

## **CITY OF SHORELINE**

### **SHORELINE CITY COUNCIL SUMMARY MINUTES OF SPECIAL MEETING**

Monday, April 30, 2007 - 6:30 PM  
Shoreline Conference Center  
Mt. Rainier Room

**PRESENT:** Mayor Ransom, Deputy Mayor Fimia, Councilmember Gustafson, Councilmember Hansen, Councilmember McGlashan, Councilmember Ryu, and Councilmember Way.

**ABSENT:** None.

#### **1. CALL TO ORDER**

At 6:35 p.m., the meeting was called to order by Mayor Ransom, who presided. Mayor Ransom noted that Councilmember Hansen would be arriving shortly.

#### **2. FLAG SALUTE/ROLL CALL**

Mayor Ransom led the flag salute. Upon roll call by the City Clerk, all Councilmembers were present with the exception of Councilmember Hansen.

#### **3. PUBLIC COMMENT**

(a) LaNita Wacker, Shoreline, stated that gambling is the most confusing topic she has experienced in the City of Shoreline's history. She asked if the question is whether the City should allow gambling or not. If the question is taxation, the next issue to determine is whether it is an entertainment tax or luxury tax. It certainly isn't retail sales. The City levies a 15% hotel and entertainment tax. She summarized that if the City taxes the gaming industry for operating in the City, then it is a fair tax. She said she would like to understand the differences between tribal and non-tribal gambling.

(b) Eddie Zanidache, Mountlake Terrace, on behalf of The New Space Theater, located at 15th Avenue NE and 175th Street NW, announced that there will be regular performances from May 3 - 19, with all shows beginning at 8:00 p.m. He encouraged Shoreline residents to come to "the only theater in Shoreline" and attend a play. The current play, which starts on May 3<sup>rd</sup>, is called "Two Rooms" by Lee Blessing. He added that the theater has been renovated with lighting and sound.

Deputy Mayor Fimia asked who someone could contact if they are interested in helping with production, to which Mr. Zanidache responded that they can call him at 206-795-0224.

Councilmember Way suggested Mr. Zanidache send all the Council an e-mail announcement.

4. NEW BUSINESS

(a) Panel Discussion of the Gaming Industry in Shoreline

**Councilmember Hansen arrived at 6:50 p.m.**

Mayor Ransom announced how this special session came about. He said the Council voted to have a special City Council meeting to discuss the gaming industry issues, to include land use, taxation, and their impacts on the City of Shoreline. Panelists will make presentations then there will be a public comment period.

Mr. Olander noted that this is a general gambling discussion with a very experienced and knowledgeable panel. He introduced the panelists. He explained that the panelist presentations will open this item, and then the Council will hear public comment followed by Council questions and a discussion.

Mayor Ransom clarified that there will be no Council vote on this issue tonight. This meeting is purely for information, he stated. Deputy Mayor Fimia added that there is no proposal before the Council.

Councilmember Ryu inquired if Mr. Kesel was aware of any other industries with as much surveillance.

Mr. Kesel said he wasn't. However, he said the level of surveillance is extraordinary. He also added that he isn't a State employee and that the card rooms pay his salary. The Washington State Gambling Commission is a self-funded agency.

Bill Kesel, Washington State Gambling Commission (WSGC), said he has been with WSGC for 18 years. He highlighted that the purpose of the WSGC is to make sure that the public is protected from harm and to ensure the gambling is legal. The Commission was formed in 1973, and Revised Code of Washington (RCW) 9.46.110 allows cities and counties the authority to tax gambling establishments. He highlighted that gambling trends are down, and bingo halls are closing, with only four remaining in the State. He noted that the smoking ban brought on a large decrease in gambling revenue. He estimated that the losses in the gambling industry from the smoking ban have been about 25 percent across the board. He added that the tribal facilities don't have a smoking ban, and online gambling is illegal in Washington State. Mr. Kesel commented that the taxation on card rooms is unique because they are taxed on their gross receipts, not their net funds. Tribal facilities do not pay taxes; however, they pay 2 percent of their gross as a "gift" to the County for fire, police and other services. He noted that he hasn't reviewed the "Spokane Compact." He commented that casino revenues will be dropping because all of them have seen a major decline. He noted that they will decline more during the summer as people enjoy outdoor recreational activities from May to October.

