

# ***Methodical Analysis Gets the Job Done:*** **Outcome-Based Management in San Mateo County**

GERARDO SILVA

## **EXECUTIVE SUMMARY**

### **Overview**

San Mateo County Human Services Agency (HSA) uses a budget planning process known as Outcome-Based Management (OBM) which was designed specifically to assist in accomplishing its Shared Vision, 2010 goals. OBM facilitates the annual adoption of two fiscal year budgets. The process is driven by HSA's Planning and Evaluation (P&E) Unit and Financial Services which follow a set schedule developed in September prior to the upcoming fiscal year budget adoption.

### **Findings**

At HSA, everyone is accountable for the agency's success. Hence, communication is a crucial component with all those who need to be "at the table" and participating actively in the budget planning discussions. In addition, many of HSA's policy meetings are open for those who want to attend, thus demonstrating their promotion of staff's involvement in the process. The OBM product followed includes, among other segments, a "Story Behind Baseline Performance" section which completes a comprehensive story. It is organized into four different program plans, each with their respective focus.

HSA's data for OBM is extracted mainly from a data warehouse that stores information from different systems. Appropriate personnel are trained on how to use these data and how the OBM process works, facilitating the complex budget package altering process.

Many benefits and challenges have come from applying the OBM process. One benefit highlighted is that it allows HSA to focus on what it wants to accomplish. Thus, grant-writing is guided toward funding mission-connected initiatives. One great challenge is determining the right data to measure.

A key element for OBM's success is having buy-in at all levels, including the Board of Supervisors, the County Manager's office and the agency. Several years ago, the Board of Supervisors introduced a comparable process known as Performance-Based Budgeting (PBB) to all Santa Clara County departments. However, as PBB is still in its developmental phase, it is not as integrated in the agency as HSA's OBM.

### **Recommendations**

Although implementing a full process, such as HSA's OBM, is not viable for Santa Clara County Social Services Agency at this time, it does contain stand-alone elements that are worth exploring for possible adoption. Among my recommendations are:

- Explore HSA's OBM program plan's structure elements for internal budget planning discussions.
- Increase independent measurement criteria outside of our PBB outcome-based measures for internal use.

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## **Introduction**

For the past six years, San Mateo County Human Services Agency (HSA) has used a budget planning process known as Outcome-Based Management (OBM). It is a management system that integrates its Shared Vision 2010 goals into the department's processes which include planning, priority-setting, performance measurement and budget development/resource allocation. HSA's aim is for all its programs and services provided to continue to make progress toward goal achievement. This document speaks to OBM's inception, evolution, and current practice. Included are the successes and challenges met along the way as well as implications and recommendations for Santa Clara County Social Services Agency (SSA).

## **Background**

Starting in 1999, for six months, discussions took place to formulate a vision plan for the County of San Mateo. Through the initiative of the Board of Supervisors, the county partnered with the community to achieve a citizen-developed vision for the future. This effort was achieved by asking county residents the questions: *What will the county be like in a decade? What do we want it to look like?* The resulting plan is known as Shared Vision 2010, and the OBM process was created as the vehicle to put the plan in motion. In the pilot phase, HSA chose to apply OBM to its Alcohol and Other Drug Services Department. After two years of implementation and through a couple of process phases, the OBM system was applied to all of HSA's programs and services to ensure that alignment occurred and that progress toward meeting the goals identified in the Shared Vision 2010 got measured.

## **OBM Budget Planning Cycle**

HSA adopts two fiscal year (FY) budgets annually. To make this happen, HSA has a Planning and Eval-

uation (P&E) Unit that works with the Financial Services Department driving the yearly preparation and analysis process with the Executive Team's direction. Through their ongoing budget performance monitoring, HSA looks at its current year's progress for action to ensure or improve performance, as well as the next two years' budget estimate revisions whenever necessary until reaching adoption by the Board of Supervisors. Their planning cycle for FY 06-07 is noted below:

