MIAMI'S FISCAL CRISIS (1996-2001): LESSONS FOR PRACTICE IN AMERICAN CITIES

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INTRODUCTION

In the fall of 1996, the city of Miami, one of the poorest cities in the U.S., came to the brink of financial ruin. At that time, a $68 million shortfall was identified (about 20 percent of the budget), and the city manager, a city commissioner, and a local lobbyist resigned and were accused and later convicted of bribery and fraud. To make matters worse, the State of Florida appointed a State Oversight Board for the city within three months of the initial financial crisis to oversee the city's day-to-day finances (Dluhy and Frank, 1997). For the next five years (1996-2001), the city struggled to regain its financial footing. Among other things, during the five-year recovery period the city employed seven different city managers, sold off valuable city-owned property to pay the bills, let service quality deteriorate in many areas, changed to district elections, and strengthened the powers of the mayor at the expense of the charter-mandated professional manager (Dluhy and Frank 2002).

On December 21, 2001, Florida Governor Jeb Bush officially ended Miami's five-year State of Financial Emergency and dissolved the state-appointed Oversight Board that managed the city's finances. Earlier that month, Moody's Investors Service raised the rating on its $119.2 million of outstanding general obligation debt from Ba1 to Baa3. This upgrade came a week after Standard & Poor's took the city's bond rating to BBB+. Former mayor Joe Carollo proudly proclaimed, "It means we're out of junk bond status" (Rabin, 2001e: 8B).

The $68 million projected for the city's fiscal year 1996 budget has been replaced by an anticipated general fund reserve of nearly $60 million for FY 2002. The city's property tax rates are approximately 1.5 mils under the state's 10-mil constitutional cap. While this rate is still higher than most of its neighbors in the region, it is the lowest rate the city has experienced in a half century. Increases in garbage fees and the imposition of a 20-percent parking garage surcharge that nets the city approximately $15 million a year, have given the city the flexibility to lower ad valorem rates, while still balancing the budget and building reserves.

In addition to ending its structural financial deficits, Miami has stabilized its administrative cadre. Both Moody's and Standard & Poor's have applauded the work of City Manager Carlos Gimenez, who was appointed in May of 2000 (Dorschner and Corral, 2001). Gimenez was the city's seventh manager since Cesar Odio resigned at the onset of the fiscal crisis (Dluhy and Frank, 2002). Gimenez's commitment to revamping the city's administrative processes and his hiring of a talented financial management team played a significant role in the rating agencies' upgrades.

On the face of it, Miami is in much better shape than it was five years ago. The city is no longer weeks, or even days away from failing to meet its payroll (Dluhy and Frank, 1997; 2002). Discussion of best practices and performance measurement appear to have taken hold in senior management ranks. Many of Miami's managers and rank-and-file employees have participated in the training agenda recommended by the Blue Ribbon Panel in 1997 that assisted the city with revamping its administrative procedures after the onset of the crisis. Our informal contact with Miami employees—through training at Florida International University's Institute of Government and in the classroom—suggests a more open and professional environment today than the politicized environment than existed in 1996. This is in stark contrast to the widespread fear and heavy-handed politicization of administration that characterized the Odio era (Dluhy and Frank, 2002).

Notwithstanding the progress that Miami has demonstrated on the fiscal and administrative fronts, some clouds remain. As we shall detail below, several of the recurring issues raised in our earlier assessments of the Miami crisis (Dluhy and Frank, 1997; 1999) continue. The city's politics reveal deep ethnic cleavages, along with a pervasive concern for foreign affairs (i.e., policy towards Castro's Cuba). These factors, particularly the latter, serve as stumbling blocks to sound management practices. Miami remains extremely poor, and as better-educated, more assimilated Hispanics leave Miami-Dade County and its signature city, poverty may become even worse. The events of September 11 and the economic downtown it has exacerbated are still another wildcard in the city's future. Tourism dominates the area's economy despite efforts to broaden the economic base. Thus, 9/11 and its aftermath could dampen economic activity in the region far longer than in the rest of the nation.

How the threads of Miami's administrative and financial tapestry will be woven in coming years remains to be seen. However, we believe that sufficient time has passed to conclude this article with "Lessons for Practice." As professors of public administration and policy, we now feel obliged to not only observe and write about the crisis, but to glean potential advice for practitioners in the process. Miami's crisis appeared to be a hybrid that has some characteristics of its Rust Belt predecessors, such as New York or Cleveland, but also demonstrated an etiology that was similar to Orange County's recent bankruptcy. The city's Cuban-American milieu is a distinct component of the crisis's origins, and how this played out in its recovery may provide a further understanding of the linkages between culture and public financial management (Koven, 1999; Dluhy and Frank, 2002). Before turning to some of the specific lessons for practice, an assessment of the larger political/economic environment of Miami is necessary to fully understand what policy and management lessons for other cities can be derived from this experience.

THE POLITICAL ENVIRONMENT: SOME PLUSES AND MINUSES

Unlike the 1997 mayoral campaign, the November 13, 2001, runoff victory of Manny Diaz over former two-term mayor Maurice Ferre (1973-1985) capped a ten-candidate race that was apparently free of voter fraud. This is in stark contrast to its irregularity-strewn predecessor, in which Xavier Suarez, the initial winner, was thrown out of office and replaced by Joe Carollo, who had served from 1998 to 2001. The publicity attendant to the 1997 election reinforced Miami's "banana republic" image and further destabilized the city's already demoralized administrative staff (Dluhy and Frank, 2002). As of this writing, there is no evidence to suggest that the 2001 campaign was tarnished by fraud. This marks a significant improvement in the city's political climate.

Another plus for the operating environment is that the election results probably mark the end of Joe Carollo's stormy two-decade political career. Carollo received high grades for his handling of the fiscal crisis (Corral, 2001c). Unlike his predecessor, Xavier Saurez, Carollo understood that the city's fiscal crisis was real, not a trumped-up political ploy used by Saurez's political opponents (Dluhy and Frank, 1999). As incumbent, Carollo supported the management reforms recommended by the Blue Ribbon Panel that was created after the onset of the crisis (1997). Most important, he understood that the city would need to raise user fees and exercise better stewardship of its land assets to regain solvency. As such, he was the political conduit of the state's Oversight Board, which was viewed by many of the city's commissioners as an unnecessary intrusion in Miami's internal affairs.

