



REPORT

OCTOBER 2024

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A FREE-MARKET GUIDE FOR MISSOURI MUNICIPALITIES

PART ONE: MUNICIPAL ORGANIZATION AND STRUCTURE

By David Stokes

ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY



KEY TAKEAWAYS

- Most Missourians live in municipalities, but the level of services provided to citizens by those municipalities varies greatly.
- City managers and administrators can effectively manage municipalities, but the evidence for civic improvements under that structure is not quite as compelling as some supporters claim.
- The theories of Charles Tiebout—that local governments compete for residents based on a menu of public services funded by varying tax rates and enforced by zoning laws—are applicable in Missouri and particularly in heavily fragmented St. Louis County.

INTRODUCTION

The adoption of free market–oriented public policies by governments has the capacity to dramatically improve lives around the world. Dramatic, market-based economic reforms in China (in 1978)¹ and India (in 1991)² lifted hundreds of millions of people out of poverty in those nations. As I look at Missouri’s cities, towns, and villages, I find that the adoption of free market–oriented policies will also positively impact the lives of their residents.

“A Free-Market Guide for Missouri Municipalities” will be released as a series. Each entry in the series will incorporate historical knowledge, political realities, and academic studies on the management of municipalities in our state. They will be organized based on content area and are intended to serve as resources for municipal officials, taxpayers, and interested citizens. This first guide covers the structure and organization of municipal government itself. Subsequent guides will be released on municipal taxation, transportation and public works, public safety, parks and recreation, and public health.

I should say at the outset that the details of a municipality’s organization as discussed here do not generally make it easier or more difficult for free-market policies to be enacted. Reform is much more dependent on public will and the responsiveness of government

officials than on, say, whether a city chooses to hire a city manager. For example, consider Oakland and Marshall, which will be compared further in later portions of this project. Oakland has adopted many of the policies favorably discussed in this guide, while Marshall has adopted far fewer of them. Nonetheless, both cities operate under the city administrator form of government.³ Clearly, a sound working knowledge of a governing body’s structure is necessary for anyone who intends to shepherd policy reform through the legislative process.

Throughout this series I use the term *free market–oriented policies* in a broad sense. It encompasses policies that create a more optimal tax system for economic growth, save taxpayers money by sharing or outsourcing services, deliver higher-quality public services through competition or privatization, and expand opportunity by reducing barriers to employment and entrepreneurship.

Free-market policies can be difficult to characterize philosophically. Some could be considered progressive (liberalizing zoning and limiting tax subsidies), some conservative (eliminating local income taxes and reducing union influence on licensing), and some libertarian (privatizing public services). However, all of the policies that will be discussed in this series have been implemented somewhere in the United States—and usually somewhere in Missouri—with beneficial results.

Inertia is an extremely powerful force in local government. Arguments such as “We’ve always done it that way” or “Most cities do it like that” carry considerable weight in local policy and politics. This project will present examples of cities, towns, and villages that enact policies to provide a wide variety of public services in a more market-oriented, limited-government manner. If we can succeed in bringing attention to such examples—even when small or rare—to those involved in the daily operation of local governments throughout Missouri, this project will be a success.

A quick note on the terminology: In this series, *municipality* will refer to all three recognized types of incorporated communities: cities, towns, and villages. When *city*, *town*, or *village* is used, it generally refers to individual examples of each, or to laws and policies specific to that type of incorporated community. *Town* is much less clearly defined in Missouri law than the other

two, so that term will not be used in a specific sense. The term *suburb* will be used only in its normal manner, referring to an independent municipality located close to, and interconnected with, a large city. Habit, simplicity, and a desire to vary the terminology will result in using “city” as shorthand for all types of municipalities in certain instances.

BACKGROUND AND EXAMPLES OF FREE-MARKET MUNICIPAL GOVERNMENT

The 20th century saw Missouri transform from a rural state to an urban one. In 1900, Missouri’s population was 64 percent rural and 36 percent urban. By 1950, it was 62 percent urban and 38 percent rural. By 1970 it was 70 percent urban and 30 percent rural, where it has basically remained over the ensuing decades.⁴ This guide focuses on incorporated municipalities rather than the urban–rural distinction. There are unincorporated urban areas and incorporated rural communities, but as a general indication of the move toward cities and, later, suburbs, those data tell the story.

Most municipalities, particularly larger ones, promulgate a substantial number of rules regulating their citizens. Many of those rules are necessary for modern, urban society, like traffic lights and trash-pickup schedules. Some of them fulfill a need but are often taken too far for reasons of politics and rent-seeking, like taxicab licensing. As time and technology have advanced, functions that at one time may have been best performed by local government can now be handled more efficiently by the private sector, such as municipal utilities. How should municipalities adapt to properly meet the needs of their people? That question was the impetus for this project.

An estimated 83 percent of Americans choose to live in urban areas, and urban areas primarily consist of municipalities. (St. Louis County is an exception to that, with a large unincorporated population of approximately 300,000 people, or 30 percent of the county.) Most municipalities in urban areas have zoning, building codes, municipal utilities, and many other governmental functions, along with the higher taxes needed to pay for these comprehensive local services.

Not every large city in the United States has them all, of course. Houston, Texas, famously has no zoning. The town of Caroline, New York, is one of the last towns in that state without zoning, and it is currently undergoing a citywide debate over the issue.⁵ St. Louis County and its 87 municipalities have entirely private utilities.⁶ Branson has America’s only private commercial airport. But overall, the revealed preference of most Americans is to live in urban areas with typical municipal rules, regulations, and taxes.