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9/05	· Approve budget planning calendar for FY 06-07 · P&E and Financial Services develop a comprehensive budget development calendar
10/05	· Develop preliminary FY 06-07 strategies with community feedback
11/05	· Executive review of "Strategies to be Proposed" and assignment for completion
12/05	· Executive review of completed strategy proposals modifying wherever appropriate
1/06	· FY 06-07 budget planning kickoff · Midyear FY 05-06 budget update
2/06	· Executive review of final OBM program plans and submission to County Manager's Office
3/06	· Preliminary department budget meetings with County Manager · Executive review of agency overview plan
4/06	· Final department budget meetings with County Manager
5/06	· Year 2 budgets and agency/department budget overview submission to County Manager
6/06	· Recommended budget hearings and budget presentation
7/06	· Compile year-end data · New fiscal year begins
8/06	· Submit year-end data to County Manager's Office · Develop OBM calendar for FY 07-08
9/06	· Final budget hearings/September revisions · Year-end performance status (Board Report)
11/06	· Adopted budget book is published

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## Observations

My internship took place from late January to the middle of February which involved the budget planning phase, the mid-year budget evaluation, and preparation for the preliminary budget meeting with the County Manager's office. Through my attendance in Executive Team meetings and interviews with key personnel, I observed their outstanding group dynamic and commitment necessary to have such a process work. HSA is driven by its holistic approach toward integrated services with everyone accountable for the agency's success. Hence, communication is a crucial component with all those who need to be "at the table" and participating actively in the discussions. HSA's Mission Statement declares that it serves as a catalyst for the creation of a system of public and private efforts directed toward ensuring that all individuals and families become healthy, productive, contributing members of the San Mateo community. Staff dedication to this mission was very apparent.

## Agency Structure and Policy Meeting Participation

The structure of an agency can impact how its leaders coordinate their efforts for meeting the agency's mission. HSA's structure is divided into three regions: Northern, Central, and Southern. Each region has a director serving as a policy lead focusing on a specific area: the northern region focuses on Substance Abuse and Shelter Services with participation in the Drug and Alcohol Advisory Board; the central region focuses on self-sufficiency with participation in the Workforce Investment Board; and the southern region focuses on both Child Welfare and Income Maintenance with participation in the Integrated Services Policy Team. In addition, two other HSA directors lead the following areas: Program Support focusing on Financial Services, Business Systems Group, Administrative Services, and Organizational and Staff Development; and Children and Family Services (CFS) focusing on children and youth system of care. Although the Director for CFS leads that

department, the CFS staff based regionally report to the appropriate regional director noted above. And finally, the HSA Director leads the Executive Team made up of the directors listed above with participation of other key resource personnel at their meetings. While each region has its focus, all Directors share their input in the measures discussed. It is also noteworthy that HSA's Policy meetings, save for personnel-related meetings, are open for any who want to attend, thus, demonstrating HSA's promotion of staff involvement in the process.

## OBM Program Plan And Review

By telling the full story, OBM reveals how the numbers relate to actual performance. The OBM program plan expands on the following elements:

- Program Outcome Statement
- Services and Accomplishments
- Story Behind Baseline Performance (including anticipated major challenges over the next two years)
- Program Priorities
- Performance Measures.

HSA's OBM product actually consists of four different program plans each with their respective focus as noted below:

**Community Capacity Building** strives to achieve for San Mateo County residents a healthy quality of life by providing emergency shelter care and supportive services, transitional housing, and safety net services.

**Economic Self-Sufficiency** promotes economic self-sufficiency for individuals and families by providing employment related support and career development services while granting temporary financial assistance to those in need.

**Family Strength** strives to provide a continuum of prevention, protection and permanence, including assessment, intervention, and treatment services that maximize child well-being, family stability, and self-reliance.

**Program Support** promotes the delivery of effective and efficient services to families through providing facilitation, consultation, and centralized, coor-

minated support for HSA staff, community partners, and federal, state and local constituencies

Within each plan, one to two measures are usually established in the following three categories: What or how much we do (Workload/Effort); how well we do it (Quality/Efficiency); and is anyone better off (Outcome/Effectiveness). This year's outcome-based measures total twenty-four. For obtaining the figures for these twenty-four measures, HSA relies on the data warehouse described below.

### **The SHARP Data Warehouse— Data Compilation and Maintenance**

HSA uses the San Mateo Human Services Analytical Reporting Project (SHARP). SHARP was specifically designed for OBM to compile and maintain their data. The SHARP data warehouse stores information from different systems including, among others, CDS (containing CalWORKs, Food Stamps, Medi-Cal), CWS (Child Welfare) and SMART (Employment Services). Since January 2006, data from CalWIN (CalWORKs Information Network which replaces CDS) have been incorporated. A data extract of only what is needed is pulled from SHARP every month to use for compiling the appropriate figures.

