

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: September 17, 2019

FROM: COUNCILMEMBER PERRY WARDS: ALL

SUBJECT: PROPOSED ORDINANCE AMENDING CHAPTER 9.70 OF RIVERSIDE MUNICIPAL CODE REPEALING THE PRIOR BAN ON ECOATM MACHINES AND OTHER SIMILAR DEVICES OR MACHINES AND REQUIRING ADDITIONAL SECURITY MEASURES AND COOPERATION WITH LAW ENFORCEMENT TO OPERATE

ISSUE:

Approve the proposed Ordinance amending Chapter 9.70 of the Riverside Municipal Code, including amendments to Sections 9.70.010 and 9.70.040, repealing the prior ban on EcoATM machines and other similar devices or machines and adding requirements for additional security measures and cooperation with law enforcement to operate and introduce and subsequently adopt the attached Ordinance amending Chapter 9.70.

RECOMMENDATIONS:

That the City Council:

1. Approve the proposed Ordinance amending Chapter 9.70 of the Riverside Municipal Code, including amendments to Sections 9.70.010 and 9.70.040, repealing the prior ban on EcoATM machines and other similar devices or machines and adding requirements for additional security measures and cooperation with law enforcement to operate; and
2. Introduce and subsequently adopt the attached Ordinance amending Chapter 9.70 as described herein.

COMMITTEE RECOMMENDATION:

On July 17, 2019, the Public Safety Committee, with Chair Perry and Council Member Adams present, received a presentation from EcoATM that included a discussion regarding their company and current operations to consider repealing the City's prior ban on these kiosk machines. After discussion, the Committee unanimously voted to recommend that the City Council introduce and adopt an ordinance to amend Chapter 9.70 of the Riverside Municipal Code to 1) repeal the City's prior ban on these kiosk machines and to 2) only allow EcoATM machines to be operated in the City of Riverside if they are in full compliance with standard

security measures required by state law, including but not limited to, *Business & Professions Code* Section 21628.

BACKGROUND:

What Are EcoATM machines?

EcoATM is a kiosk machine that allows people to sell their cell phones, mp3 players, and tablets in exchange for a cash distribution. The kiosk prices each individual device based on model, condition and the current value of the device on the market. If the patron agrees to sell the device, he or she will receive cash on the spot. The process is as follows:

1. The kiosk walks users through several screen prompts to ascertain identity, phone model, and condition;
2. It then outputs a QR code label users must affix to their phones, which they then connect to a power jack;
3. The phone is inserted into the kiosk and the machine works to verify its condition in order to assign a value;
4. Users are then prompted to scan their driver's license and thumbprint, which are recorded in EcoATM's database;
5. A camera takes a photograph, which is remotely transmitted to a live online employee who manually verifies that the person using the machine matches the photo on the driver's license scan; and
6. Finally, the EcoATM kiosk presents a cash offer for the phone, and users can elect to accept the payout or decline and receive their phones back.

Prior City Ban on ecoATM Kiosks

In 2013, the City of Riverside banned EcoATM machines. RMC Section 9.70.040 states the following: "EcoATM machines and other similar devices or machines are prohibited in the City of Riverside. No person shall locate, operate, own, suffer, allow to be operated or aide, abet or assist in the operation of any EcoATM machine or other similar device or machine within the City." The following information was provided to the City Council for consideration in 2013 based upon its understanding of the then-existing technology and procedures in place for EcoATM machines:

1. EcoATM did not employ facial recognition software to match the consumer's government issued ID with the photograph taken on the day of the transaction;
2. EcoATM did not have the ability to match the consumer's fingerprints with a valid government issued ID;
3. There was no security device that could catch thieves who use third parties or "middlemen" to complete the transaction;
4. EcoATM could not log a device's serial number to check for and return stolen phones if a thief made the number unreadable;
5. EcoATM did not notice a device was stolen if the thief took the phone from one area and sold it in another because the EcoATM machine only verified the serial number of the phone against the local law enforcement database; and
6. There had been a reported marked increase in theft of personal electronic devices in cities permitting EcoATM machines.

Current Operation of EcoATM Kiosks in 2019

Since 2013, EcoATM has established additional security features designed to deter the sale of stolen devices and provide assistance to law enforcement. The following processes are currently in place:

1. **Live Validation:** While the ID is being verified for authenticity, the machine scans and captures photos of the ID. Using the kiosk's three (3) built-in high definition webcams, the remote attendant compares the photo ID with the user's face in real-time to confirm their identity. The transaction is denied if (1) the seller is under the age of 18; (2) the ID is expired; (3) the photo on the ID does not match the seller's captured photograph; (4) the consumer is not in camera view; (5) the camera is blocked; or (6) the face does not match the ID. Kiosks have biometric devices to capture a valid thumbprint.
2. **Screens Phones for Kill Switches:** A "kill switch" allows the cell phone owner to remotely "brick" and remove information from their phone when lost or stolen. EcoATM rejects the transaction of any phone with an active "kill switch" unless the user is able to deactivate it.
3. **Device Security Check:** The kiosk checks the phone's serial ID number to determine if the device has been reported as stolen. This is done through CheckMEND, a company that compiles a comprehensive database of stolen devices based upon information from phone carriers, local law enforcement, and the FBI.
4. **Law Enforcement Cooperation:** EcoATM has implemented specific practices to assist law enforcement: (1) EcoATM will open the kiosk door remotely for law enforcement personnel who need access to a device inside the kiosk; (2) EcoATM will respond to any law enforcement request to research and/or return reported stolen devices that may have been collected by the kiosk; (3) EcoATM holds all inventory collected for a minimum of 30 days; (4) EcoATM works with law enforcement to implement a "do not buy" list that bans individuals from utilizing a kiosk; (5) EcoATM does not require a warrant or subpoena to provide a device to law enforcement; (6) EcoATM will check a device's serial number to determine if a specific device was received at a kiosk; and (7) EcoATM partners with LeadsOnline to offer officers access to EcoATM kiosk transaction reports without charge.

Public Safety Committee Chair Perry met with representatives from EcoATM and toured their corporate headquarters in San Diego. He will be prepared to address his findings with the Council.

Proposed Changes to RMC 9.70

It is recommended that Section 9.70.040 of the Riverside Municipal Code be repealed in its entirety and instead require that Section 9.70.010 be amended to provide that EcoATM kiosk machines can only be operated in the City if they are in full compliance with standard security measures required by state law, including but not limited to, *Business & Professions Code* Section 21628, and that any person or company operating an EcoATM machine or similar kiosk must cooperate with law enforcement as outlined above.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

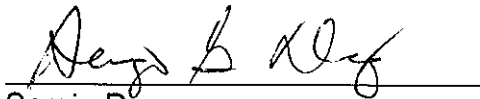
Prepared by: Jim Perry, Councilmember

Certified as to

availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved as to form: Gary G. Geuss, City Attorney

Concurs with:

A handwritten signature in black ink, appearing to read "Sergio B. Diaz", is written over a horizontal line.

Sergio Diaz

Riverside Police Department, Chief of Police

Attachment: An Ordinance Amending Chapter 9.70 of the Riverside Municipal Code, entitled
"EcoATM Machines and Other Similar Devices or Machines"