

Wilmington Fines and Fees Task Force

Findings and Recommendations

3/20/2024



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Executive Summary

Wilmington City Council created the Fines and Fees Task Force by Resolution in October 2022. The Fines and Fees Task Force was appointed in January and launched in March 2023. It was tasked to:

- Review fees, fines, and administrative sanctions
- Ensure fairness
- Make recommendations for reform

This report summarizes fairness and equity issues within the Wilmington city budget and outlines a path to reform.

Problem: High Pain, Low Gain

- Over the last 20 years, Wilmington has increasingly used fines and fees to generate revenue, shifting the burden of paying for city services to people with the least ability to pay.
- As the costs of fines and fees rise, more people have had difficulty paying, causing financial hardship, especially among lower-income residents.
- Delinquencies and increasing costs of collection have impacted the city's bottom line.

Solution: Fair and Equitable Budgeting

- Revise the city budget to better align revenue with sources that have the ability to pay.
- Address needs of low-income groups to ensure universal access to city services

Recommendations:

1) Stop harmful collections practices:

- Stop booting and towing cars to collect payment for parking and red-light tickets.
- End water shut-offs for over-due water bills of properties occupied by vulnerable populations.
- Stop foreclosures (monitions actions) for home-owners with over-due water bills.
- End penalties for people who aren't paying because of limited income.

2) Revise contracts to reduce harms and reduce costs

- Parking ticketing and collections contract
- Red Light ticketing contract

3) Right-size fees to cover only the costs of providing the service

- Water bills
- Vacant property fees
- Business license fees and rental property registration fees

4) Develop affordability programs where needed to provide access to city services, including clean water and sanitation.

BACKGROUND

In October 2022, Wilmington City Council established a task force of City Council to be known as the Fines & Fees Task Force in order to review fees, fines, and administrative sanctions administered by the City, make findings, and, if the Task Force determines that changes are necessary, submit recommendations to City Council.

Fees are charges on users of a service to cover the cost of providing the service – like water and sewer

Fines are charges for not following rules – like parking.

Fees and Fines operate like a flat tax, where everyone pays the same amount.

PROBLEM: HIGH PAIN, LOW GAIN

Council has received requests from residents regarding the impact of the fees and fines assessed by the City of Wilmington and questioning their fairness. As the costs of fines and fees rise, more people have had difficulty paying, causing financial hardship, especially among lower-income residents. Delinquencies and increasing costs of collection impact the city’s bottom line.

Council found it prudent to examine fees, fines and administrative sanctions imposed by all departments, and the impact they have on residents, businesses and visitors of Wilmington. City Council has a history of urging fairness in the fees and fines assessed in Wilmington evidence by the 2007 Parking Summit and Wilmington City Council resolution March 2020 supporting the establishment of a parking taskforce.

In the Resolution establishing the Task Force, Council noted that equity and fairness in assessment and collection of fees, fines and other administrative sanctions is a basis for public support and confidence in government.

Wilmington City Budget

General Fund

Pays for general City Services like police, fire, and trash collection.

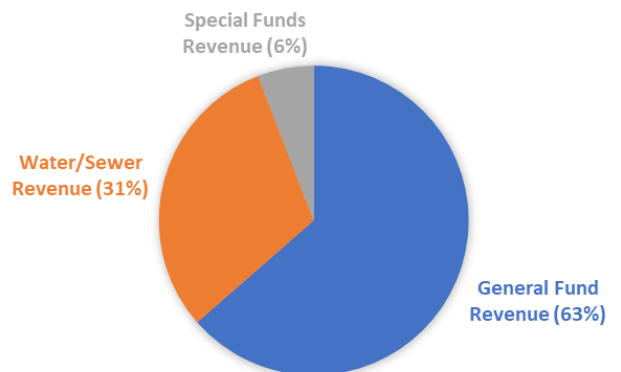
Water/Sewer Fund:

Pays for water and sewer services, finance & audit dept. expenses, and pays into the General Fund to fund other city expenses.

Special Funds:

Pays for specific activities.

2022 BUDGET REVENUE



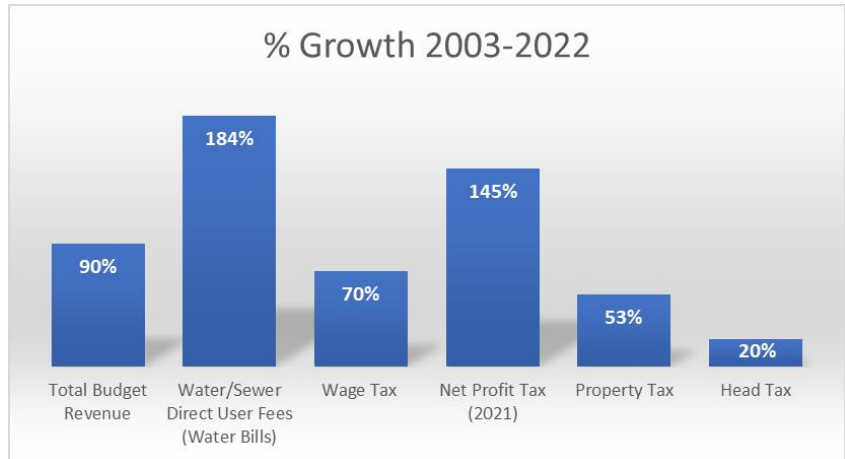
2022 Actuals	Revenue	Expenses	Net Income (Loss)
General Fund	\$181,902,855	\$171,502,042	\$10,400,813
Water/Sewer	\$87,511,351	\$80,545,850	\$6,965,501
Special Funds	\$16,744,078	\$16,302,526	\$441,552
Total	\$286,158,284	\$268,350,418	\$17,807,866

FINDINGS

1) Water bill fees have grown more than any other source of revenue.