When new initiatives are proposed, determination of what data can be obtained to measure their performance follows. The first six weeks of the determination process is critical as this is when data are chosen to answer the questions formulated. One of the challenges in framing measures is that the most ideal data sometimes is not attainable through the SHARP data warehouse. So performance measures are refined according to what can be gathered, keeping intact the integrity of the initiative.

It takes about seven months to set up the data to measure performance. This process includes manager and supervisor validation. For urgent initiative implementation, there is a speedier process in place to gather the data but the seven month drill is still observed for further performance measure refinement.

As OBM has been in place for six years now, it is much more manageable in terms of data preparation.

However, during its pilot phase, it proved to be a very overwhelming task since it involved gathering the appropriate data for about 120 measures. Although many measures are still being tracked, currently, the outcome-based measures have been scaled down for the budget process to a total of twenty-four as noted above. Now, there is the new challenge of extracting the right data from the recently implemented CalWIN system. As CalWIN maintains historical data available for a much longer time than CDS, it will make SHARP a more powerful data warehouse once these data are assimilated.

### **“OBM” and “Using Data to Manage” Trainings**

To ensure that participants understand the process and how to read the data, all managers and anyone else using OBM receive the trainings “OBM” and “Using Data to Manage.” The “OBM” training involves a description of its purpose, process, and basic budget monitoring concepts. The “Using Data to Manage” training looks at OBM from a “how to work with data” perspective. It is comprised of how the data systems work, how data are presented and analyzed, and how to work with the data comparing and questioning the numbers for meaningful interpretation. Equipping managers with this knowledge makes for more productive meetings and a clearer understanding of the implications of the data being shared.

### **Modifying the Budget Package**

Budget allocations change from year to year depending on many factors. Hence, every fiscal year the budget package is modified. Altering the budget package is a complex process as continuation of funding for initiatives is not reliant solely on numbers, but also on how individuals react to them. Additionally, forming new initiatives is dependent on existing conditions. All the while, fulfilling the agency's mission and county objectives is paramount. OBM is an ideal mechanism for completing budget modifications.

An initiative that is not performing well may not necessarily be eliminated. Rather, more attention may be given to improving its performance due

to a set mandate or its importance to the community. Also, there may have been reasons that were out of the agency's control that hindered a successful outcome. In these instances, an initiative may continue to be funded if those obstacles can be overcome and/or are not expected to repeat, and, obviously, if the Board of Supervisors still finds it valuable.

Due to a successful outcome of an initiative, even for those that are meant to last only one year, funding may continue if it still fulfills a service need. Conversely, if a service need no longer exists due to an initiative successfully accomplishing its goal or a change in circumstances, its funds, if appropriate, can be reallocated. Additionally, if performance incentives are given to the agency, those extra funds enhance the budget package.

Finally, consideration must be given to implementation of new initiatives. It is an understatement that the political arena is an element that highly affects initiative funding. Certain initiatives have a greater chance of being funded if the timing is right. Attention should be given on how those initiatives build upon and support what is already in place. In doing so, the agency demonstrates its commitment to the community, staying in tune on how it can continue to be a conduit for improving quality of life or, at minimum, meeting the service needs of its residents.

### **Benefits Derived From OBM and Success to Date**

There are many benefits HSA derives from applying the OBM process. First and foremost, because budgeting is outcome driven, it allows HSA to focus on what it wants to accomplish. When creating a budget package, a natural question asked is "How else can HSA get money to achieve that?" Thus, grant-writing is guided toward funding mission connected initiatives.

The OBM program process is also an effective communication and educational tool. With its use, budget hearings have gone more smoothly. It assists in responding to board inquiries quickly and effectively. It also facilitates responding to audits from the Board of Supervisors and outside agencies.

In addition, it is used to communicate to staff and other stakeholders what HSA's goals are and how the agency is progressing toward achieving them.

The OBM framework is a very organized way of planning for the budget. It has created a "culture shift" in how business is done. Its planning aspect reduced the "crunch time" previously experienced by Financial Services analysts during budget planning months. The process helped establish better working relationships and rapport facilitating collaboration and dialogue within and between agencies. It is inclusive of individuals that need to be "at the table" (common service providers) and encourages more open communication.

OBM fosters more reaching out to stakeholders. There are ongoing requests for input/feedback from the "customer" using "surveying service" folders on an annual basis. Through the analysis process, each department's needs naturally come to the forefront. Staff get energized when measures show progress. Similarly, when something needs improvement, staff are alerted sooner to take action.

