

*Wilmington, Delaware
Louis L. Redding
City/County Building
March 16, 2017*

Council met in regular session on the above date at 6:00 p.m., President Hanifa Shabazz presiding.

The opening prayer was done by Ms. Andrea Queen, Deputy City Clerk.

The Pledge of Allegiance was recited by City Council.

ROLL CALL

The following members responded to the Call of the Roll: Council Members Chukwuocha, Congo, Oliver, Harlee*, Turner, McCoy, Williams, Freel, Adams, Dixon, Guy and Walsh, and Council President Shabazz. Total, thirteen.

President Shabazz acknowledged dignitaries that were in attendance this evening.

SUSPENSION OF RULES

Upon a motion of Council Member Walsh, seconded by Council Member Freel, Council suspended the rules for the purpose of the Mayor to present his Budget Address. Motion prevailed.

Council Members McCoy, Turner and Adams escorted Mayor Michael S. Purzycki and Mrs. Purzycki into the Council Chambers.

*Note: At this time, Council Member Harlee was marked present and reflected in the minutes herein (Roll Call).

MAYOR'S STATE OF THE CITY ADDRESS - FISCAL YEAR 2018

Good evening, Madam President, Members of Council, Madam Treasurer, Department Directors, City Employees and citizens of our wonderful City of Wilmington. It is my great honor to be with you this evening to present my administrations budget for the coming fiscal year. It is not just a tally of revenues and expenses, but rather, I hope, it is a reflection of our aspirations and our values.

In many ways, this has been the most challenging time in my life and at the same time the most gratifying. We all share the honor of public service – the opportunity to achieve great things on behalf of the public we serve. Note that I said opportunity, not

inevitability. To achieve great things, we must exercise vision, skill, judgment and perhaps above all, courage.

To say the least, it has been an interesting first ten weeks. No one who has not served in an administration can possibly be prepared to deal with the many challenges that confront a new mayor on a daily-basis. Everything is new and confounding – budgetary constraints, personnel issues, litigation threats, the complexities of collective bargaining agreements, daily crime reports, an occasional protest, public appearances, speeches, dedications, and in between just finding the time to govern.

Now, it's not been an easy time for Wilmington these past few years. We lost the economic icon of our city when the Dupont Company left, we have struggled with unremitting violence in our poorer neighborhoods, damaging our reputation nationally, and shaking the confidence of our citizens. We lost three of our heroes in a tragic fire which tore at our community's heart. But, while we were troubled by these events, we found reason for optimism. We still believe in the fundamental soundness of our city. We all believed that there were answers to our problems. Finding those answers together – Mayor and Council – is our most solemn obligation.

What heartens me is that here is a strong consensus in government and business alike, that for Delaware to thrive, Wilmington must thrive. To that end, there has been a new era of cooperation among county, state and city as evidenced by the cooperation among our police departments during Operation Safe Neighborhoods. I am grateful to County Executive Matt Meyer and Governor John Carney for their support. In addition, the county executive and I have met to resolve a five-year old impasse on sewer and water agreements. In fact, we just met – we just spoke again today and I'm confident that we're going to get something worked out.

Tonight, I am sharing with you for the first time, my view of the State of the City. Wilmington is a beautiful city. Our neighborhoods are among the most appealing anywhere. Our parks and public places are special. Our residents bike and walk to work. Fifty thousand people work here each day. Our cultural centers, the downtown and the Riverfront are compelling amenities that other cities would only envy.

So, while there are many, many things of which we can be proud, there are also reasons to be concerned. While the state of our city is stable, there is an urgent need to work together over the next few years to re-invest in economic development and our infrastructure, to enhance government efficiency, to control costs, and to find new revenue sources. We must begin new initiatives to control crime, strengthen neighborhoods, increase employment and improve the delivery of city services to our citizens.

We should remain mindful of the fact that our tax burden in Wilmington, while low compared with other similar cities, is high when compared to our neighbors in the county. Our property tax is more than double the county rate, creating competitive disadvantage to us – a disadvantage we can ill afford to worsen. While the reasons for the disparities

are defensible, the reality is inescapable. When we opt to raise taxes, we must be mindful that there are practical limitations.

