

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

|                                                                                                                               |
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| <b>AGENDA TITLE:</b> Gambling Discussion<br><b>DEPARTMENT:</b> Finance<br><b>PRESENTED BY:</b> Debbie Tarry, Finance Director |
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**PROBLEM/ISSUE STATEMENT:**

The City Council requested a special meeting to provide a community forum to discuss gambling. To facilitate this discussion a panel of experts will be present to discuss and respond to questions on the various aspects of the gambling industry. The following organizations have confirmed that they will have someone in attendance:

Organization

Washington State Gambling Commission  
Washington Recreational Gaming Association  
Goldie's Casino (Local Casino Perspective)  
Washington State Council on Problem Gambling  
City of Shoreline

Represented By

Special Agent Bill Kesel  
Dolores Chiechi, Exec. Director  
Mary Able, General Manager  
Lincoln Ferris, Board Member  
Debbie Tarry, Finance Director

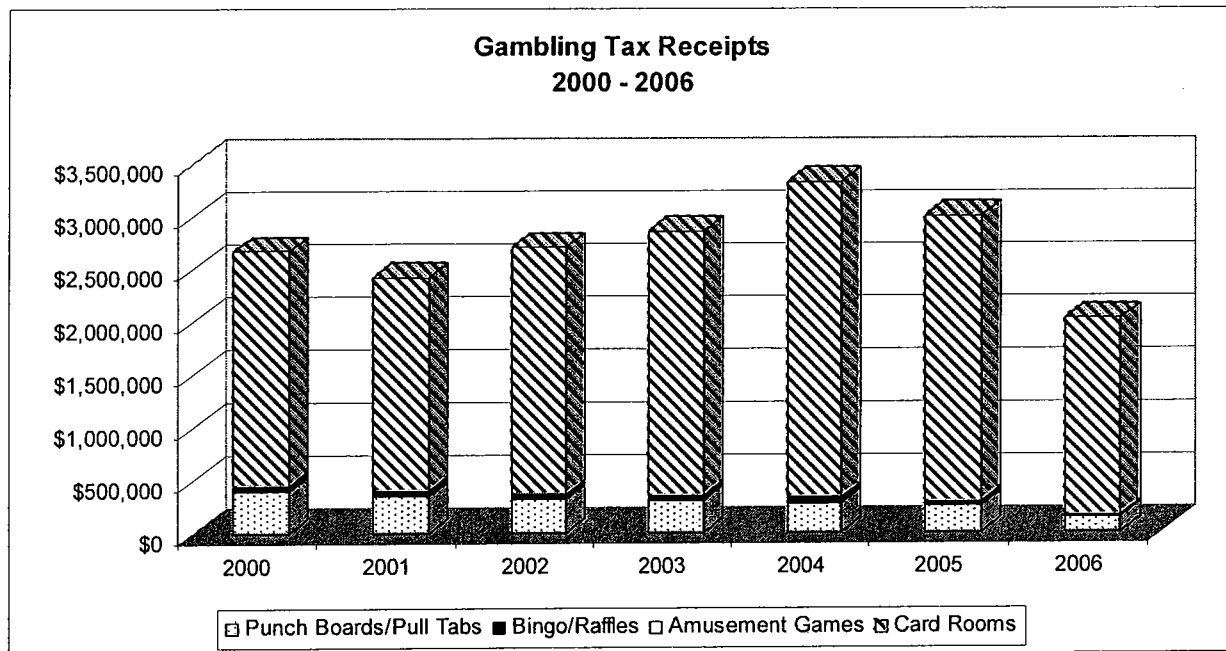
Attachment A provides a list of the expected talking points from each of the participants.

**BACKGROUND:****Financial Contribution to City from Gambling Institutions**

Historically the City has received gambling tax from three primary sources: bingo, pull-tabs, and mini-casinos. In 2006 the City's only bingo establishment closed and therefore in 2007 the City anticipates that it will not receive any gambling tax from bingo activities.

The following chart shows a comparison of the total gambling tax from the various gambling activities for years 2000 through 2006.

|                                      | <u>2000</u>        | <u>2001</u>        | <u>2002</u>        | <u>2003</u>        | <u>2004</u>        | <u>2005</u>        | <u>2006</u>        |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Punch Boards/Pull Tabs</b>        | \$397,924          | \$349,823          | \$314,580          | \$302,782          | \$271,090          | \$247,598          | \$146,999          |
| <b>Bingo/Raffles Amusement Games</b> | 50,222             | 48,254             | 46,753             | 50,198             | 58,389             | 42,092             | 12,454             |
|                                      | 1,654              | 1,182              | 723                | 489                | 497                | 437                | 304                |
| <b>Card Rooms</b>                    | 2,224,299          | 2,019,159          | 2,337,808          | 2,501,812          | 2,991,084          | 2,712,877          | 1,860,487          |
| <b>Total</b>                         | <u>\$2,674,099</u> | <u>\$2,418,418</u> | <u>\$2,699,864</u> | <u>\$2,855,281</u> | <u>\$3,321,060</u> | <u>\$3,003,004</u> | <u>\$2,020,244</u> |



