

THE *Indy* STORY



*Urban Systems Reforms and Community Revitalization
in Indianapolis During the Stephen Goldsmith Years
(1992 – 1999)*

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ACKNOWLEDGEMENTS

In every way this document is about the future, not the past. Surely the monograph documents the urban reforms undertaken during Stephen Goldsmith's tenure as Mayor of Indianapolis (1992-1999)—and certainly we would not have been able to research this report without the assistance of the past officials and knowledgeable citizens listed below and cited throughout the report. The utility of a report like this, however, depends upon the manner in which the current Mayor of Indianapolis, Bart Peterson, brings his own ideas to the forefront—picking up and refining successful practices from the past and jettisoning initiatives that no longer fit the policies and vision of his new administration.

In urban government, we often think of administrations as a succession of separate stories. Yet in Indianapolis, the transition from Goldsmith to Peterson has exemplified more continuity than conflict. Mayor Peterson has fostered a healthy evolution to his own era of reforms (surely worthy of a monograph, in its own right, several years from now), and his administration is committed to continuous refinement as new circumstances are revealed.

In writing this report, we must first acknowledge the funder of this project, the Annie E. Casey Foundation. This organization's commitment to our nation's cities and neighborhoods is unparalleled, and their dedication to the City of Indianapolis and to this project is highly valued. We would like to thank Ralph Smith of the Annie E. Casey Foundation, who suggested that although the creative reform initiatives in Indianapolis would be of great interest to other cities, a succinct and accessible story of the city's reforms had not yet been written. The authors also express gratitude to two other Casey Foundation representatives—Donna Stark, who provided strategic assistance and served as an accessible sounding board throughout the process; and Connie Dykstra, who offered her unique skills to the production of the report.

The preparation of this report was truly a joy, and reflects a total team effort. Andrew Hahn provided thoughtful policy guidance and a national perspective. The Reingold team conducted the field research and crafted this report. If readers find this report useful, the credit goes to the entire team. If there are errors or misstatements, they rest on the authors' shoulders.

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CONTENTS

INTRODUCTION.....	1
INDIANAPOLIS IN PERSPECTIVE	4
GUIDING PRINCIPLES AND CORE COMPETENCIES	5
INFRASTRUCTURE AND PROVISION OF MUNICIPAL SERVICES	7
<i>Guiding Principles</i>	7
<i>Outcomes and Challenges</i>	11
<i>Lessons Learned</i>	12
NEIGHBORHOOD EMPOWERMENT AND FAMILY STRENGTHENING	15
<i>Guiding Principles</i>	16
<i>Outcomes and Challenges</i>	20
<i>Lessons Learned</i>	21
ECONOMIC DEVELOPMENT.....	24
<i>Guiding Principles</i>	24
<i>Outcomes and Challenges</i>	28
<i>Lessons Learned</i>	29
CONCLUSION.....	31
APPENDIX A: MARKETIZATION.....	34
APPENDIX B: ACTIVITY-BASED COSTING	36
APPENDIX C: PURCHASING.....	37
APPENDIX D: POTHOLES — A CASE STUDY.....	38
APPENDIX E: NEIGHBORHOOD REVITALIZATION.....	39
APPENDIX F: COMMUNITY POLICING	41
APPENDIX G: THE FRONT PORCH ALLIANCE.....	43
APPENDIX H: THREE NEIGHBORHOODS CASE STUDY.....	44
APPENDIX I: NATIONAL COLLEGIATE ATHLETIC ASSOCIATION.....	47
BIBLIOGRAPHY.....	49
INTERNET SOURCES.....	50
INDIVIDUALS INTERVIEWED	51

INTRODUCTION

These days, Indianapolis attracts much more than motorsports enthusiasts for the Indianapolis 500. Once considered a sleepy Midwestern town, Indianapolis is a vibrant, prosperous city—the twelfth largest in the nation. It has attracted and kept three Fortune 500 companies, the NCAA headquarters, and two professional sports teams. As a result of the economic renaissance in the downtown area, retail ventures and the hospitality and tourism industry thrive.

And like all large cities, Indianapolis has its share of problems—a crumbling inner city infrastructure, disenfranchised neighborhoods, urban sprawl, crime, substance abuse, domestic violence, and health issues. Under the leadership of Mayor Stephen Goldsmith, Indianapolis has fundamentally changed the way it addresses problems, provides services, and interacts with citizens. Mayor Goldsmith's ambitious and innovative reforms have helped revitalize the core of the city, cultivated neighborhood empowerment, fostered an environment that attracts businesses and growth, and significantly reduced costs of providing municipal services.

Each year, countless policymakers and leaders make pilgrimages to Indianapolis. They come to study urban systems reform, community building, and neighborhood revitalization at work. They come to learn from public officials, stakeholders, and neighborhood leaders. They come with questions: What makes Indianapolis unique? What were the major reforms? How was change brought about? What are the indicators of success? How will these reforms be sustained? What lessons and best practices can I apply in my community?

They come to learn the "Indy Story."

This report was commissioned by the Annie E. Casey Foundation in Baltimore, Maryland, to chronicle Indianapolis' successes and lessons learned that are of significance to other public officials, grassroots leaders, and policymakers. The Foundation is dedicated to fostering urban systems reform, strengthening families, and assisting communities to build better futures for disadvantaged youth and their families. The goal of this report is to provide a concise overview of former Mayor Stephen Goldsmith's significant reforms for those who want to learn the Indy Story.

The Indy Story

There are hundreds of stories within the Indy Story. The story of changing the way local government does business. The story of reclaiming communities abandoned and ignored. The story of building upon values and morality throughout the communities. The story of capacity building at the local government and neighborhood levels. The story of true collaboration among city agencies, community-based organizations, neighborhood associations, businesses, philanthropists, and faith-based organizations. The story of what it takes to foster change that abides. The story of achieving a unified vision for the city—of positively impacting the lives of citizens.

The lessons featured in this report have universal value for all elected officials and policymakers and, therefore, are meant to transcend political agendas and partisan considerations. The "Indy Story" is in many ways a reflection of a continuum of enlightened leadership, built upon a legacy that preceded Stephen Goldsmith's administration, and setting the stage for the Peterson administration and others that follow.

It is always a sensitive issue when reports such as these are issued after political transitions have occurred. However, the purpose of the "Indy Story" is not to trumpet one man's or one administration's achievements, but rather to highlight some of the innovative policies and collaborative activities that helped bring about powerful urban systems reform in the city of Indianapolis. The process was bi-partisan; the lessons are non-partisan; and hopefully their application is universal.

User's guide. Our report is divided into six chapters. The first chapter, *Indianapolis in Perspective*, describes the rich history of governance in Indianapolis, chronicles the conditions and unique challenges Mayor Goldsmith inherited in 1991, and provides a brief overview of the city's accomplishments and future challenges. The chapter also uses comparative data and statistics to place Indianapolis in a national context.

The second chapter, *Guiding Principles and Core Competencies*, outlines the vision and guiding principles championed by Mayor Goldsmith, and the characteristics and factors necessary to carry out the city's mission successfully.

Infrastructure and Provision of Municipal Services tells the story of "marketization"—of introducing competition into the public sector to streamline services and cut costs. This chapter also describes initiatives that infuse accountability, performance-based contracting, deregulation, and customer service orientation into the provision of municipal services.

The fourth chapter, *Neighborhood Empowerment and Family Strengthening*, tells the story of rebuilding and reclaiming disinvested communities; empowering citizens to develop their vision, their voices, and their skills to influence change; facilitating collaboration and cooperation; and leveraging resources.

Economic Development chronicles the strategies used to entice—and keep—business in Indy, expand economic opportunities, develop brownfield sites, and contain sprawl to the suburbs. The final chapter, *Conclusion*, describes unfinished business and explores the important issues local leaders will face in the next five years.

A few caveats. Though our comments are evaluative, the report is, by no means, a formal program evaluation. It is not a political biography, nor is it the Stephen Goldsmith story. It is the story of urban systems reform. It is a description and synthesis of the guiding principles and key strategies employed in the Goldsmith administration, the sequence of events, and the meaningful outcomes of those strategies.

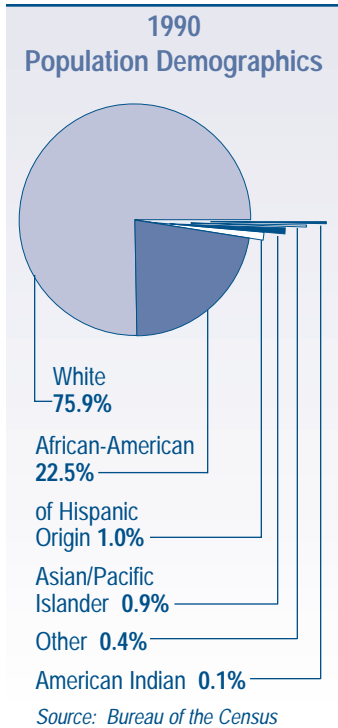
The authors of this report approached this task without a political agenda or a pre-conceived point of view. We interviewed a broad cross-section of people, including loyalists and critics. To those readers who are looking for a critique, if this report seems overwhelmingly positive, it reflects what we saw and what we heard. To those readers who are looking for biased, political testimonials, this is sure to fall short. Much of what we record here is based on reviews of dozens of documents, publications, web pages, and third-party evaluations, structured interviews with individuals both in Indianapolis and elsewhere, site visits, and even serendipitous opportunities to interview restaurant waiters, hotel desk clerks, and taxi drivers.

This is not a comprehensive report on every reform, initiative, program, or activity. We focused on a few strategic issues, and on a few selected neighborhoods, to document what happened when the mayor and his team turned the paradigm upside down—listening to the people, asking them to decide what they want, and getting the bureaucracy out of the way.

One of the largest challenges in synthesizing the Indianapolis story is to reflect both the fabric and the individual threads, and to do both with clarity and perspective. The mayor's ambitious reform agenda includes dozens of threads which, when woven together, create a tapestry with a rich picture of history, tradition, culture, civic participation, and change.

The danger in this task is that we may not weave the story together in the same way as others might. The strength of the distillation is, perhaps, in its brevity and focus. We hope the principles articulated, the points of view reflected, and the quotes and anecdotes referenced are as close as possible to the essence of the Indy Story.

INDIANAPOLIS IN PERSPECTIVE



Indianapolis is the twelfth largest city in the United States, with a population of 813,670 in 402 square miles. Located south of Chicago, Illinois, Indianapolis was ranked the eighth "best place to live" in the Midwest by *Money* magazine in 1998. It is home to the two largest single-day sporting events in the world, the Indianapolis 500 and the Brickyard 400, and the largest children's museum in the world, The Children's Museum of Indianapolis.

A history of leadership. When Stephen Goldsmith became mayor of Indianapolis in 1992, he followed on the heels of two progressive Republicans, Richard G. Lugar (1967-1975) and William H. Hudnut (1975-1991). In 1970, Lugar merged city and county government to create a system called Unigov. With Unigov, the City of Indianapolis expanded its boundaries to include all of Marion County, increased its population by nearly 50 percent, expanded its tax base, and centralized governance responsibilities and functions. Under Hudnut's leadership, Indy attracted more big business and launched two of the largest projects in the history of the city: the construction of the Circle Centre Mall downtown and the relocation of United Airlines' maintenance hub to Indianapolis Airport. According to Goldsmith:

"Part of what distinguishes our experience in Indianapolis from some other efforts is that we were not prompted to change because of a crisis. While Indianapolis has its share of big-city problems, the city also benefits from more than 20 years of enlightened corporate involvement and strong leadership."

Ripeness for change. Though the city had problems, there was no pivotal event that prompted the mayor's ambitious reform agenda. Taxes were relatively low, the public workforce seemed lean, and the city had a healthy bond rating. Nonetheless, the inner city was slowly decaying. The Indianapolis Chamber of Commerce had identified \$1.1 billion in needed infrastructure repairs. At the neighborhood level, residents—predominantly Democrats—felt ignored and forgotten by City Hall. Rosemary Dorsa of The Indianapolis Foundation described the state of the inner-city neighborhoods in 1992:

"What you have are people in neighborhoods who are just hungry for attention and resources from downtown."

From an economic development standpoint, Indy businesses—tempted by lower taxes and fewer regulations—were trickling from the city boundaries into the suburbs, taking with them jobs and part of the tax base. Though there wasn't an immediate crisis, Goldsmith recognized a crisis in the making.

GUIDING PRINCIPLES AND CORE COMPETENCIES

The story behind the Indy Story.

To put into context the ambitious agenda of Indianapolis' urban reforms, the authors of this report looked at the story behind the Indy story—the cast of characters and the philosophy and principles that guided them; the core competencies needed to implement the agenda; the unifying vision for the city; and the style and speed with which the administration effected change.

Vision. Goldsmith consistently articulated his vision for Indianapolis as "a competitive city with safe streets, strong neighborhoods, and a thriving economy." Nearly everyone we interviewed, from the mayor's senior staff to grassroots neighborhood leaders, understood and supported this vision, often using the same language to describe efforts occurring across the city. According to Goldsmith:

"We started with a very specific vision and set of reforms we wanted to accomplish. We didn't start with a series of programs that later got generalized up into an enterprise. Everything that we and the neighborhoods proposed needed to fit inside the vision and guiding principles or we didn't want to do it."

Philosophy of governance. All of the activities and initiatives of the administration were tied to Goldsmith's vision and philosophy that smaller, more efficient government is better. The tenets of Goldsmith's philosophy, drawing primarily on those articulated by David Osborne and Ted Gaebler in *Reinventing Government*, include:

1. Government should be a rudder, not an engine.
2. People know better than government what is in their best interest.
3. Government should be measured the same way every other enterprise is measured: by its results.
4. Government works in collaboration—not in isolation.
5. Government should do no harm.

The Sixth Tenet: Do the right thing. Nearly everyone we spoke with used the phrase "doing the right thing" to explain the actions of the administration. Taking risks—investing resources in poor, inner-city neighborhoods; curtailing the patronage system; pushing reforms through quickly and persistently; injecting competition into the provision of municipal services—was politically costly, painful, and difficult. Yet, to achieve the vision for the city, they were the right things to do. According to Goldsmith:

"There was no politics in it at all. Bureaucrats would get caught up in trying to do the right political thing. We didn't want to do the wrong political thing, but that wasn't the standard. The standard was to do the right thing, and hopefully that would be good politics."

"There was no politics in it at all....The standard was to do the right thing, and hopefully that would be good politics."

— Stephen Goldsmith

"Indianapolis is a laboratory for new ideas. We can get things tested more quickly than other cities, and we have the freedom to test new ideas without having to run it up the flag pole and see if everyone salutes."

— Bill Stephan,
Chief of Staff and Special
Counsel

Unique characteristics. The unique elements and characteristics of the administration include:

■ **Leadership.** Mayor Goldsmith exemplifies two types of leadership—visionary leadership and entrepreneurial leadership. Visionary leaders articulate a clear and compelling vision and mission from "the big picture" point of view. Entrepreneurial leaders take that vision and translate it into goals, objectives, and strategies—into discernable action. Goldsmith, according to the people we interviewed, provided vision and the tools and the motivation to achieve that vision—a rare combination in one leader.

