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## **Incorporating Employee Input with the City of Menlo Park's Budget Strategies for FY2004/2005: A Letter to the City Manager**

Nicole Acker

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Incorporating Employee Input with the City of Menlo Park's Budget Strategies for  
FY2004/2005: A Letter to the City Manager

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EMPA 396

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Table of Contents

Chapter 1: Introduction.....	3
Chapter 2: Literature Review.....	7
Government Downsizing.....	7
Budget Challenges Facing Local Government.....	10
Strategies Government Agencies Use in Budget Predicaments.....	12
Employee Involvement/Participation in Cutting the Budget.....	15
Chapter 3: Methodology.....	19
Chapter 4: Findings.....	23
Chapter 5: Conclusion and Areas for Further Research.....	29
References.....	30
Appendixes.....	32
Appendix A: Source Information for References Cited.....	32
Appendix B: City of Menlo Park Employee Questionnaire.....	34
Appendix C: Written Remarks on Questionnaire.....	36
Appendix D: Letter to the City Manager.....	40

## Chapter 1: Introduction

The down turn in the economy has meant job loss for many California local government workers. For California, this is the worst budget crisis in the state's history. The notion that municipal jobs are secure has become dismissed. Job security has become a phrase of the past for many municipal employees. As government continues to downsize for various reasons, there are terms that have come into organizational strategies. Reduction in an organization can be implied by the use of the following vocabulary terms: "belt-tightening", "downsizing", "restructuring", "reorganization", "reinventing", and "redesigning." This terminology can open the eyes of employees and can cause many negative reactions in the agency if not managed properly from the top.

The budget situation in California has been singled out as the main cause of the unbalanced budgets facing city governments. The California State budget crisis has also been linked to several sources from the crash of the stock market, which resulted from the instant rise of dot com companies in Silicon Valley to their ultimate bust in 2000. Fingers have been pointed at California State legislation. The Legislature is being accused of continued spending of money in the midst of a declining economy, i.e.... funding to schools. Finger pointing has heavily been directed towards the Governor's mismanagement of policy. The California electricity crisis has also been attached to the budget predicament, although critics believe there are no concrete or substantial evidence. Many believe that this is the sign of the times and that the budget crisis has been brewing for years even before the September 11<sup>th</sup> attacks in 2001.

A lesson to be learned is that when the economy is good and governments bring in a surplus of revenue is the time to save and let expenditures stay flat. California saw a

huge spike in expenditures during years of surplus. For the City of Menlo Park, the City Council, city manager, and the finance director saw ways to bank these increased revenues.

The bottom line is that there are many factors associated with the California budget crisis. One of the primary factors that have led to the \$35 billion deficit has been voter-approved initiatives that have bound the hands of the Legislature. Bonus revenues were brought in by the technology boom and were spent, and the population growth of California cities has been provided for with expensive programs. The expenditures of the State have exceeded the revenues that they bring in. This has caught up from the thriving dot com industry where tax revenue came in to the State due to large stock options and the Legislature had a hard time not spending the money and saving it for a rainy day.

For government agencies, undergoing budget cuts and the quest to balance the budget has resulted in cuts in services, which ultimately result in the reduction of the work force. Personnel in any government agency, from federal to local government, is the lion share costs, which are found in the salaries and benefits of its workers. The California State government has control of city government's largest source of revenue. These revenues include sales tax, property tax, and the Vehicle License Fee (VLF). With the passing of Proposition 13, the State has more of a hand in the finances of local governments, which makes Legislature responsible for dividing property tax among local entities. This requires two-thirds vote for Legislature to increase taxes, and two-thirds voter approval of new local special taxes. As has been the case during much of the past year, the economy continues to suffer from ongoing problems in the stock market, high

unemployment, the recent uncertainty in the Middle East and the ongoing security concerns since September 11, 2001.

The City of Menlo Park is in the same position as many municipal government agencies, with the decline in revenue generated by businesses. Menlo Park has seen its share of the booming economy when dot com companies once occupied the office spaces in the City. If one drives along the east side of Menlo Park, which was once occupied by thriving businesses, there is an eerie ghost town feeling. Due to the downturn in economy and revenue shortfalls, Menlo Park has to make the tough decisions of downsizing in tough fiscal times and in more creative ways. The City is going on its third fiscal year in embarking on percentage cuts to the budget. The City continues to face an uncertain fiscal future due to the questionability of the future for economic recovery.

The City of Menlo Park's operating budget for Fiscal Year (FY) 2003/2004 is \$26,298,918. The population of Menlo Park is roughly 32,000 residents. The shortfall for FY 2004/2005 has been estimated to be \$2,000,000. The City Manager has been directed by City Council to cut the budget by 8%. The last two fiscal years, the City cut the budget by cutting services, ceased from filling vacant positions, and encouraged employees to voluntarily retire or resign from their positions. Now, it is time to be creative and figure out new strategies to cut the budget and bring in more revenue to the City.

The City of Menlo Park has a \$28,000,000 reserve. What is not understood by the employees and the public is that these funds are earmarked for capital improvement projects that were set forth in past general plans. It is a bad idea for cities to get in the habit of turning to their reserves to supplant shortfalls, especially personnel costs. The

City has capitalized on some of the fatty years of increased revenue, and took the opportunity to bank some of the extra proceeds from revenue in the reserve fund.

This research paper will address the problem and the challenges that the City's budget shortfall have on a city organization and on its employees. It will also look to survey employees on the perception of their job security within the organization as well as gage their priorities on ways the budget can be reduced. In turn, suggested strategies will be outlined and briefly discussed. The outcome of the findings will be submitted to the City Manager in the form of a letter and attachments. The suggestion is that employees should be allowed to participate on some level in this budget dilemma and the process that the managers of the City must reconcile.

The research will attempt to answer three questions, 1) Do City of Menlo Park employees understand the current budget situation and how it may impact their jobs, 2) How has the cities budget situation affected the way employees view their job security, and 3) What factors are important to employees in their jobs.

## Chapter 2: Literature Review

The research will address four areas: 1) Government downsizing, 2) Budget Challenges Facing Local Government, 3) Strategies Government Agencies use in Budget Predicaments, and 4) Employee Involvement/Participation in Cutting the Budget.

### Government Downsizing

With budget circumstances as they are currently, organizations look at the opportunity of downsizing to increase the economic growth of their agency. The literature has pointed to several pros and cons for government downsizing and has stated that the term downsizing is a fancy word for layoffs and reductions. The literature links to the research topic as it begs the question, is downsizing a viable solution to the economic status of a government organization? Downsizing government is a difficult task, but the literature points to the fact that, "reducing the size and improving the efficiency of an overstaffed public sector workforce as part of an overall effort to increase economic growth," (worldbank,1) is an effort that can work. The literature found in public sector and government downsizing focus on the voluntary approaches to manpower that are used. Martin Rama uses the concept that, "the voluntary approach offers severance pay to encourage the redundant workers to quit, thus overcoming their resistance to downsizing, restructuring, and privatization." (Rama, 1) Many authors have agreed with this approach to the start of downsizing the workforce.

