Recyclable Metal Theft Task Force
Monday, March 21, 2016
10:00 a.m. – 12:00 p.m.

Illinois State Library, Room 403/404
300 South Second Street
Springfield, IL 62701

Meeting Minutes

1. Welcome and Approval of Minutes

Co-Chairs Hoffman and Unes called the meeting to order at 10:17 a.m. A roll call was conducted and the following members were present:

Representative Jay Hoffman
Representative Mike Unes
Lieutenant Troy Phillips
Master Sergeant Scott Whitecotton
Director Sydney Roberts
Chief Lindell Barton
Chief Brian Fengel
Chief Valdimir Talley
Michael Mervis
Brad Serlin
Kevin Martin
Ed VanHoose
Greg Fernandez

Co-Chair Hoffman thanked everyone for coming and informed the members that minutes for the meeting would be electronically recorded. Co-Chair Unes then asked members to review the minutes from February and asked for a motion for the approval of the minutes. Chief Talley made the motion and Chief Barton seconded the motion. With no objections, the minutes from February 16, 2016 were approved.

2. Open Meetings Act Training

Co-Chair Unes asked for Micah Miller to speak briefly on Open Meeting Act training. Mr. Miller thanked Chief Talley for submitting his certificate of completion of Open Meetings Act training. He then told the members that they should locate the informational sheet in their packets and follow the instructions on how to complete this training, which is located on the Illinois Attorney General's website. He indicated that the Secretary of State's Office does not need a copy of the certificate, but that elected and appointed members of a public body will need to take this "one time" training.

3. Discussion of HB5521

Co-Chair Hoffman indicated that members were given time to review HB5521, informed members that he was a Co-Sponsor of the bill, and said that he would like to see if the Task Force could take action in supporting the bill.

Co-Chair Unes then gave background information on the bill. He reminded the members that the Task Force discussed the language of HB5521 at the first two meetings and informed the new members that this was part of a comprehensive metals theft bill that was passed in the 97th General Assembly. He said that a chunk of that legislation was removed, while moving through the Senate and feels strongly that it is an important part of the legislation. He reintroduced it in the 98th and now the 99th General Assembly, with Co-Chair Hoffman now being a Chief Co-Sponsor.

Co-Chair Unes said that the bill gives the judge and court the authority to make a sentence on the amount of scrap stolen and also the amount of damage done to the surroundings. He then used an example of $200 worth of scrap theft causing thousands of dollars in surrounding damage and said it would give the court the authority to base a penalty on both fronts. He indicated it could also fix the recidivism rate because people who may now understand that they aren't going to get away with just a slap on the wrist.

Chief Barton asked what the Task Force can do to support the bill. Co-Chair Unes said that if the Task Force were to support the bill, it would give Co-Chair Hoffman and himself more leverage to approach leadership in the Senate and make a case that they should take another look at this legislation. He restated that the bill doesn't increase penalties, but simply gives the judge the authority to look at how those penalties are assessed.

Co-Chair Hoffman encouraged further questions, especially from the new members who may not have had the depth of knowledge on this bill as other members. Chief Fengel asked if manhole "grates" would be covered in the definition of manhole "covers." Mr. Mervis said that good operators will consider them the same and also acknowledged that "sewer grates" are specifically referenced already in Public Act 97-0923.

Co-Chair Hoffman asked if the Task Force would take a position of support for passage of HB5521. Ed VanHoose asked for what reason the bill did not pass the Senate previously. Co-Chair Unes noted that any penalty enhancement bill usually meets resistance, but restated his original position that this bill merely gives the judge the authority to look at how penalties are assessed. Co-Chair Hoffman concurred with that sentiment and asked if the Task Force would take a unanimous position of support for HB5521. Seeing no objections, the Task Force took that position.

4. Presentations

a. Luke Harris – Owner, Highland Recycling and Shredding

Co-Chair Hoffman stated that Mr. Harris was unable to attend, due to a scheduling conflict.

b. Scott Adams – President & CEO, Adams Development Company

Co-Chair Hoffman introduced Mr. Adams, who began his presentation. Mr. Adams introduced himself and pointed to the material, which was located in everyone's packet. The material listed the thefts his company has experienced in Madison County, 16 of which were over a three year period.