■ **Staffing.** Goldsmith, for the most part, hired staff members from the private sector. He sought out people who thrive on challenges and whose strengths and interests matched the needs of the citizenry. Goldsmith hired people he knew, people he had heard of, and people who approached him with ideas. Nancy Silvers-Rogers, former Deputy Mayor, noted that "career bureaucrats and people from outside the 317 area code generally didn't work out." Goldsmith wanted people who understood and championed his vision, who were capable of pushing reforms through quickly and effectively, and who approached problems in innovative and thoughtful ways.

■ **Speed.** Described as "consistently impatient for results" by staff members, Goldsmith moved very quickly. According to former Director of Transportation Mitch Roob, the administration "took 5 or 10 or 15 years worth of work and just did it in 2 years." As a result, the surprise element worked in favor of the administration—opponents did not have time to organize effective opposition.

■ **Intellectual curiosity.** Goldsmith and his staff tracked urban renewal efforts across the country in search of ideas or strategies that could be adapted to make a difference in Indianapolis. Pinchas Landau, in *The Jerusalem Post Money Magazine*, writes:

"It's worth noting that Goldsmith has become famous because of what he achieved in Indianapolis, although he has not invented any revolutionary concepts. The things he has done have all been done before, or at least thought of in various places or formats."

■ **Willingness to succeed at the risk of failure.** Many staff members reported to us that Goldsmith was willing to try nearly anything to solve problems—that he was willing to take reasonable risks. Bill Stephan, the mayor's chief of staff, observed:

"What excites [Goldsmith] is ideas—contagious among staff. Indianapolis is a laboratory for new ideas. We can get things tested more quickly than other cities, and we have the freedom to test new ideas without having to run it up the flag pole and see if everyone salutes."

INFRASTRUCTURE AND PROVISION OF MUNICIPAL SERVICES

During his campaign in 1991, Goldsmith joked that he could run City Hall with one mayor and a handful of purchasing agents. Though Indianapolis boasted a high bond rating and was considered by experts a tightly run city, Goldsmith set out to reduce the size and scope of government; remove the restrictions of bureaucracy; and increase the creativity, productivity, and efficiency of city employees while decreasing costs.

Financial hurdles. Upon his election, Goldsmith received the *Getting Indianapolis Fit for Tomorrow (G.I.F.T.)* report from the Indianapolis Chamber of Commerce, which outlined \$1.1 billion needed in infrastructure repairs and improvements—streets, sidewalks, sewers, bridges, curbs—to ensure a prosperous future for the city. At the time, the city was spending approximately \$40 million annually on infrastructure maintenance.

Infrastructure needs—coupled with the funding needed to complete a downtown shopping mall (approximately \$220 million), finance a deal with United Airlines (nearly \$250 million) to move its maintenance hub to the Indianapolis International Airport, and refurbish the Convention Center—inspired the mayor to vigorously implement a series of reforms that ultimately changed the way city government conducted business. Based on the Administration's projections, Indianapolis will have realized \$1.3 to \$1.5 billion in savings and revenues by 2007.

Guiding Principles

Guided by the core belief that smaller government is better, Goldsmith and his team followed six principles:

1. A strong foundation and vital core is critical to success.
2. Government monopolies restrict ingenuity and are unresponsive to the needs and concerns of citizens.
3. Government should do a few things well.
4. Government should be efficient and entrepreneurial.
5. Workers know better than government how to best do their jobs.
6. Government should serve its citizens.

Principle #1: A strong foundation and vital core is critical to success.

According to Deputy Mayor Susan Brooks, Mayor Goldsmith focused on the revitalization of the downtown and surrounding neighborhoods:

"Mayor Goldsmith believes it's important to have a core, a vital core, a downtown. If you don't have a vital center, then the benefits can't go to the neighborhoods or suburbs. If we would strengthen downtown, he believes that it would anchor our neighborhoods."

To finance the costly, needed infrastructure repairs and kick-start the stagnating downtown economy, Goldsmith refinanced the city debt and scoured city budgets to find savings. Turning to entrepreneurs in Indy, Mayor Goldsmith formed the Service, Efficiency, and Lower Taxes for Indianapolis Commission (SELTIC) to identify strategies for improv-

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— Susan Brooks,
Deputy Mayor

ing government services, decreasing costs, eliminating waste, and increasing productivity. Composed of nine entrepreneurs who led study teams, SELTIC recommended selling unused and underutilized government assets, reorganizing some departments and divisions, and bidding out non-essential city services.

Principle #2: Government monopolies restrict ingenuity and are unresponsive to the needs and concerns of citizens. According to Goldsmith:

"Government cannot go out of business, government controls revenue, government is allowed to spend more than it takes in, government delivers 'essential services.' Without competition, government is not competitive. It is inefficient, unresponsive, and inflexible. It doesn't change rapidly, and often the services it provides are unnecessary, outdated, and costly. Rather than cut costs, government officials spend more money."

Once a champion of pure privatization, Goldsmith introduced the concept of "marketization" to the provision of municipal services. Under the privatization model, non-essential government services are bid out to private vendors. Marketization, however, encourages public employees to compete for their jobs against the private sector—in effect, breaking up the government monopolies rather than transferring the monopoly to the private sector.

Principle #3: Government should do a few things well. Government should be selective and competitive in the provision of municipal services. Early in his administration, Goldsmith gave careful thought to which services the government should provide, and which should be privatized and marketized. Those he thought were not within the purview of local governance—such as management of public golf courses and the tree nursery—were privatized (the public employees were not allowed to compete). Core

services, including police and fire protection, were not bid out competitively, though the departments applied principles of competitive government and became more efficient and effective. To determine whether a government service should be marketized, Goldsmith and his aides conducted "the Yellow Pages test." If a service was provided by at least one private vendor, it passed the test and was bid out for competition. If there were no private vendors, the city did not attempt to marketize the service. For more information on the competition effort, please see *Appendix A: Marketization*.

A corollary to Principle #3: Government should not be in the business of saving souls and healing hearts. Goldsmith believes that government is ill-equipped to shape values, save souls, or heal hearts. Government has a role, but not as a direct service provider. Rather, government should facilitate and enhance the work of community- and faith-based organizations and other value-shaping, human services entities by fostering collaboration, removing restrictions, building capacity, and leveraging resources.

Principle #4: Government should be efficient and entrepreneurial. While recognizing that government is not a business, Goldsmith introduced competition into the government marketplace to tighten the proverbial belt, increase productivity and efficiency, and realize substantial savings. To compete with the private sector, public employees needed to change the way they viewed their positions and the systems used to measure the cost of services provided. Goldsmith and his aides designed and implemented strategic tools to increase efficiency and entrepreneurialism, including:

■ **Activity-Based Costing (ABC).** With the help of a consultant, the city developed a government-customized form of Activity-Based Costing (ABC), an accounting method widely used in the private sector. ABC measures unit costs of activities or outputs while tra-

ditional bureaucracies measure costs in terms of inputs (staff, labor, equipment, etc.). Rather than measure how much it costs per year to run the solid waste management department, for example, administrators using ABC could determine costs for trash removal by the ton.

By comparing costs between districts, supervisors could examine ways to become more efficient. They could, for example, sell underutilized assets, see the benefit of removing or reducing an activity, or eliminate or consolidate job positions. According to former Director of Transportation Mitch Roob, ABC has fundamentally changed the way supervisors approach budgeting, hiring, scheduling, and equipment management. For a detailed description of how ABC works, please see *Appendix B: Activity-Based Costing*.

- **Incentives.** Mayor Goldsmith actively encouraged city employees to uncover wasteful practices, devise cost-saving measures, and identify strategies to be more efficient. To reward entrepreneurial spirit, Goldsmith instituted two award programs, the Hot Idea\$ Award and the Golden Garbage Award. Launched in 1992, the Hot Idea\$ Award rewards employees who identify ways to improve city government by creating significant cost savings, generating substantial new revenues, or significantly improving the quality of service or the working environment. Award amounts depend on the idea's significance. The Golden Garbage Award is given to an employee who identifies government wastefulness. One winner, for example, discovered in his budget a garbage truck that costs \$90,000 new had had \$242,000 in repairs in the last year. Using ABC methods, the employee determined that the truck cost nearly \$39 per mile to operate.

- **Purchasing system.** Goldsmith reengineered the purchasing and financial management systems to help managers streamline procurement processes. The previous purchasing system was characterized by complicated procedures, multiple levels of approvals, and confusion about policies. The new system relies on an electronic approval process designed to make procurement easier and faster. For more information on the new systems, please see *Appendix C: Purchasing*.

In addition to fostering competition in the provision of municipal services, Goldsmith reduced the size of city government by removing middle managers and eliminating redundant positions. He also changed the job classification system (cutting the number of classifications from 18 to 9) so the city could be more flexible in hiring and compensation, and provide its employees with a broader range of responsibilities. Likewise, the city decreased the number of job descriptions from 740 to 425.

Principle #5: Workers know better than government how to best do their jobs. Goldsmith believes that most city workers are competent but that they are trapped in poor systems that stifle individual responsibility and entrepreneurship. In a traditional bureaucratic structure, front-line workers generally have little, if any, input into decision-making, and are not held accountable for job performance and customer satisfaction.

Every month Goldsmith performed a different city job and listened to workers' and supervisors' ideas for saving money and being more efficient. Goldsmith freed up traditional bureaucratic restraints on worker creativity and accountability by eliminating unnecessary layers of management. Workers now had more direct access to their supervisors. Competition fostered worker accountability and responsibility, as well as teamwork to find and eliminate unnecessary expenses. *Appendix D* contains a case study

chronicling the steps the Department of Public Works took to prepare a winning bid for street repair.

- **Working together.** Workers and supervisors together discussed cost-saving measures and brainstormed ideas to be more efficient. Trash collectors, for example, devised a solution that saved the city thousands of dollars. Previously, when a trash truck was filled, the five-man crew drove the truck to the landfill, emptied it, and returned to its route. To save time and staff expense, crew workers identified the points on the route where trucks usually got full and recommended sending out an empty truck to meet the crew. The crew would continue on its route while the driver of the empty truck drove the full truck to the landfill.
- **Incentive pay.** Workers who provide savings to the city, beyond those articulated in their agreements with the city, receive part of the savings. Unlike merit pay, which is based on individual performance, incentive pay is based on team performance.
- **Merit pay.** Individuals receive pay increases based on their performance. Because of the shift from inputs to outputs, the Human Resources Division retooled the city's job performance evaluations to tie job performance with outcomes and factors such as communications and teamwork skills.
- **Labor-management relations.** To improve labor-management relations, the Division of Human Resources meets monthly with the union, and the director, like the mayor, performs a city job once per month. Goldsmith also replaced the standard grievance system with employee mediation, which aims to prevent employee dissatisfaction from escalating into formal procedures.

Principle #6: Government should serve its citizens. To ensure city government is responsive to its citizens, Goldsmith surveyed citizens, fostered accountability and responsibility among city employees, and trained employees in customer service. He also reengineered the structure of city government to change with the changing needs of its citizenry. Reforms implemented by the city to better serve its citizens include:

- **Performance measures.** All contracts with the city are based on performance measures, including output measures (how much of a service was performed) and outcome measures (how well the services were performed in terms of customer satisfaction, efficiency, and effectiveness). Performance measures are the basis for awarding contracts, rewarding and disciplining employees, and instituting accountability.
- **Customer service training.** All front-line employees and new employees receive customer service training for both internal and external customers.
- **Mayor's Action Center.** Based on feedback from citizens, the city implemented a one-call, one-stop shop called the Mayor's Action Center (MAC). Residents call the MAC with complaints and requests, and speak with a customer service representative. The representative is accountable for assuring the complaint or request is delivered to the proper department or agency and *handled until the customer is satisfied*.
- **Flexible government structures.** In addition to reclassifying jobs and decreasing the number of job descriptions, the structure of city government adapted to meet the needs of the citizens and react to specific problems. Once those needs have been met or the problems solved, those structures are dissolved and new ones take their place.

- **More responsive government.** The city combined dispatch operations of five public service departments (Indianapolis Fleet Service, Department of Metropolitan Development, Department of Parks and Recreation, Department of Public Works, and Department of Transportation) with one central dispatching center. In addition to saving millions of dollars, dispatch service was made available 24 hours a day, employees responded more effectively to citizen requests and complaints, and customer service satisfaction levels were raised.

Outcomes and Challenges

Changing the way government does business. According to several sources, Goldsmith has taken the bureaucratic paradigm and turned it upside down. As a result, the city has experienced:

- **Significant savings.** The city has realized significant savings and revenues from competition efforts, which have, in turn, been invested in economic development and neighborhood revitalization efforts primarily in the inner city. According to Deputy Mayor Susan Brooks, the city will have invested \$1.5 billion—\$400 million more than outlined by the G.I.E.T. Report—in infrastructure improvements by the year 2000. Due to the savings, the city has not once raised the property tax. In fact, the city has lowered the property tax repeatedly.
- **Increased productivity, creativity, and efficiency.** Even though employee numbers are substantially lower than in the early 1990s, productivity is at record highs. Workers, who are now more invested in their jobs, look for ways to remain competitive and to find creative strategies to lower costs.

At the Indianapolis Fleet Services, for example, which maintains and repairs city-owned vehicles, the threat of competition encouraged workers to devise strategies for reducing costs. The city supported the workers in implementing their plan, and as a result:

- Spending decreased by \$8 million over six years;
- Employee complaints dropped from 149 in 1990 to 5 in 1994;
- Although the number of employees decreased from 117 in 1991 to 86 in 1994, billable hours increased from 1,190 in 1991 to 1,442 in 1994;
- The percentage of vehicles repaired within 8 hours increased from 71 percent in 1991 to 82 percent in 1996.

- **Revitalized employee morale and investment.** Mayor Goldsmith described the shift in employee attitudes:

"The people have redesigned their tools and their teams to think in different ways, and they win. People who aren't competitive are moved out or their departments eliminated. The ones that are left are convinced that they are good at what they do. They have a sense of pride that they are better than the private sector. That makes a big difference in their whole attitude toward work, the quality of the work they do."

Union members who opposed Goldsmith's election now support the Mayor's competition effort. Stephan Fantauzzo, Midwest regional director and former executive director of Council 62 of the American Federation of State, County & Municipal Employees, remarked in a newspaper article:

"[Goldsmith] stopped asking city employees to check their brains at the door."

"The people have redesigned their tools and their teams to think in different ways, and they win. People who aren't competitive are moved out or their departments eliminated."

— Stephen Goldsmith

"We have commitment to discipline in the system. Performance-based contracting generates accountability for those we serve and ourselves. If we are to be successful, then we need to do what we say we're going to do."

— Moira Carlstedt,
Former Director of the
Department of
Metropolitan
Development

■ **National and international interest.** Leaders from across the country and around the world visit Indy each year to learn more about the mayor's competition efforts and small-government approach to big-city problems. In addition, Indy has been cited by experts as a living example of "Reinventing Government."

