

# Little oversight for Wilmington City Council discretionary fund

[Christina Jedra](#), The News Journal Published 4:00 p.m. ET **July 14, 2017**



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Wilmington City Council members quietly dole out hundreds of thousands of dollars a year through a fund that essentially allows them to give money to any nonprofit they want with little transparency or oversight.

The nearly \$450,000 annual pot of discretionary funds is divvied up among council members who get \$10,000 each they mostly use for scholarships, and the president, who controls the remaining \$327,000.

That money is all spent on what one expert calls "political lubrication" – handouts to nonprofits, charities, civic associations and other groups of the council member's choosing.

Unlike elsewhere in Delaware, City Council does not limit how much money an organization can receive, does not vote on which organizations get grants and is not obligated to share grant information with council members or the public.

In this atmosphere, former Council President Theo Gregory granted nearly \$600,000 over four years to Education Voices, Inc. – a nonprofit he founded the month he took office.



**Rep. Stephanie Bolden and Wilmington City Council President Theo Gregory** Wilmington City Council President Theo Gregory asks a question of Police Chief Bobby Cummings during discussion of the proposed budget for the Wilmington Police Department for Fiscal Year 2016 at a meeting of the Wilmington City Council Budget Committee on Wednesday afternoon. *(Photo: KYLE GRANTHAM/THE NEWS JOURNAL)*

Unbeknownst to the public and several of his then-colleagues, the organization received by far the most grant money of any organization during Gregory's tenure, which ended in December.

The News Journal reviewed four years of discretionary fund spending and found that although there are internal guidelines that specify "inappropriate" use of funds, few steps are taken to ensure dollars are spent properly.

"We would rely pretty much on what they say they've spent their money for," City Council Chief of Staff Gary Fullman said of grantees.

Records show Gregory directed money to Education Voices every fiscal year: \$173,000 in 2014, \$150,000 in 2015, \$122,000 in 2016 and \$150,000 in 2017.

Though the money was given on their behalf, some council members said they didn't know about it until The News Journal shared the information obtained through a Freedom of Information Act request.



**City Councilwoman Loretta Walsh** (Photo: GINGER WALL/THE NEWS JOURNAL, GINGER WALL/THE NEWS JOURNAL)

"I'm dumbfounded," said City Councilwoman Loretta Walsh. "I knew nothing about it."

A few organizations received multiple grants per year amounting to tens of thousands of dollars that are not announced to the public.

Some discretionary fund expenditures appear to be for the benefit of council members more than their constituents. Council spent \$1,619 for a 2014 holiday party featuring a buffet and bar for 50 people. It also spent \$3,350 over four years for council members to attend the Gridiron, the black-tie dinner and show with an open bar attended by Delaware's elite — an event that [The News Journal found earlier this year](#) spends more money on the event itself than it raises for charity.

"If I want to go (to an event) I would use personal money or campaign money," Walsh said. "It's not a private trust fund account."

Discretionary funds also paid for a \$1,500 sponsorship of [a wrestling match at the Riverfront](#) that included VIP tickets for Council President Hanifa Shabazz and Councilwoman Zanthia Oliver, a banner, a shoutout from the ring announcer, 10 "commemorative" T-shirts and 10 general admission tickets for Wilmington youth. (The mayor's office matched the \$1,500 contribution, which included free tickets for Chief of Staff Tanya Washington, who makes over \$116,000 annually, her husband, former City Councilman Norman Oliver, his plus one and two other tickets that went unused.)

Shabazz said it was a small and worthwhile economic development investment.

Council guidelines prohibit the use of funds for religious purposes, but Gregory and former [Councilman Michael A. Brown Sr.](#) gave \$1,000 each last year to Macedonia Baptist Church to fund its "summer vacation bible school."

"While the grant was made to a church, the purpose was more holistic than religion," said Antoine Oakley, City Council communications director.

Although fund expenditures are not announced or discussed, Shabazz said the fund is transparent because spending data is available through a Freedom of Information Act request after money is allocated.

Councilman Williams disagrees.

"People entrust us with their money," Councilman Williams said. "Why are we circumventing them?"

**Interactive graphic:** [How did your council rep spend their discretionary dollars?](#)  
[Explore the data here](#)

## 'Theo led the charge'

While the council president can halt a grant from council members who may have a conflict of interest, there is effectively no such oversight of the president.

