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## STAFF REPORT INFORMATION ONLY

### Accounts Written Off in 2023

**Date:** May 27, 2024

**To:** Toronto Public Library Board

**From:** City Librarian

#### **SUMMARY**

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The purpose of this report is to inform the Toronto Public Library Board of accounts written off in 2023 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 \$285,871 was written off in 2023 for the annual ILS system purge of customer accounts for lost and overdue fines. 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 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. The approved operating budget is based on the actual fines revenue expected to be collected in the year and not outstanding fines; therefore, the

fines written off do not impact the financial results shown in operating budget monitoring reports.

## **FINANCIAL IMPACT**

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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 as is standard practice in public libraries, the fines written off do not show as a loss in the operating budget monitoring reports and have no impact on the reported operating budget 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) 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 became 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 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 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 of outstanding account balances from the ILS. 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;
- 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 receives a percentage of the amount collected if the customer makes a payment on their account.

Section 12 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 2023.

## COMMENTS

### 2023 Write Offs

Total 2023 write-offs of \$285,871 are comprised of the annual system purge of customer accounts for lost items and overdue fines. Write-offs are summarized below in Table 1, showing trends from 2020.

**Table 1: 2020 to 2023 Total Write-Offs**

Type of Fine/Fee	2020	2021	2022	2023
Fines for past due	266,924	212,800	156,313	1,093
Lost Materials	412,529	316,481	250,704	274,099
Referral fees	53,336	50,780	23,005	10,679
<b>Total Purged</b>	<b>732,788</b>	<b>580,061</b>	<b>430,022</b>	<b>285,871</b>
2021 Children fines elimination		132,397		
2022 Teen and adult fines elimination			292,435	-
<b>Total Fines Eliminated</b>	<b>-</b>	<b>132,397</b>	<b>292,435</b>	<b>-</b>
<b>Total Purged and Fines Eliminated</b>	<b>732,788</b>	<b>712,458</b>	<b>722,457</b>	<b>285,871</b>
Tenant lease write-offs		44,970		-
Other write-offs	14	-	1,200	-
<b>Total Tenant Lease and Other Write-offs</b>	<b>14</b>	<b>-</b>	<b>46,170</b>	<b>-</b>
<b>Total Write-offs</b>	<b>732,802</b>	<b>712,458</b>	<b>768,627</b>	<b>285,871</b>

## Total Purged

The date criteria used for the 2023 purge were:

- September 30, 2022 when the last use of the library card is more than two years (for accounts less than or equal to \$100); and
- September 30, 2019 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 2023, the total amount purged was \$285,871, which is 34% less than the 2022 purge of \$430,022, partially due to the fact that all overdue accounts for children cards were eliminated in 2021 and teen and adult cards were eliminated in 2022. With the elimination of fines for past due items, purges will only contain 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 2023 is lower than 2022, the average balance per account is higher at \$54.62 in 2023 vs. \$23.70 in 2022, as the purge amounts are now primarily due to lost item fees rather than fine for past due items.

<b>Table 2: Fines and Fees Purged 2020 to 2023</b>		2020	2021	2022	2023
Fines for past due		266,924	212,800	156,313	1,093
Lost Materials		412,529	316,481	250,704	274,099
Referral fees		53,336	50,780	23,005	10,679
<b>Total Purged</b>		<b>732,788</b>	<b>580,061</b>	<b>430,022</b>	<b>285,871</b>
Number of accounts Affected		39,325	34,782	18,144	5,234
Average account balance		\$ 18.63	\$ 16.68	\$ 23.70	\$ 54.62

## Tenant Lease and Other Write-Offs

There were no write-offs for tenant leases or for other reasons in 2023.

## CONTACT

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## SIGNATURE

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City Librarian