

## **Accounts Written-off in 2007**

<b>Date:</b>	April 21, 2008
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### **SUMMARY**

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This report is to inform the Toronto Public Library Board of all accounts written off during 2007.

### **FINANCIAL IMPACT**

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Accounts written off in 2007 totalled \$1,335,952 (\$1,366,142 – 2006), predominantly related to patron balances due to fines for past due or lost materials. As patron balances are recorded in revenues only when actually received, which is standard practice in public libraries, the write-offs are not shown as a loss on the 2007 operating results. The operating budget is only based on patron fines which are actually expected to be collected during the year.

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

### **DECISION HISTORY**

As part of its 2005 annual work plan, the City's Auditor General performed a review of Toronto Public Library's (TPL) fines and income. At its meeting on June 19, 2006, the Toronto Public Library Board received the report from the Auditor General entitled "Fees and Income Review – Toronto Public Library" and approved the recommendations contained within the report. One of the recommendations made by the Auditor General was to ensure that all account write-offs during the year, including patron fines related to past due and lost materials, be reported to the Board on a periodic basis.

### **ISSUE BACKGROUND**

The Public Libraries Act is based on a principle of free library services. The Toronto Public Library's mandate is, above all, to preserve and promote equitable, universal access to information and high quality services and programs, in a welcoming and supporting environment.

The Library has limited revenue opportunities and the charging of fines and fees, represents less than three percent of the Library's operating budget. With respect to patron fines, they are charged as an incentive to encourage return of library materials on time. Both the waiving of fines – that is, the practice of forgiving the payment of a fine for specific customer service reasons – and the purging of fines - that is, the write-off of fines that are deemed to be uncollectible – are standard business practices for libraries, and serve very practical and pragmatic business and financial purposes.

## **Fines Collection**

Since amalgamation, the Library has focused on and significantly improved its fines collection processes, policies and procedures to achieve the complementary objectives of customer retention, operational efficiency and revenue maximization. Careful consideration has been given to the policies established and resources allocated to achieving these goals. Literature and experience, of the Toronto Public Library and other library systems across North America, have shown that there is a point of diminishing returns as more fines or penalties are implemented or enforced. Increasingly stringent collections methods do not necessarily increase revenues collected, and have, in fact, been shown to have detrimental effects on both the financial and business performance of the Library as patrons choose not to pay fines or return materials, and may even stop using the Library altogether.

Significant improvements have been made in the area of fines collections following the introduction of a single Integrated Library System (ILS) in 1999 and a common database of library materials collections:

1. Immediately after amalgamation, the circulation and fines policy was harmonized;
2. Benchmarks were developed to monitor the amount of fines collected and the amount waived, and there have been improvements every year since;
3. Cash registers were introduced to approximately 50 percent of the branches, which had never used cash registers;
4. Detailed cash handling procedures were harmonized and performance benchmarks developed;
5. Extensive staff training has been provided on how to deal with patrons on fines collection and cash handling and how to use systems and equipment;
6. Copy cards and point of sale machines were introduced to reduce cash handling and to facilitate payments, which also serve to reduce account write-offs; and
7. A collection agency was introduced.

Since the implementation of the ILS, fines revenue has increased 26 percent. Adult fines have been increased twice in the last six years, from 20 cents to 30 cents per day, or a 50 percent increase. A new reduced fine rate was introduced for teens who were previously paying adult rates.

## COMMENTS

The section 12.1 of the approved Financial Control Policy authorizes the Library Treasurer to write-off outstanding amounts of \$10,000 or less as uncollectible provided that reasonable efforts have been made to collect the outstanding amounts. Any single account balance greater than \$10,000, would need Board approval for write-off; there was one such write-off in 2007. Below is a listing of total write-offs for 2007:

Description	2007	2006
Fines Waived	\$256,535	\$285,964
Fines Purged	\$1,040,342	\$1,078,115
<b>Total Waives and Purges</b>	<b>\$1,296,877</b>	<b>\$1,364,079</b>
Centralized Room Booking Write-offs	\$3,300	\$1,925
Write-off on a Tenant Account	\$35,349	0
Other Write-offs	\$426	\$138
<b>Total Write-offs</b>	<b>\$1,335,952</b>	<b>\$1,366,142</b>

## Waiving of Fines

Waiving allows staff to exercise discretion in individual situations, promoting financial accountability and at the same time encouraging patrons to continue using their library. Waives can be used to achieve the following:

1. In lieu of a formal welcome policy, waivers are a means to deal with individuals with socio-economic challenges, especially children, youth and newcomers, who may otherwise be denied service.
2. A portion of an overdue fine may be waived if library materials, which usually comprise the largest portion of the fine, are returned;
3. Waives are used to negotiate payment plans.

In 2007, \$256,535 of fines were waived by staff; this includes both overdue fines and lost materials. The 2007 waives represent a 10 percent decrease from 2006 when \$285,964 was waived.

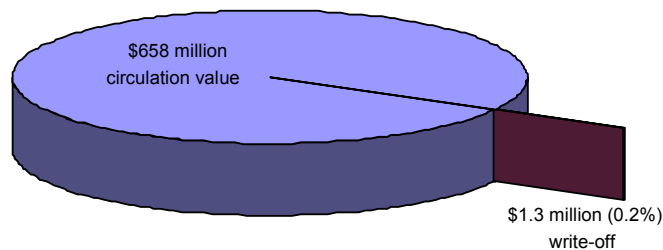
### **Purging of Fines**

The Library purges fines (a system of write-off of fines that are deemed to be uncollectible) only after:

1. Telephone notifications at seven days and 14 days overdue;
2. Final mail notice and billing;
3. Borrowing privileges are suspended once \$10 of fines is owing or ten items are overdue or any amount is owing longer than six weeks;
4. Finally, adult accounts are referred to a collection agency, with instructions for the patron to contact the Library to clear their account. The collection agency does not collect payments; only if a patron contacts the Library and resolves their account, including a \$10 collection fee, does the collection agency get paid;
5. Only when all these measures have failed, and a minimum of two years have passed (two years for accounts less than \$100 and five years for accounts greater than \$100), are the accounts purged from the system.

In 2007, \$1,040,342 of fines were purged, impacting 47,841 accounts, which means that the average patron balance purged was \$21.75; this includes both overdue fines and lost materials. The 2007 purge represents a 3 percent decrease from 2006 when \$1,078,115 was purged.

### **Waives, Purges and Circulation**



Waives and purges totalled \$1,296,877 in 2007, which represents 0.2 percent of the total value of the 29.9 million items circulated in 2007, and the Library's records show that 99.9 percent of materials checked out are returned. The results show that the Library has

been successful in balancing revenues maximization with its mandate to provide high-quality and accessible services to the people of Toronto. Toronto Public Library continues to be the busiest library in North America.

### **Room Booking Write-offs**

The Library is currently centralizing the administration for managing meeting rooms and auditoriums. Approximately one-half of the branches have already been centralized, and an analysis of the outstanding balances have resulted in a write-off of \$3,300 from 25 contracts (\$1,925 from 13 contracts – 2006), which represents 0.7 percent (0.4 percent - 2006) of the total annual revenues from room rentals of \$458,000 (\$390,000 – 2006).

### **Write-off of Tenant Account**

At its meeting of January 21, 2008, the Board approved a write-off of \$35,349 related to a former tenant, Arms Properties II Inc.

### **Other Write-offs**

Other write-offs, which are mostly for lost night deposits, amounted to \$426 in 2007.

## **CONTACT**

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## **SIGNATURE**

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City Librarian