Wilmington’s 37,500 water customers, who are mostly city residents, paid over \$40 million more for water/sewer services in 2023 than they did in 2003.

City revenue from water bills almost tripled from 2003-2022, growing from \$23 million to \$66 million.

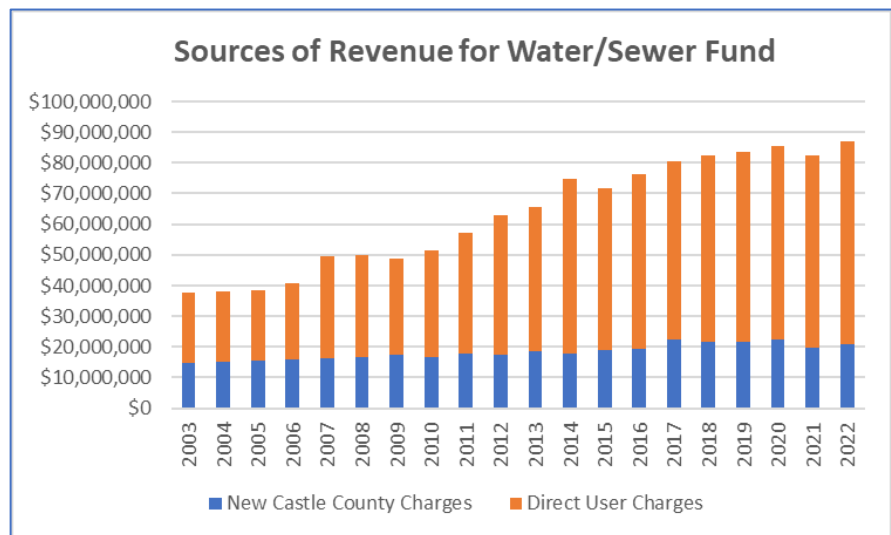


Revenue growth from water bills (Direct User Fees) has been more than any other type of city revenue, including various taxes.

2) New Castle County’s payment for sewage services has been growing much slower than Direct User Fees paid by water customers.

In addition to Direct User Fees, Wilmington’s Water/Sewer Fund also gets revenue from New Castle County, which makes an annual bulk payment for the treatment of almost all sewage generated north of the canal.

New Castle County paid \$22,489,162 to Wilmington’s Water/Sewer Fund in 2020 compared to \$14,612,124 in 2003, an increase of just \$7.8 million over 20 years.



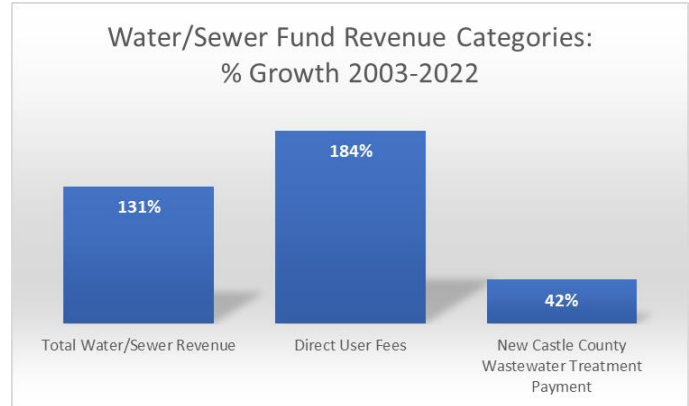
While Direct User Fees have gone up so rapidly since 2003, New Castle County’s bulk payment for sewer treatment services has increased relatively slowly, and recently even started to decrease.

3) Water customers have made up the difference.

Since 2023, Direct User Fees have increased by 184% while the payment New Castle County has made to cover the costs of treating all the wastewater generated north of the canal has increased just 42%.

When some revenue categories grow faster than the others, over time the faster-growing categories pay for a bigger portion of the budget.

This is why from 2003-2022, the portion paid of total Water/Sewer Fund Revenue that was paid by water customers through customer’s water bills (Direct User Charges) grew from 61% to 76% of total Water/Sewer Fund revenue.



Water/Sewer Fund Revenue	2003	2022
Direct User Charges		
\$ Amount	\$23,276,378	\$66,171,049
% of Total	61%	76%
New Castle County Charges		
\$ Amount	\$14,612,124	\$20,748,646
% of Total	39%	24%
Total Water/Sewer Revenue	\$37,888,502	\$87,511,351

4) The City uses the Water/Sewer Fund to pay for both water/sewer expenses and general city expenses.

Public Works Department

The Water/Sewer Fund covers the direct costs of maintenance contracts, debt service, and depreciation as well as the salary and benefits of the 104 employees directly involved in providing water/sewer services. 85% of the Water/Sewer Fund’s total spending paid for Public Works Department expenses totaling about \$68 million.

Audit Department

The Water/Sewer Fund also pays Audit Department expenses. In 2022, less than 1% of the Water/Sewer total spending paid for Audit Department expenses, totaling about \$70,000.

Finance Department

The Water/Sewer Fund also pays for a large portion of the Finance Department’s total expenses. Except for 2 Meter Readers, all other Finance Dept. staff perform their functions for the entire city government. In 2022, 9% of the Water/Sewer Fund’s total spending paid for Finance Department expenses, totaling about \$4.6 million, equal to about 1/3 of the Finance Department’s total expenses.

All Other Departments (Indirect Costs)

Every year the city transfers a portion of the Water/Sewer Fund to the General Fund to pay the expenses of other city departments. These payments are called “Indirect Costs”. In 2022, 9%, or about \$7.5 million, paid for City expenses outside of the Public Works water/sewer divisions, the Finance Department, and the Audit Department.