He noted that his deductibles went up from $1000 per claim to $5000 per claim and his insurance carrier threatened cancellation of his policy unless he took action to prevent additional thefts. As a result, he elected to install motion-triggered lights to scare off thieves, an "alarm system" that sounds if the power to a unit is turned off (and also dials the police automatically via a 24-hour monitoring company) and installation of metal cages over the AC units.

Mr. Adams also expressed concerns about stolen AC units being resold in the used market as opposed to being scrapped and he implored the members to consider this in their effort to thwart these types of thefts. Co-Chair Hoffman said that the Task Force appreciates his input as they develop a report, which will be due in October 2016. They want to include best practices in other states, with assistance from the industry, and try to adopt some of those practices here in Illinois in addition to new ideas the members come up with that may address concerns of his.

Mr. Adams expressed concern about his insurance policy being cancelled due to the thefts. Co-Chair Hoffman asked how much of a financial burden it has been for him to implement these security measures for his equipment. Mr. Adams said he would find out and report back. Co-Chair Hoffman asked if there were any questions. Hearing none, he thanked Mr. Adams for his testimony.

c. Scott Whitener – AT&T Asset Protection

Co-Chair Hoffman introduced Scott Whitener, who began his PowerPoint presentation. Mr. Whitener introduced himself and pointed to the material, which was located in everyone's packet. The material outlined the impact of stolen communications cable on AT&T, customers and the community.

Mr. Whitener indicated that AT&T spends $250,000-$500,000 annually in Illinois to repair cut and stolen cable, with a significant amount of reported cases in St. Clair and Madison Counties – acknowledging the Chicago area also has a high number of cases. He noted that one of the U.S. Attorney's in Southern Illinois used the Hobbs Act to charge someone who was robbing gas stations, as they were interfering with interstate commerce.

He described several cases of stolen cable and unique situations stemming from each one, including pollution from burning cable sheathing, stripped sheathing left on the ground, disruption of business at a Secretary of State Facility, Veterans Affairs office and U of I extension office, residential burglar and fire alarms left inoperable, and the various ways thieves are committing the crimes.

Mr. Whitener said AT&T has implemented GPS tracking systems, cable section detectors, cable run auto dialer alarms, security cameras, 24-7 surveillance cameras at high incident sites and deer/trail cameras. They also have partnered with law enforcement and recyclers, post "theft notices" on the Institute of Scrap Recycling Industries' alert website, and they offer cash rewards up to $10,000. Mr. Whitener also recognized Chief Barton for his assistance in organizing groups in Southern Illinois to mitigate thefts.

He also recognized the value of HB5521 in addressing the amount of damage done when metal is stolen, as it costs AT&T many times the actual scrap value of cable when they need to make repairs. Co-Chair Unes concurred with his sentiment and mentioned two farms in Fulton County that had their entire irrigation systems stolen in the middle of the night, which cost many times the value of the material stolen. Co-Chair Hoffman asked if there were any questions and hearing none, he thanked Mr. Whitener for his testimony.

d. Kevin Martin – Illinois Insurance Association

Co-Chair Hoffman introduced Kevin Martin, who began his presentation. Mr. Martin introduced himself and pointed to the material, which was distributed to members at the start of the meeting. The National Insurance Crime Bureau Forecast Report analyzed the 39,993 metal theft claims between January 1, 2012 and December 31, 2014 – noting that 98% of the claims pertained to copper and of those, 53% were on personal policies and 47% were on commercial policies. Mr. Martin noted that this report would also be valuable in identifying the states with the most claims and seeking best practices outside of Illinois.

Mr. Martin also acknowledged that the Task Force has the support of the Illinois Insurance Association as the members investigate measures to thwart metal theft. He concurred with the sentiment that even though it may be challenging to pass stiffer penalties through the Legislature, that may be the necessary remedy to this problem. He also made mention that the number of reported losses has decreased in the past three years and this is most likely due to stricter laws, tougher standards by the recyclers and cyclical with the fluctuation in copper price. Co-Chair Hoffman asked if there were any questions and hearing none, he thanked Mr. Martin for his testimony.

