27.

STAFF REPORT
INFORMATION ONLY

Accounts Written Off in 2021

Date:	May 24, 2022
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 2021 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 $ 580,061 was written off in 2021.

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 2021 operating results. Furthermore, 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 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 TPL has succeeded in eliminating all overdue fines in 2022. 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.

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.

Overdue fines were originally introduced to encourage customers to return materials on time, but increasingly the fines have become 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. Subsequently, the approved 2022 operating budget provided for the elimination of overdue fines on teen and adult cards.

The Library purges fines and fees only after taking the following actions to collect them:

- Notifying customer by email or telephone at seven and 21 days overdue;
- Temporarily suspending borrowing privileges when more than $30 in accruing or payable charges is owed or more than 15 items are 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. An administrative 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

2021 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 if 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 2021. Write-offs are summarized below in Table 1.

Table 1: 2017 to 2021 Total Write-Offs

Type of Fine/Fee	2017	2018	2019	2020	2021	Annual Average
Fines for past due	406,784	392,343	285,788	266,924	212,800	312,928
Lost Materials	392,433	489,673	295,047	412,529	316,481	381,233
Referral fees	69,846	66,362	51,214	53,336	50,780	58,308
Total Purged	**869,064**	**948,378**	**632,048**	**732,788**	**580,061**	**752,468**
Other write-offs	-	1,934	-	14	-	
Total write-offs	**869,064**	**950,312**	**632,048**	**732,802**	**580,061**	

The date criteria used for the 2021 purge were:

- September 30, 2019 when the last use of the library card is more than two years (for accounts less then or equal to $100); and
- September 30, 2016 when the last use of the library card is more than five years (for accounts over $100).

In 2021, total amount purged was $580,061 and as the table shows, purges are on a general decline over the past five years, and this reflects a similar trend of decreasing fines collected, prior to the COVID-19 pandemic when TPL stopped charging fines from

March 2020. This decline is not surprising and can be explained by the following reasons:

- Additional online tools are available for customers to manage borrowing and avoid fines, including email pre-date due notification and ability to defer and mange holds ; and
- Increasing use of E-collections which do not incur fines;

There appears to be an anomaly in 2018 purges that showed an increase to $948,378, caused by a system change that affected a number of accounts over $100 that should have been purged in 2013 but instead were purged in 2018.

In 2021, the $316,481 value of lost items purged represents 55% 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 2017 to 2021

	2017	2018	2019	2020	2021	Annual Average
Fines & Fees Purged	869,064	948,378	632,048	732,788	580,061	752,468
Number of accounts purged	46,115	43,139	38,533	39,325	34,782	40,379
Average account balance	18.85	21.98	16.40	18.63	16.68	18.64

As summarized in Table 2 above, the average customer account balance purged is $16.68, which is less than the annual average for the past five years.

Future Purges

TPL operations have been significantly impacted by the COVID-19 pandemic, including 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 the 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 approximately $150,000 in overdue fines; this will reduce future fines purges.

At the 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 with an estimated value of $430,000; this will reduce the future fine purges.

CONTACT

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

SIGNATURE

_____

Vickery Bowles
City Librarian