

Accounts Written Off in 2022

Date: May 23, 2023

To: Toronto Public Library Board

From: City Librarian

SUMMARY

The purpose of this report is to inform the Toronto Public Library Board of accounts written off in 2022, and the vast majority was done under the delegated authority provided to the City Librarian. The write-offs are predominantly outstanding fines and fees on customer accounts purged from the Integrated Library System (ILS) on an annual basis according to the criteria set out in the [Membership, Circulation & Collection Use Policy](#).

A total of \$768,627 was written off in 2022 comprised primarily of \$430,022 for the annual ILS system purge of customer accounts for lost and overdue fines, and \$292,435 for the elimination of fines resulting from the elimination of overdue fines on teen and adult accounts. Fines purged have been on a steady downward trend for the past number of years and with the elimination of children's overdue fines in 2021, and teen and adult overdue fines in 2022, the only remaining fines to be purged in 2023 and future years will be only for lost materials and some referral collection agency fees.

The annual system purge, i.e., the write-off of certain long-outstanding and inactive accounts which are deemed uncollectible, is standard business practice for libraries and serves very practical and pragmatic business and financial purposes. Because the approved operating budget is based on the actual fines revenue expected to be

collected in the year, the fines written off do not impact the financial results shown in the 2022 operating budget monitoring report.

FINANCIAL IMPACT

As the approved operating budget is based on the actual fines revenue expected to be collected in the year, and fines are recorded in revenues only when actually received, which is standard practice in public libraries, the fines written off do not show as a loss in the 2022 operating budget monitoring results. This budgeting and accounting practice for fines and fees has been reviewed with the external auditors and the Auditor General.

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

ALIGNMENT WITH STRATEGIC PLAN

The 2020-2024 Strategic Plan identifies priorities through an equity lens, working to understand and break down barriers for all, with a focus on equity-deserving groups and vulnerable populations. Fines are a barrier for accessing services and Toronto Public Library (TPL) has succeeded in eliminating all overdue fines in 2022. This increased the purged accounts. The purging of outstanding fines will allow some customers to return to the Library and open new accounts and access services.

DECISION HISTORY

As part of its 2005 annual work plan, the City's Auditor General performed a review of TPL's fines and fees and income. At its meeting on June 19, 2006, the Board reviewed 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 customer fines related to overdue and lost materials and other fees, be formally approved by management and reported to the Board on a periodic basis.

Overdue fines were originally introduced to encourage customers to return materials on time, but increasingly the fines have become a barrier to the use of library services, especially for vulnerable communities. Overdue fines have had a disproportionate impact on racialized and low-income communities in Toronto. As part of the approved [2021 operating budget](#), TPL was able to eliminate overdue fines on children's cards. At its meeting on April 26, 2021, the Board approved changes to the [Membership, Circulation and Collection Use Policy](#), which permanently eliminated overdue fines for

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children and resulted in the write-off of \$132,397 in overdue fines. This will reduce future fines purges.

As part of the approved [2022 operating budget](#), TPL was able to eliminate overdue fines on teen and adult cards. At its meeting on March 28, 2022, the Board approved changes to the [Membership, Circulation and Collection Use Policy](#), which permanently eliminated overdue fines for teens and adults and resulted in the write-off of outstanding overdue fines of \$448,748, comprised of the regular annual purge amount estimated at \$156,313 and the elimination of all other overdue fines of \$292,435. This will reduce the future fine purges.

ISSUE BACKGROUND

The Public Libraries Act is based on the principle of free library services. TPL's mandate is to preserve and promote equitable, universal access to information and high-quality services and programs in a welcoming and supportive environment.

The annual system purge, i.e., the write-off of certain long-outstanding and inactive accounts which are deemed uncollectible, is standard business practice for libraries and serves very practical and pragmatic business and financial purposes. The Membership, Circulation & Collection Use Policy sets out the criteria for the annual purge outstanding account balances from the Integrated Library System. The Library purges fines and fees only after taking the following actions to collect them:

- Notifying customer by email or telephone at five, 10, and 20 days overdue;
- Temporarily suspending borrowing privileges when more than \$100 in payable charges is owed or more than 10 items are overdue;
- Mailing two notices with account billing and collection agency warning at 30 and 50 days overdue; and
- Referring adult accounts to a collection agency after 70 days overdue and two billing notices for amounts over \$50, requesting that they contact the Library to resolve their account. An administrative fee of \$15 is added to accounts referred for collection;
- When the last use of the library card is more than two years and the total balance owing is less than or equal to \$100; and
- When the last use of the library card is more than five years and the total balance is equal to or greater than \$100.

Only when these measures have failed are the accounts purged. The collection agency does not collect payments directly and, only if the customer makes a payment on their account, does the agency receive a percentage of the amount collected.

