

**COUNCIL ACTION FORM**

**SUBJECT: REPORTING REQUIREMENTS FOR PAWNBROKERS AND OTHER DEALERS OF SECONDHAND GOODS**

**BACKGROUND:**

The Ames *Municipal Code* currently requires pawnbrokers and itinerant dealers to keep physical record books of their transactions. Pawnbrokers' record books are subject to inspection by the Police in criminal investigations. Itinerant dealers are required to provide their record books to the Police for photocopying prior to their leaving the City.

These processes are intended to identify and recover stolen items. **Although the vast majority of transactions conducted by these dealers are bona fide, shortcomings in the current record-keeping system create opportunities for stolen goods to unknowingly be bought and sold.**

**Challenges:**

According to the *Municipal Code*, pawnbrokers must keep paper records of the past ten years of transactions. In practice, pawnbrokers have also routinely provided the City with electronic spreadsheets of transactions. These are uploaded into the Police Department's records management system. **However, the conversion process is cumbersome and the details of each transaction vary widely.**

Pawn shop transactions involve a variety of items, including tools, jewelry, precious metals, stones, bicycles, firearms, coins, and sports equipment. **If a resident reports the theft of an item that might be sold to a pawnbroker, the Police must physically visit the premises of each pawnbroker in the City to inspect their record books for that item. The level of detail in the records varies from dealer to dealer, which makes positive identification of goods more challenging.**

Ames currently has three licensed pawnbrokers. Each is owned by an out of state firm, and is part of a larger network of similar stores. This presents challenges in that goods can travel into or out of the area as they are transferred from store to store. If an item stolen in Ames is sold at a pawn shop and is not recovered within a few days, it may be transferred to a shop in another community. **Using paper records, it is very difficult to recover stolen items once they have left the City.**

The *Municipal Code* does not require stores other than pawnbrokers and itinerant dealers to keep records of transactions, even though other businesses purchase items of value such as used electronics or precious metals—items that are frequently subject to theft.

**In addition to pawnbrokers, approximately ten other Ames businesses purchase video games and video game systems, electronics, jewelry, precious metals, coins, and gemstones. These establishments are under no City requirements to hold items or to track them, meaning they can be immediately resold, transferred, or in the case of precious metals, melted, making recovery difficult or impossible if those goods have been stolen.**

According to theft records from 2012, 2013, and 2014 (projected), Ames averages approximately \$150,000 in stolen goods reported each year. These figures do not count unreported thefts, thefts of motor vehicles, or theft reports taken by ISU Police. Electronics comprise 39% of total stolen goods by value; while jewelry and precious metals represent 21%. **At least 75% of the value of stolen items is comprised of goods that could be resold through a legitimate pawn, jewelry, electronics, or coin business for cash or other goods.**

**Electronic Records for Better Theft Investigation:**

Locally, Express Pawn, EZ Pawn, EcoATM, Best Buy, Gamerz, and GameStop use a service called *Leads Online* to record transactions of used goods. Eco ATM, Radio Shack, Sam's Club, and Walmart use similar methods to electronically record seller details for their purchases of used electronics. These internet-based services record photos of the item sold and the seller's ID card, details about the transaction and the seller, and any other pertinent information. If the Police receive a theft report for an item matching that description, the item can be looked up in the database and located. **Leads Online is free for merchants, but has a cost to the City of approximately \$3,500 per year.** Once entered, information in the database is only available for law enforcement purposes. It allows for a faster and larger search to take place than visiting each store to view paper records, making it more likely that stolen property can be recovered.

This type of electronic recordkeeping is required in Bettendorf, Davenport, Des Moines, Dubuque, Sioux City, and other jurisdictions outside Iowa. Those cities' ordinances define "secondhand goods" as items such as jewelry, tools, and electronics, and require participation in an electronic reporting system. The use of this type of system is advantageous to secondhand dealers in that it is relatively efficient to use and helps deter thieves from selling them stolen goods. Using a sophisticated online tool to track items and deter sales of stolen items may help reduce the liability of unsuspecting buyers, since stolen items discovered by the Police in a shop will be seized from the shop without compensation. Such a system could also replace the use of paper record books for pawnbrokers and itinerant merchants.

It is important to note that more sophisticated criminals are likely to take goods out of the area before attempting to exchange them for cash. Changes to record-keeping processes in Ames cannot be guaranteed to thwart such crimes. However, the Police Department has had some success in recovering stolen items using Leads Online on a trial basis.

**Feedback From Those Impacted**

City staff consulted with the jewelers in Ames who buy precious metals and gems from customers about the concept of using a reporting system. Most reported that these transactions are infrequent and for small dollar amounts, with low-value broken jewelry being the most common type of jewelry bought from customers. **The City Council should understand that two of the four jewelers contacted indicated that requiring reporting and a holding period would not be challenging. However, two jewelers expressed significant concern about reporting and holding requirements, and whether these constituted an intrusion into what is otherwise a private transaction. Concerns were also raised about the additional administrative burden of reporting each purchase of secondhand jewelry.**

A local coin dealer also indicated that it would be very difficult to report the details of each coin transaction, particularly since it is common to purchase an entire lot of coins with identical markings and no distinguishing features that can be tracked.