The literature points to the fact that employees want to have the option of deciding when and how they have leave an organization, and for many employees, downsizing is an opportunity to do so. Early retirements and buyout incentives are the most effective approaches and also can promote additional attrition because others may



jump at the opportunity to take advantage of the offer. This can make reduction of workforce to the organization not so difficult. The level of risk is that the organization may be left with jobs that are critical to the operation.

The literature revealed that most organizations don't look at the long-term effects of cutting personnel. The cost cutting is seen as an almost immediate response to cost savings. "Cutting costs by cutting people appeals to many executives because they are really only two ways for their companies to become more profitable: Either increase revenues or cut costs." (Church, 3) Working too hastily to cut costs in personnel may cause strain upon the organization and down the line may have repercussion. Authors agree that the downfall to having employees voluntarily resign their positions are that it presents sometimes in the future the "revolving door" effect in which workers were paid severance pay, but the organization later rehires them. This is a conflict in downsizing because instead of downsizing being achieved, it became a waste in funds due to the severance package. The common theme among the literature is that downsizing is an opportunity for improvement of an organization rather than a reaction to a crisis.

The literature speaks to the problem that sometimes downsizing will increase costs in the long run. The U.S. Department of Labor put out a publication on "Guide to Responsible Restructuring." In this guide they address the myths that are associated with downsizing and counter them with facts. One myth that was enlightened upon was that because companies cut fat by downsizing, there is no adverse effects felt in the workplace. With their study, they found that, "For the majority of companies, downsizing has had adverse effects on work load, morale, and commitment." Down the line this could affect a city that has had to cut their personnel and do more with less. The literature

points out that there are more issues that develop with a smaller working body to include more sick time use and work injuries. Operating with the bare bones amount of staff can become a disadvantage to an organization, because it requires staff that are left behind to absorb additional job duties. The level of service quality often drops drastically. Planning downsizing is key to avoiding an unbearable work load.

There is a direct and drastic counter from the author Eggers who disagrees with the other literature. He believes that reducing the workforce is the most effective short-term cost reduction measure. For state governments, he feels that this is the only way that budgets can be balanced, because the lion share of the budget are in the employees' salaries. He suggests governments look to the internet as a way of providing customer service. "There are proven ways to extract cost saving from e-government and IT- for governments with the political will to do so." (Eggers, 8)

While downsizing of the workforce is often thought of as one of the first proposals to tackle the dollar issue and seen as a quick fix, it is also seen as an obstacle. Unlike the private sector, local governments cannot fire employees without getting rid of the job. Unions and labor agreements make this difficult. Most employees belonging to a union have bumping rights that allow them to replace others jobs less senior than they. The literature supports this from many different angels. In the Benchmarking Study done by the National Performance Review Committee, they reported and researched that, "Most organizations are forced by law—in the case of most public sector employees or by bargaining agreements to employ seniority-based criteria in deciding which employees are to be separated. This disruption accompanying the "bumping" of people into lower graded and lower paying employees can take years to overcome." (Glenn, 20)

Budget Challenges Facing Local Government

The situation of local government is one of revenue shortfalls and budget imbalances. The soft economy has made some California municipal agencies, like the City of Menlo Park, reliant on coming under the budget target for the FY2003/2004 and reducing the budget for FY2004/2005. The City of Menlo Park is facing several challenges in structuring the budget for FY 2004/2005. The concern is on whether or not any other cuts can be made to the budget. The budget of all city departments will be operating with a lean number of employees. There are no more holes on the belt to be cinched. Now, the City must move into reduction of city services.

The City Manager of Palo Alto, California, Frank Benest wrote in article in Western City regarding the challenge that the City of Palo Alto faces. The challenges are familiar to many other local governments in California. Revenue shortfalls, as has been discussed, are the leading targets for downsizing decisions. All of the literature on this topic point to the fact that cities have made cuts to their budgets without significantly impacting the delivery of public services. Unfortunately, with continuing shortfalls, it is necessary for local governments to shrink in size. Smaller organizations will be realized, which in turn create organizations that will have fewer employees and reduced services. As stated in the introduction, local governments get most of their money from taxes, user fees and charges, and funding from other governments.

City Manager Benest points out that the challenges are “engaging employees, labor unions, and citizens in understanding the complexities of city finance and identifying and supporting budget solutions.” (Benest, 1) The common theme of the literature in discussing challenges is that the community expects the same service levels

and often request higher levels. In addition, the city is trying to maintain the employees due to a highly unionized setting and also trying to maintain the sufficient general fund reserves.

The sales tax provides local governments a substantial part of its revenue. One of the challenges of sales tax is that the more people spend on purchases, the greater the sales tax revenue will be. In the case of the City of Menlo Park, when the economy slows down and people spend less within the city, sales tax revenues go down. A new business development has been hired with the City to identify ways to attract businesses into Menlo Park. Currently, the biggest plug is "Shop in Menlo Park" which is a similar slogan to most of the surrounding cities.

User fees and charges have been recently increased in the City of Menlo Park as a cost-recovery solution. The master fee schedule has been updated to reflect revised fees that were calculated by an employee's actual time to process a public request. Some fees cannot be increased due fee maximums set by the State. Anita Lawrence, director of Finance for the City of Camarillo, California suggests, "Periodic review of city rates, fees and charges is a critical component of an effective cost-recovery program. It's easier for the public to accept smaller increases annually than larger increases every five years." (Lawrence, 1) The process is time consuming to calculate staff costs, but in the short-term increase in revenue will be realized. Bill Statler, director of finance and information technology for the City of San Luis Obispo wrote a similar article identifying the discretion that local authorities still have in the user fees. The common theme between the two is that all city services can incorporate user fees. It is also important that the

increase in these fees be discretionary and not discouraging from the citizen's actual use of the service.

A statewide mail survey of all 477 California cities was conducted by the Institute for Local Self Government (ILSG) in November 2002 on the impact that the state government's power over local finances has on the economic health of California communities. The responses to the survey were not optimistic. 315 responses were received back from cities. To briefly sum up the highlights, "83% of city officials expect their city's financial situation to decline and 65% of city officials indicate that the state's reduction of local agencies share of property taxes in the early 1990's continues to have a "major" (40%) or more severe "grave" (25%) impact on their city's fiscal health." (14-17)

To continue with the response to this survey that tie into the challenges of local governments are the responses that asked city officials to rank the factors with the most severe impact on cities' ability to match revenues with service needs rank as follows:

- 35% - state budget process at the head
- 29% - cities' limited share of property tax revenues
- 22% - lack of dedicated city revenue sources
- 12% - lack of public support for tax increases, and
- 2% - population growth

#### Strategies Government Agencies Use in Budget Predicaments

The management in the City of Menlo Park has had several budget meetings to go over ways that the budget can be cut. Creativity has been in its greatest form. The literature shares many insightful budget-reducing strategies. The City of Menlo Park has

implemented the majority of them. This relates to the suggestions and comments employees gave on the surveys.