An example of a local government starting with a limited-government model was the creation of Sandy Springs, Georgia. The new city was incorporated in suburban Atlanta in 2005 and at first outsourced almost every service to a private contractor, the engineering firm CH2M, through the use of public–private partnerships (PPPs, or P3s). Other cities in Georgia have been created following this model, almost all in the suburban Atlanta area. Over time, Sandy Springs changed from outsourcing everything to one contractor to using multiple contractors for various services. In 2019 Sandy Springs broke away from the contractor model and brought many public services in-house. Several of the other cities created in the Sandy Springs model, including Dunwoody, Georgia, have done the same thing. Clearly, the policy of privatizing nearly all public services is no longer being used, but it remains true that these communities still contract for a significant number of services. Sandy Springs’ mayor explained these changes at the time of the move to bring more public services in-house:

Also, we still use P3 . . . for a number of services, so we have adopted more of a hybrid P3/traditional model than a pure version of either delivery model, which has always been the case in Sandy Springs. . . . We just shifted (we believe temporarily) more services to the traditional model due to the premium pricing that exists in the private sector today.⁷

Sandy Springs has, at least temporarily, stepped back from its full-throttle approach to privatization, but another Southern city has not. Weston, Florida—current population 68,000—incorporated in 1996. It predated Sandy Springs, and it too adopted the complete-contracting model for municipal government. It still makes use of the complete-contracting model, and as of

2023 has only 10 municipal employees.⁸ For whatever reason, Sandy Springs got most of the attention in the political science literature, but Weston might be a true limited-government success story and the best model for Missouri municipalities that may wish to emulate such a system.

The Story of Pierpont

Why do municipalities incorporate in the first place? Several reasons can trigger an incorporation effort. However, municipalities generally incorporate for the purpose of controlling local land use. For example, in 2004, the Village of Pierpont incorporated in Boone County. It did so as a preemptive strike to prevent annexation by nearby Columbia (although Columbia denied it intended to annex the area). Pierpont is one of the newest municipalities in Missouri out of the 947 counted by the Missouri Secretary of State (or 943 counted in the 2022 United States Census of Governments).⁹ In contrast, Charmwood, in Franklin County, which is actually the newest municipality in the state, incorporated as a town in 2010 in order to be eligible for state and federal funds to improve the then-unincorporated community's problematic water and sewer systems.¹⁰

Municipalities generally incorporate for the purpose of controlling local land use. Instances like Pierpont are more common than those like Charmwood. The residents of the new municipality may want increased regulation of land use, or they may want less regulation of land use, but they want to be the ones making that decision—not their county or a larger, neighboring city.

In the 1990s, Wildwood, in St. Louis County, incorporated because the residents disagreed with how St. Louis County was allowing development in the area. They wanted to be the ones making those decisions, which, in that case, were in favor of instituting more restrictive development policies.

Pierpont was not, and is not, an ambitious city. That's a compliment. The residents primarily incorporated it to avoid being subject to the rules of Columbia in the future. As one supporter recalled about the effort several years later:

“We don't have a bunch of people saying, ‘You can't do this, you can't do that,’ and all that silly stuff,” he said, pointing to Columbia's prohibition on roosters and the limit on the number of chickens city dwellers can own.¹¹

Pierpont has no fire or police service. Those responsibilities are still met by the same providers as before incorporation, primarily the Boone County Sheriff's Department. It has no parks. There are plenty of state, other municipal, and even private parks nearby. The village is required to elect leaders, manage a budget, enforce zoning rules and building codes (likely to be the bare minimum required by law within a village created to avoid rules in the first place), and do a few other, minor things. The main role of the village is to maintain its small road system. It pays for all its public services with a small sales tax and its share of state and county road tax money. It does not levy a property tax, unlike most Missouri municipalities. That's it.

Compare Pierpont with St. Louis and Kansas City. These are large cities with enormous budgets, thousands of employees, many public services to provide, and substantial public assets to maintain. Just as the people of Pierpont do not want many local regulations, the citizens of St. Louis and Kansas City generally do want them—at least more so than in Pierpont. Which services to provide, how to provide them, and how to pay for them are the central questions facing all municipalities.

UNDERSTANDING THE MISSOURI MUNICIPAL GOVERNMENT STRUCTURE

Whether large or small, one of the first tasks that faces any municipality is deciding on the deciders. How do you arrange your municipality's political structure and leadership? As stated previously, cities, towns, and villages are all types of municipalities under Missouri laws. Depending on various factors—primarily population—each of the 947 municipalities falls into one of five classifications (Table 1). Missouri's largest cities are all constitutional charter cities, which gives their residents and leaders more discretion over matters within municipal boundaries.

Table 1: Missouri Municipalities

Class	Population Requirement	Total Municipalities	Forms of Government Allowed	Total of Each Form of Government
Village	Fewer than 500	259	Board of Trustees	
Class 4	500–2,999	581	Mayor/Board of Aldermen	750 (approx.)
			Mayor/City Administrator/ Board of Aldermen	150 (approx.)
Class 3	3,000–29,999	59	Mayor/Council	
			Mayor/City Administrator/ Council	
			Council/Manager	40 (approx.)
			Commission	1 (Monett)
Constitutional Charter (Home rule)	More than 5,000	41	To be decided by the people	
Legislative Charter	None	7	As set forth in the city charter	

Notes: The numbers in the final column include cities from multiple classifications using that form of government. All villages, which have a chairman and a board of trustees, are counted in the mayor/board of aldermen form. The total number of municipalities in Missouri is unclear. The 2022 Census of Governments states 943, but does not list them by name. The 2023–24 Missouri State Manual lists 947. I believe neither is exactly correct. Cities that incorporate based on a certain population are not required to change their classification if their population changes. There are numerous villages in Missouri with more than 500 residents.

Sources: “Forms of Government for Missouri Municipalities,” *Missouri Municipal League*, June 2007; *Official Manual, State of Missouri, 2023–2024*; *2022 U.S. Census of Governments*.

The five classes of municipalities usually have options with respect to how the local government will function. In the case of charter cities, those options vary widely. However, villages—which are the smallest incorporated entities—have no choices and must use a board of trustees, a form of government in which the citizens elect five trustees and then those trustees select a chairman of the village board from among their ranks.¹² Technically, there is no legal definition of a “town” in Missouri. All five of the municipal options in Table 1 are referred to as either “cities” or “villages.” “Town” may seem to be a colloquial term used for small, but not tiny, communities. However, the term “town” is used frequently in Missouri statutes,¹³ so it has some legal meaning beyond its use as part of the title of certain municipalities (e.g., the Town of Norwood Court).

Class three and class four cities can choose from among various forms of government. Class four cities can choose either the mayor/board of aldermen form or the mayor/city administrator/aldermen form. The primary structural decision in class four cities is whether to hire a professional administrator or let the elected officials manage the daily duties of government. Most class four cities have not elected to hire a city administrator, but some, like historic Sainte Genevieve, have done so.