5. Precious Metals Task Force Findings

Co-Chair Hoffman pointed to the Precious Metals Purchasers Task Force Report, dated December 12, 2014, which was included in member packets. He noted that the Resale Dealers Act does not require resale dealers to use the LeadsOnline database, but under the section of

“Task Force Recommendations,” it was recommended for future consideration by the General Assembly.

Mr. Miller reminded the members that utilizing LeadsOnline to combat recycled metal theft was discussed in prior meetings of the Task Force, and that the recommendations of the Precious Metal Purchasers Task Force Report included some useful information including the challenges that they discovered in making it a requirement. Co-Chair Hoffman asked about the statewide database suggestion from the report, and specifically if California’s database (for tracking metal sales and theft by metal recyclers and pawnbrokers) has been implemented. Mr. Miller said that he would check and report back to the members.

Co-Chair Hoffman restated a point by Chief Barton from the February Task Force meeting, that it would be easier for law enforcement if they could access transactions electronically. Mr. VanHoose asked for clarification on how the database would work and how it would be beneficial for law enforcement. Chief Barton stated that if you have a theft and/or suspect name, you need to physically visit each scrap buyer in order find the evidence to build a case. He said that a searchable database, which documented each sale, would allow the officer to work from their desk. He continued that currently scrap buyers have to maintain a database of information, but it does not have to be searchable by law enforcement.

Director Roberts asked Mr. Mervis if there would be any challenges of identifying the item being purchased. Mr. Mervis said that they work with databases in other states and AT&T wire is just “insulated copper wire” to us and there is no way to tell where it originated, especially if it has been burnt. He said that when wire comes in, they use general identifiers such as “copper wire #1” or “copper wire #2,” and a database would not distinguish between wire from Ameren or AT&T. He noted that similar challenges are posed with iron thefts and that they do not distinguish between a washer, drier or refrigerator – it is all classified as “bailing” or “shredder” material. He restated that in many cases there are no serial numbers or easily identifiable characteristics of items being brought in.

Chief Barton said that a photograph of the item is already required and if law enforcement had easy access to that, it would be helpful. Mr. Mervis agreed unless the items have been burnt. Mr. Mervis said the ability to attach a photograph to the theft on the database would be challenging. He noted that state law requires a video or photograph to be kept for 30 days. He said that in their facilities, if there is a question about a theft or a suspicion about a perpetrator or material, they can go back and review it immediately. He said that they can produce a record of the purchase, a copy of the individual’s drivers license, pictures from their cameras and compile all of the information together, but there is no easy way to upload that exact picture online at the time of purchase.

Chief Barton said that an online database would greatly reduce the manpower required for both law enforcement and recyclers to compile the information for a case. Mr. Mervis said that the data is not a problem, but the photograph would require a significant change in software used by almost every scrap dealer. Chief Barton mentioned that Arkansas is currently using LeadsOnline and currently requires all scrap buyers to enter each sale with photographs online.

Director Roberts asked for clarification on the databases that Mr. Mervis already uses in other states and how they operate. Mr. Mervis said that in Terre Haute, Indiana, for the past 6 years the city has paid for LeadsOnline with money from their drug seizures, however the scrap dealers just outside of the city and county don't have to report and abide by the same rules. He said that the database is updated daily with purchase information including name, address and commodities brought in. He said that business-to-business transactional information is not required for upload and Chief Barton acknowledged that those transactions are not in the legislation, nor are they typically of high value for law enforcement.

Lt. Phillips asked if this was the same type of system used by pawnshops. Chief Barton affirmed that they were talking about the same type of system. Mr. Martin asked about transactions where a person doesn't have identification. Mr. Mervis said that the person cannot bring the item into a legitimate scrap dealer.

