Received 12/1/2025 4:06:05 PM Commonwealth Court of Pennsylvania

Filed 12/1/2025 4:06:05 PM Commonwealth Court of Pennsylvania
336 MD 2020

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

FREDERICK C. SIGER, IN HIS CAPACITY AS SECRETARY OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT Petitioner, v. CITY OF CHESTER Respondent.	No. 336 MD 2020

Status Report

The Receiver for the City of Chester (the "Receiver") files this Status Report per the Court's March 25, 2025, Order to "update the Court on the progress of the implementation of the Modified Amended Recovery Plan, as well as the status of related actions presently pending in the state and federal courts."

The Receiver defines "success" for the City of Chester (the "City") as ensuring that Chester can financially and operationally provide an adequate level of vital and necessary services on an ongoing basis in a manner that is in the best interests of its residents.[1] This definition necessarily requires focusing on the

[1] This definition is consistent with Act 47's criteria for ending the distressed municipality's fiscal emergency as set forth in Section 608(a) of Act 47.

City's short and long-term finances as well as its ability to provide vital and necessary services to residents. The ultimate test of success is whether basic municipal services provided to City residents and businesses are improving.[2]

The Receiver has organized this Status Report to first focus on the City's finances and operations, then to discuss litigation matters, and to conclude with a case study on a specific matter involving deplorable conditions at a Chester apartment complex that was addressed by City, Commonwealth and federal officials.

At the outset, the Receiver notes that the relationship with City elected officials has improved tremendously. Although differences in opinion still occur from time to time (as would be expected), everyone is aware of their respective roles and responsibilities, and the Receiver and City elected officials have been able to work through any issues that have arisen.

[2] This focus on service delivery was also recognized in the City of Detroit's bankruptcy case. In his Oral Opinion on the Record approving Detroit's bankruptcy plan, U.S. Bankruptcy Judge Steven Rhodes noted, "A large number of people in this City are suffering hardship because of what we have antiseptically called service delivery insolvency. What this means is that the City is unable to provide basic municipal services such as police, fire and EMS services to protect the health and the safety of the people here. It is inhumane and intolerable, and it must be fixed." *See In re City of Detroit*, Oral Opinion on the Record (November 7, 2014) at page 35 https://www.mieb.uscourts.gov/sites/mieb/files/news/Oral_Opinion_on_Detroit_Plan_Confirmation_Judge_Rhodes_FINAL_for_Release.pdf

Additionally, the City also currently has stable, professional leadership in its departments and City staff understand their reporting structure which allows them to focus on their jobs. As evidence of the close working relationship between the Receiver and the City, the Receiver personally attends weekly department head meetings with the Mayor and also personally attends weekly standing meetings with individual department heads, the City's Chief of Staff, and other members of the Receiver's team. The impact of this collaborative relationship will also be discussed at the end of this Status Report in regards to addressing life safety issues at an apartment complex in the City.

This improved working relationship is critical because the City faces operational challenges that few other municipalities do to the same degree. From illegal dumping to abandoned vehicles to absentee landlords who let their properties deteriorate, the City and its residents must contend with problems that have been years in the making and are now being addressed.[3] The Mayor and

[3] Should the Court be interested in learning more about Chester's history, the Receiver respectfully suggests reading two books: 1) John Morrison McLarnon III, Ruling Suburbia: John J. McClure and the Republican Machine in Delaware County, Pennsylvania (Rosemount Pub. & Printing Corp. 2003) and 2) Christopher Mele, Race and the Politics of Deception: The Making of an American City (New York University Press 2017). Ruling Suburbia provides a political history of Delaware County, focusing on the impact made by an extremely powerful political machine on the lives of Chester City and Delaware County residents. Race and the Politics of Deception examines how racial issues shaped the City of Chester's development. In the Receiver's opinion, taken together, these two books help explain why Chester has faced such seemingly insurmountable problems relative to other communities that have also experienced a loss of industrial base, population decline and widespread poverty.

City elected officials are focused on quality-of-life issues that impact residents' daily lives, but addressing such issues takes time and resources.

City Finances

This section will discuss two primary areas related to the City's finances: 1) the status of the City's three pension funds and 2) the 2026 City Budget. Additionally, it will inform the Court of the City's efforts to collect delinquent taxes and to complete its audits.

