EXHIBIT C

Chester's Financial Situation, Options for Recovery, and Bankruptcy

MFRAC Meeting
September 13, 2022

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Purpose of This Presentation

- Over the last two years, the Receiver's team has worked to better understand the full extent of Chester's financial problems and to develop options to address these problems so that Chester becomes financially solvent and can provide vital and necessary services to its residents.
- This presentation outlines the severe financial challenges Chester faces now and in the very near future and outlines difficult options to address them.

Putting Things in Context

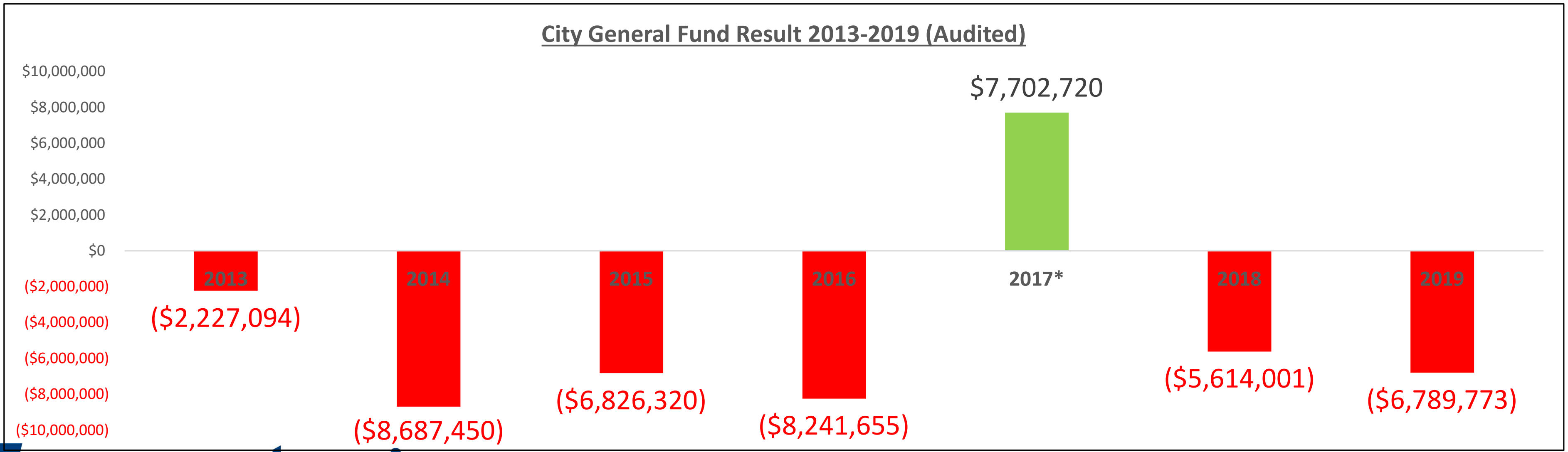
- Members of the Receiver's team have worked in many other financially distressed communities in Pennsylvania and with communities that have severely unfunded pension plans. Without a doubt, Chester's financial situation is by far the worst that we have encountered.
- The options that we will outline in this presentation are severe and we did not come to them lightly. However, given the City's grave financial condition, and its limited options, we have no choice but to raise them.

Receiver's Main Goal: Fix Chester's Problems For Real

- The Receiver's goal is to do everything he can in his power to truly address Chester's financial and operational problems so that Chester gets better **for real**.
- The City of Chester has been in some form of state oversight for over 27 years and, unlike other cities who have exited oversight, Chester's situation has gotten worse. A significant reason for this is that difficult steps that should have been taken earlier, were not. COVID-19 hurt Chester, but its problems existed before then.
- Chester's problems will get even worse if not confronted and it is better to be transparent about Chester's true situation and what actions need to be taken to help the City really recover.

Chester's General Fund Results 2013-2019

Although the effects of COVID-19 hurt the City financially in 2020, Chester's financial problems began before the pandemic. The City has been running significant annual general deficits since 2013. The positive result in 2017 came as a result of a $12 million borrowing (think cash advance) and a $2 million loan from DCED to avoid running out of money. However, as will soon be shown, the problem was even worse because the City was not making its required annual pension payments from 2014 to 2019 either.



Source: City Audits 2013-2019 (draft)

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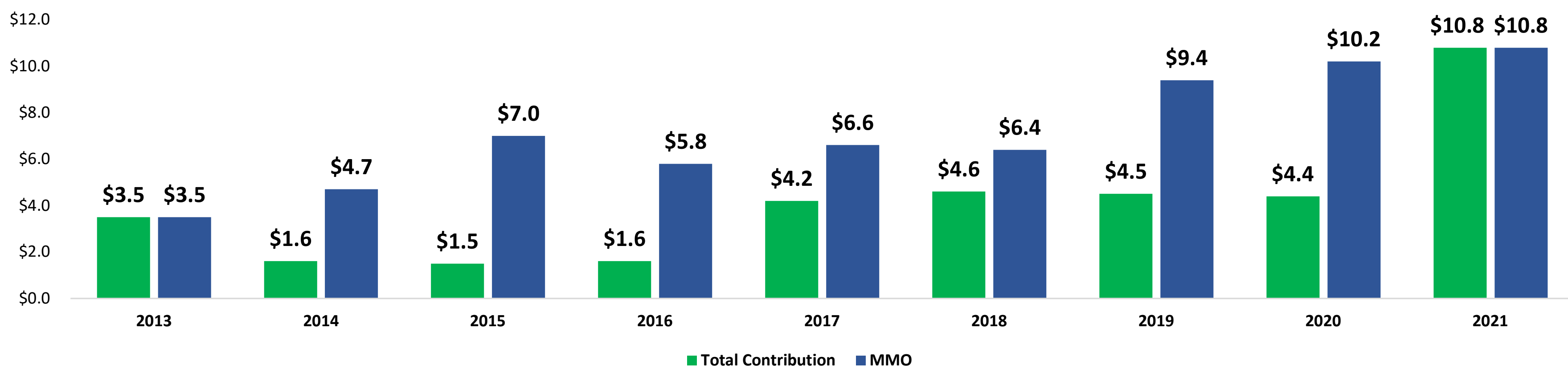
City Missed Pension Payments

The City did not make its annual legally required pension payments (called MMOs) between 2014 and 2020. It contributed $10.8 million 2021, which was the MMO "on paper" for 2021; however, these MMO amounts assume that the receivables are already in the plan when in reality they are not. The receivable amount is approximately $39.8 million as of December 31, 2021, meaning it is even higher now due to interest.

