

**Recyclable Metal Theft Task Force
Monday, May 23, 2016
10:00 a.m. – 11:30 p.m.**

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

Meeting Minutes

1. Welcome and Approval of Minutes

Co-Chair Unes called the meeting to order at 10:05 a.m. and informed the members that minutes for the meeting would be electronically recorded. A roll call was conducted and the following members were present:

Representative Mike Unes, 91st District
Representative Jay Hoffman, 113th District
Michael Mervis, Director Mervis Industries
Brad Serlin, President of United Scrap Metal, Inc.
Master Sergeant Scott Whitecotton, Illinois State Police
Director Sydney Roberts, Director of Secretary of State Police
Chief Brian Fengel, Bartonville Police Department
Chief Deputy Sheriff Jeff Connor, Madison County Sheriff's Office
Chief Valdimir Talley, Maywood Police Department
Chief Lindell Barton, Alton & Southern Railway Company
Greg Fernandez, Ameren
Kevin Martin, Executive Director, Illinois Insurance Association

The following members had scheduling conflicts and were unable to attend:

Lieutenant Troy Phillips, Illinois State Police
Ed VanHoose, Executive VP, Clay Electric Cooperatives.

Co-Chair Unes also recognized the following individuals who were in attendance:

Greg Sullivan, Executive Director, Illinois Sheriffs' Association
Lori King, Business Watch International
Danielle Waterfield, Director of Govt. Relations, Institute of Scrap Recycling Industries
Jay Robinovitz, President of Alter Trading Corp.
Neil Samahon, CEO of Metro Recycling
Bob Partridge, Purchasing Officer, Illinois Secretary of State's Office
Jeremy Donaldson, Erik Ayala and Taniya Allen, Interns with Maywood Police Department

Co-Chair Unes thanked everyone for attending, asked members to review the minutes from April and asked for a motion for the approval of the minutes. Director Roberts made the motion and Chief Talley seconded the motion. Hearing no objections, the minutes from April 26, 2016 were approved.

2. Overview of RFI

Co-Chair Unes pointed to the information in the member packets, which included Request For Information (RFI) responses from two vendors, Business Watch International and LeadsOnline. He recognized that LeadsOnline was unable to attend this meeting due to a scheduling conflict, but that Business Watch International did have a representative on hand. He then asked Mr. Partridge, Purchasing Officer with the Illinois Secretary of State's Office, to give a brief overview of the RFI process.

Mr. Partridge informed the members that an RFI is not a process that a contract would be awarded from. He continued that it was a fact-finding process, the RFI was posted to the Illinois Procurement Bulletin and that two vendors responded. He also stated that if the presentation caused members to pursue a solicitation, that would involve a Request For Proposal (RFP), which is a different process.

3. Electronic Reporting Presentation – Business Watch International

Co-Chair Unes recognized Lori King, with Business Watch International. Ms. King introduced herself, thanked the members for allowing her to attend and began her PowerPoint presentation. She gave background information on their company and showcased the various features of their product.

Mr. Mervis asked Ms. King to elaborate on the data and security features of their product, specifically with regard to who has access to the information. Ms. King said that law enforcement would be the only ones with access. She continued that they have four servers in the United States currently and potentially law enforcement nationwide would have the ability to access data. Mr. Mervis asked if access could be limited to only Illinois law enforcement and Ms. King said she would find out. Mr. Mervis asked for clarification that the recycling companies would be the sole owners of the information being uploaded. Ms. King concurred.

Chief Barton asked if there are any fees for the businesses or if fees are only applicable to law enforcement who subscribe. Ms. King said that it could be handled in a variety of ways and they have seen local ordinances pay for access, others pass fees along to the businesses, and some even use forfeiture funds to pay for the service. Mr. Fernandez asked if law enforcement agencies could contact BWI directly and ask for access. Ms. King said that they could.

Chief Barton asked if they have had any issues with system reliability. Ms. King said that in the past 16 months that she has been with the company there have been no issues. Co-Chair Hoffman asked what makes BWI different from other vendors. Ms. King said that they are

prioritized on security and law enforcement being the only ones with access. She continued that they are very good with effectively implementing the program for any jurisdiction. Co-Chair Hoffman said that the task force is focused on industry concerns and ensuring their proprietary interests, while still allowing law enforcement easy access to the information. He continued that if a funding source could be secured, they would probably be interested in a statewide initiative as well. Ms. King said that their program is web-based, so there are no considerable software or hardware requirements.

Chief Barton asked if their program works with the common scrap software currently being used. Mr. Robinovitz said that they have 50 facilities through the upper Midwest, many of whom currently electronically report, and most of the systems are available to have connections and are able to transfer the files. Mr. Robinovitz also commented that a system should have considerations for law enforcement and ease of use, but for the industry, they are concerned primarily with the protection and ownership of data. Mr. Hoffman asked if there is a mechanism to do both. Mr. Robinovitz said that if they are considering electronic reporting, a statewide solution is by far the best answer in order to keep thefts from moving county to county. He also noted that as recyclers, they believe the funds for enforcement would be better used putting boots on the ground than mandating electronic reporting, while acknowledging that electronic reporting is good for the pawn industry.

Director Roberts asked if BWI currently has any statewide contracts. Ms. King said that they do and noted Maryland, Delaware, New Jersey and Florida (except for one county) Co-Chair Unes asked for the industry to illustrate some of their concerns about access to the data. Mr. Robinovitz said that in some of the earlier states that used LeadsOnline, they were reporting personal information on clients and checked a legal agreement box that gave up their rights to the data. He continued that by checking that box, they gave up the rights for a vendor to do whatever they want with that information. He also noted that additionally, they are giving out detailed transactional information for their day-to-day business for competitors to potentially see and it's a major concern when you have employees who depend on you.

