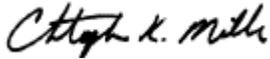


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 10/24/2016
Item No.: 15.a

Department Approval

City Manager Approval



Item Description: Request to Amend City Code Chapter 304: Lawful Gambling

BACKGROUND

In a letter dated October 4, 2016, the Roseville Area Youth Hockey Association (RAYHA) issued a formal request for the City to consider amending City Code Chapter 304: Lawful Gambling; to allow local non-profit organizations to have up to three separate locations within city limits to conduct lawful gambling activities. The current Code allows for only two locations. A copy of the letter is included in *Attachment A*.

Currently, RAYHA conducts lawful gambling activities at the Bingo Hall (2525 Snelling Avenue) and Grumpy's Restaurant (2801 Snelling). They are interested in adding a third location at Joe Senser's Restaurant at 2350 Cleveland Avenue. Lawful gambling activities includes bingo, pulltabs, raffles, paddlewheels, and tipboards.

When Chapter 304 was originally conceived in 1992, the number of permitted locations for each non-profit organization was limited to one. The purpose of this limitation was to ensure that no single organization would receive a disproportionate share of the lawful gambling income that might be derived within the community. The prevailing theory was that if organizations were allowed multiple sites, they could effectively deny other Roseville based non-profits the opportunity to raise monies through lawful gambling. Especially considering that the Code further established a maximum of eight lawful gambling locations in the city.

The modern-day validity of this concern was discussed in 2011 when the City Council, at RAYHA's request, agreed to amend the Code to allow each organization up to two locations. Prior to enacting the change, the Council instructed Staff to solicit input from existing lawful gambling licensees regarding the proposed change. At that time there was no opposition.

Summary of Lawful Gambling Proceeds

In an effort to provide the Council with a broader perspective on the amount of lawful gambling monies being raised, Staff has prepared the following tables depicting the proceeds (income) from 2015 and 2011 respectively.

| <u>Organization</u> | <u>Location</u> | 2015 <u>Proceeds</u> | % of <u>Total</u> |
|-----------------------|----------------------|--------------------------------|----------------------|
| B-Dale Club | B-Dale Club | \$ 240,815 | 1.7% |
| MN Brass | Joe Senser's | 530,854 | 3.8% |
| Destination Education | Ol' Mexico | 1,046,849 | 7.5% |
| VFW | VFW | 1,309,777 | 9.4% |
| American Legion | American Legion | 1,455,712 | 10.4% |
| Midway Speedskating | Bingo Hall | 3,488,256 | 24.9% |
| RAYHA | Bingo Hall, Grumpy's | 5,911,963 | 42.3% |
| | | <u>\$ 13,984,226</u> | |

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| <u>Organization</u> | <u>Location</u> | 2011 <u>Proceeds</u> | % of <u>Total</u> |
|---------------------|-----------------|--------------------------------|----------------------|
| B-Dale Club | B-Dale Club | \$ 147,965 | 1.4% |
| NSYA | Ol' Mexico | 238,512 | 2.3% |
| MN Brass | Joe Senser's | 412,535 | 4.0% |
| VFW | VFW | 1,069,502 | 10.4% |
| American Legion | American Legion | 1,395,851 | 13.6% |
| Midway Speedskating | Bingo Hall | 3,398,655 | 33.0% |
| RAYHA | Bingo Hall | 3,638,250 | 35.3% |
| | | <u>\$ 10,301,270</u> | |

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37 As shown in the tables, total lawful gambling proceeds rose from \$10.3 million in 2011 to \$14.0 million
38 in 2015, an increase of 36%. It should be noted that the majority of these proceeds are used to pay for
39 prizes, federal state and local taxes, rent, compensation, etc. On average, only about 6% of all proceeds
40 are retained for organizational programs.

41
42 City Staff will be available during the meeting to address any Council inquiries.

