth rate (4.6 percent) passed compare to 74

percent of elections above the median. Finally eighty-four percent of elections below the median population growth rate (2.2 percent) passed, while 68 percent passed for elections above the median.

These simple statistical results seem to indicate a negative relationship between the independent and dependent variables. However, a binary logistic regression test will provide a more exacting model of the results for analysis. This analysis is provided in the following sections.

Logistic Regression Results

A binary logistic regression is used because the dependent variable (election results – pass/fail) is dichotomous. The sample size remains the 38 “election events”. One independent variable measures the affects of public participation, and three independent variables measure the affects of the local economy. The possible values for public participation range from zero to five with five reflecting higher public participation effectiveness. Actual values for the local economy variable are used (growth rates for employment, income, and population). Since we know we want all independent variables entered into the model, the enter method is used. The logistic regression results as run in SPSS are contained in table 4.1.

Table 4.1
The Likelihood of Bond Event Passing, Logistic Regression

Independent Variable	B	S.E.	Wald	df	Sig	Exp(B)
. Employment growth	-.443	.318	1.944	1	.163	.642
Income growth	.069	.239	.084	1	.772	1.072
Population growth	-.071	.079	.805	1	.370	.932
Public Participation	-.138	.301	.209	1	.648	.871
Constant	2.872	1.513	3.602	1	.058	17.669

N=38

Logistic regression is conducted to determine which independent variables (employment growth, income growth, population growth, and public participation) are predictors of municipal bond election outcome. The regression results indicated the overall model of four predictors were not statistically reliable in determining the outcome of elections. (-2 Log likelihood=34.448). The model correctly classified only 76.3 percent of the cases.

Wald statistics indicate that all variables minimally predict election outcome. None of the variables achieved statistical significance as shown by the Wald statistic and Sig values. The regression coefficient B values show minimal independent variable effect on the election event outcome. Standard errors (S.E.) for B indicate a low model accuracy and fit. Exp (B) is the calculated odds ratio for B and reveals negative dependent/independent variable relationships for all except income growth.

The odds ratio (Exp B) represents the dependent variable increase or decrease when the independent predictor variable increases by one. For every one percent increase in employment growth, the likelihood for election success decreases by 35 percent. For every one percent increase in income growth, the likelihood for election success increases by 7 percent. For every one percent increase in population growth, the likelihood for election success decreases by six percent. Finally for every one percent increase in public participation effectiveness, the likelihood for election success decreases by 13 percent. However, these results are negated by the low significance factors.

Based on these results, H₁ stating the positive effect of public participation on municipal bond election outcome is not supported. Pooling the results of the three economic predictors gives a negative relationship to bond election outcome as well.

Thus, H₂ stating the positive relationship between the local economy and municipal bond election outcome is also not supported. Since none of the variables achieved predictor significance, H₃ purporting the local economy as the predominating factor is also not supported.

These results must be taken with in the context of the logistic regression model fit. The 76.3 percent correct classification is not ideal. Binary logistic regression models are sensitive to correlation between the variables. If variables have high correlations, the regression may have multi-collinearity and be unstable. Also, all data was entered into the model without omitting outliers. Outliers may also skew the data. An example is the 70 percent population growth rate experienced by Selma; an extreme value when compared to the other election events.

Chapter 5. Conclusion

Research summary

The purpose of this study was to test whether public participation and the state of the local economy are predictors of municipal bond election outcome. The first chapter introduced the importance of municipal bonds to the public service administrator. Can the passage of municipal bond elections be correctly predicted from knowledge of the state of the local economy and effective public participation? Specifically, what is the relationship between the local economy, public participation, and municipal bond election outcome?

Chapter two developed research hypotheses, based on the literature review that state a positive relationship between the variables and election outcome. Additionally, the affects of the economy as the predominating factor is hypothesized. Substantial scholarly literature supported the public participation link to municipal bond voter behavior. However, logical arguments based on the economic theory on voting behavior are used to link the state of the local economy to bond election outcome. The chapter concludes with the conceptual framework used for the study and presents the three formal hypotheses formulated from the literature.

The methodology chapter introduced the methods used to conduct the research. The hypotheses are operationalized and a logistic regression test developed to test their accuracy. Content analysis was used for obtaining public participation data and the challenges associated with the method discussed.

Chapter four presented the simple statistics and logistic regression test results. The simple statistical results indicated little independent variable affect. The regression results did not support our research hypotheses. The tests revealed insignificant independent variable effects on election outcome. A summary of the test results as they link to the hypotheses is shown in table 5.1.

**Table 5.1
Hypotheses Tests Summary**

Hypotheses	Exp(B)	+/-	Wald	Supported
H1	.871	-	.209	NO
H2	.642	-	1.40	NO
H3	.642	-	1.40	NO

This suggests other factors were not accounted for and that municipal bond election outcome cannot be reliably predicted based on public participation efforts and economic conditions alone. The research results indicate negative relationships for employment growth rate, population growth rate, and public participation. The results indicate a positive relationship for income growth rate. Given these results H₁ and H₂ are not supported. H₃ is also not supported as the predominating factor failing an acceptable level of significance. The data sample reveals most municipal bond elections are successful. Of the 38 bond elections chosen, 29 passed. Of those nine that failed, all but one had only a single defeated proposition.

Locating defeated bond elections for the research sample was a difficult process. Future logistic regression tests may benefit from a larger sample size and greater failed samples. Bond elections have increased in recent years which will provide additional samples. This may be due to administrator sensitivity to prevailing economic conditions.

The majority of bond programs contain a public participation component. Evaluating these programs may be better served in further research with a survey. Many documents related to past public participation programs are difficult to locate and are no longer maintained. This led to subjective assumptions on program effectiveness.

Suggestions for future research

Other factors not accounted for in this study include timing with other bond elections, overlapping debt load, types of propositions and type of growth. These may be significant causal factors affecting bond election outcome.

Counties and school districts are other governmental agencies that depend heavily on bond debt to fund needed infrastructure improvements. Timing municipal bond elections with these other elections may strain voter acceptance. Future studies taking these timing variables into account may reveal additional insights into the factors affecting bond election outcome. The debt load statistics used in this study only deal with municipal tax supported debt. Additional debt burdens include overlapping school district and revenue bond debt which may be introduced in further studies.

Bond elections are used to fill a variety of capital needs, including streets, drainage, water/wastewater, parks, buildings, and fire trucks. These are usually presented to the voters as separate propositions. Voters may be more sensitive to meeting basic public safety and health needs, rather than aesthetic and recreational needs. Future studies taking into account the type of public improvement may reveal new results.

There can also be different goals for municipal bond elections. Goals can basically be categorized as infrastructure repair related, or development infrastructure

related. The community culture regarding rapid growth and development versus slow growth can affect the support for either type of election. There are also different types of economic growth such as growth due to new development or annexation. Accounting for these varied community cultures and priorities should be included in further studies.

While the results of the study are disappointing in terms of supporting our formal research hypotheses, incorporating these additional factors in future studies may reveal the positive determinants of a successful municipal bond election. This can be a powerful planning tool for the public manager.

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