**Because stolen precious metals and gemstones could be sold without going through a pawnbroker or itinerant dealer, City staff is recommending that reporting requirements be extended to secondhand dealers who purchase these items. Since most electronics buyers in Ames already use electronic reporting, this discussion provides an opportunity to codify that reporting in a manner consistent with other secondhand goods dealers.**

Due to a lack of unique identifying characteristics, purchases and sales of coins by a professional numismatist would also be exempted. For this reason, professional numismatist purchases and sales are exempted from the Des Moines ordinance regarding secondhand goods.

With this background, the following changes are proposed to the City’s existing reporting requirements:

CURRENT REQUIREMENTS	PROPOSED REQUIREMENTS
<p><b>Pawnbrokers:</b></p> <ul style="list-style-type: none"><li>• Paper logbook kept for 10 years</li><li>• 10 day holding period before disposing of purchases</li><li>• Seller and buyer details recorded</li></ul> <p><b>Itinerant Dealers:</b></p> <ul style="list-style-type: none"><li>• Paper logbook, kept for ten years, and provided to the Police prior to leaving Ames</li><li>• 10 day holding period before disposing of purchases</li></ul>	<p><b>Pawnbrokers:</b></p> <ul style="list-style-type: none"><li>• Electronic reporting to online service</li><li>• 10 day holding period before disposing of purchases</li><li>• Seller and buyer details recorded</li></ul> <p><b>Itinerant Dealers:</b></p> <ul style="list-style-type: none"><li>• Electronic reporting to online service</li><li>• 10 day holding period before disposing of purchases</li></ul>

CURRENT REQUIREMENTS	PROPOSED REQUIREMENTS
<ul style="list-style-type: none"> <li>• Seller and buyer details recorded</li> </ul> <p><b>Secondhand Dealers (buyers/sellers of electronics, precious metals and stones):</b></p> <ul style="list-style-type: none"> <li>• No requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Seller and buyer details recorded</li> </ul> <p><b>Secondhand Dealers (buyers/sellers of electronics, precious metals and stones):</b></p> <ul style="list-style-type: none"> <li>• Electronic reporting to online service of purchases of items \$100* or more in value, or aggregate purchases from the same person in the same day totaling \$200* or more</li> <li>• No reporting requirements for transactions involving coins bought and sold by professional numismatists</li> <li>• 10 day holding period before disposing of purchases</li> </ul>

**ALTERNATIVES:**

1. Direct staff to prepare an ordinance requiring electronic recordkeeping for dealers of secondhand goods, including all pawnbroker and itinerant dealer transactions, and purchases and sales of jewelry, precious metals, gemstones, and electronics, excluding coins purchased by a professional numismatist.

The option accomplishes two objectives: 1) expands the list of businesses that are required to report transactions to all secondhand goods dealers, including jewelers and excluding coin shops, and 2) adds the requirement for electronic reporting.

2. Direct staff to prepare an ordinance modifying the existing pawnbroker and itinerant dealer reporting requirements to provide electronic reporting.

This option accomplishes two objectives: 1) limits the reporting requirements solely to the same businesses that are currently required to report transactions (pawnbrokers and itinerant dealers), and 2) adds the requirement for electronic reporting.

3. Do change the reporting requirements for these types of transactions.

**MANAGER’S RECOMMENDED ACTION:**

At a minimum, it is staff's belief that the reporting requirements in the Municipal Code for pawnbrokers and itinerant dealers should be updated to mandate electronic recordkeeping.

In an effort to respond to the concerns about the additional burden expressed by some secondhand dealers who would be added to this reporting requirement, the City Council

could focus efforts on items of greater value. For example, exempting the reporting of individual items less than \$100 in value, as long as aggregate sales by one person to a secondhand goods dealer in one day do not total \$200 or more, could be offered in the Code modification. (These value totals could be increased if the City Council believes that different amounts would make the proposed changes more acceptable to those impacted).

The existing reporting requirements for pawnbrokers and itinerant dealers require antiquated reporting methods. Improving the reporting method will help improve investigations and reduce the burden on the dealers. In addition, there are other merchants in Ames that also deal in the types of goods that might be stolen and then sold to a pawnbroker or itinerant dealer, but are not subject to the same reporting requirements.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby directing staff to prepare an ordinance requiring electronic recordkeeping for dealers of secondhand goods, including all pawnbroker and itinerant dealer transactions, and purchases and sales of jewelry, precious metals, gemstones, and electronics, excluding coins purchased by a professional numismatist.