City Contributions Relative to MMOs ($ Millions)
2013-2021

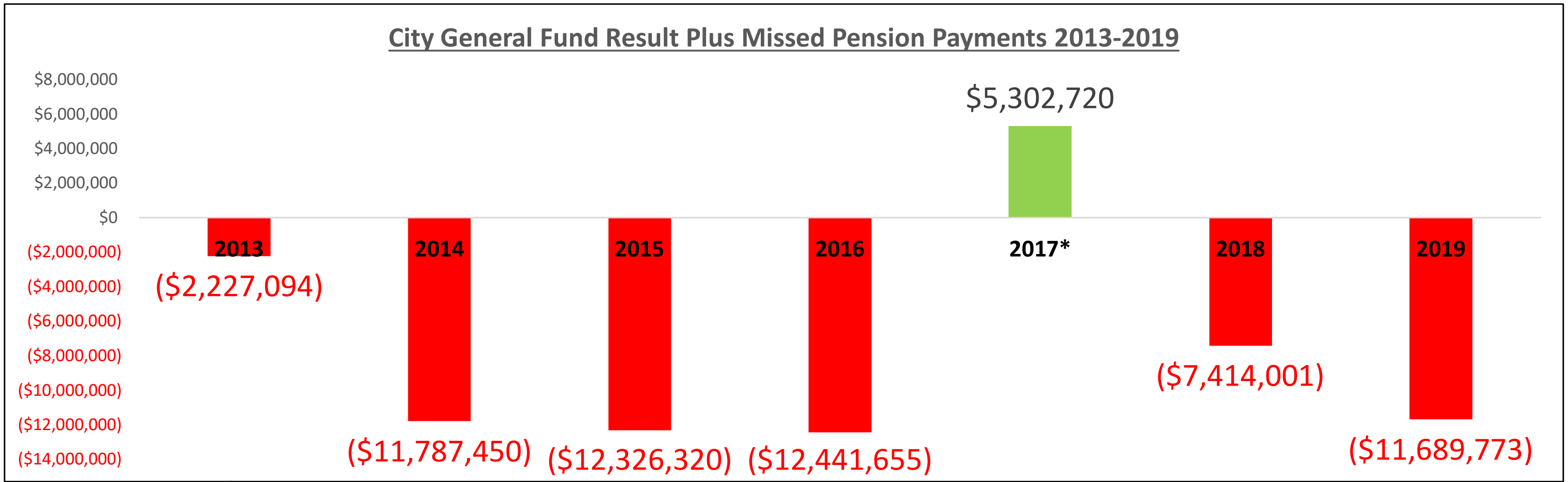


What Are Pension Receivables?

- The approximately $39.8 million in receivables owed to the pension plans is not the same as the unfunded liability that many pension plans have. Let's use the following example to better explain it.
- Assume you have a $100,000 remaining on a mortgage on your house and your monthly mortgage payment is $1,000. In this example, a pension plan's unfunded liability is the amount remaining on your mortgage (the $100,000). The receivable, however, is like your monthly pension payment. If you don't make your monthly pension payment, you have to pay penalties and interest. The approximately $39.8 million in receivables is like missed mortgage payments (except to a pension fund).

Chester's General Fund Results 2013-2019 Including Missed Pension Payments

When including the missed pension payments from 2014-2019, the City's general fund results are even worse. Again, all of these results occurred prior to the COVID-19 pandemic in 2020 and the positive result in 2017 came as a result of a $12 million borrowing (think cash advance) and a $2 million loan from DCED to avoid running out of money.



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* 2017 is only positive because City did a borrowing.

Why Hasn't Chester Run Out of Money Yet?

- The City wasn't paying its MMOs (reflected in pension funds)
- Assistance from the Commonwealth
  - $5 million no interest loan from DCED that helped the City avoid running out of cash. Note that these funds are for all Act 47 cities, so if the City does not pay them back, other Act 47 cities will suffer
  - In 2017, $2 million emergency loan from DCED when City was on the brink of running out of cash
  - Other grants
- American Rescue Plan Act (ARPA) funds

What Needs to Be Done?
Recurring Revenues Cover Recurring Expenses

- For Chester to be financially solvent, its annual revenues must cover its annual expenses. Otherwise, the City will run out of one-time money to pay recurring costs.
- Although one-time revenues, such as from monetization, are critical, they only help this particular issue if those one-time revenues can reduce the City's annual expenses. This could happen by making payments to pension funds that would reduce City annual pension payments.
- This means that monetizing the City's water system is a <u>necessary but insufficient</u> action to make Chester financially solvent.

Why Must Recurring Revenues Cover Recurring Costs?

- Because if they don't, you eventually run out of money even if you have a large sum of money
- Here's an example: Assume you inherit $50,000 from a relative but each year you spend $10,000 more than you earn. Instead of cutting costs, you just take $10,000 each year from your $50,000 inheritance. At the end of 5 years, you'll have spent your entire inheritance and you will not have the money to pay for all of your spending.
- The same idea applies to a city. If it gets a large lump-sum payment and uses it to plug annual operating deficits, eventually it will run out money from the payment and will be stuck with a huge deficit and no way of paying it. It's a "kick the can" approach.
  - Note: Chester has experienced a similar situation. In 2017, the City borrowed approximately $12 million to pay general fund expenses and received a $2 million emergency loan from DCED. However, it did not reduce its expenses to an affordable level. Consequently, the City must pay off these loans and is still in a fiscal crisis.