■ **Awards and honors.** In 1994, Indy won the program award from the National Council for Public-Private Partnerships, and in 1995, won the Innovations in American Government Award from the Ford Foundation, the Exemplary State and Local Award from Rutgers University, and the Pioneer Institute's Better Government Competition. In 1995, Mayor Goldsmith was named *Governing* magazine's Public Official of the Year, and won the Founders Freedom and Governance Award from the Free Congress Foundation. *Financial World* named Indianapolis one of the top ten well-managed cities in the nation in 1995.

A capital plan. When Goldsmith received the G.I.F.T. Report from the Chamber upon taking office in 1992, he and his aides looked for a capital plan for the city. Mitch Roob, former Director of the Department of Transportation, recalls:

"There was no capital plan for the city, so we had to develop one. That turned out to be a blessing. There were projects on the books that had sat there over the years. Some that were started when I was a sophomore in high school—more than 10 or 11 years ago. It was not a focused effort, so we made Concept to Concrete in three years or fewer. We put together a \$500 million capital improvement program over three years."

Better management, not more. By cultivating accountability and equipping managers with strategic tools and flexible budgets, the city was managed better with fewer resources.

For example, the city worked to eliminate the layer of middle management, usually benefactors of the patronage system. As Mitch Roob said:

"Job abolishment was the way to go. We didn't have mandatory collective bargaining for public employees. We never laid off a union member. That was a commitment to the union I made, and we always managed to live up to it."

Criticism. Critics point to financial issues and the question of paying back the bonds the city took out to fund capital projects. Some think that the city is in good shape to pay them off, while others aren't certain. Nonetheless, even the toughest critics acknowledge the successful results of the competition effort.

Sustainability. Moira Carlstedt, former Director of the Department of Metropolitan Development and small business owner, believes that the strategies the mayor implemented (ABC, competition, customer-service focus) will survive the test of time and new leadership:

"We have commitment to discipline in the system. Performance-based contracting generates accountability for those we serve and ourselves. If we are to be successful, then we need to do what we say we're going to do. It has become a way of doing business, and I don't see us slipping back anytime soon. Expectations have increased, and that's a good thing."

Lessons Learned

Government is not a business. Government should be entrepreneurial and seek to earn revenues, but it is not a business. As Moira Carlstedt attests:

"One week after starting I realized that the decision filter was different from the private sector. Generally, in the private sector it's about profit today or tomorrow, or recapturing money I lost last week. Working with the mayor

I learned that the filter needed to be broadened to include social, economic, and political factors. I'll look at projects and think, 'This project makes no economic sense.' There have been times when it didn't make sense politically. There were times when the political and economic factors were screaming 'no' but the social benefit exceeded the economic and political. Then it was fine. Seeing things happen that didn't make economic sense was ok."

Small, quick victories will help you win the war. Mayor Goldsmith campaigned on privatization, which was heavily opposed by city employees and the unions. Rather than prevent the employees from competing, Goldsmith encouraged them to compete and hired consultants to help them prepare their bids. As evidenced by the case study on street repair (*Appendix D*), when the city employees won the bid, workers throughout the city took notice and understood that the mayor was serious about including them in the process.

Do not use a cookie-cutter approach. For each of the more than 70 city services that were put up for bid, public officials applied the same principles and tests to ensure the service was appropriate for competition. Next, supervisors listened to workers to find creative solutions to unique problems or issues individual departments or divisions faced. The city made a number of costly mistakes by attempting to privatize certain transportation services and snow removal without fully examining the impacts and potential problems.

Marketization is politically costly. Supporters and critics alike allege that Goldsmith lost the Governor's race in 1996, in part, because of his marketization efforts. By switching gears from "privatization" to "marketization," and eliminating the patronage system, Goldsmith rankled many Republicans. In addition, the perseverance and "shock therapy" required to push marketization through in such a short time frame earned him many enemies.

Marketization is unpopular. Despite the successes the administration has achieved, adversaries continue to object. According to Goldsmith:

"A lot of people have vested interest in the status quo. They don't want things to change, they're worried about risk, and they're worried about contracts with the city. It's easy to distort what we are trying to do because it is so radical that that can create fear, and there is fear around the privatization concept."

Five objections to marketization stand out:

- 1. Competition reduces government control by turning the public's business over to private interests.** Goldsmith argues that his administration has more tools to ensure quality and responsiveness from contractors and winning city employees than from employees in a traditional bureaucracy.
- 2. Competition is anti-worker because the lowest-priced vendor will either be a nonunion vendor or a government agency that cuts salaries to be competitive.** Goldsmith argues that city workers—union members—win the majority of bids in competition, and that salaries have almost never gone down.
- 3. Competition with private firms is not fair.** Goldsmith agrees: because government agencies do not have to pay taxes or turn a profit, they have nearly a 25 percent advantage over the private sector.
- 4. Privatization is patronage.** To ensure that privatization in Indy is fair and rigorous, Goldsmith developed a public process involving a special commission, hearings and testimony, and open competition.

Major Employers in the Indianapolis Metropolitan Statistical Area

Office Operation	# Employees	Product/Services
Local Government	57,400	City, county, and township
State of Indiana	28,200	State government
Federal Government	16,700	Federal government
Clarian Health *	10,000	Healthcare
Eli Lilly and Company *	10,000	Pharmaceuticals
Marsh Supermarkets, Inc./Village Pantry *	7,000	Grocery, retail
St. Vincent Hospital and Healthcare Center *	6,000	Healthcare
The Kroger Company	5,400	Grocery, retail
Indiana University Purdue University at Indianapolis (IUPUI)	5,250	Higher education
Allison Transmission/Div. of GMC *	5,000	Automatic transmissions
Community Hospital *	5,000	Healthcare
Allison Engine/Rolls Royce *	4,300	Gas turbine engines
Bank One, Indiana, NA *	3,810	Bank and processing center
Delphi Energy & Engine Management Systems	3,550	Automotive components
Delphi Interior & Lighting Systems	3,550	Automotive components
PSI Energy	3,366	Utility services
St. Francis Hospital Center *	3,200	Healthcare
Ford Motor Company	3,100	Automotive components
GM Metal Fabricating Division	3,066	Body stamping
Anthem, Inc. *	3,000	Insurance/health care
Federal Express	3,000	Express mail service
NBD Bank, Inc. *	3,000	Bank
Roman Catholic Archdiocese of Indianapolis	3,000	Religion

*Denotes home office, regional or division headquarters located in Indianapolis

Source: Indianapolis Chamber of Commerce and IEDC listings, 1999

5. Private firms care about profits, not people. Goldsmith argues that competition creates incentives to produce more efficient procedures that increase customer satisfaction—not hurt citizens.

Some services can be supplied by community- and faith-based organizations. Rather than contract certain services out to private vendors, Goldsmith asked community- and faith-based organizations to maintain parks and playgrounds.

In the next section, *Neighborhood Empowerment and Family Strengthening*, we will examine how Goldsmith used the dollars saved in competition efforts to invest in the crumbling infrastructure of inner-city neighborhoods.

NEIGHBORHOOD EMPOWERMENT AND FAMILY STRENGTHENING

The Indy Story is really one of civic restoration at the neighborhood level. It is in the neighborhoods where so many of the urban reforms and community-building efforts come together. It is here that we see the many facets of the mayor's strategies—creating public/private partnerships, fostering competition, promoting privatization, building better neighborhoods, and improving infrastructure. In the mayor's words, "Each of these is simply a means to an end, and the end is a higher quality of life of citizens in all neighborhoods."

Ripeness for change. When Stephen Goldsmith ran for office on a platform promising strong commitment to neighborhood revitalization, Indy's inner-city neighborhoods—and their residents—were ready for a change. As a result of policymakers' lack of attention, inner-city neighborhoods faced an increasing number of serious problems. During the 1980s, unkept promises from the city government and local funders had disheartened the remaining neighborhood activists. Rosemary Dorsa, vice president for programs of the Central Indiana Community Foundation (The Indianapolis Foundation), characterized the public sentiment when Goldsmith took office:

"You [government and funders] are always asking us [neighborhood residents] to plan. Could you please use these plans? You never fund anything that is in the plan. How much planning can we do before we see something happen in response to what is in the plans?"

The Indy approach. In 1992, the city's economic development strategy included not only rebuilding the center city, but empowering residents in the ring of long-neglected inner-city neighborhoods. The common-sense nature of this idea seems simple—take the savings from privatization and competition and invest them in the neighborhoods and the people who are living there. Support the leaders who have the ability to empower people in the neighborhood so they become a community again, and reclaim the neighborhood from the thugs and drug dealers.

Upon Mayor Goldsmith's election, he selected seven (later eight) inner-city neighborhoods to participate in Indianapolis' Neighborhood Empowerment Initiative (NEI). Indianapolis' neighborhood initiatives and programs encompass dozens of separate threads which include the Front Porch Alliance, Building Better Neighborhoods, the Rebuilding Families Initiative, neighborhood and housing services, beautification programs, crime watch programs, volunteer programs, and several others. For more information on these initiatives, please see *Appendix E*.

Many of Indianapolis' neighborhood initiatives were not new ideas, and Mayor Goldsmith is the first to admit that he appropriated good ideas from wherever he found them. The Neighborhood Empowerment Initiative most clearly illustrates the way the Mayor "made good" on his campaign promises to revitalize Indy's inner-city neighborhoods.

The vision of the Neighborhood Empowerment Initiative is to empower the residents of Indianapolis neighborhoods to have a true voice in improving every aspect of the *quality of life in their communities*.

"Professionals need to learn to be on tap, not on top. Rather than a master plan for the neighborhood, an infusion of neighborhood-based entrepreneurship and innovation meant that for the first time, untutored people were the experts, and the paid people were their consultants."

— Robert Woodson,
President,
National Center for
Neighborhood Enterprise

The goals of the Neighborhood Empowerment Initiative have been to:

- Create structures that will permit people to govern their own neighborhoods democratically; and
- Give to those who choose to participate in the governance of their neighborhoods real authority and power over services and programs that affect them and their neighborhoods.

The strategy used was to ask each of the seven select communities (since expanded to eight) to gather its existing neighborhood associations, councils, organizations, etc., and form a singular, umbrella coordinating group for its specific geographic area, with an agreed upon mission and purpose. Each umbrella organization hired a Neighborhood Coordinator, paid for by the city and housed within the neighborhood. Each umbrella organization also received a noncompetitive allocation of U.S. Department of Housing and Urban Development Community Development Block Grant funds for neighborhood-initiated projects.

The overarching principles applied in this initiative are:

1. Operate with the fundamental belief in the intelligence, wisdom, and insights of the citizenry.
2. Equip neighborhood leaders to take charge.
3. Nurture leadership.
4. Encourage the neighborhoods to take control.
5. Hold neighborhood folks to a higher standard.
6. Recognize the economic consequences of neighborhood-based innovation and entrepreneurship.

7. Communicate your vision and values clearly and broadly throughout the city.

The anticipated outcomes of the Initiative included:

- *Building the organizational foundation*—an umbrella group with paid staff.
- *Developing social capacity of neighborhoods to plan and implement their own solutions.* This includes building skills and capacity in strategic planning, discussing issues, reaching consensus and cooperation, creating communications networks, developing current and future leaders and staff, achieving widespread community participation, establishing linkages, leveraging resources, and evaluating progress.
- *Achieving and celebrating community results to improve the quality of life.*

Guiding Principles

Principle #1: Operate with the fundamental belief in the intelligence, wisdom, and insights of the citizenry. In many cities, urban planners make the decisions and transplant "remedies" into the neighborhoods without regard to community culture or sentiment, only to find that residents don't want or need the new programs being offered. In many cities, leaders invest millions in improving public housing stock, only to find their investments deconstruct in a matter of years. These top-down approaches often fail. Why? Because they lack the buy-in, participation, and grassroots common sense of the people they serve.

In Indianapolis, the staff of city agencies were retrained to become servants to the people. There was a clear focus on dealing with bread and butter issues of disadvantaged people. This approach was best summed up by Robert Woodson, founder

and president of the National Center for Neighborhood Enterprise (NCNE), whose involvement with Indianapolis dates back to 1992. As Woodson describes it:

"Professionals need to learn to be on tap, not on top. Rather than a master plan for the neighborhood, an infusion of neighborhood-based entrepreneurship and innovation meant that for the first time, untutored people were the experts, and the paid people were their consultants. First the city officials were defensive, then they enjoyed themselves as they became 'bureaucrats in recovery.' They began to relate to the neighborhoods as citizens, as mothers, as workers, as colleagues. They began to help the neighborhoods find their way through the bureaucracy and red tape. They developed personal relationships."

In addition, recognize the need to coach communities through their options without completely removing government support. Although the Administration did not want to dictate what communities should do, it wanted to ratchet up the communities' capacities to devise their own solutions. One illustrative example of the importance of coaching communities through their own options is a story the mayor tells about rebuilding every single park and playground in Indianapolis:

"Originally, the Parks guys went in and said, 'here's how your parks should look.' This wasn't malice or being autocratic, but it was wrong. The neighbors got upset—'we don't want the playground there, we want baseball, not basketball.' So next time, I said 'let's listen to the community.' So they went back in and said 'what kinds of parks or playgrounds do you want?' And the neighborhoods looked at the Parks department staff and said, 'How should we know, we're not park designers.' It's the coaching through options that is important."

Principle #2: Equip neighborhood leaders to take charge. Provide neighborhood leaders with training and technical assistance in strategic planning, budgeting, and scheduling for neighborhood improvement projects. This support was provided by the city and initially funded through the Community Development Block Grant Program—\$100,000 for the Near Westside Cooperative Organization (WESCO), and \$50,000 each for the other six neighborhoods whose development was considered slightly less advanced. Several intermediary groups, the National Center for Neighborhood Enterprise, the Indianapolis Neighborhood Resource Center, and United Way, were called upon to help neighborhoods build capacity. While the stories and the successes of each neighborhood are different, all were provided consultants and coaches to help them accomplish their goals. Their development was evolutionary, as described by the mayor's assistant, Charlene Hederick:

"In the first year, some of the neighborhoods were not fully equipped to think strategically. Some communities devised plans that looked superfluous in the face of the size of their challenges. But we honored their plans, kept our commitments to fund what they wanted, and then the next year, we provided more coaching and facilitators for their planning."

This training and technical assistance included insisting that the neighborhoods leverage their resources, and teaching them how to do it. In *NCNE In Indianapolis: A Case History*, Robert Woodson described how a \$360,000 public/private investment in the National Center for Neighborhood Enterprise leveraged more than \$80 million in development grants to the targeted neighborhoods, and made possible a \$700 million industrial and commercial revitalization campaign to rebuild low-income neighborhoods. This emphasis on leveraging resources is also illustrated clearly by former

Law Enforcement	
Full-Time Law Enforcement Employees in Indianapolis	
Officers	1013
Civilians	262
Total	1275
Police Officers per 100,000 people	130.3
Source: <i>Crime in America's Top-Rated Cities: A Statistical Profile, 1997-98</i>	
National Full-Time Law Enforcement Personnel	
Police Officers per 1,000 people	3.4
Source: <i>Uniform Crime Reports, Department of Justice, 1998</i>	

Crime Rates

Crime in Indianapolis is down overall 12.57% for the first quarter of 1999:

Murder	-21.43%
Rape	-43.08%
Robbery	-16.33%
Vehicle Theft	-13.97%
Aggravated Assault	-9.29%

Source: *Uniform Crime Report for Indianapolis reported to the FBI, 1999*

National crime rate for cities in 1998 with a population between 500,000 and 999,999 is down from 1997:

Murder	-10%
Robbery	-12%
Vehicle Theft	-13%
Aggravated Assault	-6%

Crime rate for the Midwest:

Murder	-5%
Robbery	-8%
Vehicle Theft	-8%
Aggravated Assault	-2%

Source: *Uniform Crime Reports, 1998*

Indianapolis boasts one of the lowest crime rates for a major U.S. city.