5) The City is increasing its use of the Water/Sewer Fund to pay for general city expenses.

From 2017-2022, Water/Sewer Fund spending on Public Works Department water/sewer division expenses increased by 11%. During the same time period, the City increased its Water/Sewer Fund spending on other city departments (Indirect Costs) by 43%.

Water/Sewer Fund Spending	2017	2022	\$ Growth 2017-2022	% Growth 2017-2022
Public Works: Water Divisions	\$62,136,489	\$68,266,622	\$6,611,584	11%
Other Departments				
Audit	\$60,000	\$71,680	\$11,680	19%
Finance	\$3,283,967	\$4,622,870	\$941,618	29%
All Other City Departments (Indirect Costs)	\$5,246,555	\$7,584,678	\$2,338,123	45%
Subtotal Other City Departments	\$8,590,522	\$12,279,228	\$3,688,706	43%
Total Water/Sewer Fund	\$70,727,011	\$80,545,850	\$9,903,005	14%

While paying for city expenses outside the Public Works Dept. water/sewer divisions has traditionally made up less than 15% of all Water/Sewer Fund spending, it made up almost 40% of the growth in Water/Sewer Fund spending over the last five years.

6) A growing portion of the Water/Sewer Fund is paying for general city expenses.

The portion of Water/Sewer Fund spending that went to cover “Indirect Costs” of city departments not directly engaged in delivering water/sewer services has grown from 7.5% of Water/Sewer Fund spending in 2017 to 9% in 2023.

2022 Water/Sewer Fund Spending	\$ Amount	% of Total Spending
Public Works: Water Divisions	\$68,266,622	85%
Other City Departments		
Finance	\$4,622,870	6%
Audit	\$71,680	0%
All Other Departments (Indirect costs)	\$7,584,678	9%
Subtotal Other City Departments	\$12,279,228	15%
Total Water/Sewer Fund	\$80,545,850	100%

7) Wilmington's population hasn't grown at all, and resident incomes aren't growing as fast as fees are going up.

Wilmington's population of 70,000 was the same in 2022 as it was in 2003, so more revenue from fines and fees is mostly being drawn from the same number of people.

The median income in the city, about \$49,000, only about \$14,000 more than it was twenty years ago, an increase of just 28%.

½ of Wilmington's households have incomes of less than \$50,000 a year. Many have incomes significantly less: 1 in 4 households have incomes of less than \$25,000 a year.

Wilmington has a significant wealth divide. The median income for White households, who make up 29% of the population, is \$67,660. For Latino households, it's \$39,635. For Black households, who make up 56% of the population, the median income is \$35,878.

8) Wilmington's higher water bills have outpaced many residents' ability to pay.

The average water bill is unaffordable for 1 out of every 4 households in Wilmington.

Consumer Reports and the United Nations have established that, to be considered affordable, annual water bills cannot be more than 4.5% of a household's income.

Almost 1 out of every 3 water customers is 30 days or more past due on their water bills.

In 2021 the City of Wilmington reported that the average monthly bill, including all charges and fees, was \$93.92. This equals \$1,127 a year, which is unaffordable for the 7,800 households in Wilmington with annual incomes of less than \$25,000.

The number of residential customers within city limits behind on paying their water bills (8,000) is about the same number of Wilmington households with incomes of less than \$25,000 (7,800).

2021 Water Bill Delinquencies	# Delinquent	% Total	\$ Delinquent	% Total
Residential Customers within City limits	8,000	70%	\$6,500,000	28%
All Other Customers	3,500	30%	\$16,500,000	72%
Total	11,500		\$23,000,000	

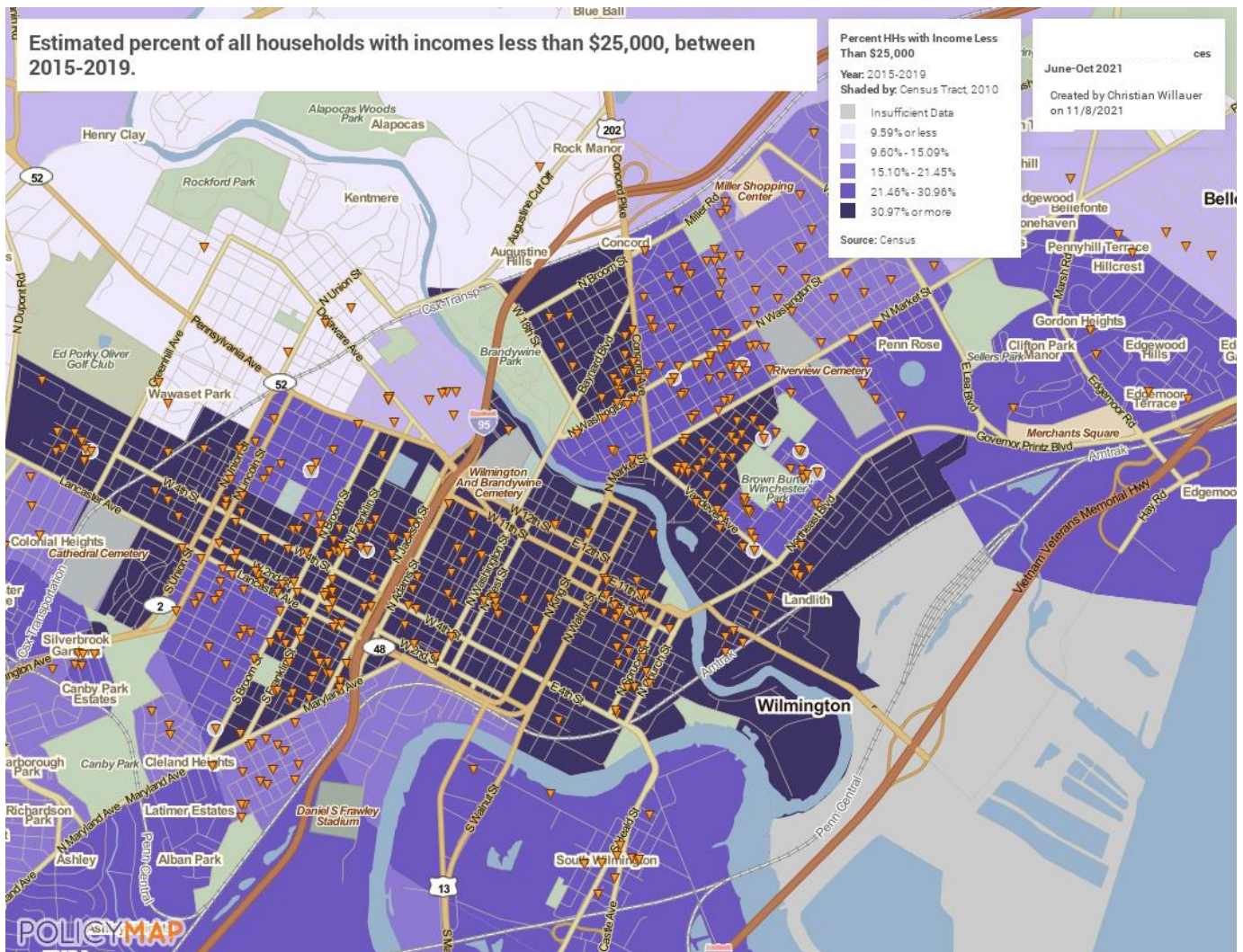
9) The City uses its most harmful collection tactics to collect overdue bills from residential accounts.

