

2010 Accounts Written-off

Date:	June 7, 2011
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 2010.

FINANCIAL IMPACT

Accounts written off in 2010, totalled \$1,298,987, predominantly related to customer 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 2010 operating results. The operating budget is only based on customer fines that 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 two 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 operational 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 that allowed a common database of library 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 the benchmarks are essentially being met;
3. cash registers were introduced to approximately 50% of the branches that had never used cash registers, so now all branches have 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;
7. use of a collection agency was introduced;
8. adult fines have been increased twice in the last ten 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.

As a result of all these measures and increasing circulation, fines revenue has increased 27%.

Room Rentals

A total of 75 branches have space that is available to be rented by the public when not in use by the Library. Historically, each branch administered the rental of their available space, and the rental rates differed across the City. In 2002, the room-booking rates and policies were harmonized, and in an effort to streamline the operations and improve processes and controls, in 2006 a project began to centralize the administration around booking rooms.

COMMENTS

Section 19.1 of the approved Financial Control Policy authorizes the City Librarian and 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 2010 and 2009:

Description	2010	2009
Fines Waived	272,843	284,913
Fines Purged – annual (average)	1,025,239	1,005,343
2009 purge includes 2008 (2 years)		2,010,868
Total Annual Waives and Purges	1,298,082	1,290,256
Centralized Room Booking Write-offs	905	2,115
Other Write-offs	0	2,684
Total Annual Write-offs	\$1,298,987	\$1,295,055

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.

In May 2006, the Board approved offering a Teen Fines Forgiveness program at strategic intervals that allows teens to redeem a coupon with a maximum value of \$10. During June to September 2010, the fines-forgiveness program was run and 1,077 coupons were redeemed with total fines waived of \$5,606. During the 2010 Investing in Families Program, a \$10 fines forgiveness program was piloted that resulted in \$552 of redeemed coupons, and many families who had previously stayed away because they had problems paying fees have now been reinstated and are active users again. It should be recognized that a significant portion of the fines forgiven with the coupons would never have been collected.

In 2010, a total of \$272,843 was waived by staff, which included \$6,158 of redeemed youth fines forgiveness coupons as noted above. 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 or email 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 2010, \$1,025,239 of outstanding patron fines were purged by the system. In 2008, due to conversion of the Integrated Library System, purging was not done. Purging was reinstated in 2009 that 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 that is comparable to the 2007 purge amount of \$1,040,342. The following chart compares purge statistics for the past four years:

Description	2010	2008/2009 Annual Average	2007
Total Purged	1,025,239	1,005,434	1,040,342
Number of Customer Accounts	54,413	57,213	47,841
Average Customer Balance	\$18.84	17.57	21.75

The average account balance purged has decreased from \$21.75 in 2007 to \$18.84 in 2010, and approximately 31% of fines purges in 2010 relate to children and teen accounts. Further, the total amount purged has remained relatively unchanged despite increasing activity over the past few years.

The 2010 fines write-offs represent 0.2% of the estimated \$581 million value of the 32.3 million items circulated.

Centralized Room Booking Write-offs

As of April 2011, the Library completed centralizing the administration for managing meeting rooms and auditoriums for 75 branches. An analysis of the outstanding balances has resulted in a write-off of \$905 in 2010 from five contracts, which represents 0.2% of the total annual revenues from room rentals of \$428,834. In 2009, \$2,115 of room booking revenues was written off.

Other Write-offs

Other write-offs are \$0 (2009 - \$2,680).

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SIGNATURE

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