Deputy Mayor Fimia asked Mr. Kesel to outline what he does for the Commission.

Mr. Kesel replied that all of the agents are assigned at random in two ways. First, they visit card rooms unannounced and look at anything inside the establishment to include surveillance, cash room, security room, records, accounting, etc. He said he is currently assigned to Goldie's, Drift-on-Inn, and Hollywood Casino. He said he visits each of them, on average two to three times a month at random.

Mayor Ransom clarified that the counting of funds is videotaped for the agents to review.

Mr. Kesel confirmed that it was and at closing they pull revenue boxes, during which time there is security and camera coverage. The funds are then taken to the count rooms with three to six cameras in it to record the counting. He explained that it is a very detailed and precise process.

Mayor Ransom questioned if there were 50 cameras at each casino.

Mr. Kesel responded that there are at least 75 to 100 cameras in each casino. He added that typically a 15-table card room would have 80 to 100 cameras on at all times.

Dolores Chiechi, Washington Recreational Gaming Association (WRGA), said she represents non-tribal card rooms, which includes pull tabs and card tables. She said in 1997, the house bank card room system was established. The first tribal casino opened in 1993 and there were complaints. In 1998, the industry became more organized with elections and officers with bylaws. Currently, the WRGA represents 45 of the 84 clubs across the State to include 18 vendor members. The mission of the WRGA is to encourage, strengthen and protect responsible operation of card room gambling in the State. The WRGA attempts to facilitate input to the commissioners to influence State legislation. She highlighted that WRGA is also a member of the Problem Gambling Advisory Committee, which distributes posters and brochures to the public and gambling patrons. She said there is a misperception concerning the tribal and non-tribal card rooms, and she encouraged the Council to read the brochure she provided. She said there are industry issues that have been discussed with the Association of Washington Cities (AWC) to assist cities in determining what is best for them. She stated that cities can't deny a gambling license to a qualified applicant. She added that WRGA is working with AWC on coming up with a limit on the number of active gambling licenses a City can have. She commented that many of the issues concerning gambling are emotional. Moratoriums banning gambling establishments, she pointed out, are not legal; either a City has to have all of its gambling establishments open or close all of them. The WRGA, she said, has been trying to come up with a compromise solution for this issue; a bill has passed the Senate but it is being held up in the House. Additionally, she commented that the minimum age for someone to enter a gambling establishment is not in the State statutes and that there are enforcement issues because of drinking in gambling establishments. Currently, the burden to enforce age restriction is on operators, not individuals, and the WRGA is working to change that through proposed legislation. She continued saying that the new way casino financial information is collected is positive because it is audited and becomes part of public disclosure laws. She highlighted that in 2004, because these reports were audited, 53% indicated a net loss, and in 2005, 32% reported a net loss. However, all of the information in these audited reports was not

intended to become public information because now competitors could access sensitive information such as I.D. numbers, promotional schemes, employee salaries, etc. Currently there is a bill to exempt certain non-financial information from public disclosure laws. In summary, she reported that card room revenues were on a constant increase until 2006. This is attributed to the smoking ban and tribal casino competition. She also highlighted that the tribal gambling industry is not required to submit financial information if they don't make a profit, nor do they pay taxes. She thanked the Council for the opportunity to speak.

Debbie Tarry, Finance Director, recapped the information in the staff report. She commented that the gaming industry contributes resources to the City and the largest portion is from card rooms. She said she has seen trends similar to what the speakers have described. She presented the card room tax receipts over the years. Overall, there has been an 18% drop in revenues from 2005 to 2006 for the casinos. She said there has been a slight rebound, but revenues are not at the same levels they were in 2005 and 2004. The Golden Nugget, she reported, has shown a 30% increase based on their 2006 and 2007 first quarter receipts. However, they are a smaller establishment. She stated she is awaiting additional information from the other casinos in order to see if this trend is common in Shoreline. She reviewed how the City allocates the gambling tax revenue. She added that the long term projections have been based on lower activity levels and the uncertainty in the industry. She commented that the Council forwarded questions about the Spokane Compact to the Washington State Gambling Commission's legal representative, and the response is included in the Council packet. The main question, she explained, involved whether tribal entities could be allowed to obtain and operate up to five casinos and declare them tribal land. She clarified that this isn't the case anymore; this language was in the original version of the legislation, which has since changed. She added that there are stringent requirements and a process that would include meeting with the local jurisdiction and a review by the Governor's office. She noted that the average gambling tax rate among cities in the region is around 10 - 11 percent. Additionally, she noted that the City of Shoreline reduced its 10 percent tax rate by 3 percent from July 1, 2006 to March 31, 2007 based on the Aurora project construction impacts.