The publication put out by the Bureau of Governmental Research, Rethinking Local Government, covered the successes of cities like Philadelphia who was able to avoid bankruptcy and eliminating a \$200 million deficit by reengineering some of its service areas. Charlotte, North Carolina restructured their city government in 1991 due to the need for budget cuts. The listed strategies worked for their city and allowed the city to operate without increasing taxes and reducing 20% of their workforce with the following strategies:

- "A hiring freeze and job bank
- A retirement incentive program
- Guidelines for limiting layers of management
- A services assessment process utilizing citizens
- Training as a strategic source
- Investment in technology
- A customer service center with one phone number for getting questions answered and problems addressed." (bgr, 11)

The City of Phoenix and Indianapolis were able to reorganize their cities by introducing competition programs where city employees compete with private sector vendors for city contracts. The overall savings for these cities were the reduction in operating costs by the city. The competitive bidding program is a strategy that helped Indianapolis increase service levels in other services as public safety by being able to

support more officers on the street, which helps the city boost the community policing service that the community demands.

Author Church believes that organizations have to just implement not just reduction in workforce strategies, but that there has to be a variety of cost cutting actions like restricting overtime, providing leave without pay or eliminating redundancies. Employees will appreciate the creativity manager's use in protecting their jobs. As an employee, the thought of losing a job is horrible, but if there are short-term restrictions placed on some of the benefits and perks, it is worth the loss of those benefits, which won't last always instead of the thought of losing a job.

The Office of Personnel Management conducted a study in 1997 in which they distributed surveys to human resource officers (HRO) of 1,170 government agencies who underwent downsizing. The HRO's in turn distributed the surveys to their employees, managers, and themselves. The survey questions were geared toward determining the cause of the downsizing, strategies used and impact on employees. 47% of the surveys were returned, which equals 551 surveys. One question focused on ranking strategies by being either highly successful or successful in minimizing downsizing. The outcomes were as follows:

**Table 1**

RANK	SUCCESSFUL DOWNSIZING STRATEGIES	
	STRATEGY	PERCENTAGE
1	Buyout	79
2	Early Retirement	72
3	Hiring Freeze	42
4	Directed Reassignment	34
5	Spending Moratorium	30
6	Termination of Temps	26
7	Change to Lower Grade	25
8	Reimbursable Detail	19
9	Voluntary Leave Without Pay	16

This study has an overabundance of information to go with it. The overall successes that are key to an agency are that the flexibility and organization is willing to use.

Employee Involvement/Participating in Cutting the Budget

Employee's salaries make up 70% of the City of Menlo Park's budget. As with other local agencies, the reduction in services will impact the number of employees that are laid off. Employee's should be involved in assisting staff in making recommendations on service priority, because they are the front-line workers with the programs and services that the City offers. Once specific review suggests to, "Involve employees in identifying what needs to change through downsizing and in implementing those changes rather than driving downsizing from the top down." (Church, 5)

The dilemma is to cut the budget. There have been several attempts to reduce the non-essential services, the operational expenditures, and to offer the incentive packages to employees to resign or retire. The city is already operating at minimum staffing levels. There is no room left to cut bodies without consequences. The organization is lean. The next step is to reduce the services offered to the public by service priorities. In the case of the City of Menlo Park, the City Managers Office created an in-house survey that was distributed to 15,544 households. 1,064 surveys were returned which was a 6.8% response rate. The purpose of the survey was to learn from the public which City services might possibly be reduced and in what order. There were limitations to this survey, but it was a start in the right direction in involving the community. They are going to be the recipients of the decline in the level of responsiveness and availability of services being provided.

The City of Menlo Park in FY03/04 did engage employees in finding creative solutions for helping cut the city's costs. This was a one-time event that has not since been repeated. Employees were not involved in any type of survey nor are they



collectively include in management meetings to understand and give input into downsizing measures. The City Manager has kept employees informed with brief budget talks, which are informal and impersonal. These are for the purpose of giving employees a global picture of the city's situation and struggle.

The literature highlights the need for management to get employees involved and keep them informed. In the U.S. Department of Labor publication there is a section that describes Eaton Corporations inclusion of employees in their strategies for cutting costs. "In Eaton's experience, the best way to control costs is to get employees to understand how the plant's performance can benefit them personally." (17) This is part of the restructuring methods engaged in many local governments. Church agrees with making sure that employees are included in downsizing efforts. He believes that everyone should be held accountable for downsizing goals. Most downsizing or restructuring efforts come from management, which is top down management. He suggests that employees need to be involved in identifying what needs to change and help with implementing the changes they suggest if they get approval.

Communication is a key to employee participation and involvement. As has been stated, the City Manager of Menlo Park has included employees in the status of the cities budget, but the suggestion that Church makes is to, "Ensure that everyone is fully informed of the purpose of downsizing, the strategies to be pursued, the costs involved, the time frame..." This has not been fully developed in the City of Menlo Park. Church thinks that most information is only given on a "need to know basis" which is possibly done to avoid rumors. In the Benchmarking Study Report, the committee point to senior management, as being key to getting employees involved and helping them understand

the organization's positioning in the budget situation. The report makes a good statement about what employees want to know from their upper managers: "Employees want to know what is happening, even if it is bad news—and they want to hear it from the top. A full and open explanation of the reasons behind the downsizing helps prevent feelings of unfairness and promotes the sentiment that the downsizing is a shared experience." Other literature has not stated the importance and the purpose of managers communicating with their employees as well as this last statement. This report gives tips to leaders on how they should be in these uncertain times for many employees. Many employees often seek the visibility and the openness, and approachableness of managers.

In referring back to the Office of Personnel Management survey the results of the study indicated that communication to employees about downsizing should be done early and done to hear first hand how the information is being interpreted. "Only 27% of employees stated that they had confidence in the information management was providing about the downsizing or reduction in force." (17)

Author Lin Gensing-Pophal encourages employers to include and involve employees in cost cutting measures. The theme, as in most of the literature reviewed, directs managers to look at the value in their employees. "By involving employees correctly in the cost-cutting process, employers can gain workers' buy-in and reduce or even eliminate backlash to such decisions. And, perhaps more importantly, managers may gain valuable cost-saving tips they might never have developed on their own." (Gensing-Pophal, 52) The City Manager of Palo Alto instituted this method and received 1,500 cost-cutting and revenue-generating ideas in 2002-03 and 2003-04 in which they used a budget action team to create budget strategies utilizing these ideas.

The attitudes of the employees and the satisfaction and trust levels they have regarding their jobs are important to the loyalty and commitment to helping an organization. The evaluation of employees knowledge base of the budget, their opinions on reduction strategies, and the factors are key to their jobs are good tools to use to evaluate how well the organization is being run.

