



**STAFF REPORT
ACTION REQUIRED**

16c.

2012 Operating Budget Suggestions: Fines Review

Date:	June 25, 2012
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

At its meeting on November 21, 2011, the Library Board considered the report *2012 Operating Budget – Budget Suggestions* and approved several Budget Committee suggestions for increasing revenue. The City Librarian was requested to report back on a number of these suggestions including projected revenue increases resulting from increases to fines; the feasibility of providing a different fine schedule for low-income users; and ways to clarify and improve fine forgiveness thresholds. This report responds to this request.

Toronto Public Library's current fine rates are examined in relation to other comparable public libraries in Canada and the U.S. and preliminary data about Toronto Public Library's 2012 circulation and fine revenue is provided. The report also considers issues related to creating a two-tier fine structure, and describes current strategies that address fines as a barrier to library use.

Due to the recent implementation of the fine increases in January 2012, the impact of the labour disruption, and further changes to fines that will come into effect this summer – including the new fine for holds not picked up, pre-due date notification and online payment – the report concludes that it is not yet possible to make reliable revenue projections resulting from additional fine increases. Experience indicates that a full year will be required to determine the true impact of the changes to fines being implemented in 2012.

It is recommended that there be no further increases to fines or changes to the fine structure at this time and that fine rates be reviewed as part of the Board's annual review of the *Circulation and Collection Use (including Fines and Fees)* Policy in 2013.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. maintains the current overdue fine rates and fine structure and that staff report to the Board on the impact of these new rates as part of the Board's annual review of the *Circulation and Collection Use (including Fines and Fees)* Policy in 2013.

FINANCIAL IMPACT

Significant fine increases were implemented in January 2012 and the impact of this increase is not known at this time. While overall fines revenue is higher than the prior year, analysis indicates that the increase is largely due to recent changes made to the use of the collection agency resulting in a one-time revenue increase.

Revenue resulting from January increases to fine rates cannot be projected at this time based on the following factors: five months is not sufficient time to assess the impact of the current increases; the full impact of the March labour disruption will not be known for a while; changes made to the use of the collection agency will result in one-time revenue increases; and new fines and pre-notification services to be introduced later this year will also impact any projections. Furthermore, literature and the 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 punitive fines or penalties 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 customers choose not to pay fines or return materials, and may even stop using the library altogether.

For these reasons, reliable revenue projections for increased fines cannot be provided at this time.

DECISION HISTORY

The *Circulation and Collection Use (including Fees and Fines)* Policy is reviewed annually. Changes to this policy were approved by the Library Board at its meeting on July 26, 2011. There were a number of changes made to the policy at that time and these changes were implemented in January 2012.

Changes included:

- a substantive change in the fine structure;
- an increase in fines rates for general materials for children, teens and adults;
- new rates for DVDs and Best Bets;
- the threshold for accounts sent to collection agency was lowered to \$40.00;
- new rates for collection agency fines;
- an increase in non-resident fee and;
- an increase in book sale prices.

At its meeting on December 12, 2011, the Library Board approved a new fine of \$1.00 for each hold not picked up. This fine will come into effect on July 16, 2012. Pre-due date notification service will be introduced in the summer of 2012.

As a result of these changes, the 2012 fines and fees revenues were increased by \$600,000 representing a 20% overall increase.

At its meeting on November 21, 2011, the Library Board considered the report *2012 Operating Budget – Budget Suggestions* and approved several Budget Committee suggestions for increasing revenue. The City Librarian was requested to report back on a number of these suggestions including the projected revenue implications of the following scenarios:

- a. *increasing adult fines to 60 cents, 75 cents and \$1 per day;*
- b. *increasing children's fines to 25 cents, 35 cents and 50 cents per day;*
- c. *increasing Best Bets and DVD fines to \$1.10, \$1.25 and \$1.50 per day;*
- d. *the feasibility of a different fine schedule for low-income users;*
- e. *clarifying and improving fine forgiveness thresholds for low-income residents in the policy.*

ISSUE BACKGROUND

The practice of charging customers fines for overdue or lost items is covered in the *Circulation and Collection Use (including Fines and Fees)* Policy. As stated in the policy objective, the purpose of the policy is to:

- make materials widely available to the community;
- maximize use of collections and services;
- facilitate requests for materials;
- retrieve overdue materials.