Mary Able, casino manager at Goldie's, thanked the Council for this opportunity. She commented that there are five non-tribal casinos in the City. She highlighted that each facility has restaurants and a nightclub. She said each of the casinos are diverse and take pride in providing a safe environment for guests. They are under the jurisdiction of WSGC and have internal controls. Each of the casinos is required to meet extensive surveillance guidelines that are reviewed frequently. There are a required number of licensed personnel that must be present for each casino to be open for business. Additionally, the casinos must provide food service during hours of operations. She pointed out that the casinos pay licensing costs and use vendors only approved by licensed suppliers. She said they also pay a licensing fee for every table in their casinos. Additionally, the gambling tax is the only tax paid by any industry in the State that is calculated on the gross receipts rather than on the net. She said the five casinos employ 800 people, and their combined annual payroll totals in the millions. She said the casinos in Shoreline contribute to the City in various ways and the factors that have negatively impacted the gaming industry include the Aurora Project, tribal gaming growth, smoking ban, tribal lottery machines, and illegal online gambling. Tribes, she explained, are exempt from the smoking ban and the City casinos have experienced a combined decrease of 17.9% with most of it attributed

to the Aurora project. She concluded that she hopes there will be a return of steady traffic into the casinos when the construction is completed along Aurora Avenue.

Lincoln Farris, Board Member on the Washington State Commission on Problem Gambling (WSCPG), stated that the organization is dedicated to increasing awareness of problem gambling and to extend the availability of services to problem gamblers. He said that prior to the Spokane Compact, the Spokane Tribe was the only tribe to operate two slot machines. The passage of that agreement opened the door for the creation of uniform contract templates for other tribes. This compact, he explained, requires a payment to the state for problem gambling. He stated that his organization encourages research into problem gambling and they operate programs, provide employee training, and are always sensitive to when and who should intervene. He noted that this problem is similar to alcohol and drug addiction, but the difference is that the implications for a gambler and families can be extremely debilitating financially. Problem gambling leads to bankruptcy and embezzlement. He added that problem gambling is not common for most because most patrons gamble responsibly. Whether gambling is right or wrong is not something that the WSCPG takes a position on. Their job is to make sure problem gamblers get resources. He explained that the difference between pathological gambling and problem gambling is that a problem gambler notices that their gambling interferes with their normal life activities, such as skipping work. Pathological gambling means they cannot stop gambling. He noted that young people are more susceptible than adults, and this has increased because there have been more opportunities for poker and gambling on television. Additionally, due to advertising, gambling has been more prevalent in society. Unfortunately, there haven't been any new studies since 1999 concerning gambling and young people. However, he has noticed that in treatment centers across Washington, there have been greater instances of young people coming in with parents for treatment. He highlighted that he is proud that the gaming industry has had a close working relationship with the WSCPG since 1991. Gambling problems are an issue for some people and there is help available, he concluded.

Mayor Ransom called for public comment.

(a) LaNita Wacker, Shoreline, favored gambling in the City of Shoreline. She said the presentation has been helpful in distinguishing the differences between card rooms and non-tribal entities. She said it is appropriate to tax the gambling facilities in Shoreline 10-15 percent. She said it is a fair tax for the gambling industry. She said if she was a gaming owner she would lobby in Olympia to see them have more games in their establishments. She said it is antiquated that there are only card rooms. She also pointed out that pull tabs and bingo are not utilized anymore. She commented that there are buses taking retirees to tribal casinos. She felt the gaming industry needs to be brought into the 21st century. She is outraged that the non-smokers are able to dictate what happens in a card room when about 70 percent of the gamblers are smokers. Prohibition didn't work, thus smoking should be personal business decision, not banned in casinos.

