



**STAFF REPORT  
ACTION REQUIRED**

9.

**Circulation Policy & Fines Revenues Review – 2014**

<b>Date:</b>	April 28, 2014
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

**SUMMARY**

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The purpose of this report is to: 1) present the results of the fines revenues review, which recommends no changes to the current fines structure and; 2) recommend changes to the Circulation & Collection Use Policy to support delivery of new services such as the Digital Innovation Hubs and Print on Demand.

The fines revenues review focused on fines revenues and circulation trends, as well as the impact of policy changes in 2013. It was conducted at the request of the Toronto Public Library Board from its meeting of April 29, 2013, in response to the findings presented in the Circulation and Collection Use (including Fees and Fines) Policy – 2013 Recommendations report.

The results of the review reveal a downward trend in fines revenues in 2013 due to such key factors as: customer behaviour, which seems to indicate that customers are responding to higher fines by managing their accounts more effectively to avoid incurring them, and; e-circulation, which does not generate fines. While higher fines have not resulted in increased overall revenues, they appear to have encouraged prompter return of materials, which increases the availability and accessibility of collections for other customers.

The trend of decreasing circulation, holds and registration noted in 2012 and the first quarter of 2013 was somewhat mitigated through the remainder of 2013. Total circulation posted a small increase of 0.4% in 2013, buoyed by the popularity of e-materials. At the same time, circulation of physical materials remains stable.

Overall, customers are placing more holds, with an emphasis in holds on e-materials. They have also come to accept the fine for holds not picked up and are managing their accounts more effectively.

The changes made to Best Bets have been well received by customers, who are now borrowing more Best Bets books than over the same time period a year ago. The new lending rules have helped to transform the collection into a true browsing collection appealing to a wider audience.

Although the total number of registered borrowers decreased in 2013, new card registration went up, with gains made in the number of new cards issued to children and teens.

This report also reviews the policy as a whole. In response to the launch of the Digital Innovation Hub in February 2014, and the upcoming Print on Demand and Digitization on Demand services, new fees are being recommended for equipment that is lost, damaged, or returned late, as well as other changes to the policy to support delivery of these new services.

## **RECOMMENDATIONS**

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### **The City Librarian recommends that the Toronto Public Library Board:**

1. receives the results of the review of fines revenues and circulation trends; and
2. approves the revised Circulation and Collection Use (including Fees and Fines) Policy (Attachment 1).

## **FINANCIAL IMPACT**

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Fines revenue in 2013 was \$3.1 million, which represents an 11% decline from the 2012 fines revenue of \$3.5 million. It should be noted that the 2012 fines revenue was impacted by the introduction of the Small Balance program and the lowering of the threshold for the regular collection agency program, both of which were applied retroactively and therefore resulted in a significant increase in one-time revenues. The Library will continue to monitor fines revenues generated through circulation.

The impact of new fees associated with the upcoming Digital Innovation Hub, Print on Demand, and Digitization on Demand services cannot be determined at this time.

The Director, Finance & Treasurer has reviewed this financial impact statement and is in agreement with it.

## **DECISION HISTORY**

The Circulation and Collection Use (including Fees and Fines) Policy – 2013 Recommendations report was presented to the Board at its April 28, 2013 meeting. The report noted a trend in declining circulation and registration, especially for children and teens, since the implementation of the new fines and fee structure in 2012 to Q1 2013. In response, the Board directed staff “to continue to track trends in the circulation of all materials (including availability of materials, number of materials returned late) and fines revenues, and to report back to the Budget Committee in six months on the impact of Recommendation 1 on these indicators, as well as any further proposed changes to the policy”. As this fines review covers changes to the circulation policy that were introduced in 2012, it is being presented to the Board on April 28, 2014, as part of the annual review of the Circulation and Collection Use (including Fees and Fines) policy.