Notwithstanding these positives, Carollo was known to be a volatile and abrasive figure. He frequently referred to his political opponents as "Communists" and was known for last-minute reneging on political deals. In May of 2001, Carollo and City Commissioner Arthur Teele engaged in a vicious verbal duel outside of chambers in which the mayor "used a slang term for a part of the female anatomy to call Teele a coward" (Rabin, 2001b: 8B) because the commissioner refused to engage in fisticuffs over a charge that Carollo's mother used a racial slur to describe Teele on a Spanish-radio talk show.

Another component of this verbal battle was the assertion that Teele had called Carollo a "wife beater" (Rabin, 2001b: 8B). Commissioner Tomas Regalado reportedly overheard this and it refers to the charges brought against Carollo by his former wife Mari. In February of 2001, police were called to the Carollo residence in the aftermath of an apparent assault by the mayor against his wife. Initially, Carollo denied all charges (Garcia and Viglucci, 2001). But in August of 2001, the state attorney dropped simple battery charges against the mayor (Rabin, 2001c) after Carollo had agreed to counseling—a typical plea arrangement for first-time domestic assaults in Florida.

It is worth noting that the assault consisted of a cardboard tea container thrown at Mari Carollo's head—a misdemeanor. The incident occurred against the backdrop of a nasty divorce proceeding. Further, Carollo issued repeated public apologies to his family and to the city for the bad publicity received as a result of the incident. (Rabin, 2001a). Nonetheless, Carollo's eccentric nature had apparently grated on the public. This explains in large part why a candidate who had been out of public office for over 15 years (Ferre), and another who was a political unknown (Diaz), got more votes than the incumbent. Miami's electorate simply dispatched a known entity that had become a liability to the city's political operating environment.

Another plus of the 2001 political campaign was the Miami electorate's 56 to 44 percent support of a $255 million bond issue to begin rebuilding the city's depleted streets, drainage, and parks. (Rabin, 2001d: 27A). The traditionally anti-tax, anti-government sentiments of Miami's electorate appear to have been overcome by a $70,000 advertising campaign and support by both runoff candidates. This is an important watershed for a community that has seriously neglected its physical plant for decades (Dluhy and Frank, 1997). It also marks the city's ability to reenter the capital markets, as well as improving property values that will allow the city's 1.22 mils for debt service to remain at the same level.

One could argue that these events suggest a maturation of the Miami polity. The authors would agree to this assessment, but only to a point. The election also raised two thorny issues that have plagued

Miami throughout its recent history: serious ethnic cleavages and what might be termed "hyper-concern" for foreign affairs, specifically, Castro and Cuba. These factors were clearly present in the mayoral campaign and suggest that Miami has ensconced itself as a Cuban-American enclave with a very particular political worldview.

During the runoff campaign, Maurice Ferre portrayed himself as an experienced hand in contrast to his opponent, a political newcomer. Unsurprisingly Manny Diaz billed himself as a newcomer without taint. In reality, the only substantive policy difference between Ferre and Diaz was their stance on the incumbent city manager, Carlos Gimenez. If elected, Ferre would have dismissed Gimenez, while Diaz believed his performance warranted retention (Corral, 2001b).

Underneath these rather small differences, however, was a far larger cleavage—ethnicity. Ferre is the scion of one of Puerto Rico's wealthiest and most influential families. Diaz emigrated from Cuba at age six with his mother while his father was a political prisoner. In other cities both candidates would have been labeled "Hispanic," with little concern for origin. In Miami, that was not the case.

During the runoffs it became clear that Diaz himself would not play this particular ethnic card. But his political lieutenants and supporters did so over Spanish radio and the phone bank (Corral, 2001a). In response, Ferre complained about the tactic, and reached out to the city's blacks, "Anglos," and non-Cuban Hispanics as a fusion candidate. In a city where over half the electorate is Cuban, Ferre's strategy failed.

Table 1
Miami 2001 Mayoral Race: Breakdown by Neighborhood and Ethnicity in Percent

Neighborhood	Primary Ethnicity	Diaz	Ferre
Allapattah/Culmer	Black	44	56
Brickell/Coconut Grove	"Anglo"	38	62
Edison/Wynwood	Black	16	84
Little Havana North	Hispanic	72	29
Little Havana South	Hispanic	72	31
Miami/Biscayne Blvd.	Black	38	62
Miami West	Hispanic	74	26
Model City	Black	11	90

Source: Ross, Karl; Weaver, Jay & Corral, Oscar. 2001. "Cuban Vote Gives Diaz Big Boost." *The Miami Herald*: 27A. Neighborhood ethnicity provided by authors.

Table 1 sets forth a breakdown of the vote, by ethnicity of neighborhood. Diaz won handily in the primarily Hispanic neighborhoods, giving him a comfortable 55 to 45 percent majority.

As these numbers suggest, Ferre captured the predominantly black and "Anglo" neighborhoods, with Diaz garnering sizable victories in the Hispanic (Cuban) neighborhoods. As Ferre's campaign manager Manny Alfonso stated, "If you're not Cuban in Miami, you don't have a chance" (Ross, Weaver, and Corral, 2001: 1A). The results seem to bear out this dictum.

What this suggests is threefold. First, the hegemony of Cuban-American politicians in Miami may be seen as both a cause and effect of the emigration of more affluent whites, blacks, and non-Cuban Hispanics from the city and surrounding Miami-Dade County, a topic to which we turn shortly. Simply put, non-Cubans may feel shut out of the political process and flee to neighboring Broward County and elsewhere for this as well as quality-of-life issues. Second, we suspect that the domination of Cuban-American politicians in the area adds to the frustration of the African-American community. This frustration has fueled serious civil disturbances and many African-Americans have been reluctant players in community redevelopment activities that they perceive to be updated version of Sixties-style "Negro Removal" (Gale, 1999). Last, with "Anglos" and blacks unable to muster sufficient strength at the polls, Miami's future clearly rests in the hands of a younger, more assimilated Cuban-American political cadre (Dluhy and Frank, 2002). It will be this group that makes or breaks Miami's future socially and administratively (i.e., make the city a model for professional and efficient government).

