



**STAFF REPORT
ACTION REQUIRED**

10.

Online Payment Service Charge

Date:	November 18, 2013
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval to revise the online payment service charge to \$0.50 per transaction from \$1.00, which was approved by the Board at its meeting on April 29, 2013 as part of the Circulation and Collection Use (including Fees and Fines) Policy. The revised service fee of \$0.50 is expected to fully recover the cost of providing the service that allows customers to pay fines online, and will be implemented for the beginning of 2014.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves a revised online payment service charge of \$0.50 per transaction.

FINANCIAL IMPACT

The processing charges to be incurred by the Library for providing the online fines payment service will vary depending on the total fines that migrate online as well as the average transaction value and volume of transaction. A service charge of \$0.50 per transaction is expected to fully recover the cost of providing the service.

The Director, Finance and 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 was approved by the Board at its meeting on April 29, 2013. One of the amendments to the policy was to introduce a service charge of \$1.00 per transaction for online fines payments, which is a service being introduced.

ISSUE BACKGROUND

Online fines payment supports the Library's Strategic Plan objective "to meet customer expectations for service by expanding access to self-service functions online". The Strategic Plan was approved by the Board in November 2012. The 2013 Strategic Plan work plan, approved at the Board's meeting in February 2013, included the implementation of online fines payment. Library users are interested in being able to complete more transactions associated with their customer account online. In addition, by adding this feature, customers who are blocked due to fines, will be able to immediately pay the fines and then proceed to access online resources. Online fines payment is one of a suite of self-service and electronic initiatives intended to improve services and streamline processes. As more customers pay fines online this will reduce staff involvement and also reduce the risk of error.

The Circulation and Collection Use (including Fees and Fines) Policy imposes fees and fines allowable under section 23 of the Public Libraries Act. A user fee cannot recover more than the cost to provide the service as that authority is not granted to the City or its agencies.

The \$1.00 online payment service charge, approved by the Board at its meeting on April 20, 2013, was based on a preliminary estimate of the amount required to recover the cost of providing online payments, including accepting debit cards that have a relatively high processing charge.

COMMENTS

Based on advice from the Library's service provider, debit cards will not be accepted for online payments and this reflects common business practice for e-commerce. Removing debit cards as a payment option has resulted in lower expected processing charges to be incurred by the Library and if the service charge remains at \$1, the revenues will likely exceed the cost of providing the service and this is not allowed. As a result, it is recommended that the online payment service charge be lowered from \$1 to \$0.50 per transaction, which is expected to fully recover the cost of providing the service. The lower service charge will also encourage more customers to pay fines online, which will result in a more efficient fines payment process.

2012 Fines Payment

In 2012, \$3,572,557 was collected in fines revenue of which 9% was paid by credit card, 18% by debit card and 73% in cash. The average transaction value was \$6.69 on credit cards and \$12.22 on debit cards. The number of cash transactions is not available, but anecdotal information would suggest that the average transaction value is likely below \$5.00. Currently, customers pay fines in branches and there is no service charge for doing this.

In-branch Payment Method	2012 Fines Revenue	Number of Transactions	Average Transaction Value	Allocation
Credit Card	332,428	49,690	\$6.69	9%
Debit Card	650,316	53,217	\$12.22	18%
Cash	2,589,813	Not Available	Not Available	73%
Total	3,572,557			100%

Additional Processing Charges

Customer response to the online payment service will be impacted by the amount of the service charge. As a general rule, the higher the service charge, the less likely a customer will pay a fine online as there is currently no service charge to pay a fine in a branch. When fines payments do migrate from in-branch to online, there will be additional processing charges incurred by the Library. In relative terms, when a customer who is currently paying cash - which is not subject to a processing charge - switches to online payment, this will result in the highest increase in processing cost to the Library. And when a customer who is currently paying by credit card in a branch switches to online payment, this will result in the lowest increase in processing cost to the Library. The increase in processing charge is shown in the table below.

Payment Method	PROCESSING CHARGE	
	In-branch Processing Charge	Online Processing Charge (Credit Card)
Credit Card --> Credit Card	1.67% of transaction Value	\$0.08 per transaction + 2.01% of transaction value
Debit Card ---> Credit Card	\$0.07 per transaction	\$0.08 per transaction + 2.01% of transaction value
Cash ---> Credit Card	none	\$0.08 per transaction + 2.01% of transaction value

The total additional costs to the Library from implementing online payment will be impacted by a number of factors including:

- which current payment methods (credit card, debit card or cash) will migrate to online payment;
- total amount of fines which migrate to online payment;
- the average transaction value paid online; and
- the cost from the service provider to operate the on-line payment system, which is approximately \$540 per annum.

Customer Response

It is difficult to predict how customers will respond to the online payment option and uptake will likely vary over time. It is therefore important to set the online payment service charge at an amount that is expected to fully recover the cost of providing the service and not generate significant net revenue as this is not allowed. The \$0.50 service charge will achieve this objective and will also encourage customers to pay fines online.

CONCLUSION

The online fines payment service charge will be evaluated after a year.

CONTACT

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
Email: lhughsam@torontopubliclibrary.ca

Katherine Palmer; Director, Planning, Policy, and E-Service Delivery;
Tel: 416-395-5602; Fax: 416-393-7083; Email: kpalmer@torontopubliclibrary.ca

SIGNATURE

Jane Pyper
City Librarian