

Report to / Rapport au:

**Ottawa Public Library Board
Conseil d'administration de la Bibliothèque publique d'Ottawa**

October 13, 2020 / 13 octobre 2020

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File Number: OPLB-2020-1004

SUBJECT: Materials Recovery Model

OBJET: Modèle de récupération des documents

REPORT RECOMMENDATIONS

That the Ottawa Public Library Board:

- 1. Adopt a Materials Recovery Model as further described in this report, and;**
- 2. Direct staff to address the revenue adjustment as part of the 2021 Draft Operating and Capital Budget, as further described in this report.**

RECOMMANDATIONS DU RAPPORT

Que le conseil d'administration de la Bibliothèque publique d'Ottawa :

- 1. Adopte le modèle de récupération des documents décrit dans le présent rapport;**

2. **Demande au personnel de procéder au rajustement des recettes dans le cadre du budget provisoire de fonctionnement et d'immobilisations de 2021, selon les modalités précisées dans le présent rapport.**

BACKGROUND

As per the Public Libraries Act, RSO 1990, c.P.44 (the *Act*), the Ottawa Public Library (OPL) Board retains accountability for the full range of decisions affecting the organization. Among the articles in the *Act*, the Board must not charge for admission to a public library or for use in the library of materials. Subject to the regulations, a board may make rules "...for the use of library services...and for imposing fines for the breach of the rules...and regulating all other matters connected with the management of the library and library property."

The OPL Board uses a model of governance that focuses Trustee attention on setting strategic direction and objectives, making decisions on major projects, and monitoring performance. In keeping with Board Policy *OPLB-002 Delegation of Authority*, the Board retains authority to approve strategic frameworks for key services such as revenue generation, and delegates authority for implementation and management.

In June 2019, the Board approved a new Strategic Plan, including a Strategic Statement, Directions, and Priorities as per the Board report 2020 – 2023 Strategic Plan (OPLB-2019-0601). One of the three Directions is to "Redesign the Library Experience," with an associated Priority to "assess the impact of barriers to service."

In addition, the City of Ottawa 2019 – 2022 Term of Council priorities includes "Thriving Communities" specifically the Community Safety and Well-Being Plan; and, responding to the complex and diverse needs of vulnerable members of the community.

The purpose of this report is to secure Board approval for the movement from an Overdue Fines Model to a Materials Recovery Model, thereby eliminating late fees. The report outlines the shift in perception of the purpose of library fines and related effectiveness, the inequity created by overdue fines, the administrative cost associated with overdue fines, and that reliance on library fines is not a sustainable financial model.

DISCUSSION

Public libraries have held a long-standing practice of charging fees for materials not returned. These include overdue / late fees, lost item fees, replacement costs, as well as processing fees. Libraries have traditionally charged fees for overdue materials for a variety of reasons including to encourage returns (ensuring materials are available for other customers to borrow) and to teach customers moral responsibility. Regardless of the rationale, many public libraries have come to depend on overdue fines as a revenue source, despite the detrimental impact fines have on customer relationships.

Although the premise exists that fees encourage timely return of materials, there is limited evidence to support this. In fact, studies have shown other methods to be more effective, including email reminders¹ as well as longer loan and grace periods.²

While not originally introduced as a source of revenue, the notion of fees for overdue materials as a revenue source has become more prevalent and is fundamentally at odds with the overall mission of public libraries. In Ontario, the purpose of public libraries is to help "...ensure free, equitable access to public library service..."³ As part of this, public libraries have a lead role to play in improving social equity. Public libraries offer customers access to collections and programs that support both skills development and recreation, free access to computers, and connection to community services to best meet their needs. Late fees create barriers to accessing library services, especially for members of the community who are most at risk of exclusion.

In 2019, the American Library Association (ALA) asserted that the "...imposition of monetary library fines creates a barrier to the provision of library and information services." Furthermore, the ALA urged public libraries to scrutinize practices of imposing fines and actively move towards eliminating them; and specifically urged the Boards of public libraries "...to strengthen funding support for libraries so they are not dependent on monetary fines as a necessary source of revenue."

