

**CITY COUNCIL  
COMMUNICATION:**

**03-075**

**AGENDA:**

FEBRUARY 10, 2003

**SUBJECT:**

PAWNSHOP AND  
SECONDHAND  
GOODS DEALERS  
LICENSE FEES

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

WILLIAM H.  
MOULDER  
CHIEF OF POLICE

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**SYNOPSIS —**

The Police Department has proposed to increase fees for pawnbrokers and secondhand goods dealers' licenses that operate in the City of Des Moines.

**FISCAL IMPACT —**

Increase pawnshops license fee to \$4,883 and secondhand goods dealers license fee to \$217. Fee increases would generate \$73,245 from pawnbrokers' licenses and \$1,953 from secondhand goods dealers' licenses for a total of \$75,198.

**RECOMMENDATION —**

**Approving and adopting new fees for pawnbrokers and secondhand goods dealers' licenses.**

**BACKGROUND —**

On December 16, 2002, the City Council made inquiries regarding the specifics of the proposed pawnbrokers and secondhand goods dealers license fee increases.

The Criminal Investigation Division of the Police Department has the responsibility of regulating these businesses addressed in the aforementioned document. The City Council's concerns and questions have been addressed and the results are an attachment to this Council Communication.

Attachment



## **Answers from questions raised by the City Council at December 16, 2002 meeting.**

### **Question #1**

**Recalculate the cost of licensing pawnshops (15) and secondhand stores that should be examined by the department. The cost spreads the cost of policing over the various businesses.**

The pawnshop/secondhand store licensing is recalculated to reflect 15 pawnshops and 9 secondhand stores. This caused a reduction of 16.67% in the total cost, which is now \$97,661.00. Pawnshops cause 75% of the labor expenditures, which results in a license fee of \$4,883.00 per shop. Secondhand stores have the remaining 25%, which results in a license fee of \$2,712.00 per shop.

Basing license fees on total number of transactions, the pawnshops cause 98% of the transactions, which result in a fee of \$6,380.00 per shop. The secondhand stores fee would be \$217.00 per shop.

We recommend using the lower calculation for each type of shop. Labor cost is lower for pawnshops – \$4,883.00. For secondhand stores the lower calculation is percents-of-transactions at \$ 217.00. This combination recovers more than \$ 75,000.00 of the estimated total cost of \$ 97,661.00, or 77%, while significantly lowering the licensing fee for secondhand stores from the \$ 3,256.00 fee proposed originally to the City Council.

### **Question #2**

**Evaluate the institution of automated reporting.**

Automatic reporting was researched. It was found that most police departments develop their own software to suit their unique needs for their jurisdiction. The Minneapolis Police Department's pawnshop program has a \$2500.00 license per pawnshop/secondhand store per year. There is a \$1.50 additional fee-based service charge per transaction. The pawnshops/secondhand stores email a text file to the police department to be downloaded into the pawn system at the end of each business day. The text file is checked manually for errors daily.

The Minneapolis Police Department allows other law enforcement agencies to join their pawn system for a one-time fee of \$1,050.00 and pay the \$1.50 fee per transaction. Most participating agencies pass the \$1.50 fee per transaction onto their pawnshops/secondhand stores. All agencies that belong to the Minneapolis pawn system are allowed to view the database.

Miami-Dade has their own software with a connection through Bell South. The connection setup fee is \$5,000.00 plus a monthly fee of \$2,180.00. Currently 90 pawnshops and over 200 secondhand stores utilize this system. They have their own pawn server, which the pawnshops/secondhand stores access directly. It is a dial up line, password protected through Bell South. The pawnshops/ secondhand stores send a text file daily to the police department.

We were unable to determine whether the pawnshops/secondhand stores were charged for this service.

Both automated pawn systems require the pawnshops/secondhand stores to purchase computers and software programs, which enable them to keep records and transmit their transactions electronically by email or modem.

Software programs for pawnshops/second hand stores range from \$1,200.00 to tens of thousands of dollars. In addition to the software costs, there would need to be a server with a direct telephone line and personnel to maintain the server for the pawnshop/secondhand stores to download directly into the software.

An automated reporting system will not replace the need for physically inspecting the pawnshops/secondhand stores to insure ordinance compliance and inventory accuracy.