Status of City Pension Funds as of October 31, 2025[4]

The City has three employee pension plans – the Police Pension Plan, the Fire Pension Plan, and the Officers & Employees ("O&E") Pension Plan. The severe underfunded status of these pension plans and the monies owed to them, particularly the Police Pension Plan, were a primary contributor to the City needing to file for bankruptcy in November 2022. Indeed, at the time Receiver Doweary was first confirmed on June 20, 2020, the Police Pension Plan only had approximately $1.75 million in real assets. At that time, the Receiver's team had serious concerns that the Police Pension Plan would run out of money to make pension payments and had considered the possibility of needing to send out IOUs to police pensioners.

[4] This is the date of the most recent pension fund monthly statements in the Receiver's possession.

As of October 31, 2025, the City's Police Pension Plan had real assets of approximately $27.4 million. The Police Pension Plan was able to reach a level of funding that permitted it to invest its assets beginning in June 2024. Previously, due to concerns with the Police Pension Plan's cash flow, all of its assets were in cash. With respect to the other two plans, as of October 31, 2025, the Fire Pension Plan had approximately $38.2 million in real assets and the O&E plan had approximately $5.5 million in real assets.

The City has also made its full annual calculated Act 205 Minimum Municipal Obligation ("MMO") payment each year to its pension funds since 2020 and will do so again in 2025. Prior to receivership, the City did not make the full annual calculated MMO payment between 2013 and 2020. Funding for the full annual calculated MMO for 2026 is also included in the 2026 City Budget.

Notwithstanding the fact that the City has paid its annual Act 205 pension MMOs every year since 2020, as of December 31, 2024 (the date of the last Pension Fund Annual Financial Statements) the City owes $43,549,124 in MMO payments and interest payments that were not paid to the City's police, fire and Officers & Employees (O&E) pension plans in previous years. The $43,549,124 amount is a debt or pension obligation that the City owes to the pension funds and is over and above the annual Act 205 pension MMO contribution. Because Act

205 considers this $43,549,124 as a "receivable," the actuary assumes that this money is already in the pension funds for the purposes of the pension valuation even though, in reality, it is not. The City is currently unable to pay these outstanding debt or pension obligations to the pension fund, which is required under Act 205, and which constitutes a vital and necessary service under Act 47. Furthermore, the City has no viable means of making such a payment at the moment as such a payment represents approximately 71.4% of the City's total annual general fund revenues.

Of the $43,549,124 receivable amount, $38,158,351 is owed to the Police Pension Plan. As of December 31, 2024, the Police Pension Plan reported $57,920,657 in assets, but $38,158,351 of that amount was unpaid receivables and interest leaving $19,662,306 in real assets to make pension payments. As of December 31, 2024, the Police Pension Plan had a Total Pension Liability of $127,711,732, meaning that the plan was 15.4% funded on a market value basis.

The Fire Pension Plan had $35,991,051 in total assets as of December 31, 2024, but $2,479,172 was in receivables and interest leaving $33,511,879 to make pension payments. As of December 31, 2024, the Fire Pension Plan had a Total Pension Liability of $55,083,320, meaning that the plan was 60.8% funded on a market value basis.

The O&E Pension Plan had $7,855,380 in total assets as of December 31, 2024, but $2,911,601 was in receivables and interest leaving $4,943,779 to make pension payments. As of December 31, 2024, the O&E Pension Plan had a Total Pension Liability of $7,904,591, meaning that the plan was 62.5% funded on a market value basis.

As of December 31, 2024, all three plans had total real assets of $58,117,964 and a Total Pension Liability of $190,699,643, meaning that the aggregate funding status of the plans was 30.5%.

The Receiver convened a workgroup consisting of City staff, the Mayor and representatives of the City's three unions to discuss issues facing the pension funds. The group has agreed to pursue having the Pennsylvania Municipal Retirement System (PMRS) administer the City's pension plans as opposed to the City itself.[5] The Receiver is currently working with the City and its unions to explore this process. The Receiver agrees that having PMRS administer the pension plans would benefit the City by reducing the significant administrative burden managing

[5] For example, in Act 44 of 2009, the General Assembly included a provision that required the City of Pittsburgh's pension funds to be administered by PMRS in the event that the plans were in level III distress as of January 1, 2011.

the pension plan places on it and would benefit employees and retirees by having a very experienced public entity administer their pensions.

