



February 24, 2011

## Sacramento Public Library Authority

### Agenda Item 19.0: Customer Amounts Owed: Debt Collection Policy Revision

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

**FROM: Rivkah K. Sass, Library Director  
Denise M. Davis, Deputy Library Director**

**RE: Customer Amounts Owed – Debt Collection Policy Revision**

#### **RECOMMENDED ACTION(S):**

1. **Adopt** Resolution 11-18, A Resolution Approving the Revised Sacramento Public Library Authority Debt Collection Policy

#### **REASON FOR RECOMMENDATION**

In its October 2010 meeting, the Authority Board elected to purge uncollected fines and fees more than one year old. Amounts owed over \$100 were to be tracked so that the past due amount would be addressed with the patron should they return to the library. Purges were conducted in November 2010 and January 2011.

The unintended consequence of the latest actions has been twofold. If a patron desires to clear a delinquent account by paying amounts owed, staff must manually total the amounts written off, key in the amounts as a manual charge into the patron account, record the money collected, and assign a special code to the transaction. This process is time consuming and fraught with error, requiring extensive reconciliation work and error corrections on the back end. The second consequence has been monetary, with fines and fees revenue tracking to be approximately \$100,000 below budget expectations.

Staff believes that the one-year timeline is insufficient and that \$100 is too low. Increasing the purge date to two years past due and increasing the amount that can be fully purged to \$200 allows staff to spend more time collecting fines through the integrated library system and provides a better opportunity to collect past-due debt.

Purging at one year also **has impacted the Library's work with the Unique** collection agency and with the County Department of Revenue Recovery. Unique contacts the library for official documentation of charges when a patron disputes those charges. Because those charges are no longer visible **in the library's official record**, and show as purged, Unique can no longer see the charges **on the patron's record**. This makes collection nearly impossible. The library can still refuse to extend service until a past-due amount is paid, but the collection agency no longer has leverage with that patron. Four of the eight disputes received since the November purge would have been sustained had the purge timeline been two years instead of one. The other four covered a wide range of listing timelines, indicating that holding past-due amounts for two years is a good timeline to catch the majority of



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queries. The County Department of Revenue Recovery is working with the library, making a last-resort effort to reach patrons that have been credit reported and owe more than \$400. When those amounts disappear from the official record so quickly, it makes that collection activity more difficult, as well.

Purging accounts two years after a fine was incurred better strikes the balance between reasonable opportunities for revenue collection and prudently writing off debt that is unlikely to ever be collected. Fully purging up to \$200 ensures that the library is not letting go of egregious debt while setting the stage for deleting accounts that have been inactive for many years.

#### **ATTACHMENTS**

Resolution 11-18, A Resolution Approving the Revised Sacramento Public Library Authority Debt Collection Policy



# Sacramento Public Library Authority

## RESOLUTION NO. 11-18

Adopted by the Governing Board of the Sacramento Public Library Authority on the date of:

**February 24, 2011**

### **A RESOLUTION APPROVING THE REVISED SACRAMENTO PUBLIC LIBRARY AUTHORITY DEBT COLLECTION POLICY**

BE IT HEREBY RESOLVED BY THE GOVERNING BOARD OF THE SACRAMENTO PUBLIC LIBRARY AUTHORITY AS FOLLOWS:

- 1.** The Sacramento Public Library Authority Debt Collection Policy as revised and shown in Exhibit A is approved.
- 2.** The Library Director is authorized to establish procedures to implement the Sacramento Public Library Authority Debt Collection Policy as revised.

\_\_\_\_\_  
Sandy Sheedy, Chair

ATTEST:

Rivkah K. Sass, Secretary

By: \_\_\_\_\_  
Brenda Haggard, Assistant Secretary

### **ATTACHMENTS**

Exhibit A: Sacramento Public Library Authority Debt Collection Policy (revised February 24, 2011)



# Sacramento Public Library

## *Policy and Procedure Manual*

TITLE: <b><i>Debt Collection Policy</i></b>	POLICY No. FIN765.5
SECTION: Revenue Policy	REVISION DATE: 02/24/2011
ISSUE DATE: September 24, 2009  BOARD ITEM #: Agenda Item 19; Resolution #11-18 (IF APPLICABLE)	REVISION #: 002

### ***I. PURPOSE/INTRODUCTION***

The Sacramento Public Library assesses fines and fees to encourage timely return of library materials loaned to patrons. Library materials are generally purchased with taxpayer funds and customers have an obligation to return borrowed materials timely, for the benefit of other customers. While more than 98% of materials loaned are returned each year, the Library is required to establish policies and procedures to ensure the return of all materials. The Library must establish a policy to send delinquent customer accounts and other debtor accounts to collection to ensure the recovery of materials and monies owed and to appropriately write-off uncollectible accounts when assessed fines and fees and amounts owed are not recoverable. In addition, the library will implement a process that will prevent customers that have had amounts written off from using library resources until the amounts written off have been paid.

### ***II. POLICY***

This policy enables the Library to consider the value of customer amounts owed or receivable, and ensure that resources are used efficiently and not devoted to the recovery of uncollectible accounts. The timely identification of losses is an essential element in appropriately measuring the value of customer amounts owed or receivables.

1. The Library Director is responsible for establishing procedures to ensure the return of library materials loaned to customers. The Library Director is charged with implementing this policy to ensure prompt and regular write-off of uncollectible accounts. The Library Director will develop an operating procedure that will block patrons that have been the beneficiary of the write-off of bad debt in excess of ~~\$100~~\$200 from receiving a new or active library card until the debt written off is repaid.
2. In order to ensure the return of library materials loaned to customers, the Library sends overdue notices after a specific time period. These notices serve to inform the customer that specific materials need to be returned and that a fine will be charged if returned late.
3. When fines and fees for unreturned materials attached to a customer's account reach a certain threshold, the account will be forwarded to a collection agency under contract with the Library.
4. The collection agency will make every reasonable effort to retrieve library materials or payment for library materials and any associated fines and fees.
5. The Library Board will establish the threshold levels and, on recommendation of the Library Director, review the threshold levels periodically.



# Sacramento Public Library

## *Policy and Procedure Manual*

### 6. Criteria for Write-Off Action

The Library shall consider customer amounts owed or receivable as non-recoverable based on the following criteria:

- A. Accounts that cannot be substantiated by evidence or are legally without merit;
- B. Costs of further recovery actions will exceed estimated recovery amounts;
- C. Inability to locate debtor;
- D. Accounts under \$25 delinquent over ~~four (4)~~two (2) years;
- E. Accounts over ~~one year~~two (2) years old that have been billed regularly and subjected to a diligent collection effort;
- F. Account returned by a collection agency as uncollectible, and for which no other collection remedy is possible or prudent;
- G. Debtor has declared a Chapter 7 bankruptcy;
- H. Credit balances under \$25 and inactive for two (2) years;
- I. Accounts owed by companies no longer in business and for which collection efforts have failed;
- J. Accounts of deceased persons;
- K. Other reasons to be considered on a case by case basis on Government Accounting Standards Board or applicable standards;
- L. Forgiveness of Debt as approved by the Library Board.

7. Customer accounts and other amounts owed determined to be unrecoverable and that meet the above criteria will be written off on a regular basis. The Library Director will regularly report these amounts to the Board and at the end of each fiscal year provide a summary of amounts that have been written off during the period.