¹ David McMenemy, "On Library Fines: Ensuring Civic Responsibility or an Easy Income Stream?," *Library Review* 59, no. 2 (March 2, 2010): 78–81, <https://doi.org/10.1108/00242531011023835>; Phil Morehart, "An Overdue Discussion," *American Libraries Magazine* (blog), June 1, 2018, <https://americanlibrariesmagazine.org/2018/06/01/library-fines-overdue-discussion/>; Wilson, Frazier, and Harter, "Circulation Policies in Major Academic Libraries."

² Wilson, Frazier, and Harter, "Circulation Policies in Major Academic Libraries," 802.

³ <http://www.mtc.gov.on.ca/en/libraries/legislation.shtml>

Already more than 270 public libraries across North America have either eliminated or reduced late fees for library materials in order to remove barriers to accessing library services. In some cases, the elimination of overdue fines has applied to all library collections / materials, and in others to children and youth accounts or materials.

OPL currently uses the Overdue Fines Model. The high-level application of this practice is to charge fees for a variety of reasons including late, damaged, and lost items. In 2015, the Board directed staff to undertake a review of fees and fines, resulting in a Board-approved revised fee structure as part of the 2017 budget process. The fee structure, while still entrenched in the Overdue Fines Model, focuses less on penalizing customers, and more on providing services. The key changes included the:

- Addition of \$1 re-stocking fee for expired holds or interlibrary loans not picked up;
- Reduction of fees for overdue materials; and,
- Removal of processing fees associated with replacing lost materials.

As a result, the only fees related to items not returned are for items returned late, and for items that are not returned beyond 35 days, subsequently identified as “lost.” When a late item is returned, the customer is charged the accumulated late fees. If a “lost” item is returned, the customer is responsible for the accumulated late fees only. If a “lost” item is not returned beyond 60 days, the customer is responsible for the late fees, a \$15 referral fee (if it has been sent to collections), and the replacement cost. The referral fee is recovery of the collection agency fees to OPL. In 2019, approximately 22,000 items were moved to “lost”, representing 1.2% of circulation.

The outcome of the review struck a balance between fees re-alignment and the customer experience, and the changes to the fees structure did not adversely affect the customer experience or result in a reduction in cardholders. However, it maintained the Overdue Fine Model and failed to address the fundamental barrier of late fees.

Overdue Fines Model as a barrier to service

In the development of the 2020 – 2023 Strategic Plan, OPL employees conducted a series of interviews with customers and non-customers. A common theme articulated in the interviews was the value of the public library. The final report submitted as part of the Strategic Plan report to the Board noted the following:

“...fundamental characteristic of the public library is that it provides basic products and services without charge. Many interviewees expressed using the library for financial motives in that it provides them with affordable access not only to books but also to use of technology, meeting and/or work spaces (without obligation to buy something, like coffee shops), and various programming offered by the OPL...Some customers expressed this financial incentive as something they appreciated about using the library, while others expressed it as a critical necessity.”

Furthermore, it was noted that:

“This financial reasoning also helps us understand why some non-customers are not OPL customers. The trade-off for access to library products is a willingness and ability to manage ones borrowing habits. One non-customer told us he simply cannot afford the fines and, knowing he is forgetful, he stopped using libraries. Another non-customer told us the last time he used the library was almost 10 years ago. He signed out some books and music, lost them, and was charged a fine to replace them. This was his impetus for not using the library: “I’m very disorganized and I don’t want the stress of remembering or feeling like I’m in trouble”.”

Race and Social Equity

In November 2017, the Board directed staff to “...*take appropriate action to become a signatory to the ULC Statement on Racial and Social Equity, to take meaningful steps to carry this through in our operations, and report back at a future date with respect to actions undertaken.*” Along with more than 180 public library systems across North America, OPL committed to intentional, systemic, and transformative partnerships. Specifically, the library systems agreed to “...achieve equity in the communities we serve by ... eliminating racial and social equity barriers in library programs, services, policies, and practices.” According to the City of Ottawa’s Equity and Inclusion Snapshot on people living in poverty: “we have higher risk of living in poverty if we are Aboriginal, live with disabilities, in a female, lone-parent household, racialized or recent immigrants.”⁴ The adoption of a Materials Recovery Model and the elimination of late fees allows OPL to take concrete action to remove systemic barriers and move forward in its commitment toward achieving race and social equity.