(b) John Gonzales, Shoreline supported the gaming industry. He said they generate revenue for Shoreline.

(c) Marty Rodder, Shoreline, is parent of Shoreline teenagers. She said she went to the Council on Problem Gambling conference at the University of Washington. Overall, she said it addressed the issue that gambling is here to stay. She felt there needs to be more education in schools and in health programs to outline the ties to drug and alcohol addiction. She said she will be working with schools and the PTA in the Shoreline School District to include gambling in their curriculum. Oregon, she noted, is way ahead of Washington and they already have these types of school programs.

Councilmember Way asked for details about the types of programs Ms. Rodder knew about and her suggestions for the schools.

Ms. Rodder responded that she learned a lot at the conference, but she is a novice. She said there are programs in Minnesota which address the good and bad issues concerning gambling. She added that Ontario, Canada has a great program also.

(d) Jim DiPeso, Shoreline, said he is a board member of the Chamber of Commerce, but he is speaking as an individual. He said gaming houses are beneficial to the City, noting that they provide jobs and tax revenue. They contribute financially in providing services to the community.

(e) Michael Preston, Shoreline, pointed out that Goldie's started in 1997 as a family-owned company. He said his mother loaned Goldie's \$60,000 to pay Shoreline's taxes before she passed away. He said more money was borrowed against a development in order to stay in business and pay the gambling taxes on time. He commented that the Aurora construction has affected Goldie's more than other establishments, and that no business should be forced to pay taxes if they have to borrow the money to do it. He said Goldie's gives the City more money than Goldie's itself keeps. He felt the City of Shoreline should do what it can to assist the largest taxpayers in the City of Shoreline.

(f) Florence Oelke, Mukilteo, commented that she is a dealer at Goldie's. She urged the Council to keep the gambling tax rate at 7%.

Councilmember Gustafson inquired if there has been any movement to work with state and federal legislators to impose a smoking ban on tribal casinos. He said it seems it would be a fair thing to do to assist our casinos.

Mr. Kesel said he doesn't really know. He commented there was talk about trying to have tribal casinos be considered as non-smoking, but issues of sovereignty came up. He commented that he is also not sure of any lobbying activities either.

Councilmember Gustafson added that the playing field needs to be equalized.

Ms. Able read a document that stated that there is urging towards discouraging smoking in tribal casinos, but it is up to them to prohibit smoking. She said the casinos know if they prohibit smoking they will lose money; the casinos won't ban smoking unless they are forced to.

Councilmember Gustafson added that the legislature should look at that because if the message is that smoking is bad for everyone, then tribal casinos should be included in the ban also.

Ms. Chiechi added that there was an opportunity to ban smoking in the Spokane compact, but the only thing that occurred was minimal funding in the State smoking cessation program. She felt the federal government needs to apply pressure to prohibit smoking in tribal establishments.

Councilmember Gustafson agreed with Ms. Rodder that this needs to be a part of school education. He was surprised at the number of 18-year-olds that gamble during lunch, noting that it is an issue that should be addressed by the City and the school district. He apologized that he had to leave.

**Councilmember Gustafson departed the meeting at 8:07 p.m.**

Councilmember Ryu said she has learned a lot today. She appreciated the education portion and said young people and educators need to be aware of this. She inquired how alcoholism compares to gambling in terms of pathology.

Mr. Farris responded that in terms of actual exposure, the incidence of gambling includes betting on sports and other types. He said there is a higher lifetime exposure rate to gambling than to drinking and drugs. He admitted that he was not a treatment professional, so he was unsure of the percentages. Responding to Councilmember Way's inquiry regarding gambling education, he said he could forward some Oregon curriculum, which is funded through their lottery program. He noted that it usually takes a person "hitting bottom" to find out they are a problem gambler. He noted there is a helpline, 1-800-547-6133, which gets callers to a professional counselor.

Councilmember Ryu asked if there are instances of people referring their friends to counselors and is there any peer pressure to not gamble.

