

Deficit Reduction in Fiscal Year 2023 Questions & Answers

Background: The City of Webster Groves' budget challenges have grown over the past few years. Where many municipalities laid off workers during COVID, Webster Groves maintained a full staff hoping for a quick bounce back in revenue. In addition, years of increasing costs and flat revenues mean that the City needs to make significant cuts to bring the budget into balance and maintain a healthy reserve. Staff have worked hard to reduce departmental expenditures to only the most necessary items and, as a result, this year's "All Funds" proposed budget has been reduced by \$4.8 million compared to FY22. However, more reductions are needed. The Council has passed a deficit reduction plan, directing the City Manager to reduce an additional \$1 million in expenditures with the goal of eliminating the structural deficit in three fiscal years.

How does the City plan to reduce the budget by \$1 million?

- Because 76% of the budget costs are personnel, freezing position and layoffs are necessary. Additionally, service levels or program changes will be reviewed to determine usage, and if needed, will be adjusted to reflect different staff levels and actual usage to achieve further efficiencies.

Is the City in a hiring freeze?

- The City is currently evaluating every open position. We currently have a small number of open positions and those have been evaluated and determined to be essential positions. We will continue to evaluate open positions moving forward to determine if they should be frozen, restructured, or filled.

How many positions have been frozen?

- Eleven positions were frozen in FY22. Three police officers (that have consistently been vacant), two Street Maintenance Workers, two Parks Maintenance workers, a GIS Coordinator, a Customer Support Supervisor, a City Planner and a Public Works Engineer. All of these positions were frozen through attrition, meaning the positions were vacant and each position will continue to be evaluated.

How many positions are being cut for FY2023?

- For the next fiscal year beginning on July 1, four and a half positions were included in layoffs: An administrative coordinator in the Fire Department, an administrative coordinator in the Parks & Recreation Department, a Code Enforcement Officer, a part-time Prosecuting Attorney Assistant and a Recreation Manager.
- Unfortunately, it is likely that there will be a second round of layoffs in January 2023. More will be known when the mid-year budget assessment is completed.

Did employees in the laid-off positions receive a severance package?

- No severance was provided. Employees will be paid out for their vacation balances and those that qualify will be paid out their sick leave. All impacted employees will be paid until June 30th, even if they decided to separate from the City earlier.
- Those employees impacted have received resource information on COBRA, EAP, and other benefits. Additionally, employees received information about the St. Louis County Human Services Workforce Development program designed for dislocated employees. This program helps with resume writing, interviewing, professional correspondence, job placement services, along with up to \$10,000 for job

retraining.

Will additional layoffs occur?

- The City will need to reduce roughly \$509,000 from the general fund in the next year to reach the \$1 million target. This can be done in several ways; however, it is likely that additional staff reductions will occur.
- While these actions are difficult, sustainability of the general fund goes towards employee costs and creating a balanced budget moving forward will require the City to move towards an effective number of employees that will be able to deliver services in the most cost-efficient way.

How do these position reductions impact the budget?

- The combined frozen positions and the position layoffs add up to a total of \$946,408.85 in savings for the General Fund. However, \$360,576.75 of these reductions were already incorporated into the FY23 budget and are not a part of the goal of \$1 million in cuts for FY23.
- The City will need to reduce roughly \$509,000 from the general fund in the next year to reach the \$1 million target.

How will these reductions impact City Services?

- Department Directors are working with their employees to divide important responsibilities up to ensure that the community continues to receive necessary services. However, the reality is that some services may be impacted.

Why isn't the City putting Capital Improvement Projects on hold to use those funds for staff costs? Why not use the ARP funds for staff costs?

- Capital improvement funds, by law and the will of the voters to adopt the tax, must be used for Capital projects and not for staff costs. While we are adjusting and right-sizing our staff numbers, we are obligated to take care of the City's buildings and supplies. Staff members will continue to need the proper tools and vehicles to be effective in their jobs and to meet the needs of residents.
- Electric vehicles, electric charging stations and other one-time purchases other will be paid for out of the American Rescue Plan funding (to view the breakdown in how this money is being spent, you can view the chart at webstergrovesmo.gov/arp). While those vehicles have a higher start-up cost, they will offer cost savings over time. Using American Rescue Plan funds for these one-time costs makes the most sense financially as the ARP is a one-time influx of cash.
- The City recognizes that staff lay-offs and re-organizing of job duties affects employees in a very serious way. None of these decisions have been made lightly. However, the City is also in a financial situation that needs to be remedied and we must be stewards of tax-payer dollars. While American Rescue Plan funds have been a help in certain ways, those are one-time funds and do not help to stabilize employee costs long-term. If American Rescue Plan funds were used to shore up staff salaries in the general fund, we will be in a worse position next fiscal year.

More financial information for the City of Webster Groves can be found on the City's Finance Department web page at www.webstergrovesmo.gov/budget