⁴ City for All Women Initiative and the City of Ottawa (2017). *People Living in Poverty: Equity & Inclusion Lens Snapshot*. Retrieved from https://documents.ottawa.ca/sites/documents/files/poverty_ss_en.pdf

Research has found that people with low incomes avoid checking out materials to prevent fines, and that socio-economically disadvantaged areas have significantly lower circulation rates than wealthier areas^{5,6}. Staff analysis of postal codes associated with cardholders found that most library cards that are blocked due to fees owing of more than \$50 belong to vulnerable residents or people who live in areas of the city with lower income markers. In addition, the data shows that the number of active cardholders is much lower in the most social-economically disadvantaged areas of the city.

Specifically, 28% of cardholders that are blocked or in collections are in areas of Ottawa where the median individual income is below the national average. Among cardholders:

- More than 155,000 customers have outstanding late fees.
- Approximately 12,000, are blocked or in collections (third party).
 - Approximately 1,800 accounts are sent to collections each year.
 - In 2018 and 2019, nearly 4,000 accounts with a combined overdue value of more than \$500K were sent to a collection agency. OPL recovered approximately 50%.
- 20% are part of households with children aged 0 – 9 years.
- 34% of cardholders with fees owing belong to children and teens (youth).
- Of the total youth cardholders, 2.3% are blocked or in collections, representing nearly 3,500 children in our community who cannot access library services.
- 31% of cardholders in collections identify as immigrants, and 43% as members of visible minorities.

OPL's Community Development work includes outreach activities across Ottawa, with a focus on communities most at risk of exclusion. In addition, the Bookmobile service prioritizes inclusion which results in visits to neighborhoods with a high prevalence of low-income markers. Despite staff's outreach efforts, it can be difficult to gain the trust of marginalized communities. Fear of accruing fines is a significant barrier that undermines OPL's ability to make connections with people who may not be able to assume the financial risk of borrowing library materials. To help mitigate this, employees

⁵ Neuman, S. B., & Celano, D. (2004). "Save the Libraries!" *Educational Leadership*, 61(6), 82–85. Retrieved from <http://search.ebscohost.com.proxy1.lib.uwo.ca/login.aspx?direct=true&db=e&AN=507893178&site=ehost-live>

⁶ Zhang, D. (2013). *SPELL research methodology and findings*. Retrieved from http://spellproject.weebly.com/uploads/1/5/3/3/15331602/spell_research_methodology_and_findings.pdf

make tremendous efforts to build successful relationships with customers who are fearful of fees, including proactively waiving fees in situations where there are significant socio-economic barriers.

Administrative costs associated with Overdue Fines Model

With more than 33 branches, a bookmobile service, and a virtual contact centre (email and phone calls), OPL's front-line staff spend a considerable amount of time interacting with customers regarding the payment of late fees. Fines are a consistent and challenging theme in interactions with customers; staff often have difficult interactions regarding overdue fines and the subsequent implications on customers' ability to borrow material or access online resources. These conversations take a significant amount of time, can be embarrassing for customers, and often result in a negative perception of the library. Even when handled with compassion and discretion, these conversations can result in the loss of customers (and in some cases, family members). A recurring and unfortunate situation is parents not allowing children to obtain a library card of their own, or to check out materials, because the family cannot afford the fines. Often, these children are afraid to use the library due to the threat of fines. This is in direct conflict with the vital role public libraries are meant to play in building literacy skills and with providing a positive and meaningful experience for all members of the community. In addition to the tone of these conversations, the administrative aspect is considerable.

Administrative costs include employee time, and employee training to manage both the customer-employee interactions and the cash-handling and financial protocols associated with late fee collection. The costs associated with the Point-of-Sale (PoS) transactions performed by staff, which are required to collect late fees, represent approximately two hours per day per location / service for a conservative total of 1900 hours per year. This represents a savings of \$90,000 or one Full-Time Employee (FTE) if late fees are removed. In addition, if overdue fees are removed employees will have more time to assist customers with information needs, develop and offer programs, and reach into the community to provide services where they are most needed.

