

**A Summary of Clair Report No. 376:  
“Learning from Successful Financial Reform in St. Lucie County, Florida”**

Naomi Maki, Assistant Director, Japan Local Government Center,  
Representative of the City of Hiroshima  
March 19, 2013



Award ceremony for “County Leader of the Year” at the 2011 National Association of Counties Annual Conference



St. Lucie County Commissioners, Ms. Outlaw, the Chairman of the Citizens Budget Committee, and Naomi Maki

Because of the global recession, St. Lucie County, Florida, encountered a serious financial crisis, facing a \$57 million operating deficit, double-digit unemployment, and one of the highest foreclosure rates in the country. But, after just two years, the County has made great strides to resolve its financial problems, such as reducing its deficit by \$26 million, and bringing unemployment down to 13.0 percent in 2011, from 14.1 percent in 2010. One of the most important players is Ms. Faye Outlaw, MPA, St. Lucie’s County Administrator. She was selected as American City & County magazine’s County Leader of the Year for 2011, and received the 2011 Career Excellence Award from the Florida City and County Management Association. Her efforts have also attracted admiration from the state’s legislators.

Since 2007, the County has taken various steps to reduce expenses related to personnel

including a hiring freeze, early retirement, voluntary layoffs, and involuntary layoffs. Also, some public services have been reduced in the effort to achieve a balanced budget. However, while cutting back budgets the County has not only maintained several core programs and services but also has increased some service levels by creating and enhancing public-private partnership. For example, the County has kept the Regional History Center open by utilizing volunteer staff, and has increased the frequency of controlled burns on nature preserves by arranging for students enrolled in Indian River State College's Public Safety Training Complex Fire Academy to help conduct them as part of their training. In addition, the County established the Solar Energy Loan Fund and the Green Collar Task Force with local community leaders as a holistic approach to promoting both environmental sustainability and job creation. Not only do both programs help create and supply a market for Green Economy jobs, but they also provide renewable energy.

The key to success is summed up in the following comment by former St. Lucie County Commissioner Chris Craft, "We started taking action toward fiscal sustainability six years ago. We built up a sizable savings account, and as a result of that it has made it easier to implement many of the programs and be successful with the leadership we have in place."

The key factors were thorough program development based on foresight and great leadership to carry it out. Behind these results, there are good relationships of trust not only between the Board of County Commissioners (the Board) and County Administrator, but also the County government and local community. Success could not afford to lose anyone. As the saying, "Rome wasn't built in a day" implies, success comes from adequate preparation and steady efforts.

The County is still in the process of financial reform and Ms. Outlaw still faces the challenge of continuing to achieve fiscal sustainability despite many difficulties. This report describes, through interviews with Ms. Outlaw and other stakeholders, how the County has overcome its financial difficulties so far. I am proud to share St. Lucie County's successful financial reforms with Japanese municipal governments and hope the County can be like an adviser or friend to them as they work to overcome similar problems.

## Chapter 1. Overview of St. Lucie County, Florida

The first chapter deals with St. Lucie County's profile, government structure, and budget system.

### 1. Profile of St. Lucie County

<b>Population, 2010</b>	277,789	(Florida: 18,801,310)
<b>Percent change in population, 2000 to 2010</b>	44.2%	(Florida: 17.6%)
<b>Percent change in population, 1990 to 2000</b>	85.0%	
<b>Median age, 2010</b>	42.4	
<b>Land area in square miles, 2010</b>	571.93	(Florida: 53,624.76)
<b>Average per capita annual income (2010 dollars) 2006-2010</b>	\$23,296	(Florida: \$26,551)
<b>Unemployment rate, 2010</b>	14.1%	(Florida: 11.5%)
<b>Annual county budget, Fiscal Year 2012</b>	\$523 mil.	

The County saw tremendous population growth from the 1990s. This stems largely from its advantageous location and climate, and lower tax rates in Florida, as well as rapid and focused urban development in the City of Port St. Lucie.

