



Agenda Report

File #: 19-0086

AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 2/6/2019

TO: Honorable Mayor and City Council Members

FROM: Library and Recreation Services Department

SUBJECT:

City Council consideration of a Third Amendment to the City's contract with the Active Network (TAN).

RECOMMENDED ACTION:

That the City Council authorize the City Manager, or his designee, to sign a Third Amendment with Active Network (TAN).

ANALYSIS:

The Library and Recreation Services Department transitioned from its registration software program from "RecWare Safari" to "The Active Network" in May 2012. TAN offers recreation registration and facility reservation software, through its online portal, that is accessible by both City staff and residents. Use of the service is paid for by transaction fees. Staff-initiated transactions are paid at a lesser rate than those charged directly to online users.

When the service began, patrons paid fees as "a Service Charge equal to 4.5% + \$.50 for all transactions \$0-\$150, \$150-\$500 = 3.5% + \$5.50 and \$500+ = 2.5% + \$10.50 with a minimum Service Charge of \$2.00." This was a promotional rate with transaction fees scheduled to increase January 2013.

In October 2012, the original service agreement was amended to extend the promotional transaction fee rate until January 2014. Due to concerns related to TAN's performance, the City amended the agreement again in March 2014 to allow for a twelve-month termination notice in lieu of the original 36-month requirement. At that time, TAN allowed the City to maintain the existing promotional transaction fee rate.

In early 2016, TAN informed City staff that transaction fees would increase "equal to 6.5% + \$1.00 for all transactions \$0-\$150, \$150-\$500 = 3.5% + \$5.50, and \$500+ = 2.5% + \$10.50 with a minimum

Service Charge of \$2.00.” The fee increase was presented to and approved by City Council on July 2016. Because of the uptick, a Kids Club parent who registers directly online, for example, has since paid \$4.25 in convenience fees to Active for a \$50 activity.

Parents soon realized that transactions fees could be avoided through in-person, call-in, or mail-in registration. Thus, staff-initiated transactions surged as most parents began to register through us. However, because the City pays, though at a lesser rate, transaction fees, our costs to Active rose dramatically.

In 2018, the City began its biennial review of fees and charges and Library and Recreation Services staff proposed passing through all transaction fees to patrons. The department included its (up to) 1.74% Active Network transaction fee (for staff-performed transactions) and the (up to) 2.6% credit/debit card transaction fee (which TAN processes on behalf of the City) to be included as a pass-through fee to patrons as part of the Citywide Schedule of Fees and Classes. The fees were approved by City Council at its regular meeting on November 20, 2018.

With Council approval of fees, the City contacted TAN to inform them of our intentions regarding transaction fees. The City Attorney’s office drafted an amendment to the agreement for review by TAN to include charging staff transaction fees to patrons. Active attorneys have reviewed and returned the proposed amendment (attached) for execution. We are asking City Council to authorize the City Manager to execute the amendment.

It is important to note the primary goal of the transition to Active Network software services was to encourage use of the online portal by residents to easily and conveniently register for activities and reserve City facilities from home. The high rate of transaction fees has had the opposite effect and increased staff activities and City costs. The amendment addresses the issue of added costs but will not increase online patronage.

Corona is not the only City experiencing these concerns with The Active Network and, consequently, many have now engaged alternative online registration vendors. Library and Recreation Services Department staff have begun to dialogue with other providers too. At the time of execution of this amendment, we will provide a notice to TAN, in accordance with our current agreement, that the City is considering alternative vendors and intends to terminate our contract effective March 2020, which is the earliest possible termination date.

COMMITTEE ACTION:

The Finance, Legislation, and Economic Development Committee reviewed the proposal to make all Active Network transaction fees pass through fees as part of its review of the Update of Citywide Schedule of Fees and Charges at its November 7, 2018 meeting and recommended the fee schedule for approval by City Council. The Parks and Recreation Commission reviewed the proposed fee changes, including Active Network transaction fees, at its October 10, 2018 meeting.

STRATEGIC PLAN:

This item supports the City’s Strategic Plan Goal 4: “Actively engaging in public and private partnerships to provide services and amenities.”

FISCAL IMPACT:

Fees for customer-initiated online registration and reservation transactions are passed on as convenience fees directly to patrons. Historically, walk-in, mail-in, and telephone registration are completed by staff through the Active Network's online portal. Active receives a lesser "per-transaction" fee for staff-completed transactions, which they subtract from the total amount of the City's registration fees. In November 2018, City Council authorized these fees be passed through to patrons effective 2019. Based on last year's figures, doing so should result in an annual savings of approximately \$30,000 in the Library and Recreation Services' General Fund operating budget. Future operating budget requests will be adjusted accordingly.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action amends an existing contract for registration and reservation software services and support and there is no possibility that adopting this Resolution will have a significant effect on the environment.

PREPARED BY: DAVID MONTGOMERY-SCOTT, LIBRARY & RECREATION SERVICES DIRECTOR

REVIEWED BY: KIM SITTON, FINANCE MANAGER

REVIEWED BY: JAMIE RAYMOND, CHIEF DEPUTY CITY ATTORNEY

REVIEWED BY: KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

REVIEWED BY: MICHELLE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: DARRELL TALBERT, CITY MANAGER

Attachment: Amendment #3 to Activenet Agreement