One hopes that this younger cadre will be less fixated on Cuban politics, specifically Fidel Castro and the post-Castro Cuba, than the first generations that emigrated. Unfortunately, the Elian Gonzalez affair and its aftermath suggest that many of Miami's Cuban-Americans are still absorbed by their motherland's politics. For those who are unfamiliar with, or have forgotten Elian's saga, an abbreviated retelling is as follows. Elian, age six, arrived on a raft near Miami on November 22, 1999. His mother drowned en route. In early 2000, Elian's Miami relatives applied for custody of the child. Shortly thereafter, the Immigration and Natural Service filed to have him returned to his biological father in Cuba, who was divorced from his mother at the time. Throughout the early part of 2000, Elian's relatives and the INS attempted to negotiate Elian's possible stay in the U.S. But in early April, after background checks of the father and legal decisions that held political asylum to be out of the question, U.S. authorities decided it was time to repatriate Elian to Cuba.

On April 23, 2000, the Bureau of Alcohol, Tobacco, and Firearms and United States Marshals forcibly removed Elian from his relatives' home in Little Havana for eventual repatriation with his biological father. This sparked several days of occasionally violent protests in Miami. National publicity carried the message that Miami's residents were willing to thumb their noses at Attorney General Reno and the law. Public opinion polls showed overwhelming support for the raid by Miami's blacks and "Anglos," and widespread anger towards the Attorney General and enforcement by Cuban-Americans, who viewed the raid as another victory for Fidel Castro and the Communist Party (Dluhy and Frank, 2002).

The mayor at that time, Joe Carollo, dismissed several high-ranking police officials, including the chief and the city manager, for their involvement in the raid. This was done to mollify zealous anti-Castro leaders and radio talk show hosts, particularly the latter, who exhibit tremendous influence on the city's politics.

Several political pundits believe that Manny Diaz was able to win the mayoral race because of his membership on the legal team that attempted to keep Elian Gonzalez in the country (Steinback, 2001). As was the case with his ethnicity, Diaz did not publicly run on the issue but his supporters frequently mentioned his client in the Spanish print and electronic media.

This deep concern for Fidel Castro and the future of Cuban politics is, in our judgment, a serious stumbling block for the city's future economic development. This concern takes attention away from the locus of economic base issues that plague the larger Miami metropolitan area. Much-needed discussion over topics such as enhanced public transportation or economic diversification have repeatedly been displaced by debates over American foreign policy related to the Castro regime. Moreover, Miami's reputation—already sullied by high crime and poor education—is further diminished by media attention given to community zealots obsessed with Castro's overthrow. Some think as we do: that this attention hurts the area's ability to attract and retain businesses and skilled labor. Continued emigration of Miami's better-educated residents will reinforce the political influence of Miami's strident anti-Castro citizens and political leaders.

WHITHER MIAMI'S MIDDLE CLASS?

The latest U.S. Census data reveal that Miami is America's poorest city with a population of 250,000 or more. Thirty-two percent of Miami's residents live below the poverty level, which is $17,603 for a family of four, or $8,794 for a single person. Miami's poverty rate is higher than

New Orleans (28%), Atlanta (28%), Newark (27%), or Fresno (26%) which round out this "top five" in poverty. By way of comparison, Miami's median household income is $20,117, while Miami-Dade's is $34,449 and neighboring Broward's is $40,249. Forty percent of Miami's households earn less than $15,000, compared to 23% in Miami-Dade and 17% in Broward (U.S. Census, 2000). When apprised of these findings, city manager Carlos Gimenez noted, "This is a city of extremes. . . .You have rich and very rich and you have a lot of poor people. What we don't have is a middle class. We need to find ways to get the middle class back into the city" (Grotto and Yardley, 2001: 17A).

Our work (Dluhy and Frank, 2002) suggests that bringing the middle class back to Miami will be an extraordinarily difficult task in the short run. The city's tainted administrative reputation, deteriorating infrastructure, and poor public schools have been a decided turn-off to potential middle-class residents. Adding to the pool of affordable housing has been problematic, particularly in the downtown area once thought to be ripe for gentrification. Several condominium projects with units priced under $100,000 have recently been completed but only at losses to their developers. Mortgage financing in certain parts of Miami is difficult to obtain because of limited "comparables" built in recent years.

As we reported in the earlier installments of our Miami assessment (Dluhy and Frank, 1997; 1999), neighboring Broward County continues to siphon off mobile Hispanic residents from the Miami metropolitan area. The 1990 Census showed 110,857 Hispanics in Broward; the 2000 Census showed 196,581, a whopping 77 percent increase (Henderson, Lynch, and Yardley, 2000: 1A). Only Las Vegas's Clark County experienced a higher proportional gain of Hispanics. This is a process that started after Hurricane Andrew in 1992 and appears to be accelerating.

Not all Hispanics emigrating from Central and South America, however, are stopping in Miami-Dade County and Miami prior to a Broward domicile. Local realtors market directly to affluent Latin Americans seeking to leave the civil wars, inflation, and crime that plague Columbia, Venezuela, Peru, Argentina, and The Dominican Republican. As a result, cities in Broward's southern tier abutting Miami-Dade County have garnered significant proportions of Hispanic residents. Upscale Weston is now 30.2%, Miramar is 29.4%, Pembroke Pines is 28.2%, Hollywood is 22.5%. Unlike Dade, where Cuban-Americans are far and away the predominant Hispanic group, Broward's Hispanics are far more diverse. In Weston, no Latin-American group accounts for more than 6 percent of the population; in Pembroke Pines, Cubans account for only 9 percent of the Hispanic population (deVise, 2001: 6L).

Broward offers better housing and schooling than Miami-Dade. Moreover, Broward's elected officials have implemented more stringent land use controls to avoid the worst aspects of rapid urbanization. In Miami-Dade, politicians—and the developers who frequently gave them significant campaign contributions—allowed for haphazard growth that has choked Miami-Dade's roads (Hanks III, 2001: 1L) This has provided further incentive for those who can afford to "vote with their feet" to do so.