One important component of OBM is doing a "Strengths, Limitations, Opportunities and Threats" (SLOT) assessment to tell the Story Behind Baseline Performance and to develop priorities for the program. Staff have taken initiative and used the SLOT assessment even for programs outside of the OBM plan. This assessment involves documenting the internal and external factors for the purpose of determining how strengths and opportunities can address limitations and threats. See the table below.

<b>Factors</b>	<b>SLOT Template</b>	
Internal	Strengths	Limitations
External	Opportunities	Threats

Taking less than two hours, the SLOT assessment helps participants brainstorm and prioritize these areas so all can come away with a clear focus of what can be done to achieve results.

Finally, another benefit of OBM is its data warehouse component. SHARP has proven to be an effective model for data warehousing that other San Mateo County agencies and departments may find

useful in meeting their own needs. It helps answer complex questions more confidently as it uses data from multiple systems.

## Challenges

Although attaining benefits from a new process encourages its continuation, they are usually arrived at while encountering challenges. With OBM, a challenge is determining the right data to measure. Figuring out what to measure and getting to the core data that is representative of true performance requires extensive review. Much more data is collected than what will ultimately be spotlighted. A program in actuality may be successful, but if the measures chosen to represent its efficacy are not the most ideal, it may not paint an accurate picture. Once the measures are set, there is little or no flexibility for changing them. Obviously, the Story Behind Baseline Performance section of the program plan is a good solution to this challenge. Still, the measures themselves are the focal point of the plan.

In order for it to be useful, there is a huge reliance for the collected data to be complete, accurate and adequate. Data from internal sources must be reliable and consistent. Hence, staff must understand the importance of timely entering of accurate data into a system that feeds into SHARP and how their entries impact the whole OBM process. Likewise, outside providers must gather and submit their necessary data for OBM. It is more difficult to control receipt of data from outside sources than internal ones. Although this challenge is not specific to the OBM process, it is relevant as the budget is impacted by the referenced data.

Gathering relevant data from the public can prove to be a challenge. In terms of reaching out to the community for input/feedback from either respondents to surveys or attendees at forums, it is difficult to get a broad representation of the county's residents. It will not be a true community assessment if only a few people contribute. Also, if the attendees or respondents are mostly previous participants, a narrow perspective can be the result. Although steps can be taken to improve community representation

at forums or the diversity of respondents, this is a factor that is not entirely under an agency's control.

OBM is a very time-consuming process. It requires tremendous resources to maintain its planning, data collecting, data processing, training and analyzing aspects. The continuous analysis of the plans can be wearing at times as it is extremely methodical. However, staff know its importance and pull through the process by focusing on its worthwhile benefits.

OBM is still a young process. It is difficult to measure improvement in such short-term time frames. Although the benefits obtained thus far have been advantageous as noted earlier, the passage of more time will reveal just how HSA's client services have been affected. Since HSA is just past the midpoint of Shared Vision 2010, it won't be long before making that final assessment.

## Some Ingredients for Success

In order for OBM to work, there must be buy-in at all county levels as it is completely an integrated, involved process that cannot be accomplished successfully without full sponsorship and appropriate resource allocation. The Board of Supervisors, the County Manager's office and the agency must be aligned when implementing such a process.

Financial Services needs to be involved in the process from the beginning. Including them early on while forming initiatives helps to identify if possible funding venues exist, thus, allocating staff's time to develop the initiatives more productively. Financial Services can have more time to explore varying funding sources that otherwise would have gone untapped. The goal is to package a product that would be easier to fund and to continue its funding beyond the first year as long as the need exists.

As soon as the initiatives are set and measures are chosen, managing the details effectively becomes fundamental. When managers and service providers create and monitor their own measures beyond those delineated in the OBM program plan, those details can become invaluable when asked to contribute to its Story Behind Baseline Performance section. The

results of these independent measures can confirm anticipated progress or put focus on specific areas that may need improvement even before the midyear evaluation. Not only does self-directed monitoring offer a wider range of staff a link to the OBM process and holding everyone accountable, it also improves the probability of the initiative's success.

Because data serve as a progress gauge for staff, when creating data reports, they must be formatted in a manner that will be practical to the reader. When reports contain data comparing figures from last month, last quarter, and/or last year, the reader can much more easily see the trends. Also, the timely delivery of, or access to, these reports is crucial for staff to take action without delay whenever necessary.