Baseline 5 Year Projection

Baseline 5 Year Projection

- In order to provide a starting point to understand Chester's current and near-term financial situation, we developed a baseline 5-year revenue/expense projection. We'll refer to this as the Baseline projection.
- The Baseline projection shows us what happens to revenues and expenses over the next five years assuming a "status quo" situation which means that there are no significant changes to revenues (such as tax or fee increases or decreases) or expenses (such as layoffs). Think of the Baseline projection as if the City's revenues and expenses are on "autopilot."
- The Baseline projection helps us figure out how big the gap is between revenues and expenses, and what is causing that gap, so that we can come up with possible solutions to close the gap.
- We are constantly reviewing the City's actual revenue and expenditure data in order to confirm the growth assumptions we use. Therefore, these numbers may change in the future.

Major Assumptions of Baseline Projection

- City real estate tax remains at 9.4041 mills
- City resident earned income tax remains at 3.75% (2nd highest in PA)
- City commuter earned income tax remains at 2.75% (2nd highest in PA)
- No change in casino or Covanta revenue sharing arrangements
- City headcount remains the same, including police and fire (no layoffs)
- Salaries increase by 3%; health insurance costs rise between 5% and 20% per year
- No new debt, no programs, no new positions (Chief Financial Officer comes back in-house)
- $3 million per year for capital projects

Not in the Baseline

- Possible earned income tax diversion to Chester Upland School District (lost annual revenues between $1.5 million and $1.7 million)
- Health insurance premium costs grow faster than projected
  - City on pace to spend $1.5 million more than what was budgeted in 2022
- Potential costs associated with Advanced Life Support (ALS) ambulance services
- Cost of any large, emergency repairs to City-owned buildings or vehicles, which are in very poor condition

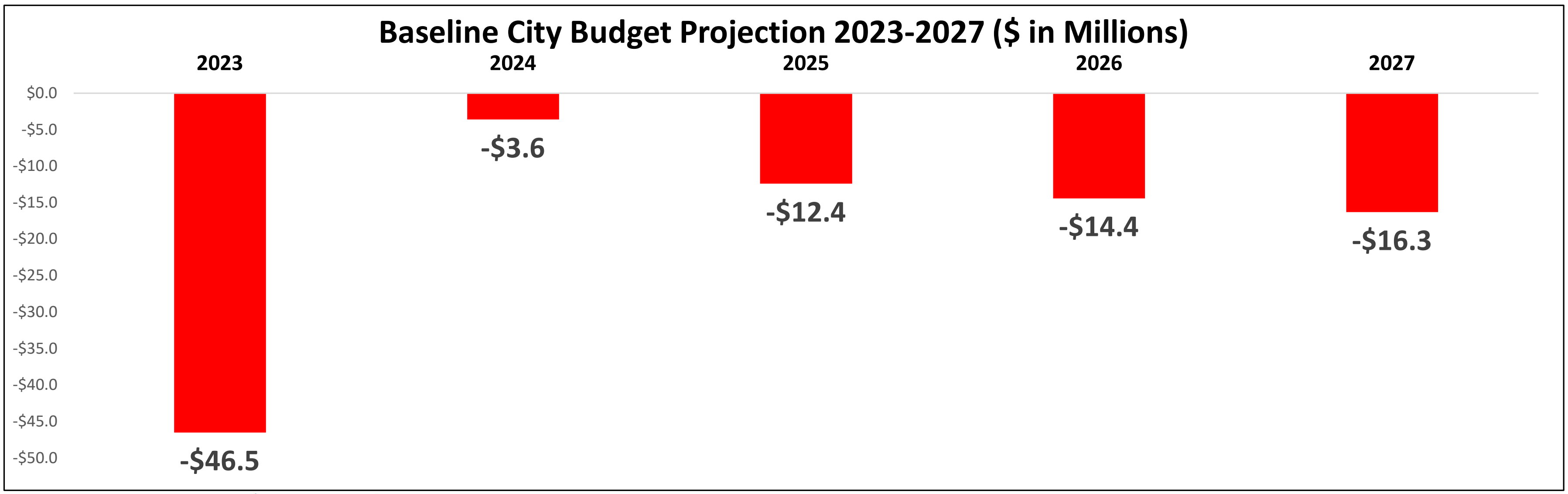
Baseline Caveats

- The baseline does not attempt to quantify the maximum amount that City government needs to meet all financial objectives. The goal of strong financial management is not just to balance to zero where revenues match expenditures, though achieving that structural balance is a core component of financial recovery. The Receiver has determined that the City needs to spend more than the baseline in some areas, so there is adequate managerial support in information technology or human resources, otherwise the rest of the organization cannot be effective.

- To provide vital and necessary services, the City also needs to invest in its infrastructure – roads, bridges, parks, facilities, large vehicles and equipment, etc. We will discuss the very poor condition of these assets and have included a minimum capital contribution in the baseline projection, but we have not calculated the maximum amount needed for these investments. That would require more detailed projections that account for the likely timing of projects, inflationary pressures that push costs higher before projects begin, and other relevant information that is not available at this time.

Baseline 5 Year Projection

The City's current baseline projection shows a $46.5 million deficit in 2023. That includes $39.8 million for the past due pension contributions, but even without that, the City has a $6.7 million (or 10 percent) deficit. The deficit is smaller in 2024 because we project using more ARPA money for operations. When ARPA expires at the end of 2024, the deficits jump to $12.4 million in 2025 and then grow even more.