Twenty-five years ago, "white flight" took hold in Miami-Dade and sent thousands packing to Broward. Upwardly mobile Hispanics seeking "the good life" are currently moving north to Broward. But of even greater interest to demographers and import to Miami's future is the fact that many young and professional blacks are also leaving Miami for Broward County, in particular Miramar and Pembroke Park. These residents want to leave the Miami inner city's crime and drug dealing to enjoy a suburban lifestyle. And as one African-American newcomer to Broward stated, "Blacks are running away from Hispanics and running away from Spanish" (Viglucci, 2001: 21A).

Given the fact that Hispanics are also fleeing to Broward, one might wonder if this is irrational behavior on the part of blacks. First, both blacks and Hispanics are migrating to what is still a predominantly "Anglo" environment with transparent politics and where English is still the lingua franca. Second, blacks have had a much easier time integrating into the community power structure in Broward than Dade where they were initially disenfranchised by the remnants of Jim Crow and subsequently overwhelmed as a voting factor by the Cuban-Americans (Dluhy and Frank, 2002).

The outflow of the more educated, higher-income Miami residents and the immigration of upscale Latins directly to Broward have a negative implication for Miami's bond ratings. (J. Incorvaia, personal communication, February 9, 2001). Miami's personal income continues to lag the state and nation, and given the area's low-quality labor pool and heavy reliance on tourism and personal services, this trend is unlikely to change in the near term.

We envision the end result of emigration as twofold. Miami will increasingly become a "have-and-have-not" community whose wealthy enclaves (primarily Brickell and Coconut Grove) will generate sufficient growth in property tax ratables to stabilize the city's finances. Moreover, Miami will be an overwhelmingly Cuban-American community with a smattering of Anglos and non-Cuban cosmopolitans who seek to live in its laid-back, slightly decadent confines (Dluhy and Frank, 2002).

Traditional Hispanic culture has not placed heavy emphasis on communities with a wide radius of concern or trust; one's immediate family is *the* social network (Harrison, 1992; Huntington and Harrison, 2000). This cultural attribute, coupled with low per capita income and educational attainment, has some likely casualties: the sports and cultural institutions that enrich current residents' lives and serve to attract the business elites responsible for spurring economic development (Frank, Lopez, and Santana, 1998; Rosentraub, 1999; Strom, 1999). The Miami Matadors minor league hockey club went under after its inaugural season (1998-99). The Miami Fusion Major League Soccer (MLS) franchise was recently disbanded after its fourth season, after losing an estimated $40 million (Kaufman, 2001: D1). The Florida Marlins baseball franchise won the World Series in 1997 but has one of the worst attendance records in the majors and is a potential candidate for elimination (as a franchise) in coming years. (Phillips, 2001). The same fate is likely for the National Hockey League Florida Panthers franchise, which has experienced declining attendance and increasing losses over the past three years (Danner, 2001). The area's symphony, the Florida Philharmonic, is teetering on the brink of bankruptcy (Cohen, 2002), and the area's classical music and fine arts radio station, WTMI, switched to a disco format at the end of 2001 because its revenues did not meet the expectations of its new owner, Cox Communications (Baxter, 2001). These bankruptcies and near-failures illustrate a community without *communitas* or the financial wherewithal to create it (Roos, 2001).

Corporate support (i.e., larger national and internationally oriented corporations) that might compensate for limited individual support of Miami's sports and cultural institutions is seriously lacking (Cohen, 2001; Kaufman, 2001; Roos, 2001). This is undoubtedly related to the area's absence of Fortune 500 firms with the requisite deep pockets and organizational culture that would be found in other major metropolitan areas (Dluhy and Frank; 1999; 2002). Miami's small-scale corporate structure combined with the personal services and tourism industries cannot deliver the skybox purchases and philanthropic largesse found in other urban settings. This low-wage, low-tech economic base remains one of the greatest threats to Miami's long-term financial stability, and it is the economic base to which we now turn.

THE ECONOMIC BASE REVISITED

As reported in earlier assessments of the Miami fiscal crisis, (Dluhy and Frank, 1997; 1999), Miami's economic base remains a red flag in any objective assessment of the city's long-term fiscal viability. Miami-Dade County and its signature city are seemingly incapable of moving beyond a tourist-based, "low-tech" service economy. Recent efforts at diversifying the economy have been largely unsuccessful, and we question the community leadership's true commitment to building even a "middle-tech" economy based on financial services and health care (Dluhy and Frank, 2002). The tragic events of September 11, 2001, underscore just how vulnerable the area's economy is to a tourism downtown. Argentina's recent default on its $132 billion of outstanding debt casts serious doubt on the robustness of Miami's "Capital of Latin America" role as an economic development strategy, given the tremendous political and economic instability faced by many countries of that region. Ultimately, if political and economic leaders in Greater Miami are truly committed to the long and painful process of building an economy with higher "value added" to its citizens, we should see a commitment to a more focused strategic plan for economic development. This lack of commitment may be the result of a tourist industry hegemony that subtly but effectively silences efforts at building a diversified, higher-wage economy. It may also reflect the resignation of community leaders who sense that unlike Philadelphia, New York, Pittsburgh, Los Angeles, or other cities that have reengineered their economies, Miami has never had a high-wage, quality labor force and has instead billed itself as a fun-in-the-sun hub. These factors, coupled with the constant influx of immigrants with poor language skills, may make it virtually impossible to restructure Miami's economic base.

9-11 AND ITS AFTERMATH: SHORT-TERM "HIT" OR PERMANENT SETBACK?

Table 2 sets forth the unemployment rate in Florida's major metropolitan areas for December, 2001.