## ISSUE BACKGROUND

The Circulation and Collection Use Policy applies to users of Toronto Public Library (TPL). It covers activities related to the registration of Library users and the borrowing and use of Library collections and services. It sets the conditions and use of the Library card; the borrowing privileges, responsibilities and restrictions; and a schedule of fees and fines. Fines are applied to late materials to encourage prompt return and ensure access to materials, or to lost items. The schedule of fees and fines also includes some charges and fees that are not specifically related to circulation and collection use, for example, digital reproduction.

The policy is reviewed on a regular basis to ensure that it continues to be responsive, effective and relevant.

## COMMENTS

Below are the findings from a review of fines revenues and circulation trends, customer behaviour and new card registration.

### **Fines Revenues Trends**

Fines support circulation by encouraging customers to return materials promptly so they are available for other people to use. Fines revenues are linked to the circulation of physical materials that are returned late or lost. Some important service trends have emerged that appear to be reducing this revenues base.

#### ***Customer Behaviour***

Customer behaviour appears to be changing which is likely in response to the higher fines implemented in 2012 as well as increased options for managing accounts. Customers are aware of the higher fines and managing their accounts more carefully to avoid incurring fines and/or accumulating large ones. Statistics indicate there were fewer instances of fines relating to late and lost materials in 2013. The total number of bills for customers went down from 2,080,546 in 2012 to 1,794,500 in 2013, a reduction of 13.7%. In spite of the higher fines rate, the total value of bills generated also decreased, from \$3,190,125 in 2012 to \$2,815,509 in 2013, a reduction 11.7%. Not only did customers return fewer items late, but they also returned those late items sooner, which avoided accruing even larger fines.

An analysis of blocked cardholders indicates that 84% of these customers are children and teens. While no comparative data prior to the policy changes implemented in 2012 is available, the Library will monitor the number of blocked cardholders and develop appropriate strategies to assist these customers to manage their accounts.

The Library offers options for customers to manage their accounts, from telephone and online renewals, to after-hours returns, to email and telephone notifications, all of which supports circulation. In 2013, pre-due notification was introduced, a service alerting customers to materials two days in advance of the due date. While many of these services were available prior to the introduction of the higher fines in 2012, customers appear to be more motivated to use them to manage their accounts and avoid fines. As well, Library staff

have been effective in promoting these services to customers. The end result has been fewer instances of late and lost materials. While changing customer behaviour has negatively impacted revenues, the earlier return of materials has increased the availability and accessibility of materials for other customers.

### ***E-Circulation***

The use of e-materials, such as downloadable books and magazines, which do not generate fines, has been growing. E-circulation, as a portion of total circulation, has been increasing year over year, from 0.5% in 2009 to 6.6% in 2013. While publishers predict that this trend may level off, it is expected to continue to have an impact into 2014 and 2015 as the range of downloadable content expands.

These trends are a reflection of customer expectation for service that is convenient and that offers access to new digital formats. As these services continue to grow, so will their impact on fines revenues.

Strategies in 2014 for supporting revenues will focus on maximizing use of all collections and ensuring that fines transactions are carried out as effectively as possible. They include:

- promotion of online payment to customers as a convenient way to pay fines;
- a review of the Small Balance Program to optimize use of the collection agency in retrieving outstanding fines and materials;
- Updated training for staff on fines collection in a service environment that now includes self-service check out and returns, and online payment.

The decrease in fines revenue in 2013 results from such factors as: better management of customer accounts, and a migration to borrowing e-materials. Although fines were increased in 2012, this did not result in an increase in fines revenue. This review suggests that further fines increases will not automatically lead to increased revenue.

### **Circulation Trends in 2013**

Total circulation increased slightly from 32,032,036 items in 2012 to 32,145,021 in 2013, representing an increase of 0.4%. It is important to note that the labour disruption in 2012 resulted in a decline in circulation that year.

Customers are embracing the availability of downloadable content, and continue to use it more and more each year. In 2013, e-circulation increased by 96.2% and surpassed 2,000,000 check outs. Usage is expected to continue to grow as more e-content is made available for customers. TPL's new downloadable music and movie service, was launched April 3, 2014.