### Chapter 3: Methodology

#### Summary

This study is designed to examine the responses of various City of Menlo Park employees' responses to their perceptions of their understanding of the budget, their satisfaction of their job, and their input on strategies for reducing the city's budget. I have four predictions of what this survey will result in: 1) I expect employees to respond that as of February 2004, they do not feel their jobs are secure. This is due to the fact that management and the City Council are working on the budget, and for the last two years, we have experienced cuts in the budget and now are operating at lower levels, 2) I expect employees to respond that they do not understand the budget that well, 3) I expect that employees will select reduction in city services as the best way to reduce the city's budget, and 4) I expect employee's to rank job security and pay as the first and second element that is important to their job. Out of those that do understand the budget, I expect all managers to answer that they agree with the statement that they understand the budget.

#### Method and Data

The population of the research was a random sample of City of Menlo Park employees. The City of Menlo Park has 200 Full-time employees and 50-100 temporary and part-time/permanent employees. 100 surveys were given to a randomly yet stratified sample of city employees both male and female, managers, and line-level workers. The goal was to survey at least 100 employees in various departments of the City of Menlo Park. Employees from Personnel, Finance, City Manager's Office, Community Services, Library, Police, Engineering, Building, Planning, Public Works, and Housing were

included in these numbers. A survey questionnaire in a Word document format with eighteen questions on front and back was the instrument used and given to employees. The questionnaire is not from a pre-existing data set, and therefore is a developed series of questions. A two-member focus group of a sworn and non-sworn police employee met to go over questions that should be asked of the employees. Sensitivity and legalities were taken into considerations prior to the printing of the survey.

The questionnaire had five sub sections: 1) Eight fill in the blank, 2) Five Likert type Scale questions, 3) Two check the most appropriate answer out of a brief list of available responses, 4) One rank listed factors, and 5) Two open-ended questions for suggestions and comments. Section 1 was designed to collect random information regarding the city employees work status. These questions were made up of check or fill-in the most appropriate answer. Section 2 was designed to capture the levels of satisfaction, budget knowledge, and job security an employee has with the City. This section consisted of a Likert Scale type, which the employee checked either they strongly agreed, agreed, disagreed or strongly disagreed with a statement in this section. Section 3 was designed for employees to pick the best choice in reduction in the city's budget and personnel. This section was used to determine what priorities employees have in reducing in this current fiscal position. Section 4 was designed for employees to rank their expectations of their job in the form of factors that are important to their jobs. Lastly, Section 5 of the survey was designed to get voluntary feedback and suggestions from employees regarding the current budget situation.

Prior to distribution of the survey, Police Chief Christopher Boyd gave approval of the survey and permission to distribute them. Participants were presented a survey

(Appendix B) in-person and asked to participate in the survey for the completion of the capstone research project at Golden Gate University. In many of the departments, department heads were first approached to give permission before distributing to them and their employees. As an incentive to get a high rate of return of surveys, candy bars (Twix, Kit Kat, and Snickers) were given to those who completed the survey.

The first paragraph of the survey explained the request for completion of the survey. It did not explain what the focus of the research was in order to avoid preconceived notions about the questions and answers. In an attempt to increase the response rate, hard copies were given to each employee asked randomly and the bag of candy bars were shown as the motivation to return completed surveys. In Engineering, Housing, and the Library, an assistant was utilized by giving a set number of surveys and candy bars, which all were returned.

As with any research, the employees' anonymity was ensured because no names were collected and there were no identifiers on the surveys to recognize the respondent.

#### Limitations of the Research

This research project provides insight into employees' levels of satisfaction and understanding of the City's budget. The research does not provide detailed information about the perception of the city employee's satisfaction with previous budget reduction strategies. This research since newly developed does not have past statistics to compare it with. Another limitation is that the responses were not sorted out by department. This was done to ensure the anonymity of respondents. It does, however, provide a great deal of information on what elements are important to employees and what their knowledge levels are regarding the budget. This information can be used in a future research. The

concepts and ideas of the survey were ideal, however, more detailed questions could have captured more specific information relevant to this research.

## Chapter 4: Findings

Tabulation of the surveys was done in Excel 2000. Once surveys were all turned in, the data were input into the spreadsheet and calculated. The open-ended questions were documented on a Word 2000 document. The research findings are listed. In the methodology section five predictions were made and they are as follows: 1) Employees were expected to respond that as of February 2004, they do not feel their jobs are secure due to the fact management and the City Council are working on the budget due to the last two years, we have experienced cuts in the budget and now are operating at lower levels, 2) I expect employees to respond that they do not understand the budget that well, 3) I expect that employees will select reduction in city services as the best way to reduce the city's budget, and 4) I expect employee's to rank job security and pay as the first and second element that is important to their job. Out of those that do understand the budget, I expect all managers to answer that they agree with the statement that they understand the budget.

Table 2 represents the general and random information selected by respondents.

**Table 2**

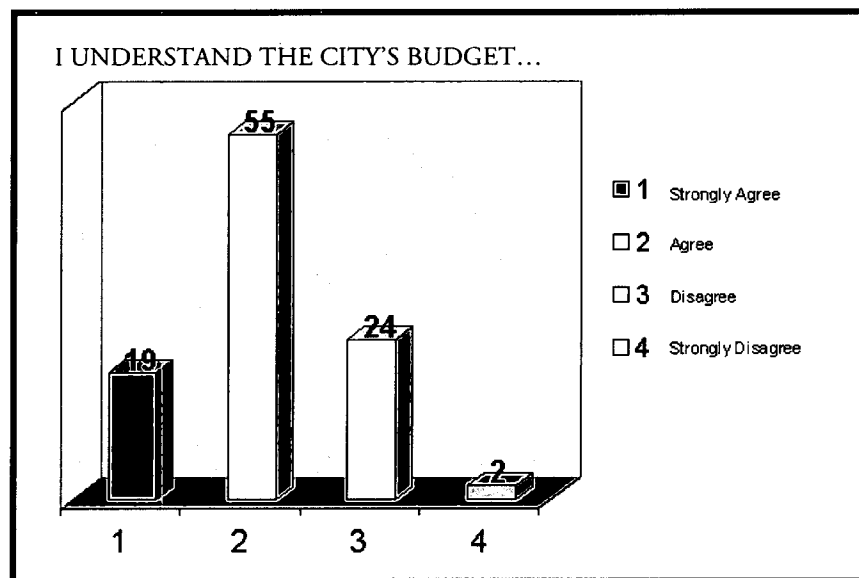
Total Surveyed in a Two week period: 100 out of 100 surveys returned. Surveys were issued to various department employees at the City of Menlo Park (police department, community services, engineering, housing, building, planning, finance, personnel, MIS, and public works)	
1) Male - 49	Female - 51
2) City Work Status: Fulltime - 83	Part-time - 13 Temporary - 4
3) Average # of years working with the Menlo Park:	- 10
4) Average # of years working in City Government:	- 12
5) Would you retire with the City? Yes - 65	No - 5 Unsure - 30
6) Are you a member of a union? Yes - 85	No - 15
7) Are you a supervisor/manager in the City? Yes-29	No-71
8) Do you work closely with your dept's budget? Yes-32	No-68



The information gathered from this table can be useful in later research and defining other specific areas. The question that relates closest with the current research is question number eight in which 32% of the respondents work closely with the budget and 68% do not. Out of the 29 managers, 21 work closely with the budget, which is 72%. This will tie in with one of the scale results of whether respondents understand the budget. This information lets the City Manager know that 68% of employees surveyed do not work with the budget and therefore may need more information regarding the City's budget process and what revenues, expenditures and reserves means to the overall budget picture.