Miami is the metropolitan area with the highest unemployment rate in Florida, a perennial "first place" status that reflects the structural defects in its economy that are detailed elsewhere (Dluhy and Frank, 1997; 1999; 2002). But the September 11 terrorist acts pose a new threat to the area's economy. Tourism nationwide has been hurt by these attacks and the recession they appear to have exacerbated. But Miami's tourist base is particularly vulnerable, with over 96 percent of the area's visitors arriving by airplane (Corzo, 2001b: 3C). This is in contrast to Orlando or Tampa-St. Petersburg, which attract sizable portions of their tourists by automobile. Miami's location at the tip of the Florida Peninsula—coupled with its dependence on Latin visitors—explain its heightened dependence on air travel. Only time will tell if Miami's tourism will be permanently addled by the perception and reality of hassles and threats associated with heightened airport security and potential terrorist acts in the post-9/11 era. But we do know that auto traffic on

Table 2
Unemployment Rate in Florida's
Major Metropolitan Areas December 2001

Rank	Metro Area	Unemployment (%)
1	Miami	7.6
2	Panama City	7.4
3	Ft. Pierce-Port St. Lucie	6.2
4	Lakeland-Winter Haven	5.8
5	Ft. Lauderdale	5.8
6	West Palm Beach	5.5
7	Orlando	5.1
8	Daytona Beach	5.0
9	Melbourne-Titusville	4.9
10	Ocala	4.6
11	Jacksonville	4.3
12	Pensacola	4.1
13	Tampa-St. Petersburg	4.0
14	Ft. Myers-Cape Coral	3.6
15	Ft. Walton Beach	3.6
16	Naples	3.5
17	Punta Gorda	3.3
18	Sarasota-Bradenton	3.0
19	Tallahassee	2.9
20	Gainesville	2.4

Source: Tan, Shannon. 2002. Dade Jobless Rate Dips: Broward Flat in December. *The Miami Herald* (January 18) 1C, 3C.

Interstate 75 and Interstate 95 that is monitored just below Lake City and Jacksonville, respectively, is actually ahead of last year's levels, and that the drops in visitors to Disney in Orlando and Busch Gardens in Tampa have been about 10 percent less than comparable destinations in Dade County (Long and Buckley, 2001). These data certainly raise the question as to whether or not Greater Miami is at a comparative disadvantage relative to its in-state competitors in a new era of air travel.

Two things are certain at this juncture: Occupancy at Miami's hotels and the rates charged per diem are significantly below last year's levels. Miami-Dade's occupancy rate in December of 2001 was 51.4 percent, down from approximately 70 percent in the same period of 2000. More important, the average daily revenue generated per room for December of 2001 was $63.30, off more than 25 percent from the December, 2000 period. The reductions in revenue per room reflect the steep discounts many hotels are obliged to offer to fill their rooms. Business rates charged during the week have frequently been halved; leisure rates for weekend stays have been cut by 15 percent or more (Buckley and Fields, 2001: 3C).

The pricing pressures that have impacted the area's hotels have also affected the cruise lines that sail from the Port of Miami, widely acknowledged to be the "Cruise Capital of the World." Cruise prices have reached prices not seen since the 1960s: weeklong cruises are starting as low as $399, with three-day cruises as low as $149. According to equity analyst Scott Barry of Credit Suisse First Boston, "Cruise lines are seeing a good news/bad news scenario: The good news is that they are filling cabins; the bad news is that they are doing so at extremely low prices" (Corzo, 2001c: 1C). Given the rapid expansion of berths expected in the cruise industry over the next several years, these pricing pressures may remain unabated, even if the economy experiences a turnaround.

The ineluctable outcome of this price-occupancy contraction has been a series of massive layoffs in the tourist industry and the restaurants and supporting industries in the area. Thousands of area hotel workers, ranging from maids and food servers to managers and accountants, have been laid off as a result of the sharp downturn. The same holds for the airline mechanics, flight attendants, skycaps, and other airline support staff who are directly impacted by the sharp cuts in flights that all major carriers have effected since 9/11 (Fields, 2001). Two cruise lines, American Classic and Renaissance, have declared Chapter 11 and laid off hundreds of local employees (Cordle, 2001). Royal Carribean Cruise Lines has laid off several hundred employees as well, and more of its 2,700 employees in Miami are expected to receive pink slips (Corzo, 2001a: 1C).

Regrettably, many of the laid-off workers have little in savings to fall back on. Further, few receive unemployment compensation or post-separation health benefits. The fortunate few with unemployment compensation receive an average of less than $275 a week. Job hunting has become a new occupation for the thousands of laid-off workers in Miami-Dade's hospitality sector (Tan, 2001). For many, any job, even "tip-only" work at a local hotel, would be a blessing. Although the good interpersonal skills many employees in the hospitality sector garner in their careers transfer easily to other sectors, the sheer volume of layoffs in Miami-Dade has made job placement difficult, particularly against the backdrop of a national recession.

It is probably too early to determine the impact of the tourism drop on Miami's coffers. We know that drops in state sales tax revenue, part of which is rebated to local and county governments, have required cuts of between five and ten percent in many state agencies. Miami-Dade County's public schools have required unpaid furloughs among rank-and-file employees to avoid layoffs among teachers and support staff. Approximately 400 supervisory personnel will be laid off or offered early retirement or reassignment. To date Miami appears relatively unscathed, but if the recession continues or tourism fails to rebound significantly, this could change.

One would expect that the tourism implosion would renew interest in a diversified economic base in Miami-Dade. If anything, however, the opposite has happened. The tourist sector has solidified its role as the pillar of the Miami-Dade economy, while other sectors such as manufacturing, banking, and insurance have continued to shrink, resulting in an economy that is actually less diversified now than it was 10 years ago ("Blue Skies to Gray," 2001) Why is this the case? A recent *Miami Herald* exchange between the Dean of Florida International University's Hospitality School, Joseph West, and one of the co-authors of this article provides some possible explanations (Frank, 2001; West, 2001):

1. The tourist industry in Dade is concerned that its tax breaks will be given to other developing industries. In essence, tourist leaders appear to view economic development in zero-sum terms, failing to understand that an environment congenial to a higher value-added economy will probably make Miami a better tourist attraction.
2. The recent implosion of the technology sector, particularly the telecommunications sector, will be used as evidence that Miami-Dade's policy leaders should stick with the safe bet of the tourist sector; and
3. Discussion of the historically low wage structure of the tourist sector (Gladstone and Fainstein, 2001) is taboo in Greater Miami. This may be the case because local hospitality sector employers would prefer to keep a lid on wage growth. Having to compete with higher-wage, higher-benefit industries would squeeze profits; retarding the growth of other sectors might be economically rational from a tourist management perspective.

