

Accounts Written-off in 2006

Date:	April 16, 2007
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

This report is to inform the Toronto Public Library Board of all accounts written off during 2006.

FINANCIAL IMPACT

Accounts written off in 2006 totalled \$1,366,142, 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 2006 operating results. The operating budget is only based on patron fines which are actually expected to be collected during the year.

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 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 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% 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 25%. Adult fines have been increased twice in the last six years, from 20 cents to 30 cents per day, or a 50%

increase. A new 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 were no such write-offs in 2006. Below is a listing of total write-offs for 2006:

<u>Description</u>	<u>Amount (\$)</u>
Fines Waived	285,964
Fines Purged	<u>1,078,115</u>
Total Waives and Purges	1,364,079
Room Booking Charges Writen-off	1,925
Other Write-offs	<u>138</u>
Total Write-offs	<u>1,366,142</u>

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. For example, a recent Board-approved teen forgiveness program – a form of waiving using a \$20 coupon – was very successful in getting teens, whose borrowing privileges had been suspended, to return to the Library;
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 2006, \$285,964 of fines were waived by staff; this includes both overdue fines and lost materials. The 2006 waives represent a 23% decrease from 2005 when \$371,870 was waived.

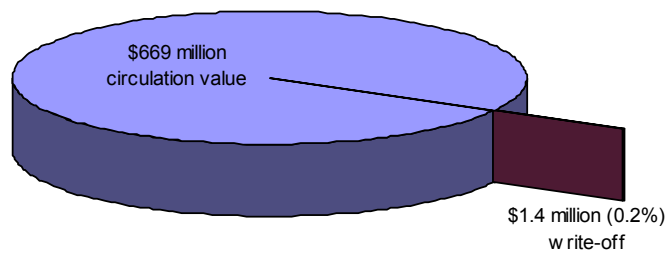
Purging of Fines

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 5 years for accounts greater than \$100), are the accounts purged from the system.

In 2006, \$1,078,115 of fines were purged, impacting 57,249 accounts, which means that the average patron balance purged was \$18.83; this includes both overdue fines and lost materials. The 2006 purge was largely unchanged from 2005 when \$1,076,600 was purged.

Waives, Purges and Circulation



Waives and purges totaled \$1,364,079 in 2006, which represents 0.2% of the total value of the 30.4 million items circulated in 2006 and the Library's records show that 99.9% 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

In 2005, the Library made a decision to centralize 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 \$1,925 from 13 contracts, which represents 0.4% of the total annual revenues from room rentals of \$390,000.

Other Write-offs

Other write-offs, which are mostly for billings for digitization and inter-library loans, amounted to \$138 in 2006.

CONTACT

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

SIGNATURE

Josephine Bryant
City Librarian