In looking at the scale used to ask five questions, questions number 9, 10, and 13 will be highlighted. Starting with statement number 10, "I understand the City's budget," Table 3 shows the results as follows:

**Table 3**

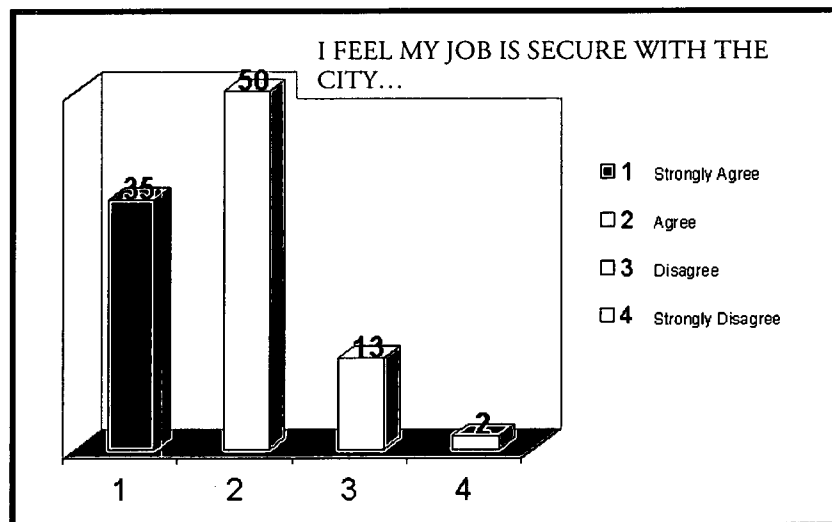


55% of respondents agree that they understand the budget, 19% strongly agree and of the 26% left, they respond that they do not understand the budget. This is a significant

number and another indicator that employees should have a better knowledge level of the City's budget especially at this time where reduction of personnel is being considered and service levels are being reduced. This is a higher rate than predicted, which disproves the prediction that employees do not understand the budget that well.

Table 4 displays the results from statement number 9, "I feel my job is secure with the City." A surprising number of respondents (85%) responded that as of February 2004, they feel their jobs are secure with the City. In light of the times, employees are still optimistic about their jobs with the City and feel that the City will make the right decisions to keep the current workforce in tact. This is another unexpected outcome to the research. Due to the economic situation, predictions would have proven otherwise.

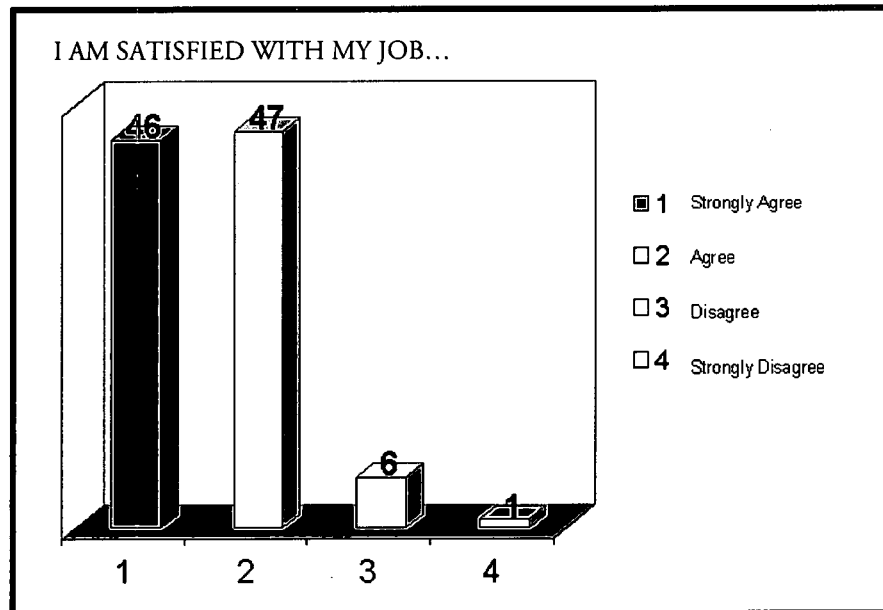
**Table 4**



Question #13 states, that as of February 2004, "I am satisfied with my job." Table 5 displays the results, in which an overwhelming response was that 93% of the employees strongly agree or agree that they are satisfied with their jobs with the City. This is useful information to the City Manager because he can use this when presenting

to Council the budget proposal in the second week of April 2004. If workers are satisfied with their jobs, then managers tend to work harder in maintaining the elements that make their jobs satisfying.