Hospitality and related sectors employ nearly one in five people in Miami-Dade. Economic development strategies that are perceived to be inimical to its interests are likely to be met with disdain in the public policy arena. This is revealed in part in the short shrift Miami-Dade's policy leaders have given to the "One Community One Goal" initiative that was launched in 1996 in an effort to establish a higher-wage, higher value-added economy in Greater Miami, to which we now turn.

ONE COMMUNITY ONE GOAL: FAILING TO WALK THE TALK IN ECONOMIC DEVELOPMENT

While the hospitality sector may not be particularly enamored of challenges to its primacy in Miami-Dade's economy, other constituencies such as the African-American community and the leaders of the non-profit and social services sector have expressed deep concern with the area's wage structure and surfeit of dead-end jobs. The institution of welfare reform in the late 1990s, which required the placement of some 24,000 former recipients into the workforce, served as a further catalyst to a restructuring (Dluhy and Frank, 1999).

In an effort to jump-start the economy, Miami-Dade Mayor Alex Penelas instituted One Community One Goal (OCOG). Penelas and local businessman Jay Molina served as co-chairs of this effort, which was initiated in 1996 and officially launched in early 1998. Distilled to its basics, OCOG was a comprehensive effort to coordinate business, government, and academic efforts to build seven sectors in Dade's economy: information/telecommunication, tourism, international trade, biomedical, film and entertainment, financial services, and software. OCOG's founders and the Greater Miami Chamber of Commerce felt that the effort would mark the beginning of Dade's economic transformation.

As reported in an earlier description of the fiscal crisis (Dluhy and Frank, 1999), OCOG got off to an enthusiastic start at an economic development summit attended by more than 3,000 people. Nearly five years into its 10-year implementation cycle, however, there is widespread agreement that very little of substance has come from the OCOG effort. In point of fact, Miami-Dade's financial services, biomedical services, and film and entertainment sectors were shrinking before the onset of the current recession. The bottom line is that empirical evidence suggests that Miami-Dade is actually regressing, not progressing, in efforts to diversify its economic base. But why is this the case?

1. The area does not have the physical or academic infrastructure needed for implementing OCOG's ambitious plans. A good example is the film industry. Greater Miami does not have large-scale studios, and none of the area's universities has a degree program in the technical aspects of filmmaking.

2. The “Anywhere-but-Miami” (ABM) Syndrome makes recruitment and retention of upper-level talent next to impossible (Dluhy and Frank, 2002). In the 1970s, ABM was the acronym for the Antiballistic Missile defense shield. In contemporary executive recruitment circles it refers to the “Anywhere-but-Miami” Syndrome, meaning that local firms have difficulty recruiting and retaining top talent from outside the region. Objective factors such as poor schooling, crime, and high housing costs are serious deterrents, but subjective factors are thought to be worse. Greater Miami’s neo-foreign, semi-tropical, and slightly decadent aura may appeal to a relative handful of cosmopolitans, but this ambience is off-putting to many, particularly young professionals who cannot envision “serious” work coexisting with “fun-in-the-sun.”
3. Greater Miami’s workforce is simply too undereducated and poorly trained to serve as a springboard for anything but a “low-tech,” personal services economy.

Off the record, many of Miami’s leading decision makers would concur with these three observations (Dluhy and Frank, 2002). Publicly they prefer to remain silent and to not “rock the boat.” This suggests that OCOG is best thought of as symbolism undertaken by the Miami-Dade establishment to mollify the above-referenced interest groups. Many members of the area’s elite see Greater Miami as a low-tech hub for the foreseeable future, meaning that many of the city’s residents will lack the traditional channels for bootstrapping their way out of poverty.

IS BEING THE “CAPITAL OF LATIN AMERICA” AN ADVANTAGE OR DISADVANTAGE FOR MIAMI?

Miami’s role as the unofficial “Capital of Latin America” is a linchpin of the economic development model espoused by its public officials. Miami as tourist hub, weekend shopping getaway, and flight capital repository for well-to-do Latin Americans will result, deus ex machina, in jobs and economic growth for Miami and its surrounding region, the officials say.

This belief is never questioned in public debate. Yet serious efforts at operationalizing and measuring the real impact of Latin American tourist expenditures or capital inflows into Miami’s banks are not forthcoming. Anecdotally, any resident in the area knows that Latin visitation and capital inflows must have a significant positive impact on retail trade. A visit to any mall or Home Depot in Greater Miami will reveal Latin tourists making purchases in the thousands of dollars, undoubtedly because the stereo equipment or bathtub that costs $300 here might be three to four times that much "at home," given Latin America's high protectionist tariffs and relative scarcity of consumer goods. Similarly, there is general agreement that Miami's swank Brickell Avenue banking hub would be undeveloped were it not for the Edge Act banks established in the early 1980s to capture flight capital of wealthy Latin émigrés seeking safe haven from the inflation and political instability of their motherlands.

But obtaining "hard" numbers quantifying the true impact of Latin tourism and capital inflows in Miami or Greater Dade is virtually impossible (Dluhy and Frank, 2002). It is unclear if this is because Greater Miami's leaders accept on faith that Latin trade and tourism are pluses for the economy and need no verification, or if there is fear that quantification might reveal an impact that is not as great as touted.

We remain agnostic on that question, allowing for the fact that defining and measuring the dollar value of the trade and capital inflows may be an uncertain task fraught with heroic assumptions. Nonetheless, any assessment of Latin trade and capital inflows must include both its benefits and costs, and the latter seem to be overlooked entirely in public discourse. One question in particular seems relevant: What is the impact of Latin flight capital on the housing market in Miami-Dade? Condominiums and single-family homes in Miami's better neighborhoods often sell for two to three times the cost of comparable dwellings in neighboring Broward and Palm Beach Counties. That is not a happenstance. The simple truth is that well-heeled Latins' purchases of domiciles (often sight unseen) in Dade distorts the housing market. This exacerbates the affordable housing dilemma faced in Dade, and helps in part to explain the exodus of the middle class to Broward.