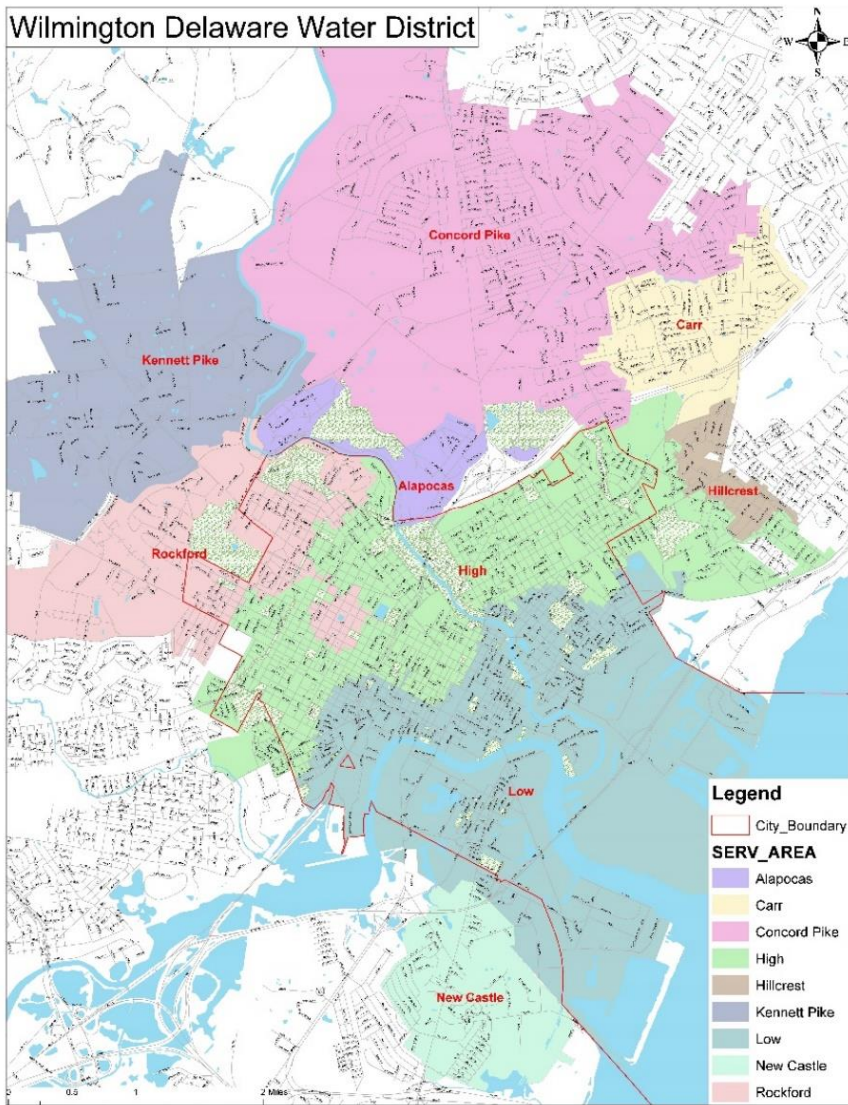
The City uses 96-hour shut-off notices and water shut-offs mostly to collect overdue water bills from residential customers, not commercial accounts.

From June – Nov 2021, the City sent out 96-hour shut-off notices to 635 customers. 530 (83%) were residential customers living within city limits. When they didn't pay or enter a payment agreement, the city shut off the water for 103 of them. By the beginning of November 2021, those 103 customers were still without water.

The City mostly uses 96-hour shut-off notices and water shut-offs to collect overdue water bills from residential customers.

Most of the 96-hour shut-off notices the City sent in 2021 went to people who live in neighborhoods where a high portion of the households have incomes less than \$25,000. The city's collection practice of using water shut-offs is a big hardship for families, many of whom may not have the income to pay rising water bills.