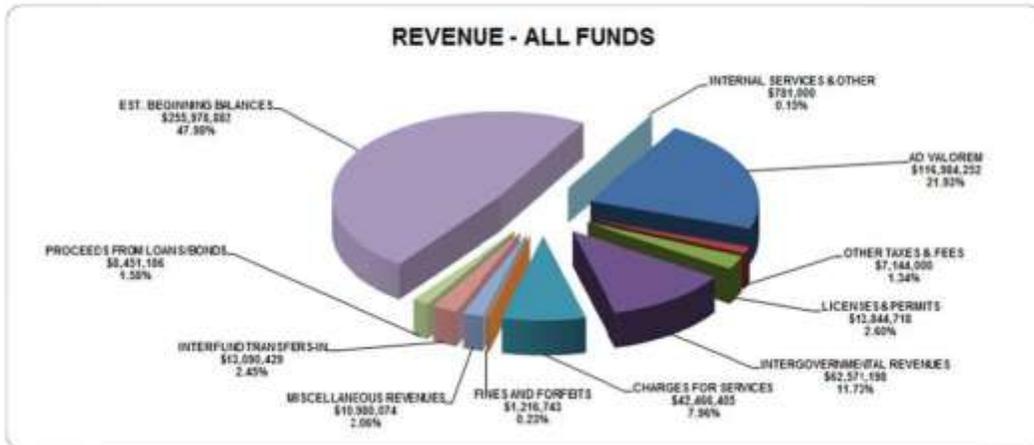
### 2. Government Structure

The primary government of St. Lucie County consists of the Board of County Commissioners and five elected Constitutional Officers, with day-to-day operations performed by the County Administrator. Such a system is called a "Council-Manager" form of government.

### 3. Budget and Services to Residents

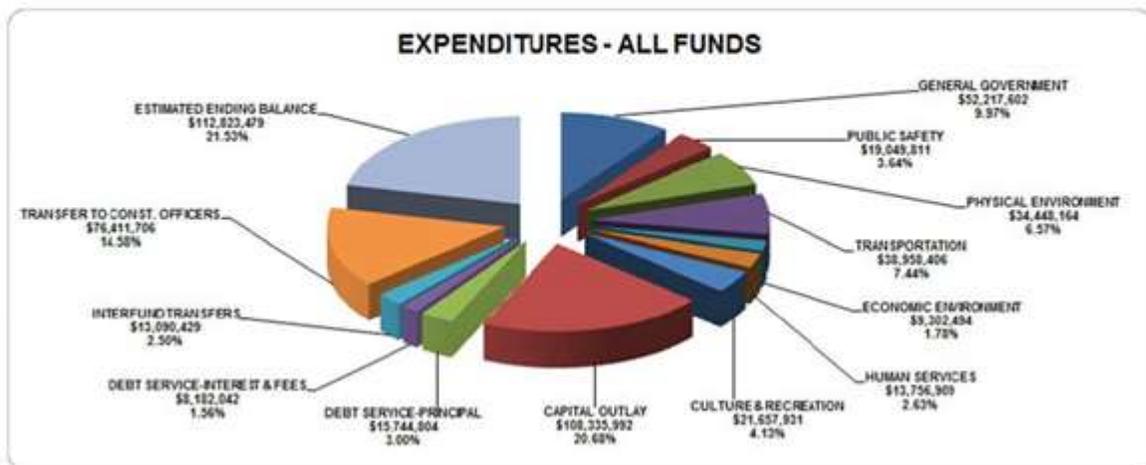
#### Where the Money Comes From (FY2011-2012)

Total of all Funds \$523,979,769



#### Where the Money Goes (FY2011-2012)

Total of all Funds \$523,979,769



## **Chapter2. Background to the Financial Difficulties**

This chapter examines the County's economic and fiscal circumstances to understand why it faced such severe financial difficulties.

### **1. Local Economy**

- Through rapid and concentrated urban development and a housing construction boom in the City of Port St. Lucie that started in the 1990s, construction became a major growth industry in the County.
- Prior industrial development had increased assessed valuations within the County.
- The Great Recession happened during the construction and housing boom in St. Lucie County, resulting in 40 percent unemployment in some construction trades.
- The national downturn in 2008 also burst the property value bubble in the County.
- As the property tax is the major revenue source for the County, the County's operating budget was hit hard.