2026 City Budget

On November 26, 2025, City staff presented the Mayor and City Council with the recommended 2026 budget for Council's first reading. Given general economic uncertainty, economic uncertainty specific to the City and the City's financial condition, the budget can be properly described as "bare bones." The Receiver will highlight key budget issues for the Court.

With respect to general economic uncertainty, the City and its residents are at the mercy of what is occurring nationally. At the moment, from a revenue perspective, the City has not yet seen a reduction in earned income tax collections which could signify increased unemployment. However, the City must be cautious in its budgeting for 2026.

Additionally, this is the first year that the City has not had to rely upon a tax revenue anticipation note (TRAN) from DCED in order to pay its bills while it awaits property tax revenue collections. In 2022, 2023 and 2024, the City received TRANs (interest free) from DCED of $5 million which it paid back in full during the year. That amount was reduced to $2 million in 2025 and will be

$0 in 2026. This is significant, since the City nearly ran out of money to make payroll in November 2020.

Residents, however, are suffering. Given the high incidence of poverty among Chester residents, many residents receive food assistance through SNAP and/or health insurance through Medicaid. The national uncertainty regarding SNAP caused significant issues for many residents. Additionally, with new Medicaid requirements, and the apparent expiration of subsidies for health care plans via the health care exchanges, many residents may lose their health care coverage. This food and health insurance insecurity only increases the stress of residents living in poverty.

The Receiver notes these issues because they impact the choices the City has to balance its budget and fund services. With Chester already having the second highest earned income tax rate in the Commonwealth (behind only Philadelphia), the Receiver is loathe to increase taxes unless absolutely necessary. Further, even without City tax or fee increases, residents have experienced tax or rate increases from other governments, such as a 23% increase in 2025 for Delaware County taxes, and an upcoming 14% increase in water rates from the Chester Water Authority in 2026.

The City also faces specific economic uncertainty. First, the City is awaiting a decision by the Third Circuit Court of Appeals involving annual debt service payments of approximately $3.2 million that it has been able to avoid since filing for bankruptcy.[6] Should the Third Circuit overturn the Bankruptcy Court's decision, the City would face significant fiscal problems as the City has not budgeted that debt service amount.

Second, the Chester-Upland School District (CUSD), which is also in receivership, has announced that it is moving forward to collect its share of the earned income tax that the City receives. Assuming that it complies with the proper process, CUSD will be entitled to a portion of the EIT that the City currently collects. The City estimates one full year of CUSD's share would divert approximately $1.6 million that the City had been receiving to CUSD. It is unclear at this time whether or when this may take effect. The City has budgeted assuming that CUSD would begin receiving these taxes effective July 1, 2026.

The main drivers for the City's 2026 proposed budget are, as for most cities, personnel related. For the purposes of this Status Update, the Receiver will highlight the significant cost drivers which are active health care, retiree health care, pensions, and workers compensation costs.

[6] The total amount avoided is approximately $10 million, which has allowed the City absorb the loss of the TRAN funds and to avoid significant personnel cuts.

Active Employee Health Care

The City is self-insured for active employee health care. This means that the City effectively pays the costs of its employees' health care services based upon the rates negotiated by the City's third-party administrator. The City also has stop loss insurance to address catastrophic cases which provide coverage once an individual claimant incurs a specific dollar amount of costs.

City employees make health care premium contributions towards the cost of their health care. Non-union employees are offered two health care plans – a "base" plan designed so that there is not an employee premium contribution and a "buy-up" plan for which employees must pay the difference between the plan's premium costs and a pre-determined cap.[7] In 2026, the annual employee contributions for non-union employees in the "buy-up" plan are as follows:

[7] The "base" plan is designed so that it costs the same as the pre-determined cap. The non-union employee premium structure is based on WF01 of the Recovery Plan. That structure sets forth a maximum amount (the "cap") for which the City is responsible. The employee is responsible for the difference between the cost of the plan and the cap. The original "cap" amount was set in 2021 as the then-current cost of the City's health care plan. The "cap" was then increased by 5% each year. Because unionized employees have not negotiated new collective bargaining agreements, this structure has not been applied to them, though WF01 requires its inclusion in all new collective bargaining agreements.