Our financial picture was damaged this year when our government approved union contracts for which there were no budgeted funds. The workers comp claim arising from the injuries of our firefighters was uninsured, a condition we propose to correct in this budget with catastrophic liability protection. These two-line items alone cost the city fourteen million dollars from its unassigned fund balance – spending the approximate equivalent of our entire cash reserve account. At the same time, there was a conscious decision to ignore the then recently enacted state law prohibiting red light camera enforcement, and to continue to collect fines for illegal right turns. Our administration, when made aware of the law, chose to obey it and cease enforcement. Moreover, we have chosen to return the fines to the motorists who had been improperly fined. This will cost the city \$1.4 million in lost revenue in this year, and reduces revenues for this coming year. In addition to the foregoing, tax revenues have temporarily fallen this year by three million dollars against projections. Taken together, these factors have created a challenging fiscal environment for the new administration.

In crafting a budget, I feel we should be afforded a longer view of our city's finances than just one year. So, all the budget options we explored over the last several weeks include four-year projections. The budget office's first draft of a four-year budget plan, with no cuts and no revenue enhancements, revealed what could reasonably be called a budget crisis – a combined \$54 million deficit over four years. To balance these budgets would have required several high double-digit increases in the property tax. Plainly, this was unacceptable. Our approach to a responsible budget distributes the burden of eliminating these deficits among our fund balances, through government efficiencies, by imposing a modest increase in the property taxes, through strategies to collect new revenues and again among our employees.

To balance the budget:

- I am proposing a staffing reduction of 29 full-time positions for an annual savings of about \$2.5 million. All these positions are vacant no layoffs are required. We will continue of course to evaluate department efficiencies.

Among these 29 positions:

- Two positions are in the mayor's office plus reductions in salaries
- Two positions in law plus reductions
- The deletion of a finance position
- The deletion of two positions in Public Works
- The deletion of one position in Parks and Recreation
- The deletion of five police officers from department's authorized strength.

The reduction of 16 vacant positions from the current authorized strength from the Fire Department, which will result in a savings of \$1.2 million. Pending a new agreement with the union regarding staff scheduling and deployment, the city will also continue the use of a rolling bypass, as has been the practice for the past 20 years. We are prepared to

authorize a fire academy in the final budget. I will have more to say about this in a moment.

- The city will also absorb the fourteen-million-dollar FY 2017 deficit from our unassigned fund balance, including those funds committed for labor contracts that created part of the year end deficit. Had the previous Administration and Council funded these pay raises properly, it would have required a 15% in property tax increase in that year. I want to make clear however, that I don't believe the planned deficit spending is not a responsible practice, especially because of the potential impact the spending of our available cash has on our bond rating.
- Notwithstanding my earlier caveats, I have proposed raising the property tax for FY 2018 by 7.5%. In fact, we can get by in 2018 with no increase at all, but you will see that the consequences in the out years would be fiscally devastating without the moderating effect of an early increase. Please take a look at the chart in front of you. This chart is – this is a budget deficit with no property increases. Although, we've already – we've already made these cuts, this is what happens with no property increase. In '18 we have the small surplus, which is why I said to you we don't have to raise the taxes this year. But look what happens afterwards. We have a \$4.8 million deficit in '19, which would require about a 12% tax increase. We – add another \$2.5 million in FY'20 and then by '21, we're adding another \$3.5. We would have – we would have had at least two double-digit increases and single-digit increase three years in a row. There's just – there's no way that we can do this. And so, it seems to me the responsible thing to do is raise taxes this one time and moderate our deficits going forward. Now, let me just say something else, in the next slide, what we proposed to do is with our tax increase, we actually show a \$3.5 million surplus in the first year. It wipes out any deficit in the second year. It reduces the deficit in the three year by half and in FY'21, four years down the road, we see that we have about a 5% deficit. I propose that we can eliminate all of these deficits if all we do is return our health care costs back to what they were in 2016. If you take a look at our health care costs, as I would say in a moment, our health care costs have increased 40% over the past four years. If all we're able to do in the manner that I'd describe in a moment, is reduce our health care costs back to what they were in Fiscal 2016, we will – we will have \$12 million to offset that \$5.5 or \$6 million deficit that I showed you in the previous slide. That's why – that's why to me it makes good sense to look out four years and try to put together a plan that allows us some sort of – some sort of fiscal a quiddity.
- To fund Wilmington's water and sewer needs, I am proposing a 4% increase for water and sewer rates, our storm water rates will remain