In addition to front-line employee time, there are staffing costs associated with the overall administration of the late fee model. OPL's staffing complement includes 0.5 percent of one FTE to manage the collection process with outside agencies, and to provide system-wide customer account service (including working with customers on repayment strategies) and associated training to staff to ensure a consistent approach

across the organization. Staff anticipate this role will continue to be required to perform this work, focusing on the administrative aspect related to lost materials as per the Materials Recovery Model. Given the uncertainty regarding customer behaviour, the time allocated to this function will be monitored and evaluated on an ongoing basis.

In addition to the cost of employee time, the transactional nature of these interactions is not aligned with OPL's Single Point of Service (SPOS) delivery model first introduced in 2012 and offered consistently since 2017. Under the SPOS model, OPL adjusted service expectations to minimize the transactional aspect of customer-employee interactions and make them more service-oriented in meeting customer needs.

Fines are not a sustainable revenue model for public libraries.

Overdue fees apply to all physical materials in OPL's collections and it is estimated that approximately 2% of library materials are overdue at any given time.

Since 2015, OPL late fees have represented an average of 31 percent (\$1.060M) per year of OPL's total expected (planned) revenues. Actual revenue from late fees comprises 24 percent of OPL's overall actual revenue annually. From 2015 to 2019, actual late fee revenues have cumulatively fallen short of expectations by 17 percent (\$910K). The actual late fee revenue collected in the same period is approximately \$750K per year and continues to trend downward. In recent years, the shortfall (variance) between planned and actual late fee revenue has increased by more than 200 percent from an average \$116K (2015-2017) to an average \$280K (2018-2019). Of the late fee revenue that is realized, approximately 84 percent is from the regular collection and 16 percent from the Express collection. In addition, approximately 30 percent is derived from children's accounts (\$200K per year). Late fee revenue currently offsets two (2) percent of OPL's total gross budget.

The reduction in revenues can be attributed, in part, to the OPL's increased use and prevalence of email reminders. A secondary aspect to the reduction is due to the increase in digital collections. As late fees apply to OPL's physical collection only, and as digital circulation grows (from 21 percent to 32 percent of total circulation in the past five years), overdue fees collected continue to decline. Based on current trends and customers' growing preference for digital formats, it is projected that digital circulation will represent more than 50 percent of circulation of adult books within a few years. Returning e-books is an entirely automated and virtual process, meaning that no fines

are ever incurred on an increasingly large percentage of circulating materials. In response and in attempts to stabilize OPL's short- and long-term funding position, OPL has addressed the reduction in revenues by making associated budget adjustments totaling more than \$650K (since 2015). As a result, it is financially prudent for OPL to build a vision of the future that maintains operations without reliance on fines revenue, a longer-term goal as part of the development of the Financial Framework.

All the above is notwithstanding any long-term impacts on circulation and customer usage patterns arising from the COVID-19 pandemic. Based on interim decisions made by the Board, OPL has not charged overdue fees since March 2020. The estimated year-end financial impact of this is a reduction in overdue fees revenue of \$850K.

Materials Recovery Model

In keeping with OPL's Strategic Statement: to increase cardholders, and the associated Direction to redesign library services, and Priority to reduce barriers to access, staff recommend the adoption of a Materials Recovery Model. Should the Materials Recovery Model be approved, this will eliminate a barrier for all customers, increasing the number of potential cardholders, as well as access to, and recovery of, materials.

The Materials Recovery Model eliminates the use of late fees as the leading method to encourage timely returns, replacing it with a modified approach that uses a variety of tactics to encourage the recovery of materials. The predominant tactic is moral suasion, relying on email reminders and grace periods.

Recognizing that those may not be enough, customers will have a grace period equal to the initial loan period by which to return their items (21 days for regular materials and 7 days for Express items). Any items not returned by the end of the grace period will be identified as lost, replacement costs will be applied, and borrowing of further physical materials suspended. If the customer returns the items or pays the replacement costs, the block on borrowing of physical materials will be removed.