Class three cities have four options, with the council/manager and commission forms of government added to the two options of class four cities. The major differences among the three primary choices—mayor/council (or board), mayor/city administrator/council, and council/manager—pertain to the municipality’s decision of whether to hire a professional city manager and how much power to give that position. Full-time, professional city managers are employed in both the mayor/city administrator/council and the council/manager forms, although the professional administrator has more power under the latter. The council/manager form still has a mayoral position, but like the chairman of a village board, the mayor is chosen annually from among the members of the council and the mayoral position is largely ceremonial. Almost all class three cities employ either city managers or administrators.

The final option for class three cities—the commission form—is almost obsolete; only the city of Monett still uses it. (West Plains used it until a charter change in 2013.) In this form, the mayor and council members serve directly as the department heads of city agencies while also serving on the legislative body. It is similar to how in the United Kingdom, select Members of Parliament from the majority party also concurrently serve as cabinet members. (There are also many more ways in which the government of Monett is *not* similar to the United Kingdom: Monett has neither a king, nuclear weapons, nor a former worldwide colonial empire to name just three examples.)

Mayors and council members (or aldermen, or trustees) are usually paid a small stipend for their services. Full-time, well-paid mayors are generally reserved for the state’s largest cities, but some smaller Missouri cities also have full-time mayors. Riverview, for instance, a suburb of Saint Louis with a population of around 2,500 residents, has a full-time mayor with a full-time salary in lieu of a city manager or administrator. Historically, well-paid local politicians from smaller municipalities were often funded through abusive traffic ticket practices. The state appropriately cracked down on that practice after the riots in Ferguson by further limiting the amount of money a municipality can raise with fines.

Within these primary forms, most cities have three or four wards, with two council members per ward, and a mayor elected citywide. Sometimes the mayor votes with

the board, and sometimes he or she just breaks ties. In city manager municipalities, the board interacts mostly with the city manager, while in city administrator cities there is more direct contact between the staff and elected officials. In some city manager cities, such as University City, council members can be impeached for having too much direct contact with the municipal staff outside of the city manager; this is usually defined along the lines of “directing or ordering municipal staff.” (That actually happened in Ellisville in 2013, though a court overturned the mayor’s impeachment.) These small differences aside, most municipalities of similar size in Missouri have similar forms of local government.

There are also seven legislative charter cities in Missouri: Augusta, Carrollton, Chillicothe, LaGrange, Liberty, Miami, and Pleasant Hill. These seven cities were all granted special charters in the 1800s, but the constitutional method of granting these charters was eliminated in 1875. Missouri City, in Clay County, had been a legislative charter city but recently reclassified itself as a 4th-class city. Most legislative charter cities, however, are now using one of the standard forms of government. LaGrange, for example, uses the city administrator form, but differentiates its three wards by north, middle, and south instead of by number—which would not be allowed were it not a legislative charter city. One can only imagine the mayhem that would ensue if more cities were allowed to label their wards by geographic direction instead of numerals.

Missouri’s largest cities, including all six cities with a population greater than 100,000, are mostly constitutional charter cities. The largest city in Missouri that is not a charter city is St. Peters in St. Charles County, which is the 10th-largest city in the state. Any municipality with more than 5,000 residents can become a charter city, but, somewhat surprisingly, only 41 have done so. These municipalities have more discretion over how they govern themselves, and they exemplify several unique structures for local government. One charter city is Kansas City, with its six council members elected at large, another six by wards, and a very powerful city manager. Independence and Berkeley are two other cities with a hybrid of at-large and ward councilmembers. Springfield and Joplin both use a system in which all members of their city council are elected at-large, but some of the councilmembers must reside within certain city zones.

Another unique system is that of the City of Saint Louis, which until recently had 28 aldermen from 28 wards, one at-large president of the board of aldermen, no city manager or administrator, and numerous citywide elected officials. In April 2023, St. Louis officially reduced its number of aldermen and wards to 14, which still is a system that is allowed only because it is a charter city.

Wildwood, a Saint Louis suburb established in the 1990s, has eight wards with 16 council members—both very large numbers for a population of only about 35,000. Other charter cities, such as Olivette, Kirkwood, and Webster Groves, which are all also in Saint Louis County, elect their councils entirely at-large.

These structural decisions can affect how a municipality taxes and spends (which will be discussed further in the section on public-choice economics). Missouri actually requires that cities with the city-manager form of government elect their council either entirely at-large or with a combined system-ward and at-large system.¹⁴ However, since most cities with the council–manager system are also constitutional charter cities, they have the authority to ignore that law in their local government organization and operate their city council or board by wards, as many of them, including the St. Louis County municipality—and county seat—Clayton, have done.

Nonpartisan Elections

Municipal government in Missouri is nonpartisan, which means candidates do not run for office with a party affiliation. The City of St. Louis was the last city to adopt nonpartisan municipal elections, which it began implementing in 2020. The process was disputed, however, and special elections as late as 2022 were still held with the candidate’s party affiliation listed on the ballot.

As an independent city not within a county, the City of St. Louis still has several municipal officials who hold what would normally be “county” offices and campaign on a partisan basis. Other than those officials and the recent special elections in St. Louis, all municipal officials in Missouri are nonpartisan.

But should they be? Nonpartisan elections are often sold as a cure for municipal political ills, from lack of public interest to running local campaigns based on

more national allegiances. While there is some truth to the latter claim, the overall evidence for the benefits of nonpartisan elections is lacking. It usually benefits the minority party in whatever community it is enacted in. However, studies have shown that nonpartisan elections reduce voter information in its simplest form. Hope as one may, the vast majority of voters are simply not going to do more research on candidates if you take away the party cue. Evidence suggests things like incumbency, with its added name recognition, and the ethnic identity of names become more important in nonpartisan elections as voters have less information to base their votes on.¹⁵

I am not suggesting that Missouri municipalities enact partisan local elections for city council. Most municipal voting districts are small enough that the candidates are known to the majority of voters, or, more accurately, could be known to most voters if they cared about their local government. But in our largest cities with large political districts, taking away the party label is not giving voters more helpful information, and based on the importance of local party endorsements has not taken politics out of the system anyway. In St. Louis, which reduced its number of wards and members of the board of aldermen at the same time it was removing party labels, the city removed key voter information at the very time voters needed it most. Hence the fight by the city Democratic party to maintain party labels during the 2022 special elections.¹⁶

The greater danger to voters is in the idea that Missouri should move to nonpartisan elections for county-level offices, but that is a discussion for another time.