unchanged. This increase, for the average residential customer will increase their bill by \$1.81 on average. This increase was the strong recommendation of the city's independent Water/Sewer Citizens Advisory Council. In fact, what they recommended was that we commit to a four year – a four year increase with approximately 4% each year. I'm just not prepared to make that commitment. I took the recommendation for the first year. There are standard in – there are standards in the industry that they feel strongly we all to adhere to and so we took their recommendation for that first year and that's all I'm committing to at this point.

- We have reduced costs in several other areas. City landfill fees will reduce by \$475,000 including eliminating a practice of collecting trash from 92 non-residential accounts, which in fact is prohibited by statute.
- We will reduce our payment for animal control to the level properly prescribed by statute saving \$300,000
- Treasurer Jones-Potter has refinanced much of our debt resulting in annual savings of \$1.28 million in this year, plus future reductions in debt service. There is an additional savings of \$660,000 from the scheduled maturing of older bond issues in this fiscal year.

But much of our longer-term fiscal stability depends on getting our employment contract obligations under control. The City's cost for employee and retiree medical care and prescription drugs continues to grow at a combined rate that is three times that of general inflation. Health care accounts for \$24 million of our \$154 million annual operating budget. These benefits have risen by 40% over the past four years and are projected to cost us \$1.2 million next year because the city has continued to absorb all of the increases in spiraling health care costs. In short, our plan is far too generous and too expensive.

Let me make a comparison, the state of Delaware has one of the most generous plans in the region - I know because I've had it for twenty years – it's a so-called Cadillac tax plan. For the plan in which 82% of city employees are enrolled, state employees pay 13% of costs while city employees pay as low as only 4%. State employees – state co-pays are two to six times higher than ours – city co-pays are as low as \$5. Emergency room visit co-pays are \$150 for the state versus \$50 for the city plan. Removing these disparities alone would save the city nearly \$1.5 million annually. But worse, but much worse, our plan creates the wrong incentives. We simply can't continue to encourage emergency room uses as opposed to employees cultivating a relationship with a doctor which would guarantee better health outcomes.

This is not a zero-sum game. It is not necessarily a debate about who pays. If we simply mandated generic drug use and mail order usage for maintenance medications, the city could save \$650,000 a year.

Our health behaviors, many the people in this room, our health behaviors are dispiriting. Seventy-five percent of eligible employees have not had a colonoscopy in the last 24 months. Seventy percent of eligible employees have not had cancer screenings in 24 months and 62% have not had a mammogram in the past 12 months. Diabetes is a terrible disease and yet 45% of our employees with diabetes have not had the required testing done in the – in the prior year. Sixty percent of all of our high cost claims comes from blood pressure and diabetes-driven renal failure. I have a message for our employees. You have a great pension. We want you to be around to enjoy it. Take care of yourself.

We will ask our employee unions to help us curb these escalating costs to avoid future layoffs, which will be unavoidable, unless we do something about this now.

We must also control the deployment of personnel better than we have in the past, which results not only in excessive overtime spending, but in the case of our police officers, in not having enough officers on the street at any given time. In the case of firefighters, the current 24 hour, 72-hour shift is highly inefficient. It is also one source of our acute overtime problem, and since fire has the highest incidence of sick time, it seems to encourage excessive sick time use.

In the case of police patrol officers, eight shooting days – another way of saying days off – present an added scheduling problem for management. Essentially, our officers start with twenty scheduled days unavailable for duty. In our Public Works Department, our trash collectors work on a task system, which often results in four and five-hour long shifts, working as little as twenty hours in four days per week.

