Sacramento Public Library Authority

February 26, 2009 **Agenda Item 3.4: Customer Amounts Owed**

TO: **Sacramento Public Library Authority Board Members**

FROM: **Phil Batchelor, Interim Library Director**

RE: **Customer Amounts Owed**

RECOMMENDED ACTIONS:

1. Approve a reduction in the customer account collection referral threshold from $50 to $25 effective March 1, 2009.

2. Direct staff to prepare and release a Request for Proposal (RFP) to seek the services of a collection agency to assist in collecting overdue accounts owed to the Library.

3. Approve the implementation of an amnesty period to coincide with National Library Week (April 11 to 18, 2009) and authorize staff to waive overdue fines and reprocessing fees on materials returned by customers during the amnesty period in an effort to encourage patrons to return overdue materials to the Library.

4. Direct staff to return to the Board with a recommendation to reduce the total number of items a customer can have out at one time based on benefit versus risk findings of the staff work team assigned to consider this item.

5. Approve the write-off of $58,911 in uncollectable accounts that have been inactive for at least three years. This amount includes fines, fees and material costs. A total of 17,387 patron records have been purged with 1,314 items attached to the records. The dollar value of these materials is $26,136.78.

6. Direct staff to perform a comprehensive review of all remaining overdue accounts and return on May 28, 2009 with a recommendation to write-off any accounts deemed uncollectable due to inability to locate/contact the patron.

7. Acknowledge that the following actions have been taken to reduce outstanding balances of customer amounts owed:

    a. Staff has implemented the Board's instruction to reduce the threshold at which customers are disallowed from checking out additional library materials from $15 to $5.
    b. Staff has implemented the Board's instruction to offer payment by credit and debit card of customer amounts owed.
    c. Staff have been instructed and trained to advise each customer of any fines or fees owed while assisting them with their transactions.

d. Staff has re-structured the financial reports extracted from the Millennium system in order to provide core information regarding delinquent customer accounts.
e. Staff has developed a report to review general aging information of customer accounts in order to facilitate the write off of uncollectable accounts.

FISCAL IMPACT

The objective of each of the recommended actions outlined above is to reduce the growing balance of customer amounts owed that have accrued as a result of fines and fees assessed for overdue materials and the value of materials that have not been returned. The attached report (see Attachment A) provides a six month history of customer amounts owed and indicates that the net amount owed has declined by $48,886, reflecting $73,344 collected in the month of January, and the accounts being recommended for write off in the amount of $58,911.

REASONS FOR RECOMMENDATIONS:

In the Assessment Report accepted by the Board on January 22, 2009, recommendation #75 charged staff to "*Analyze the actions that should be taken to collect the outstanding balances due of fines and fees and consider various methods to encourage payments and review the need to write-off uncollectible accounts, etc. (Teichert, Johnson - May 2009).*" This report reflects steps that have been, or are proposed to be taken to address this recommendation.

The collection agency that is currently contracting with the Library has proposed reducing the point at which an overdue account is referred to collection from $50 down to $25. This change will result in accounts being referred before they age to the point that they are more difficult to collect. If the Board approves this change, all overdue accounts that exceed $25 as of March 1, 2009 will be referred to the collection agency.

If the Board approves the recommendation to prepare a RFP to pursue proposals from conventional collection agencies, then staff will release it in April and return to the Board in May with a recommendation based upon a review of the proposals that are received.

Staff is recommending that the Board approve an Amnesty Program to provide an incentive to encourage and motivate customers to return outstanding library materials. Fines and fees due to the Library for outstanding materials would be waived on any materials that are returned during Amnesty Week. This is an important step in addressing the unreturned materials portion of customer amounts owed that totals $3.4 million as of January 31, 2009.

A staff team is currently reviewing the policy governing the maximum number of items that a customer is permitted to checkout or reserve. The team will be recommending that the maximum number of items be lowered from the current amount of 50, and will return in March with a recommendation to the Board.

Staff is recommending that the Board authorize the write-off of $58,911 in amounts owed as these customer accounts have been inactive for a period of at least three years. It is unlikely these amounts will be paid given the length of inactivity on the customer accounts.

Staff is prepared to perform a comprehensive review of the remaining overdue accounts to identify those where the customer has moved and left no forwarding address, thus making it extremely time-consuming to attempt to locate the individual. Staff will return to this Board at its regular meeting of May 28, 2009 with a recommendation to write-off amounts owed on these identified accounts.

Staff has been giving diligent effort to identify ways to reduce the outstanding balances of customer amounts owed. Efforts have included the steps outlined above.

ATTACHMENTS:

Attachment A: Trend History of Customer Amounts Owed

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Sacramento Public Library Authority
Trend History of Customer Amounts Owed and Fines and Fees Received
As Of January 31, 2009

	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009
Customer Amounts Owed - prior month end	$4,675,859	$4,785,179	$4,882,697	$4,996,775	$5,074,434	$5,188,947
Fines and Fees Paid	(72,038)	(52,013)	(46,278)	(57,890)	(78,678)	(73,344)
Annual Records purged						(58,911)
Increase in Fines and Fees	181,358	149,531	160,356	135,549	193,191	83,369
Customer Amounts Owed - month end	$4,785,179	$4,882,697	$4,996,775	$5,074,434	$5,188,947	$5,140,061
Net Monthly Change	109,320	97,518	114,078	77,659	114,513	(48,886)

Attachment A

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