Total Cost and Contributions for Non-Union Employee "Buy-Up" Plan (2026)

Coverage	Annual Total Cost	Annual City Contribution ($)	Annual Employee Contribution ($)	City Contribution % of Total	Employee Contribution % of Total
Employee	$16,107.84	$14,088	$2,019.84	87.5%	12.5%
Employee + Child(ren)	$29,155.20	$25,704	$3,451.20	88.2%	11.8%
Employee + Spouse	$36,887.28	$32,268	$4,619.28	87.5%	12.5%
Family	$49,129.32	$42,672	$6,457.32	86.9%	13.1%

Unionized employees receive the "buy-up" plan and make premium contributions based on amounts set forth in their expired collective bargaining agreements. For 2026, unionized employees will make the following annual contributions:

Total Cost and Contributions for Union Employee Plan (2026)

Coverage	Annual Total Cost	Annual City Contribution ($)	Annual Employee Contribution ($)	City Contribution % of Total	Employee Contribution % of Total
Employee	$16,107.84	$15,302.52	$805.44	95%	5%
Employee + Child(ren)	$29,155.20	$27,687.44	$1,457.76	95%	5%
Employee + Spouse	$36,887.28	$35,042.88	$1,844.40	95%	5%
Family	$49,129.32	$46,672.92	$2,456.52	95%	5%

As can be seen from the previous tables, the unionized employee contributions are much lower than the non-union employee contributions for the

same health care plan. Additionally, the health care employee premium cost structure and health care plan design for unionized employees have not changed since receivership began due to the requirement to maintain the status quo during the expiration of the collective bargaining agreements. This plan design is extremely expensive with family coverage costing nearly $50,000 per employee.

Retired Employee Health Care

City retirees are either covered by a plan which is self-insured by the City or a fully-insured Medicare Advantage plan. The vast majority of City retirees receiving retiree health care are former City police officers or firefighters. The plans offered to most of the retirees are much richer and, thus much more expensive, than the plans offered to active employees. Indeed, as will be seen from the tables on the next page, the annual cost for retiree and spouse is approximately $40,000.

The City spends more for retiree health care than active health care. From January 2025 through September 2025, the City spent approximately $2,854,625 on retiree medical health care (157 members) compared to $2,272,873 on active employee medical health care (201 members). These amounts do not include the

approximately $1.1 million for retirees on the fully-insured Medicare Advantage plan for 2025.

Total Cost and Contributions for Select POS Plan (Most Retired Police Officers) (78 Members) (2026)

Coverage	Annual Total Cost	Annual City Contribution ($)	Annual Retiree Contribution ($)	City Contribution % of Total	Employee Contribution % of Total
Retiree	$17,859.72	$16,966.80	$893.04	95%	5%
Retiree + Child(ren)	$32,326.08	$30,709.80	$1,616.28	95%	5%
Retiree + Spouse	$40,899	$38,854.08	$2,044.92	95%	5%
Family	$54,472.32	$51,748.80	$2,723.64	95%	5%

Total Cost and Contributions for Select EPO Plan (Most Retired Fire Fighters) (32 Members) (2026)

Coverage	Annual Total Cost	Annual City Contribution ($)	Annual Retiree Contribution ($)	City Contribution % of Total	Employee Contribution % of Total
Retiree	$17,251.80	$16,389.24	$862.56	95%	5%
Retiree + Child(ren)	$31,225.80	$29,664.48	$1,561.32	95%	5%
Retiree + Spouse	$39,506.64	$37,531.32	$1,975.32	95%	5%
Family	$52,618.08	$49,987.20	$2,630.88	95%	5%

The 2026 budgeted amount for active health care and retiree health care for the self-insured portion (including administrative fees) is approximately $10.4 million. The budgeted amount for the Medicare Advantage plan is an additional $1,212,000.

Pensions

The actuarially determined MMOs for 2026 are $7,205,203 for police, $3,256,426 for fire, and $209,922 for Officers & Employees (all other City employees who are entitled to a pension). The 2026 budget includes those full amounts.