Now, I know the current shifts and schedules were negotiated with the city in good faith – there are no bad guys in this situation - and I am not insensitive to the fact that some employees have built their lives around these shifts, but we must all in good faith be willing to revisit these issues. In the interest of more efficiency and economically-run city departments, we must fairly and vigorously negotiate more equitable work schedules. Frankly, no one can possibly defend the status quo.

Remember, that this is a very lean budget with no room for salary increases, new programs, new community centers and economic development incentives. If we are to thrive, we must invest. The Riverfront worked because of a long-term commitment to invest. Our neighborhood too will require investment in housing, parks and removal of blight. Our downtown will grow as long as we support private investment. We owe it to those who have expressed their confidence in our city like our major law firms, and Chemours, Buccini Pollin, Bank of American and the Wilmington Leadership Alliance and others, to continue the momentum. To that end, I am committed to seeing that our downtown is welcoming and that Rodney Square will once again be the crown jewel of our city. To accomplish these goals, we must continue to find ways to generate investment dollars. In addition to finding new revenues sources, we must grow our economy and attract new business. It is up to us to lead to make our city appealing but our city will never flourish if its leaders are timid. We must be smart and we must be bold.

Soon, I intend to announce a section of our city as the first of the Neighborhood Stabilization projects. This will serve as a model for how a concentration of the resources from city agencies and state agencies can together transform our neighborhoods. Police, Public Works, Licenses and Inspections, Parks and Recreation and Housing will work with the new Land Bank and state housing agencies to leverage our funding into renewal for impoverished sections of Wilmington. At the same time, state agencies will provide wrap-around supports for many of our fragile young people in these areas, fulfilling the recommendations of the CDC report championed by Council President Shabazz.

Soon, we will be starting a new clean streets initiative that will begin the process of regularly cleaning our most heavily traveled gateways. No proud city allows its streets and neighborhoods to be ridden with trash, and we won't either.

Nothing is higher on the minds of our residents and that of our business community than public safety. They ask, what can be done about the crime that destroys the fabric of our neighborhoods? I believe that our Wilmington Police Department has conducted itself extremely well during a difficult stretch of violence. Each day, I get notices, each day, arrests are made, guns are taken off the street – over fifty so far this year. But I have made no secret of my interest in fully exploring all possibilities in charting a course for the department's future. To this end, I expect to have a final decision about the direction of the department very soon. In the meanwhile, Chief Cummings will remain at the helm of the department he has so capably led over the past four years.

The future for our city lies in attracting small entrepreneurs and new residents to our downtown, our riverfront and our neighborhoods. It lies in rebuilding those neighborhoods and strengthening our neighbors. It means providing jobs for the chronically unemployed. We will work with the Wilmington Leadership Alliance to secure jobs for the jobless. For our youth, we will work to open the doors of shuttered community centers (Kevin Kelley) and build new ones.

If I have conveyed one message since I have taken office, it is that we are all in this together. It is not a glib slogan. It is what I believe in my heart must be at the core of the relationship between management, employees and our citizens. I reject the belief that what is good for management is bad for labor and vice versa. This thinking derives from a mistaken view that management and the city are synonymous. In fact, management, elected officials and labor all have an obligation first to serve the city's interests – not their own.

I feel it is necessary to state which should be a guiding principle of our city - the right of self-governance. Wilmington cannot be expected to govern itself when it is constrained at every turn by the state. It never had the right of annexation so it might have, at one time, grown organically. It had its residency requirements dictated by state legislation. As previously stated, the legislature last year dictated to us our inability to fine illegal right turns. We are prohibited from raising revenue from any major source other than the property tax. And, Wilmington has all been but shut out of the important question of how

we educate our children. We must all urge our legislators to empower Wilmington so it may truly govern itself.

I did not run for mayor to maintain the status quo, and I do not think that is what citizens wanted when they voted for us. They wanted not just change – they wanted improvement – improvements not easily altered by future governments. We all must remain mindful of one central thought in our deliberations, our negotiations and our decisions. Our first obligation is to the health of the city – its financial health, its operational health and its spiritual health.