Accounts with replacement costs of greater than \$50 for more than 90 days will be referred to a collection agency, a \$15 "referral fee" will be added, and all card privileges suspended. Adult cardholders that have been referred to the collection agency for more than 120 days will be credit recorded. At any time, if the customer pays, makes arrangements for payment, or returns materials, their card privileges are restored.

Refer to (Document 1) for a flow chart outlining the Materials Recovery Process that identifies the loan and grace periods as well as the notification timelines.

Implementation of the Materials Recovery Model will require the assessment of related policies, as well as a communications campaign to ensure the public is aware of the change. Based on the alignment with the 2021 budget approval process, staff recommend that the implementation be effective January 1, 2021. Effective that date, fines will no longer accrue for late materials, accumulated fines will be erased from accounts, and items checked-out beyond the grace period will convert to lost.

A move to a Materials Recovery Model is expected to result in an increase in the number of active cardholders, a metric that is monitored as part of OPL's Key Performance Indicators (KPIs) in the semi-annual Performance Measurement Framework (PMF). In addition, staff will monitor metrics to assess the change in:

- Increase in circulation (overall)
- Number of items converted to lost
- Average number of days materials returned beyond due date
- Increase in active cardholders in areas of the city with lower income markers.
- Increase in circulation in areas of the city with lower income markers.
- Total number of cardholder accounts blocked / collections.

As part of OPL's semi-annual PMF reporting process, staff will provide the above metrics as a supplementary report on the implementation of the Materials Recovery Model in Fall 2021 and Spring 2022.

CONSULTATION

Community engagement was conducted in 2018 as part of the broader Strategic Planning process. The results, as referenced above, showed that both customers and non-customers view overdue fines as a barrier to access.

In addition to a literature review, staff conducted an environmental assessment of other library systems and trends. The results demonstrate that public libraries are exploring ways to remove financial barriers to access. Across North America, more than 270 library systems have implemented "fine free" programs, ceasing or limiting the use of overdue materials fines in order to reduce access barriers. In some cases, the

elimination of overdue fines has applied to all collections / materials, and in others to children and youth accounts or materials.

In Canada specifically, the following larger public libraries have eliminated fines: Edmonton, Calgary, Halifax, Vaughan, Brampton, and Hamilton. In New Brunswick, libraries are managed at the provincial level, and the province recently moved to fine free for all customers. In Vancouver, children's materials are exempt from fines.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report. The financial impact of the move from an Overdue Fine Model to a Materials Recovery Model, if implemented would be considered as part the budget process. If the OPL Board moves to implement a Materials Recovery Model for all cardholders and materials, the financial impact will be \$1.032M, with an offset of \$90K based on savings of one FTE.

The financial impact could be addressed in the 2021 draft operating and capital budget with two potential options:

1. Full transition to the Materials Recovery Model. This is the most equitable approach for all customers and aligned with the overall intention of the model. The impact would be immediate upon implementation (January 1, 2021). This option will also address the annual shortfall in planned revenue.
2. Partial transition to the Materials Recovery Model, focusing on children's and youth accounts and materials only (approximately \$200K). Limiting the implementation to children's and youth would have a lesser impact to the budget, however, it is less equitable overall. It does remove a barrier for the younger age demographic, allowing for focus on promotion of early literacy. This option would not account for the shortfall in planned revenue, of approximately \$300k per year.

Financial impacts will be brought to the Board as part of the development of the 2021 draft operating and capital budget.

In addition, OPL's planned revenue includes revenue from lost items. In 2019 and 2020, the budgeted planned revenue was approximately \$100K for lost items (materials and

cards). The actual “lost item” revenue received in 2019 was \$53.5K. It is anticipated that the move from an Overdue Fine Model to a Material Recovery Model will shift some revenues from “late” fees to “lost” fees, however, the percentage cannot be estimated.

ACCESSIBILITY IMPACTS

The adoption of a Materials Recovery Model will increase access to OPL services for customers living in poverty including families with children, older adults, newcomers, and racialized individuals.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

BOARD PRIORITIES

The recommendations in this report align with the Ottawa Public Library Board’s 2020 – 2023 Strategic Plan, specifically the:

- Strategic Statement to increase cardholders (By 2023, OPL will increase the number of active cardholders by 25 percent by improving OPL’s community relevance);
- Strategic Direction to redesign library services; and,
- Strategic Priority to reduce barriers to access.

