

Accounts Written-off in 2008

Date:	June 15, 2009
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 2008.

FINANCIAL IMPACT

Accounts written off in 2008 totalled \$275,390, predominantly related to fines waived and room booking write-offs. Old customer accounts, comprised of fines for past due or lost materials, were not written off (“purged”) by the system in 2008, due to the conversion of the Integrated Library System in that year. 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 2008 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 supportive environment.

Fines and fees represent 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

The Library has significantly improved its fines collection policies and procedures to achieve the complementary objectives of customer retention, operational efficiency and revenue maximization. Literature and experience of library systems across North America indicate that there is a point of diminishing returns as more fines or penalties are implemented or enforced. Increasingly stringent collections methods 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 Integrated Library System in 1999:

1. The circulation and fines policy was harmonized and is reviewed each year;
2. Benchmarks were developed to monitor the amount of fines collected and the amount waived, and there have been performance improvements every year;
3. Cash registers were introduced to approximately 50 percent 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; and
7. A collection agency was introduced.

Since the implementation of the single Integrated Library System, fines revenue has increased 15 percent. Adult fines have been increased twice in the last six years, from 20 cents to 30 cents per day, or a 50 percent increase. A new reduced fine rate was introduced for teens who were previously paying adult rates.

COMMENTS

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 2008 and 2007:

Description	2008	2007
Fines Waived	\$271,477	\$256,535
Fines Purged	N/A	\$1,040,342
Total Waives and Purges	\$271,477	\$1,296,877
Centralized Room Booking Write-offs	\$3,745	\$3,300
Write-off of Tenant Account	\$0	\$35,349
Other Write-offs	\$168	\$426
Total Write-offs	\$275,390	\$1,335,952

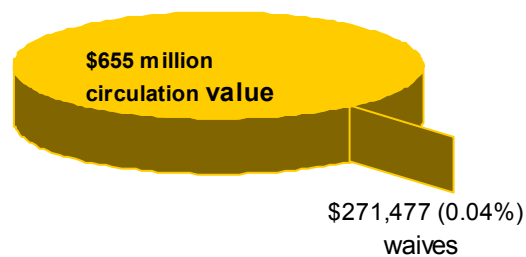
Waiving of Fines

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.
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 2008, \$271,477 of fines were waived by staff which represents a 5.8 percent or \$5,942 increase from 2007; this includes both overdue fines and lost materials. The increase in waives is due to the Teen Fines and Fees Forgiveness Program which ran in 2008 and resulted in 359 library card renewals and waives totalling \$21,771. It should be noted that a significant portion of this amount would never have been collected.

Waives represent 0.04 percent of the total value of the 29.8 million items circulated in 2008 and the Library's records show that over 99 percent of materials checked out are returned.



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 \$10 of fines is owing or ten items are overdue or any amount is owing longer than six weeks;
2. Telephone notifications at seven days and 14 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 fee, 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.

Old customer accounts were not purged by the system in 2008, due to the conversion of the Integrated Library System in that year. System testing continued past the end of 2008 to ensure that the purging function would operate correctly. Purging of fines will be

reinstated in 2009, so in that year the purged amount is expected to be approximately double the annual amount. In 2007, \$1,040,342 of fines were purged; this includes both overdue fines and lost materials.

Room Booking Write-offs

The Library is currently centralizing the administration for managing meeting rooms and auditoriums. Approximately one-half of the branches have already been centralized, and an analysis of the outstanding balances have resulted in a write-off of \$3,745 from eight contracts, which represents 0.8 percent of the total annual revenues from room rentals of \$448,000. In 2007, \$3,300 of room booking revenues was written off.

Other Write-offs

Other write-offs, which are mostly for discrepancies arising from the reconciliation of petty cash and cash register receipts amounted to \$168 in 2008, compared to \$426 in 2007.

CONTACT

Larry Hughsam, Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
Email: lhughsam@torontopubliclibrary.ca

SIGNATURE

Jane Pyper
City Librarian