



SHAKER HEIGHTS

Memorandum

To: Members of the Recreation Committee

From: Alexandria Nichols, Director, Recreation Department

Cc: David Weiss, Mayor
Jeri E. Chaikin, Chief Administrative Officer
John Potts, Finance Director

Date: February 1, 2023

Re: Request to Enter into a Service Agreement with First Data for Merchant Processing Services

Shaker Recreation Department has been using registration software services for over 10 years which requires a credit card processor that is compatible with the registration service provider. Credit card processing has been done through Elavon for over ten years and was compatible with the previous two registration system providers. Recreation processes program fees in excess of \$800,000 annually paid for by credit cards. Accepted credit cards are Visa, MasterCard, and Discover.

Credit card processing is done through secondary processors who are merchant services liaisons between merchant banking and business vendors. Recreation is recommending an agreement with First Data to process credit cards through Recreation both online and in-person. The Recreation Department's current credit card processor is Elavon for which there is no written agreement.

In 2016, the Recreation Department discontinued on-site credit card readers and staff manually enters the cards information due to Payment Card Industry (PCI) standards which would not allow the credit cards to be processed over the City's computer network. Switching registration providers and new technology will allow Recreation staff to now process credit cards through credit card readers that will be separate from the City's network on a separate internet connection. First Data is the recommended provider of credit card processing services through RecDesk because the system is designed to for First Data as the credit card processing provider.

All credit card processing providers charge fees that are a part of doing business and these credit card processing fees are budgeted annually into the operating budget. Credit card processing fees are based upon the volume of transactions, transaction type, and type of credit card.

Shaker Recreation has been paying fees to Elavon on a monthly basis and these costs are a percentage of the transaction costs for each transaction paid for by credit card. The table below shows the credit card processing data for a calendar year from September 2021 through August 2022 to demonstrate the fee charges to the City. Fees paid to Elavon are over \$25,000 annually.

Credit Card Processing Table

Month	Total Sales	Credit Card Processing Fees
September 2021	\$22,429.09	\$824.09
October 2021	\$22,058.82	\$869.02
November 2021	\$16,037.50	\$664.31
December 2021	\$ 52,953.50	\$1,840.81
January 2022	\$ 70,626.61	\$2,266.20
February 2022	\$ 84,758.39	\$2,687.12
March 2022	\$121,083.09	\$3,455.42
April 2022	\$ 84,974.19	\$2,572.19
May 2022	\$ 68,641.45	\$2,206.10
June 2022	\$ 72,643.81	\$2,790.28
July 2022	\$ 96,391.90	\$2,825.35
August 2022	\$124,158.00	\$3,558.81
	\$836,756.35	\$26,559.70

This table shows the total sales and credit card processing by month. There is a natural seasonality to recreation programs which is why program revenue varies by month. Other City departments use credit card readers but do not have the volume of sales transactions so they do not have written agreements. For those departments who accept credit cards, First Data is the provider and Recreation would like to use the same provider.

Clover credit card readers are currently being used in Building and Housing as well as in Planning and these would be used by Recreation as a part of the First Data agreement. First Data has agreed to honor the same fee terms that the City is paying to Elavon so the cost to the City for credit card processing fees is not expected to increase and is already in the budget. Adding credit card readers on site will expedite transitions at the pool and the rink which are the bulk of our in-person transaction.

Credit card processing fees for recreation transactions exceed \$25,000 annually and are typically between \$25,000 and \$30,000 per year. Changing from Elavon to First Data to process credit card transactions requires a three year service agreement with this provider. All agreements that exceed \$25,000 are required to have City Council approval. This agreement is sole source because First Data is the only compatible provider for credit card processing through our registration system. It is also a personal services agreement because Recreation is requesting a specific and necessary service based upon the requirements set forth by RecDesk, the registration system. Sole source and personal services agreements are exempt from public bidding and formal quotes.

It is recommended that the City enter into an agreement with First Data to process credit card transactions for recreation fees. The cost of this three year agreement is not expected to exceed \$100,000 and the money is budgeted annually to pay these transactional fees. It is requested that

the Recreation Committee recommend to City Council approval of an agreement with First Data for a three year agreement.