Where does this leave Miami and its fiscal solvency? In a positive vein, the city's administration is certainly more professional than it was five years ago. Miami's budget is balanced, and its property tax base is stabilized. But Miami remains a poor and ethnically divided community, with a shrinking middle class. Greater Miami is wedded to a tourist-based economy that does not generate high value-added employment. It remains unclear whether the area's political leadership is seriously committed to following in the footsteps of Pittsburgh, New York, or Los Angeles and beginning the long and painful process of reengineering the local economy, even if the events of 9/11 make this an imperative. Miami as the "Capital of Latin America" is an economic development strategy that is fraught with risks and costs that decision makers choose to overlook. In our judgment, extremely wary optimism appears to be the order of the day in Miami's economic and political environment.

Miami remains destined for additional rounds of immigration of poor unskilled workers and until those streams slow down, it will be difficult to create the channels for upward mobility usually seen in immigrant communities so that economic progress can be made. Moreover, recent immigrants will, more likely than not, either remain politically inert or continue to fall under the sway of politicians who seem more interested in foreign affairs than in the economic and administrative reengineering of their newfound home.

MACRO LESSONS FOR THE COMMUNITY—LESSONS FOR PRACTICE

Returning to the Miami fiscal crisis and its aftermath, it is critical that specific lessons for practice from this crisis be explored and discussed. When local governments fail, it is tempting to focus attention mainly on the individual or individuals who appear to be the most responsible for the calamity. However, there are other approaches to understanding why governments fail. Many of the waves of immigrants coming to Miami have brought a "private regarding" ethos and orientation toward politics and government. These immigrants did not come with a commitment to or an appreciation of "good government" traditions, which in turn made them vulnerable to public officials and bureaucrats who practiced the politics of patronage and favoritism (Dluhy and Frank, 2002). Thus, Hispanic politicians have dominated the political environment in Miami for at least the last 20 years, and these leaders have frequently run the government with few external checks from the community.

One macro lesson for practice that stems from the Miami case is that communities in trouble need outside intervention as early as possible in the recovery cycle. Oversight systems must be operating or new systems must be developed almost immediately. In this case, the general voting population was both disinterested and incapable of exercising oversight over the elective and appointed officials. More specifically, no "watchdog," "tax watch," or reform group was ever present either preceding the crisis or in its aftermath. Community groups, which normally serve to keep the politicians and city officials honest in other cities, were simply absent from the Miami scene from 1990 to 2001. Even *The Miami Herald* rarely had a beat reporter prior to the 1996 crisis at city hall. In two elections subsequent to the 1996 crisis, only one city commission candidate even mentioned the crisis in his campaign. Neither mayoral candidate in 1996 mentioned the fiscal accountability issue in their campaigns, and one of the candidates, Xavier Suarez, even tried to deny that a fiscal crisis even existed. Without community groups or candidates championing "good government" reform and fiscal accountability, Miami's recovery has therefore been very slow. Outside intervention thus became crucial.

In addition, the downtown business community was estranged from city government and kept their distance from the city leaders during this period. Few of the visible and powerful leaders of the Greater Miami Chamber of Commerce ever ran for office, sat on important city boards and commissions, or got involved in local political campaigns. However, in 1997, the business community at the request of Mayor Carollo, did volunteer to help. A number of high-profile businesspeople agreed to sit on a Blue Ribbon Task Force on City Administration. This Task Force completed a very thorough study with recommendations. The Task Force went out of existence after six months of work and their thoughtful recommendations modeled after "best practice" in other cities were almost completely ignored during the first five years of the recovery. City officials and the Miami electorate simply ignored the "good government" agenda proposed by the local business community until 2001 (Dluhy and Frank, 2002).

The only outside intervention that made a difference in Miami was the State Oversight Board. This Board, which was appointed three months after the fiscal crisis, continued to operate until 2001. The Governor appointed the Oversight Board, and more than any force in the aftermath of the crisis, it held the city accountable for its fiscal mess. For example, all contracts over $5,000 had to be approved by the Board along with the annual operating and capital budgets. The Board required a healthy surplus and insisted on recurring revenues to cover the shortfalls. While many were critical of the Board and felt that it did not go far enough as similar Boards had done in New York and Philadelphia, the Board provided the only real external check on the city's financial situation during the period under consideration (Dluhy and Frank, 2002). The subtle lesson here is that if you are going to use the Board to do the heavy lifting then you need to put people with strong personalities and give them more tangible power. As the critics contend, much more could have been done in the critical first two years, when Miami's image was seriously blemished.

MICRO LESSONS FOR THE BUREAUCRACY

The crisis of the Miami bureaucracy was that it lacked an internal organizational structure that established checks and balances and promoted sound internal fiscal control. The list of lessons for the bureaucracy is long. The list is suggestive of a failure in government operations. When the Blue Ribbon Task Force on City Administration mentioned earlier looked at "best practice" in financial operations in other cities, Miami's financial practices were almost uniformly inadequate and lacking knowledge of current modes of operation and standards. A few micro lessons for the bureaucracy in other cities are discussed below:

- ***Do not ignore early warning signals***. A review of 16 years of city commission budget hearings shows that virtually all senior officials—mayors, commissioners, and managers—had hints that the city had chronic money problems (Chardy, 1996). Transcripts show that commissioners ignored repeated warnings of financial trouble largely because they believed, but never verified, management's assurances that the city was in better shape than the numbers showed. In conjunction with *The Miami Herald's* lack of disclosure and the absence of community groups and candidates for public office demanding fiscal accountability, officials were not pressed to do anything about the impending financial crisis. For example, former Miami city manager Howard Gary had projected $65 million in deficits as early as 1989, due to the shrinking tax base and projected spending obligations. His warnings were unheeded.

- ***Do not delegate without also establishing internal checks and balances***. City Manager Caesar Odio had a rather unorthodox delegation style. First of all, rather than having three to five assistant city managers to help with staff and oversight functions, Odio had one administrative assistant. He put his assistant managers in the field as department heads. Thus, there were no senior staff meetings involving the budget and its preparation; rather Odio delegated 100 percent of the responsibility for the budget to his Finance and Budget Director Surano, who later provided the FBI with information that led to the arrest of Odio. Surano was also recently indicted himself for fraud and misrepresentation in relation to the issue of public bonds. Interviews with senior staff indicated that the budget was never discussed at staff meetings or departmental staff meetings and there was no internal budget audit ever completed. In short, the Odio administration operated financially with virtually no internal checks and balances. Further, Odio did not share external audits with others. Interviews with staff indicated that they never knew from month to month whether the city was solvent. Only Surano and Odio seemed to know the financial state of affairs. Without internal and external controls, the city was poorly served (Dluhy and Frank, 2002).