The City, however, will contribute more than the 2026 MMO amounts due to its use of the distressed pension EIT as authorized by Act 205. All in, the City is budgeting $13.8 million for pension fund contributions in 2026. Since 2021, the City's annual pension contributions have grown by $4.3 million or 44.7%.

Workers' Compensation

The 2026 budget includes $2.7 million for workers' compensation premiums to the State Workers Insurance Fund ("SWIF"). This represents a 16% increase over 2025.

$2.7 million is an extremely high cost for workers' compensation for a city of Chester's size. The City's insurance broker has been working with the City to attempt to better manage claims. However, previous years' experience have kept workers' compensation premiums very high.

Delinquent Tax Collection Efforts

The City has placed a renewed focus on collecting past-due real estate taxes and trash collection fees. The City has engaged a company called E-Collect to contact property owners with past due balances and to pursue those claims up to and including having properties sold at sheriff's sale. The Receiver, his staff, and City staff meet biweekly with E-Collect to measure progress and discuss issues. In 2025, these efforts have resulted in the collection of approximately $1 million in delinquent real estate taxes. These efforts will continue in 2026.

Audits

One area which requires improvement is the pace at which the City's audits are being completed. On Wednesday, November 26, 2025, the City released its audit for 2021. Part of the difficulty that the auditors have faced is that the City moved to a new financial reporting system in 2021. The Receiver has been meeting weekly with the auditors for months to advance the process, but it has been painfully slow.

Work on the 2022 audit has begun. The Receiver is hopeful that the 2022 audit will be completed much faster given the experience with 2021 and the relative stability of City finance department staff. The Receiver will have a better

sense of timeline for completion early in 2026. The weekly meetings with the auditors will continue.

City Operations

The Receiver now turns to highlighting some of the key operational areas in the City. These accomplishments come as a result of City elected officials, City staff, community members, and Receiver team members working collaboratively to achieve them despite the City being in bankruptcy. The accomplishments listed here are a testament to the hard work of all of these various individuals.

Police

The City experienced an 85% year-over-year reduction in homicide rates in the June-August summer period. This reduction also coincided with the City's Safe Summer Initiative, a collaboration with the Delaware County District Attorney's Office and the Chester Police Department. The initiative placed police personnel on foot patrol duties to strengthen relationships with the community, deter crime with police presence, and allow the community to feel safe while enjoying the warm weather. In addition, the initiative organized a summer food program for Chester youth, opened Memorial Park Pool for daily recreation, and provided families with

Philadelphia Union tickets, among many other community events in collaboration with local businesses and nonprofits.

Ambulance Services

Despite losing ambulance coverage as a result of a local hospital closing after bankruptcy, the City was able to engage the services of VMSC Emergency Medical Services, a non-profit ambulance provider who is delivering as good, if not better, levels of service and with lower response times.

Fire

The City took possession of a 2025 Pierce Enforcer fire truck. The City also will use ARPA money to take possession of another apparatus in 2026.

Garbage Collection Contract

The City bid out its contract for trash pickup and recycling, resulting in a five-year contract with a company that will provide additional services for less than the City is paying now.

Public Works Garage

Using mostly funds received through the American Rescue Plan Act ("ARPA"), the City has broken ground on a desperately needed new building for its public works employees and equipment. This project is one of the largest municipal construction projects in the City's history. The project will include an office, garage, salt shed, and parking canopy.

The City is closely monitoring progress on this project. In addition to a City contractor assigned to track progress and resolve issues, the Receiver and City Chief of Staff meet bi-weekly to receive updates.

Litigation Update

State Court Litigation

In re Chester Water Authority Trust, 46 MAP 2022

Oral argument was held in the Supreme Court of Pennsylvania in *In re Chester Water Authority Trust*, 46 MAP 2022 on May 14, 2025. The City is waiting on a final determination in the matter.

Federal Court Litigation

In re City of Chester, 24-3144 (3d Cir.)

PHHC LLC d/b/a Preston Hollow Community Capital ("PHHC") holds certain bonds issued by the City prior to the City's bankruptcy filing pursuant to a City ordinance and trust indenture. The City filed an adversary proceeding in Bankruptcy Court seeking the turnover of certain revenues received by the U.S. Bank Trust Company, National Association (the "Indenture Trustee") and to avoid the security interests of PHHC, the Indenture Trustee, and Delaware County.