Considerations Regarding the Size of the Governing Body

Public choice is the field of study that takes economic methods and theories and applies them to political science. In recent years, economic studies of government have produced a considerable body of literature about how the structure of government, the bureaucracy, and its provision of services affects people. The economic effects are generally measured in terms of taxes, spending, or property values. Public choice theory, as it is known, is part economics and part political science. One prominent finding of public choice economics is the “Law of 1/N,”¹⁷ which states that spending will grow as the size of a

legislature increases. Other studies have demonstrated that a state's budget grows in relation to the size of its legislature,¹⁸ and that local spending grows in relation to the size of a local council.¹⁹ Studies have also shown that cities that elect local officials by ward or district spend more per capita than cities with at-large elections (meaning each member of the council represents the entire city).²⁰

While the math that supports these studies is complicated, the essential reasoning is not. Legislators at all levels frequently trade votes with each other (“logrolling”), leading some to support spending for projects or programs they would normally not care about in order to secure support for their own projects and programs. The more legislators there are at any level of government, the more opportunities exist for pet projects, preferred programs, and logrolling.

The role of a city manager or administrator comes into play here, as the general public is not privy to the day-to-day workings of municipal government and can only judge its overall effectiveness. Differentiating the successes and failures of a municipality and attributing them to either the city manager or the elected officials is difficult for voters. Of course, city managers or administrators—who report to the elected board and not voters—will account for this in their dealings with the elected officials and public.

If the bulk of the literature agrees that spending increases with the number of elected officials serving on an elected body, then what about the number of government entities, such as cities, in an area? The groundbreaking work here was done by Charles Tiebout, who first proposed that residential mobility has created a competitive environment for local government, and that the resulting competition has kept local government spending and provision of services efficient.²¹ If government services are better and taxes are lower in Lee's Summit than in Blue Springs, a family can make that move without drastically changing their lives. Hence, according to Tiebout, the invisible hand of competition constantly adjusts municipal government, as people “vote with their feet” as measured by population changes. Tiebout's theory has been demonstrated by other economists, in particular Wallace Oates, as a realistic and effective model of local government choice.²² Tiebout's ideas are particularly applicable in areas with many

municipalities, like St. Louis County, and, perhaps even more importantly, many school districts, like the entire state.²³

How do all of these studies relate to actual cities in Missouri? Do municipalities with smaller councils, fewer elected officials, and at-large elections spend less taxpayer money than other municipalities? Is that what the voters and residents want in the first place? How do city managers affect these spending levels? While my attempt to apply many of these ideas directly to analysis of Missouri municipalities was hampered by small sample sizes for some of the questions, there were certainly indications that these theories were accurate when applied to particular Missouri cases.²⁴ So, yes, larger city councils do spend more, and at-large councils do spend less.

However, existing rules in Missouri—such as the law requiring local governments to have balanced budgets and the Hancock Amendment provisions to the state's constitution requiring public votes on tax increases, tax rate rollbacks, and other taxpayer protections—have had the effect (intentionally) of limiting taxing and spending in Missouri municipalities. There are simply no cities in Missouri that look like a tax version of 1970s Sweden, where the tax rates were so high that for certain self-employed, high-income people, they were greater than 100%. While I think Wildwood's 16-member council is too large and the use of at-large elections in cities should be expanded, I believe the overall effects of these structural changes on taxing and spending in Missouri municipalities would be minor given other existing checks on local government.

City Managers vs. City Administrators vs. Neither

The fundamental choice every 3rd-class, 4th-class, or charter city faces is whether or not to hire a professional city manager. There are two options: city managers and city administrators. The differences between them are subtle yet significant. City managers tend to have greater authority. They generally run the day-to-day operations of the city while the mayor and council stick to their legislative and ceremonial roles. In some cities with a city manager, elected officials can be impeached and removed from office for having contact with city employees who are

under the city manager's authority. As discussed previously, University City and Ellisville (and other cities) have that rule in their charters.

In a municipality with a city administrator, the mayor often has more involvement in daily operations, although the role of the city administrator is certainly large. As for elected officials contacting city employees under the city administrator system, there are cities (including Lake Ozark) that prevent it, but the language is more focused on “interfering” with the employees than simply having contact with them.

Whether city managers or city administrators, does professional management have a positive effect on local government? I believe most people assume it does. The revealed preference of larger Missouri municipalities certainly suggests as much. Four of the five largest cities in Missouri (Kansas City, Springfield, Columbia, and Independence) use the city manager system. Only St. Louis does not, but clearly there are hundreds of nonelected employees engaged in managing the day-to-day operations of St. Louis, as is true of any large city. St. Louis simply does not have a designated city manager or administrator. Other large cities in Missouri that do not use a city manager or administrator include Florissant, Palmyra, and St. Charles.²⁵ According to a systematic review of the research on city managers (and administrators) there is strong evidence that professional management allows city officials to focus more on policy and management and less on politics. It also reduces legislation or regulation favoring particular interest groups in favor of more broadly applied policy.²⁶

Municipalities with professional managers also experience less corruption, which was one of the reasons for creating the council–manager system of local government in the first place a century ago. A nationwide study of local government criminal convictions between 1990 and 2010 determined that municipalities with professional management were 57 percent less likely to experience corruption.²⁷

On the other hand, voter participation is lower for city manager and administrator municipalities.²⁸ Taking the politics out of local government works both ways.

