

Accounts Written-off in 2009

Date:	May 10, 2010
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 2009.

FINANCIAL IMPACT

Accounts written off in 2009, which also includes the 2008 fines purge, totalled \$2,300,580, predominantly related to patron balances due to fines for past due or lost materials. As customer 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 2009 operating results. The operating budget is only based on customer 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 customer 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 customer 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 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.

Significant improvements have been made in the area of fines collections following the introduction of a single library system in 1999 which allowed 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 customers 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;
8. Adult fines have been increased twice in the last nine years, from 20 cents to 30 cents per day, or a 50% increase, and a new reduced fine rate was introduced for teens who were previously paying adult rates; and

7. Fines revenue has increased 22%.

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. Below is a listing of total write-offs for 2009 and 2008:

Description	2009	2008
Fines Waived	284,913	271,477
Fines Purged (2009 purge includes 2008)	2,010,868	(purged in 2009)
Total Waives and Purges	2,295,781	271,477
Centralized Room Booking Write-offs	2,115	3,745
Other Write-offs	2,684	168
Total Write-offs	\$2,300,580	275,390

Waiving of Fines

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

1. Waives are a means to deal with individuals with socio-economic challenges, especially children, youth and newcomers, who may otherwise be denied service. In September 2005, the Board approved the introduction of a program to intermittently waive certain fines outstanding for teens in order to encourage them 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.

A Teen Fines Forgiveness program was instituted during October 5 to December 31 2009, which allowed teens to redeem a coupon with a maximum value of \$20. A total of 3,324 coupons were redeemed and the total fines waived were \$29,788. 840 coupons or 25% of the redemptions resulted in card renewals, and 75% of those renewals were made

at branches serving designated priority neighbourhoods. During the 2009 Youth Summer Reading Program – Word Out!, a \$10 fines forgiveness program was piloted which resulted in \$6,088 of redeemed coupons and 62 youth returned to the Library after a year or more away. It should be recognized that a significant portion of the fines forgiven with the coupons would never have been collected.

In 2009, a total of \$284,913 was waived by staff, which included \$35,876 of redeemed youth fines forgiveness coupons as noted above. The total 2009 waivers represent a \$13,436 or 4.9% increase from 2008, mainly due to the \$14,105 increase in youth fines forgiveness coupons redeemed compared to the prior year. Waives included both overdue fines and lost materials.

Purging of Fines

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

1. borrowing privileges are suspended once \$30 of fines is owing or ten items are overdue or any amount is owing longer than six weeks which was recently reinstated;
2. telephone notifications at seven days and 21 days overdue;
3. final mail notice and billing;
4. finally, adult accounts are referred to a collection agency, with instructions for the customer to contact the Library to clear their account. The collection agency does not collect payments; only if a customer contacts the Library and resolves their account, including a \$10 collection fine, 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 a report to the Board at its meeting of June 15, 2009, it was noted that old customer accounts were not purged by the system in 2008, due to the conversion of the Integrated Library System (ILS) in that year. System testing continued past the end of 2008 to ensure that the purging function would operate correctly. Purging was reinstated in 2009 which covered the two-year period, resulting in total accounts written off of \$2,010,868 (this includes both overdue fines and lost materials), or an annual average of \$1,005,434 which is comparable to the 2007 purge amount of \$1,040,342. The chart below compares purge statistics for the past three years.

	2009 and 2008		2007
	2-Year Total	Annual Average	Year
Total Purged	2,010,868	1,005,434	1,040,342
Number of Customer Accounts	114,426	57,213	47,841
Average Customer Balance	17.57	17.57	21.75

The average account balance purged has decreased from \$21.75 to \$17.57 and approximately 30% of fines purges in 2009 relate to children and teen accounts. Further, the total amount purged has remained relatively unchanged since 2006 (\$1,078,115), despite increasing activity.

The 2009 fines write-offs, which included 2008 purges, represent 0.3% of the estimated \$688 million value of the 31.3 million items circulated.

Centralized Room Booking Write-offs

The Library is currently centralizing the administration for managing meeting rooms and auditoriums. Approximately 64% of the branches have already been centralized, and an analysis of the outstanding balances have resulted in a write-off of \$2,115 from seven contracts, which represents 0.6% of the total annual revenues from room rentals of \$353,204. In 2008, \$3,745 of room booking revenues was written off.

Other Write-offs

Other write-offs are comprised almost entirely of \$2,680 for an uncollectible rent from the supplier of vending machines who has entered into bankruptcy.

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SIGNATURE

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