Mr. VanHoose said that they had reels of copper wire that were stolen and burnt, and a portion of that reel was found in Lincoln, IL, which is quite a distance from Flora, IL. He thought a database would have been beneficial for law enforcement when they are dealing with such a far distance. Mr. Mervis said that the Institute of Scrap Recycling Industries website, www.scraptheftalert.com, could have disseminated information for everyone registered to be on the lookout for that stolen material. Chief Barton said that it was up to the recyclers to review the alerts. Mr. Mervis acknowledged, but said that this was a way to apprehend someone when they come in to sell the items.

Mr. Adams asked if underground wiring was significantly more secure in thwarting thieves. Mr. VanHoose said that the only instances they see are when ground wires (running up the polls) are occasionally torn out of the ground. Mr. Fernandez said that during project development, before wiring is "hot," it can get stolen. Mr. VanHoose concurred. Mr. Whitener said that he has seen ground wire stolen from cell sites, in addition to copper busbars on the exterior of the structures. He said that AT&T will try and bury wire when necessary, especially if they have had thefts before.

Co-Chair Hoffman asked if there was a database or system that the recyclers could be comfortable with that would allow law enforcement easier access to the information. He acknowledged that legitimate dealers are not the problem and he is not interested in hurting their business, but he recognizes the man-hours that law enforcement dedicate to investigating these thefts. Mr. Mervis said that he has issues with uploading proprietary customer information to a 3rd party database, which they would then own, control and could potentially sell – which were similar issues for the pawnbrokers. He also noted the technical challenge of uploading each photo and wondered if the state could develop a system to accomplish this. Chief Barton asked if the software Mr. Mervis currently uses could integrate something similar. Mr. Mervis said the photographs would be a challenge because it is film of the smaller scales and truck scales that is stored for review, but the other data would easier since they already keep it in a database. He also said that the recyclers who are not legitimate would most likely not report stolen material anyway. Chief Barton said that those recyclers are easy to target.

Mr. Serlin also expressed concern that some of the smaller recyclers may not observe the law and would pose a weakness to the process. Co-Chair Hoffman asked about the licensing process for recyclers. Mr. Mervis said there is no state license, but there are many regulations and standards, especially environmental, that consume resources and financing to remain compliant. Mr. Mervis also questioned the level of compliance that some smaller recyclers are able to achieve.

Co-Chair Hoffman asked Director Roberts if, given funding, the Secretary of State's Office could help with enforcement. Director Roberts acknowledged that their auditors could resume inspections and audits, but that any law enforcement entity under current law can also do inspections at recycling or scrap processing yards. Co-Chair Hoffman asked if there was a way to use LeadsOnline and respect the privacy concerns of businesses, versus having to build a new system. Chief Barton offered that he thought LeadsOnline worked well for pawnbrokers and Railroad Police in Arkansas. Chief Talley recommended that LeadsOnline would be a good way to implement a database as opposed to creating something new under the Illinois State Police or the Secretary of State's Office.

Several members discussed the amount of data that would be stored. Mr. VanHoose asked if they could do a two-pronged approach where the database functions only with information, then law enforcement could request photos and videos from the information in the database if need be. Mr. Mervis said that when requested, they always put a package of information together for law enforcement. He also noted that they keep photos and videos for 30 days, but they have a decade's worth of data for individuals. Lt. Phillips acknowledged the value in being able to look back through several years of information when doing criminal investigations. Co-Chair Hoffman asked Chief Barton if this two-pronged approach could be viable. Chief Barton acknowledged that access to the sales records remotely, even without pictures or videos, would be a significant improvement.

Co-Chair Unes acknowledged that the biggest concern of the Precious Metals Purchasers Task Force was funding, whether it be at the State or Municipal level. He referred to the report where the City of Elgin paid $10,000 annually for access to LeadsOnline and was able to recover half of the cost back from licensing fees to local shops, but acknowledged that some municipalities may not be able to afford access. Chief Fengel concurred and noted that while the City of Peoria is fortunate to have access to LeadsOnline, many agencies do not.
Lt. Phillips asked Chief Barton who uploads the information to LeadsOnline, law enforcement or the business. Chief Barton replied that it is the business and that they get all services free of charge. Co-Chair Hoffman said that if there is a way to address the privacy concerns with LeadsOnline, it may be worth pursuing.