Although affordability is a growing issue for city residential customers, city residents aren't the biggest source of water bill delinquencies.

Wilmington's water utility has approximately 24,000 customers within city limits and 13,000 customers outside the city.

In 2021, 11,500 water customers behind in their water bills owed the city a total of \$23 million.

The customers with the biggest delinquencies are not residential city customers.

In 2021, while 8,000 residential customers who lived within city limits owed \$6.5 million, the 3,500 customers who were not residential city customers owed more than twice as much: \$16.5 million.

2021 Water Bill Delinquencies	# Delinquent	% Total	\$ Delinquent	% Total
Residential Customers within City limits	8,000	70%	\$6,500,000	28%
All Other Customers	3,500	30%	\$16,500,000	72%
Total	11,500		\$23,000,000	

Of the \$16.5 million owed by customers who weren't city residents, almost 1/2 (\$7 million) was owed by commercial water customers.

The other \$9.5 million was owed by other customers, not including city residential customers.

Detail: All Other Customers Category	\$ Delinquent	% Total
Commercial Customers	\$7,000,000	42%
Other Customers (Not Including City Residential Customers)	\$9,500,000	58%
Total	\$16,500,000	

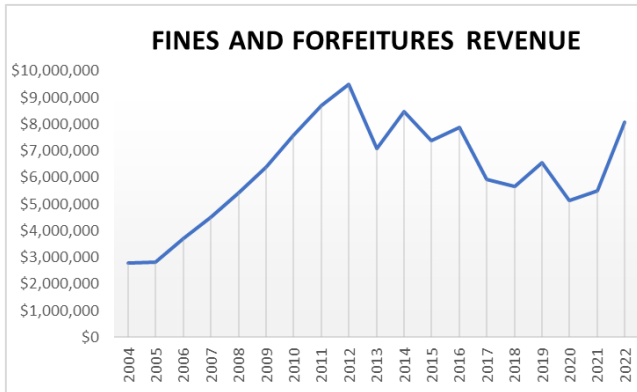
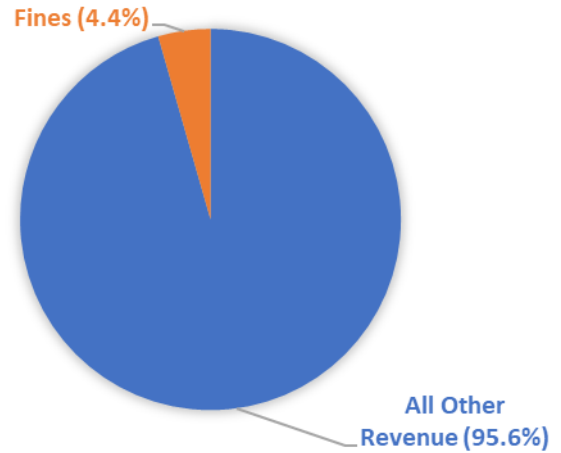
10) Fines contribute a small but growing portion of city revenue.

Less than 5% of Wilmington’s General Fund revenue comes from fines like parking and red light tickets.

Wilmington collects fines revenue from many different sources including parking tickets, red light tickets, instant tickets, and code violation fines.

Despite these many sources, revenue generated by fines is relatively small compared to the city’s total General Fund revenue. Most (95%) General Fund revenue comes from sources other than fines.

2022 GENERAL FUND REVENUE



Fines revenue is increasing both as a dollar amount and as a percentage of total budget revenue.

The portion of the General Fund paid for with revenue with fines and forfeitures increased from 2.8% in 2004 to 4.4% in 2022.

Most cities like ours generate less than 1% of their general revenue from fines.

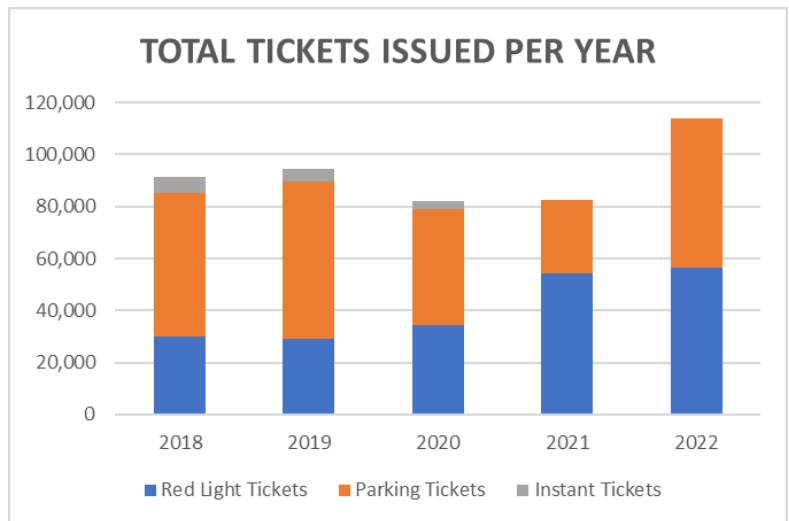
Revenue	2004		2022	
	\$ Amount	% of Total	\$ Amount	% of Total
General Fund Total Revenue	\$97,873,996		\$181,902,855	
Fines and Forfeitures Revenue	\$2,783,406	2.8%	\$8,067,327	4.4%

11) Generating revenue from fees and fines is time-consuming and expensive.

Ticket Type	Issued for:	Fine
Parking tickets	parking violations	\$40
Red Light tickets	red light violations	\$110
Instant tickets	improper trash disposal, high grass and weeds	\$100

Wilmington’s Finance Department is responsible for managing billing, payments, and collections when people don’t pay their bills. Wilmington’s tickets cost between \$40-\$110. To achieve an annual revenue of \$5-\$8 million from fines, the Finance Department has to manage a lot of tickets.

