



October 25, 2017

Cynthia F. Leitzell, Chairperson  
Chester Water Authority Board of Directors  
415 Welsh Street  
Chester, PA 19013

Re: Chester Water Authority

Dear Chairperson Leitzell,

As Mayor of the City of Chester, it is my sworn duty to do everything in my power to help my city achieve its incredible potential and to always put the health, safety, and welfare of every Chester resident first. I am proud that Chester is home to many of our region's greatest assets—from our waterfront's industrial and entertainment institutions to our first-class rail, road, and water infrastructure, which has roots as deep as the Commonwealth itself. Indeed, I consider stewarding these assets as one of my most important duties as Mayor, not only for the people of my city, but for our region.

One of the City's greatest assets is its water system, which, since its founding in (and by) the City just over 150 years ago, has powered our industries, grown our businesses, and, most importantly, made the City, Delaware County, and Chester County great places to live and raise a family. What was established by the City as the Chester Water Authority in 1939 has developed over the years from a small water works to one of the largest municipal authorities in the Commonwealth, always evolving to meet the ever-changing needs of the industries and people the water system serves.

Recently, I have watched with great interest the Authority consider another change: to return the water system, after nearly 80 years as a publicly-owned entity, to private ownership. As City-appointed Authority Board members and their colleagues expressed in their unanimous "No" vote on the question of accepting an offer from Aqua America to purchase the water system assets, I also did not and do not believe accepting such an unsolicited and un-vetted offer to be prudent.

I am, however, certain it is in all of our interests to pursue a more comprehensive and cooperative effort to consider how this great asset can best serve our broader community and keep water rates low and water quality high. To that end, my administration has engaged a team of experts to ensure that the interests and rights of the City and its residents are expressed, understood, and incorporated into any evolution of the Authority. The team is led by the law firm Buchanan Ingersoll & Rooney PC, who will be supported by Financial Advisor Steven Goldfield of Municipal Advisor Solutions and HJA Strategies, a strategic consultancy.



Over the course of the past several months, I have been somewhat disappointed by the responsiveness of the Authority and Delaware and Chester counties to some of our basic information requests for what should be uncontroversial documents, such as Authority bylaws and Board actions, as well as operational and financial reports that have already been discussed openly in public and in the press. As we have not received any response to date, I am attaching to this letter a formal Right to Know request for a series of documents that we have every right to see. While the Authority has invoked its right to request a thirty (30) day extension, perhaps you will reconsider the request for an extension. We hope that you will do so much sooner and begin to work collegially with the City's team to analyze and understand that most responsible future for the City, the Authority and its ratepayers.

I have also found, and my team has confirmed, that the Authority's initial appraisal of the City's role in this critical process has been somewhat ill-informed. In short, I believe that the City has been treated, at least thus far, as a passenger in this process when, in reality, we can put ourselves more in the driver's seat, should we so choose. I remind you / the Authority that the City of Chester is the sole municipality which created the Authority and may determine that the project of the Authority, namely, the provision of the supply, treatment, and distribution of water is best carried out by another entity, public or private, and can move to reclaim and transfer operation of the Authority's assets and, subsequently, dissolve the Authority.

Like you, I believe the first mission of the Authority and any water system is to guarantee that every person has access to clean drinking water of the highest quality; and, as Mayor of a city of working people for whom every dollar counts, I want to make sure water rates stay as low as possible and in line with our peers. As you know, the City itself has also been declared financially distressed by the Commonwealth since 1995 and has been working cooperatively with the appointed Act 47 Coordinator to carry out the initiatives and mandates of the 2016 Revised Recovery Plan. In 2014, Act 47 was amended to prevent municipalities from staying in the program indefinitely, as nearly every Act 47 municipality has. Following the timeline established by the revision, the Coordinator will determine in the next several months whether or not the City is ready to exit Act 47, whether it needs as much as three additional years to achieve financial stability or whether to recommend appointment of a receiver.

At the end of the additional three years, if that is the route chosen, the Coordinator must decide if the City is ready to exit Act 47, or whether to recommend that a receiver be appointed. If the City is unable to exit Act 47, a receiver *will* be appointed. The very first thing the receiver will do is to assess and implement where appropriate monetization of assets in order to pay down debt and pension liabilities and it will do so with all the resources of the Commonwealth it has at its disposal. In sum, a receiver would have no



obligation to work with the Authority and would be required to move swiftly and unilaterally to monetize the City's assets for the sole benefit of the City's debtors.

The City plans to exit Act 47 within the next three years and to do so from a position of strength. Some form of monetization of the water system will almost certainly be part of this final stretch of the recovery effort. To be clear, the City is in no way endorsing any *particular* form of monetization, but, rather, we are demanding a careful, comprehensive, and cooperative examination of *every possibility*. Indeed, I am confident that there are many good monetization options that will meet our shared goals of maintaining a top-flight water system with reasonable and competitive rates, as well as offer a fair distribution of proceeds to provide substantial municipal budget relief for the City and, potentially, other municipalities in the service area. Thus, I believe it is important that my team, the Authority, and its professionals begin to work in concert on this process as soon as possible.

Thank you for your attention to this matter and I look forward to discussing this with you at your convenience.

Respectfully,

Thaddeus Kirkland  
Mayor  
City of Chester

cc: Francis J. Catania, Esquire  
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