

## **County of Santa Clara—Voluntary Vendor Cost Reduction Initiative**

### **Executive Summary**

**OVERVIEW:** During the COVID-19 pandemic, the County of Santa Clara (County) successfully implemented a voluntary and collaborative approach—the Voluntary Vendor Cost Reduction Initiative—to help relieve some the County’s contracting expenditures, while at the same time offering a win to the County’s valued vendors.

**CHALLENGE:** At the start of the COVID-19 pandemic, the County faced a structural General Fund deficit. Additionally, in response to the COVID-19 pandemic, many staff throughout the County departments were assigned to work as disaster service workers; thus, leaving many departments resource-strapped with few staff to perform the solicitation background work. The challenge was to help reduce the budget deficit while at the same time preserve service levels.

**SOLUTION:** In November 2020, the County of Santa Clara Board of Supervisors approved the Voluntary Vendor Cost Reduction Initiative (VVCRI) as one approach to help alleviate the County’s budget deficit and provide an incentive to vendors. With the VVCRI, the County reached out to the vendor community and offered incentives for participation. The County offered existing qualifying contractors and vendors a one-year non-competitive extension in exchange for a 10% cost reduction or a two-year extension for a 15% reduction. Alternative cost reduction proposals were also considered if they were determined to be beneficial to the County. The VVCRI applied primarily to contracts for goods, directly related services, materials, and equipment. Because of their complexity, professional service contracts were considered on a case by case basis.

**INNOVATION:** The initiative took on a voluntary and collaborative win-win approach to achieve contractual savings, coupled with a partnering vendor approach. It mobilized the County and vendor

community in a unique and collaborative way and created a newfound sense of problem solving between the County and private sector businesses.

**RESULTS:** The VVCRI began in November 2020 and concluded on June 30, 2021. After eight months of implementation, the County successfully achieved a total cost savings of \$12 million. A total of 87 contracts from 12 departments participated in the VVCRI. The feedback from County departments and the vendor community have been very positive. The savings achieved helped the County preserve service levels to our residents. The initiative also assisted resource-strapped departments by delaying a formal competitive solicitation process for another year, or two, and has provided additional security in continuity of operations throughout the COVID-19 pandemic.

**REPLICABILITY:** The Voluntary Vendor Cost Reduction Initiative can be easily replicated by other cities and counties during fiscally challenging times. Other jurisdictions can replicate this initiative by reviewing their existing contracts, identifying those that are nearing expiration, and reaching out to contractors with the offer of extending the contract in exchange for a cost reduction. The cost reduction aspect of the initiative can be applied to both competitively and non-competitively sourced contracts.

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