Regarding budget and fiscal transparency, a study of larger American cities found that those with a city manager structure consistently performed better on financial reporting and accounting measures. The authors credit the different incentives faced by city managers and mayors:

The incentives of mayors vs. CMs [city managers] as chief executive officers are quite different, which was discernable in both theoretical and empirical models. Fundamentally, mayors are expected to seek reelection and be motivated to please key constituencies. CMs are professional CEOs who signal competence through high level financial and accounting performance.²⁹

Other studies have determined that municipalities with city managers had more conservative budgeting and lower audit fees (because the financial reporting was more accurate in the first place).³⁰

There is limited evidence to support the idea that professional management reduces local political conflict, increases policy innovation, and limits symbolic legislation (as opposed to actual legislation that affects people).³¹ Reducing conflict and symbolic legislation are good things, but the evidence supporting the hope that professional management has an impact on them is tenuous. Increased policy innovation is a trickier area, because the studies assume that the innovative policies are positive ones, and often that isn't the case. Studies find that cities with professional managers contract with private firms and other governments more and that they use economic development tools more frequently.³² Both of these topics will be covered in detail later in this project, but suffice it to say that the evidence suggests contracting with other entities can be beneficial, while the use of economic development tools invariably involves tax subsidies that rarely live up to their promises.

There are many policy areas in which, perhaps surprisingly, the evidence suggests conditions are not improved by having a professional manager. Cities with professional management spend the same per capita, pay employees the same, provide the same quality of services, and are equally effective in providing the basic functions of government as municipalities without city managers or administrators.³³ It isn't that having professional city management makes these issues worse, but that there is no evidence there is an improvement, or even any difference at all.

The last two items from the list in the previous paragraph are key. Comparing cities A and B in whether they provide a service at all, the form they use to provide that service, and how much they spend on that service, are all questions that can be readily answered. Comparing the quality of that service between cities A and B is harder. In his literature review, Carr states that his work:

...reveals that scholars have more often chosen to study how form of government affects the sector choices that municipalities make for service production rather than how well they perform this function.³⁴

Interestingly, there is no consensus about whether having a city manager or administrator system affects taxes and spending. Conflicting studies abound on this point. While some studies report limited evidence that city manager structures reduce taxes and spending, other studies have determined that cities with city managers have higher levels of taxes and spending. For the latter studies, the key insight is not that city managers caused higher spending, but that the types of municipalities that historically adopted reforms such as professional city administrators were the same types of municipalities that supported higher levels of local services. While that is a valuable historic note, it is of limited use when considering Missouri municipalities in 2024.

Overall, though, most studies on this important question have determined that the structural change of adopting city managers does not make a difference on the question of taxes and spending levels.³⁵ As Carr stated, “. . . the most common finding from the studies examining this question is that spending differences are attributed to factors other than form.”^{36,37}

One risk in cities with the city manager system and strong prohibitions against elected officials contacting other city employees is that elected officials who may be on the opposite political faction of city leadership and the city manager can effectively be shut out of the information and decision-making process. If all the information an elected official has access to is filtered through a city manager they are opposing, the ability of opposition factions to function in local government is likely to suffer. While that may be seen as a feature rather than a bug for a system designed to be depoliticized, it is still problematic and subject to abuse.

Such a situation happened in Ellisville in 2013, where a newly elected mayor was hamstrung by a city manager loyal to the council majority that had previously hired him.³⁸

Professional city management can be an effective system for running local government, but care should be taken not to go too far in limiting the role of elected officials, especially those who may dare to ask questions of whatever current leadership team is in place. Democracy at all levels works best when there is a functioning opposition that demands accountability.

Should the City of St. Louis Have A City Manager?

Would St. Louis benefit from having professional management? In 2022, several St. Louis County city managers wrote an article for the *St. Louis Post-Dispatch* recommending that both the City of St. Louis and St. Louis County adopt professional management (I am going to focus on the City of St. Louis here). The authors argued that adopting a city manager would reduce corruption, improve public service, and address long-term issues of regional growth. Based on the research we have reviewed, the first point is likely, the second one is possible, and the third one is improbable (and an unrealistic expectation to start with).

One of the issues with St. Louis adopting a city manager is that in its unique position as an independent city not within a county, the city has certain “county” elected departments and elected officials whom a city manager would have no authority over. A city manager would not direct the following offices: sheriff, recorder of deeds, collector of revenue, treasurer, and license collector. That’s not an insurmountable obstacle, but it’s an issue.

Discussing change in St. Louis without considering the enormous crime problem would be an enormous omission. The prevailing assumption is that police are more insulated from public pressure in cities with a city manager, for better and worse, because elected officials have to respond to public demands more directly or they will lose votes. I see no reason to doubt that prevailing belief, but does it lead to higher or lower crime rates? Thomas Stucky researched that question, and he hypothesized that cities with mayor–council systems (i.e., no city manager) would have lower crime rates than council–manager cities because elected officials would respond to pressure to

police high-crime areas more than professional managers.³⁹ Stucky's analysis of the data, however, did not support his hypothesis. There was simply no evidence that the presence or absence of professional management has any effect on crime rates.

Troubled public schools are another major issue in St. Louis, but in Missouri municipalities do not manage schools, so the appointment of a city manager would have no impact on that major issue.

Perhaps the most direct question is whether the use of a city manager would improve the quality of basic government services. In other words, would the potholes get filled faster under a city manager or administrator? The article in the *St. Louis Post-Dispatch* by the three city managers avoids this question, perhaps assuming that professional, nonpartisan city management equals better city services. That assumption is common, and it may be correct. But the evidence for it is not as clear as its supporters would suggest. It isn't that professional management doesn't perform better than management by elected officials. It might. But as Carr summarizes the question of better performance by city managers:

For decades, analysts have presumed this performance gap exists, but they have yet to empirically demonstrate that any differences actually exist.⁴⁰

Appointing a city manager for St. Louis is an option worth considering, and at some point the residents and voters deserve an opportunity to decide on that change. As discussed in the previous section, the evidence suggests such a change would reduce corruption, improve financial reporting and budget accuracy, lead to more broadly focused legislation, reduce political conflict, and increase innovative policy thinking (for better or worse). These are beneficial examples from national studies, so the extent they would apply directly in St. Louis might vary.

On the other hand, there is not enough evidence to support the claim that professional management would impact taxes and spending, city employment pay, crime rates, or the quality of city services. (Anecdotally, I admit it is hard to imagine that service quality and crime rates in St. Louis could get any worse than they are.)

Professional city management may be what St. Louis needs, but it is unlikely to provide dramatic or easy solutions to the city's many profound problems.