Source: *America's Top-Rated Cities*

President and current Vice President of WESCO Olgen Williams:

"The city taught us how to leverage resources. We get extra points on competitive grants and contracts if we leverage resources. Now we have a \$3 million Youth Fair Chance program, Workforce Investment Act and School to Work funds, and HOPE VI, from HUD. We sat down with the city, and the Department of Justice awarded us a Weed and Seed grant. We got \$629,000, and we began to do things people can see. Now we have over 100 projects."

Principle #3: Nurture leadership.

Often government either ignores or overwhelms leadership—it finds someone good and tends to heap extra burdens on them—without equipping them with the capacity to assume such great responsibility. This administration was careful to avoid this trap. As it taught grassroots leaders to plan, make decisions, and take control of their future, the administration also equipped its staff members to work with the leaders in the neighborhoods. Mayor Goldsmith offered one key piece of advice to succeed in this regard:

"One thing to watch is the maturation rates of government and community-based leadership along the same lines—providing capacity, technical assistance, learning to know when you can help, and how to help both systems develop. Otherwise, you ensure their failure."

Principle #4: Encourage the neighborhoods to take control of their destinies.

The mayor invested in building capacity of local leaders to solve problems, develop and implement strategic plans, and, ultimately, take charge. The pivotal moment for neighborhood empowerment in Indianapolis occurred in response to an increase in open air drug markets and the attendant violence and disinvestment. Clara Warner, former president of Mapleton-Fall Creek, was fed up with drug-dealing in her neighborhood and across the city, so she con-

tacted other neighborhood presidents and organized a city-wide meeting to address the issues:

"We're not going to take this anymore. There are open drug markets in all of our neighborhoods. We don't want them there, they hurt the quality of life, and we want to do something about it. Instead of us as a neighborhood trying to fight crime alone, why not work with the other targeted neighborhoods and come up with a plan."

According to Warner, she and the leaders of the other neighborhood organizations met regularly and drafted a Memorandum of Understanding (MOU) outlining roles and responsibilities of the neighborhoods, the Indianapolis Police Department, the mayor's office, the Marion County prosecutor's office, and Health & Hospital (code compliance) to eradicate the drug problem. They took the MOU to the city, requested a meeting, and presented their case to the city officials. The city accepted the terms and conditions of the MOU and signed the agreement.

As a result, open air drug markets were wiped out, crime decreased, and neighborhoods held the city and themselves accountable for their roles and responsibilities. Clara Warner advises other communities that want to take control:

"Get a workplan together, decide what your top issue is that you want to address, and identify those people who are in charge of the City and let them know you are going to hold them accountable for what they do. Don't take no for an answer. We have the right to request things we need to make our neighborhoods a better place to live."

Another MOU was signed by all eight targeted neighborhoods, the mayor, chief of police, the prosecutor, and the executive director of Health & Hospital in August 1999. The MOU continues the work of crime and drug eradication from the neighborhoods through August 17, 2000.

Taking charge. When the neighborhood leaders complained that they did not know their police officers, and didn't feel they could trust them, the city responded, implementing a vigorous community policing program. Now there is a much greater self-help cooperative effort to reduce crime and the fear of crime in the neighborhoods. When the neighborhoods first interpreted privatization as a means to contract out "to the mayor's white cronies," the mayor reached out to the faith-based organizations, created the Front Porch Alliance, and told the neighborhoods he would like to contract out with the churches, neighborhood associations, and other non-government, value-shaping institutions to provide activities for children and strengthen community renewal. See *Appendix F* for more information on Community Policing and *Appendix G* for more information on the Front Porch Alliance.

According to Olgen Williams:

"Our neighborhood controls our own destiny. We got to interview the new police chief, and ensure that he was community policing-minded. When we were having repeated problems outside a local liquor store, the city helped us learn how to remonstrate against a new liquor store permit. We collected crime statistics. We testified. We closed that liquor store. We've been taught how to work together. We don't fool with politics. We just know what we need."

Principle #5: Hold neighborhood folks to a higher standard. As a result of many of these reforms, residents were responsible for setting their own priorities in a strategic plan, shaping their own solutions, and measuring their results by qualitative and quantitative measures. Again, Woodson describes the metamorphosis:

"Suddenly a team evolved. Mayor Goldsmith knew and had an idea that some of the remedies were abiding

among the people suffering the problems. He respected neighborhood people in a way we haven't seen in any public official. It takes a major shift in thinking and understanding."

Principle #6: Recognize the economic consequences of neighborhood-based innovation and entrepreneurship. Goldsmith fostered an environment of innovation and entrepreneurship to spark economic opportunity and foster accountability. While some elected officials hire planners to make decisions on community development, this mayor did not. Goldsmith had a clear vision of what he wanted to happen in neighborhoods. He told them that he would be spending a half billion dollars on infrastructure, and he wanted to ensure that the neighborhoods prospered. As Goldsmith explained:

"It didn't seem like everyone had an equal opportunity to participate in the economy—just too small a group of individuals. So we set out to rigorously open up the market so as many small businesses could participate in this enormous expansion as possible."

To help local businesses tap into this expansion, Goldsmith established the Commercial Façade Design and Building Rebate Program in 1994. The Program provides grants of up to \$10,000 to business owners to complete exterior renovation and rehabilitation projects. The program has distributed more than \$750,000 in five years to dozens of area businesses, sparking economic growth and improving quality of life in the neighborhoods.

Goldsmith also launched the Code Compliance Pilot Project to target and eliminate housing code violations and complaints by homeowners and businesses. Working in collaboration with the Department of Metropolitan Development, Department of Public Works, Health and Hospital Corporation, the Community Organization Legal

"Mayor Goldsmith knew and had an idea that some of the remedies were abiding among the people suffering the problems. He respected neighborhood people in a way we haven't seen in any public official. It takes a major shift in thinking and understanding."

— Robert Woodson

School Composition

Metropolitan School Data Indianapolis Public Schools 1997–1998	
Elementary Schools	264
Middle Schools	86
High Schools	60
Total enrollment	237,640
Average pupil/teacher ratio	17.7
Average expenditure/pupil	\$4,750
Graduation rate	91%

Source: *Indianapolis Economic Development Corporation, 1998*

U.S. Average

Expenditure/pupil in average daily attendance in 1997–1998	264
Graduation rate in 1997	89%

Source: *Digest of Educational Statistics, 1999*
National Center for Education Statistics

Assistance Project, and the Indianapolis Police and Fire Departments, the city focused on improving interagency communication and collaboration and strengthening remedies. The Pilot Project, launched in the near eastside, focused on:

- Identifying and targeting repeat offenders;
- Coordinating legal proceedings among agencies where code violations overlap;
- Scheduling special court sessions as needed to avoid a backlog of cases;
- Linking agency databases to facilitate information-sharing;
- Helping needy property owners find resources for repairs and abatement of violations;
- Using the Department of Public Works to assist in removing trash in alleyways and common property; and
- Implementing pro-active clean-ups based on neighborhood inputs and priorities.

Principle #7: Communicate your vision and values clearly and broadly throughout the city. Perhaps one of the most striking elements of the Indianapolis story is the degree to which both the city officials and the neighborhood leaders were synchronized in their views of the neighborhood relationships, and the results. They share the same vision, and speak in the same vernacular. The underlying credo is: *let's do the right thing.*

The mayor acknowledged the complications involved with figuring out how to be strong enough to surmount bureaucratic obstacles, setting a standard, and avoiding dictating how people should do their jobs. The mayor said to the neighborhoods:

"You decide what you want to do, and I'll get my bureaucracy out of the way."

Outcomes and Challenges

To illustrate the Neighborhood Empowerment Initiative's effects in palpable ways, the authors of this report interviewed individuals from three specific neighborhood organizations—the Near Westside Cooperative Organization (WESCO), the Southeast Umbrella Organization (SUMO), and the Mapleton–Fall Creek Neighborhood Association, Inc.

WESCO has received approximately \$55 million in grant funding and has used this money to implement numerous initiatives aimed at reducing crime and drug use, creating outreach programs for community members, and attracting new business to the area. SUMO, in addition to crime reduction efforts, has facilitated a \$15 million investment in combating pollution, promoting economic development, and revitalizing homes and community spaces. The main source of pride for SUMO, however, has been its track record in health and hospital code compliance, zoning, and education. Similarly, by creating partnerships among community members, outreach organizations, and government institutions, Mapleton–Fall Creek has reduced crime, been able to offer a broader range of outreach services, and built and renovated more than 400 homes and apartments. See *Appendix H* for the full description of reforms in each neighborhood.

The mayor's strong reliance on traditional, statistical outcome measures often reflects an incomplete story. The experiences of Center Township may also point to the difficulty of using statistics to quantify every result. Ellen Annala, President and CEO, United Way of Central Indiana, worried that the results-driven measuring stick might ignore powerful reforms. For example, an organization once asked the United Way to fund a project that would provide dental work for low income first-

and second-grade children. Although it was intuitively clear to the United Way that a child's academic performance would be negatively impacted by the pain caused by tooth decay, the United Way staff struggled to correlate dental work and academic performance. How can one measure whether having healthy teeth increases one's test scores? In other words, there are some necessary, positive reforms that cannot be gauged with the use of traditional outcome measures.

The changes brought about by the neighborhood reforms are intellectual and institutional. On the plus side, Rosemary Dorsa, Vice President for Programs, Central Indiana Community Foundation (The Indianapolis Foundation), commented on the subtle but powerful changes in thinking that have come about:

"Several neighborhood examples really caused us to think differently... With emphasis on accountability and outcomes, all of us have redefined the business we're in. Ten years ago, you would have heard us describe our business as raising and allocating dollars. Now we have a clearer sense that we are in the business of building community, helping children succeed, strengthening families, and making neighborhoods safer."

The complexity of neighborhood revitalization and family strengthening is enormous. A broad array of complex and interrelated issues faces many inner-city neighborhoods and their residents. As described by Mayor Goldsmith:

"Part of the problem is no matter what door you enter, you see the same context. You see the same environment. You can walk through the housing door and you see crime and family and job. You walk through the job door and you see family and drug therapy and education. Walk through the education door and you see problems in the home, dys-

functional families, violence that affects education. It is difficult to centralize it as an initiative because really it's a neighborhood."

Lessons Learned

In looking back over successes and failures in neighborhood strategies, members of the mayor's inner circle admitted that they learned a few things along the way that might be instructive to other communities launching neighborhood-based community change strategies. The following points are an amalgam of various officials' comments, provided as collegial advice for strengthening neighborhoods and families.

Spend time and money engaging neighborhoods, getting the word out, and seeking broad-based participation from all stakeholder groups. Where possible, build around existing coalitions, neighborhood associations, and community development corporations.

Invest in strategic planning at the community level. Don't lead with the money—lead with a plan based on what the citizens want and need, and invest in facilitators to assist in the planning process.

Keep your commitments to doing what the neighborhoods ask for. Where there are inevitable disagreements, make sure the Chief Elected Official is prepared to make the resource calls.

Make sure all projects that are funded are tied to the strategic plan. Use these strategic plans as a platform to leverage resources or catalyze collaboration with other partners.

When there are questions of whether a neighborhood umbrella group should be a service provider or not, opt for "not." The umbrella organization is in the best position to serve as a broker, a facilitator, and a

Educational Attainment

76.4%

of Indy's population are high school graduates.

Source: *1990 Census of Population and Housing, Summary Tape File 3C*

82.8%

of the U.S. population have completed high school.

Source: *Educational Attainment in the United States, March 1998 (Update)*

21.7%

of Indy's population has a bachelor's degree.

Source: *1990 Census of Population and Housing, Summary Tape File 3C*

24.4%

of the U.S. population has completed a bachelor's degree or more.

Source: *Educational Attainment in the United States, March 1998 (Update)*

deal-maker. If the umbrella organization also gets into the service delivery business, it is a set up to compete with the other neighborhood organizations with which it seeks to collaborate.

Find a few funders who are willing to invest on the strength of your chief executive and his/her vision, and use that funding to build momentum and further investment over time. Recognize that some of your most likely and closest philanthropic partners may wish to hold back until they see results, not just rhetoric.

Provide hands-on technical assistance and training. Provide quarterly training sessions or development institutes for neighborhood coordinators, boards, and staff. Provide expert coaches to work hand-in-hand with neighborhood activists.

Invest in community leaders, and work hard to develop the "bench strength" needed to sustain neighborhood momentum. It is too easy to burn out the most dedicated leaders, and it is difficult but essential to groom and mentor the next generation of leaders. Make succession plans for leadership a part of the neighborhood strategic planning process.

Evaluate everything you do. Quantify results. Make public report cards.

Acknowledge the inevitability of collision between desirable consensus and necessary speed in pushing for reforms. The key to reclaiming neighborhoods lies in achieving the right configuration of quick-paced, results-driven investments by the city with the right neighborhood leadership capacity and participation. The administration recognized that if too much time is devoted to developing consensus, the community will become frustrated and give up. Thus, the administration opted more often for speed, and sought to build consensus around events after they had transpired. In some cases, speed worked to the city's

advantage—enabling them to accomplish an agenda before interest groups could organize in opposition. In other cases, failure to develop a consensus among stakeholders would later negatively impact an initiative.

When asked how Indianapolis managed to get some neighborhoods over the curve, Mayor Goldsmith reflected:

"I think where we were successful—and we were not uniformly successful, by the way—it was where we moved quickly enough and invested enough public money, and we had the right configuration of neighborhood participation. It's speed, it's investment, and it's neighborhood capacity—when they come together."

The consequence of ignoring civic renewal is quick failure. In one neighborhood in Indianapolis, the Meadows, an attempt to revitalize the area failed because public safety issues were not addressed at the start of the initiative. As Mayor Goldsmith attests:

"We failed in the Meadows because we did retail before we got the safety piece right. It was a tough urban area, and the community had wanted a grocery store there forever. So we built one. We spent \$2 million, cleared the property, cleaned up the brownfield site, and opened up a grocery store. The neighborhood saluted, the people cheered, and one year later, this enterprise failed. It failed because the area wasn't safe, and the grocery store was in the wrong place..."

The reward for facilitating civic renewal is economic revitalization. Indianapolis, however, has had many more successes than failures. One such example is a small business owner, Jack Dickey, Jr., who was encouraged by the city to relocate his \$1.6 million machine tool business to the inner-city neighborhood of Haughville (WESCO). In a 1997 newspaper article, Dickey said:

"Business has never been better since it moved to Haughville. The company's backlog on orders is nearly six months long, and we may have to add a third shift just to keep pace. And the people have been remarkable. When the plant is closed in the evenings and on the weekends, they call police if they see anybody messing around on our property. I was really ready to pick up and move, but the city just did everything to get us to stay. It's just worked out great for everyone..."