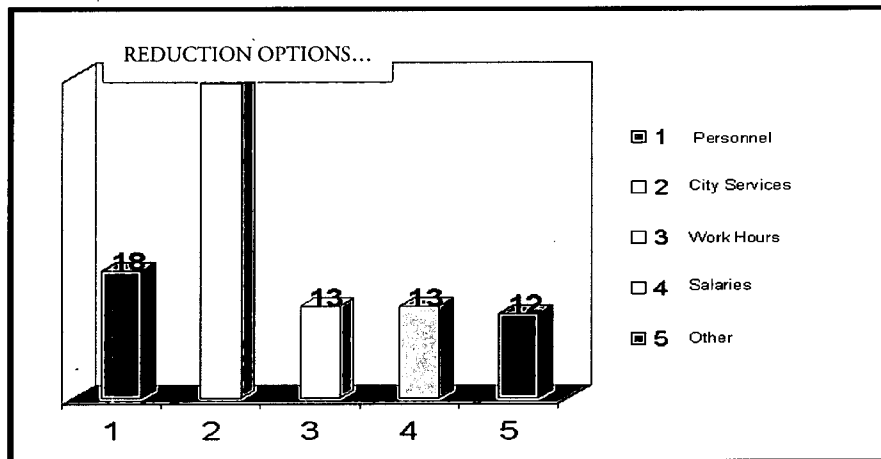
Table 5



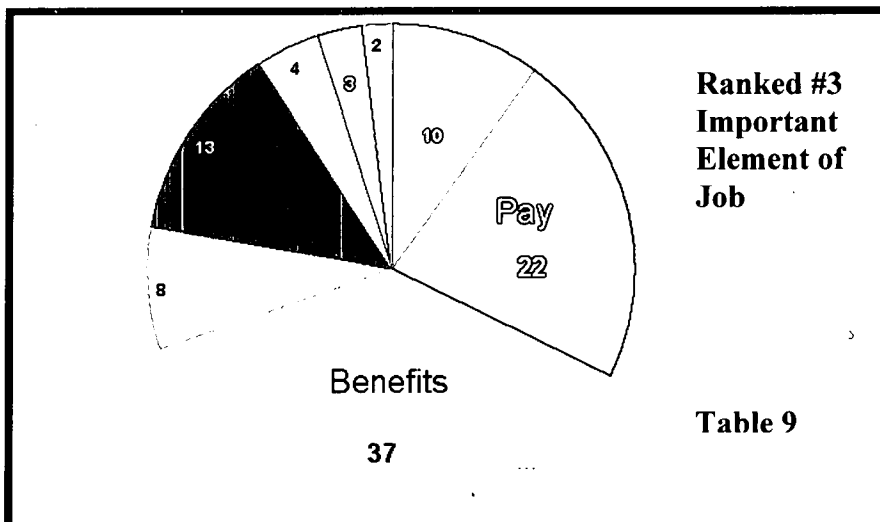
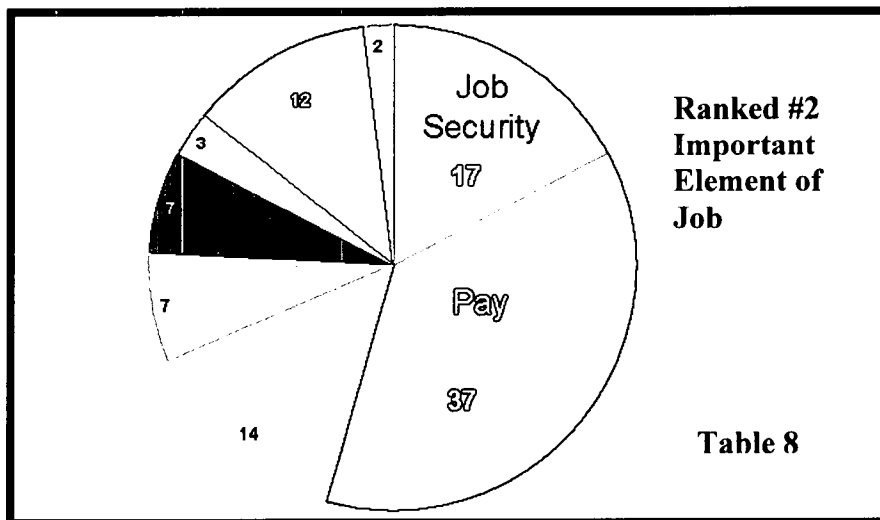
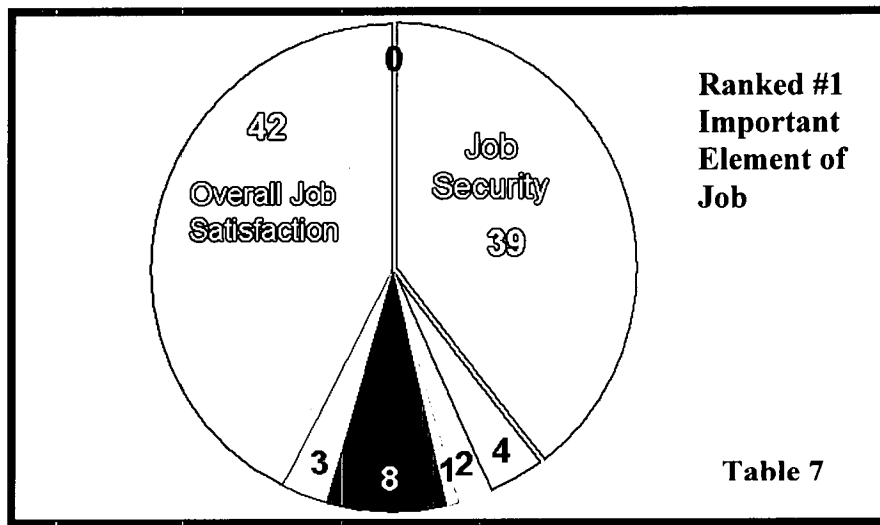
The reality of the budget situation is that budget reductions are going to have to take place. The survey offered two questions in regards to best ways that the City can reduce its budget. In addition a secondary question was asked that if personnel were a choice for reduction in the workforce, which are the ways out of the list that employees would go about achieving this. This question was asked because personnel is undoubtedly going to have to be cut. Table 6 outlines the response to the first question.

The prediction that in order for cities to reduce their budget, the choice of city services was no surprise, however, this may show that employees don't realize that reduction in city services is a downsizing measure that results ultimately in the reduction of personnel. This is where the question comes in whether employees understand the budget and decision making that goes along with it.

**Table 6**



The last tables, the respondents were asked to rank in order of importance elements that they thought were important to their jobs. The elements listed were job security, pay, benefits, close working relationship with co-workers, community service to the public, promotional opportunities (career growth), job satisfaction (overall), and opportunity to manage others. It is a little surprising that in this economy that 42% of the respondents rated that overall job satisfaction was their highest priority with 39% of the respondents coming in second in their first choices. This is represented in Table #7. Table #8 represents the #2 most important element, 37% select pay as their 2<sup>nd</sup> choice for importance in their job and coming in second at 17% is job security. Table #9 shows the 3<sup>rd</sup> most important at element is benefits at 38% and pay at 22%. Table #7 through #9 highlight the employees responses to their first three priorities. The City Manager can use this as a tool to see what the employees really care about. This shows the priorities in what the employees think. The results are surprising in some areas. Important factors in jobs have changed over the years. Employees are now more concerned with their overall job satisfaction a little higher than they rank job security, pay, and benefits.



## Chapter 5: Conclusion and Areas for Further Research

There are still more areas of research to be done. The conclusions that can be drawn from this research are that there is a financial situation within the City of Menlo Park. The reality of it is that jobs are going to be cut and employees are going to be affected with job loss and workload increases. Getting input from the employees is a key and effective way to communicate the financial situation for city government. Employees can possibly give solutions to some of these problems if solicited for input.

There is a high possibility of a decrease in the levels of City Service delivery due to possible layoffs and input from the community. Employees have offered up suggestions to possible areas of concern that may affect the budget for many years. The City Manager can look at these responses and deduct his own conclusion to the suggestions and the results of this survey.

This survey was welcomed by most of the employees. They were eager to give their feedback. Areas of further research can expound on the perceptions that employees have or management and the budget outlook. Another interesting approach would be to see how many good ideas for generating revenue could come out of an advanced survey that offers incentives to the employees. This is a chance to boost employee's morale in a time where uncertainty is the topic of discussion.

A letter has been drafted to the City Manager of Menlo Park summarizing the findings of this research. This is such a broad topic, and one can guess that he has questions of his own that he would like to ask employees in addition to this research. This is an opportunity for him to see that another employee is interested in the perceptions and concerned about the knowledge base of employees on the budget in today's economy.

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Appendix B: City of Menlo Park Employee Questionnaire

I am kindly asking if you can participate in filling out this survey (front and back) to help me complete my capstone research project. I am currently in my last semester of my MPA program at Golden Gate University. This survey is in no way linked to any of the City of Menlo Park's administration functions. It is strictly for the purpose of my research project in which a survey is a mandatory element of my paper. Thank you in advance for your participation!