- ***Do not deplete your mid-level and upper-level highly trained civil servants: You need them.*** In early 1995, the city lost more than 500 mid- to upper-level employees to early or regular retirement. Most of these positions were never filled and were lost. As late as 1999, more than 100 key positions critical to the five-year recovery still remained unfilled. Inadequate staffing was particularly prevalent in budget and finance, the manager's office, and planning. It wasn't until 1998 that Miami even had a CPA on staff; a serious shortcoming (Balido, 1998). Before and after the crisis, the city simply paid little attention to hiring experienced and qualified staff. It was common knowledge that higher-level jobs in the bureaucracy were difficult to fill because of the reputation Miami had developed in the field of public administration. Rather than trying to fill these key staff positions immediately after the fiscal crisis was identified, the city dragged its feet. Without the technical capacity, the city started without a level playing field and this, no doubt more than anything else, slowed down the recovery process. *The lesson here is to professionalize the bureaucracy as soon as possible after the crisis by filling critical positions as well as upgrading the training of staff.* In 1996, the city did not even have a training coordinator on staff and devoted almost no resources to training.

- ***Create stability within the bureaucracy and the elected political offices. This is closely related to filling key staff positions as soon as possible after the crisis has been identified.*** While it is important to terminate incompetent or corrupt employees during the recovery, it is also important to avoid constant turnover in key staff positions. With Miami, there were seven city managers during the first five years of the recovery. Without a professional manager that could work with the Oversight Board, the commission, the bureaucracy, and the media, Miami suffered. Because of the lawsuits surrounding the mayoral election, and the indictment of two commissioners, the city appeared to be leaderless and lacking in resolve. In retrospect, the political turmoil with the elective offices was just as unsettling as the turnover in the city manager's position. Establishing confidence in the city could have been enhanced if a trusting and professional relationship could have been set up between the mayor, the commission, the manager, and key department heads. Instead political and organizational instability was widespread.

CULTURE AND ETHOS MATTER

Because Miami's political culture has been characterized as extremely "private regarding" before and after the crisis, there is a broad lesson to be learned from this case. Simply stated, the lesson is that despite a poor and undereducated population in a city, there must be community institutions or other key actors present who value and promote professionalism and "good government." The most striking thing about the 1996 to 2001 period is how absent professionalism, technical competence, and "best practice" were from the process and the debate about how to proceed. At times, it was as if professional, neutral, and competent government played no role in the recovery, and that local elected and other leaders believed Miami could make it without adopting many of the measures used by peer cities across the country. In fact, there was never an atmosphere of good government during the recovery period, with the exception of the Blue Ribbon Task Force on City Administration's report, which drew attention to "best practice" and the fundamentals of good government. However, the city's former administrative culture placed no value on these things. As a result, the pace of recovery was not only slowed, but critics are arguing that Miami could easily go back to its old ways unless some kind of internal and external checks are imposed on the city's operation.

CONCLUSION

The lessons to be learned from Miami's fiscal crisis come at the expense of its residents who have had to live through the last decade. The city has not only been poorly governed but it has also been poorly managed. If voters do not demand high-quality government—and in turn elect people committed to important values such as professionalism, non-partisan administration, equity in service delivery, and fiscal accountability—then government can easily go astray and fail. In the Miami case, there were a combination of factors present that guaranteed government failure. Lessons for other cities are both broad and specific. We now know that uninvolved and undemanding citizens, the absence of groups and a media that ensure accountability, and ongoing political instability can easily lead to operational systems without adequate checks and balances and to poorly trained civil servants. Much of Miami's recent legacy has been negative and embarrassing. It has become a case of how *not* to do things—and even though that has some value, it would be better to be reporting that the city's systems failed, but voters and leaders saw what happened and fixed it so that it would not happen again. In Miami's operating climate, that may not always be assured. Perhaps a new, younger generation of Hispanic citizens and leaders will discover the importance of the "good government" agenda and integrate these values into the city's operations.

POSTSCRIPT

As this is written, there are indicators that Miami's economic lifeblood, tourism, has made some progress from its post-9/11 lows. But the comeback is far from complete. Hotel revenues are still 17 percent lower than prior to the attacks, a result of significantly lower rates and 14 percent fewer flights into the area (Buckley, 2002: 1C,4C). While the cruise industry has recovered to within a few percentage points of pre-9/11 occupancy and revenue yield, the airline industry continues to suffer steep losses. As noted earlier, Dade is highly dependent on air travel for its tourism. Continued reduction of seating capacity and flights has negative long-term implications for the entire Miami-Dade economy.

On another front, the fall, 2002 TV season has brought "CSI: Miami" to the airwaves. Once again, Miami is portrayed in national media as a sun-drenched crime hub, following in the footsteps of "Miami Vice" of the 1980s (Garvin, 2002: 1A). As the authors have noted elsewhere (Dluhy and Frank, 2002), Miami's image on TV and in film is anything but flattering, and this show will only reinforce America's stereotype of the city as a violent, corrupt, and decadent venue. Quantifying the negative impact this stereotype has on executive recruitment is difficult, but anecdotally it is significant (Dluhy and Frank, 2002). The new show's implicit media message is that Miami is a place to develop tans or run drugs, but not a place to develop computer software or high-wage employment.

In the aggregate, however, there are signs that Miami is making progress both financially and administratively. On the latter front, City Manager Carlos Gimenez has recently announced his resignation to take effect as soon as a national search for his successor is completed. This is a setback for the city, given his deep commitment to professionalism and sound financial management, as well as the high turnover experienced in that position over the past half decade. But the city commission has committed to a national search for his successor, and obtained a prominent recruitment firm to manage the process. This approach to finding a new manager indicates a significant upgrading of the city's governance, and suggests that recent events have forced Miami's elected officials to behave more responsibly than prior to the fiscal crisis. To sum up, the tragic events of September 11, 2001, cast a long shadow over Miami's already problematic economic base and the city's middle class is shrinking. But there is no doubt that Miami entered the 21st century in much better fiscal and administrative condition than when it departed the 20th.

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