Thus, the city's restoration efforts were centered around creating strong neighborhood organizations that could sort out the issues, help set priorities, and regain authority over their own destinies. As Robert Woodson describes it:

"Mayor Goldsmith's civic restoration gave people a clear understanding of where their neighborhoods can be. He gave them the tools to develop a strategic plan and gave them the means to implement that plan. The city put money into the hands of the neighborhood leaders. Infrastructure improvements were the priority. Once a handful of people changed, and others saw that their efforts were rewarded, the community changed. People sitting on the sidelines came out."

"Business has never been better since it moved to Haughville. The company's backlog on orders is nearly six months long, and we may have to add a third shift just to keep pace. And the people have been remarkable.... I was really ready to pick up and move, but the city just did everything to get us to stay. It's just worked out great for everyone..."

— Jack Dickey, Jr.,
small business owner

ECONOMIC DEVELOPMENT

Economic Profile

Indianapolis is home to three Fortune 500 companies: Anthem Insurance, Bindley Western, and Eli Lilly; three of America's 200 best small companies; and one of America's 100 fastest-growing private companies.

Source: *Inc. 500, 1997, Forbes, 11/3/97, Fortune, 4/28/97*

Indianapolis is the 5th best metro area for starting and growing a business.

Source: *Cognetic's Entrepreneurial Hot Spots, 1998*

Since 1992, Indianapolis has generated over 25,000 new jobs and retained more than 100,000 existing ones.

Source: *Fortune, 11/24/97*

Indianapolis ranked seventh out of ten on *Fortune's* list of "North America's Most Improved Cities."

Source: *Fortune, 11/24/97*

Mayor Goldsmith often joked about the view from his office on the 25th floor of the City-County building: "I can watch the tax dollars float over the county line." With the promise of lower taxes and less regulation in the suburbs, city dwellers and businesses move out of the city boundaries, leaving holes in the city's tax base. Naturally, to make up for the lost revenues, taxes go up, and the flight of wealth from the city increases, leaving pockets of poverty and disinvestment.

As in all urban areas, Indianapolis grapples with suburban sprawl, prohibitive rates of taxation, and the resulting disintegration of the inner city. To complicate matters, Indianapolis has no natural boundaries—no rivers or mountains—to contain sprawl. And the interstate highways that intersect in Indianapolis (thus the nickname "The Crossroads of America") conveniently lead out of the city.

Guiding Principles

To stop the vicious cycle of increasing taxes and the flight of wealth to the suburbs and to attract—and retain—economic opportunities to the city, Mayor Goldsmith followed five guiding principles:

1. A vital core is necessary to promote growth.
2. An appealing business climate will attract growth and expansion.
3. Excessive regulations or high taxes price the city out of competition.
4. Tax abatements and financial incentives are tools to attract prospective businesses and make them accountable for economic growth.

5. Collaboration with stakeholders is essential.

Principle #1: A vital core is necessary to promote growth. As Goldsmith argues in his book, *The Twenty-First Century City*, "The Indianapolis competition effort was designed not just to save money, or even just to produce city services more effectively. It was a way to free up operating dollars to reinvest in critical infrastructure problems." He continues, "Good transportation and functioning sewers literally produce the foundation for growth." Goldsmith believes a vital city center is the first step in ending the flight from the inner city.

When Goldsmith took office in 1992, the downtown area was characterized by vacant lots and rapidly deteriorating buildings and infrastructure. Goldsmith focused on infrastructure improvements in the heart of the city—Center Township. Using the dollars saved by bidding out certain municipal services, Goldsmith invested nearly \$1.5 billion in infrastructure improvements—curbs, sewers, sidewalks, parks, streets, and bridges.

The Circle Centre Mall project, initiated under Mayor Hudnut, came to a virtual standstill after the city had invested \$80 million. Only one anchor store had committed to staying in the Mall, and several prominent downtown businesses announced they were moving to the suburbs.

Using the savings from the competition effort and collaborating with area businesses, Goldsmith invested millions in the downtown mall project and in infrastructure repairs in the downtown area and immediate circle of neighborhoods. Circle Centre Mall opened in September

1995 and is the centerpiece of the downtown revitalization effort. Restaurants, hotels, shops, and businesses now thrive in the heart of the city, once characterized by blight and disinvestment.

Principle #2: An appealing business climate will attract growth and expansion. Prospective businesses look at many factors beyond short-term financial incentives, including utilities and infrastructure, workforce development and education, and quality of life for employers and employees. From a 1996 survey of Indianapolis businesses, the Administration knew that 82 percent of businesses favor less regulation and lower taxes over other incentive packages. To create the appealing business climate necessary to attract and retain businesses, Goldsmith improved housing, addressed workforce development issues, lowered utility costs, developed brown-field sites, built on the city's sports image, assisted small businesses, and encouraged minority- and women-owned business participation in city business projects.

Housing. The Mayor's Housing Task Force, convened in 1998, commissioned a study on affordable housing in Indianapolis and determined that almost all extremely low-income renters were finding housing in very old housing units, most of which were in substandard condition. The Task Force crafted eleven recommendations that set the course for investment for the next five to ten years, including:

1. Increase the number of quality, affordable units available to the extremely low- and very low-income renter through a combination of actions: targeted, special needs (new) construction, rehabilitation, and rental supplements.
2. Require effective social services and employment programs be connected with all units in order to assist extremely low-income renters' move toward self-sufficiency.

3. Evaluate the current management and strengthen the oversight of Indianapolis' public and other subsidized housing.
4. Preserve and increase the number of subsidized rental units located outside of Center Township.
5. Expand opportunities for first time home buyers with a variety of specialized financing products designed to address down payment and credit issues.
6. Identify geographic areas with housing stock affordable to the first time home buyer, or where additional quality affordable housing stock could be developed, and ensure it is ready for and worthy of investment.
7. Increase the number of low income homeowners who are assisted with affordable home repair products, thereby reversing the trend of deteriorating, owner occupied housing stock.
8. Identify geographic areas where signs of deterioration have begun. Focus resources on those identified areas to stem further deterioration.
9. Increase the number of neighborhoods with home ownership opportunities, to include both single and multi-family housing products, ranging from affordable to market rate.
10. Develop financial products for urban Indianapolis which encourage stabilization of existing home ownership and rentals.
11. Expand the supply of market rate rental units in urban Indianapolis.

In response, many agencies and organizations joined efforts to construct 500 new units of affordable housing, remodel or repair 5,284 units, tear down or overhaul 450 abandoned units, help the Indianapolis Neighborhood Housing

Housing
Average sale price, single family home: \$125,307
<i>Source: Indianapolis Chamber of Commerce, 1st quarter, 1999</i>
Average rent for an apartment in Indianapolis: \$600
U.S. average rent for an apartment: \$569
<i>Source: ACCRA, Cost of Living Index, 3rd quarter, 1997</i>

Cities with the Three Lowest Unemployment Rates in the Nation

Minneapolis-St. Paul, MN	1.9%
Indianapolis, IN	2.1%
Hartford, CT	2.1%

Source: Bureau of Labor Statistics, *Metropolitan Employment & Unemployment Summary*, August 1999

Partnership (INHP) to assist thousands of low- and moderate-income families find and afford their own homes, and leverage millions of dollars in public and private support. By the close of 1999, the city estimates the total neighborhood housing investment at \$56,397,326 and that 6,364 units of affordable housing will be constructed, rehabilitated, or repaired.

Workforce development. Mayor Goldsmith encouraged the Indianapolis Private Industry Council (IPIC) to focus on workforce preparedness. IPIC serves as the community broker of job training and placement resources. The city has worked in collaboration with the private sector in developing a number of youth employment initiatives, including partnerships with Indianapolis Public Schools to encourage youth to explore career options. In 1997, Goldsmith commissioned the High-Tech Task Force to develop strategies to help Indy attract and grow high-technology business opportunities.

Utilities. Using competition and privatization, Indianapolis' utilities cut costs and became more efficient. As a result, the costs for electricity and natural gas are 30 percent lower than average; water and sewer services are among the lowest of any investor-owned utility; and local phone service rates have not increased in 13 years.

Brownfield sites. Brownfields are abandoned, idled, or underutilized property where redevelopment is inhibited by actual or perceived environmental contamination. Indianapolis established the Environmental Ombudsman Office to create and update an inventory of brownfield sites, encourage redevelopment, and indemnify purchasers of the sites from legal liability.

Sporting industry. Building on its reputation as the "Amateur Sports Capital of America," Indianapolis has attracted more than 250 motorsports-related businesses, and, most recently, persuaded the National Collegiate Athletics Association

(NCAA) to relocate its headquarters to Indy. See *Appendix I* for more information on the NCAA's relocation to Indianapolis.

Small businesses. Several initiatives help new and small businesses address financing, strategic planning, training, marketing, permitting, technology, research and development, exporting, labor-management relations, expansion, evaluation, and other critical areas of operation.

Minority- and women-owned businesses. The Mayor's Minority Business Initiative expanded opportunities through public/private partnerships to increase minority participation in city business projects.

Principle #3: Excessive regulations and high taxes will price the city out of competition. Indianapolis businesses cited government regulations and taxes as the most significant factors affecting their future growth. In 1992, Goldsmith created the Regulatory Study Commission (RSC) to review existing and proposed City and Health Department regulations to ensure that the benefits outweigh the costs to businesses and taxpayers. The RSC follows five guidelines:

1. Regulations should be used as a tool to achieve a policy objective only as a last resort. The use of a regulation means a failure of all other means to achieve a policy objective.
2. The cost of a regulation should be no greater than the benefit it creates for the community.
3. Regulations must be simple, fair, and enforceable.
4. Regulations must be written to minimize the imposition of constraints upon businesses and individuals.

- Regulations must never exceed existing federal or state standards unless there is an overwhelming, compelling, and uniquely local reason.

A sensible regulatory climate. The RSC reviews all proposed regulations prior to their adoption by municipal boards or submission to the City-County Council. The RSC has saved businesses, taxpayers, and government \$20 to \$50 million. According to William Styring, who chaired the deregulation effort, the RSC "eliminated about one quarter of all the regulations that should have been eliminated," including more than 200 useless business licenses, outdated regulations, and regulations that restricted growth and competition. As a result of the thorough review process, regulations serving the public interest are encouraged and those that are overly costly or burdensome are discouraged.

Taxes. Cities continue to compete with one another for businesses and residents, but the toughest competition now comes from the suburbs. According to Goldsmith, "no new taxes' is not a political pledge—it is an economic necessity." Due to the savings generated by competition and revenues from privatization, Goldsmith had not raised property taxes since assuming office in 1992.

Principle #4: Tax abatements and financial incentives are tools to attract prospective businesses and make them accountable for economic growth. Traditional incentive packages do not hold businesses accountable if they fail to meet the commitments they made for expansion or employment. In 1993, the city adopted a set of guidelines requiring businesses to pay back a portion of their financial incentives if they failed to meet their commitments in terms of employment, revenue, neighborhood impact, or capital investment. As Goldsmith writes in his 1997 collection of essays, *A Small Government Prescription for Big City Problems*:

"Every business receiving a tax abatement has to file an annual report on its progress toward meeting the jobs creation, jobs retention, average wage level, and investment goals which were set before its abatement was awarded. If an awarded business is not creating or retaining jobs at agreed-to or higher wage levels or investing new capital, the city has the ability for the first time to revoke the tax abatement. In the past there was no system to track the business' performance or hold the business accountable after the abatement had been granted. But now a company has two years to fulfill its agreements on investment and job creation. If the company does not complete its annual survey, the abatement is automatically revoked. If the company turns in its survey but falls short of its goals, the city has three options: terminate the abatement, put the company on probation, or grant the company an extension."

To ensure fairness of the policy, the city retains a group of community leaders, the Greater Indianapolis Progress Committee, to review property tax abatements.

Principle #5: Collaboration with stakeholders is essential. Mayor Goldsmith created the Existing Industry Task Force in 1992 to identify the needs of existing Indy businesses and ways to better support the local business community. Composed of twelve manufacturing executives, the Task Force encouraged dozens of expansion projects, assisted in creating hundreds of new jobs, and leveraged millions of dollars in investments. Before it disbanded in 1993, the Task Force:

- **Surveyed more than 1,600 manufacturers and distributors.** The Task Force learned that the issues of primary concern to industry leaders were the burden of taxes and regulations, the need for an infrastructure rebuilding program, workforce development, and incentive and assistance programs for small businesses.

Average Household Income

Average household income in Indianapolis: **\$35,946**
Average household income in the U.S.: **\$38,453**

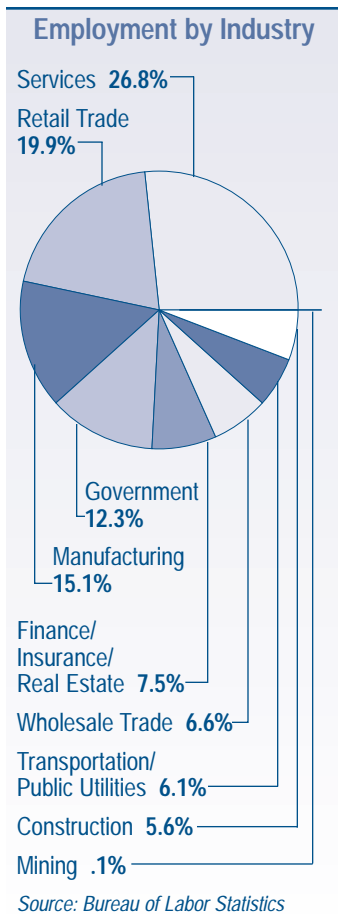
Source: 1990 Census of Population and Housing, Summary Tape File 3C

Cost of Living in Indianapolis

Cost of Living Index in Indianapolis: **96.0**

The National Average of Cost of Living Index: **100**

Source: American Chamber of Commerce Researchers' Association Cost of Living Index, 1st quarter 1999



- **Created the *Existing Business Reference Guide***, which provides up-to-date information on financial services, training, and technical assistance opportunities.
- **Established the annual Eagle Awards for businesses** that excel in workforce development, environmental/recycling efforts, charitable community involvement, or have invested in new or expanded facilities or capital equipment.
- **Led a series of Existing Industry Township Seminars/Town Hall Meetings**, during which 360 executives and plant managers provided input on the city's economic development assistance programs and initiatives.
- **Organized the Mayor's Volunteer Plant Visitation Program** in 1993, during which Task Force members visit other businesses to reinforce a positive business climate and foster goodwill between the public and private sectors.

Convening stakeholders. In 1993, the city, the Indianapolis Economic Development Corporation, local utilities, and workforce development groups formed the Indianapolis Economic Development Alliance. The Alliance, recognized by Congress as one of the three most innovative local economic development structures in the nation, encourages public/private collaboration to promote economic growth and attract and retain businesses.

According to Brad King of the Indianapolis Economic Development Corporation, the Alliance strengthens Indianapolis' ability to attract new businesses to the city as a one-stop shop:

"Alliance members can help us identify existing infrastructure at sites of interest to the industry. We can call up Indianapolis Water Company and they can tell us whether the site is equipped

to handle the needs of that particular industry. And if not, how much it will cost to bring it to capacity."