Please check or fill-in your most appropriate answer.

1. Male \_\_\_\_\_ Female \_\_\_\_\_
2. City Work Status: Fulltime/permanent \_\_\_\_\_ Part-time/permanent \_\_\_\_\_  
Temporary \_\_\_\_\_ Other (please specify) \_\_\_\_\_
3. How many years have you worked with the City of Menlo Park? \_\_\_\_\_
4. How many years have you worked in City Government? \_\_\_\_\_
5. Would you like to retire with the City of Menlo Park? Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure \_\_\_\_\_
6. Are you a member of a union (SEIU, AFSME, POA, PMA, etc)? Yes \_\_\_\_\_ No \_\_\_\_\_
7. Are you a supervisor/manager in the City of Menlo Park? Yes \_\_\_\_\_ No \_\_\_\_\_
8. Do you work closely with your department's budget? Yes \_\_\_\_\_ No \_\_\_\_\_

Please check the most appropriate box for questions 9-13.

As of February 2004.....	Strongly Agree	Agree	Disagree	Strongly Disagree
9. I feel my job is secure with the City.				
10. I understand the City's budget.				
11. I would voluntarily retire or vacate my position if the option was available.				
12. My job is important to the community we serve.				
13. I am satisfied with my job.				

14. What do you think is the **best** way for any city government to reduce their budget?  
Please **select your first choice only**. Please feel free to include another option not mentioned.

\_\_\_\_\_ Reduction in Personnel  
\_\_\_\_\_ Reduction in City Services  
\_\_\_\_\_ Reduction in Work Hours  
\_\_\_\_\_ Reduction in Salaries  
Other Options \_\_\_\_\_

15. If Reduction in personnel is an option, which do you think is the best way to reduce personnel? Please select **one** of the three choices and feel free to include another option.

\_\_\_\_\_ By Service Priority (Essential services vs. non-essential services)

\_\_\_\_\_ By Individual Employee Performance

\_\_\_\_\_ Seniority (junior employees first to go)

Other options \_\_\_\_\_

16. Please rank the following elements of importance to your job. #1 being the most important, #2 being second important all the way through #8, which designates least important out of the 8 listed.)

\_\_\_\_\_ Job Security

\_\_\_\_\_ Pay

\_\_\_\_\_ Benefits

\_\_\_\_\_ Close working relationship with co-workers

\_\_\_\_\_ Community service to the public

\_\_\_\_\_ Promotional opportunities (career growth)

\_\_\_\_\_ Job satisfaction (overall)

\_\_\_\_\_ Opportunity to manage others

17. Do you have any suggestions for the current budget situation in the City? If so, please state briefly \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

18. Any additional comments are welcomed!!! \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Thank you for taking the time to fill out this survey!! Should you have any questions on my research project, please feel free to email me at [nicmon20@hotmail.com](mailto:nicmon20@hotmail.com).

Thanks again,

-- Nicole Acker

Appendix C: Written Remarks on Questionnaire

Suggestions:

Do you have any suggestions for the current budget situation in the City? If so, please state briefly?

1. Cut programs to non-residents or have them pay full non-subsidized fee
2. No new workers
3. I believe that the budget in the City can be solved by the Council using money from the reserves this year. I believe that the economy will get better and that this could be a 1 year obligation.
4. Reduce unnecessary spending by all departments, oversee closer eye on current spending.
5. We should cut services before we cut personnel. People in a company or city are the backbone of the city.
6. Restructure the city policies on how they do business with large companies who would generate revenue for the city. The city is known to not be corporate friendly to big business.
7. Look at the budget from the ground up. Figure what is essential, and re-prioritize unneeded costs.
8. Attempt to make Menlo Park more of a friendly city to come for consumers and businesses.
9. To use every idea tool and possibility to keep our "customers" served without the loss of employees or positions. In other words, think outside of the box.
10. Increasing City revenue through non-tax means can be really important for managing financial crisis.
11. Revenue options, voluntary separations, creative strategies, service reductions or restrictions, service prioritization, frozen positions, layoffs, outsourcing.
12. Decide what services are absolutely essential first, then find real ways to become much more business friendly and then consider cuts.
13. Bolster economic development. Be involved in city image and service commitment to new business considering Menlo Park. Invite high volume retailers (Wal-mart etc.) with city service support.
14. Bring more stores to the city, this will bring more revenue.
15. I believe the city as a whole and each department is doing a good job at combining cuts to services, voluntary separations, raising money in other ways, etc. The city should continue with these things.
16. Eliminate all discretionary expenditures. Eliminate child care programs too much cost and effort for limited participation.
17. Evaluate employee performance eliminating jobs that are not needed or employees are performing poorly.
18. Workforce reduction of non-essential personnel.
19. Use reserves, cut employees, offer early retirement.
20. Reduce commanders by 1 and look at top paying city positions for possible reduction.

21. Restrict spending to essential services and largely scale down non-essential spending.
22. Use reserves; The whole reasoning behind having a reserve is to use it when a need arises. A need has arisen. By simply laying off people or reducing doesn't necessarily help the budget the following year, it is just a band-aid for an even bigger problem. By using the reserves we can save jobs and buy more time for more economic growth.
23. The City should encourage workers to quit or retire with incentive packages. It should spend reserve funds to maintain employees and not fill jobs that come vacant there by shrinking the workforce.
24. Reduce printing
25. Effectively utilize reserves to help bridge the gap and reduce or eliminate non-essential services.
26. I think during this dire financial strait that the City use its reserve to avoid budget cuts and/or cuts in City services. What is the purpose of having a reserve if not to use it in time of financial crises like what we have now.
27. Management should be reduced. The city is heavily top managed with redundant and non responsible managers. Managers always avoid responsibilities and yet get paid handsomely for lack of knowledge and or managing skills.
28. Cut the perks and bonuses, trim non-essential services, spend money for essential services more wisely, i.e. Buy at volume discounts etc. postpone purchases on items not needed right away such as remodeling for appearance sake.
29. Contract out services if possible.
30. Use the general fund.
31. If line level employees need to have cuts then admin should as well. It's difficult being a team player when it's not across the board.
32. I liked Gavin Newsomes idea of salary cuts.
33. Bring outside services in house (plan-checker) Increase knowledge of the city's current volunteer program. Increase rent for tenants Raise awareness of "Shop Menlo" to raise revenue – maybe give out coupons for Chilis, Su Hongs, etc to encourage employees to eat in Menlo Park.
34. Use reserves and review positions that might be obsolete.
35. Eliminate unnecessary and or unproductive personnel. Reduce unnecessary overtime. Having a pay cut starting from high salary personnel (i.e. above \$100K)
36. You need to look at what is and isn't necessary. Emergency services are absolutely essential. Programs that exist that are nice but not essential need to be looked at first.
37. Cut department heads salaries – possibly eliminate dept head by combining departments. Cut some services to the public.
38. Reduction of work hours for those interested. Reduction of some city services (some rec classes that are not filled, etc)
39. Council should look at survey of residents priorities cut out the unnecessaries. Cut some of the layers of management. Some departments are top heavy with supervisors. Reduce management perks (cars, memberships, travel, workshops)
40. Dip in reserve funds to fill in ½ of the budget gap periodically, put back the \$ into reserves when excess funds are available.

