

CITY COUNCIL
COMMUNICATION:

03-467

AGENDA:

SEPTEMBER 22, 2003

SUBJECT:

PAWN SHOP
ORDINANCE

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

WILLIAM MCCARTHY
CHIEF OF POLICE

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

As directed by the City Council, the Police Department has met with representatives of local pawn shops to discuss the resolution of a method for the City to recover costs associated with enforcement of the Pawn Shop Ordinance. It is recommended that the Pawn Shop license fee remain at \$200 per year and a \$1 pawn transaction fee be paid by the pawn customer per transaction. Each separate item would constitute a separate transaction. The transaction fee would apply to both loan and purchase transactions.

FISCAL IMPACT —

Based on the number of pawn transactions in 2002, the City would recover \$53,897 in pawn shop enforcement costs.

RECOMMENDATION —

Approval.

BACKGROUND —

As a result of meetings with the Police Department and representatives of local pawn shops, a Pawn Transaction Fee is proposed. Specifics of the proposal are as follows:

The proposal is based on the premise that the majority of the citizens of Des Moines do not frequent nor utilize the services of pawn shops and, therefore, should not continue to be burdened with the cost of pawn shop regulation and enforcement.

The proposed transaction fee is intended to be a user-based fee, much like a customer service fee paid by those who cash checks and purchase money orders in supermarkets. The cost of these services should be borne by those who utilize the service.

The proposal would require a \$1 fee to be paid, by the pawn customer, per transaction. Each separate item constitutes a separate transaction. The transaction fee applies to both loan and purchase transactions.

The pawn shop conducting the transaction is held responsible for collecting applicable transaction fees and forwarding them to the City of Des Moines.

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The Finance Department will be responsible for billing each pawn business based on their individual number of monthly pawn transactions. Pawn shops will be billed monthly.

Pawn shop license fees will not increase under this proposal. Transaction fees are paid by the customer. There are no increased costs applied to the pawn shops.

This proposal is fair and equitable to all pawn shops, regardless of size. Individual pawn shops collect transaction fees based solely on the number of pawn transactions conducted monthly.

Based upon the number of pawn transactions conducted in the year 2002, the City of Des Moines would recover \$53,897 in pawn shop ordinance enforcement costs if this proposal were approved. This is more than the \$45,227 recommended in the August 25, 2003, City Council proposal, yet it is still less than the estimated actual enforcement costs of more than \$112,000. It is the opinion of the Police Legal Advisor that this proposed fee would be legal because the revenue generated by the transaction fees would not exceed the actual cost of enforcement. Additionally, the Legal Advisor believes that a transaction fee could be classified as a scheduled fee. This would eliminate the need for modification of the ordinance should future increases of the fee be deemed necessary.