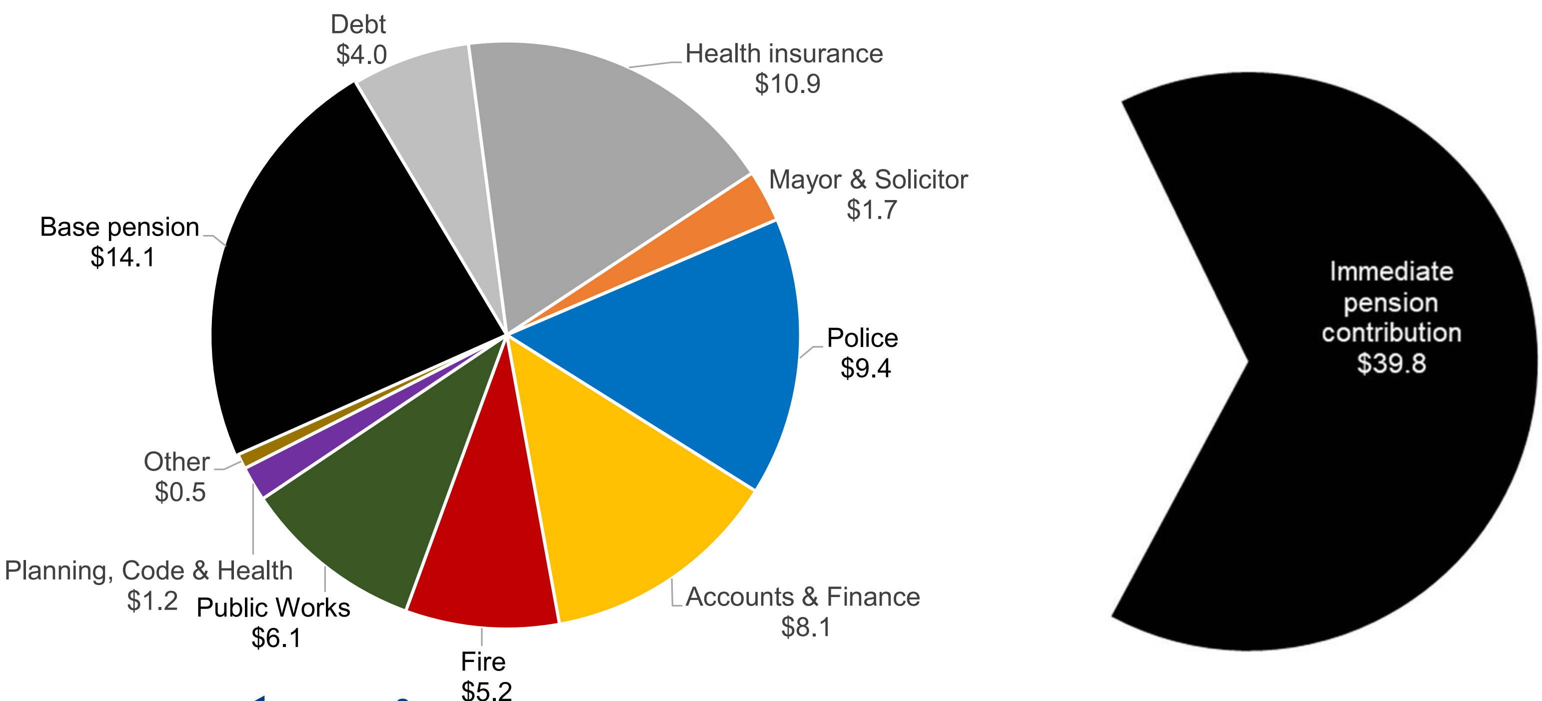
Why is the 2023 Deficit So High?

- From 2013-2020, the City did not make its full legally required pension payments to the pension funds. The City must pay interest on those missed payments and the total amount owed as of December 31, 2021 is nearly $39.8 million and is even higher now.
- In calculating the City's annual pension contribution or "minimum municipal obligation" (MMO), the actuary assumes this approximately $39.8 million is already in the pension plans even though in reality, it is not. They call this approximately $39.8 million a "receivable."
- This means that the City's real legally required pension contribution for 2023 is the approximately $39.8 million PLUS the $14.1 MMO for a total of approximately $53.9 million.
- **<u>Even if we excluded the approximately $39.8 million from the 2023 budget, we still project an approximately $6.7 million deficit.</u>**

The 2023 Deficit in Context

- The projected 2023 City operating budget is approximately $61.2 million. This includes $14.1 million for the annual pension payment or MMO
- Adding the $39.8 million in receivables would result in a pension contribution of $53.9 million (just to be current) which equates to approximately 88% of the City's **ENTIRE** 2023 general fund operating budget
- Essentially, to fund the pension contributions and debt repayments in 2023, the City would need to eliminate every service it provides and every City employee for one year AND it would still need to cut retiree health care for all active and retired employees for that year.

The 2023 Deficit in Context



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How Do We Close this Gap in 2023?

- In order to close the 2023 gap caused by paying for the receivables, the City needs a significant influx of money which would most likely come from the monetization of the water system.
  - We must recognize that monetization of the water system will eventually lead to higher rates for residents and property owners whether it is privatized or remains in public hands
- However, even with such an influx of money, we still have an approximately $6.7 million deficit and recurring revenues still do not cover recurring expenses. Again, monetizing the water system is a necessary but insufficient step in Chester's recovery.

Why Is There Another Big Cliff in 2025?

- The City received $30.4 million through the American Rescue Plan Act of 2021 (ARPA) which has saved Chester from running out of money
- The City is able to use some of this money to pay for positions which were eliminated during the pandemic. It also allows the City to spend a certain amount of money for general operations using a calculation referred to as "revenue replacement" which is based on the City 2019 revenues and revenues in the respective year.
- The federal guidelines prohibit the City from using any ARPA money for return-to-work or revenue replacement after 2024. So the ARPA funding in the operating budget drops from $7.1 million in 2024 to $0 in 2025. There is also a federal grant to fund 8 firefighters that expires in 2024.

