



**State of the City Address  
Presentation of the FY 2018 Budget to Wilmington City Council  
Wilmington Mayor Michael S. Purzycki**

**Thursday, March 16, 2017**

Council President Shabazz, Members of City Council, Treasurer Jones-Potter, 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. 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.

Nor has it 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 believed 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 there is a strong consensus in government and business alike, that for Delaware to thrive, Wilmington must thrive as well. 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.

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 in our city each day. Our cultural centers, the downtown and the Riverfront are compelling amenities that other cities would 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 cities, is high when compared with our neighbors in the county. Our property tax is more than double the county rate, creating a 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 immediately. 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 during this fiscal 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.

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. 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 tax, through strategies to collect new revenues and 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. As 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 in salaries
- 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
- The reduction of 16 vacant positions from the current authorized strength in 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 later.

- The city will 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% property tax increase. I want to make clear however, that 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 look at this chart to understand the seriousness of our current fiscal picture.
- To fund Wilmington's water and sewer needs, I am proposing a 4% increase for water and sewer rates, while storm water rates will remain the same as the current fiscal year. After this increase, the average residential city water customer's monthly bill will increase by \$1.81. This increase was the strong recommendation of the city's independent Water/Sewer Citizens Advisory Council.
- We have reduced costs in several other areas. City landfill fees will reduce by \$475,000 including no longer collecting trash from 92 non-residential accounts

- We will reduce our payment for animal control to the level properly prescribed by statute saving \$300,000.
- Treasurer Velda 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 are projected to cost us \$1.2 million more next year because the city has unwisely continued to absorb all of the increases in spiraling health care costs. In short, our plan is too generous and too expensive.

By way of comparison, the state of Delaware has one of the most generous plans in the region—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 as low as only 4%. 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. But worse, our plan creates the wrong incentives. We simply cannot continue to encourage emergency

room use as opposed to employees cultivating a relationship with a doctor which would result in 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 an estimated \$650,000.

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 those with diabetes have not had the required testing done in the last 12 months. 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. Please 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 police, in not having enough officers on the street at any given time. In the case of firefighters, the current 24-72 hour shift (one day on, and three days off) 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 and I am not insensitive to the fact that some employees have built their lives around these shifts, but we all must in good faith 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 seriously defend the status quo.

Remember, that this is a fairly 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 neighborhoods too will require investment in housing, parks, and the 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 America, the Wilmington Leadership Alliance and others, to continue the momentum. To that end, I am committed to seeing 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. We must aggressively explore new revenue

sources to enhance the city's financial condition. Our city will never flourish if its leaders are timid. 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 resources from city agencies and state agencies can, together, transform our neighborhoods. Police, Public works, License 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 very well during a difficult stretch of violence. 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. 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 throughout the city and build new ones.

If I have conveyed one message since I have taken office, it is that we are all in this together. This 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 the taxpayers. 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.

This is a good time to state what should be a guiding principle of our argument for the right of self-governance. Wilmington cannot be expected to govern itself when it is constrained at every turn from doing so by the state. It never had the right of annexation so that 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 been all but shut out of the important question of how

our children get educated. We must all urge our legislature to empower Wilmington to 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 all of 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 our goodness, our wisdom, our optimism and our courage guide us.

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