Chester receiver aims to monetize bankrupt city's water assets. Chester Water Authority vows to fight it

The receiver's office asserts there's an important caveat to their monetization plan: The entities must remain publicly owned.

By Kenny Cooper · August 26, 2024

Chester Water Authority Building (Kenny Cooper/WHYY)

Chester's state-appointed receiver Michael Doweary wants to monetize the bankrupt city's water assets to make up for fiscal shortfalls.

"Monetization has to occur for the city of Chester in order to avoid severe cuts to retiree benefits and city services," said Vijay Kapoor, chief of staff to the receiver.

Doweary submitted a plan of adjustment Monday afternoon to federal bankruptcy court. The city will issue a request for proposals for an outside vendor to operate the Chester Water Authority (CWA), the Stormwater Authority for the City of Chester (SAC) and the city's reversionary interest in the Delaware County Regional Water Quality Control Authority (DELCORA).

Kapoor said there's an important caveat: The water entities must remain publicly owned. Outside vendors would provide an annual stream of revenue to the city in its ongoing operations.

"We think it is important to make clear that the result of this process would be to keep the system in public hands," Kapoor said. "Other points that the receiver really wants to encourage proposals to provide would be maintaining public sector jobs, minimizing impact on ratepayers and also providing a potential regional approach to stormwater management that could help other communities who would voluntarily agree to participate."

The plan of adjustment calls for the termination of the "legal existence" of the CWA and SAC, as well as the dissolution of their boards. Dr. Horace Strand, SAC executive manager, declined to comment. Noël Brandon, CWA board chair, told WHYY News in an emailed statement that he's "deeply troubled by the city of Chester's proposed plan of adjustment."

"The city's attempt to extract funds from CWA to alleviate its bankruptcy situation is seen as a betrayal of CWA's goodwill and the legality of this move raises signifcant concerns," Brandon said.

In a follow-up phone call, Brandon declined to comment on whether CWA would take legal action.

"CWA will continue to fight in whatever way we can to make sure that no detriment comes to our ratepayers," Brandon said. "So, we're not just going to roll over on this one."

Officials from DELCORA did not immediately respond to a request for comment.

"We believe that the city has the right to do this — that the receiver has the right to do this and really needs to press forward regardless of whatever roadblocks may come up," Kapoor said.

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re:	:	Chapter 9
CITY OF CHESTER, PENNSYLVANIA,	:	Case No. 22-13032
Debtor.	:	Judge Ashely M. Chan

PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF CHESTER

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Chester owes more than $40 million to pensioners. The city has no other option, Kapoor says

The city "suffers" from unsustainable retiree pension and health care costs, according to Kapoor. As of January 2023, Chester owed about $40 million to its three pension plans from missed payments.

About 34,000 people reside in the city of Chester. Kapoor said monetizing the water assets is the only option.

"The receiver feels that after nearly 30 years of state oversight, four years of receivership and two years of bankruptcy, that he's got to take action to really move the process along," Kapoor said.

First-term Chester Mayor Stefan Roots agreed.

"This plan is our best opportunity to let Chester be Chester and to ensure we have the revenue needed to meet our obligations and to improve and sustain the services that our residents need and deserve," Roots said in a statement. "The water and wastewater systems are the city's most valuable assets, so it makes sense to utilize them for our residents."

CWA has long asserted independence from the city that created it in 1939. Water officials have also pointed to its water quality record and low rates as a badge of honor.

"The proposed plan is an unjust burden on hardworking ratepayers who have consistently supported CWA's operations," Brandon said. "It raises serious concerns about the potential significant increased water rates that would occur year over year forever [and] the long-term stability and quality of CWA's operations."

Based in the city of Chester, CWA is one of the region's largest public water systems, serving more than 200,000 people across 37 municipalities in both Delaware and Chester counties.

SAC has feuded with both the receiver's office and the mayor in recent months over claims of mismanagement by the authority.

"We are going to continue to have conversations with all parties and all parties in the bankruptcy process," Kapoor said.