I invite you to join me to do bold permanent things. Let us set our Wilmington on a course that will restore the vitality and the reputation of this grand old city. Let us then be guided by goodness, our wisdom, our optimism and our courage. Thank you.

Upon a motion of Council Member Walsh, seconded by Council Member Freel, Council returned to regular order of business. Motion prevailed.

President Shabazz recognized the presence of other dignitaries in the audience.

REGULAR ORDER OF BUSINESS - MINUTES

After reading a portion of the minutes of March 2, 2017, upon a motion of Council Member Walsh, seconded by Council Member Freel, it was moved they be accepted as written. Motion prevailed.

TREASURER'S REPORT

The following Treasurer's Report dated March 16, 2017 was read into the record by the City Clerk and upon a motion of Council Member Walsh, seconded by Council Member Freel, the Report was received, recorded and filed. Motion prevailed.

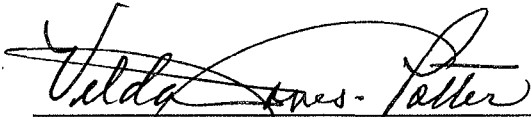
Note: The Treasurer's Report is included herein as an insert from Page 9 to Page 10.

TO: THE HONORABLE MAYOR AND CITY COUNCIL OF WILMINGTON MARCH 16, 2017

102	Community Development Block Grant	M & T Bank	\$1.00
104	Old Non-Uniform Pension Account -Plan 1	M & T Bank	\$715.81
105	Police Pension Account	M & T Bank	\$3,955.57
106	Fire Pension Account	M & T Bank	\$5,859.96
107	Evidence/Found Currency Account	M & T Bank	\$336,516.17
108	Rent Withholding Escrow	M & T Bank	\$4,137.97
110	Capital Projects Account	M & T Bank	\$1.00
113	Non-Uniform Pension-Plan 2	M & T Bank	\$1,072.18
114	Central Deposit	M & T Bank	\$11,440.71
117	Cement Workers	Wilmington Savings Fund	\$33,506.43
118	Worker's Comp. 3 rd Party Account	M & T Bank	\$0.00
124	Non-Uniform Pension Act of 1990-Plan 3	M & T Bank	\$2,791.01
120	Grant-In-Aid Account	M & T Bank	\$402,738.00
130	Payroll	M & T Bank	\$396,161.96
131	Pension Payroll Account	M & T Bank	\$30,344.02
139	Pension Healthcare Account	M & T Bank	<u>\$28,586.59</u>
	Total Cash on Hand		\$1,257,828.38

Fund Code	Fund	Institution	Invest. Type	Maturity Date	Interest Rate	Interest Receivable	Investment Amount
116	General	M&T Bank	RP	3/16/2017	0.01%	\$2.30	\$8,091,240.59
124	Non-Uniform 1990	WSFS	CD	3/30/2017	0.65%	\$1,992.74	\$3,730,000.00
106	Fire Pension	WSFS	CD	3/30/2017	0.65%	\$109.52	\$205,000.00
105	Police Pension	WSFS	CD	3/30/2017	0.65%	\$192.33	\$360,000.00
116	General	TD	CD	4/13/2017	0.64%	\$2,104.11	\$2,500,000.00
116	General	TD	CD	3/30/2017	0.64%	\$1,799.15	\$2,502,633.33
116	General	TD	CD	4/27/2017	0.63%	\$1,546.52	\$1,600,000.00
116	General ¹	TD	CD	5/1/2017	0.67%	\$25,488.74	\$15,428,510.18
116	General ¹	TD	CD	5/11/2017	0.65%	\$3,526.03	\$3,000,000.00
110	Capital	WSFS	CD	3/16/2017	0.65%	\$9,794.52	\$10,000,000.00
110	Capital	WSFS	CD	5/17/2017	0.65%	\$7,052.05	\$5,500,000.00
110	Capital	TD	CD	5/7/2017	0.69%	\$17,013.70	\$10,000,000.00
110	Capital	WSFS	CD	5/5/2017	0.55%	\$50,630.13	\$20,000,000.00
514	Risk Management	WSFS	CD	7/10/2017	0.50%	\$35,245.13	\$7,068,391.71
515	Worker's Comp	WSFS	CD	7/10/2017	0.50%	\$35,245.13	\$7,068,391.71
104	Escrow Pension	Vanguard					\$48,925,742.00
104	Escrow Pension	Black Rock					\$23,594,576.00
104	Escrow Pension	Edgar Lomax					\$26,247,531.00
104	Escrow Pension	Wilmington Trust					\$46,181,331.00
104	Escrow Pension	Manning & Napier					\$11,928,623.00
104	Escrow Pension	Earnest Partners					\$21,231,986.00
104	Escrow Pension	MFS Management					\$24,991,868.00
104	Escrow Pension	American Funds					\$11,744,725.00
139	Medical Escrow	Vanguard-OPEB					\$16,465,017.00
116	Deferred Comp.	MassMutual					\$43,285,125.28
	Total Investments						\$371,650,691.80
	Total Cash on Hand						\$1,257,828.38
	Grand Total						\$372,908,520.18