City's Reliance on ARPA
Revenue Replacement

- The City is using as much ARPA revenue as it legally can through 2024.
- We project the City budget to increasingly rely on ARPA's revenue replacement going forward as follows:
  - 2021 actual (based on 2020 preliminary cash numbers): $2.6 million
  - 2022 actual (based on 2021 preliminary cash numbers): $3.0 million
  - 2023 estimate (based on 2022 projection): $1.2 million
    - Note: This decrease comes from stronger than expected EIT revenues in 2022 which have been accounted for in the baseline.
  - 2024 estimate (based on 2023 projection): $6.1 million
- As revenue data comes in to the City, the 2023 or 2024 estimates may change based on that data.

City’s Reliance on ARPA
Return to Work

- The return to work and health/economic impact provisions of ARPA have allowed the City to bring back or fund the following positions:
  - 5 public works laborers
  - 1 clerk/typist
  - 1 administrative assistant
  - Workforce development coordinator
  - Community Health Education Coordinator
  - COVID Specialist
  - Building health monitor
  - City Accountant (1/2 of salary)
  - Supervisor of Inspectors
- In 2025, however, the City will not be able to use ARPA funding for these positions.

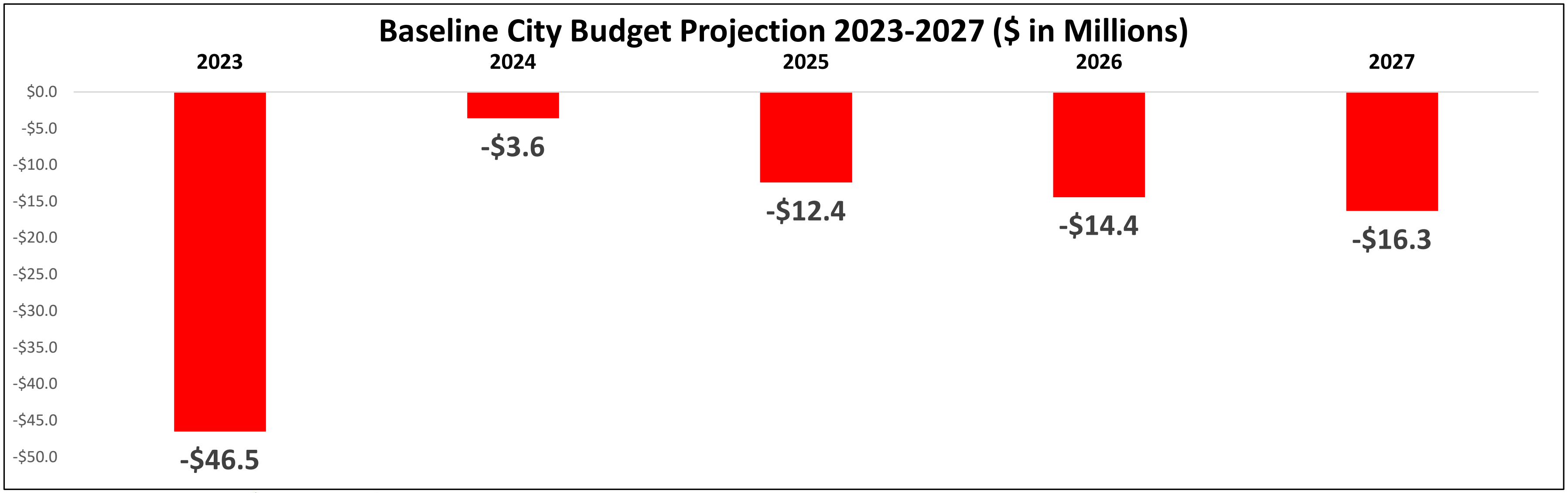
Options for Closing the Gap

Options

- To close deficits this big, we must consider extremely difficult actions
- The only options that would come close to doing this are:
  - Eliminating retiree health care for all current and future retirees
  - Cap City costs for active employee health care by requiring active employees to pay more for their health care or reducing the costs of the current plans
  - Reducing annual City pension costs through a combination of revenues from monetization and cuts to current and future retirees
  - Eliminating or substantially reducing City debt service
- The Receiver is open to other ideas; however, they will need to close these deficits and they must result in recurring revenues covering recurring expenses.

Baseline 5 Year Projection

The City's current baseline projection shows a $46.5 million deficit in 2023. That includes $39.8 million for the past due pension contributions, but even without that, the City has a $6.7 million (or 10 percent) deficit. The deficit is smaller in 2024 because we project using more ARPA money for operations. When ARPA expires at the end of 2024, the deficits jump to $12.4 million in 2025 and then grow even more.



Eliminate Retiree Health Care for All Current and Future Retirees

- The City of Chester is self-insured for active and retiree health care meaning that it pays the actual costs of health care incurred
  - Note: Last year, the City moved a significant number of retirees to a Medicare Supplemental plan which pays first and the City is then responsible for costs not covered by that plan

Plan	Number of Retirees
Select POS	90
Select EPO	34
EPO Buy-Up	24
POS	3
Medicare Supplement Plan	131