The president controls a \$51,000 personal discretionary fund and \$250,000 in grants on behalf of City Council as a whole. The council president also manages \$10,000 for festivals, \$8,000 for ads and sponsorships and \$8,000 for tickets.

As soon as he took office, Gregory founded Education Voices Inc. and used his position over the next four years to direct \$595,000 to the organization. The nonprofit's stated goal is to advocate for students, "ensuring their right to a free and appropriate education."

**STORY:** [Wilmington Ethics Commission quietly disbanded under Mayor Williams](#)

**STORY:** [Wilmington fails to budget for anti-crime landlord training](#)

A 2016 annual report by Education Voices states that Gregory "led the charge" in funding the organization and quotes the council president saying: "I am blessed and honored to have been positioned to advocate for the funding of such an organization."

The nonprofit is run by Devon Hynson and has relied almost entirely on taxpayer dollars flowed through City Council for its survival, records show. Gregory's \$173,000 contribution in 2014, the most recent year tax records are publicly available, was the only contribution the organization received that year.



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Devon Hynson, with Education Voices, demands an answer from school officials at A.I. du Pont High School on whether they will reinstate the school's boys basketball team. (Photo: Jennifer Corbett, The News Journal)

Gregory told The News Journal he had an arm's length relationship with Education Voices.

"My relationship was as a grantor," he said. "I wasn't connected. I stood back."

Gregory did maintain a connection to the nonprofit.

Gregory and Hynson [arranged an education-related panel](#) promoted through City Council in 2015, according to a City Council Facebook post from that time. Gregory has been CC-ed on Education Voices correspondence, [records show](#). And in [an interview with Out & About magazine](#) during his run for mayor, Gregory touted Education Voices as one of his greatest accomplishments.

Gregory said the arrangement was proper, and he has no regrets.

"That was my platform: Kids, kids, kids," Gregory said. "If you look at what I've done in my career, it's very consistent."

John Flaherty, a board member of the Delaware Coalition for Open Government, said council members have a responsibility to avoid the appearance of conflicts of interest.

"He may have the best of intentions and it may be the best of organizations, but if you want to avoid the appearance of impropriety, you don't appropriate money to organizations you start," he said. "It just does not look good."

Shabazz said she knew council was supporting Education Voices but couldn't recall if she was informed of the heft of that support. She said she doesn't see a conflict and saw the nonprofit's role in the city as "essential."



**KYLE GRANTHAM/THE NEWS JOURNAL** City Council President Theo Gregory speaks during a meeting of the Wilmington City Council at the Louis L. Redding City/County Building. City Council President Theo Gregory speaks during a meeting of the Wilmington City Council at the Louis L. Redding City/County Building in this file photo. (Photo: KYLE GRANTHAM/THE NEWS JOURNAL)

Former City Councilwoman Maria Cabrera said Education Voices is a capable and needed advocate for Wilmington youth, but she would have appreciated more communication.

"I felt it was an important organization and felt that we should help it," she said. "I would've liked to have been made aware of it, the amount and the frequency."

Nonprofits should have to fill out applications and submit to public hearings, Flaherty said. The council finance committee does not review discretionary fund grants, and unlike other departments, City Council does not hold a budget hearing.

"There has to be a process in place for people to determine on their own whether there was any merit to these applications," he said. "Discretionary grants at the whim of the elected official does not do that."

For each grant Gregory gave to the nonprofit he started, the council president signed a form certifying that there was "no known conflict of interest."

Marchelle Basnight, council's chief financial officer and policy adviser, said she was not aware of Gregory's connection to Education Voices. But even if she had expressed concern, Gregory could have overridden her.

"If it was something that was questionable, I mean, he is the president," Basnight said. "The president would have the final say."

Council Chief of Staff Fullman wouldn't acknowledge whether Gregory's spending broke the rules.

"The best internal control is the honor and integrity of your people," he said.



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**Gary Fullman, chief of staff to then-Mayor Dennis P. Williams, speaks at a press conference announcing a new loan program for small businesses along Market Street in August 2016. (Photo: JENNIFER CORBETT/THE NEWS JOURNAL)**

As for checks on how grant money is spent, Fullman said any violation would eventually be caught by the city auditor's office, which he claimed routinely reviews grants over \$5,000.