The Bureaucracy

One of the central insights of public choice theory is that government employees at all levels, be they employees of the federal government or of the smallest Missouri village, are just as motivated by personal interests as anyone in the private sector. Bureaucrats act to increase their pay, power, and prestige just as any business executive would; they just do it within the realm of politics and government and use the tools at their disposal to do so. Public choice theory also implies that “the bureaucracy can play off one set of constituents against others, [e]nsuring that budgets rise much beyond plausibly efficient limits.”⁴¹

In our largest cities, the size of the city's bureaucracy can make it difficult to oversee, just as with any state government. For smaller cities, the situation is different. Full-time city employees have an information advantage over part-time elected officials. City managers can control the flow of information to city council members. Municipal finance directors will likely know the budget process much better than those who are supposed to be overseeing them. In municipalities of all sizes, negotiations on pay and benefits between elected officials and government employees may lack someone representing the interests of taxpayers (especially future taxpayers). Politicians may be concerned about raising taxes to fund higher salaries now, but they are often far less concerned about raising future taxes to pay for future pension and healthcare costs. I am not suggesting part-time municipal elected officials manage the minutiae of the municipal budget. I am suggesting that it is important to provide an outside review of the financial work of city employees, particularly in small municipalities. Outside auditors, attentive elected officials, and even dedicated local citizen activists can all play that role.

As I will examine in more detail in subsequent sections of this project that cover land banks and historic preservation, bureaucrats and consultants in those agencies have no interest in performing their job so well that they find themselves out of one.

Civil Service

Civil service reforms—which are intended to take politics out of local government employment—were instituted in reaction to the political patronage process and corrupt political machines of the late 1800s and early 1900s. Tom Pendergast in Kansas City led one of America’s most famous political machines. The abuses of the Pendergast machine, along with corrupt statewide practices like “the lug” (whereby state employees were required to donate a portion of their salary to political parties) led to changes in Missouri politics and government, perhaps most famously the creation of the “Missouri Plan” to select judges for the Missouri Supreme Court, Court of Appeals, and some local circuits. Relatedly, state and local governments instituted civil service reforms around Missouri to limit the influence of politics in the hiring and management of many government jobs. For example, in the Hannibal employee handbook, the city lists the following rules regarding city employees and politics (boldface indicates emphasis added by author throughout this guide)⁴²:

- The City of Hannibal is an equal employment opportunity employer. Employment decisions are based on merit and operational needs, and not on race, color . . . **political affiliation**, or any other factor protected by law.
- Aside from exercising your right to vote, **refrain from engaging in all other city election activities** that may help or hinder candidates or referendum issues. Employees may post political signs, or wear campaign buttons **off-duty**; aside from that, City employees are expected to **be politically-neutral** in matters of local elections.
- However, employees at work should not be distracted, **pressured, or solicited** for personal purchases, **donations, or political purposes**.

These rules are not unique to Hannibal. They are common and proper throughout Missouri’s municipalities.

However, as indisputably beneficial as rules like these are, they can go too far. In the City of St. Louis, stringent civil service reforms adopted in 1941—right around when Boss Tom Pendergast’s empire in Kansas City was collapsing—placed a great deal of power into the position of director of personnel and the civil service commission. This was

then—and can be now—a good thing. However, over time, the rules institutionalized power in the director of personnel, and the office inevitably became a stronghold of the status quo. Between 1942 and 2021, only four people held the position. When Mayor Tishaura Jones was elected on a mandate for change in 2021, she faced significant resistance from the personnel director in hiring people she wanted to serve in city leadership positions. As the *St. Louis Post-Dispatch* described:

The Jones administration has clashed at times with the personnel department in her tenure over the ongoing search for a city police chief and other employment issues, the *Post-Dispatch* has reported.⁴³

Influential organizations in St. Louis city government, such as the fireman’s union, had no interest in changing the civil service personnel structure it had come to dominate over the years. While that particular structure may have protected employees from pure partisan exploitation, it had also become an impediment to the changes voters wanted when they elected Mayor Jones. Rules that limit the impact of politics on municipal employment are necessary and beneficial, but cities should not allow rules like that to prevent change when that is what voters are demanding. After all, as H.L. Mencken famously said, “Democracy is the theory that the common people know what they want, and deserve to get it good and hard.”

Municipal Auditors

In 2023, two clerks from the small St. Louis County municipality of Flordell Hills were convicted of embezzling almost \$650,000 from the village.⁴⁴ In 2021, multiple city officials were charged with stealing \$115,000 from the Bootheel town of Parma.⁴⁵ These are just two recent examples of municipal thefts in Missouri. Improved fiscal oversight of smaller municipalities in Missouri is vital.

In an analysis of New York State comptroller audits of New York municipalities between 2003 and 2009, 234 out of the 259 audits included reports of deficiencies and recommendations for improvements in internal controls.⁴⁶ Twenty-five percent of the cities with internal control problems had funds missing or unaccounted for (though outright fraud was likely not the reason in every one of

those instances). The author of the New York analysis wrote something that applies perfectly to Missouri:

As noted at the outset, all entities are at risk for fraud. **Towns and villages are especially at risk, as they tend to be small organizations with limited personnel.** Such financial personnel as exist are often clerical rather than professional. Primary oversight is in the hands of elected officials—town and village board members—who may have little expertise, training, experience, or interest in internal controls. **Hence, weak control systems are not uncommon.** The findings of the New York State comptroller's audits over a seven-year period demonstrated that internal control deficiencies abound in towns and villages. Lack of effective controls coupled with weak oversight increase local governments' susceptibility to fraud.⁴⁷

Effective municipal auditing procedures can help municipalities prevent fraud, catch it quickly when it occurs, improve a city's entire budgetary process, spend tax dollars more efficiently, and give residents more confidence in their local governments. (Not surprisingly, Flordell Hills citizens voted down a tax increase soon after the fraud was discovered and publicized.)

The Missouri state auditor's office is tasked with auditing cities when requested to do so by other elected officials or residents, but those audits usually begin after a problem has been discovered. For example, in 2022, the state auditor's office was petitioned by citizens to audit the municipality of Cross Timbers. The audit uncovered \$44,000 in misappropriated funds, other financial irregularities, and numerous faulty accounting and record-keeping procedures.⁴⁸ (All of these things, of course, tend to go together.) A criminal case was launched against the former city clerk. Clearly, better financial controls were desperately needed, but finding the resources and people for such controls in a municipality of 120 residents is difficult. Small populations and limited oversight are a recipe for municipal financial problems. A bill was passed in the 2024 legislative session to give the state auditor more authority to investigate municipalities after the auditor's office is informed of criminal activity. That bill, which became law in August 2024, will hopefully have real benefits for Missouri.⁴⁹

Some of the state audits of municipalities uncover problems that are glaring but not quite criminal. A

2022 state audit of Fairview, a town in southwestern Missouri with a population of 419, uncovered a plethora of accounting errors, conflict of interest problems, and sunshine law violations.⁵⁰ Almost as disturbingly, a 2024 follow-up audit found that only three out of the 22 recommendations for improvement had been adopted by Fairview, with four more partially implemented.

Larger cities have auditing departments on staff, but for many mid-sized and small cities in Missouri auditing obligations can be overlooked or underfunded. Perhaps surprisingly, not all Missouri municipalities are required by law to have an annual audit. Every municipality is required to file financial forms with the state auditor each year, but that is a far cry from an audit.⁵¹ Unlike the rest of the state, every municipality in St. Louis County is required to have an annual audit.⁵² The thefts in Flordell Hills discussed above are a strong indication that the law should be stronger, including requirements to publicly post audits and other financial reports online, varying outside auditors at certain intervals, and penalties for failure to file required financial documents. Just because there is a law that municipalities file financial documents—and audits for cities in St. Louis County—does not mean they have done so. Failure to file required financial documents is a frequent theme of state audits of municipalities, including audits of Bel-Ridge and Wellston, both in St. Louis County, that documented how the two cities failed to file required financial reports.⁵³

The special financial reporting requirements and other rules for municipalities in St. Louis County in RSMO 67.287 should be applied (with some minor exceptions) to municipalities statewide. These rules include audits, liability insurance, accessible and codified ordinances, and making certain information publicly available. If a city is too small to accomplish those tasks, then perhaps it is not properly functioning as a municipality and should cease to do so. Independent, outside audits are vital for smaller municipalities where a limited number of people—sometimes just one person—have responsibility for financial management. Internal controls are also necessary. In a small municipality it often takes a member of the village board or city council to step up and review the financial documents regularly and carefully. Admittedly, finding a local official willing to commit that time and effort can be hard.

Embezzlement and fraud are not limited to smaller cities. While larger cities have extensive internal and external controls that reduce the risk of direct theft and malfeasance, it can happen anywhere. The Economic Development Corporation of Kansas City (EDCKC) is not technically a city agency, but it partners closely with the city and is substantially funded by tax dollars, both directly and indirectly. Lee Brown, the former controller of EDCKC, was accused of stealing millions of dollars during his time there. (He died before he could be convicted of any crimes.) The hiring process, along with a total lack of financial oversight, was a clear example of doing everything wrong:

The EDC accused Brown of lying about almost every aspect of his professional life when he applied for a job as the agency's controller in 2015.

Brown claimed law and accounting degrees that he never earned. He said he held jobs he never worked. He gave a certified public accountant license number that belonged to someone else. And he supplied an address for a house he didn't live in for his background check.

Red flags surfaced during that background check. A closer look at his past **would have revealed that Brown served time in prison for financial crimes** on two separate occasions. One resulted from his unauthorized use of a company credit card while he briefly worked for Union Station as its controller in 2007. He also served time for forgery in Johnson County.

T'Risa McCord, the chief administrative officer for the EDC at the time, later became the agency's interim chief executive. She recommended Brown's hiring, the lawsuit said.⁵⁴

Inconsistent and unreliable auditors have also compromised the effectiveness of county governments, including those of St. Louis County and Jackson County, in recent years.⁵⁵ Simply put, whatever the size of the municipality, having regular, independent audits of its financial accounts and procedures is one of the most important responsibilities of a municipality.

Municipal Spending Data

Just as important as using qualified auditors for municipal oversight is making municipal financial documentation available to the public to the largest extent possible. There are two state-run websites to which local government information can be posted.

The Show-Me Checkbook (SMC) website is a database managed by the Missouri Treasurer's office. It contains extensive data on state spending and includes detailed local government expenditure data.⁵⁶ So far, the local government information shown is primarily for counties, not municipalities. Municipalities are not required to post their expenditure information at SMC, and absent a change in law it seems unlikely many will do so.

Similar to SMC is the Missouri Accountability Portal (MAP), a state spending database that has allowed local governments to voluntarily post spending information on the portal beginning in 2023. Unfortunately, as of publication of this guide, only six municipalities (and one county) have placed their spending data on the portal. To give credit where credit is due, those six cities are: Ashland, Ballwin, Des Peres, Manchester, St. Clair, and Sunset Hills.⁵⁷ While other, particularly larger, cities may post their own spending and revenue data on their own websites, the vast majority of Missouri cities do not make their tax, spending, and revenue data as publicly available online as it should be.

For example, Oakland, in St. Louis County, which could be cited as a model municipality in many ways with respect to the recommendations that will be discussed in future publications in this series, has very little financial data on its website. Amusingly, Oakland actually has a link on its website to the local government data on MAP, even though Oakland itself does not post its financial information on MAP.⁵⁸ Do as I say, not as I do . . .

House Bill 271 (2021), which authorized the SMC data collection and website, was a good bill. Perhaps over time more cities will post their information online on SMC or MAP, but the current participation levels are not encouraging. (The percentage of counties posting financial data on SMC is much better, and Vernon County deserves extra credit for posting financial information on both portals.)

The voluntary aspects of HB 271 should be made mandatory for Missouri municipalities. If a city, town, or village can't easily publish and share its tax, spending, and revenue information in this day and age, perhaps it should not exist at all.

Cooperative Purchasing Agreements

One of the simplest ways to save taxpayer dollars is for cities to engage in cooperative purchase agreements with other local governments. These purchase agreements help by buying more products or services in bulk, and thus receiving lower costs per unit for ordinary products like office supplies or rock salt for winter roads.

Independence, Blue Springs, and Lee's Summit in Jackson County have entered into an agreement for cooperative purchase of certain human resource services and communication functions.⁵⁹ Missouri state governments operate a cooperative purchasing system that any Missouri municipality can join.⁶⁰ Municipalities of all sizes should take advantage of these programs as much as possible.

City Attorneys and Municipal Judges

Most Missouri municipalities have a city attorney, a city prosecutor, and a municipal judge. Some villages may not have these positions, but some villages do, and almost all 3rd- and 4th-class cities have them. The city attorney advises city officials on legal matters and legislation. The city prosecutor files and prosecutes municipal offenses at the municipal court. The municipal judge adjudicates matters in municipal court. While there are many matters that could come before a municipal court, the overwhelming number of matters charged and prosecuted in Missouri municipal courts are traffic violations and property maintenance issues (e.g., speeding tickets and failure to mow your lawn). To the largest extent possible, municipalities should try to have their city lawyers and judges be as independent as possible, and not doing similar jobs for multiple other cities. This is particularly true for city judges and prosecutors.

Research by activist and news organizations revealed substantial crossover between city attorneys, judges, and

prosecutors. For example, according to one report, as of 2015 at least 13 lawyers in St. Louis worked as prosecutors or judges in at least three municipalities.⁶¹ It would have been even more if that particular list had included city attorneys. The judge in Ferguson during the 2014 riots served as a judge or lawyer in five different municipalities. This crossover raises several ethical concerns. These include conflicts of interest where a lawyer may be prosecuting someone in one municipality and judging that same person in another one. In the bigger picture, the overlap raises questions about how a small number of attorneys and specialized municipal law firms were active participants in a system of municipal fines that was propping up the municipal government system (and paying legal fees) by targeting people (often low-income people) with abusive fines and tickets for improper reasons.⁶²

Speeding tickets should be written to enforce safety, not used to primarily pay the salaries of municipal elected officials and city employees. Some Missouri municipalities have a disturbing history of substantially funding their local government with traffic fines. For example, in 2014 the mayor of Edmondson (annual salary: \$12,000, which is tied for 17th among the 87 St. Louis County municipalities) sent a memo to the police officers demanding that they write more tickets and reminding them that their pay was based on traffic tickets.⁶³ Because Edmondson is located along Interstate 70 at the St. Louis airport, the city has the opportunity to write large volumes of speeding tickets, though the reforms introduced after the riots in Ferguson have limited the ability of Edmondson and other cities to benefit financially from those tickets.

The incentives for abuse are obvious when police officers are encouraged to use ticket writing for revenue generation. Whether it is targeting people for minor violations that would not normally be cited, taking time away from more important police work by your officers, or improperly transferring the cost of local government from residents to people simply traveling through town, the results of these practices were harmful to people throughout Missouri. The most outrageous of those practices have changed after the disturbances and riots in Ferguson.

Municipalities should insist that their city attorney, prosecutor, and especially their judge be as independent as possible. While being a city attorney may require significant, specialized legal knowledge, there are many lawyers with experience as prosecutors, and any decent lawyer can become a fair and independent municipal judge with a modest amount of training.

CONCLUSION

Approximately 200 Missouri municipalities—including most of our larger cities—have adopted professional management in the form of a city manager or city administrator. As far as I know, no city that had adopted professional city management has permanently returned to the mayor/council (or mayor/board of aldermen) system of management by elected officials.⁶⁴ Professional city management can be an effective way to run a municipality, and while there are clearly benefits to it, research shows the impacts are not as significant as many supporters of city management assume they are.

However, care must be taken to avoid going too far in limiting the authority of elected officials. Municipalities should ensure that the wording in city charters limiting contacts between elected officials and city managers or administrators is not so broad as to improperly limit the ability of elected officials to do their jobs, nor should those limitations be susceptible to weaponization against political opponents. The Independence City Charter provides an example of language that protects the rights of elected officials to do their jobs without interfering in the role of the city manager:

Section 2.15. Council not to interfere with administrative service.

Councilmembers shall not direct the appointment of any person to, or their removal from, office or employment by the city manager or by any other authority, or, except as provided in this charter, participate in any manner in the appointment or removal of officers and employees of the city. Councilmembers shall deal with the administrative service solely through the city manager; and no councilmember shall give orders to any subordinate

of the city manager either publicly or privately. **Notwithstanding, councilmembers may otherwise contact such officers and employees for the purpose of inquiry on matters of concern, but shall not direct such officers and employees in the performance of their administrative duties.**⁶⁵

One of the downsides of adopting professional management, reduced voter participation, is an inevitable reaction to one of the clear benefits of city management. Reducing the impact of politics on municipal operations is a good thing, but one should not be surprised when residents react to depoliticizing local government by reducing their own political involvement in local government.

Particularly with smaller municipalities, checks and balances for fiscal matters are not always assured. Municipalities must make certain that independent reviews of financial matters, including audits, are regular and thorough. Posting all financial documents online allows for greater oversight in even the smallest towns and villages and should be required by Missouri state law.

In more general terms, the ideas of Charles Tiebout work in Missouri. Residents do vote with their feet, and choose where to live based, in part, on the services provided and taxes paid within those communities. (Admittedly, the single largest local factor for that decision, school districts, are not operated by municipalities.) Having a large number of municipalities of all sizes, along with unincorporated areas, gives Missourians a variety of choices to find the best fit for them. The fact that there are many small municipalities in Missouri, and particularly in St. Louis County, certainly has its policy downsides which have been discussed here and will be discussed more in subsequent publications in this series, but it has its positive aspects, too, and resident choice is at the top of that list.

There are many opportunities for municipalities of all sizes to adopt more free market-oriented policies to improve their communities while maintaining the levels of services their citizens want and expect. Future publications in this series will demonstrate examples of different ways to deliver municipal services in ways that save money, limit government growth, and create a growth-oriented tax system. Those examples and policy recommendations are what this project is all about.

Acknowledgments: The author wishes to thank Show-Me Institute interns William Redington, Natalie Robinson, and Maria Rivero for their assistance with this project. The author also wishes to thank Mike Schoedel for his review and suggestions for the project.

David Stokes is director of municipal policy at the Show-Me Institute.

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65. Independence City Charter, accessed July 30, 2024, p. 5, <https://www.independencemo.gov/sites/default/files/2024-06/Charter%20of%20the%20City%20of%20Independence%20with%20Council%20amendments.pdf>.



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