Section 19.1 of the approved Financial Control Policy authorizes the City Librarian to write off outstanding accounts of \$25,000 or less owed to the Library as uncollectable if reasonable efforts have been made to collect the outstanding amount. Any single account balance greater than \$25,000 would need Board approval to be written off and there were none in 2022 as the tenant lease write-offs were approved by the City.

COMMENTS

2022 Write Offs

Total 2022 write-offs of \$768,627 are comprised of: \$430,022 for the annual system purge of customer accounts for lost and (teen and adult) overdue fines; \$292,435 for the elimination of overdue fines on teen and adult accounts; \$44,970 for tenant leases written-off; and other write-offs of \$1,200. Write-offs are summarized below in Table 1, showing trends from 2019.

Table 1: 2019 to 2022 Total Write-Offs

Type of Fine/Fee	2019	2020	2021	2022
Fines for past due	285,788	266,924	212,800	156,313
Fine lost materials	295,047	412,529	316,481	250,704
Collector agency referral fees	51,214	53,336	50,780	23,005
Total Purged	632,048	732,788	580,061	430,022
2021 Children overdue fines elimination			132,397	
2022 Teens and adult overdue fines elimination				292,435
Total Fines Eliminated		-	132,397	292,435
Total Purged and Fines Eliminated	632,048	732,788	712,458	722,457
Tenant lease write-offs				44,970
Other write-offs	-	14	-	1,200
Total Tenant Lease and Other Write-offs	-	14	-	46,170
Total Write-offs	632,048	732,802	712,458	768,627

Total Purged

The date criteria used for the 2022 purge were:

- September 30, 2020 when the last use of the library card is more than two years (for accounts less than or equal to \$100); and
- September 30, 2017 when the last use of the library card is more than five years (for accounts over \$100).

Fines purged have been on a steady downward trend for the past number of years and in 2022, the total amount purged was \$430,022, which is 25% less than the 2021 purge of \$580,061, partially due to the fact that all children overdue accounts were

eliminated in 2021. With the elimination of overdue fines on teen and adult cards in 2022, future purges will also be lower, comprising only of fines for lost materials and some referral fees. It should be noted that the replacement cost of lost items levied on accounts is the original purchase value of the items and the current value may be significantly lower due to depreciation over time with use. Very few lost items are actually replaced.

As shown in table 2 below, while the purged amount in 2022 is lower than 2021, the average balance per account is higher at \$23.70 in 2022 vs. \$16.68 in 2021. This is because the 2022 purge excludes all children accounts for overdue fines which were eliminated in 2021 and those tended to have low balances. In 2023, while the purge amount will be lower, it will consist primarily of lost item fees so the average account balance is expected to be higher at approximately double.

Table 2: Fines and Fees Purged 2019 to 2022

	2019	2020	2021	2022
Fines for past due	285,788	266,924	212,800	156,313
Fines for lost materials	295,047	412,529	316,481	250,704
Collection agency referral fees	51,214	53,336	50,780	23,005
Total Purged	632,048	732,788	580,061	430,022
Number of accounts Affected	38,533	39,325	34,782	18,144
Average account balance	\$ 16.40	\$ 18.63	\$ 16.68	\$ 23.70

Fines Eliminated

In 2022, overdue fines for teens and adults were permanently eliminated resulting in the write-off of outstanding overdue fines of \$292,435, with an average balance of \$6.71. In 2021, overdue fines for children were permanently eliminated resulting in the write-off of \$132,397 with an average balance of \$3.98.

Table 3: Overdue Fees Eliminated 2021 to 2022

	2021		2022	
	Children	Adults	Children	Adults
Overdue fines eliminated	132,397		292,435	
Number of accounts affected	33,283		43,556	
Average account balance	\$ 3.98		\$ 6.71	

Tenant Lease Write-Offs

As noted in [City-Wide Real Estate Program – Revised Authorities](#) at the Board meeting on March 19, 2018, the City assumed responsibility for approving all real estate transactions, including approving all leases and associated write-offs. In 2022, Corporate Real Estate Management (CREM), the City division responsible for real estate, along with City Finance, approved a \$44,970 write-off for outstanding tenant rents relating to the Pre-CERS (Canada Emergency Rent Subsidy) period, April 2020 to September 2020, for two tenants at Toronto Reference Library: Balzac's Café (\$15,119); and Page and Panel (\$29,851). This was part of a general rent forgiveness program instituted for tenants of the City and its Agencies and Boards as part of the COVID-19 reliefs.

Other Write-Offs

The Other write-offs of \$1,200 is an accounts receivable balance from 2016 related to an external advertisement placed in the Library's What's On publication. TPL's collection efforts, including using a collections agency at the City, have been unsuccessful.

CONTACT

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946;
Email: lhughsam@tpl.ca

SIGNATURE

Vickery Bowles
City Librarian