

Accounts Written Off in 2018

Date:	May 21, 2019
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 2018 under the delegated authority provided to the City Librarian. These are predominately 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 \$950,312 was written off in 2018.

FINANCIAL IMPACT

As customer balances are recorded in revenues only when actually received, which is standard practice in public libraries, the write-offs do not show as a loss in the 2018 operating results. The operating budget is based only on customer fines that are expected to be collected during the year. This accounting practice for fines and fees has been reviewed with the external auditors and the Auditor General.

ALIGNMENT WITH STRATEGIC PLAN

TPL's 2016-2019 strategic plan priorities include breaking down barriers to access and driving inclusion by removing systemic barriers, especially for families and households living in poverty.

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 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 past due and lost materials and other fees be formally approved by management and reported to the Board on a periodic basis.

ISSUE BACKGROUND

The Public Libraries Act is based on the principle of free library services. Toronto Public Library'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 practice of charging customers fines for overdue items and charges is covered in the Membership, Circulation & Collection Use Policy most recently approved by the Board in June 2018. Fines are charged as an incentive to encourage the return of library materials on time. When an item is lost or damaged, a replacement charge is assessed based on the original invoiced amount, regardless of the age or condition of that item or whether it is replaced in the collection.

Since amalgamation, the Library has significantly improved its fines collections processes, policies and procedures to achieve the complementary objectives of customer retention, operational efficiency and fiscal responsibility. Careful consideration has been given to the policies established and resources allocated to achieving these goals. Libraries' experiences, including Toronto's, and literature on the topic has shown that there is a point of diminishing returns. Higher fines do not necessarily increase revenue and have, in fact, been shown to have detrimental effects on the financial and business performance of the library as customers choose not to pay fines or return materials. They may also be a barrier to accessing services as customers stop using the library altogether.

Significant changes to fines collection have been made following the introduction of a single ILS in 1999 due to the amalgamation of the seven former library systems:

- Circulation and fines policies were harmonized immediately after amalgamation;
- Benchmarks were developed to monitor the amount of fines collected and waived and a process implemented to ensure that benchmarks are met;
- Cash registers were introduced to all branches (50% had not used cash registers before amalgamation);
- Detailed cash-handling procedures and performance benchmarks were developed;
- Extensive staff training on dealing with customers, cash handling and the use of systems and equipment is provided;
- Copy cards and point-of-sale machines were introduced to reduce cash handling and facilitate payments;
- Fines for holds not picked up, interlibrary loans and digital equipment were introduced;
- Use of a collection agency was introduced in 2003 to deal with outstanding adult accounts of \$50, now \$40. In 2012 this was extended to outstanding adult fines over \$10. Since its introduction, use of the agency has resulted in the collection of \$2,923,754 net of its commission, and the retrieval of \$3,186,156 worth of material;
- Fines rates were increased in 2012 then partially rolled back for adults and totally for children and teens in 2016 when it was recognized that they were a barrier to accessing library services. The rate for adults aged 18-25 was also reduced to the teen rate as a reflection of the financial challenges this group faces;
- Online payment was introduced in 2013, and in 2016 the service fee was eliminated to encourage use. This enhancement also reduces cash handling and staff intervention;

- A process whereby customers can make payments on their accounts at the self-checkout terminals is currently being piloted at selected branches and will be rolled out system-wide. It is anticipated that, by facilitating payments in this way, they will increase.

In order to help customers in managing their accounts, a pre-due notification email was introduced in 2013 and became a default rather than opt-in feature in April 2018.

The Library purges fines and fees only after taking the following actions to collect them:

- Suspending borrowing privileges when \$30 is owed or 15 items are overdue;
- Notifying customer by email or telephone at seven and 21 days overdue;
- Mailing a final notice with account billing and collection agency warning;
- Referring adult accounts to a collection agency after 120 days for amounts over \$10 or after 70 days for amounts over \$40, requesting that they contact the Library to resolve their account. A collection fee of \$5 to \$15 is added to accounts referred for collection.

The collection agency does not collect payments and only if the customer makes a payment on their account does the agency receive a percentage of the amount collected.

Only when these measures have failed are the accounts purged. The purging and subsequent write off of unpaid fines and fees that are deemed uncollectible is standard business practice for libraries and serves a practical business and financial purpose. The Membership, Circulation & Collection Use Policy sets out the criteria for the annual purge outstanding account balances from the ILS.

- 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;
- When the last use of the library card is more than five years and the total balance is greater than \$100.

COMMENTS

Section 19.1 of the approved Financial Control Policy authorizes the City Librarian to write off outstanding accounts of \$10,000 or less owed to the Library as uncollectable provided that reasonable efforts have been made to collect the outstanding amount. Any single account balance greater than \$10,000 would need Board approval to be written off and there were none in 2018. Below is a summary of total write-offs.

Type of Fine/Fee	Total Write-Offs					Annual Average
	2014	2015	2016	2017	2018	
Overdue Fines	704,566	458,096	383,881	406,784	392,343	469,134
Lost Materials	707,282	513,392	396,970	392,433	489,673	499,950
Referral Fees	197,122	84,749	59,184	69,846	66,362	95,453
Total Purged	1,608,970	1,056,237	840,035	869,064	948,378	1,064,537
Other Write-Offs	701	176	414	0	1,934	
Total Write-Offs	1,609,671	1,056,413	840,449	869,064	950,312	

The date criteria used for the 2018 purge were:

- September 30, 2016 when the last use of the library card is more than two years; and
- September 30, 2013 when the last use of the library card is more than five years.

The total amount purged is \$79,314 more than in 2017, primarily due to a 2013 adjustment of the purge timing. In addition, fines were increased in October 2012, so 2013 was the first full year with higher fines. This increase was offset by a decrease in fines and fees for customers owing less than \$100, which continues a decline due to the lowering of fines in 2016 and a drop in physical circulation beginning in 2012. Pre-due notifications via email and on Your Account are helping customers manage their checkouts and avoid fines. The elimination of the online payment fee in 2016 appears to have increased the use of this method, which rose by 12% from 2017 to 2018.

The value of lost items purged in 2018 was \$489,673, 52% of the total. It should be noted that the replacement cost levied 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 replaced.

	2014	2015	2016	2017	2018	Annual Average
Fines & Fees Purged	1,608,970	1,056,237	840,035	869,064	948,378	1,064,537
Number of Accounts Purged	69,599	53,678	46,338	46,115	43,139	51,766
Average Account Balance	23.13	19.68	18.13	18.85	21.98	20.56

The average customer account balance purged is \$21.98 which is higher than the previous year due to the 2013 adjustment to the purge timing.

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SIGNATURE

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