Yet in spite of the trend towards e-circulation, circulation of physical materials continues to be relatively stable, showing a decrease of 3% in 2013. Borrowing of adult material remains solid with customers checking out 20,581,590 adult items in 2013 as compared to 21,190,575 items in 2012, a reduction of 2.9%.

Circulation of children's material performed better than was anticipated at the start of 2013. Total circulation of children's materials decreased from 8,877,282 in 2012 to 8,660,773, a reduction of 2.4%. The decrease is due in part to flood remediation, which directly affected the availability of children's materials at 15 branches across the system. During this time, collections at affected branches were either not available or only partially available for young customers. This coincided with the summer months, typically a peak time for children's use of the Library.

A noticeable change appears to have occurred with the circulation of some teen materials. Borrowing of teen materials dropped from 890,839 in 2012 to 797,144 in 2013, a decrease of 10.5%. Feedback from Youth Services and Collection Development indicates that this change may in part be due to changing customer reading preferences, teen publishing trends, and the migration of popular formats, like graphic novels and magazines, to online.

A more detailed analysis of circulation is available in the *2013 Annual Performance Measures and Strategic Plan Update* report.

## **Holds**

Holds activity has undergone some interesting changes in 2013. Overall customers placed more holds. The total number of holds placed went up in 2013 to 6,048,085 from 5,647,494 in 2012, a difference of +7.1%. However, of the holds placed in 2013, 687,644 or 11.3% were placed on e-materials. Holds on physical materials in the meantime declined from 5,647,494 in 2012 to 5,360,441 in 2013, a decrease of -5.1%. Like e-circulation, e-holds represent a growing share of overall holds activity. Some important considerations regarding this trend are that: 1) e-holds support physical holds by making physical materials more readily available for waiting customers; and 2) e-holds negatively impact revenues because they do not generate fines for holds not picked up.

The fines for holds not picked up, which was implemented in July 2012, has been highly successful in modifying customer behaviour. Customers have responded by managing their accounts more effectively, including cancelling and suspending holds, and using email notification. The result has been a dramatic decrease in the number of holds not picked up, from 465,991 in 2012 to 222,194 in 2013, a reduction of 52.3%. The difference means 243,797 fewer materials sitting unnecessarily on the holds shelf resulting in more materials available for other customers to use.

## **Best Bets**

The new lending rules for Best Bets, which include introduction of a three-week loan with two standard renewals and regular adult fines, were implemented on July 1, 2013. They were designed to help renew interest in a collection that was underused. The policy changes have transformed the collection from a fast reads service to a true browsing collection appealing to a wider audience. Customer response to the new collection has been positive and is especially evident in the latter half of 2013 when the new lending rules took effect. A comparison of circulation for the second half of 2012 vs. 2013 shows a steady increase in circulation even with the expanded lending and renewal privileges. Despite the increased use, availability remains good, with over 6,000 titles on the shelf according to a February

report. Circulation of Best Bets is expected to continue to grow as the focus now turns to promotion of the service and cultivating new customers.

Best Bets Circulation			
	2012	2013	% Change
Q1	52,580	43,489	-17.3%
Q2	57,721	47,521	-17.7%
Q3*	54,587	51,572	-5.5%
Q4	48,927	65,664	33.5%

\* New lending rules for Best Bets implemented July 1, 2013.

### **New Card Registration**

While the total number of registered cardholders decreased in 2013 by 9%, new card registration went up 2.9% in 2013 from the previous year, with gains made for all card types, but especially for children and teens. A total of 31,114 children signed up for library cards in 2013 as compared to 29,052 in 2012. As for teens, 9,267 were issued a card over 8,254 in 2012. These figures speak to the value and success of the Library's promotional initiatives. In 2013, TPL launched the new parent resource guide, *Let's Get Ready for Reading*, and distributed over 6,300 copies to families who either registered for a new or renewed preschool library card. Youth Services developed a promotional booklet that was distributed to 2,500 teens at the Young Voices Conference, in schools and community events, like Word on the Street. These campaigns along with other programs such as Kindergarten and Grade Four Outreach, TD Summer Reading Club, Teen High School Outreach, and Word Out summer reading helped to support access to library service for children and youth.

### **Hostel Customers**

Hostel customers may now borrow up to five items at a time on their library card. This information was promoted directly to shelter staff and their clients with the assistance of the Community Outreach and Engagement Committee. As a result of the policy change, more hostel clients have become active library users borrowing more material. Hostel customers consist of all age groups, including children and teens. This policy change has helped to make library service more available to a vulnerable population.

Active Hostel Customers	
2012	1,616
2013	1,913
Increase	297
% Increase	18.4%

Hostel Customers - Circulation	
Q3-Q4 2012	3,411
Q3-Q4 2013	6,483
Increase	3,072
% Increase	90.1%

## Picture Collections and Music Scores

A standard three-week loan with two renewals was applied to picture collections and music scores to be consistent with other collections in 2013. Customer response has been favourable. Circulation of these collections grew from 14,045 in Jul - Dec 2012 to 14,812 in Jul - Dec 2013, for a year-to-year increase of 5.4%. The figures support the Library's role in delivering special collections.

## Recommended Policy Changes

Changes are recommended to the policy to reflect the introduction of new services, such as the Digital Innovation Hubs and Print on Demand, both of which are outlined in the 2013 and 2014 Strategic Plan Work Plans.

Digital Innovation Hubs (DIHs) provide access to new technology and training. TPL's first DIH was launched at TRL on February 4, 2014. Additional DIHs are scheduled for Fort York and Scarborough Civic Centre Branches. Fees for lost or damaged equipment are being introduced to support equipment use by customers. Recommended fees reflect current retail prices and are listed in the item record on the Integrated Library System. The loan of equipment, including laptops, is being expanded to all customers. Child and teen customers must obtain authorization from a parent and/or guardian.

Supporting new sources of revenue is 3D Printing, which will be made available at a cost of \$1.00 per item plus \$0.05 per minute.

Print on Demand is an additional revenue-generating service providing access to a self-publishing service printing for a fee. Costs for Print on Demand include a set-up fee of \$25.00, per book charge of \$6.00, and per page charge of \$0.04.

The Library is also piloting a Digitization on Demand service. Fees for this service are \$25.00 per book and \$0.15 per page.

Customers will have the option of printing in colour glossy format. The proposed cost is \$3.00 for 8.5" x 14" and \$4.00 for 11" x 17".

Changes to the policy reflect the closure of the Digital Design Studio.

Finally, the rules and conditions for the Museum and Art Pass state that customers may borrow one pass for each venue every three months (depending on availability).

The following is a list of proposed changes as they appear in the policy:

- adjustments to the policy and schedules reflecting the loan of digital equipment (Policy Section 1.15; Schedule 1.4, 2.3, 3.1, 3.2 4.3);
- adjustment to rules and conditions for Museum and Art Pass (Policy Section 1.16; Schedule 1.3, 3.2);
- addition of fees for lost or damaged digital equipment (Schedule 5.3, 5.7, 7);
- addition of fees for colour glossy copies and 3D printing (Schedule 5.4);
- addition of fees for Digitization on Demand (Schedule 9.2);
- addition of fees for Print on Demand (Schedule 10).

## **CONCLUSION**

The fines revenues review recommends no changes to the current fines structure at this time. The higher fines implemented in 2012 did not yield higher revenues in 2013 due to changing customer behaviour, increased opportunities to manage accounts, and growing use of e-materials. The Library will continue to track fines generated through circulation. Further promotion and training will be undertaken this year to maximize use of collections and ensure fines transactions are carried out as effectively as possible. The policy changes implemented in 2012 and 2013 have been successful in modifying customer behaviour and increasing the availability of collections.

## **CONTACT**

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## **SIGNATURE**

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Jane Pyper  
City Librarian

## **ATTACHMENTS**

Attachment 1: Revised Circulation and Collection Use (including Fees and Fines) Policy