### **2. Financial Circumstances**

- The County's major revenue comes from the property tax.
- The County filled the budget gap by transferring from other funds or using its reserve funds (savings).
- The County built up sizable reserve funds during the construction boom, making this possible.
- But due to substantially reduced property values resulting from the Great Recession, they did not have the ability to replenish these funds and fell into deep financial difficulties as their reserves were depleted.
- In addition, the County was stymied by unfunded state mandates as well as the State of Florida's special property tax reforms in 2007 and referendum in 2008 that reduced millage rates, extended tax breaks for homebuyers, and capped property tax increases by local governments.

### **3. Natural Disasters**

From 2004, major hurricanes such as Frances, Jeanne, and Wilma impacted the County, requiring considerable expenditures for clean-up and disaster recovery.

### **Chapter 3. The First Stage of Financial Reform, “Reduction and Elimination”**

This chapter describes actions taken by the County to reduce or eliminate various expenditures, such as operating and capital cost reductions, reductions in programs and services, and reduction of personnel expenses via a reorganization of County government.

#### **1. Reduction of Personnel Expenses**

- Since 2007, the County has taken various steps to reduce expenses related to personnel.
- The County undertook a reorganization of its administrative structure (from 18 departments and 45 divisions to 9 departments and 27 divisions).
- Along with this, they enacted a hiring freeze and implemented early retirement, voluntary layoffs, involuntary layoffs, and the elimination of vacant positions.
- Altogether, these steps have resulted in a 34% reduction in staff since 2007, when staffing peaked at 988 full time employees.

#### **2. Reduction or Elimination of Services to Residents**

- The total county budget peaked in FY08 at \$765M. By FY12, it was reduced by almost \$241M to \$524M.
- The next action by the County was elimination of services to residents.
- Those eliminations have included services for libraries, pools, beaches, and number of lifeguards
- Turnaround time for code enforcement, permits, inspections, and other requests was extended because of a massive reduction of staff handling these issues.

#### **3. Other Strategies**

- The County made use of various assigned fund balances to serve as a critical tool for meeting cost obligations.
- After reducing County support for nonprofit agencies by 10%, the County encouraged employees to make contributions to them to help replace the lost revenue.

## **Chapter 4. Second Stage of Financial Reform, “Change and Advancement”**

This chapter deals with several successful partnerships with local non-profit groups or community leaders which aimed to balance maintaining services with saving money and in addition strived to create a new labor market.

### **1. Collaboration and Change of Management**

- Partnership between Indian River State College and the Florida Forestry Services: By using student help, the County was able to conduct six controlled burns on five nature preserves while saving money and reducing the risk of wild fires, and students got a chance to receive hands-on training outside the classroom.
- St. Lucie Historical Society: The Regional History Center has been operated by volunteers from the Historical Society, avoiding the need to close it.
- The Friends of the St. Lucie County Library Association Inc.: The association provides a 2-year grant to assist the County in meeting operating expenses.
- St. Lucie County Health Access Network Delivery System (HANDS): HANDS provides free access to medical and dental care to underinsured or uninsured residents. All of the medical care is provided by volunteer doctors, nurses and assistance, which is part of a non-profit network.

### **2. Job Creation Strategies**

#### The Green Collar Task Force (GCTF)

GCTF is a collaboration of representatives from the County government, Work Force Solutions (a non-profit organization), and a consortium of eight trade unions. This project provides training for new and employed workers in green collar building/construction jobs to meet the growing labor needs of the green technology business sector.

#### Solar Energy Loan Fund (SELF)

The County has partnered with local financial institutions and community leaders to establish the non-profit Solar Energy Loan Fund, which administers a low-interest loan program to provide efficiency enhancements and renewable energy and job creation projects for the Green Economy.

## **Chapter 5. Financial Reform Methods**

This chapter describes how the County enacted such difficult financial reforms with the agreement of all stakeholders.

### **1. Leadership of Faye Outlaw, the County Administrator**

- Ms. Outlaw was appointed the County Administrator after the nationwide recession became apparent in 2009. She was valued by the County Board for her financing skills as the County Assistant Administrator during the recovery efforts after Hurricanes Frances and Jeanne in 2004.
- She took the lead in financial reform because of the deep trust felt in her by the Board and staff. With her strong leadership, some major financial reform actions were quickly implemented, such as reorganization of the administrative structure, reduction of major projects, and the elimination or reduction of services to residents.

