

Receiver: Chester's Dire Financial Straits May Lead to Disincorporation



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The official charged with overseeing the City of Chester's dismal finances is predicting the city might reach the point where it will be disincorporated or dissolved.

Michael Doweary, the receiver appointed three years ago by former Gov. Tom Wolf to help pull the cash-strapped municipality out of insolvency, blamed elected city officials who filed appeals to block a bankruptcy and who also appealed court-approved modifications to the receiver's plans.

Chester needs a plan by the end of 2023, or it will cease to exist as a municipality, Doweary said.

Vijay Kapoor, Doweary's chief of staff, called the situation "sobering."

"Chester is really running out of time," Kapoor said. "There needs to be a focus right now on solving Chester's problems. If a comprehensive solution is not found by the end of the year, there may be no alternative for Chester but disincorporation."

If that were to happen, all municipal employees would be fired while the city's elected officials would be dismissed. A state administrator would then oversee the municipality as a disenfranchised territory.

Kapoor claimed that if a bankruptcy lawyer had not brokered a bargain with bondholders, the city would be out of money by this September.

The city's newly completed 2019 audit showed a \$6.8 million loss and a negative \$27.7 million fund balance. Also, the city has not made \$40 million in payments to its pension fund.

Kapoor said Chester would need a \$5 million loan in January to make its payroll.

And in 2025, Chester faces "a significant fiscal cliff," said Doweary.

"If you're out of money, you can't keep the lights on. Chester's financial situation is critical, and it is running out of time to find a solution," he said.

When Kapoor said city officials had not devised their own plan, Mayor Thaddeus Kirkland objected.

“We provided the Receiver with two credible plans,” said Kirkland. Both involved deals with the Chester Water Authority (CWA), including selling it to Aqua PA.

“Offers to monetize (that asset) are not a comprehensive plan,” Doweary countered. “Those were just offers for the system, not a plan.

“Bankruptcy is the only thing to bring all of the creditors to the table.”

Elected officials have been unwilling to cut back on pensions, one of the biggest items of bloat in the city budget. Kirkland said one former employee, whose husband died, told him: “How am I going to make it if you cut my pension?”

CWA lawyer Frank Catania said CWA is the only entity that has offered to help Chester, proposing in 2019 to give the city \$60 million in exchange for dropping any efforts to take over or sell the authority.

“It’s not a solution to sell (CWA) to Aqua,” he said of the city’s current fiscal crisis. Doing that “shifts the burden from Chester to the ratepayers.”

“The city (Chester) is in a bad spot (financially),” Catania said. He asked why the state has not given Chester a deal like those it gave to Philadelphia, Harrisburg, and Pittsburgh, which have also run into financial difficulties over the years.

Last year, the legislature and Wolf approved an extension of the Pennsylvania Intergovernmental Cooperation Authority’s oversight of Philadelphia until 2047.

“The state has overseen Chester for more than 25 years,” said Catania. “I think they have an obligation to help it, and rather than offer to help, they let the problem get much, much worse.

“It’s hard to conclude anything other than it was done on purpose.”

Catania also cited recent remarks by Philadelphia mayoral candidate Jeff Brown, saying many people in state government share his attitude.

A spokesperson for Gov. Josh Shapiro did not respond when asked about state help for Chester.

The state Supreme Court has agreed to hear appeals on the Chester cases. In the meantime, said Kapoor, elected officials have resumed their control of various city departments after a Commonwealth Court judge had ousted them.

In that ruling, Judge Ellen Ceisler blasted city officials for nepotism and self-dealing.

Also, federal grant programs that came online due to COVID are ending, so Chester may have to lay off some 20 people in January.

“We need to have a plan in place by the end of the year,” said Doweary.

About the Author



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