Chief Talley asked Ms. King about their servers and if they have considered cloud-based storage. Ms. King said that they feel more secure with the back-up systems in place with servers. Hearing no other questions, Co-Chair Unes thanked Ms. King for her presentation.

4. Public Comment Period

Co-Chair Unes gave a brief update on HB5521, offering that it was not called in committee and that he is having ongoing discussions about it with Co-Chair Hoffman on how to continue working on it. He then recognized Danielle Waterfield, Director of Government Relations with the Institute of Scrap Recycling Industries (ISRI), Neil Samahon, CEO of Metro Recycling, and Jay Robinovitz, President of Alter Trading Corporation for comments. He also thanked IRSI for their assistance in helping him craft prior legislation that addressed metal theft and industry concerns.

Ms. Waterfield introduced herself and thanked the members for allowing her to attend. She said that she is Assistant General Counsel and Senior Director of Government Relations and has been involved in the metals theft issue since approximately 2007. She continued that her current focus is to monitor legislation throughout the country and in the past 10 years has seen legislation balloon from just a few states to all states now having laws specific to metals theft. She also said that the industry supports legislation such as HB5521 and has seen other states pursue similar measures in an effort to assign value to the surrounding damage when metal thefts occur.

Ms. Waterfield continued that part of her job involves outreach with district attorneys, prosecutors and attorneys general to raise the profile of this crime. She said that as part of that outreach, they work with law enforcement, promote www.scraptheftalert.com, and encourage task forces as Illinois has done.

Co-Chair Hoffman asked what percentage of scrap metal dealers are also members of ISRI. Ms. Waterfield said that they have over 1600 member companies and Mr. Mervis said over 200 names are listed in Illinois as ISRI members. Co-Chair Hoffman asked if there was a way to figure out how many scrap metal dealers were not ISRI members, considering that these may be smaller dealers who may be more likely to be troublesome. Ms. Waterfield said she would talk with Mr. Mervis further about it.

Ms. Waterfield talked more about www.scraptheftalert.com, the features it offers and pointed to material for the members which had more details on the system. She then said that with regard to electronic reporting, the industry does not believe there is documented evidence suggesting that money is better spent using electronic reporting than other efforts to attack this crime. She also said ISRI wants to be a part of the solution when jurisdictions decide to pursue electronic reporting, however there are significant legal concerns that need to be addressed. She continued that they are primarily concerned with the ownership and control of the data being shared.

Ms. Waterfield said there are currently 15 states that have some type of electronic reporting requirement and some are mandated by state law, but allow the local governments to figure out how to achieve it (noting that Florida is set up this way). She also noted that there are ways to transmit the data without use of a third party. She said that direct reporting to law enforcement is the preferred way, in order to keep third parties out of it, but noted that law enforcement may not have the resources to accomplish this. She offered an example of New Mexico who has a statewide requirement, but in this case the scrap yards email spreadsheets to the Department of Regulatory Oversight. She offered another case in Kentucky, where a Chief of Police asked for daily transactions to be emailed directly to him.

Ms. Waterfield said that some of the states are looking at the use of third party systems to satisfy an electronic reporting requirement, however IRSI's position is that there must be strict confidentiality that is maintained with all data and recyclers cannot be compelled to give away ownership or control of their data. She then restated Mr. Robinovitz concerns that when they signed up to use a third party, they checked a legal agreement box that gave up their rights to

personal client information. Mr. Robinovitz concurred that checking this box has caused him significant legal action to try and undo now. Ms. Waterfield did note that She also note that Georgia has a statewide requirement and the state was able to successfully negotiate the “check box” language be omitted. She said that it took considerable negotiating and that the onus would be on the government to insist upon the protections that the industry is asking for.

Director Roberts asked if there was a situation Mr. Robinovitz could point to where the data he shared was compromised. Mr. Robinovitz said there are two occasions where ticket information did get into the public domain. He continued that this was not only problematic for the personal information being shared, but also his business information, which could include major corporate transactions. Mr. Mervis also said that if a competitor could get a hold of the information, it would be damaging to their business. He also said that the checkbox isn't something that makes a difference to law enforcement being able to do their job. Co-Chair Hoffman said that if they ever got to the point of considering a statewide RFP, they could simply make the data aspect part of the requirement.

5. Recommendations for Discussion at Next Meeting

Co-Chair Hoffman said in regard to HB5521, he thought this could be pushed along into an overall comprehensive bill. He also commented on the Motor Vehicle Theft Prevention Council and the one dollar surcharge on auto insurance premiums – and that he was looking for ways to possibly use some of this fund to combat recycled metal theft. Finally, he suggested the members take the month of June off and not meet again until July, at which point they could begin talking about recommendations for the final report to the General Assembly.

Ms. King also updated the members with regard to some follow-up questions. She said that most virtual storage is owned by private companies, so BWI is not considering that option. She also said that Illinois would be able to control the data to grant access to whoever they wanted.

6. Next Meeting Date

Co-Chair Unes thanked everyone for their contributions and reminded the members to keep thinking about recommendations they would like to see in the final report to the General Assembly. Mr. Miller said that he would be in contact with the members to find a date in July that best accommodates everyone's schedules.

7. Adjournment

The meeting adjourned at 11:22 a.m.