### **2. Approach to the Staff**

How did the County keep employees motivated despite being in a high-pressure situation of implementing various personnel reductions through such efforts as layoffs, downgrades / salary cuts, no pay increases, and so on?

- The County created several work teams consisting of county staff members, such as the “Employee Budget Reduction Work Group” and “Local Economic Stimulus Work Group”, and many of their recommendations have been implemented. By establishing a kind of bottom-up polity it affected employee motivation positively in a material way. That reflected Ms. Outlaw’s basic philosophy, as well.
- In addition, the County has taken other measures such as operation of team-building sessions, an employee health care clinic, and so on.

### **3. Approach to the Constitutional Officers**

- Through spirited negotiations with each Constitutional Officer, the County has been able to reduce their corresponding budget expenses each year since FY2007.
- Negotiations were not always successful, but the goal was the same and both sides engaged seriously in the discussions. As a result, they could build a tight relationship.

#### 4. Relationship with Local Business Leaders

The County has a good relationship with the local Chamber of Commerce and the Economic Development Council.

#### 5. Approach to the Residents

- In the County, many residents take part in administrative management in diverse ways, including through the Citizen Budget Committee.
- The County sets an example through actions such as employee layoffs, salary cuts, and encouraging donations to nonprofit agencies to help make up for reduced County support.



Citizen Budget Committee



With St. Lucie Historical Society members

### Chapter 6. Continuing Challenges to Financial Reform

The County has successfully responded to the fiscal crisis so far, but this has just been the beginning of the journey to financial sustainability. Everyone concerned is well aware of the fact that the reserve funds will be gone in 2014. These funds have made it easier to implement many of the changes, but they are not inexhaustible. The County still faces many challenges as it continues on toward its final goal.

## **Chapter 7. Comprehensive Evaluation**

This chapter describes three key success factors based on an analysis of my research findings, “Foresight”, “Great Leadership”, and “Good Relationship of Trust”. It also deals with the secret to success for Ms. Outlaw herself and the general qualities of a leader, seen in observing her as my case study.

### **1. Key Success Factors**

**Foresight:** “Foresight” means the ability to accurately forecast the future and have the County administration take proactive measures. The County foresaw the risk of a serious revenue decrease and loss of reserves in the near future, so it built up a sizable reserve fund by carrying savings forward and started to discuss a sustainability measures plan during a period when it could still collect enough revenue under rising property values. It was well ahead of the curve for the Great Recession.

**Great Leadership:** The sustainability plan was all set. But the plan, especially major reforms in it, which were the subject of a lot of differences in opinion, was not implemented during the period when the County could get by using its reserve funds. The Board appointed Ms. Outlaw to be County Administrator in 2009, after the global recession became obvious, and her leadership was a key component in the successful implementation of these major financial reforms.

**Good Relationship of Trust:** Ms. Outlaw first developed a good working relationship with the County Board, and together they then succeeded in creating a good relationship with the Constitutional Officers, staff, residents, and community leaders. This last key factor was most important and affected their success in all ways.

### **2. The Secret to Success by Ms. Outlaw Herself**

-She said the secret to success was effective short term action, creating good partnerships, and a lot of study.

### **3. Ms. Outlaw as a Case Study of the Qualities of a Leader**

Her basic philosophy is, “I don’t like to dictate. Therefore, we gather some ideas from each director and division at first, and then, we decide on a policy.”

Her motto is, “Staff do the right things, for the right reason, and in the right way, even if it is unpopular and criticized.”

Her courage to act shows in her statement, “Even if it hurts the interests of a few residents, I chose to make a decision for the happiness of many residents. Prioritization is important. As a result, people follow me.”



Constitutional Officers and Naomi Maki



The County Board, Ms. Outlaw, The Citizens Budget Committee, County staff

## **Chapter 8. Lessons from St. Lucie County for Japanese Municipal Governments**

This chapter describes how Japanese municipal governments can learn from the success of financial reform in St. Lucie County, such as creating good relationships, consensus formation with stakeholders, bottom-up decision-making, desired leadership, and so on.

