

# TOO MUCH DISCRETION

A review of city council discretionary spending in Delaware shows it's ripe for abuse

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The News Journal

A city councilman in Wilmington, Delaware, created a public spectacle earlier this year. He claimed he was allotted less discretionary funding — money intended for scholarships and handouts to nonprofits — than his colleagues. He made impassioned speeches in council meetings and on Facebook Live, and in May he even filed a legal complaint against the council for denying him money.

The councilman eventually got his funding, but the events got me wondering: What exactly is the discretionary fund? How is money divvied up? What have council members spent it on in the past? And what controls are in place to ensure it's used as intended?

What I learned is that 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 — all with little transparency or oversight.

While the rules and limits on discretionary funds vary by government, my reporting process could be repeated anywhere.

## Exploring the data

I started with a Freedom of Information Act request for four years of the council's discretionary spending data. This amounted to digital spreadsheets broken down by fiscal year with grantors, recipients and the amount of money they received. The data captured four years of the last council administration and the first few months of a new one.

When I got the Excel files a few weeks later, I expected to see \$10,000 per council member per year. The council president told me all members got that much. But there were annual allotments I wasn't anticipating, all controlled by the president: \$51,000 in presidential discretionary funds; \$26,000 for festivals, ads and tickets to community events; and a whopping \$250,000 in grants on behalf of the council as a whole.

This hadn't come up in the budget process



Reporter Christina Jedra confronts Wilmington City Council President Hanifa Shabazz (pictured center, in black) on camera after a public meeting to get answers about a \$40,000 grant to the previous council president. (William Bretzger/The News Journal)

because, unlike other city departments, the city council isn't required to have a public budget hearing.

I noticed one nonprofit had received by far the most money. Education Voices, Inc. received nearly \$600,000 over the four years that Theo Gregory was council president.

A quick Google search showed that Gregory was the founder of Education Voices. I knew I had a story.

Using FOIA, I requested additional documents — grant request letters and budget appropriations forms signed by council members — for the grants to Education Voices as well as other expenditures that raised an eyebrow, such as money to churches, for-profit companies and VIP events. Those records explained in greater detail what the funds were intended for and included contact information for the recipients.

But I knew that I was more likely to enact change if I could prove that the system was ineffective, rather than just pointing out individual appearances of impropriety.

## Scrutinizing internal controls

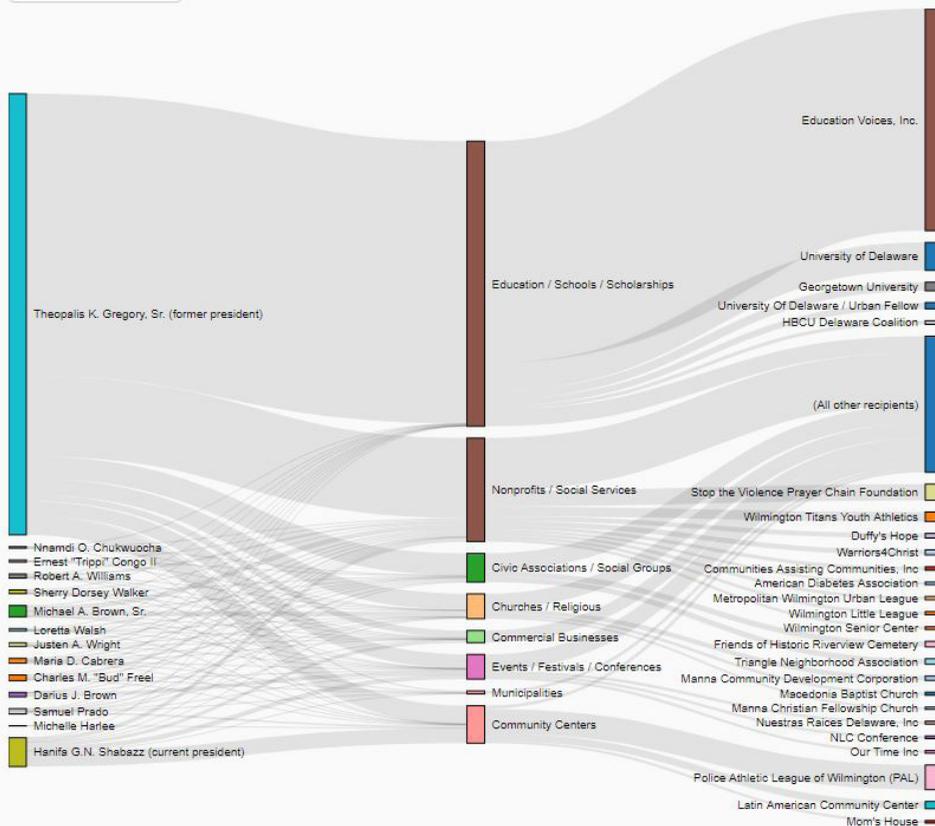
I needed to talk to council staff. It took multiple emails and repeated visits to the council office before the chief of staff and financial officer would sit down with me. But when they did, it provided the backbone of my story.

I learned that, unlike elsewhere in Delaware, the Wilmington City Council does not limit how much money an organization can receive through the discretionary fund. This allowed the council president to give \$150,000 or more per year to his pet project. I called a nearby county government for comparison. That county capped spending for any one group at \$2,500 and voted on any grants over \$150 in a public meeting.