The city auditor's office said that's not true. It last audited grants in 2015, but doesn't do it on a regular basis and has no immediate plans to do it again, said acting City Auditor Tamara Thompson.

"It's based on what comes up in our risk assessment or if we get a special request," Thompson said.

The most recent audit, [an August 2015 report obtained by The News Journal](#), found that organizations that received city funds, including Education Voices, failed to provide reports showing how they used grant funding. City Council responded there was nothing for them to mitigate because the city code already required such reports, the audit shows.

The audit also said grant documentation regarding conflicts of interest, grant legitimacy and nonprofit statuses was not consistent.

"There is a risk city funding will be distributed without a practice of accountability," the audit said.

City Council responded that it would shore up internal controls.

Investigating conflicts of interest is within the purview of the Wilmington Ethics Commission, but that body stopped meeting in January 2015, [The News Journal reported on Wednesday](#). Then-Mayor Dennis P. Williams' administration allowed the commissioners' terms to expire and didn't appoint new ones. Mayor Mike Purzycki announced new nominations last week.

Even though Gregory is no longer council president, discretionary funds are still directed his way. In March, his successor, Shabazz, granted \$40,000 to the Police Athletic League to support a program led by Gregory's new venture, Student Disabilities Advocate Inc.

"It's to give support services to some of our most vulnerable," Shabazz said.

Half of that money is budgeted for a program manager/advocate. Whether that advocate is Gregory, Shabazz and her staff said they didn't know.

## Controversial cash

The discretionary fund started in 2001, granting council members \$12,500 each, News Journal archives show.

Ted Bunt, then-city council president, told The News Journal in May of that year that he envisioned the money going toward newsletters, conferences or tickets to civic events. At the time, longtime News Journal columnist Norman Lockman advised against the move, calling it a slush fund ripe for abuse.

Council members already had \$5,000 each to divvy up in scholarships to youth. An additional \$7,500 each was collected by canceling consultant contracts and moving cash from grants controlled by the council president. Blunt wanted to decentralize the decision-making.



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**Former Wilmington City Council President Ted Blunt** (Photo: The News Journal/MATTHEW JONAS)

"Each member of council is elected independently, and we should be able to make independent decisions," he told the News Journal that year.

Gregory said at the time that he approved of the change.

"Now we have our own discretion instead of the president of council," he said then.

Councilman Bud Freel spoke against the discretionary fund when it was first introduced, and his opinion hasn't changed.

"I'm not a big fan of discretionary funds, especially with our budget so tight now," he said. "I'm not sure it's the best use of our dollars."

After the fund was approved, Blunt drafted rules prohibiting purchases such as campaign materials, donations to for-profit companies, grants for religious events and handouts to organizations to which a council member has a "connection."

As president in July 2013, Gregory reiterated those guidelines in a policy memo and warned council members to use caution with the funds.

"Council members must keep in mind that the use of these funds will be under close scrutiny by the citizens of Wilmington as well as the media," the memo states. "I encourage you to use sound judgment in the distribution of these public funds."

The current session of the council has maintained those rules but hasn't adopted restrictions used elsewhere in Delaware.

In New Castle County, an organization can receive no more than \$2,500 per year from one or multiple members of county council, said James Boyle, New Castle County Council policy director. Grants over \$150 must be presented to the council during a public meeting for a vote.

"We believe faithfully in 7 votes," Boyle said. "You've got to have a majority."

Grant requesters in Sussex County fill out an application on the county website, said Gina Jennings, the finance director. The completed application is available in a public packet on the county website before a council meeting where members vote on the request.

In Wilmington, there is no competitive process for applying for funds. Their availability is not advertised on the city website. Organizations in the know apply for the money through a letter to their representative.

## **'Political lubrication'**

The discretionary fund is largely used for small, local groups that Shabazz said fill a need.

"The purpose is to provide support to organizations that provide quality of life services," she said. "That's what our job is: to galvanize to put resources in place to address issues."

Shabazz could contribute all the \$300,000 she has on hand to help create a database recommended by the Centers for Disease Control and Prevention to prevent city violence. Instead, she sees supporting small community events and Gregory's new program at the PAL Center as "complementary" to the CDC effort.

"I wouldn't want to put everything on one initiative," Shabazz said.

Under Gregory, council members got \$10,000 each, \$8,000 of which was allocated for scholarships. Under Shabazz, council members have to spend \$6,000 on scholarships and can use the remainder for grants.