An agency that is structured to work like an "organism" rather than an "organization" is more mindful of how decisions impact the whole and not just the part. When individuals target achieving the same goal, it is likely that they are more prone to work together as a team and be better informed of how changes in their department impact other departments. Especially when funds are cut, all team members can pull together focusing on the common objective of strategizing how to endure a budget reduction and still meet the desired outcomes.

### **Implications for Santa Clara County Social Services Agency**

The Santa Clara County Board of Supervisors has demonstrated it is interested in applying an Outcome-Based Management process for budget planning. Several years ago, Performance-Based Budgeting (PBB) was introduced to all of Santa Clara County's departments. However, as PBB is still in its development phase, it is not as integrated in the agency as HSA's OBM. Unlike OBM's program plan structure, PBB's current data format is presented to the Board of Supervisors with brief statements focusing primarily on each department's public purpose and desired results along with graphs of the measures it is tracking. At this time, out of the 47 measures it tracks, SSA identifies 31 of them as outcome-based (almost 66% of the measures). As the next step, five

of Santa Clara County's departments, not including SSA, have been designated for piloting an expanded version of PBB to demonstrate how performance measures can be presented in a tabular format with trend data over time. Once the five departments complete the pilot phase, SSA may follow a more standardized "expanded" PBB format.

As HSA employs a P&E Unit that works together with Financial Services to drive OBM's preparation and analysis process, perhaps coordinating current PBB resources with Financial Analysis and Operations Division resources may improve a course of action.

In varying ways, directors, managers, some supervisors and service providers are involved in HSA's OBM process. For SSA to follow suit, it would require a tremendous time commitment from many individuals to actively discuss, gather and/or analyze data for a similarly detailed PBB program plan. Having implemented the new CalWIN system in June, 2005, much of staff's time is still heavily dedicated to becoming familiar with the system as well as resolving the data conversion issues. Although HSA also implemented CalWIN recently, its OBM process had already been established. For SSA to apply a similar methodical process at this time does not seem feasible. Still, staff not impacted by CalWIN may want to consider establishing independent measure criteria for their own programs as a progress gauge outside of the outcome measures reported through PBB.

HSA supports its data needs through their SHARP data warehouse. Although SSA is very adept at gathering and formatting data well to fulfill requirements, these data do not reside in one data warehouse. Establishing and maintaining a data warehouse, such as SHARP, would be costly and, in a budget reduction year, unlikely to be funded. Furthermore, existing Decision Support and Research Unit's time as well as our Information Systems staff's time is currently occupied with other varying priority assignments. Nevertheless, data warehousing certainly assists in linking desired outcomes across departments which use different systems to provide services.

Currently, one of SSA's departments, Department of Family and Children's Services (DFCS), is undergoing organizational changes. This change process offers an opportunity for the agency's departments to link better for the purpose of achieving a common goal. Organizational change does not occur overnight. To achieve a more cohesive organization that functions like an "organism" requires time and commitment from all individuals involved.

## Conclusion

OBM is a methodical analysis process that gets the job done. It involves careful scrutiny of outcome performance measures leading to group decisions toward reaching an agency's objectives. Although implementing a full process, such as HSA's OBM, is not viable for SSA at this time, it does contain many stand-alone elements that are worth exploring for possible adoption. Considering SSA's current circumstances, I offer the following recommendations:

- Explore HSA's OBM program plan's structure elements for consideration in using them to facilitate internal budget planning discussions.
- Formulate tentative Year 2 budget estimates for internal purposes while working on Year 1 in order to identify budget challenges much earlier.
- Make a depository of data reports accessible to appropriate staff (perhaps on the Intranet) showing the trends that contain figures from last month, last quarter, and/or last year to have the latest information readily available.
- Offer training to management staff on topics such as "Using Data to Manage," "The Budgeting Process in Santa Clara County," and/or "How to do a SLOT Assessment" to develop staff skills in working with data, budgets and problem solving.
- Increase the number of independent measurement criteria outside of the PBB outcome-based measures for internal use to improve the probability of an initiative's success.

## Acknowledgements

Thank you all for your gracious reception, for opening up your doors and allowing me to observe your process, for spending your valuable time meeting with me and imparting your knowledge, and for your overall contribution to my BASSC internship experience. Thank you especially to Selina Toy Lee for your guidance and coordination throughout my visit.

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