

Accounts Written Off in 2020

Date:	May 25, 2021
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 2020 under the delegated authority provided to the City Librarian. These 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 \$732,802 was written off in 2020.

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 2020 operating results. The operating budget is based only on customer fines that are expected to be collected during the year. 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 will allow Toronto Public Library (TPL) to focus and invest on its strategic priorities over the next five years, while its focus on equity will apply to all strategic priorities as TPL is committed to understanding and breaking down barriers to access and increasing inclusion.

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 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. 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 practice of charging customers fines for overdue items and charges is covered in the [Membership, Circulation & Collection Use Policy](#). 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' experience, 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; and
- Customers can make payments on their accounts at the self-checkout terminals, which began in 2019.
- In order to help customers with managing their accounts, a pre-due notification email was introduced in 2013 and became a default rather than opt-in feature in April 2018.
- Children's overdue fines are being eliminated in 2021.

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; and
- 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;
- 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 greater than \$100.

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.

COMMENTS

2020 Purge

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 2019. Write-offs are summarized below in Table 1.

Table 1: 2016 to 2020 Total Write-Offs

Type of Fine/Fee	2016	2017	2018	2019	2020	Annual Average
Fines for past due	383,881	406,784	392,343	285,788	266,924	347,144
Lost Materials	396,970	392,433	489,673	295,047	412,529	397,330
Referral fees	59,184	69,846	66,362	51,214	53,336	59,988
Total Purged	840,035	869,064	948,378	632,048	732,788	804,463
Other write-offs	414	-	1,934	-	14	
Total write-offs	840,449	869,064	950,312	632,048	732,802	

The date criteria used for the 2020 purge were:

- September 30, 2018 when the last use of the library card is more than two years (for accounts less than or equal to \$100); and
- September 30, 2015 when the last use of the library card is more than five years (for accounts over \$100).

In 2020, total amount purged was \$732,788 and as the table shows, purges are on a general decline over the past five years, similar to the trend for fines collected which has decreased 29% over 2013-2018. There appears to be an anomaly in 2018 purges which showed an increase to \$948,378, caused by a system change which impacted a number of accounts over \$100 which should have been purged in 2013 but instead were purged in 2018.

In 2020, the \$412,529 value of lost items purged represents 56% of total purges. 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 actually replaced.

Table 2: Fines and Fees Purged 2016 to 2020

	2016	2017	2018	2019	2020	Annual Average
Fines & Fees Purged	840,035	869,064	948,378	632,048	732,788	804,463
Number of accounts purged	46,338	46,115	43,139	38,533	39,325	42,690
Average account balance	18.13	18.85	21.98	16.40	18.63	18.84

As summarized in Table 2 above, the average customer account balance purged is \$18.63, which is slightly less than the annual average for the past five years.

Future Purges

In response to the COVID-19 medical emergency, TPL branches were closed and services substantially restricted to mainly on-line after March 13, 2020. In addition, TPL immediately implemented a moratorium on fines which continues to this day, and this has severely reduced fines revenue in 2020 and 2021. As a result, future fine purges, which occur between 2 and 5 years after an account is no longer active, will be lower.

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 children and results in the write-off of outstanding overdue fines on children's cards with an estimated value of \$150,000. This will also reduce the future fine purges.

CONTACT

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

SIGNATURE

Vickery Bowles
City Librarian