Portrait of City of Wilmington mayoral candidate Theo Gregory. (Photo: JENNIFER CORBETT/THE NEWS JOURNA)

Such funds are one way to make politicians and certain constituents happy, said Jonathan B. Justice, an associate professor of public policy and administration at the University of Delaware.

"There's no question it is fundamentally a political tool," he said. "You can rationalize it as a nice way to spend small amounts of money that have a big impact in a legislator's district, but at the end of the day, the whole point is a political lubricant that elected officials can use to accomplish objectives."

Flaherty said distributing funds is a more appropriate job for the executive branch than the city legislature, which he believes should be the city's oversight arm.

"It creates an appearance that money is not being spent wisely, that it's being spent due to political influence or friendship," he said.



**John Flaherty, a board member for the Delaware Coalition for Open Government, in front of the Louis L. Redding City/County Building.** (Photo: JENNIFER CORBETT/THE NEWS JOURNA, JENNIFER CORBETT/THE NEWS JOURNA)

Gregory directed over \$40,000 to the Stop the Violence Prayer Chain Foundation during his tenure, according to city records. Last year, the group [named a room after him at its headquarters](#).

PAL was a frequent recipient of council money during Gregory's tenure, totaling over \$25,000. The group's executive director donated \$400 to Gregory's mayoral campaign, records show. The nonprofit True Word UNIINC also received funds from Gregory, and its executive director contributed \$100 to Gregory's campaign, records show.

"When you have somebody appropriating money and they get campaign contributions in return, that's definitely an appearance of impropriety," Flaherty said. "The burden of avoiding that appearance rests on the elected official."

Walsh said the fund should have a cap and be more closely watched.

"It's taxpayers' money," Walsh said. "We have to keep that in mind all the time."

*Note: The News Journal is sharing the data used in this story [here](#).*

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## City Council discretionary fund guidelines

The City Council president Hanifa Shabazz [sent a memo](#) to members in June outlining guidelines for spending discretionary funds. She advised to "avoid the appearance of impropriety." Examples of proper uses include supporting baseball Little Leagues, neighborhood planning councils, civic associations and nonprofit social service agencies. Professional development uses like conferences are also acceptable.

Inappropriate uses include:

- political campaign activities
- tickets to community events (The council president buys these)
- emergency housing, clothing, rent or shoes
- awards for City Council members
- donations to organizations with which the council member or a member of their family is a board member or has a personal connection with, such as employment
- advertisements for individual council members
- purchase of media time
- donations to for-profit organizations
- donations to religious organizations for religious purposes

<http://rcpublic.s3.amazonaws.com/discretionaryfunds/index.html>

See how council members have spent their discretionary funds in fiscal years 2014-2017.

**Explore the data**

(All other recipients) American Diabetes Association Charles M. "Bud" Freel Churches / Religious Civic Associations / Social Groups Commercial Businesses Communities Assisting Communities, Inc Community Centers Darius J. Brown Duffy's Hope Education / Schools / Scholarships Education Voices, Inc. Ernest "Trippi" Congo II Events / Festivals / Conferences Friends of Historic Riverview Cemetery Georgetown University HBCU Delaware Coalition Hanifa G.N. Shabazz (current president) Justen A. Wright Latin American Community Center Loretta Walsh Macedonia Baptist Church Manna Christian Fellowship Church Manna Community Development Corporation Maria D. Cabrera Metropolitan Wilmington Urban League Michael A. Brown, Sr. Michelle Harlee Mom's House Municipalities NLC Conference Nnamdi O. Chukwuocha Nonprofits / Social Services Nuestras Raices Delaware, Inc Our Time Inc Police Athletic League of Wilmington (PAL) Robert A. Williams Samuel Prado Sherry Dorsey Walker Stop the Violence Prayer Chain Foundation Theopolis K. Gregory, Sr. (former president) Triangle Neighborhood Association University Of Delaware / Urban Fellow University of Delaware Warriors4Christ Wilmington Little League Wilmington Senior Center Wilmington Titans Youth Athletics

These charts do not include money that council members gave to city youth for scholarships. Under President Theo Gregory, council members were given \$10,000 each, \$8,000 of which was earmarked for scholarships. President Hanifa Shabazz lowered the required scholarship allotment to \$6,000. [Click here](#) to download the original data.

Graphic by Ryan Catalani.