All parties moved for summary judgment in the adversary proceeding. In a decision dated November 3, 2023, the Bankruptcy Court (1) granted the City's motion for summary judgment on all counts and (2) denied the other parties' cross motions. By order entered on the same day, judgment was entered in favor of the City and against the Indenture Trustee in the amount of $1,445,242.41, and the Bond Parties and Delaware County were directed to turn over to the City all revenues received after the bankruptcy filing—subject to an Escrow and Stay Order the Bankruptcy Court issued given the "novel and complex" issues in this case. The Bond Parties directly appealed to the Third Circuit pursuant to 28 U.S.C. § 158(d)(2).

The Third Circuit Court of Appeals held oral argument on September 30, 2025. The City is waiting on a final determination in the matter.

Federal Court Matters Involving the Chester Water Authority ("CWA")

There are a number of ongoing matters that involve CWA that have emanated from the bankruptcy process pending at various federal court levels. The Receiver notes these matters individually as follows:

Chester Water Authority v. City of Chester, Pennsylvania (No. 25-2783) (3d Cir.)

In connection with the City's request for proposals (the "RFP") for the monetization of the City's water assets which include CWA, CWA issued requests to public entities under the Pennsylvania Right to Know Law, 65 P.S. §§ 67.101 et seq. ("RTKL"). In addition to the standard right to know form, CWA also included a letter to those public entities that included the following language:

> "The purpose of this right-to-know law request is to determine whether your agency is participating in efforts to dissolve the CWA's board of directors, terminate the CWA's legal existence, and monetize/privatize the CWA. We understand that you may have been solicited to participate in this conspiracy with the receiver to effectuate the hostile takeover of the CWA by engaging in this sham RFP process. If true, why would you be involved in such an effort to depose the board, seize the assets, and terminate the governance of a well-run, award-winning municipal authority? In addition to its other legal duties to its ratepayers, the CWA bond indenture provides that the CWA covenants will at all times maintain its existence and franchises and defend its right to own and operate the water system for the benefit of the bondholders and the users of the water system. The CWA takes this commitment seriously."

The City filed a motion seeking enforcement of the automatic stay under Bankruptcy Code § 362(a)(3), on the grounds that the RTKL requests sought to undermine the RFP process.

On February 13, 2025, the Bankruptcy Court entered an order granting the City's motion and enforcing the automatic stay. During the February 12, 2025 hearing on the same matter,[8] the Bankruptcy Court stated,

> So let me tell you why I scheduled the hearing today. I scheduled the hearing today because I was concerned by certain statements made, in Ms. Daluz's [Bankruptcy Counsel for the City] motion for this expedited hearing, about actions taken by CWA in connection with potential bidders for the RFP.
>
> Frankly, they were kind of crazy questions, things about, like, conspiracy under the right-to-know or freedom-to-know act. You know, you were asking all kinds of very strange questions.

CWA appealed and on April 17, 2025, the City moved to dismiss CWA's appeal without leave to file a further interlocutory appeal from the amended order. On September 4, 2025, the District Court granted the City's motion to dismiss CWA's appeal. On September 12, 2025, CWA filed a notice of appeal from the District Court's Order granting the City's motion to dismiss.

CWA filed a Motion to Expedite the Appeal on October 3, 2025. The City filed a Motion to Dismiss and an Opposition to the Motion to Expedite on October

[8] The full transcript from the hearing may be found here: dk000707-0000.pdf. The Bankruptcy Court's statement is found on pages 5 and 6 of the transcript.

14, 2025. CWA filed a response to the City's Motion to Dismiss on October 24, 2025. The City filed a Reply in Support of the Motion to Dismiss on October 31, 2025. The parties await a decision.

Chester Water Authority v. City of Chester, Pennsylvania (No. 25-01115-MRP) (E.D. Pa.)

In connection with the City's RFP process, the City filed a motion seeking to conduct a 2004 examination and obtain documents from CWA under Federal Rule of Bankruptcy Procedure 2004, which the Court granted on February 13, 2025 (the "2004 Order"). On February 27, 2025, CWA appealed the 2004 Order.

CWA filed in the District Court a motion for leave to appeal the 2004 Order and a motion for stay pending appeal of the 2004 Order. The City filed objections to both motions. The motions are fully briefed. The District Court has not scheduled oral argument or otherwise ruled on the motions.