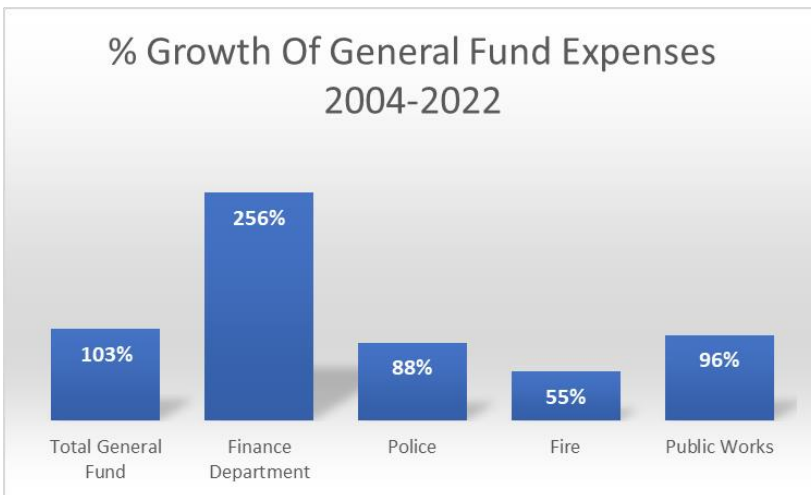
In the five years from 2018 to 2022, the City of Wilmington issued over 450,000 parking and red light tickets.



Between 2018-2022, the City of Wilmington gave out 80,000 to 100,000+ tickets every year.

As fine revenue has increased over the last 20 years, the city’s expenses to process all those tickets have grown too. The Finance Department expenses paid by the General Fund increased by \$6,814,796 from 2004-2022.

Since 2004, the growth of Wilmington’s Finance Department expenses (256%) has been faster than the growth of expenses of other departments providing basic city services, like Fire (55%) and Police (88%).



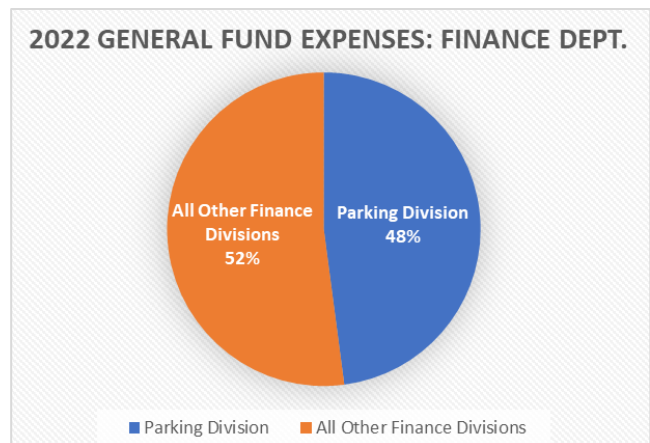
As a result, over time, the Finance Department is consuming a bigger portion of the city’s total budget.

From 2004-2022, the Finance Department grew from 3.2% to 5.5% of total General Fund expenses.

12) A very large portion of fine revenue goes to pay outside contractors.

The Parking Division of the Finance Department is responsible for managing Wilmington's parking and red light tickets.

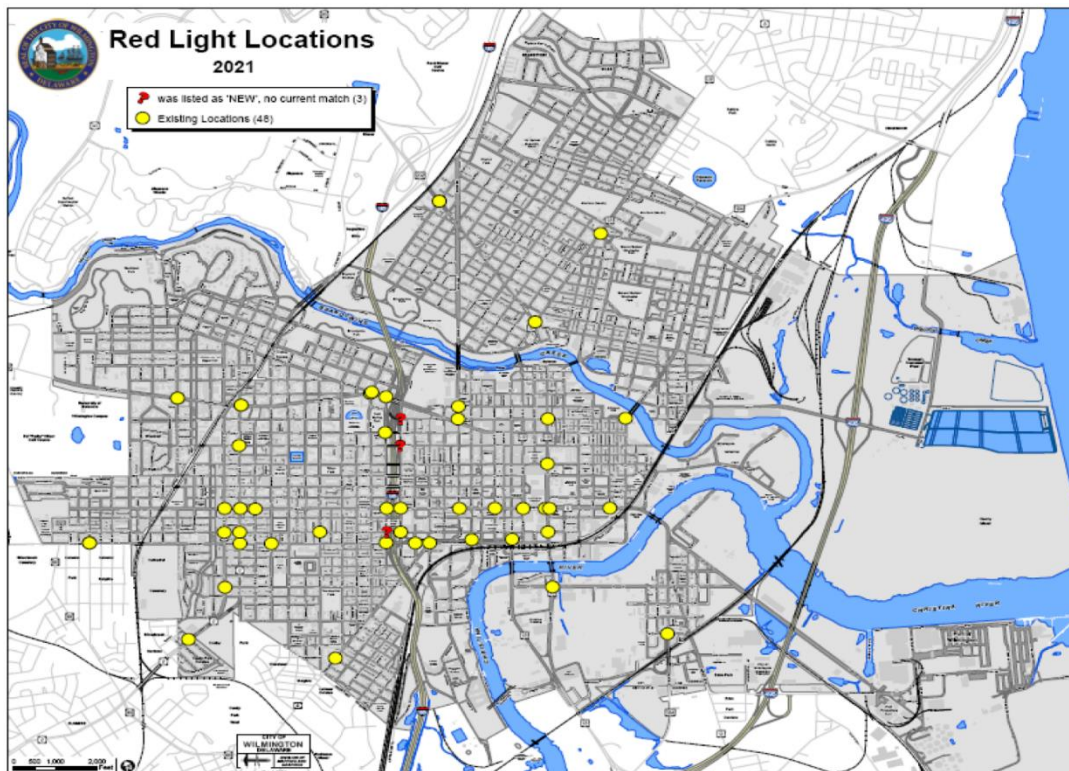
Of the \$9.5 million in Finance Department expenses paid by the General Fund in 2022, about half was the expenses of the Parking Division alone. The other half was the combined expenses of all the other divisions of the Finance Department.