In addition, the recommendations align with the City of Ottawa 2019 – 2022 Term of Council priority “Thriving Communities,” specifically Community Safety and Well-Being Plan, and responding to the complex and diverse needs of vulnerable members of the community.

SUPPORTING DOCUMENTATION

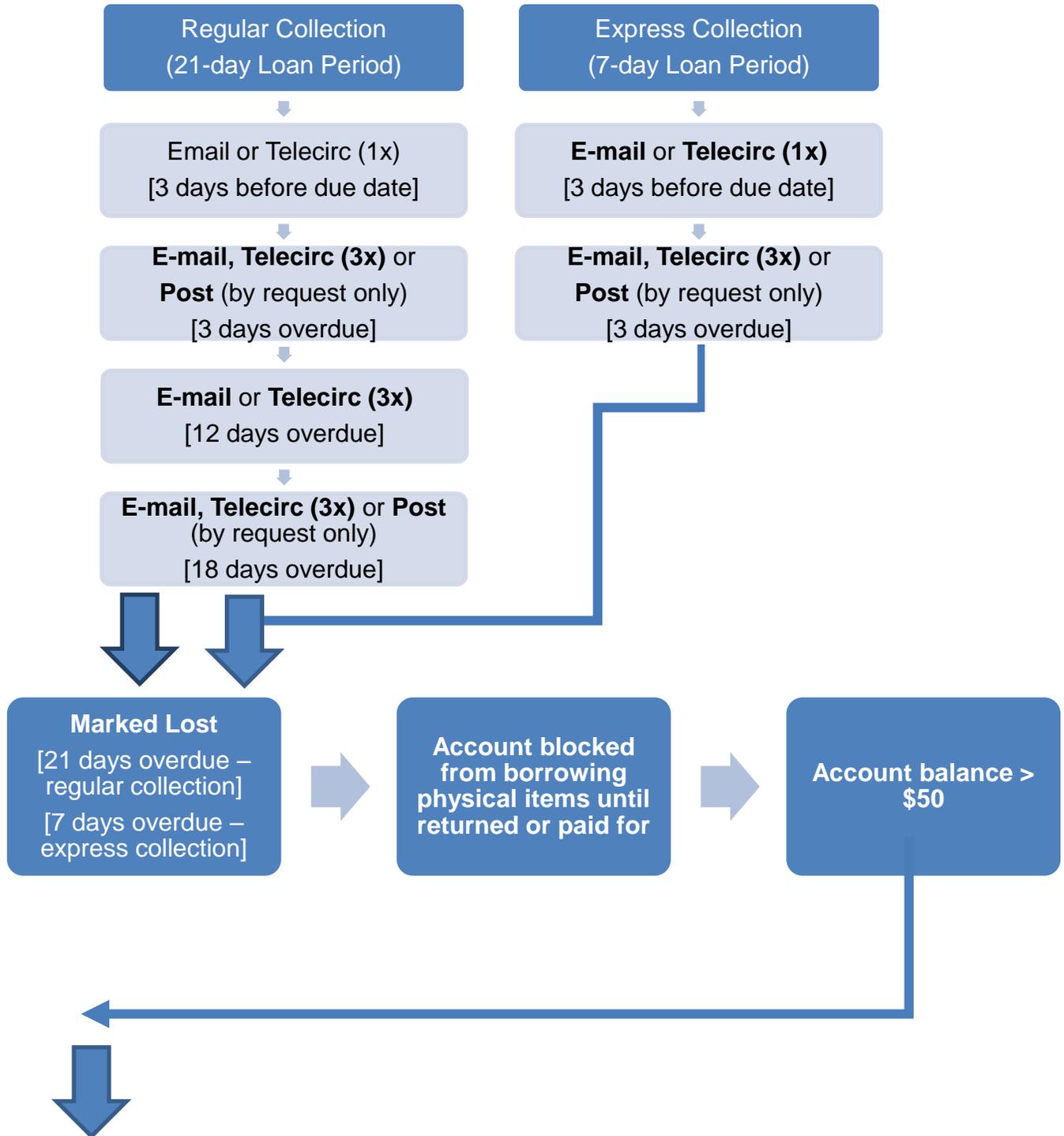
Document 1 Materials Recovery Process

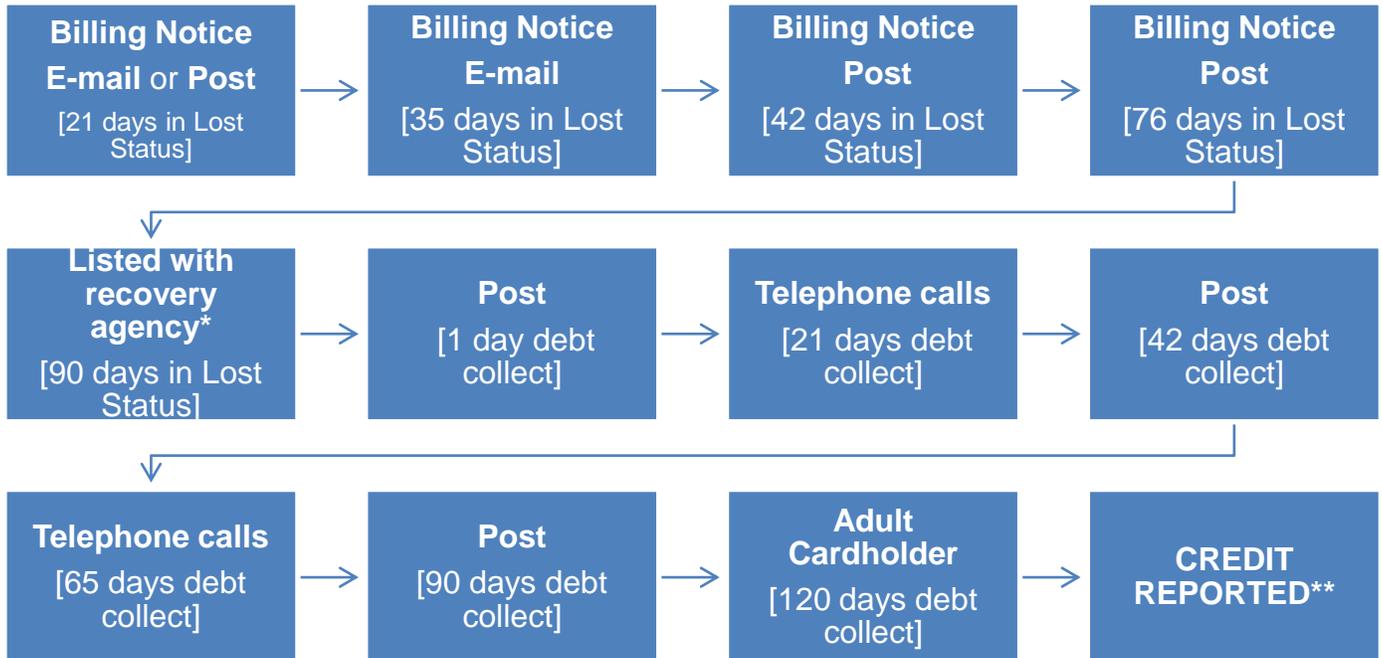
DISPOSITION

If approved, staff will address the revenue base budget adjustment as part of the 2021 budget process. Furthermore, staff will undertake the required policy changes to align with the new model, will develop an implementation plan with an effective date of January 1, 2021, and will report back to the Board as part of the semi-annual PMF.

Implementation considerations include software configuration, changes to administrative policies and procedures, and internal and external communication.

Materials Recovery Process





*\$15 referral fee applied; card privileges suspended

**Unless previous arrangements have been made with the Customer Accounts Officer

Notes:

- An encouraging letter, not indicated in the flowchart, may be mailed at any time if a customer has paid part of their balance.
- Customers are encouraged to return materials, not just pay.
- Those with inaccurate addresses automatically advance in the flowchart to the second set of phone calls (65 days)
- At any time, if the customer pays, makes arrangements for payment, and / or returns materials, card privileges are restored.
- Cards expire yearly if there are amounts owing