6. Public Comment Period

Co-Chair Hoffman recognized Detective Chad Batterham, from the Peoria Police Department, who offered comments to the members. Detective Batterham introduced himself and thanked Chief Fengel for inviting he and his colleagues, Detective Craig Williams and Officer Rick Linthicum, also from the Peoria Police Department.

Detective Batterham said that they use LeadsOnline each day, their department pays approximately $10,000 annually, and they do not charge money to scrap yards or pawnbrokers for access. He said that scrap yards in Peoria upload transactions and at the end of the day and Detective Batterham has instant access to pictures, license plates, names, weights, and other pertinent information. He noted that the Peoria mandates by ordinance that pawnbrokers and scrap yards within city limits must use LeadsOnline. Detective Batterham wondered about the feasibility of the state mandating the use of LeadsOnline by law, but considered it a highly valuable tool for their city.

Detective Batterham said that many air conditioner (AC) thefts continue to occur despite the owners' best attempts at implementing preventative measures, and most often the thieves do not get caught. He noted that thieves get caught due to the investigation process, in which the scrap yards play a major role. Detective Batterham mentioned a company located in Tazewell County that does not use LeadsOnline and expressed how much more difficult it is to physically go through their transactions. Chief Barton asked the percentage of time Detective Batterham saves by using LeadsOnline, to which Detective Batterham replied approximately 80%. Detective Batterham also noted that even with instant access to information, it can be daunting to view 80 copper related transactions when you are searching for a specific stolen item.

Detective Batterham also recognized that Indiana law mandates that a recycler has to document where the scrap metal came from. Mr. Mervis said that recyclers are not asking for an address, but are simply asking information to try and catch someone in a lie. Detective Batterham considered it still may be valuable for the seller to have to disclose where the metal came from, especially if it is a sizable amount. He also stated support for the tougher punishments in HB5521, because in many cases they deal with the same individuals who typically get probation followed by less than a year if caught again. Co-Chair Hoffman asked if there were any questions and hearing none, he thanked Detective Batterham for his testimony.

Co-Chair Hoffman recognized Officer Rick Linthicum, of the Peoria Police Department, who offered comments on heating, ventilation and air conditioning (HVAC) parts and large reels of wire that average individuals would not normally purchase. He asked if it would be possible to require a person to produce a license showing that they have a reason to possess these items. Detective Batterham agreed and drew a comparison between the catalytic converter legislation that mandated a person produce an automotive parts recycler license in order to scrap those items. He also noted that the catalytic converter legislation, which was in Public Act 97-0923, was a significant factor in reducing the City of Peoria's catalytic converter thefts. Officer Linthicum also discussed the possibility of limiting the amount of AC units a person can sell to a recycler if they don't have an HVAC license. Co-Chair Hoffman asked if there were any questions and hearing none, he thanked Officer Linthicum for his comments.

7. Recommendations for Discussion at Next Meeting

Co-Chair Hoffman asked for Mr. Miller to contact those who could not make this meeting and to invite them to offer testimony at the next meeting. He also recognized Mr. Mervis for

discussion about a tour of Mervis Industries Decatur facility, which was discussed in the February meeting of the Task Force. Mr. Mervis offered to host a tour and meeting of the Task Force in the month of April.

Co-Chair Hoffman reminded the members that on October 31, 2016, a report is due to the General Assembly and the Governor and in the meantime he and Co-Chair Unes will endeavor to move HB5521, with the Task Force's support. He also asked Mr. Miller to find out how Arkansas pays for LeadsOnline and to find out if the California electronic reporting system has been implemented.

8. Next Meeting Date

The members tentatively agreed upon Tuesday April 26th, at 10:00 am for the next meeting date. Mr. Miller agreed to work with Mr. Mervis on the arrangements and to inform the members of the details.

8. Adjournment

The meeting adjourned at 12:07 p.m.