Although some of the Finance Department's Parking Division expenses pay for actual parking enforcement, including the city's parking enforcement officers, most goes to Conduent, a private company based in New Jersey that the City contracts to handle most of the city's parking and red light ticketing operations.

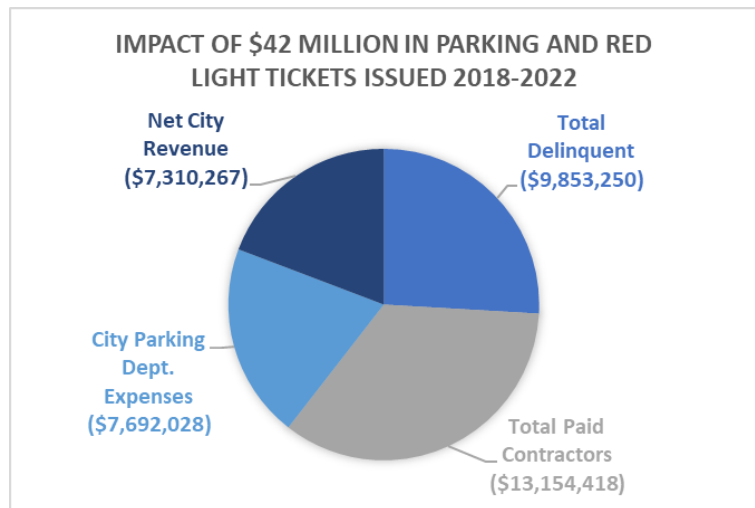
Parking Tickets: The City contracts with Conduent to manage the city's parking citation database and provide collection services for unpaid tickets.

Red Light Tickets: Under a separate contract, the City pays Conduent to manage all aspects of the City's red-light ticketing program. Conduent operates 46 red light cameras located at 40 intersections across the city and issue red light violation tickets.



In the five years 2018-2022, the City issued about \$42 million in parking and red light tickets. About \$10 million was never paid. Of the \$28 million that was paid, a little less than half, \$13 million, went to Conduent.

With the remaining \$15 million, the City paid about \$8 million in parking division expenses, leaving net income of \$7 million.



Parking and Red Light Tickets (2018-2022)		Red Light Tickets	Parking Tickets	Total
Total Charged (Fines + Penalties)		\$27,447,110	\$14,621,310	\$42,068,420
Total Paid		\$18,714,491	\$9,442,222	\$28,156,713
Total Delinquent		\$6,111,786	\$3,741,464	\$9,853,250
Total Paid Contractors		\$7,013,683	\$6,140,735	\$13,154,418
Total City Revenue after Contract Expense		\$11,700,808	\$3,301,487	\$15,002,295
Total City Department Expenses		\$2,117,383	\$5,574,645	\$7,692,028
Net City Revenue		\$9,583,425	-\$2,273,158	\$7,310,267

Wilmington Parking

Issue Client Fiscal Year	Ticket Type Desc	Assign Agency	# Tickets Issued	# Tickets Open	Total Fine Amt	Total Penalties	Total Paid	Total Amt Due
2018	PARKING		51,679	3940	\$2,106,815	\$858,820	\$2,262,958	\$391,484
2018	PARKING	Collection	3,507	3180	\$150,315	\$207,560	\$44,772	\$311,903
2019	PARKING		56,993	4503	\$2,267,515	\$889,320	\$2,334,781	\$452,586
2019	PARKING	Collection	3,858	3379	\$164,135	\$228,420	\$59,667	\$332,019
2020	PARKING		41,583	3653	\$1,662,745	\$618,600	\$1,657,305	\$362,862
2020	PARKING	Collection	3,219	2594	\$139,185	\$190,120	\$69,460	\$257,745
2021	PARKING		25,815	3566	\$965,020	\$458,320	\$921,487	\$368,575
2021	PARKING	Collection	2,473	2067	\$110,885	\$146,880	\$46,248	\$210,677
2022	PARKING		54,527	7891	\$2,125,740	\$1,017,980	\$1,990,744	\$796,058
2022	PARKING	Collection	3,062	2615	\$131,015	\$181,920	\$54,800	\$257,555
Total:			246,716	37,388	9,823,370	4,797,940	9,442,222	\$3,741,464