As a corollary principle, ensure that all citizens have opportunities to participate in the expansion. In Indianapolis, one out of every ten African-American males ages 16 to 24 is institutionalized (includes all forms of institutional care). Clearly, a large percentage of the African-American male population is not able to participate in the neighborhood revitalization efforts transforming the city.

In 1992, Mayor Goldsmith established the Indianapolis Commission on African-American Males (ICAAM) to examine the conditions facing young African-American males in Indianapolis and to develop a strategy and a series of recommendations to enhance the quality of their lives. The Commission held a series of town meetings attended by over 450 individuals from across the city, reviewed relevant research, commissioned the development of a database on African-American males, and developed recommendations for strategies to ensure that every citizen in Indianapolis, particularly African-American males, has access to economic and social opportunities. ICAAM continues to implement strategies to address its recommendations through community collaborations.

Outcomes and Challenges

A thriving economy. Indianapolis has received national accolades for its economic development initiatives and the resulting friendly business climate. Vacancy rates downtown are less than one-half the national average, and new construction projects have sprung up all over the city. Unemployment is at a record low of 2.1 percent. Companies including Alcoa, American Funds, American Trans Air, Bank One, BMG Music, Federal Express, Fruehauf Trailer, RJR Nabisco, Rolls Royce, and USA Group have relocated to or expanded within Indianapolis since 1992.

Challenges and opportunities.

Although the economy is thriving, Indianapolis—like other cities—faces challenges in training and retaining a skilled workforce, moving people from welfare to work, and improving public transportation to jobs in the suburbs. According to Joseph Slash, Indianapolis Power & Light Company, who serves on the Indianapolis Private Industry Council Board:

"The numbers of [applicants] coming in through the front door goes up considerably from year to year, yet the skill level of the workforce is extremely short-falling. We need to close the gap between business and education."

Slash also identifies property tax equalization—where citizens pay higher taxes to compensate for non-taxable property—as another challenge.

"One third of the property in [Center Township] is not taxable—it belongs to government or another non-taxable entity. To make up the difference, there is a gross inequity of property tax paid in this district. Look at a house downtown and a house of similar value built in the suburbs—the difference in the house payment is \$65 or \$70 per month, just by virtue of what district it's in. We have to fix the tax equalization problem. There is no reason for businesses to relocate or retain their location in Center Township."

Lessons Learned

Mayor Goldsmith, public officials, service providers, community leaders, and business executives offered us the following lessons learned.

The benefits of a business locating or expanding in the city should outweigh the costs of the incentive package. Though this idea seems self-evident, leaders frequently use tax breaks and financial incentives to lure businesses to their cities. And as the competition grows stiffer, the incentive pack-

ages get larger and larger. As Goldsmith writes, Indianapolis was guilty of this as well:

"In 1991, about one week before my election as mayor, Indianapolis and Indiana assembled a financial package that lured United Airlines to develop a massive maintenance facility at Indianapolis International Airport. United Airlines will eventually invest at least \$750 million...and employ 6,000 people in Indianapolis as a result of the deal, causing some national observers to call it the economic jewel of the year. United Airlines, a great corporate citizen, is keeping all of its promises of investment and job creation, and is helping establish the airport as the preeminent aircraft maintenance center in the country. But Indianapolis taxpayers will be paying for the deal until the year 2017."

Work with suburbs, not against them. Though the fiercest competition may come from the suburbs, the city found it counterproductive to launch an economic development war. Instead, the mayor formed the Metropolitan Association of Greater Indianapolis Communities (MAGIC) to address regional issues and promote awareness among the outlying areas that their economic future is linked to that of the inner city's—that the heart of the city is exactly that—a vital organ for the entire region. The mayor also developed an agreement with the wealthiest adjoining county, which provided for shared infrastructure investment, regional transportation and sewer planning, shared strategies for targeting key industries, and eliminated economic cannibalization.

Teach disinvested neighborhoods the benefits of replacing government regulations with neighborhood covenants. Deregulation efforts were met with great opposition by inner-city neighborhoods. Mitch Roob, who also served as CEO of Health and Hospital Corporation, the organization responsible for health code regulations and compliance, said:

Arts and Entertainment in Indianapolis

Museums:	14
Symphony Orchestras:	2
Opera Companies:	2
Dance Companies:	2
Professional Theatres:	3
Zoos:	1
Major League Pro Sports Teams:	2
Minor League Pro Sports Teams:	2

Source: International Directory of the Performing Arts, 1996; Official Museum Directory, 1998; Chamber of Commerce/Economic Development, 1997

"I've never expended more political capital and did less than on [the deregulation] process. The neighborhoods want someone to have arbitrary and capricious regulatory authority. They want someone to enforce laws—zoning laws, code compliance. People want government to have tremendous code enforcement capacity. When I wanted to change [the regulations] to ease their burden, people in those neighborhoods let us know that that was the wrong answer here. They wanted more regulation, more heavy-handed enforcement. It took me a long time to get why. My answer is that if you go to the neighborhood I live in—a subdivision—we have neighborhood covenants. These neighborhoods don't have covenants, so they look to the government for that."

Make workforce development resources available in the community, by the community, for the community. Byron Jenson of Goodwill Industries described the success job training and outreach programs have had at the neighborhood level. Goodwill has partnered with other community-based organizations to provide job training and placement services in neighborhood sites, often hiring residents of those neighborhoods. Neighbors reaching out to neighbors are more effective in encouraging the unemployed or working poor to seek education and training opportunities.

Rely on businesses to find unfair restrictions, permitting processes, and fees. The Regulatory Study Commission turned to local businesses to identify excessive regulations, which fostered communication between the public and private sectors, sent the message that Indy cares about the needs and concerns of businesses, and fostered a friendlier climate for conducting business in Indy.

CONCLUSION

Transforming government philosophy. Stephen Goldsmith and his administration transformed nearly all aspects of local governance in Indianapolis. Some have suggested that, prior to 1992, government regulations and red tape—well-intentioned as they were—impeded customer satisfaction, effective service provision, the work of community- and faith-based organizations, economic growth, and city-neighborhood collaboration. Goldsmith took the traditional bureaucratic model and turned it on its ear to ensure accountability, reduce expenditures and waste, respond to the needs and concerns of citizens, be results-driven and outcome-oriented, and make government leaner, more accountable, and more effective. As a result, the government has fundamentally changed how it conducts business, interacts with citizens, generates results, and solves problems.

Impacting the lives of citizens.

According to Goldsmith, the greatest accomplishment of his administration was increasing confidence and hope among those who were previously neglected. Goldsmith described a recent experience he had at the Indianapolis International Airport:

"I went through the metal detector in Indianapolis. The security officer probably makes very little money and has a very tough job. He stopped me and told me that he had a house in the United Northwest Area, where we had recently built some new homes and parks. He had one of the old homes, and each year for 15 years before we had done that, his home was worth less. He thanked me and said, 'Because you built those homes over in Riverside for the community, my house went up in value ten percent last year, and it's never gone up in value before.' Crime

and decay in the neighborhood creates an unpublished tax on the residents, particularly the elderly. Cleaning up the crime and decay and fostering optimism creates value."

Acknowledging external success factors. The city's successes do not lie solely with the mayor's office or agenda. Other factors, such as national and regional trends in crime and economics are contributing factors. As with all elected representatives, the mayor and his administration benefit from circumstance and from the good work facilitated by preceding administrations. Often, elected officials are blamed for economic recession or praised for economic development that may have been precipitated by the actions of their predecessors or outside influences.

Likewise, Indianapolis' success is due, in part, to the economic boom that swept the country during the mid- to late-1990s, and the progressive work of Indy's previous mayors, Richard Lugar and William Hudnut. Other success factors include the relatively low number of unions, the consolidated city-county government model (Unigov), and strong corporate participation in civic matters.

The citizenry itself played a major role in the success of the community revitalization work. Collaboration and participation have become the norm—for the most part, citizens leave their agendas and their politics at the proverbial door.

Indy is also known for its large and dedicated volunteer pool and for the presence of one of the country's largest philanthropies, the Lilly Endowment. According to Ellen Annala of the United Way, a national foundation was hosting a large event in Indianapolis, and approached the United Way for help

"Because you built those homes over in Riverside for the community, my house went up in value ten percent last year, and it's never gone up in value before."

— United Northwest Area homeowner

Literacy

20% of the adult population in Indianapolis (over 16 years old) read at the lowest literacy standard, Level One.

Source: *The State of Literacy in America*

More than 20% of adults in the U.S. read at or below a fifth grade level.

Source: *National Institute For Literacy*

staffing the event. The foundation wanted to hire people to staff the event because of volunteer shortages and no-shows, but United Way convinced them it could recruit enough volunteers. The foundation agreed on the condition that United Way advertise for 300 volunteers—three times the number of staff needed. Despite protests from United Way, 300 volunteers were solicited, and, in the end, the 300 volunteers who signed up showed up.

Addressing unfinished business.

Critics and supporters agree that the public education and child welfare systems need improvement in Indianapolis. What is remarkable is that neither system falls under the purview of city-county government—the public education and child welfare systems are under the purview of the State of Indiana. Nonetheless, Goldsmith and his aides attempted to impact state government initiatives. In a discussion about the successes and failures during his administration, Goldsmith said:

"Education is the biggest frustration. It really overwhelms everything else. I'm not sure that our focus was as intense as it should have been on the child welfare and family policy. We did all right things, but not with quite the same degree of intensity. The systems that we couldn't affect were the most frustrating. That was schools and the child protective services—state-run systems—we couldn't fix them."

As he states in *The Twenty-first Century City*, Goldsmith tried repeatedly to influence Indy's education system:

"Like most mayors, I have no authority over schools. I have spent...years trying to make an impact on the system in every way imaginable. I pressured the districts publicly not to raise taxes, with little effect. I lobbied unsuccessfully for state legislation to create publicly funded vouchers and charter schools. I negotiated with private education providers such as the Edison

Project and Educational Alternatives, Inc., to open schools in Indianapolis. When all of these avenues failed, I created a bipartisan political action committee called the Alliance for Quality Schools to support reform candidates for the IPS school board. And when that did not accomplish all we hoped, I authored reform legislation giving the district broad powers to hold schools more accountable.

In short, I have probably notched more unsuccessful attempts to improve education than any mayor in America, a distinction I wear with honor."

Though the public school system remained virtually intractable throughout Goldsmith's administration, his staff made some significant inroads into addressing problems with the child welfare system. According to Karen Glaser, child health and welfare liaison, the mayor's office has influenced planning and practice in the State Office of Family and Children. In 1994, for example, more than 80 percent of the budget was dedicated to expensive group home and institutional care, while less than 5 percent was dedicated to post-placement services, less than 10 percent to foster care, less than 5 percent to in-home services, and no resources for prevention services.

With funding from The W. K. Kellogg Foundation for a project called "The Families for Kids Initiatives," the city and state worked together to analyze and restructure child welfare service delivery systems. As a result, the 1998 budget dedicated 3 percent to prevention services, 20 percent to in-home services, 51 percent to group home/institutional care, nearly 10 percent to foster care, and 15 percent to post-placement services. The Marion County Office of Family and Children is more focused on devising solutions in the home, following up on placement, and developing effective prevention programs.

Scholastic Aptitude Test (SAT)

995

Average combined SAT score in Indianapolis Public Schools.

Source: *Indianapolis Economic Development Corporation, 1998*

1016

Average combined SAT score in American Public Schools.

Source: *Digest of Educational Statistics, 1999 National Center for Education Statistics*

Spearheading system-wide reform.

In contrast to other American cities, Indianapolis does not have a reputation for one particular success story. Boston and New York have been praised for crime reduction; Cleveland and Milwaukee have been acclaimed for their education reforms; Portland for health initiatives; and Philadelphia and San Diego for economic development. Each of these cities is renowned for making tremendous progress in at least one of the traditional measurements of whether a city is "a good place to live."

Instead, Indianapolis boasts reforms and improvements in numerous systems across the city. Indy's many success stories have made it difficult to identify any one reform that stands head-and-shoulders above the others. Mayor Goldsmith and his administration have spearheaded successful initiatives in the areas of crime, health, neighborhood revitalization, race relations, and economic development. Introducing "marketization" to the provision of municipal services, changing the ethos and ethic of the government employee, and removing the restrictions imposed by the traditional bureaucracy have generated tremendous interest and enthusiasm nationally. And though the reforms were disparate, the mayor provided a central guiding vision, and articulated it clearly and consistently.

Remaining a work in progress. The Indy story continues to unfold even as this chapter comes to a close. Mitch Roob, former Goldsmith aide, said:

"This is the Indy we promised. We took the city built by Lugar and Hudnut. We're done with ideas now, and we hope someone else has new ones."

Final thoughts. The authors of this report have attempted to capture the essence of the Indy Story and chronicle the successes and shortcomings, the seminal points and lessons learned, and the highlights of this acclaimed model for local governance. Pinchas Landau summed up the Indy experience in an article for *The Jerusalem Post Money Magazine*:

"Goldsmith ran for mayor using a reform platform that promised voters he would make the city work better and more efficiently, while investing the savings in infrastructure and inner-city projects that required residents to take control of the decision making. That voters gave him a chance seems plausible. That he delivered the goods provides hope and inspiration for cities around the world."

— Pinchas Landau

"Goldsmith ran for mayor using a reform platform that promised voters he would make the city work better and more efficiently, while investing the savings in infrastructure and inner-city projects that required residents to take control of the decision making. That voters gave him a chance seems plausible. That he delivered the goods provides hope and inspiration for cities around the world."

APPENDIX A: MARKETIZATION

The City of Indianapolis has "marketized" more than 70 municipal services since 1992. The following chart identifies several significant reforms, describes the key changes, and lists the projected fiscal impact.

Source: "The Indianapolis Experience: A Small Government Prescription for Big City Problems," June 1997

<i>"Marketized" City Services</i>	<i>Highlights of Changes Made</i>	<i>Fiscal Impact</i>
Public Works: Advance Wastewater Treatment Plant	Advance Wastewater Treatment Plant operation and management bid process resulted in an award to a partnership that provides expertise of more Ph.D.s in civil engineering than Indianapolis has employees. Contractor brought in state of the art technology, cutting costs by 44%.	Anticipated savings at Wastewater Treatment Plant over 5 years of \$65 million.
Sewer System	Now managed by Wastewater Treatment Plant, which hired city employees.	\$13 million savings over 5 years.
Sewer Billing	Now combined with water bills; single office to call with billing questions.	Increased savings and revenue of \$3.7 million per year.
Trash Collections	Much more efficient collection process at lower cost per household.	\$15 million savings over 5 years.
Street Repair	City workers eliminated middle management, reduced crews, re-examined every process and cost, and became more efficient.	City workers trimmed 25% of pothole filling costs and 60% of crack-sealing costs.
Fleet Services	City workers won empowered self-managed teams; eliminated unnecessary jobs; shrunk inventory. Turn-around time for repairs decreased although more cars in fleet.	\$8.5 million saved.
Building Authority	Outsourced certain functions, including window washing and tenant construction; charged tenants for previously unbilled services; and became more efficient.	Decreased rents in county buildings 5 years in a row.
Permits	Consolidated three departments into one; assembly line to caseworker approach in which caseworker walks each applicant through the permit process.	Decreased permitting costs by 40%.