As can be seen from the previous graph, the primary revenue source for gambling tax has been from the card room mini-casinos. Mini-casinos currently pay the City a 10% gambling tax on their "net win" (gross income less what is paid out in winnings). Although the current rate is 10%, the City Council authorized a nine month reduction in tax rate from 10% to 7% for July 1, 2006 through March 31, 2007. This reduction was granted in response to the request of casinos to mitigate any business impact they were experiencing in relation to the Aurora improvement project.

In addition to the tax rate reduction, the mini-casinos experienced a 17.5% reduction in gross receipts in 2006 when compared to 2005. The following table shows the gross receipt for each mini-casino and the overall trend for 2001 through 2006.

| Card Room Gross Receipts Annual Totals 2001 - 2006 |                   |                   |                   |                     |                     |                     |                                                  |                                |
|----------------------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|--------------------------------------------------|--------------------------------|
| Casino                                             | 2001              | 2002              | 2003              | 2004                | 2005                | 2006                | Gross Receipts<br>\$\$ Change<br>2005 to<br>2006 | %<br>Change<br>2005 to<br>2006 |
| Drift on Inn                                       | 6,985,380         | 6,448,370         | 6,974,897         | \$5,711,995         | \$5,905,951         | \$4,302,524         | -\$1,603,427                                     | -27.1%                         |
| Hollywood                                          | 0                 | 0                 | 1,298,809         | \$5,753,616         | \$5,764,890         | \$4,867,981         | -\$896,909                                       | -15.6%                         |
| Golden Nugget                                      | 0                 | 1,025,408         | 2,149,027         | \$2,476,600         | \$2,197,973         | \$2,304,242         | \$106,269                                        | 4.8%                           |
| Goldies                                            | 4,821,256         | 5,768,931         | 5,568,043         | \$7,015,323         | \$6,758,391         | \$5,224,913         | -\$1,533,478                                     | -22.7%                         |
| Hideaway                                           | 1,480,501         | 1,526,308         | 1,584,498         | \$919,005           | \$17,495            | \$0                 | -\$17,495                                        | -100.0%                        |
| Parkers                                            | 5,052,948         | 4,649,161         | 4,285,255         | \$5,455,839         | \$5,710,732         | \$5,032,932         | -\$677,800                                       | -11.9%                         |
| <b>TOTAL</b>                                       | <b>18,340,085</b> | <b>19,418,178</b> | <b>21,860,529</b> | <b>\$26,413,373</b> | <b>\$26,337,937</b> | <b>\$21,732,592</b> | <b>-\$4,605,345</b>                              | <b>-17.49%</b>                 |
| <b>Annual Change</b>                               |                   | <b>5.88%</b>      | <b>12.58%</b>     | <b>20.83%</b>       | <b>-0.29%</b>       | <b>-17.49%</b>      |                                                  |                                |

The reduction in gross receipts can be attributed to many different factors including the a state-wide smoking ban in public places that went into effect on December 8, 2005,

competition from tribal casinos, competition from on-line betting, and impacts from the Aurora construction project.

The City Council has adopted a policy that requires that an amount equal to the difference between a 7% card room tax rate and a 10% card room tax rate be allocated for one-time expenditures in the Roads Capital fund. The following chart compares the amount of revenue allocated for operational expenditures and for capital expenditures for 2005 through 2007.

|                                                                         | 2005      | 2006      | 2007      |
|-------------------------------------------------------------------------|-----------|-----------|-----------|
| Total card room gambling tax                                            | 2,712,877 | 1,469,321 | 1,949,000 |
| Revenues In Excess of a 7% Tax Rate<br>Transferred for Capital Purposes | 1,057,015 | 329,806   | 474,075   |
| Amount Used for Operational Purposes                                    | 1,655,862 | 1,139,515 | 1,474,925 |

The first quarter 2007 gambling taxes are due April 30, 2007. This will reflect activity levels for the casinos for January through March. If information is available by Monday evening, staff will provide the first quarter information.

### **Spokane Compact**

As Council is aware, Governor Gregoire recently signed the Spokane Tribal Gaming Compact. Council was concerned whether the compact allowed a tribe to purchase a local casino, have it declared as tribal land, and then be exempt from local taxation. The City received the following response from Melinda Froud, Staff Attorney for the Washington State Gambling Commission.