Summary Plan Design

	PROPOSED PLAN				
Benefits	EPO Base Plan	EPO BuyUp	Select EPO	POS	Select POS
In-Network					
Deductible	$1,500 / $3,000	$0 / $0	$0 / $0	$0 / $0	$0 / $0
Coinsurance	80%	100%	100%	100%	100%
Out-of-Pocket Max	$7,500 / $15,000	$6,600 / $13,200	$500 / $1,000	$6,600 / $13,200	$500 / $1,000
Preventive	100%	100%	100%	100%	100%
PCP Copay	$20 Copay	$15 Copay	$5 Copay	$15 Copay	$5 Copay
Specialist Copay	$40 Copay	$30 Copay	$5 Copay	$30 Copay	$5 Copay
Lab Services	$20 Copay	$15 Copay	100%	$15 Copay	100%
X-Ray	$40 Copay	$30 Copay	100%	$30 Copay	100%
Complex Imaging	80% after Ded.	100% after Ded.	100% after Ded.	100% after Ded.	100% after Ded.
Inpatient Hospital	80% after Ded.	$500 Copay	100%	$500 Copay	100%
Outpatient Surgery	80% after Ded.	$50 Copay	100%	$50 Copay	100%
Emergency Room	$250 Copay	$250 Copay	$100 Copay	$250 Copay	$100 Copay
Out-of-Network					
Deductible				$1,500 / $4,500	$500 / $1,000
Coinsurance				50%	80%
Out-of-Pocket Max				$10,000 / $30,000	$3,000 / $6,000
PCP Copay	Not Covered	Not Covered	Not Covered	50% Coinsurance	80% Coinsurance
Specialist Copay				50% Coinsurance	80% Coinsurance
Inpatient Hospital				50% Coinsurance	80% Coinsurance
Outpatient Surgery				50% Coinsurance	80% Coinsurance
Emergency Room Copay	$250 Copay	$250 Copay	$100 Copay	$250 Copay	$100 Copay
Prescription Drug (Retail/M.O)					
Generic	$10 / $20	$5 / $10	$1 / $1	$5 / $10	$1 / $1
Preferred Brand	$20 / $40	$10 / $20	$3 / $3	$10 / $20	$3 / $3
Non-Preferred Brand	$50 / $100	$25 / $50	$3 / $3	$25 / $50	$3 / $3
Specialty	$50	$25	$3	$25	$3

- Select POS & Select EPO plan are very rich and feature:
  - ✓ $0 deductible
  - ✓ Low out-of-pocket maximum ($500/$1000)
  - ✓ $5 copay for PCP/Specialist visits
  - ✓ $1 generic /$3 preferred /$3 non-preferred Rx drug copays

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Retiree Health Care

As noted earlier, the City is self-insured and pays the actual costs for medical services. However, actuaries can estimate the premium equivalent amounts for each plan which gives a sense of how expensive they are. Both plans' premium equivalent for employee and spouse are greater than the 2020 City of Chester median household income of $32,867.

2022 Annual Premium Equivalent Amounts

	Select EPO	Select POS
Employee	$14,867.52	$15,391.44
Employee + Child(ren)	$26,910.24	$27,858.48
Employee + Spouse	$34,046.76	$35,246.52
Employee + Family	$45,346.08	$46,944.12

Estimated Savings from Eliminating Retiree Health Care

Below are the estimated savings to the City from eliminating retiree health care beginning in 2023.

2023	2024	2025	2026	2027
$5,966,000	$6,461,000	$6,999,000	$7,590,000	$8,238,000

Cap City Costs for Active Employee Health Care

Like the retirees, active employees also receive a very costly health care plan. All but one active employee is in the "EPO – Buy-Up" Plan. The EPO – Base plan does not require an employee premium contribution.

2022 Annual Premium Equivalent Amounts

	EPO – Base	EPO - Buy-up
Employee	$11,269.56	$13,881.84
Employee + Child(ren)	$20,331.84	$25,125.96
Employee + Spouse	$25,722.36	$31,789.32
Employee + Family	$34,275.24	$42,339.48

Summary Plan Design

	PROPOSED PLAN				
Benefits	**EPO Base Plan**	**EPO BuyUp**	**Select EPO**	**POS**	**Select POS**
In-Network					
Deductible	$1,500 / $3,000	$0 / $0	$0 / $0	$0 / $0	$0 / $0
Coinsurance	80%	100%	100%	100%	100%
Out-of-Pocket Max	$7,500 / $15,000	$6,600 / $13,200	$500 / $1,000	$6,600 / $13,200	$500 / $1,000
Preventive	100%	100%	100%	100%	100%
PCP Copay	$20 Copay	$15 Copay	$5 Copay	$15 Copay	$5 Copay
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Out-of-Network					
Deductible				$1,500 / $4,500	$500 / $1,000
Coinsurance				50%	80%
Out-of-Pocket Max				$10,000 / $30,000	$3,000 / $6,000
PCP Copay	Not Covered	Not Covered	Not Covered	50% Coinsurance	80% Coinsurance
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Prescription Drug (Retail/M.O)					
Generic	$10 / $20	$5 / $10	$1 / $1	$5 / $10	$1 / $1
Preferred Brand	$20 / $40	$10 / $20	$3 / $3	$10 / $20	$3 / $3
Non-Preferred Brand	$50 / $100	$25 / $50	$3 / $3	$25 / $50	$3 / $3
Specialty	$50	$25	$3	$25	$3

- The EPO Buy-up plan features:
  - ✓ $0 deductible
  - ✓ $15 copay for PCP visits and $30 copay for Specialist visits
  - ✓ $5 generic /$10 preferred /$25 non-preferred retail Rx drug copays

Cap City Costs for Active Employee Health Care

The Amended Recovery Plan sets "caps" on the amounts that the City would need to pay for health care costs including vision and dental. Any costs over the cap would be paid by the employee as an employee contribution. However, these have not been applied to union employees because they have not agreed to them in their collective bargaining agreements. The caps have been applied to non-represented City employees.

Health Care Caps in Amended Recovery Plan

	2022	2023
Employee	$11,592	$12,168
Employee + Child(ren)	$21,144	$22,200
Employee + Spouse	$26,544	$27,876
Employee + Family	$35,112	$36,864

Estimated Savings to City from Capping Health Care Costs Per Recovery Plan

Applying the caps beginning in 2023 (and assuming a 5% growth in those caps per year) would save the City the following amounts.