41. They could use some of the reserves to save jobs.
42. The city hires/contracts for some services that are not essential, I would prefer cutbacks in those areas prior to employee lay offs. Further, it is a matter of priority, and who has authority to decide upon the priorities.
43. Rent out the old police stations as office space or storage.
44. Do whatever it takes to make the city more attractive to consumers to bring in business. If it comes down to it use the city's reserves to save jobs.
45. To look at services that can/is provided by the private sector as areas to cut.
46. Since Menlo Park has lost several businesses and therefore revenue I believe large name companies should be brought into the city (for example, Walmart) and put in areas of the community that need these services (BelleHaven)
47. Cross train staff; For police use on line services for general case (info, etc) Make use of volunteers to augment departments
48. Restructure management and take the money and pay the people who really. Cut the chain of command, too many bosses to go through. A lot of high paying jobs (bosses) can be used for people who need more hours or \$.
49. To really look at how each department is structured as far as upper management. We don't need 3 supervisors in order to reach the department head – Chain of Command.

Additional Comments:

1. This city must streamline business growth. They must do better courting businesses, not allow themselves to be handcuffed by a few extremists, and fast track decisions on bringing in new businesses.
2. Example of service sharing get Police department participation in other services being reduced. Example: officers run city rec services as part of work shifts, in lieu of separate recreation staff. (Officers coach/mentor a city basketball team, etc.)
3. Tough times, but I think this city is doing everything it can under the circumstances to be responsible.
4. A second "reserve" might be very valuable at these times to stave off or stall cuts in employees or early retirements.
5. In this job starved economy the city has a social obligation to maintain employees when possible. Our city has the money in reserves to preserve jobs and shrink the workforce slowly. They owe it to society, the employees, and their conscience to do so.
6. It is only my opinion, but in question #16 a lot depends on an individual's age, goals and concerns that will dictate how they rank each category. P.S. I forgot life experiences.
7. Possibility of non profit status in some way to raise capitol

Other Options:

Other options for the best way for any city government to reduce their budget.

1. Closer watch of city spending (waste reduction)

2. Complete assessment of spending. Business development to generate business growth and increased revenue.
3. Re-look at alternatives. I fell there are hidden items that can be eliminated to not impact the above choices, ie. No city owned vehicles issued to employees.
4. Stronger management to cut waste.
5. In conjunction with asking people for voluntary retirements, separations, etc.
6. Improve efficiency and combine positions, such as have employees work for various departments during work common to all departments, such as secretarial and clerical functions.
7. Wasting money on remodeling Santa Cruz Ave/parks
8. Golden handshake/early retirements
9. Attrition of the workforce is the only way to save big money. Reduction of hours saves money but is a temp solution. It keeps folks employed while the work force contacts to a livable size.
10. Take away management perks and reduce work hours.
11. Reduce the perks and bonuses
12. I think some of all is necessary.
13. Freeze salaries until economy boost.
14. Attrition
15. Increase taxes



Appendix D: Letter to the City Manager

March 8, 2004

City Manager David Boesch  
City of Menlo Park  
701 Laurel Street  
Menlo Park, CA 94025

Dear City Manager Boesch,

As you may be aware, I am in my final classes at Golden Gate University. I chose to do my capstone research project in reference to our budget situation. Government downsizing is a reality that we have been sharply faced with. I realize that this task is a painful process for all agencies, but has been justified by the State at this point, the soft economy, and the reduction in revenues into the City. With your recent news to department heads that they must submit their budget proposals containing a reduction in our budgets by both 4% and 8%, I would like to suggest a few things. I realize as an employee, this submittal will significantly affect our personnel. I also understand the department heads thoughtful and timely preparation and input needed to come below budget for this current FY03/04 and to continue to reduce expenditures for the upcoming FY 04/05.

Another reality is that job security for employees are a concern. No longer are we secure in our jobs, although many city employees think they are. If services get reduced then that consists of bodies. Many employees offered to cut the budget by service priorities. I also took a look at the resident's survey results. I see that many of the services that residents considered to be cut immediately involve the cut of many employees. I don't know if employees have made the connection that if services are cut, that means that bodies go with this decision. Not necessarily does this mean by seniority. I realize that there are a number of considerations that need to be made before any budget is approved.

I took interest in the subject of getting employees input on certain feelings and suggestions that they have about the budget and their jobs. With the assistance of a focus group consisting of a couple of police department employees and Chief Boyd's approval, I passed out 100 surveys, and believe it or not the return rate has been 100% of the surveys. I of course, used the incentive of a candy bar for completed surveys received. I have attached a copy of the survey.

Looking at the strategies you have been using thus far to curb our now \$2 million dollar shortfall, I think the employees have been left out in some parts of this process. Jobs are on the line. I used sensitivity in asking the questions. A sample of employees from all of our city departments participated in this survey, to my surprise very willingly.

I have included a copy of the survey results and my capstone research project for your review. I believe that some of the feedback you receive will be useful when you have to

approach City Council with the City's budget proposal. Not only will this put additional faces on the thought of cutting positions, but also offer up suggestions that department heads and other staff members have not come up with as far as strategies to help increase revenue.

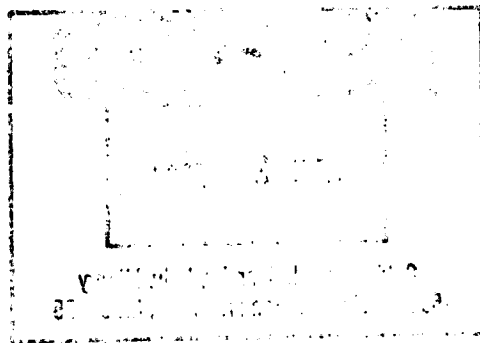
While listing suggestions and comments that might be helpful, you will see that many employees could benefit from more personal contact from you concerning the budget. The broad budget meetings that you have had with all personnel to include managers and all city departments come off as impersonal. Clearly, there is a concern in all departments in regards to the layers of management. I think that employees can benefit from hearing concrete examples from you of the importance of the layers of management and what management is doing to help the budget situation.

Another suggestion is that employees are not clear on the usage and the purpose of the reserves. I think all employees should be mandated to be familiar with their budget so they can appreciate the decisions that are being made. I believe that your interaction with the personnel would greatly enhance morale. Employees seem to be down and uncertain. With their responses they seem sure of their jobs, but in reality if we look at their comments, they are not.

Thank you for taking the time to read some of my recommendations and input on this budget situation. I do appreciate the hard work you and your staff have put into the budget for past, present, and future years.

Sincerely,

Nicole Acker  
Administrative Assistant



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