"You had asked about the Spokane Tribe's ability to purchase commercial casinos and then convert them to (non-taxed) tribal property. The Indian Gaming Regulatory Act (IGRA), a federal law, governs tribal gaming and where such activities may occur; our compacts set out the scope and regulations for tribal gaming

IGRA authorizes Tribes to conduct gaming only on their reservations, or on land taken into trust on behalf of a Tribe by the United States Government. However, IGRA prohibits Tribes from gaming on trust land acquired after 1988, with a few limited exceptions, such as land restored through federal recognition, or for designation of an initial reservation.

The exception I think you may be referring to allows Tribes to conduct gaming on post -1988 trust land if certain conditions are met. As part of this process, the Secretary of the Interior must consult state and local officials to determine that gaming on newly acquired lands would be in the Tribe's best interest and not detrimental to the surrounding community. Additionally, the Governor of the State must concur with the Secretary's determination.

So to answer your question, the Spokane Tribe (or any other Tribe) could purchase fee land, and apply to have it taken into trust for gaming purposes, but the Tribe would need to go through the process outlined above."

**FINANCIAL IMPACT:**

The City's 2007 General Fund budget includes approximately \$2.1 million in gambling taxes representing 7.6% of General Fund revenues. The adopted 2007 budget assumes a 7% card room tax rate for January through March and a 10% card room tax rate for the remainder of the year.

**RECOMMENDATION**

No action is required by Council. This is an informational agenda item.

Approved By: City Manager  City Attorney \_\_\_\_

**ATTACHMENTS**

Attachment A – Outline of Panel Discussion

Attachment B – Summary of Spokane Tribal Gaming Compact from Washington State Gambling Commission

## ATTACHMENT A

### Talking Points for the Panel on Gambling

#### Washington State Gambling Commission

- Purpose of the Commission
- History and purpose of the gambling tax
- Trends of gambling activity on state-wide basis
  - Impacts of tribal gaming, on-line betting, smoking ban, etc
- Spokane Compact
  - Primary provisions and how it affects Shoreline

#### Washington Recreational Gaming Association (WRGA)

- Role of the WRGA
- Trends they have seen in mini-casinos
- Differences between local mini-casinos and tribal casinos
- Legislative Issues
  - The card room cap/zoning issue (a form of which has been under debate by the legislature for the past 9 years) ESSB 5558
  - Minimum age to gamble SHB 1345

#### City of Shoreline

- Different sources of gambling revenues
- Tax Revenues for 2000-2006
  - Purpose of revenues and how used
- Tax Rates for Shoreline & local jurisdictions

#### Local Casino

- Basic information about the local casino businesses
  - # of employees, etc.
- Recent business trends (2-3 yrs)
- Impacts to their casino operation
  - Costs of doing business & new requirements
    - i.e. - security
  - Tribal competition, smoking ban, etc.

#### Washington State Council on Problem Gambling (WSCPG)

- Role of the WSCPG
  - How they work with the gambling industry
  - Services they provide
- Signs and consequences of problem gambling
- Trends/Issues that WSCPG is addressing

RGA

### **Our Mission**

The Recreational Gaming Association is organized to encourage, strengthen and protect the responsible operation of commercial gaming as a form of entertainment in the State of Washington

The Washington State Council on Problem Gambling is dedicated to increasing public awareness of problem gambling, expanding the availability of services for problem gamblers and their families and encouraging research and programs for prevention and education.

### **CORE PURPOSE**

The Washington State Council on Problem Gambling is the advocate for programs and services to assist problem gamblers and their families in Washington State.

The Washington State Council on Problem Gambling (WSPG) is a 501(c)(3) charity, founded in 1981. From the beginning, WSPG has maintained a position of neutrality on gambling, recognizing that most people who gamble do so for recreation and suffer no serious problems. However, for some, gambling becomes a serious addiction, devastating to the individual and the family. WSPG works to help these individuals.

The Board of Directors of WSPG is composed of concerned people from the treatment community, the recovering community, and the gambling industry. They oversee the Council's many important programs.

### **OPERATION OF A STATEWIDE HELPLINE**

WSPG contracts for a 1-800-helpline serving callers throughout Washington State. Helpline callers may receive:

- § In-depth information packets addressing Problem and Pathological Gambling
- § Contact numbers for the nearest Gambler's Anonymous group
- § Referral to professional treatment providers

For Problem Gamblers and their families, calling the Helpline, 1-800-547-6133, is often the first step on the road to recovery.

## **WORKING WITH THE GAMBLING INDUSTRY**

WSCPGE works with the gambling industry to address Problem Gambling in Washington State. In 1999, WSCPGE helped form the Industry Working Group, composed of representatives from Native American tribes, the private gambling industry, nonprofit gambling, the lottery, horseracing, the Gambling commission, and other industry groups and regulatory agencies. The group developed Problem Gambling policies for implementation at gaming facilities and produced and funded a training video on Problem Gambling Awareness. This video is available at no charge to gambling facilities and other organizations in Washington State. In addition, WSCPGE provides in-depth training to owners, managers, and employees of the gambling industry.

