

## **Affinity Credit Card for Toronto Public Library**

<b>Date:</b>	November 29, 2012
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### **SUMMARY**

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The purpose of this report is to update the Board on a proposal for an affinity credit card program for Toronto Public Library.

### **RECOMMENDATIONS**

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

1. Not proceed with an affinity credit card program for Toronto Public Library.

### **DECISION HISTORY**

At the meeting on June 25, 2012, the Library Board adopted the following motions:

***That the Toronto Public Library Board:***

1. *requests the City Librarian to identify a strategy to create a partnership with a financial institution and the Toronto Public Library to create an affinity credit card available to the general public for use such that a percentage of all fees earned by the credit card company will revert back to the Toronto Public Library; and*
2. *requests the City Librarian to identify a strategy in which all employees of the Toronto Public Library that are using credit cards be issued one on an affinity basis such that funds can be raised for programs as Toronto Public Library Board sees fit.*

### **COMMENTS**

Affinity credit cards are typically offered through a partnership between a lending institution and a non-financial organization. An affinity credit card program allows an organization to offer its members and supporters—those who have an "affinity" for that organization—a credit card branded with the organization's brand and imagery. A portion of purchases made on the card is rebated to the organization and the rebate is

generally in the range of 0.25% of purchases depending on volume, but the cards typically have a higher interest rate.

Before an affinity program is implemented, an organization needs to determine whether the spending habits of the targeted cardholders will support the program, including covering the set-up and infrastructure costs as well as the day-to-day administration. Marketing and promotion are essential to establishing a successful affinity program, and these activities would need to be sustained over the life of the program. A large number of cardholders having a strong “affinity” for support is needed before the program can be profitable, and the credit card market is extremely competitive with many cards offering loyalty rewards. A significant upfront investment is required, and the payback, if successful, is not expected for years.

While an affinity card is one way to engage Library supporters, the Toronto Public Library Foundation has a number of established programs to solicit support for the Library. The Foundation raises funds through: capital campaigns; major gifts solicitation; sponsorships; seasonal targeted and general mail solicitations, special events and planned giving. An affinity card program may compete with the Foundation’s fundraising activities.

The Library currently participates in the City’s procurement card program, which is a corporate credit card used by staff for procurement of routine and low-value items. A 1% rebate is received by the Library on all purchases made on the procurement card, similar in nature to the proposed affinity credit card, but with a higher rebate amount.

At the June 12, 2012 meeting, the City’s Executive Committee considered the *Introducing an Affinity Credit Card for City of Toronto Residents and Employees* report and adopted similar recommendations that requested the City Manager to assess an affinity credit card program for the City as a means to raise revenues. Due to the unfavourable financial impact of an affinity card for the City, the Executive Committee deferred the report.

## **CONCLUSION**

Due to the costs and effort involved in establishing and operating an affinity card program and the delayed and uncertain returns, an affinity card program is not recommended for Toronto Public Library.

## **CONTACT**

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## **SIGNATURE**

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City Librarian