The I.T. Department said that automating the pawn system is not a project I.T. would want to undertake at this time. The pawn system is currently on a mainframe system that will be replaced with a new records management system (RMS) now being developed. The new system will include a pawnshop module that may allow pawnshop operators to electronically transfer pawn information into the City's system. As the new CADS/RMS system comes on line, we will ask I.T. to further research, and if appropriate, develop this capability.

### **Question #3**

**At the council meeting Corporation Counsel Bruce Bergman reported the regulation of hours in the city ordinance did not preclude pawnshops from being open longer hours, it merely prohibited receiving merchandise outside the prescribed hours. Please advise if we wish to recommend changing the hours that they can receive property.**

The hours to receive property should not be changed. Under the current ordinance we are able to manage enforcement with current staffing, staffing that was reduced by one cadet position over a year ago. Any increase in the hours pawnbrokers would be allowed to receive property would create an increase in transactions, which would drive up enforcement cost and add additional burden to staffing that is already at a minimum. In addition, oversight and enforcement would not exist after normal business hours.

### **Question #4**

**Council Member Frank Cownie directed that we look for greater efficiencies in the manner of inspecting pawnshops.**

Apparently, there is some misunderstanding of the responsibilities and duties of the police cadet assigned to the pawnshops and secondhand stores. One of the cadet's responsibilities is to retrieve pawn inventory sheets from the pawnshops and secondhand stores. He or she also inspects these stores to make sure they are in compliance with City Ordinances. For example, the cadet conducts spot checks examining articles to make sure that pawnbrokers and secondhand dealers are accurately recording information on inventory sheets. If the cadet discovers a violation, he or she reports the violation to a police supervisor. The supervisor is then responsible to make sure the problem is corrected. If the problem is not corrected criminal charges are filed.

The new record management system will incorporate the current pawn system. This record management system will enhance our ability to query more fields than the current system. The new system will be able to query by pawnshop name, secondhand store name, location, date of birth, sex, first name, city, address and state. The system will also be able to cross check names from the pawn records against the rest of the record system.

Coplink is another system that will enhance query capabilities. This system is expected to be online next month. Queries of names, weapons, vehicles, partial physical descriptions, and locations can be entered into this system. The Coplink system will cross check the entry against the records of all Polk County law enforcement agencies participating in the system. The system checks all available records and consolidates the information into a manageable format.

The new records management system and the Department's participation in the Coplink system will improve our ability to inspect pawnshops and secondhand stores.

### **Question #5**

**Council Member Tom Vlassis asked what happened to property taken from a pawnshop that could not be established as stolen. Although he was advised that property that cannot be established as stolen is not seized, the question must be answered back through the process. As part of the answer, please include a description of how property that is not claimed by the victim or insurance company is disposed of, including any examples.**

When a stolen item is discovered at a pawnshop the pawnshop is notified and a hold is placed on the stolen item. As soon as possible, a Des Moines Police Department representative goes to the pawnshop and impounds the property from the pawnshop. The pawnshop is given a receipt for the property and the property is brought to the station for safekeeping. The originating investigator is then informed that the property has been recovered. It is the investigator's responsibility to release the property to the legal owner; i.e. victim, insurance company. If the victim cannot be located or the insurance company does not want the property, the property is returned to the pawnshop.

When an item reported stolen by another law enforcement agency is located in a pawnshop, the pawnshop is notified and a hold is placed on the item. The pawnshop investigator contacts the reporting law enforcement agency to confirm that the item is stolen. If it is confirmed the property is impounded by a member of the Des Moines Police Department. The pawnshop is given a receipt for the property and the property is brought to the station for safekeeping. Arrangements are made with the reporting agency to return the stolen property to them. The Des Moines Police Department is not responsible for the disposition of the property once it is turned over to the reporting agency. If we do not receive confirmation from a reporting agency that property is stolen the hold is lifted and the property is released back to the pawnshop.

Listed below are two examples of property released back to pawnshops:

Case # 02-962 Johnston police notified our department that items stolen in their city were at a Des Moines pawnshop. Des Moines pawnshop investigators impounded the items for safekeeping. Johnston authorities examined the impounded property and were not able to confirm that a VCR that we had impounded for them was stolen. The VCR was returned to the pawnshop. The remaining property was confirmed as stolen and turned over to Johnston investigators.

Case # 02-16426 Urbandale police notified our department that an item stolen in their city was at a pawnshop in Des Moines. Our department impounded the item for safekeeping. Urbandale was not able to confirm that the item was stolen and the item was released back to the pawnshop.