Mr. Farris said the peer pressure usually encourages people into, rather than away from, gambling as reflected by the numbers over the past 10 years.

Councilmember Ryu inquired if the casinos that pay the 10 percent tax rate to the City are exempt from the other taxes that other businesses have to pay.

Ms. Able responded that the casinos are not exempt and must pay all of them, including the B&O tax.

Councilmember Ryu questioned if there are any indications that the gaming industry requires a higher level of services from the police, fire, or emergency medical services.

Mayor Ransom added that there have been responses from police in the past that the incidents have gone down based on the surveillance.

Mr. Kesel confirmed Mayor Ransom's response that the surveillance equipment and the

relationship with the police department have led to the reduction in crimes at the casinos.

Ms. Chiechi also noted that there was an incident in Lakewood where the police used the on-site cameras from a casino to solve a crime. Overall, she said the casinos and the police are collaborative and because of that, the incidents have gone down.

Ms. Able also added that the casinos are required to have licensed gaming security officers on-site.

Mr. Olander stated he has spoken to the police department and he confirmed there is very little gambling-related crime. However, he noted that these establishments serve alcohol, but there are no more incidents in them than at the local restaurants, bars, or taverns.

Councilmember Way thanked the panel for the presentation and thanked the casinos for their contributions to the Shoreline economy. She also thanked them for the sacrifices they have made due to the Aurora project. She asked about the online gaming industry and how much it is influencing the youth in comparison to gambling at local casinos.

Mr. Farris noted that the ease of access and the use of credit cards make online gambling easy. He said it is a federal issue and he is not sure about the statistics, but there are some studies that show online gambling is increasing. Young people are much more likely to go online rather than sneaking into casinos. He added that this trend will continue to grow as long as banking laws make it relatively simple for someone to obtain credit.

Ms. Able said it is hard to ascertain whether online gambling is impacting the casinos in Shoreline. She added that poker is done online, not table games. She commented that she doesn't think the government is aware of the impact.

Councilmember Way wondered whether the availability of obtaining quick funds from banks has increased lately.

Mr. Kesel responded that he couldn't answer that. However, he noted that he has seen an incredible increase in the use of credit cards, and credit is readily available. He added that in order to enter the casinos, the patron has to be 18 years old. By the age of 18 they have stand-alone credit cards. Also, there is no way to determine the actual age of an online user.

Councilmember Way asked if the issue more related to banking and credit, and if this leads to other problems such as a shopping addiction.

Mr. Kesel responded that he could not speak to that particular issue, but there is a definite problem with underage gambling.

Councilmember Way questioned if Shoreline's casinos keep detailed records.

Mr. Kesel responded that they do and the commission can look at any of their records. The commission looks at all the operational activity and at the ATM activity, any non-sufficient



fund checks, and any cases of fraud.

Councilmember Way thanked Mr. Kesel for his work in keeping the casinos running smoothly. She asked Ms. Able if she has noticed any correlation with the availability of cash and if Goldie's has put some controls in place.

Ms. Able responded that the ATMs at Goldie's are independently owned and operated. She also said Goldie's uses a check clearinghouse, and patrons are verified through the system before they are allowed to write a check.

Councilmember McGlashan pointed out that the percentage that the City charges for the gambling tax is set by the Council. However, it is mandated that the City must tax the gross revenue of all gaming establishments.

Mr. Kesel responded that RCW 9.46.110 is the authority to tax set by legislature. He said that paragraph gives cities the option to tax the net or gross of pull tabs. This paragraph, he outlined, defines the ranges of taxes that various entities can charge.

Ms. Able explained that the language in the RCW says "may tax", so it's permissive. She said there is no mandate to tax gambling.

Ms. Chiechi clarified that taxes were collected, historically, for enforcement and for regulatory aspects. She explained they were taxed because it was determined that the gambling establishments would need funds for security and other services. She added that the casinos are still being taxed based on the old style, where it was player banked. However, now there is a large amount of overhead and the tax is still here today.

Councilmember McGlashan referenced "living wage jobs," noting he heard from several citizens who stated the waitresses makes minimum wage plus tips and benefits were taken away.