43 **POLICY OBJECTIVE**

44 Not applicable.

45 **FINANCIAL IMPACTS**

46 Not applicable.

47 **STAFF RECOMMENDATION**

48 Not applicable.

49 **REQUESTED COUNCIL ACTION**

50 Staff is seeking guidance on whether the Council is supportive of amending City Code Chapter 304. If
51 support exists, Staff will draft an ordinance for Council consideration at a subsequent meeting.

52

Prepared by: Chris Miller, Finance Director
Attachments: A: Letter from RAYHA Requesting an Amendment to Chapter 304: Lawful Gambling
B: City Code Chapter 304: Lawful Gambling

October 4, 2016

The Honorable Dan Roe, Mayor of Roseville
and Members of the Roseville City Council
Roseville City Hall
2660 Civic Center Drive
Roseville, MN 55113

Dear Mayor Roe and Members of the City Council:

We are writing to respectfully request a change to City Code Chapter 304, Section 304.02, Paragraph A. This paragraph currently reads:

No organization licensed pursuant to Minnesota Statutes Chapter 349 may conduct lawful gambling at more than two locations within the city, except any organization that does not conduct bingo and has prior to April 1, 1992, operated lawfully at more than one location, may continue to operate at the locations licensed as of that date. (Ord. 1138, 4-25-1994) (Ord. 1412, 7-11-2011)

We would like to request that the number of locations where an organization is allowed to conduct lawful gambling be changed to three.

As you are aware, The City of Roseville Rec department does not offer hockey as a rec sport opportunity for our youth. The Roseville Area Youth Hockey Association (RAYHA) directly benefits the City of Roseville. We are a true Roseville-based charity with the majority of our donations being spent directly in the City of Roseville.

As a result of our gambling operations RAYHA has been able to introduce many outstanding programs including the 1st Skate Program. <http://www.rosevillehockey.org/page/show/2047240-1st-skate-program> This program is specifically designed for kids & families who are unfamiliar with (or completely new to) hockey, and as we know the demographics of the City have changed dramatically in the past 5 years. In this program, RAYHA covers all the basics, and keeps the focus on FUN! The cost is only \$25 and each player is provided a set of equipment to use during the program. We have 60 kids signed up this year.

In addition, RAYHA provides an equipment loaner program to those in need of equipment and also provide scholarships where needed. In addition with the help of Matt Johnson, RAYHA started utilizing the outdoor rinks as a way of containing costs and introducing families to Roseville's great park system.

We feel this change would be a great benefit for all as it would help ensure that any money earned in Roseville would stay in our community and help the people of our community.

Sincerely,

April Borash, Gambling Manager
Roseville Area Youth Hockey Association

CHAPTER 304 LAWFUL GAMBLING

SECTION:

- 304.01: Lawful Gambling Permitted
- 304.02: Number of Licenses and Permits
- 304.03: Approval of Licenses
- 304.04: Contributions
- 304.05: Law Enforcement and Administrative Costs
- 304.06: Gambling Exempt from State Licensing Requirements
- 304.07: Video Games of Chance

304.01: LAWFUL GAMBLING PERMITTED:

Lawful gambling as regulated in Minnesota Statutes Chapter 349 is permitted in the City if the organization conducting such activities meets the following criteria:

- A. Is licensed by the Minnesota Gambling Control Board.
- B. Is a tax exempt organization pursuant to 501(c) of the Internal Revenue Code or has a 501(c) application pending with the Internal Revenue Service.
- C. Maintains an address within the City.
- D. Has been in existence at least three consecutive years prior to the date it begins its gambling operations.
- E. Complies with all of the provisions of this Chapter. (Ord. 1114, 8-24-1992)

304.02: NUMBER OF LICENSES AND PERMITS:

- A. No organization licensed pursuant to Minnesota Statutes Chapter 349 may conduct lawful gambling at more than two locations within the city, except any organization that does not conduct bingo and has prior to April 1, 1992, operated lawfully at more than one location, may continue to operate at the locations licensed as of that date. (Ord. 1138, 4-25-1994) (Ord. 1412, 7-11-2011)
- B. The maximum number of bingo hall licenses and locations issued pursuant to Minnesota Statutes Chapter 349 within the City shall be one. Once the bingo hall license is issued by the City, it shall be limited to the location and to the owner specified on the license. Any change of location or ownership without the approval of the City shall result in the termination of the license. (Ord. 1244, 12-18-2000) (Ord. 1412, 7-11-2011)
- C. The maximum number of licensees conducting gambling at the bingo hall license location described in subsection B of this section shall be five.
- D. The maximum number of premises permits issued pursuant to Minnesota Statutes Chapter 349 in addition to one bingo hall license described in subsection A of this section shall be eight. Except as provided in subsection E of this section the gambling allowed at those locations shall be confined to pull-tabs, paddlewheels, raffles, and tipboards as defined and

regulated under Minnesota Statutes Chapter 349. (Ord. 1412, 7-11-2011)

- E. An organization in existence and qualified under section 501(c)7 or section 501(c)19 of the internal revenue code and which had its principal place of business or place of conducting meetings in the City prior to and continuing since 1980 may be granted a premises permit to conduct all lawful gambling operations on their own premises.
Such organizations are not eligible for a bingo hall license as provided in Minnesota statutes section 349.164 and may conduct gambling activities or bingo only on their own property. (Ord. 1138, 4-25-1994) (Ord. 1412, 7-11-2011)

304.03: APPROVAL OF LICENSES:

- A. Required Documentation: Any organization applying to the Gambling Control Board for a premises permit, bingo hall license or for the renewal of the same to conduct lawful gambling in the city shall, within ten days of making such application, file the following with the City:
1. Application: A duplicate copy of the Gambling Control Board application along with all supporting documents submitted to the Gambling Control Board.
 2. Corporate Documents: A copy of the Articles of Incorporation and Bylaws of the organization.
 3. Officers and Directors: The names and addresses of all officers and directors of the organization.
 4. Written Procedures: A copy of the organization's written procedures and/or criteria for distribution of funds derived from lawful gambling, its standardized application form and its written fiscal control procedures.
 5. IRS Exempt Letter: A copy of the Internal Revenue Service's tax exempt letter.
 6. Felony Conviction: Confirmation that no employee or principal officer of the organization has been convicted of a felony. No employee or organization whose principal officers or employees have a felony conviction shall be employed or retained in a gambling-related activity by any permitted organization.
 7. Investigation Reports: A copy of all records, all testimony or other information submitted to the State of Minnesota or Federal Government as part of any previous or current investigation or inquiry on any matter related to gambling.
- B. Investigation: Upon receipt of the materials required by subsection A of this section, and not later than 60 days from receipt of notice from the Gambling Control Board, City staff shall investigate the applicant and based upon said investigation, the City Council shall act on the application.
- C. Resolution: The action of the City Council to approve an application for a premises permit or bingo hall license within the city shall be by resolution. Failure to receive a majority affirmative vote of the City Council shall constitute a denial of the application.
- D. Additional Documents: Copies of any other reports or documents which are required to be subsequently filed by such organization with the Gambling Control Board, including monthly financial statements, shall be filed with the City within ten days of filing such materials with the Gambling Control Board.
- E. Compliance: to assure compliance with this Chapter, the City may require a premises permit holder or bingo hall licensee to provide copies of records as allowed under Minnesota Statutes. (Ord. 1327, 10-10-05)

- F. Suspension: Approval of a premises permit issued by the City under any part of this Chapter may be suspended by the City for violation of Chapter or revoked or any renewal delayed, for failure to meet the qualifications set out in subsection A or a willful violation of any part of this Chapter or a failure to comply, for any reason, with any provision, guarantee or claim made in an applicant's original license application to either the City or the State of Minnesota.
- G. Liability of City: No license or permit issued by the City grants the licensee a property right or entitlement to the license or permit. The City may not issue, renew nor revoke the license or permit for any reason and will not incur liability for any damages including, but not limited to, direct, consequential or incidental damages, deprivation of property, loss of income, loss of profits or loss of livelihood.
- H. Employment of Certified Public Accountant: All organizations conducting Bingo at the Bingo hall in the City shall use a certified public accounting firm for all accounting, bookkeeping and tax preparation services related directly to lawful gambling and charged as an allowable expense of the gambling operation. All agreements providing for such services shall be in writing and shall be submitted to the City as part of the application for review by the City to determine compliance with local and State regulations and laws. Any such agreements entered into or modified after issuance of a license or permit shall be filed with the City prior to the new agreement or modification becoming effective. The initial approval and the continuance of a license or permit are contingent upon such agreements complying with this Chapter and State statutes and regulations. (Ord. 1412, 7-11-2011)
- I. Management: All licensees and permittees in the City will assure continuous and active management of the gambling operation and will not delegate managerial responsibilities, will work continuously to operate in the most efficient manner to increase the amount of available lawful proceeds, will maintain the lowest possible costs and will encourage and use volunteers to the fullest extent possible. (Ord. 1114, 9-24-92)

304.04: CONTRIBUTIONS:

- A. Each organization conducting lawful gambling within the City shall contribute at least 10% of its net profits derived from lawful gambling in the City to a fund administered and regulated by the City. The City then shall make disbursements to the Roseville Community Fund, administered by the North Suburban Community Foundation, a Minnesota nonprofit corporation. This contribution shall be for the purposes defined in Minnesota Statutes Chapter 349. The City's directive to the Roseville Community Fund, administered by the North Suburban Community Foundation, as to the use of the funds shall be made at the time of the City's adoption of its annual budget or any amendments thereto. (Ord. 1327, 10-10-05) (Ord. 1412, 7-11-2011)
- B. Each organization conducting lawful gambling shall expend or contribute a minimum of 75% of its net profits from Roseville gambling sites by the end of each premises permit year. The remaining percentage may be carried over to the subsequent permit or license year. The City Council may grant a variance authorizing the organization to carry over more than 25% of all its net profits for expenditure in the subsequent permit or license year.
- C. In the event any organization contributes to the City any sum in excess of the 10% as required in subsection A above, said funds will be deposited and allocated to the Roseville Community Fund, as administered by the North Suburban Community Foundation. In the event the Roseville Community Fund, as administered by the North Suburban Community

Foundation is in any way unable to receive the allocated funds as set forth in subsection A above, the funds will be deposited in an interest bearing escrow account in a bank located in the City and allocated to uses by further order of the City Council. (Ord. 1114, 9-24-92) (Ord. 1412, 7-11-2011)

304.05: LAW ENFORCEMENT AND ADMINISTRATIVE COSTS:

All organizations conducting lawful gambling within the City shall, within 30 days of the end of each month, pay to the City an amount equal to 3% of the gross receipts from lawful gambling conducted in the City in such month, less amounts actually paid for prizes, to cover the City's law enforcement and administrative costs in regulating lawful gambling. (Ord. 1114, 9-24-92)

304.06: GAMBLING EXEMPT FROM STATE LICENSING REQUIREMENTS:

- A. Organizations which conduct lawful gambling which is exempt from State gambling licensing requirements may conduct such gambling within the City upon receipt of a permit from the City, except this requirement does not apply to door prizes or raffles and bingo where total prizes are less than \$1,500 in a calendar year. (Ord. 1327, 10-10-05)
- B. An application for such a permit, along with a fee as prescribed by the Fee Schedule, shall be made at least 30 days prior to the date such gambling is to be conducted. The application shall contain the following:
 - 1. The name of the organization.
 - 2. The address of the organization.
 - 3. The place where such gambling will occur.
 - 4. The total prizes to be awarded.(Ord. 1327, 10-10-05)
- C. Within 30 days of filing any reports with the Gambling Control Board, the organization shall file a copy of such reports with the City.
- D. The provisions relating to law enforcement and administrative costs set forth in Section 304.05 shall not apply to gambling permitted pursuant to this Section. All other provisions of this Chapter apply to such organizations. (Ord. 1114, 9-24-92)

304.07: VIDEO GAMES OF CHANCE:

"Video games of chance", as defined by Minnesota Statutes, are prohibited in the City. (Ord. 1114, 9-24-92)