<i>“Marketized” City Services</i>	<i>Highlights of Changes Made</i>	<i>Fiscal Impact</i>
Parks & Recreation: Golf Courses	Pros bid on contracts to run each of 12 municipal golf courses. Pros maintained the courses with their own supplies and equipment, hired personnel, operated the snack bar and pro shop, and rented golf carts. Within first year, courses were upgraded; and many improvements were made to facilities. Privately run golf academy was added to city’s golf network.	Instead of paying \$500,000 annually to operate the golf courses, the city receives 20% of course revenue and earns \$700,000 annually from the golf contracts. City invests 25% of that amount in capital improvements to courses.
Transportation: Airport Management	Until privatization, airport costs – including concessions, rent and parking – per passenger rose 38% from 1984 to 1994, while airline industry profits grew only 2% in a good year. Contractor selected owns and operates 7 airports in England. Contractor hired all of airport staff and is required to make sure airport concessions do not exceed prices for same items in greater Indianapolis. Contractor is investing \$.5 million in airport improvements.	Airport contractor projects a 10-year savings of \$105 million and has guaranteed \$32 million of those savings. Anticipated cost savings per passenger over 10 years is 30%.
Public Transportation	More public transportation routes. Involvement of minority-run business.	\$3 million savings over 4 years by privatizing 10 routes.
Parking Enforcement	Upgraded technology and improved collection. Free assistance – jump starting batteries, opening locked vehicles – when car is disabled at a meter.	30% reduction in costs.
Health & Safety: Jail	Privately run jail. Contractor contributing \$4 million to renovation.	Operating cost reduced from \$42/day per prisoner to \$35/day.
Dispatch Operations	Combined operations of five departments.	\$206,000 annual savings.
Abandoned Vehicles	Street collections increased by 140%.	\$1.4 million savings and revenue over 3 years.
Information & Referral: Computer Systems	New equipment obtained and serviced on a regular basis. Computer systems networked across departments and divisions. Technical advice and training provided to city offices.	\$26 million savings over 7 years.
Microfilm Division	Higher quality equipment and product. Backlog eliminated.	\$240,000 annual savings.
Copying and Printing Services	Consolidated 3 print shops into 1 with over 121 pick-up points.	\$800,000 annual savings.
Messenger Services	More efficient. Contract awarded to downtown minority-run business, thus increasing employment of inner-city residents.	\$15,000 annual savings.

APPENDIX B: ACTIVITY-BASED COSTING

Activity-Based Costing (ABC) is an accounting method adapted from the private sector to evaluate and estimate costs based on outputs rather than inputs. Outlined below is the five phase approach for using ABC in local government.

**Phase I:
Define project objectives and establish department activities and outputs.**

The first phase focuses on familiarizing the project team with department operations, personnel, and means of quantifying data. The most effective means of identifying activities and outputs, the foundation for the ABC model, are determined.

**Phase II:
Collect and analyze appropriate costs and cost drivers.**

Collect relevant cost information. Choose appropriate cost drivers for the activities defined in Phase I. Determine the most effective means of measuring departmental outputs.

**Phase III:
Collect remaining direct and indirect cost information.**

Establish activity cost pools on PC-based spreadsheets. The most probable activity cost pools are personnel, direct materials, vehicles and equipment, fixed asset and facility costs, and administrative overhead.

**Phase IV:
Develop an ABC model.**

Develop an ABC model by using the cost drivers to assign activity cost pools to departmental outputs.

**Phase V:
Summarize cost information; expand departments' capabilities to continue to use the ABC model.**

Hold training sessions to assist departmental personnel in learning how to use the ABC model on an ongoing basis.

APPENDIX C: PURCHASING

Mayor Goldsmith updated the cumbersome purchasing system to streamline and speed up the purchasing process, simplify record-keeping, and cut costs. Outlined below is a comparison of the old system to the new system.

<i>Old System</i>	<i>New System</i>
Written quotes for most purchases.	Written quotes only when necessary for clarification.
For \$25, vendors were put on a list that had to be notified even for non-bid opportunities. This generated great amounts of paperwork.	The list is discontinued for non-bid opportunities.
Bid bonds were routinely required of non-public works projects under \$100,000, even though they were not mandated by statute. The result was that some firms chose not to compete for bids. Those that did often inflated their prices.	Bonding requirements not legally mandated are abolished.
All price quotes were recorded online.	Only the top three are recorded online.
Purchases were recorded on multi-part requisitions forms and physically routed for approval.	Purchases are recorded and routed electronically.
Multiple approval levels.	Streamlined approvals.
Records filed.	Records stored electronically.
Amounts were inflated in bidding to get quantity discounts that never materialized.	Bidding is now done on the basis of best estimates.
Many contracts were within departments rather than citywide.	Contracts are now citywide.
Cash receipts were often not recorded on the day of deposit.	Cash receipts are always recorded on the day of deposit.

APPENDIX D: POTHOLES — A CASE STUDY

How much does it cost to fix potholes? Roughly \$307 per ton of asphalt. Arriving at this answer, however, required a change in thinking about how government services are provided. Before Activity-Based Costing, no one in the Department of Transportation knew how much it cost to repair streets.

Using a consulting team and Activity-Based Costing, Department of Transportation head Mitch Roob engaged the workers who were out on the front lines actually filling potholes. They discussed how the process could be made more cost effective and efficient to compete with the private sector.

Overcoming obstacles. The first obstacle the union workers identified was the overhead caused by a surplus of supervisors. There were 32 supervisors managing 94 workers. The solution? Eighteen of these middle managers were immediately terminated.

The team then searched for ways to cut costs and enhance delivery of their product. Before the ABC analysis, street repair crews worked with six to eight people and two trucks. After completing the evaluation, the workers realized the task could be executed with only five workers and one truck.

Identifying the "fat." Prior to the ABC study, the city had been spending \$425 per ton for pothole work. The city team won the bid and reduced the cost to \$307 a ton. In fact, the workers completed the project for \$20,000 less than their bid. Workers were empowered by their triumph, and the city was pleased with the savings.

Pothole repair, in retrospect, was not a good choice for this first endeavor. Roob commented, "No private contractor fills potholes. It failed what Skipp Stitt, Director of Enterprise Development, calls the 'Yellow Pages test:' If you can't find a service in the yellow pages, you should not attempt to privatize it!"

More than an exercise. Even though the process turned out to be non-competitive, it created a significant paradigm shift within the city. The project cut costs, boosted union morale, and fundamentally altered the way services were delivered. Competition was proven to be an effective strategy for alleviating hidden costs in municipal services.

APPENDIX E: NEIGHBORHOOD REVITALIZATION

<i>Reform Initiatives</i>	<i>Highlights of Changes Made</i>	<i>Key Benefits</i>
Special Projects: Downtown Safety Initiatives	Installed radios in 30 organizations, 173 downtown businesses, and 400 security and police agencies to expand security network. Added bicycle police to the city's police force.	Easier reporting of suspicious activity. Quicker response time in emergency situations.
Graffiti Busters Program	Created program involving the mayor and Resource Development Program, "Keep Indianapolis Beautiful," and the Marion County Sheriff's Department to remove graffiti from public and private structures.	Beautification of city and heightened citizen confidence in neighborhood safety.
Neighborhood Revitalization: General Infrastructure Improvements	Rebuilt curbs and sidewalks, resurfaced streets, rehabilitated bridges and public housing facilities, and upgraded police stations.	Repaired 440 miles of streets. Curb and sidewalk repair quadrupled under the program. Hundreds of improvements were made and paid for without raising taxes.
New and Improved Park Facilities	Invested \$41.2 million in more than 80 projects to upgrade and expand park facilities and attractions.	Since 1992, city parks have grown by 159 acres. Nearly 175 miles of fitness and recreational trails are under development.
Project 180	Implemented plan to recruit volunteers from community and local businesses who help neighborhoods with clean-up and restoration.	Community revitalization through collective efforts.
Seven Targeted Neighborhoods	Targeted seven troubled neighborhoods: built new parks, installed curbs and sidewalks, launched crime-control initiatives, and renovated houses. Implemented job creation initiatives.	Resurgence of neighborhood leadership, new construction, and economic progress.
Public Housing	Made improvements to public housing complexes. Launched initiatives to create job opportunities within facilities for residents.	City public housing went from being on the HUD "troubled housing" list to scoring perfect scores on 10 of the 12 HUD public housing performance indicators.
Community Service	Recruit jail inmates to perform community services such as park beautification, graffiti removal, and painting.	Community revitalization.

<i>Reform Initiatives</i>	<i>Highlights of Changes Made</i>	<i>Key Benefits</i>
Neighborhood Empowerment: Indianapolis Neighborhood Resources Center	Established INRC to provide information to community organizations and neighborhood groups so they can mobilize to remedy problems in their neighborhoods.	Trained leaders and advocates are able to initiate and implement constructive change in their own neighborhoods.
Leadership Training	Created National Neighborhood Leadership Development Institute to train low-income community residents to become better leaders.	Rebirth for neighborhoods that lacked a voice for their concerns. Inspired new leaders to act for the well-being of their communities.
Geo-Based Services: Township Administrators and Neighborhood Coordinators	Hired residents to be local coordinators in their neighborhoods and assigned municipal employees as Township Administrators in each township. Groups worked together to allow local vicinities authority in decision-making.	Needs of individual communities are better assessed and met.
Grants	Awarded \$50,000 project grants, \$500-\$5,000 community enhancement grants, and \$2,000 resident participation grants to community-based organizations for resident-driven projects.	Successful projects include the building of a new community center, new day care and youth educational programs, and neighborhood beautification.
Neighborhood Nuisance Abatement	Empowered neighborhood residents to fight the renewal of liquor licenses for problem establishments. Established code compliance committees, made up of neighborhood residents and housing inspectors, to seek out community properties that violated the housing code.	Residents have forced liquor stores to change business hours, provide extra lighting and security, and to clean their premises. Residents are also empowered to report housing violations.
Customer Service	Adopted philosophy that citizens should be treated like customers. Created Mayor's Action Center, a central switchboard for the city government that residents can use to file suggestions or complaints, access information, and make service requests. Created Rapid Response Teams, assigned to individual townships, who handle small improvement jobs for city residents.	More rapid response rates to citizen inquiries.
Parks	Made parks an integral part of neighborhood redevelopment and community relations by forging partnerships between Parks Department and local residents and churches.	Established new ties between parks and surrounding neighborhoods. Increased attendance and participation in park events and facilities.
Rebuilding Families	Launched 27 initiatives aimed at encouraging responsible fatherhood, discouraging teen pregnancy, and improving the support and economic opportunity for teen mothers and vulnerable families. Renewed commitment to enforcing existing child support and statutory rape laws.	More collaboration between the religious community, non-profit organizations, and social service agencies. Increased arrest rate for those who commit statutory rape and for fathers who refuse to pay child support. New programs have placed over 300 able-bodied, but unemployed fathers into jobs or work programs.

APPENDIX F: COMMUNITY POLICING

Within the public/private partnerships that emerged in Indianapolis was an undercurrent of a new social contract in which those directly affected by policies were at the heart of the dialogue; where racial and cultural diversity was a foundation for community-building; where active citizenship and responsibility were fostered; and where the community's strengths and assets served as the launching pad for progress. But even with these fundamental principles as guides, many neighborhoods were beset by seemingly intractable crime, fear, and helplessness.

Thus, just as other major American cities have done, Indianapolis moved toward a vigorous program of community policing. What is community policing? According to the individuals we interviewed, it is a combination of enforcement and compassion—a targeted effort to identify the troublemakers, and to offer them options and alternatives if they behave—and tough consequences if they don't.

It is a recognition that the role of law enforcement officials is more than simply reacting after an incident—it is preventing the incidents; participating in the neighborhoods' civic activities; and doing whatever it takes to solve problems, even when those problems are not within the immediate jurisdiction of the police department. It is a process of building relationships and trust between neighborhood residents and the police who serve them. It is an organic web of networks and partnerships with the community, the prosecutors, the school police, the social workers, the clergy, parents, and youngsters themselves.

It is a process of listening very carefully to what the citizens want and need, and responding quickly to unpack the prob-

lems, respond aggressively, and resolve those issues. As part of these new initiatives, the Indianapolis police force better serves local communities by:

Seeking opinions of neighborhood residents. Deputy Police Chief Barker, who serves the WESCO neighborhood, described its new commitment to collaborating with local citizens:

"We surveyed the neighborhood to ask what they needed from us. We thought they would say 'eliminate the homicides, rapes, assaults.' Instead, they talked about quality of life things. They said 'fix the streets and curbs, pick up the trash, fix burned out bulbs in street lights, take care of the junk cars in vacant lots.' We work with other city departments to take care of these things, to take these concerns seriously, to build trust. No problem was too small for us. We have plainclothes officers going door to door. They can get a sip of water, and a tip, too."

Fostering citizens' trust and cooperation. Deputy Chief Barker told the story of growing rapport with the citizens of WESCO:

"We work closely with the neighborhood. Anytime we get a request for an officer to attend a function, we go. Everyone who calls gets a return phone call. I can't require my officers to sit in the dunking booth at the school fair, but I can ask them to go to neighborhood meetings, interact with [citizens], and listen. Now little old ladies give us slips of paper with addresses of crack houses. Within 24 hours, she pulls her drapes back and sees ten police breaking down the door and dragging six guys out. She sees results immediately."

Establishing relationships with neighborhood youngsters. Deputy Chief Tim Martin of SUMO talked about the transition from relying on technology and being "rapid responders" to building relationships with the neighborhood leaders and the kids:

"There are so many kids with no adults at home—they are going to be out on the street and become a victim or get into trouble, or both. Some officers don't think police work is playing ball with kids or eating ice cream cones, but if something happens—gang problems, hate crimes—that kid will approach the officers."

Cultivating citizens' sense of control and collective responsibility.

Whether the initiatives are curfew sweeps of juveniles on probation or parole, closing open air drug markets, creating family nights or after-school programs that provide academic tutoring, or providing other positive recreational alternatives, residents have greater sense of community control over their own circumstances. When we spoke to Robert Woodson to get an outside expert's opinion from the neighborhood perspective, he, too, echoed the same message:

"The neighborhoods are working in partnership with the police, the churches, local banks, business owners, and the city agencies. Neighborhoods reached out to business owners. A white undertaker collaborated with a black landscaper, formed a small construction company, and began to build houses for the city...Everybody in the neighborhood is a public snitch. In one neighborhood, a neighborhood leader confronted a drug dealer who pulled a gun. The neighborhood leader shot the drug dealer, and was arrested. The neighborhood rallied to his defense."

Increasing citizens' confidence in the police. In Indianapolis, the result of these new community policing initiatives is a new sense of neighborhood pride and appreciation for their police. Olgen Williams, former president and current vice president of WESCO, described his community's relationships with the police:

"We like our police. We have a great working relationship with them. They call us when something happens so we can dispel the rumors and get the facts to the neighborhoods. They attacked the crack cocaine problem. They help us solve problems that are not within their immediate job descriptions—they get the city departments to fix streetlights, pick up the trash, get rid of abandoned cars. People now put drug tips for the police in the church collection plates."

