

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Dennis M. Davin, in his capacity as
Secretary of the Department of
Community and Economic
Development

Petitioner,

v.

City of Chester

Respondent.

No. 336 MD 2020

Receiver for the City of Chester Status Update

Pursuant to the Court’s October 19, 2020 Memorandum and Order (the “October Order”), the Receiver for the City of Chester (the “Receiver”) files this Status Update. In the October Order, the Court directed the Receiver to include “information regarding the 2021 budget and account for payments of pension and other financial obligations and detail the provision of vital and necessary services as required by Section 703(b) of Act 47.”

On November 3, 2020, consistent with the October Order, the Receiver filed a separate status update and included a copy of a presentation entitled “Receiver’s Assessment of City of Chester’s Financial and Operational Condition.” This Status Update supplements the November 3, 2020 status update.

The 2021 Budget

The Receiver has attached his 2021 budget for the City to this filing as Appendix A. The Receiver and his team have worked diligently to ascertain the City’s true financial condition and to provide a realistic budget that not only meets Act 47’s requirements, but also moves Chester towards fiscal and operational recovery. The Receiver acknowledges that this budget requires

significant shared sacrifice from stakeholders, particularly City residents and City employees, and that much more work needs to be done. Furthermore, the Receiver recognizes the continued uncertainty stemming from the COVID-19 situation and the potential impact that it may have on the City's finances and operations. Nonetheless, the Receiver believes that enacting this budget is critical to implementing the goals of the Recovery Plan.

The Receiver's 2021 budget does not currently include additional supplemental financial assistance from the Commonwealth nor proceeds from any asset monetization. The Receiver is in discussions with the Commonwealth about ongoing financial support to the City and the Commonwealth recognizes that assistance is needed.¹ Additionally, the water system monetization matter remains in litigation. At this point, the Receiver cannot build any such financial assistance into a budget.

The Receiver has discussed this budget with elected City officials and has changed some provisions in his original draft as a result of feedback received. City officials provided the Receiver with an alternative budget concept that relied upon an initial payment from Aqua (the "Aqua Payment") for the sale of the Chester Water Authority's assets (the "CWA"),² reinstated almost all the employees who were furloughed this year, and did not include many of the operational restructuring changes in the Receiver's budget. The Receiver's team reviewed this budget concept and found that it was not balanced in 2021; it would result in a significant deficit in 2022 once the one-time Aqua proceeds were exhausted; and that certain provisions ran contrary to implementing the goals of the Recovery Plan. The Receiver relayed these findings to

¹ The City is also awaiting a response from Delaware County on its CARES Act application.

² The payment from Aqua was an initial \$12 million payment to be non-refundable unless the City sold the CWA to another entity and which is not conditioned on the City being successful in the CWA litigation.