Data Provided by City of Wilmington 2022

Wilmington Red Light Summary

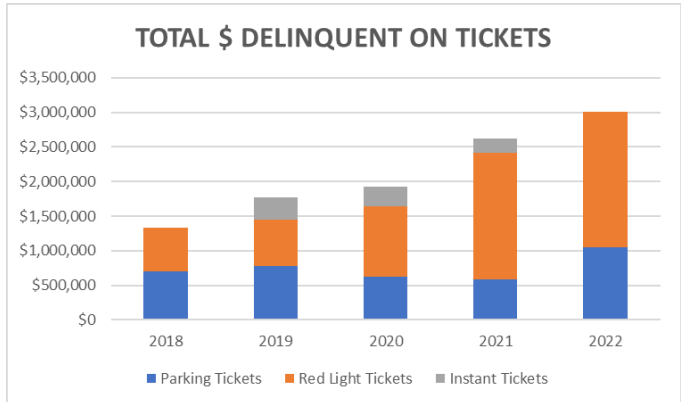
Fiscal Year	Ticket Type Desc	Assign Agency	# Tickets Issued	# Tickets Open	Total Fine Amt	Total Penalties	Total Paid	Total Amt Due
2018	PARKING		32,734	5254	\$3,600,740	\$310,440	\$2,976,214	\$633,261
2019	PARKING		32,203	5479	\$3,542,330	\$311,860	\$2,878,096	\$669,990
2020	PARKING		37,931	7859	\$4,169,330	\$399,130	\$3,181,288	\$1,019,393
2021	PARKING		60,935	13997	\$6,702,080	\$758,930	\$4,873,210	\$1,832,941
2022	PARKING		62,803	15079	\$6,907,120	\$745,150	\$4,805,683	\$1,956,201
Sum:			226,606	47,668	24,921,600	2,525,510	18,714,491	\$6,111,786

Data Provided by City of Wilmington 2022

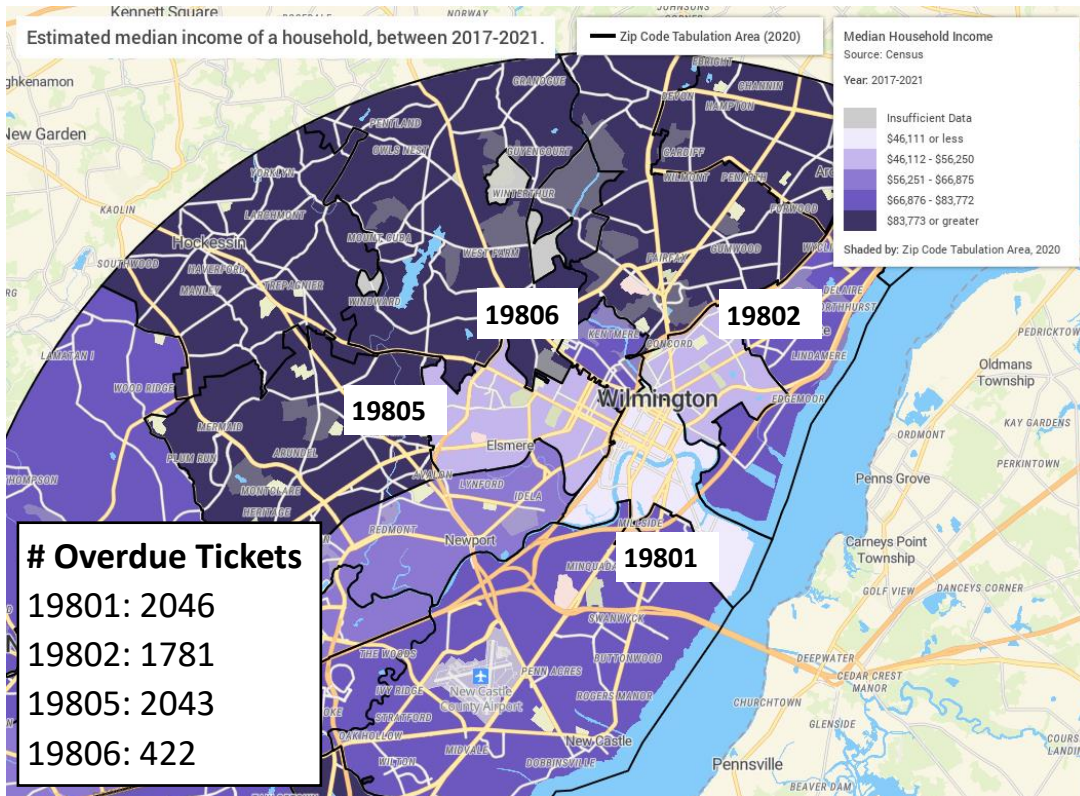
9) Booting and towing for overdue parking tickets generates little revenue and harms Wilmington's low-income residents the most.

About 85,000 of the 450,000+ tickets the City issued between 2018-2022 have not been paid. The City of Wilmington has two primary approaches to collect overdue tickets:

- **Registration holds:** Anyone seeking to register a vehicle at Delaware's Division of Motor Vehicles must pay off their parking tickets before they can register.
- **Booting and towing:** Any vehicle of an owner who owes more than \$200 in parking tickets can be booted and towed. The vehicle owner has to pay their tickets plus a booting and/or towing fee to get their car back.



The City's contract with Conduent includes a requirement for Conduent to boot 3,000 vehicles a year. Three years of overdue tickets broken down by zip code shows that the only zip codes with a high number of overdue tickets are those that include Wilmington's low-income neighborhoods.



Booting has generated less than \$150,000 a year in annual revenue since January 2021. Conduent collects a commission of 30% for all revenue generated through booting in addition to its base rate. Conduent collected \$54,346.64 in commissions during the period of January 2021 through the end of 2022.

RECOMMENDATIONS

1) Stop harmful collections practices:

- Stop booting and towing cars to collect payment for parking and red-light tickets.
- End water shut-offs for over-due water bills of properties occupied by vulnerable populations.
- Stop foreclosures (monitions actions) for home-owners with over-due water bills.
- End penalties for people who aren't paying because of limited income.

2) Revise contracts to reduce harms and reduce costs

- Parking ticketing and collections contract
- Red Light ticketing contract

3) Right-size fees to cover only the costs of providing the service

- Water bills
- Vacant property fees
- Business license fees
- Rental property registration fees

4) Develop affordability programs where needed to provide access to city services, including clean water and sanitation