	2023	2024	2025	2026	2027
Medical/Rx Savings	$728,000	$933,000	$1,163,000	$1,419,000	$1,705,000
Dental/Vision Savings	$267,000	$284,000	$303,000	$323,000	$345,000
Total Cap Savings	**$995,000**	**1,217,000**	**$1,466,000**	**$1,742,000**	**$2,050,000**

Reduce Annual City Pension Payments Through Pension Cuts and One-time Revenues from Monetization

- For the City to recover financially, it must address its severely underfunded and costly pension situation
  - As of August 31, 2022, the City's police pension plan has assets equivalent to approximately 8 months of pension payments.
- Doing so will require BOTH a very large cash infusion into the pension plans as well as cuts to existing pensions so that costs drop to a level that the City can afford and then stabilize.
- The only asset that that the City has that can come close to the amount of money that the City needs is its water system
  - The Receiver has stated that while monetization of the water system must occur, that does not necessarily mean that the system needs to be privatized

Impact of Large Payment on Distressed Pension EIT

- Because its pension plans are so poorly funded, the City has the power and does levy a "distressed pension" earned income tax on residents and commuters.
- If the plans are no longer financially distressed (through a combination of large deposits and benefit cuts), the City will lose the power to levy that tax.
- Consequently, we must account for the loss of the distressed pension earned income tax in this analysis.

Current Benefits Are Higher Than Law Requires

Police Pension Plan

- The pension benefits offered to fire and police employees are greater than what is required by the law.
- Chester currently has a two-tier system for police officers hired pre- and post-February 1, 2017. Those hired post-February 1, 2017 have a benefit more in line with the minimum under the law.

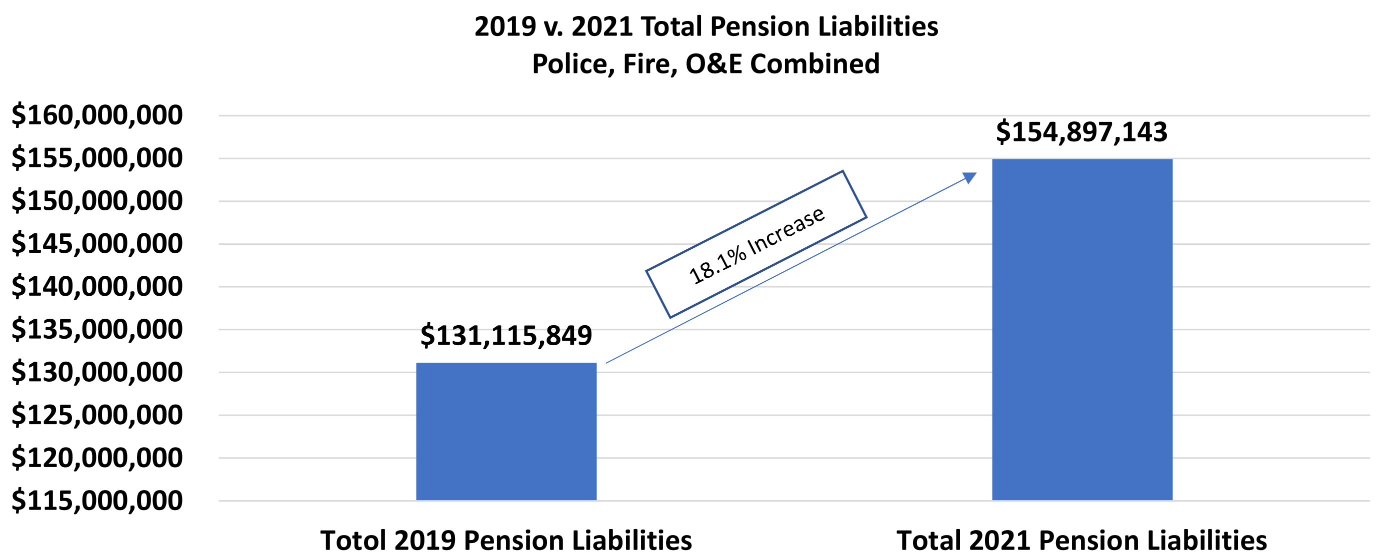
Police Officer Pension Benefits

Key Benefit Provisions	Pre-2/1/2017 Hires	Post-2/1/2017 Hires Third Class City Code
Service Retirement Benefit Formula	50% of FAS	50% of FAS
Final Average Salary (FAS)*	Officers have received highest 12 months, but should be average of last 3 years preceding retirement	Greater of 12 months or 5 year average
Compensation included in FAS	All W-2 earnings, including overtime	Base pay + longevity only
Age & Years of Service (YOS) Requirement	Any age with 20 YOS	Age 50 and 25 YOS
Service Credit	Up to 5 YOS for Military Service	Up to 5 YOS for Military Service
Service Disability Retirement	50% of FAS/70% of FAS for in the line of duty disability	50% of FAS/70% of FAS for in the line of duty disability
Deferred Retirement Option Program	Yes @ Age 50 with 20 YOS	Yes @ Age 50 and 25 YOS
Employee Contribution	8.0%	8.0%

Note: Although above shown for police, fire has a similar structure.