Ms. Able replied that each casino is different and unfortunately the casinos had to make huge cuts in 2006. She said part of those cuts were in health benefits packages of all employees, not just tipped employees. She concluded that they had to do something to save the business and remain open.

Councilmember McGlashan asked what the difference is between closed and non-operating casinos.

Ms. Chiechi said it means that the closed casinos have let their license expire and the non-operating casinos still pay for and maintain a current license in the hopes that they can re-open one day.

Deputy Mayor Fimia thanked the public for attending and the panelists. She said gaming is engrained in the culture and the City is very dependent on gambling taxes. She asked Ms. Tarry to let everyone know how much of our total revenues come from gambling.

Ms. Tarry responded that about 7.5% of total operational revenues come from gaming. She continued and stated that this is about 40% of the sales tax revenue and 40% of the property taxes revenue.

Deputy Mayor Fimia discussed online gambling. She said she knows it is illegal, but it also sounds like it's not safe due to lack of regulation.

Mr. Kessel mentioned that the WSGC is tasked with trying to deal with that, but they cannot enforce activities in private homes. He added that the WSGC has sent agents to various conferences on this matter.

Deputy Mayor Fimia said she isn't blaming the WSGC, she just wanted to inform the public that it isn't safe to gamble online. Mr. Kesel agreed.

Deputy Mayor Fimia said it would be wise for the City to add to the next legislative packet an item on lobbying the State to get the gambling age raised to 21. She asked how the construction of Aurora Avenue has impacted Goldie's.

Ms. Chiechi expressed concern that increasing the age limit to 21 would give the tribes more opportunity and place another disadvantage on the non-tribal casinos.

Ms. Able noted that the project severely impacted Goldie's, since traffic was rerouted and the front entrance was closed off.

Councilmember McGlashan asked if any of the Shoreline casinos have a 21 years or older requirement for their patrons.

Ms. Chiechi said she doesn't have the specifics about each casino, but she would get back to the Council with that information.

Mayor Ransom commented on problem gambling. He noted that Senator Prentiss had hearings on this issue and concluded that they weren't able to provide enough counselors for this issue. He mentioned he is a licensed mental health counselor, and was told he would only get two case referrals for problem gambling per year, so the issue can't be that significant. However, people consider it a big concern at this meeting. He felt the State doesn't really know the extent of the problem; however, it is significantly smaller than substance abuse.

Mr. Farris noted that his wife, who is also a mental health counselor, sees more than two cases per year. He stated that his wife sees eight to ten new patients per month. He added that the question of the licensing for problem gambling treatment is legitimate because there are many commonalities in addiction treatment, but gambling tends to be more associated with depression and money issues. There is continued debate concerning the appropriate level of qualification.

Mayor Ransom said that when he investigated this, the only counselors getting full-time referrals were members of the Korean Counseling Service.

Mayor Ransom pointed out that the City has received up to \$3.5 million a year and over \$25 million the past 10 years in gambling tax revenue. He noted that half of those funds were put into capital funds, with most of it being allocated to the building of a new City Hall. He said the City has benefited greatly from the gambling tax revenue. He calculated that \$3 million is 50% of the City's property tax and sales taxes, 45% of the police budget, and 90% of the parks budget. He added that it equals the revenues of fifteen Sears stores or four Costco businesses. The impact from four 15-table and one 5-table casino is rather significant to Shoreline, he noted. His opinion is that the casinos are being hit for taxes before they pay their own employees and benefits. It is a well-paid industry, he commented, providing over 800 living wage jobs. He said this industry is suffering in Shoreline and it is partly because of the City's construction, the smoking ban, and the tribal casinos. The question is whether to reinstate the temporary 7 percent rate that went back up to 10 percent on April 1, 2007. He stated that the Council has until the end of June to reconsider and take action. If the tax reduction is extended, it would reduce the City's revenues by another \$150,000 for the next quarter.

Deputy Mayor Fimia thanked the panelists for coming and stated the Council values all of its citizens and businesses. She added that the Council wants to work with them on this.

5. ADJOURNMENT

At 8:58 p.m., Mayor Ransom declared the meeting adjourned.

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Scott Passey, City Clerk, CMC

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