### **1. Great Leadership**

- Ms. Outlaw is not afraid of any challenge, and directed her staff in her way of operating government, allowing her to achieve financial reform by her strong will and by being an example herself.
- The County has been well managed by the Board. It deserves praise especially for appointing Ms. Outlaw to the County Administrator position. It appropriately evaluated her skills and her optimistic outlook as being just right for the time.

### **2. The Board as Manager**

- The Board in St. Lucie County acted as a manager, as well as a policy maker, rather than in a consultative body.
- The Commissioners led in creating partnerships with the business community and local organizations.
- One of the former commissioners, Mr. Coward, contributed greatly to creating the “Green Collar Task Force” and “Solar Energy Loan Fund”.

### **3. Advantages of Partnership**

- By using volunteer staff for the operation of community facilities, the County was able to maintain public services while saving money.
- Almost all non-profit organizations contribute to reducing the financial burden of the County by self-financing. Also, they expand their business only so far as their own funds allow.
- They maintain a self-supporting system of funding and operating. As a result, the government has no authority to interfere with them. The residents are no longer mere collaborators but also major players, like actual county staff.

#### 4. The Principles of Resident Participation

- Residents are proud and pleased to work as members of the County government.
- I believe people could act in their best interest for themselves and find meaning in responsibility and a sense of achievement.

#### 5. Bottom-up Decision-making

The County has adopted a bottom-up management style to execute financial reform, and it has contributed to consensus formation among all stakeholders.

#### 6. Process of Consensus Formation Among Stakeholders

- The success of Ms. Outlaw's leadership in realizing financial reform was largely a result of a great relationship, built on trust, with staff and the Board.
- This laid the groundwork for achieving internal consensus, which is one of the most important preconditions for making an effective appeal to stakeholders.
- Once she had the strong support of the Board and her staff, she could build up a trusting relationship with stakeholders by seriously discussing issues and explaining how the County planned to make people's lives better. So even if she was criticized and lost some arguments, she retained people's trust.



Naomi Maki interviews Ms. Outlaw in St. Lucie County



Chairman Mowery, representing the Board of St. Lucie County Commissioners, gives resolution No. 12-145 to Naomi Maki

### **Acknowledgements**

*So many people generously helped me in my research and I cannot thank them all enough. However, I would like to take this opportunity to give special thanks to:*

#### **St. Lucie County**

Faye W Outlaw, MPA, County Administrator

Michael Brillhart, Strategy & Special Projects Department

Charlotte L. Bireley, Tourism Development Manager

Marie M. Gouin, Director, Office of Management and Budget

Jennifer Hill, CGFO, Manager, Office of Management and Budget

Sophia Holt, MEA, Sr. Budget Analyst, Office of Management and Budget

Glenn Henderson, Grant Resource Developer, Grants / Disaster Recovery Department

Erick Gill, Public Information Officer, Office of Media Relations

Mark Satterlee, AICP, Director, Planning & Development Service

Donald B. West, P. E., Director, Public Works Department

Todd A. Cox, C. M., Airport Manager, St. Lucie County International Airport

Mark DiMasci, Division Manager, Park, Recreation & Facilities South Division

Guy D. Medor, USMC (Ret), Parks and Recreation Manager, Public Works Department

Beth Ryder, Director, Housing & Community Services

Susan Jacob, Library System Manager, Housing & Community Services

Stefanie Myers, Community Services Manager, Housing & Community Services

Diana Wesloski, Housing Manager, Housing & Community Services

#### **The Board of St. Lucie County Commissioners (as of July 2012)**

Tod Mowery, County Commissioner District 2, Chairman of the Board

Paula A. Lewis, County Commissioner District 3

Frannie Hutchinson, County Commissioner District 4

Chris Craft, County Commissioner District 5

#### **St. Lucie County Chamber of Commerce**

Linda W. Cox, President & CEO of St. Lucie County Chamber of Commerce

Edward Jones, Financial Advisor, Jeffrey S. Emmeluth, AAMS

**Economic Development Council of St. Lucie County, Inc.**

Larry L. Pelton, President, EDC of St. Lucie County

**St. Lucie County Citizens Budget Committee**

John B. Culverhouse, Jr., Chair of Citizens Budget Committee

**The St. Lucie Historical Society**

Nancy Bennett, representative of the St. Lucie Historical Society

**The Friends of the St. Lucie County Library Association Inc.**

Padrick A. Pinkney, accountant of the Friends of the St. Lucie County Library Association Inc.