Fines work very well as a means of achieving these goals.

COMMENTS

Fines Increases

At its July 26, 2011 meeting, the Library Board considered a comprehensive review of the Library's fines and fees and approved a number of increases that were in effect by January 2012. These changes to the *Circulation and Collection Use (including Fines and Fees)* Policy represented the most significant set of changes to fines and fees the Board has undertaken, and they involved increases that ranged from 25% to 330%, depending on collection and format. Full details of the changes are included in this report as Attachment 1.

As a result of these changes, the Toronto Public Library's fine rates for adults are higher than almost every other public library system in North America. Comparable library systems in Canada and the U.S. charge between \$0.20 and \$0.30 per day.

Within the GTA, Toronto Public Library's fine rates are the highest:

	Adult fines per day
Toronto	\$0.40
Mississauga	\$0.35
Markham	\$0.30
Richmond Hill	\$0.30
Vaughan	\$0.25

If the Library were to raise fines to \$0.60, \$0.75, or \$1.00, Toronto would be out of step with all public libraries in North America.

There is also a small but important trend in libraries to eliminate library overdue fines altogether. Within Canada, Windsor Public Library recently introduced a fines free library service and the Pemberton Public Library (B.C.) has been fine-free for several years.

Customer Feedback

Customer feedback to the changes that were implemented in January 2012 highlighted several concerns including that the new rates are too high and may affect the use of the library for those who may not be able to pay; that the increases are perceived to replace tax dollars to fund library services; and that increased fines will affect customer goodwill toward the library. For example:

“I do read a lot and often have out 7 to 10 books at a time. For being 6 days late this time I am being charged \$24.00! This is way too much money.”

“Imagine some poor pensioner, who was forgetful, getting hit with \$5.00, \$10.00 or \$20.00 worth of DVD fines because he/she just forgot or wasn't organized enough to get the materials back exactly on time.”

“... raising fines to this astronomical level destroys the goodwill that you have developed with patrons over the last few years.”

Feedback received in response to the recent announcement of the fine for holds not picked up has resulted in similar customer concerns.

Projecting Revenue Impact

There are several challenges in producing reliable revenue projections from increases to fines rates. The Library is still in the process of implementing Board-approved changes to fines and circulation processes. The changes include the January 2012 fines increases and changes that are still to come including—implementation of the new fine for holds not picked up, pre-due date notification and online fines payment.

Experience in Toronto Public Library and in other library systems indicates that the financial impact of fines increases is unpredictable. Increases in fine rates do not always result in overall increases to revenues. In 2011 the Library projected an increase in revenue of \$100,000 based on changes to borrowing thresholds. However, overall revenue for 2011 was less than in 2010. The pattern was similar in 2004 when the Library last increased fines; the actual revenue that year fell short of projections. Other library systems have documented similar experiences.¹ A full year is required to be able to determine the true impact of the changes that took effect in January 2012.

Several emerging trends are expected to have a negative impact on fines revenue in the future. There are significant increases to the borrowing of econtent, including ebooks and evideos, which do not incur fines. And with the introduction of pre-due date email notification later this year, overdue fines will decrease.

Year-to-date Impacts of 2012 Fines Increases

Actual fines revenue for the first four months of 2012 is up by 30% over the previous year; however, most of this increase is attributable to changes introduced to the parameters for the collection agency service and the retroactive collection of long overdue accounts. As a result cash recovery through the collection agency is up by approximately \$300,000 year to date, but the majority of this will be a one-time occurrence.

When revenues achieved through collection agency services are factored out, year-to-date fines revenue dropped by \$14,184 (-2%).