Olgen also commented:

"I've gotten local businesses to donate pancake breakfasts for 'Police Appreciation Day.' We gave them lapel pins they wear on their uniforms. Business donated pen and pencil sets. We've been working together seven years, and it is ongoing. The police are playing basketball with the older youth, and kickball with our kids 13 and under. The kids won. We all won."

And the pride and appreciation is reflected by the police, as well. As an illustration of their strong neighborhood relationships, Deputy Chief Barker bragged:

"Now they throw us breakfasts, give us pins, give us pens...."

APPENDIX G: THE FRONT PORCH ALLIANCE

Originated by the Mayor's Office in 1997, The Front Porch Alliance is an initiative that puts the full energy of the City of Indianapolis behind the community-building work of churches, synagogues, mosques, neighborhood associations and other non-government, value-shaping institutions—the organizations that are uniquely designed to support families, provide activities for children, and facilitate community renewal. The Alliance is an outgrowth of the Neighborhood Empowerment Initiative that looks to the faith community to develop the civic virtue and values needed for communities and their citizens to succeed.

While citizens could see evidence of repair to the physical infrastructure of Indy, there was a social disconnect—the social infrastructure still needed repair. Executive Director Isaac Randolph, a former firefighter, described some of the social challenges facing Indy—redlining, desegregation, economic segregation, family disintegration, gangs, rising homicide rates, and the isolation of churches from one another.

Building a more civil society. When the mayor invented the Front Porch Alliance it was first called the "civility project," reflecting efforts to build a civil society, rebuild the social infrastructure, and develop youth leaders. But to get people engaged in their communities, the city sought a powerful symbol. The front porch—where families and neighbors gathered and looked after one another—embodied the sense of community the mayor hoped to foster. Thus the idea was born to initiate a "front porch" meeting place on every city block, where teams of local pastors, neighborhood leaders, and residents would work together to rebuild and strengthen their communities.

Government's role. According to Randolph, the government is good at three things—convening, leveraging, and highlighting. The churches are good at translating these three things into human, personal dimensions—working door to door, street by street, neighborhood by neighborhood, giving people faith and hope. Working together, these forces can learn from each other what works best in dealing with neighborhood problems. From this learning process, private and public resources can be matched to the neighborhood needs. According to Isaac Randolph:

"We leveraged every resource—surplus computers, furniture, the mayor's power, the media, school partnerships, superior courts, Indianapolis police department, the prosecutor's office, relationships, and dollars. We put \$100,000 on the table, and sparked substantial foundation investments. We emulated the mayor in his processes. This is not a white vision or a black vision. It is a vision of a city of wholesome virtue. They give credit to us for helping reduce homicides, creating a new energy. We're working with the kids, looking at why they are in gangs. Most are followers, seeking commitment, structure, parameters. We use that to foster leadership, opportunities, respect, and love. Kids want to do right. Few folks can argue against effectiveness."

APPENDIX H: THREE NEIGHBORHOODS CASE STUDY

Our examination. The authors of this report focused on three specific inner-city neighborhoods—WESCO on the near westside, SUMO in the southeast, and Mapleton–Fall Creek. To gain a sense of different perspectives on these neighborhoods' "before" and "after" stories, we spoke to Neighborhood Coordinators, police officials, community-based organizations, faith-based leaders, Community Development Corporation executives, business leaders, city officials, and others. We spoke to advocates and admirers, insiders and outsiders, and critics and cynics, to gain a deeper understanding of what we saw.

We recognize that what we describe is mostly impressionistic, and based on only a handful of interviews and third-party accounts in each neighborhood. We further recognize that each neighborhood progresses at a different pace, and achieves very different results, and we know that we did not examine neighborhoods that had serious difficulty in meeting these new challenges or developing their local leadership. Some will say we gave short shrift to important initiatives, or that we failed to note with precision every accomplishment or every failure, and they will certainly be right.

We hope that the summaries of selected experiences of WESCO, SUMO, and Mapleton–Fall Creek might be instructive to others seeking to improve their own circumstances, strengthen their communities, rebuild their neighborhoods, support their families, and engage individuals in shaping their own destiny. The experiences of these Center Township neighborhoods may point to some common principles: the importance of providing access to City Hall and encouragement and support from it, and the impacts of a driving emphasis on customer-driven, results-driven, bottom-line outcomes—

accountability for achieving visible, lasting results.

The Near Westside Cooperative Organization (WESCO)

Indianapolis' near westside reflected many of the city's urban ills—high crime, distrust of neighbors and of city hall, apathy, lack of economic opportunity. As former WESCO president and current vice president, Olgen Williams describes it:

"My neighborhood is a 50/50 racial mix, and the sides used to throw rocks at each other. There were cultural problems all over. It was pretty mixed up, and no one had any trust in the other."

However, even with these circumstances, WESCO was viewed as a neighborhood with significant potential. Compared to other neighborhoods, it began in a position of relative strength, and based on this strength, it commanded twice the initial seed money as did other neighborhoods—\$100,000 rather than \$50,000. WESCO has also been involved in the Department of Justice's Weed and Seed program, the Department of Labor's Youth Fair Chance project, and in other local and regional initiatives.

Neighborhood projects have focused primarily on youth and seniors and crime prevention. Crime rates have decreased, perhaps in part because of neighborhood initiatives to install additional street lights, and to bring in private security patrol on weekends. The community has implemented a broad range of programming to reduce prostitution and drug-use, combat domestic violence, and educate citizens about HIV and AIDS. The neighborhood also provides activities for its residents of all ages, including family nights, soap-box derbies, and tech-

nology enrichment. Olgen Williams reports that these outreach activities are especially valuable for children:

"Children have hope and they have leadership roles. We get them hooked on education and leadership before they get hooked on greed."

Partnerships and collaborations are continually being formed. As described in a National Center for Neighborhood Enterprise report on "NCNE in Indianapolis: A Case History," WESCO (the umbrella organization in Near Westside comprising Haughville) has received approximately \$55 million in grant funding, including \$2.1 million in Weed and Seed money; \$3.5 million from the Department of Labor; and \$30 million from Housing and Urban Development (HUD) to build and rehabilitate homes and promote home ownership. In addition, several new manufacturing plants have been built in the Haughville area, including a machine tool company and a medical equipment company, as well as numerous retail businesses.

Williams is hopeful of his neighborhood's prospects and secure in its aspirations:

"We work with the Governor, and we will work with the new mayor. We want to create more neighborhood businesses. We need to train more community leaders. We have the safest city in the country for its size. My dream is to be a national model. We've been at it for seven years and it's ongoing. We are too strong to be cut out."

The Southeast Umbrella Organization (SUMO)

The near southeast neighborhood describes itself as one of the neighborhoods Indianapolis couldn't kill off. One of the city's oldest neighborhoods, it was isolated by the Interstate, ignored by previous city administrations, and crippled by a crumbling infrastructure. Absentee landlords subdivided housing, creating

zoning and health code violations and dire safety hazards. This small community had the highest death by fire in the city. After three pre-school aged children died in a tragic house fire, the neighborhood went up in arms.

Creating a more impressive track record. While this neighborhood tackled all of the usual challenges—crime and relationships with the police, economic development, pollution—its greatest source of pride is its track record in code compliance (health and hospital code compliance), zoning, and education. Other initiatives include more than 250 youth programs, 125,000 square feet of community space, and five parks. Property values have appreciated; 70 homes were bought, refurbished, and sold. Since 1991, a total of \$15 million has been invested in revitalizing these communities.

Building strong community partnerships. Strong relationships have been forged among neighborhood residents, corporations, and educational institutions in these communities. For instance, universities have extended their vast resources to neighborhood residents, and local schools rely on the universities to inspire children to attend college. Yvonne Margendant, Neighborhood Coordinator for SUMO, spoke about partnerships that have brought about important neighborhood transformation:

"We've developed rich relationships, partnerships in the neighborhood, and with the schools and universities....Our residents did not have a positive image of education. People coming door to door from the schools never had good news. It was assumed that kids would drop out at 16. Now for the first time, our kids are talking to these university folks about college."

Local corporations have also begun to play a more significant role in the betterment of surrounding communities. Margendant spoke of one corporation's efforts:

"We had houses in terrible condition. We've had those houses torn down, fixed up. Lilly's volunteers (we call them Lillyhammers) come into our neighborhood to paint and repair houses. Our neighborhoods feel free now to go directly to corporations, hold them accountable. Neighborhood pressure has developed into a fine tool."

And according to Margendant, the SUMO area residents felt a new sense of empowerment after they began holding corporations responsible for their actions:

"We don't accept pollution as easily as we used to. We had a pretty tenacious fight over an automobile shredder operation that would spit shrapnel and effluent all over the neighborhood. They dumped gas tanks in our alleys. You would be hard pressed to find those here now."

Mapleton–Fall Creek Neighborhood Association, Inc.

The story of Mapleton–Fall Creek is similar to that of many inner-city neighborhoods—it was once grand, and has deteriorated over the years. Although many Mapleton–Fall Creek homes are among the oldest in the city, the cost of renovating them had proved prohibitive. Debris and trash lined the streets. Crime was rampant.

New initiatives. Neighborhood initiatives have helped to ameliorate some of Mapleton–Fall Creek's problems. Residents, government agencies, and community organizations have worked together to build 100 new apartments, repair 250-300 homes, and rehabilitate and sell 15 new homes. Crime has been reduced. According to Al Polin, Coordinator of the Weed and Seed Initiative and Neighborhood Coordinator for Mapleton–Fall Creek, eight years ago, there was an average of one murder per week in Mapleton–Fall Creek, but in the last six months, only one murder has been reported. In addition, Mapleton–

Fall Creek has just reinstated its Memorandum of Understanding with the city, the police department, the neighborhood association, prosecutor, and health department. This area has also forged partnerships between the Front Porch Alliance, Goodwill, the Raphael Health Center, and others to offer support to those currently or formerly involved in the criminal justice system.

Remaining challenges. Although many positive strides have been made, economic development remains a challenge for the Mapleton–Fall Creek community. According to Polin, the government does not have record of 35 to 40 percent of economic transactions in the area, therefore making it difficult to prove to new enterprises that the area is capable of supporting their business ventures.

In addition, the Mapleton–Fall Creek area, like all economically disadvantaged communities, has the need for extensive programming, especially for children and youth. And according to Polin, the problems that are characteristic of poorer neighborhoods must be addressed not only by the city government, but by neighborhood associations and private funders. He offers his solutions for community revitalization:

"What works? Take organizations, find their strengths, figure out who is doing what well, support them to continue to grow. Look to the private sector as much as possible. Use the mayor's office as a bully pulpit to go out and find new resources."

APPENDIX I: NATIONAL COLLEGIATE ATHLETIC ASSOCIATION

An exciting move. In June 1997, the National Collegiate Athletic Association (NCAA) announced its decision to relocate its national headquarters to Indianapolis. A voluntary association of more than 1,200 collegiate athletic institutions, conferences, organizations, and individuals, the NCAA "is the organization through which the nation's colleges and universities speak and act on athletics matters at the national level." The Association's decision to move to Indy has been hailed as a major victory for economic development in the "Amateur Sports Capital of America."

The NCAA selected 13 cities to receive requests for proposals, and then narrowed the choices down to four semifinalists: Indianapolis, Kansas City, Dallas, and Denver, and then to two finalists: Indianapolis and Kansas City.

The NCAA's new headquarters building, Hall of Champions, research center, and library have brought some 300 jobs to the Indianapolis metropolitan region, with an annual payroll of more than \$12 million.

An exemplary public-private partnership. Indianapolis has also been praised for its successful public-private partnerships. In this case, the Lilly Endowment made a \$10 million matching grant to the Indiana Sports Corporation (ISC), a private nonprofit organization dedicated to representing Indianapolis in the national and international sports marketplace. ISC received the \$10 million only after raising \$15 million from private funding. "We asked all the cities that received the request for proposal to be creative in their response," Sam Smith, chair of the NCAA Joint Policy Board, said. "Indianapolis certainly was. Through a combination of state, private, and philanthropic funding

that has become a model for economic development in Indianapolis, we have been assured of meeting our vision and commitment of the national office without economic burden to the membership."

A winning proposal. Although the NCAA had been in the Kansas City metropolitan area for 48 years, the NCAA chose Indianapolis because its proposal would result in the greatest overall savings in operating expenses. Smith said in a press release, "We really struggled with the disruption that the move to Indianapolis will cause in terms of staff turmoil and service to the membership. But the Indianapolis proposal provides such significant long-term advantages that the Joint Policy Board determined that they offset the short-term disruption."

According to the NCAA 2000 working group, the membership committee that evaluated cities' proposals, the most expensive option, continuing to lease the current space, would cost up to \$54 million more than the least expensive option. In fact, the working group estimated that the Kansas City proposals ranged from saving only half of what Indianapolis proposed to actually being more expensive than the NCAA's current space.

Other factors that contributed to the attractiveness of the Indianapolis proposal were:

Short-term gratification. The Indianapolis package provided incentives during earlier stages of the project. All of the proposals from Kansas City only provided incentives that would take place after longer periods of time.

Lower construction costs. The Indianapolis proposal did not require any construction financing, but the Kansas City area proposals included multi-million dollar, long-term financing for the NCAA to cover the construction costs of both the headquarters facility and the Hall of Champions, resulting in annual-debt service costs.

Flexible agreement. While the Indianapolis package required no long-term commitment from the NCAA, the Kansas City area proposals required the NCAA to make a 20-year commitment to remain in Kansas City. The penalty for breaking the commitment would be the loss of most of the Kansas incentive package.

Lower land-lease costs. Both of the most cost-effective Kansas City proposals included land-lease costs with market-driven rents. Although one Kansas City proposal included an open-ended lease, the other proposal required a 10-year lease. In contrast, the Indianapolis package required only an annual rent of \$1 and an open-ended lease. The Indianapolis proposal also provided for lower parking space costs.

A benefit for all Indiana residents. State and city residents and leaders especially welcomed the NCAA because of its potential to increase the tourist and educational value of both the city and White River State Park, the actual location of the headquarters in the southwest corner of downtown Indianapolis.

"You've all heard us talk about the many reasons this is good for Indiana," Indiana Governor Frank O'Bannon said in a press release. "With the NCAA here, that means we'll host many of their committee meetings during the year and, hopefully, a few more championship events during the coming years."

Although the new facility will benefit other local businesses—suppliers, distributors, construction and maintenance, hospitality and tourism, and other service industries—the NCAA's presence will also enhance the educational value of the State Park, which features educational organizations including the NCAA's Hall of Champions, the Eiteljorg Museum, IMAX Theater, the National Institute of Fitness and Sport, and the new State Museum.

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United Way of Central Indiana

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We thank the following individuals for sharing with us the Indy Story during two site visits (August 23–26, 1999 and September 20–21, 1999) and by telephone and e-mail. Unless otherwise noted, all individuals are located in Indianapolis, Indiana.

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We also interviewed several other individuals who preferred to remain anonymous.



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