In Wilmington, council members don't vote on grant spending. In fact, they are not obligated to share grant information with the public or even with each other. Several council members said they weren't aware of the heft and length of the financial support granted to Education Voices, which was given

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

Explore the data



## RECORDS USED

- Four years of discretionary fund spending data
- Grant request letters from nonprofits
- Budget appropriations forms signed by council members
- Nonprofit 990s (showed that a nonprofit relied entirely on government money for its survival)
- Reports filed by grantees about how they spent money
- A city audit of the discretionary fund
- Policy memos outlining spending guidelines
- Newspaper archives

Under former City Council President Theo Gregory, council members were given \$10,000 each, \$8,000 of which was earmarked for scholarships. Hanifa Shabazz, the council's new president, lowered the required scholarship allotment to \$6,000.

on their behalf.

Council staff told me there were guidelines outlining appropriate uses for the discretionary fund. Money could not be spent on campaigning, religious purposes or organizations with which a member has a "connection."

But when I asked about how these rules were enforced, I discovered several significant weaknesses.

The president could halt a grant he or she thought was problematic, but there was no such check on the president. Records showed that for each grant Gregory gave to the nonprofit he started, he signed a form certifying that there was "no known conflict of interest." That detail demonstrated to me that the rules were only as meaningful as their enforcement.

The council's chief finance officer told me she wouldn't challenge a decision by the president.

"If it was something that was questionable, I mean, he is the president," she said.

The council's chief of staff told me any potential problems would be caught by the city auditor's office, which he said reviewed

all grants over \$5,000.

The auditor told me that wasn't true. The office didn't audit grants on a regular basis — the last time was in 2015 — and she had no immediate plans to do it again. The 2015 audit, she said, only looked at internal controls and did not track dollars spent.

I had a copy of that audit on file because I had FOIAed for all recent audits when I first took over the city beat months earlier. I would recommend doing this. It proved very useful, and already having the document allowed me to maintain the pace of my reporting.

The audit studied 38 grants, including those given to Education Voices, and found that all of them failed to provide mandatory reports to the city auditor about how they used grant funding.

The audit was a helpful reporting tool because it showed that the council had been warned that its system wasn't working, yet it hadn't made any changes.

Seeking an expert voice, I thought the Wilmington Ethics Commission could be a resource. The volunteer members, appointed by the mayor, are tasked with investigating complaints and issuing opinions on ethical

matters. But when I asked the city who the members were, I learned the group hadn't met in two years. I pulled together a daily story on the ethics commission's dissolution so that, in my investigation, I could say the body charged with reviewing spending conflicts was defunct.

When the story came out, residents were furious. Most had never heard of the discretionary fund and were astonished that hundreds of thousands of taxpayer dollars were spent without any public notice. In online comments and letters, residents demanded more oversight and transparency. A city councilman said he would introduce legislation that would require grant spending proposals to be presented to the council finance committee.

## Relentlessly following up

I wasn't done reporting.

One grant that drew my attention was a \$40,000 handout from the new city council president, Hanifa Shabazz, to a local community center. It was one of her first expenditures from the fund — requested within 24 hours of her taking office, records showed — and larger than most grants in the past four years. When I got the grant proposal document through FOIA, I saw the money was being funneled through the community center to support a nonprofit, Student Disabilities Advocate. Its executive director was a familiar character: Shabazz's predecessor, Theo Gregory.

The grant proposal included a budget, which listed an unnamed program manager who would make a \$20,000 salary. I knew in



In Wilmington, city council presidents have wide discretion to spend over \$300,000 annually. Theo Gregory (right) used it to fund a nonprofit he started. Once he left office, his successor Hanifa Shabazz (left) used it to give Gregory's new nonprofit a \$40,000 grant. (Kyle Grantham/The News Journal)

my gut that program manager was Gregory.

When I asked Shabazz if that salary was for Gregory, she said she was "not sure." I didn't have time to identify the program manager before my deadline, so I published her non-response and kept asking questions.

I followed up with an email to the council's finance officer. She referred me to the council's public information officer. He deflected my question and then stopped answering my messages. For two weeks, council staff ignored my calls, emails and even an in-person visit. The council chief of staff told me I was becoming "disruptive to departmental operations." I think they assumed I would go away.

They were wrong.

I knew the council president would be attending a town hall meeting. I sat through the event and approached her immediately afterwards, this time with a videographer. As soon as she realized I was going to ask about the grant, she moved toward the exit. We were not going to let her off the hook. With the camera rolling and her communications director playing bodyguard, I repeatedly asked her about the grant, even following her



Wilmington City Council President Hanifa Shabazz awarded a \$40,000 grant to a program led by her predecessor, Theo Gregory. (William Bretzger/The News Journal)

into the elevator: "How do you give \$20,000 to someone and not know who it is?" She

repeatedly said: "I don't know." At that point, after two weeks of questions, it seemed highly unlikely she didn't know the answer.

Gregory ultimately confirmed he was the program manager who received thousands of taxpayer dollars in salary immediately after leaving office. Readers were livid to learn this and to see Shabazz's evasion of my questions. Some called for Shabazz's resignation and said the fund should be eliminated. Dozens of commenters demanded a state audit of the fund. Shabazz initially stood by the grant, but ultimately bowed to mounting public pressure. In August, she requested a state audit and said the council would start posting discretionary spending on the city website.

I'd say being "disruptive to departmental operations" paid off.

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