	2012	2011	Difference	% change
Fines revenue	1,262,310	972,273	290,038	30%
Less collection agency revenue (mainly one-time)	361,559	57,337	304,222	
Net fines revenue	900,751	914,936	(14,184)	-2%

¹ Oder, Norman. “Philadelphia backs off Fine Policy”, Library Journal, February 15, 2009. <http://www.libraryjournal.com/CA6304414.html>.

One factor contributing to this decline is the fact that fine increases lead to greater diligence in returning materials on time and some customers may borrow less or not at all.

	Incidence of late returns 2012/2011	Circulation 2012/2011
January	-9.0%	8.7%
February	-9.7%	8.5%
March	-50.5%	-27.0%
April	-44.2%	-3.5%
May	-11.7%	0.5%
YTD aver.	-26.1%	-3.4%

(Note that data for March and April is affected by the 11 day closure for the labour disruption, and by the fine exempt period once service was restored.)

TPL's Strategies to Address Fines as a Barrier to Service

Fines have been identified as the 'most immediate barrier to library use' for socially excluded community members. In focus groups, it has been found that even the possibility of owing fines was enough to keep some community members from the library.²

Toronto has significantly higher poverty rates than neighbouring municipalities. Toronto has 43.2% of total GTA population and 39% of children in the GTA, but has 60% of the GTA's low income children. The low income rate for children in Toronto in 2006 was more than double those of other jurisdictions.³

Despite the Library's efforts to help customers manage their fines, with options such as telephone or online renewals and 24-hour drop boxes, the accumulation of fines can become prohibitive for many Toronto families. For example, for a family of four with 12 items overdue (three per person), fines would accumulate at a rate of five dollars a day (based on two adult books, six children's books, two adult DVDs and two children's DVD's).

There are several strategies used by the Library to ensure fines are not a barrier:

- staff identify and respond to specific situations, including waiving fines when fines present a barrier to continued use, particularly when dealing with vulnerable groups and individuals

² Working Together Project. Community-Led Libraries Toolkit. Vancouver, 2008.

³ Toronto Social Development, Finance and Administration. Profile of Low Income in the City of Toronto. 2011.

- the use of the fines forgiveness coupons targeting youth and families on social assistance.⁴
- staff identified fine exempt user categories including: Special Needs, Home Library Service and Talking Book Customers.

The Library has a comprehensive system of controls to monitor all fine forgiveness and waiving.

There are several important concerns with the use of a two-tiered system as a strategy to mitigate the effect of fines as a barrier to library service.

First, it would require new administrative processes to operate such a system, the cost of which is not known. Given the sensitive nature of the information users would be asked to provide, strict privacy protocols would need to be in place and eligibility would need to be verified on an annual basis.

The Library may be able to leverage existing municipal low-income programs (e.g. the Welcome Policy) as proof of eligibility for a low income fine rate, however this approach would still require that the Library create its own process for those users who are unique to its service. Furthermore current municipal low income programs do not address fines as a barrier for other groups such as youth, seniors and the working poor.

Perhaps more importantly, there is considerable research that shows that separate services for people with low income do not work well as low income residents consider the need to declare their poverty demeaning and therefore do not register.⁵

The Library's strategies have worked well to date and do not require the administrative overhead required by a two-tiered fine structure.

CONTACT

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

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

⁴ Schnoll, Jenny. Reducing Barriers to Public Library Service for Low-Income Families. <http://www.accessola.com/accessonline/onlineonly/archives/winter2012/barriers.php>

⁵ Clutterbuck, Peter and Rob Howarth. Toronto's Quiet Crisis the Case for Social and Community Infrastructure Investment". Centre for Urban and Community Studies, November 2002.

SIGNATURE

Jane Pyper
City Librarian

ATTACHMENTS

Attachment 1: Summary of Fines Changes implemented in 2012

Attachment 2 Bibliography of sources consulted