¹ Budget Reserve


Velda Jones-Potter, City Treasurer

President Shabazz: We will now move into legislative business. We will dispense from calling – the only business we have on the agenda today will be – is being presented by Council Member Freel.

LEGISLATIVE BUSINESS

Council Member Freel: Madam President, I have six Ordinances to present for first and second.

President Shabazz: Yes sir.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-008 (Agenda #4338) entitled:

AN ORDINANCE ESTABLISHING A RATE OF
TAXATION ON REAL PROPERTY AND THE
TAXABLE PROPERTY OF PUBLIC UTILITIES
FOR THE FISCAL YEAR JULY 1, 2017 THROUGH
JUNE 30, 2018

Council Member Freel: Madam President, I move that be known as the first and second reading of that Ordinance and referred to the Finance Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-009 (Agenda #4339) entitled:

AN ORDINANCE TO AMEND CHAPTER 45 OF THE
CITY CODE REGARDING WATER RATES AND
CHARGES AND STORM WATER RATES AND
CHARGES FOR FISCAL YEAR 2018

Council Member Freel: I move that be known as the first and second reading of that Ordinance and referred to the Finance & Economic Development Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-010 (Agenda #4340) entitled:

AN ORDINANCE TO ADOPT A CAPITAL PROGRAM
FOR THE SIX FISCAL YEARS 2018 – 2023 INCLUSIVE

Council Member Freel: I move that be known as the first and second reading of that Ordinance and referred to the Finance & Economic Development Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-011 (Agenda #4341) entitled:

AN ORDINANCE TO ADOPT A CAPTIAL BUDGET
FOR FISCAL YEAR 2018

Council Member Freel: I move that be known as the first and second reading of that Ordinance and referred to the Finance & Economic Development Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-012 (Agenda #4342) entitled:

AN ORDINANCE ADOPTING THE ANNUAL OPERATING
BUDGET FOR THE FISCAL YEAR BEGINNING ON
JULY 1, 2017 AND ENDING ON JUNE 30, 2018

Council Member Freel: I move that be known as the first and second reading of that Ordinance and referred to the Finance & Economic Development Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

Council Member Freel presented and called for the first and second reading Ordinance No. 17-013 (Agenda #4343) entitled:

AN ORDINANCE CONSTITUTING AMENDMENT NO. 7 TO THE FISCAL YEAR 2017 OPEARATING BUDGET (BEING AN ORDINANCE TO AMEND SUBSTITUTE NO. 1 TO ORDINANCE NO. 16-018, AS AMENDED) BY AMENDING THE DECLARED SALARY RATE FOR THE CHIEF OF POLICE

Council Member Freel: Madam President, I move that be known as the first and second reading of that Ordinance and referred to the Finance & Economic Development Committee.

Council Member Walsh: Second.

President Shabazz: It's been properly moved and seconded that be known as the first and second reading of the Ordinance and referred to the Finance & Economic Development Committee.

ADJOURNMENT

Upon a motion of Council Member Walsh, seconded by Council Member Williams, Council adjourned at 6:38 p.m. Motion prevailed.

Attest: 
Maribel Seijo, City Clerk