**St. Lucie County Health Access Network Delivery System (HANDS)**

Douglas Anderson, HANDS Executive Director

Christania Selph, HANDS Clinic Manager

Larry Lee, President of the Board, HANDS

Cris Adams, MSW, the Board member, HANDS

**Smithsonian Marine Ecosystems Exhibit, Smithsonian Marine Station at Fort Pierce**

Cristin Ryan, Marine Biology Educator / Volunteer Coordinator

Bill Hoffman, Ecosystems Exhibit Manager

**Green Collar Task Force**

Rick Pazos, Training Director, Sheet Metal Workers Local Union 32

**Solar Energy Loan Fund**

Doug Coward, Executive Director

Daniel J. Kurek, Controller

## ***References***

St. Lucie County

<http://www.stlucieco.gov/index.htm>

St. Lucie County, “*St. Lucie County Demographic profile 2012*”

[http://www.stlucieco.gov/pdfs/SLC\\_demographic\\_profile\\_2012.pdf](http://www.stlucieco.gov/pdfs/SLC_demographic_profile_2012.pdf)

St. Lucie County, “*Budget Books*”

[http://www.stlucieco.gov/omb/budget\\_books.htm](http://www.stlucieco.gov/omb/budget_books.htm)

Clerk of Circuit Court, St. Lucie County, Florida

“*Comprehensive Annual Financial Report (CAFR)*” and “*Popular Annual Financial Report (PAFR)*”

<http://www.stlucieclerk.com/finance/finance.htm>

St. Lucie County, “*Administrator's Budget Presentation 9-8-11*”

[http://www.stlucieco.gov/pdfs/9-8-11\\_Budget\\_Hearing-Outlaw.pdf](http://www.stlucieco.gov/pdfs/9-8-11_Budget_Hearing-Outlaw.pdf)

St. Lucie County, “*9-12 Group Budget Presentation*”

[http://www.stlucieco.gov/pdfs/912\\_Engagement\\_Revised.pdf](http://www.stlucieco.gov/pdfs/912_Engagement_Revised.pdf)

County Administration Memorandum 12-001

[http://www.stlucieco.gov/pdfs/2011\\_Major\\_Accomplishments.pdf](http://www.stlucieco.gov/pdfs/2011_Major_Accomplishments.pdf)

U.S. Census 2010

<http://quickfacts.census.gov/qfd/states/12/12111.html>

Florida Statutes

<http://www.flsenate.gov/laws/statutes/2012/200.065>

<http://www.flsenate.gov/Laws/Statutes/2012/129.01>

The St. Lucie County Chamber of Commerce

<http://www.stluciechamber.org/>

Economic Development Council of St. Lucie County

<http://www.youredc.com/>

Green Color Task Force

<http://www.greencollartf.org/>

“St. Lucie County, media Relations”

<http://www.stlucieco.gov/media/8060.htm>

“Hometown News”

<http://www.myhometownnews.net/index.php?id=70129>

“St. Lucie Times”

<http://bit.ly/S7mSeU>

Solar and Energy Loan Fund

<http://www.stlucieco.gov/ed/empower.htm>

St. Lucie County Health Access Network Delivery System (HANDS)

<http://www.handsofslc.org/>

St. Lucie County Aquarium

[http://www.stlucieco.gov/marine\\_center.htm](http://www.stlucieco.gov/marine_center.htm)

Arts & Cultural Alliance of St. Lucie

[http://www.stlucieco.gov/administration/arts\\_alliance.htm](http://www.stlucieco.gov/administration/arts_alliance.htm)

International City/County Management Association

<http://bit.ly/R0x7Q4>

“American City & County”

<http://bit.ly/OFh00J>

“The Palm Beach Post”

<http://bit.ly/PJGpQo>

### **Articles about my research**

*“St. Lucie County hosts Hiroshima Ambassador July 16-20”, TC Palm, July 12, 2012*

<http://bit.ly/N3fglZ>

*“County receives international attention”, Hometown News, July 27, 2012*

<http://bit.ly/RsZrvS>