

Subject: Final Reading Regarding Gift Card Procurement

Meeting Date: August 8, 2022	
Submitted/Presented by/Department: Brian Sturgeon, Chief of Police	
Action Type	
<input type="checkbox"/> Consent Item	<input checked="" type="checkbox"/> Discussion/Direction
<input type="checkbox"/> Public Hearing	<input type="checkbox"/> Informational Only
<input checked="" type="checkbox"/> Action/Motion	<input type="checkbox"/> Report
<input type="checkbox"/> Resolution	<input type="checkbox"/> Other:
Action	
Approve the final reading on an ordinance regulating gift card procurement.	
Background	
<p>This topic was brought up to the Public Safety Committee in April and to the OCWS on April 25th. The First reading and public hearing was held on July 25, 2022 and no one testified against the ordinance. We have received a few cases in which merchants are praising the efforts of the City to combat the problem of fraud in our city with the passage of this ordinance. Just this past week, I was approached by another merchant who sells gift cards and he was pleased with this ordinance and the proactivity taking place by West St. Paul officials.</p> <p>Background:</p> <p>Theft and fraud through the use of stolen credit cards is nothing new but over the past couple of years we have seen a rise in this type of crime that takes considerable resources to investigate, charge and prosecute. At any given time, our investigators have at least a dozen of these cases in their work load. This does not include the misdemeanor and gross misdemeanor offenses that our patrol officers dedicate time to investigate.</p> <p>Through the use of self-checkouts in larger retail stores and the practice of employees not asking for identification when making credit card or debit card purchases, we have seen an increase in fraud activities. Criminals will use recently stolen credit and debit cards to purchase pre-paid cards and/or gift cards such as Visa, MasterCard, American Express, Amazon, Ebay, etc., then use those to make purchases of goods or utilize them to further their criminal activity. The requirement to ask for identification and verify the purchaser's name is the same on the credit/debit card for these types of purchases is anticipated to dramatically reduce the number of fraud cases reported to our department and hopefully reduce the initial theft of these credit and debit cards.</p> <p>The proposed ordinance regulates the sale of all third party gift cards. This requires retailers that sell gift cards to individuals who utilize a credit or debit card to make the purchase to verify the seller's identity and that it matches the name on the credit or debit card.</p>	

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Shakopee passed an ordinance similar to what is being proposed for West St Paul. Last year they had only two cases of fraud involving the purchasing of gift cards with stolen credit or debit cards. Shakopee's work in passing this ordinance earned them an innovation award from the League of Minnesota Cities.

There are two distinct differences in this proposed ordinance than the ordinance Shakopee passed. First, this ordinance covers all third party gift cards. Secondly, we are not making this a criminal violation, but a civil penalty through the administration citation process directed at the business for violations. We will continue to work with merchants through this process and educate them further on the ordinance.

Attachments

Proposed ordinance.

Previous Relevant Actions

Public Safety Committee Presentation April 6, 2022.
OCWS presentation on April 25, 2022.
First Reading and Public Hearing July 25, 2022.

Alternatives

Do not pass the ordinance.

Financial

Budgeted: Yes

No Financial Impact

Fund:

Department:

Account:

Amount: