

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 3/13/2017
Item No.: 7.a

Department Approval



City Manager Approval



Item Description: Consider Amending City Code Chapter 304: Lawful Gambling

BACKGROUND

On October 24, 2016, December 5, 2016, and January 30, 2017; the City Council discussed possible modifications to City Code Chapter 304: Lawful Gambling. At the January 30 discussion, the Council directed Staff to revise outdated language and make the following substantive changes:

- A. Increase the number of locations that an organization can conduct lawful gambling activities from two to three [City Code 304.02, subd (a)].
- B. Increase in the total number of premise permits allowed in the City from eight to twelve [City Code 304.02, subd (d)].
- C. As allowed under MN Statutes 349.213 subd. (g); impose the requirement that 100% of expenditures for lawful purposes be expended within the City of Roseville's trade area. This includes Roseville and the adjacent cities of: Arden Hills, Falcon Heights, Lauderdale, Little Canada, Maplewood, Minneapolis, New Brighton, St. Anthony, St. Paul, and Shoreview [City Code 304.04, subd (b)].
- D. Eliminate City Code 304.03 subd. (h); which allows organizations conducting bingo at the Bingo Hall to receive reimbursement for CPA-performed accounting, bookkeeping, and tax preparation services funded by the 3% tax on net proceeds charged to all lawful gambling organizations in the City.
- E. Reduce the tax on net proceeds from 3.0% to a lower amount [City Code 304.05].
** Note 1.0% is being recommended**.

With regard to the proposed change highlighted in item 'C', Staff suggests that we clarify that expenses "within the City of Roseville's trade area" include, but are not limited to:

- ☐ The costs associated with the conduct of lawful gambling activities at Roseville locations
- ☐ The cost of using facilities or participating at events in the trade area
- ☐ Contributions/donations towards facilities or events in the trade area
- ☐ Contributions/donations towards families or individuals that live in the trade area

35 A letter detailing the proposed changes was sent to all existing organizations conducting lawful gambling
36 activities in the City with a request for comments by March 6, 2017. We received inquiries from the
37 Roseville Hockey Association, Midway Speedskating, and Destination Education.

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39 The Hockey Association and Midway Speedskating both expressed concern over losing the ability to
40 have their bookkeeping costs reimbursed by the 3% tax proceeds, yet they acknowledge that the financial
41 impact will largely be eliminated by the reduction in the tax from 3% to 1%.

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43 Destination Education addressed concerns on their ability to continue providing scholarships to students
44 that are within the Mounds View School District, but outside the defined (proposed) trade area.
45 Destination Education's primary purpose is to provide scholarships towards seniors attending Roseville,
46 Mounds View, and Irondale high schools. Irondale is physically located in Mounds View which lies
47 outside the trade area.

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49 To accommodate this, Destination Education has asked that the Council lower the requirement that 100%
50 of the net proceeds be spent in the trade area, to 80%. This will allow them to use the other 20% for the
51 Irondale students, as well as continuing to partner with other non-profits in making regional charitable
52 contributions. They noted that the City of St. Paul requires only 75%.

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54 A marked-up version of City Code Chapter 304: Lawful gambling is included in *Attachment A*, while an
55 ordinance and ordinance summary are included in *Attachments B & C*.

56 **POLICY OBJECTIVE**

57 Not applicable.

58 **FINANCIAL IMPACTS**

59 Not applicable.

60 **STAFF RECOMMENDATION**

61 Not applicable.

62 **REQUESTED COUNCIL ACTION**

63 Motion #1: Approve or amend an ordinance revising City Code Chapter 304: Lawful Gambling.

64
65 Motion #2: Approve or amend an ordinance summary revising City Code Chapter 304: Lawful
66 Gambling

67
Prepared by: Chris Miller, Finance Director
Attachments: A: Marked Up Version of City Code Chapter 304: Lawful Gambling
B: Draft Ordinance
C: Draft Ordinance Summary

68

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~~ three 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~~ twelve. ~~Except as provided in subsection E of this section the g~~G~~ambling activities allowed at those locations shall be confined to the types 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 a copy of all application materials submitted to the State. ~~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. Excluding amounts contributed to the Roseville Community Fund, 100% of the remaining net profits shall be expended in the City's trade area as defined in Mn Statutes 349.213, subd. 1(g). Roseville's trade area includes: Roseville, Arden Hills, Falcon Heights, Lauderdale, Little Canada, Maplewood, Minneapolis, New Brighton, St. Anthony, St. Paul, and Shoreview. ~~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 up equal to 3%, as established by the Fee Schedule, 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)~~

**City of Roseville
ORDINANCE NO.**

**AN ORDINANCE AMENDING
TITLE THREE CHAPTER 304**

304.01, 304.02, 304.03, 304.04, 304.05, AND 304.07.

TO AMEND SECTIONS OF THE CODE THAT ARE OUTDATED, TO MODIFY THE
NUMBER OF LOCATIONS AND LAW ENFORCEMENT & ADMINISTRATIVE FEES,
AND TO ESTABLISH WHERE LAWFUL GAMBLING PROCEEDS ARE EXPENDED

THE CITY OF ROSEVILLE ORDAINS:

SECTION 1: Title Three, Chapter 304 of the Roseville City Code is amended to read as follows:

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~~ three 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 twelve. Except as provided in subsection E of this section the Gambling activities allowed at those locations shall be confined to the types 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 a copy of all application materials submitted to the State. ~~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.
- 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)

- 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:

- B. ~~Excluding amounts contributed to the Roseville Community Fund, 100% of the remaining net profits shall be expended in the City's trade area as defined in Mn Statutes 349.213, subd. 1(g). Roseville's trade area includes: Roseville, Arden Hills, Falcon Heights, Lauderdale, Little Canada, Maplewood, Minneapolis, New Brighton, St. Anthony, St. Paul, and Shoreview. 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.~~

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 up equal to 3%, as established by the Fee Schedule, 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)

304.07: VIDEO GAMES OF CHANCE:

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

Passed by the City Council of the City of Roseville this 13th day of March, 2017.

(SEAL)

CITY OF ROSEVILLE

BY: _____
Daniel J. Roe, Mayor

ATTEST:

BY: _____
Patrick Trudgeon, City Manager

**CITY OF ROSEVILLE
ORDINANCE SUMMARY NO _____**

A SUMMARY OF AN ORDINANCE AMENDING TITLE THREE, CHAPTER 304

The following is the official summary of Ordinance No. _____ approved by the City Council of Roseville on March 13, 2017:

AN ORDINANCE AMENDING TITLE THREE CHAPTER 304

304.01, 304.02, 304.03, 304.04, 304.05, AND 304.07 are amended to replace outdated language, modify the number of locations and law enforcement & administrative fees, and to establish where lawful gambling proceeds are expended.

A printed copy of the ordinance is available for inspection by any person during regular office hours in the office of the City Manager at the Roseville City Hall, 2660 Civic Center Drive, Roseville, Minnesota 55113. A copy of the ordinance and summary is also posted on the internet web page of the City of Roseville (www.cityofroseville.com).

Attest: _____

Patrick Trudgeon, City Manager