Chester Water Authority v. City of Chester, Pennsylvania (No. 2:25-02136-MRP) (E.D. Pa.)

The Bankruptcy Court entered an order on April 11, 2025 (the "Usage Order"), which allows the City to share documents produced by CWA under the 2004 Order with participants in the City's RFP process, subject to executed nondisclosure agreements.

CWA filed a motion for leave to appeal the Usage Order, a motion for direct appeal to the Third Circuit, and a motion for stay pending appeal of the Usage Order. The City filed objections to all three motions. The motions are fully briefed. The District Court has not scheduled oral argument or otherwise ruled on the motions.

Chester Water Authority v. City of Chester, Pennsylvania (No. 2:25-06085-MRP) (E.D. Pa.)

On September 19, 2025, CWA filed a motion seeking an order from the Bankruptcy Court determining that the automatic stay does not apply to CWA's efforts to modify an order from Orphan's Court permitting the City to conduct the RFP process or alternatively seeking to lift the automatic stay to allow CWA to modify the order and terminate the RFP Process. On October 9, 2025, the Bankruptcy Court entered an order denying CWA's motion. On October 23, 2025, CWA appealed the Bankruptcy Court's order. Briefing has not yet begun.

Clark Hill PLC v. City of Chester, Pennsylvania (No. 2:25-06338-MRP) (E.D. Pa.)

CWA's counsel, Clark Hill PLC, appealed the Bankruptcy Court's October 23, 2025 order imposing sanctions on it, and awarding the City's attorneys' fees in the amount of $135,575.00 due to failure to comply with the Bankruptcy

Court's 2004 Order by not timely producing responsive documents and refusing to supplement document production. Briefing has not yet begun.

Adversary Proceeding in Bankruptcy Court

City of Chester v. PFS VII LLC (Adv. No. 24-00097-AMC) (Bankr. E.D. Pa.)

Prior to the City's bankruptcy filing, the City and PFS VII LLC ("PFS") had entered into an agreement for PFS to provide certain parking services for the City, which agreement was rejected by the City at the start of the bankruptcy case. On July 17, 2024, the City filed a complaint against PFS seeking declaratory relief, a determination of the validity and extent of liens asserted by PFS against City assets, and related relief, including disallowance of PFS's proof of claim filed in the bankruptcy in the amount of $13,603,696.00. On August 18, 2025, PFS filed a Motion to Dismiss and on December 12, 2024, the Bankruptcy Court granted the motion to dismiss with respect to two counts in the Complaint.

The parties are currently engaged in discovery which is scheduled for completion on or before January 30, 2025. The Court has not set a trial date.

Banneker Case Study

The Receiver includes the City's experience with Benjamin Banneker Plaza (the "Banneker") to educate the Court on the uniquely acute challenges the City and its residents face, as well as an example of how the current collaborative relationship enabled City staff, the Mayor, the Receiver's team, and County, Commonwealth and federal officials to work together to address what could have been a disaster.

On May 7, 2025, City codes officials went to Benjamin Banneker Plaza, a 50 year-old, six-story apartment complex in the City to determine whether previous codes violations had been addressed. The officials found that one of the two elevators was out of service, the other elevator's state certification was missing, the fire alarm was not working, the fire suppression system was inoperable, and that there was raw sewage pooling in the basement. Additionally, within apartments, officials found mold on walls, mice droppings, inoperable stoves, broken electrical sockets and inoperable toilets.

The Banneker, while privately owned, receives funding through the federal Department of Housing and Urban Development's ("HUD") Section 8 program. As a result HUD also inspects these buildings. The Banneker had received a score

of 6 out 100 on its NSPIRE inspection, a staggeringly low score where failure was below 60.

The City faced a dilemma. The City's main recourse was to condemn the building. However, this would have meant that the approximately 160 people who lived there – including many elderly and children – would be without a place to stay as it was not clear under the law whether the property owner would have had to pay to relocate residents. Additionally, because the Section 8 funds were attached to the building (i.e., were not resident vouchers), residents who left the building would have likely lost the HUD subsidy. Thus, if the City condemned the building, people would have been without a place to stay, likely on their own financially, and possibly without future subsidized housing.[9]

Internally, the Mayor met with City staff and the Receiver to determine a course of action. Given the catch-22, the group determined that the best course of action was to use all City resources available to ensure that the building owner complied with the law by addressing the problems, but to have a backup plan in the event that the building had to be condemned and residents had to move, even

[9] A similar situation occurred recently in another Delaware County jurisdiction where the building was condemned and residents were forced to vacate. See Residents of Condemned Apartment Building in Delaware County, PA, Search for Answers After Losing Homes at https://www.cbsnews.com/philadelphia/news/turner-apartments-glenolden-pennsylvania/ (Nov. 17, 2025).

though the City had no legal responsibility to find residents alternate housing or shelter.

The Fire Commissioner contacted the American Red Cross to seek its assistance with setting up a temporary shelter. While the Red Cross could assist in the event that the building needed to be evacuated as part of an unplanned emergency (i.e., a fire), a planned evacuation fell outside of its response guidelines and thus the City contacted federal, state and county resources who met with City representatives on a weekly basis to monitor the situation and to stand ready to act if necessary.

In the meantime, the City's building code official and other code officials were trying to contact building management to inquire about repairs to the life safety issues at the building. City officials would often receive conflicting and sometimes completely inaccurate information. For example, the building code official was told by a building representative that the owner had a contract with an elevator repair company to fix the building's elevator, but when the building code official called the company, the company told him that not only was there not a contract, but also that the owner was in arrears to the company for prior payment and that the company would not make any future repairs until those payments were made and a deposit was made on future repairs.

The Banneker owner, like many property owners in Chester, did not live in the City. In fact, initially, the City did not know who specifically owned the building since it was registered to an LLC. This is not unusual for owners who own multiple properties, however it makes enforcement for code violations difficult since it is difficult to serve such entities.[10]

The City's Licenses and Inspections Department and its Building Code Official made multiple visits to the building to monitor progress. The City's Health Department held informational sessions for Banneker residents, spoke with residents to determine specific needs and also took a census of Banneker residents in the event that the building needed to be condemned. The City's Fire Department inspected the building and ensured that the owner installed a fire watch during the time that the fire alarm was inoperable. The City Solicitor's Office provided legal advice, prepared and filed court documents and negotiated with the owner's counsel to reach an agreement that addressed the life safety issues. The Mayor, City Chief of Staff, and Receiver personally attended internal meetings to receive updates and give direction.

[10] HUD, too, initially did not know the actual building owner. On a Zoom call among HUD representatives and City representatives, an individual who gave his name as "Steve" (and whose camera remained off throughout the call) purported to be a representative of the building owner. On the call, HUD asked "Steve" to contact the building owner to join the call and "Steve" said that he would do so and remained on the call. After a long period on the call, HUD asked "Steve" whether he was able to contact the owner. Despite staying on the call to the end, Steve never spoke again. Later, the parties learned that "Steve" was actually the building's owner.

As it became clear that repair progress was not being made, the Mayor directed the City Solicitor to file an action in the Court of Common Pleas of Delaware County seeking the Court to compel the building to fix the life safety issues. On August 14, 2025, the Solicitor filed an Emergency Petition for Preliminary Injunction and the case was assigned to Judge Anthony D. Scanlon.

Judge Scanlon brought the parties together on August 19, 2025, and strongly encouraged them to find a way to resolve the life safety issues. Over the next few weeks, the building owner began to make repairs. Judge Scanlon held a status conference on September 15, 2025, to determine the progress of repairs made and work performed at the Banneker. The City and the building owner reached an agreement setting forth the issues that needed to be addressed and the Court issued an Order regarding that agreement on November 7, 2025.

The Receiver hopes this case study highlights to the Court the unique needs that the City and its residents have. During the course of this receivership, we have consistently been told in various situations that people have "never seen something so bad" as they saw in Chester. This was one of those situations. Had the City simply condemned the building, it would have made 160 people homeless. Instead, through internal cooperation among City departments, support from other levels of government, and creativity and perseverance, the City was able to address

the needs of its residents. This matter also demonstrates that disasters avoided are as important as accomplishments made, even if they may not get the same attention.

_/s/ *Vijay Kapoor*_____
Vijay Kapoor,
Receiver for the City of Chester