

**TO:** James L. App, City Manager  
**FROM:** Robert Burton, Chief of Police  
**SUBJECT:** Casino Expansion Request  
**DATE:** 1/7/14

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**Needs:** Council consideration of requests for card room expansion and other amendments.

**Facts:**

1. In May 2013, the Police Department received a request from Paso Robles Central Coast Casino (PRCCC) to amend various provisions in the Municipal Code regarding Card and Billiards Rooms. PRCCC operates the only card room in the city and requests the following revisions:
  - Increase the maximum number of card tables permitted in a card room from 4 tables to 15 tables (a change that would require reducing the number of allowable cardrooms to one).
  - Eliminate the restriction on wagering limits
  - Allow bets by owners, operators, or employees while on duty in certain situations
  - Expand the the definition of allowable "card games" to include all forms of card games, including electronic equivalents, but exclude gambling machines offering direct or indirect consideration.
2. The PRCCC operators also indicated that if the above changes were adopted, they may add a restaurant and bar.
3. PRPD contacted the Ventura, Atascadero and Grover Beach Police Departments to evaluate card room operations, municipal code regulations, and crime attributed to card room operations. A matrix comparing the operations in the above jurisdictions is attached.
4. A new bill which takes effect Jan. 1, 2014, (AB 1039) allows a city or county to increase by 2 the number of allowable tables per establishment authorized as of Jan. 1, 2013. However this is far smaller than the increase PRCCC is requesting.

## **ANALYSIS & CONCLUSION:**

California Business and Professions Code section 19961 limits the ability of a local government to expand gambling in a city without voter approval. In addition, the State has increasingly regulated gambling in local jurisdictions and imposed a moratorium on the issuance of new licenses.

In 2010, based on a petition from Central Coast Casino, the City Council adopted an ordinance that reduced the number of allowable gaming establishments from 5 to 3 and increased the number of permitted tables per establishment from 2 to 4. Thus the total number of tables currently allowed in the city is 12.

Each of PRCCC's requested amendments are addressed separately below. The PRPD has a neutral position on all requests, as they do not appear to compromise public safety, except it does support the exclusion of certain gambling machines, as requested by PRCCC.

### **1. Increase Number of Tables/Reduce Number of Establishments.**

Pursuant to Business and Professions Code section 19961, the Council can only approve an increase to 12 tables at one establishment without voter approval, and **ONLY IF** it also reduces the number of permitted gaming establishments from 3 to 1. This effectively means PRCCC would have a monopoly on gaming in the City.

### **2. Elimination of Wagering Limits**

Section 5.08.085 sets a wagering limit of \$200 per hand, but allows the Council to change the limits by resolution. If the Council does adopt a resolution to raise or eliminate wagering limits, the PRPD would recommend monitoring to determine whether such a change results in criminal activity or impairs public safety.

### **3. Allow PRCCC Staff to Wager**

PRCCC requests that their employees be allowed to wager for the limited purpose of initiating or maintaining the minimum numbers of players. Currently the Paso Robles Municipal Code does not allow on-duty employees to engage in gaming. However, other jurisdictions allow owners, operators, or employees to wager while on "breaks" or while off duty.

### **4. Allow Video Poker Machines**

Electronic gaming devices (poker machines) allow a player to interface directly with a machine that offers a simulated card game experience in a one-on-one environment – similar to a Las Vegas style video poker machine. However, by offering electronic gaming, a card room would essentially bypass ordinance-controlled table limits to increase potential revenue.

## 5. Exclude Direct or Indirect Consideration Gambling Machines

The PRPD supports an exclusion for machines that offer “direct or indirect consideration, including consideration associated with a related product, service or activity.” This issue is a fiercely debated topic within many communities across the United States. According to the American Gaming Association, many communities are experiencing a proliferation of “Internet Sweepstakes Cafes” which many characterize as unregulated gambling establishments. Storefronts, gas stations, and convenience stores in several states allegedly attempt to avoid gambling laws by using these devices. The cafes advertise and sell a product — usually Internet time or long-distance telephone minutes — that the gambler does not actually want. Along with that unwanted product, the customer receives a supposed bonus of “entries” in the Internet sweepstakes. With those entries, the customer can participate in Internet-based games at the cafe’s specially-programmed personal computers. Based on a random allocation of winning and losing entries, the customer may or may not win cash prizes through those games. The storefronts use devices that closely mimic the experience of a traditional slot or video poker machines.

Local governments have joint responsibility with the Department of Justice’s Division of Gambling Control for regulating card rooms. Local governments are responsible for setting hours of operation, number of tables and wagering limits while the Division is responsible for investigating the qualifications of individuals who apply for state gaming licenses. The Division also monitors licensees to ensure that they are operating in compliance with the state Gambling Control Act.

The PRPD would also recommend exploring a *gambling privilege* tax. Such a tax would have to be approved by the voters. According to the California Council on Problem Gambling, card rooms generally pay between 5% and 15% of gross revenues to their local city governments in gambling privilege taxes. There are no current estimates on how much revenue such a tax would generate for Paso Robles.

**POLICY REFERENCE:** Chapter 5.08 of the Paso Robles Municipal Code; Bus. & Prof. Code §19661

**FISCAL IMPACTS:** Unknown, as PRPD does not anticipate the requested changes would affect public safety issues. Further information is needed to assess potential revenues from a gambling privilege tax as well as cost of placing measure on ballot.

### OPTIONS:

- A. Provide direction concerning PRCCC’s requests and a gambling privilege tax.
- B. Amend, modify or reject the above option

Attachments: Matrix

## Gambling Regulations in Other Jurisdictions

	Ventura	Atascadero	Grover Beach	Paso Robles
# Tables in operation	15	4	6	4
Employee Wagering Allowed	yes	no	Code is silent	no
Wagering Limit	Set by CC resolution	\$500, but being modified	\$500 wager limits, up to \$1,000 per single hand	\$200
Restaurant/Bar	Adjacent to casino	yes	Full bar	Beer/wine
Gambling tax	15% of gross revenues	no	\$550 per table	no