Significant Increase in Pension Liabilities

- The 2021 valuations reflect a 18.1% increase in total pension liabilities compared with 2019. This significant increase is largely due to changes in actuarial assumptions that better reflect actual outcomes, including a reduction in the expected rate of return from 7.5% to 6.5%



Benefit Enhancements Contribute to Funding Challenges

- While discussions have historically focused on the fact that the City underfunded the police pension fund – which is true – pension benefit enhancements over the years also contributed to the significant benefit costs faced today. In the Retiree Information session on February 15, 2022, we presented slides that discussed the police pension benefit enhancements that contributed to these significant benefit costs
- The history shows that Chester appeared to be on the course to contain pension costs; however, pension benefit increases – some of which were agreed to – undid prior reforms

Police Pension Benefit History

- In conducting our analysis, we reviewed collective bargaining agreements, memoranda of understanding (MOUs) and interest arbitration awards dating back to 1972 to trace the changes in the police pension benefit and retiree health care
- The history showed an increasing pension benefit level until the period around 1987-1989 where reforms were agreed to in a MOU that created new benefit tier for police officers hired after 1987
- Many of those reforms were eliminated in the 2003-2005 MOU and the pension benefit was also enhanced in a 2012 interest arbitration award
- Additionally, in 2009, it appears that the City Pension board improperly enhanced the benefit for certain police officers by changing the final average salary from the last 3 years to the last 12 months which allowed pension spiking

Reduce Annual City Pension Payments Through Pension Reductions and One-time Revenues from Monetization

	2023	2024	2025	2026	2027
MMO Savings from Elimination of Unfunded Liability and Payment of Receivables	$39,756,000 (must be done through monetization)	$12,007,000	$11,943,000	$11,877,000	$11,808,000
Elimination of Distressed EIT	$0	($7,338,000)	($7,584,000)	($7,812,000)	($8,046,000)
Total Savings	**$39,756,000**	**$4,669,000**	**$4,359,000**	**$4,065,000**	**$3,762,000**

Eliminate/Significantly Reduce Debt Service

The City issued debt to support the community college in 2010 and then issued debt again in 2017, partially to cover its operating expenses (which is not how debt should be used). Each year, the City must make a payment to pay back these borrowings (called a debt service payment).

Series 2017A Bonds	In August 2017, City issued $12 million in bonds to pay general fund liabilities and to create required reserve funds. This borrowing essentially took the City's unpaid liabilities from 2017 and spread them over 10 years.
Series 2017B Bonds	Essentially refinancing debt originally issued by the Chester Economic Development Authority (CEDA). Funded the acquisition of property leased by the City and funded reserves.
Series 2010B Bonds	In 2010, City issued $3,985,000 in bonds to meet the obligations associated with allowing the Chester Upland School District to become a sponsoring district for Delaware County Community College.
Series 2019 Bonds	In 2009, Delaware County issued $28,950,000 in bonds as part of the overall financing to build what is now called Subaru Park in Chester. The County refinanced those bonds in 2019. Pursuant to a contribution agreement between the City and the County, Chester has agreed to pay 25 percent of the annual debt service.

Eliminate/Significantly Reduce Debt Service

If debt service is eliminated or significantly reduced, the City would save the following each year:

2023	2024	2025	2026	2027
$3,695,000	$3,680,000	$3,697,000	$3,568,000	$3,539,000

Putting It Together

The following table applies the impact of the options against the Baseline. This assumes monetization/pension reductions that fully eliminate the unfunded liabilities (not just the receivables). Furthermore, it also includes setting aside $6 million for a cash flow reserve that the City needs and money for necessary capital projects.

	2023	2024	2025	2026	2027
	Projected	Projected	Projected	Projected	Projected
Baseline	($46,467,000)	($3,575,000)	($12,437,000)	($14,411,000)	($16,310,000)
MMO savings from one big pension contribution in 2023	$39,756,000	$12,007,000	$11,943,000	$11,877,000	$11,808,000
Eliminated distressed pension EIT	$0	($7,338,000)	($7,584,000)	($7,812,000)	($8,046,000)
OPEB eliminated in 2023	$5,966,000	$6,461,000	$6,999,000	$7,590,000	$8,238,000
Health insurance caps applied to active employees	$995,000	$1,217,000	$1,466,000	$1,742,000	$2,050,000
Debt elimination	$3,495,000	$3,480,000	$3,497,000	$3,368,000	$3,339,000
Create cash flow reserve	$0	($6,000,000)	$0	$0	$0
Additional capital for City facilities	$0	($3,000,000)	$0	$0	$0
Net surplus / (Deficit)	**$3,745,000**	**$3,252,000**	**$3,884,000**	**$2,354,000**	**$1,079,000**

pennsylvania
RECEIVER FOR THE CITY OF CHESTER

What Does This NOT Include?

- Additional money for investment in active employee compensation
- Economic development impacts
- Money necessary to fully address City's capital needs
- Enough money to set aside for an appropriate amount of reserves for a city in Chester's condition (more than 16% of general fund expenses)
- Please also recall the caveats on the Baseline (see slide 16) regarding the need to invest in City operations and capital needs

What Comes Next?

What Real Options Does the Receiver Have?

- Truthfully, very few.
- The Receiver can only take action that the law allows him to take.
- The only path the Receiver has is to try to get the affected parties to agree to these changes or other changes that would close the gap and, if he is not successful, to file a Chapter 9 bankruptcy.

What Would Bankruptcy Mean for Chester?

- Bankruptcy would provide Chester with the ability to try to reduce its pension and retiree health care costs, which it must do to have any chance of being fiscally solvent.
- Bankruptcy would also allow Chester the opportunity to negotiate with other creditors so that the City can have a fresh start, which it desperately needs.

What Would Bankruptcy Mean for Residents?

- Chester would continue to provide services to residents. However, we would expect that some employees would choose to leave City employment due to the uncertainty of bankruptcy. We would also expect that the City would have difficulty filling vacancies due to that same uncertainty.

Discussion with MFRAC re Bankruptcy

- Section 711(e) of Act 47 requires the Receiver to "consult with the [MFRAC] committee prior to exercising any of the powers under 706(a)(1), (2), (3), (5), (6), (7) and (9)".
  - The Receiver's power to file bankruptcy is enumerated at 706(a)(9)
- The Receiver has not filed for bankruptcy and is engaging in good faith negotiations with relevant groups to try to avoid a bankruptcy filing.
- The Receiver is using this meeting to consult with the MFRAC committee on the issue of filing for bankruptcy in compliance with Section 711(e).