## **PUBLIC AWARENESS**

One of the most important goals of WSCPGE is to increase the public's awareness of Problem and Pathological Gambling. WSCPGE conducts public awareness presentations throughout Washington State for many groups, including businesses, social service organizations, senior citizens groups, financial organizations, colleges and universities, and many others. Click [here](#) for more information on scheduling a Public Awareness Presentation. The Council operates a website at [www.wscpg.org](http://www.wscpg.org), which provides information for the public and researchers.

## **YOUTH AWARENESS**

Studies show that adolescents have a higher rate of Problem and Pathological Gambling than adults. WSCPGE and its Youth Gambling Advisory Group work to address this problem, engaging in awareness work among adolescents, educators, and professionals working with at-risk youth. The Council conducts educational conferences on adolescent Problem Gambling and presentations for those working with youth. In addition, WSCPGE conducts talks and presentations to school classes and youth groups.

## **Spokane Tribe – Washington State Gaming Compact**



February 16, 2007

### **Gov. Gregoire Signs Spokane Tribal Gaming Compact** Compact continues to limit gambling in Washington

Governor Gregoire has signed a compact for gaming on tribal lands, consistent with tribal, state and federal laws. The compact will be sent to Secretary of the United States Department of Interior for consideration, signature and publication.

The compact with the Spokane Tribe becomes the 28<sup>th</sup> gaming compact with Tribes in Washington. All others compacts, with the exception of the Colville Tribe, authorize each Tribe to operate 3,000 Tribal lottery machines. The Colville Compact authorizes 4,800 machines. This compact authorizes 1,500 machines for the first three years and 3,000 machines thereafter until further negotiations.

A tentative compact was reached in 2006, which would have allowed the Spokane Tribe to operate 7,500 tribal lottery machines. Governor Gregoire rejected this compact and sent negotiators back to the table.

“As I have made very clear, I don't like gambling. Under federal law, I am required to negotiate in good faith with the Tribes,” said Governor Gregoire. “I am committed to honor the obligations made by the state in prior compacts and comply with federal law. This negotiation was approached in good faith by both the state and the Spokane Tribe.”

This compact allows the Tribe to operate five casinos, as long as the casinos are at least 25 miles apart, which is the same number and requirements for the Colville Compact. All other Tribes are limited to two casinos.

#### **Highlights of the Agreement**

- The Tribe commits financial support to problem gambling and smoking cessation programs
- Resolves years of negotiations and litigation between the Tribe, State and Federal Government
- Strengthens the regulation of gambling in Washington
- Maintains the structure of Tribal-State Gaming Compacts in Washington
- Continues the approach of limiting gambling operations

- Acknowledges and continues the Tribe's contributions and investments to the community, which benefit both Tribal and non-tribal members
- Continues to provide a mechanism for the sharing of gaming revenue with other Tribes

### **Problem Gambling Contribution**

The Spokane Tribe is the first Tribe to contribute 0.13 percent of its net win (gross receipts minus prizes paid) to problem gambling support services. This is the same percent other non-tribal gambling businesses contribute to problem gambling support services. The Tribe will make payments to the Department of Social and Health Services, Division of Alcohol and Substance Abuse, and will receive credit for any payments made to other organizations directly related to helping reduce problem gambling.

### **Smoking Cessation Contribution**

In addition to its problem gambling contribution, the Spokane Tribe is the first Tribe to set aside 0.13 percent of its net win for contributions dedicated to smoking cessation programs. Contributions fund anti-smoking advertisements or nonprofit organizations with the primary purpose of discouraging tobacco use. However, if the Tribe operates all of its gaming facilities as smoke-free facilities, it will not need to make the smoking cessation contribution.

### **Community Investments and Contributions Benefit Tribal and Non-Tribal Members**

The compact requires the Tribe to contribute 3% of machine revenues toward the health and welfare of the community by providing for programs that benefit everyone, such as law enforcement and governmental services, health care, job training, and public works. The Tribe may distribute Community Investments and Contributions directly to local jurisdictions or qualifying programs, and it will provide a report to the state of its distributions each year. These community investments may reach several million dollars on an annual basis.

### **Regulation of Gaming Activities**

The compact brings all Spokane gaming operations under the regulations of the state Gambling Commission, consistent with all other Tribal compacts.

### **For Questions**

Susan Arland, Public Information Officer, Washington State Gambling Commission  
360.486.3466  
[SusanA@wsgc.wa.gov](mailto:SusanA@wsgc.wa.gov)