

DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

March 22, 1988
RA881090:MLM:ldm

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5454

Law and Legislation Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: BINGO ORDINANCE REVISIONS

SUMMARY

This report requests that the Law and Legislation Committee recommend the City Council adopt the attached ordinance which establishes a minimum 20% charity donation of gross bingo receipts and provides technical administrative improvements of the present regulatory provisions.

BACKGROUND

Bingo games have been legally allowed to operate in the City since 1977. In 1983 the City conducted a thorough review of the bingo regulatory provisions and adopted the present ordinance effective August 1, 1983.

DISCUSSION

Bingo activity in the City is jointly monitored by the Police Department and the Revenue Division. Police Department and Revenue Division staff are concerned that the original intent of legalizing bingo to produce revenue for charitable purposes has been violated. Additionally, Police Department staff is concerned that the present regulations are unclear about prohibiting electronic or mechanical bingo games. Revenue Division staff believes that certain regulatory provisions should be revised to facilitate monitoring of bingo activities.

The joint concern that the original intent of legalizing bingo has been violated stems from the steady decline in the percentage of gross receipts reported donated to charity, from 20.3% in 1982 to 4.2% in 1987. During 1987, one charity suffered a net loss of \$122,587. Exhibit I lists the 1987 bingo licensees in the order of percentage of retained net earnings available for donation to charity.

The amount of money spent on fund raising appears to be excessive. The National Charities Information Bureau has a proposed standard that a maximum of 40% of monies raised by charities should be used for fund raising activities. City staff recognizes that bingo fund raising differs from direct mail fund raising and that bingo fund raising costs are higher.

Imposing a requirement that a minimum percentage of the gross receipts must be donated for charitable purposes will assure that the bingo games of organizations with monthly gross receipts in excess of \$5,000 are operated to produce revenue for charitable purposes. An additional requirement that the charity must have been in existence for three years prior to receiving a bingo license will assure that the organization is truly a charitable organization. The attached ordinance requires a minimum donation of 20% of the gross receipts for charitable purposes for any bingo licensee that has monthly gross receipts in excess of \$5,000.

Police Department staff is concerned that the present regulations are unclear about prohibiting electronic or mechanical bingo games because these games resemble slot machines. Police Department staff recommends expressly prohibiting electronic or mechanical bingo games to remove any doubt regarding their legality.

Revenue Division staff recommends the following revisions of the regulatory provisions to facilitate monitoring of bingo licensees.

1. Require licensees to advise the City in writing within 10 days of any changes in the information provided by the organization on the bingo license application.

Comment: This will assure that the City's license files are current.

2. Delete the 50% refund of the bingo license application fee for applications that are denied.

Comment: The City experiences higher costs rather than lower costs when a license is denied.

3. Authorize the City Manager to waive the annual license fee for any organization conducting bingo games solely for the purpose of the organization's entertainment.

Comment: The annual fee creates a financial hardship for an organization conducting bingo games solely for its entertainment.

4. Impose a penalty for late payment of annual and monthly license fees.

Comment: The penalty will encourage timely payment of annual and monthly license fees.

5. Impose a deadline for submittal of annual financial reports.

Comment: The deadline will encourage timely filing of the annual financial reports.

The current bingo licensees were informed of these proposed changes and were requested to provide comments. All of the licensees that responded opposed the requirement for a minimum charity donation of gross receipts. One licensee opposed waiving the \$50 annual fee for organizations conducting bingo games solely for their entertainment.

RECOMMENDATION


It is requested that the Law and Legislation Committee recommend the City Council adopt the attached ordinance which establishes a minimum 20% charity donation of gross bingo receipts and provides technical administrative improvements of the present regulatory provisions.

Respectfully submitted,



Michael L. Medema
Revenue Manager

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

Attachments

CITY OF SACRAMENTO
1987 ANNUAL BINGO REPORT

Organization	Beg. Balance	Gross Revenues	Expenses	Fee Paid	Net Earnings	% of Gross	Donations	Balance
Sacto. Society for Blind	9,085	162,797	126,079	1,125	35,593	21.90	42,400	2,281
Holy Spirit	0	158,513	127,326	660	30,527	19.30	20,000	10,527
Camellia City Ctr.	0	1,720	1,350	50	320	18.60	320	0
Friends of State Fair	39,714	30,996	25,467	260	5,269	17.00	16,902	28,081
Our Lady of Lourdes	1,330	45,384	37,627	50	7,707	16.90	7,500	1,537
St. Joseph's Social Hall	2,279	74,130	61,621	193	12,316	16.60	13,000	1,595
Loyal Order of Moose	366	46,850	39,645	50	7,155	15.30	5,963	1,558
Immaculate Conception	2,783	158,039	136,848	1,029	20,162	12.80	11,000	11,945
American Legion	872	105,273	94,415	502	10,356	9.80	8,902	2,326
St. Peter's Social Club	6,109	955,792	874,095	9,004	72,693	7.60	73,200	5,602
John F. Kennedy	67,368	2,288,532	2,119,359	21,789	147,384	6.40	148,135	66,617
All Hallows	10,036	294,823	277,019	2,499	15,305	5.20	14,220	11,121
V.F.W. Post 67	9,380	66,342	62,867	381	3,094	4.70	2,018	10,456
Greenfair Tower One	85	15,237	14,683	50	504	3.30	0	589
St. Rose/St. Pat's Club	(419)	855,246	821,041	8,139	26,066	3.00	31,300	(5,654)
Hiroshima Nikkejin	56	2,431	2,393	0	38	1.60	0	94
Sacramento Manor	0	3,717	3,643	50	24	0.64	0	24
Southwind Association	3	7,896	7,796	50	50	0.63	0	53
St. Mary's Social Club	(12,940)	302,526	299,316	2,476	734	0.24	734	(12,940)
Stadium Club (Gardenwest)	0	3,886	3,836	50	0	0.00	0	0
Trinity House	0	0	0	50	(50)	0.00	0	(50)
Faternal Order #9 (closed)	0	0	0	50	(50)	0.00	0	(50)
Greenfair Tower Two	0	16,159	16,159	0	0	0.00	0	0
Sacto. Senior Club	(28)	2,232	2,185	50	(3)	-0.13	0	(31)
Southgate Activities Club	73	8,374	8,374	50	(50)	-6.00	0	23
Wong Center	0	750	750	50	(50)	-6.70	0	(50)
March of Dimes	0	857,421	980,008	0	(122,587)	-14.30	(122,587)	0
Hellenic Senior Center	0	4	20	50	(66)	-1650.00	0	(66)
TOTAL - 1987	136,152	6,465,070	6,143,922	48,707	272,441	4.20	273,007	135,588
TOTAL - 1986	189,255	6,809,119	6,237,864	54,055	517,200	7.60	556,209	150,246
TOTAL - 1985	217,516	8,335,821	7,216,056	80,281	1,039,484	12.50	784,095	472,905

ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

AN ORDINANCE AMENDING SECTIONS 18.102,
18.105(a) AND 18.106, AND ADDING SECTIONS
18.116-1, 18.130 AND 18.131 TO THE
SACRAMENTO CITY CODE, RELATING TO BINGO

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Section 18.102 of the Sacramento City Code is hereby amended to read as follows:

Sec. 18.102 Organizations eligible for license.

Organizations which are exempted from the payment of the bank and corporation tax by sections 23701a, 23701b, 23701d, 23701e, 23701f, 23701g, and 237011 of the Revenue and Taxation Code and mobilehome park associations and senior citizens organizations are eligible to apply for a license to conduct bingo games in the city under the provisions of the California Constitution, section 326.5 of the Penal Code and provisions of this chapter; provided that the receipts of such games are used only for charitable purposes, and provided further that no organization shall be eligible to apply for a license unless the organization has been in existence for three years or longer.

SECTION 2.

Subsection (a) of Section 18.105 of the Sacramento City Code is hereby amended to read as follows:

- (a) The name of the applicant organization, a statement that the applicant is an eligible organization under Section 18.102, and proof that the organization has been in existence for three years or longer.

SECTION 3.

Section 18.106 of the Sacramento City Code is hereby amended to read as follows:

Sec. 18.106 License fee.

An annual license fee of \$50 shall accompany the application. In addition to the \$50 annual fee, a fee of one percent (1%) of the monthly gross receipts over \$5,000 derived from bingo games shall be paid monthly by the organization to the city. Said fee shall be paid to the city within 15 days after the end of the month for which the fee is due, and shall be accompanied by a completed monthly income and expense statement on a form provided by the city manager. If the monthly fee is not paid within 30 days after the end of the month for which it is due, a penalty of \$15 shall be added to the unpaid amount. After 30 additional days, if the fee is still delinquent, an additional penalty of \$100 shall be added to the unpaid amount to cover the costs of enforcement.

The city manager may waive the annual license fee for any organization, such as a senior residence complex, senior center, or social club, which conducts bingo games solely for the entertainment of its members or residents and which has gross receipts derived from bingo games of less than \$1,000 per month.

Nothing in this section shall be construed to require any refund of license fee paid in the event a bingo license is revoked under the provisions of this article. (Ord. 3850, \$1; Ord. 3966, \$2; Ord. 83-089, \$1)

SECTION 4.

Section 18.116-1 is hereby added to the Sacramento City Code to read as follows:

Sec. 18.116-1 Minimum charitable contributions.

- (a) Notwithstanding the provisions of Section 18.116 or any other provision of law, a licensee which for any month has gross receipts derived from bingo in excess of \$5,000 shall use for charitable purposes no less than twenty percent (20%) of its total gross receipts derived from bingo games, calculated on an annual basis. The city manager shall establish reasonable regulations for measuring compliance with this requirement.
- (b) Every licensee shall comply with subsection (a) for the calendar year beginning January 1, 1989 and at all times subsequent thereto.
- (c) No bingo license shall be renewed on or after January 1, 1990, unless the licensee has, for all periods commencing January 1, 1989 to the time of renewal, complied with subsection (a).

SECTION 5.

Section 18.130 is hereby added to the Sacramento City Code to read as follows:

Sec. 18.130 Electronic and mechanical devices prohibited.

No licensee shall offer or operate, or allow to be played, any form of bingo in which electronic or mechanical machines or devices are utilized.

SECTION 6.

Section 18.131 is hereby added to the Sacramento City Code to read as follows:

Sec. 18.131 Other reporting requirements.

- (a) A licensee shall advise the city manager in writing within ten (10) days of any change in the information contained on the licensee's application for license.
- (b) Every licensee shall file an annual financial report of its bingo operations no later than January 31 of each year for the prior calendar year. The city manager shall prescribe the form and manner of the annual report.

DATE PASSED FOR PUBLICATION:

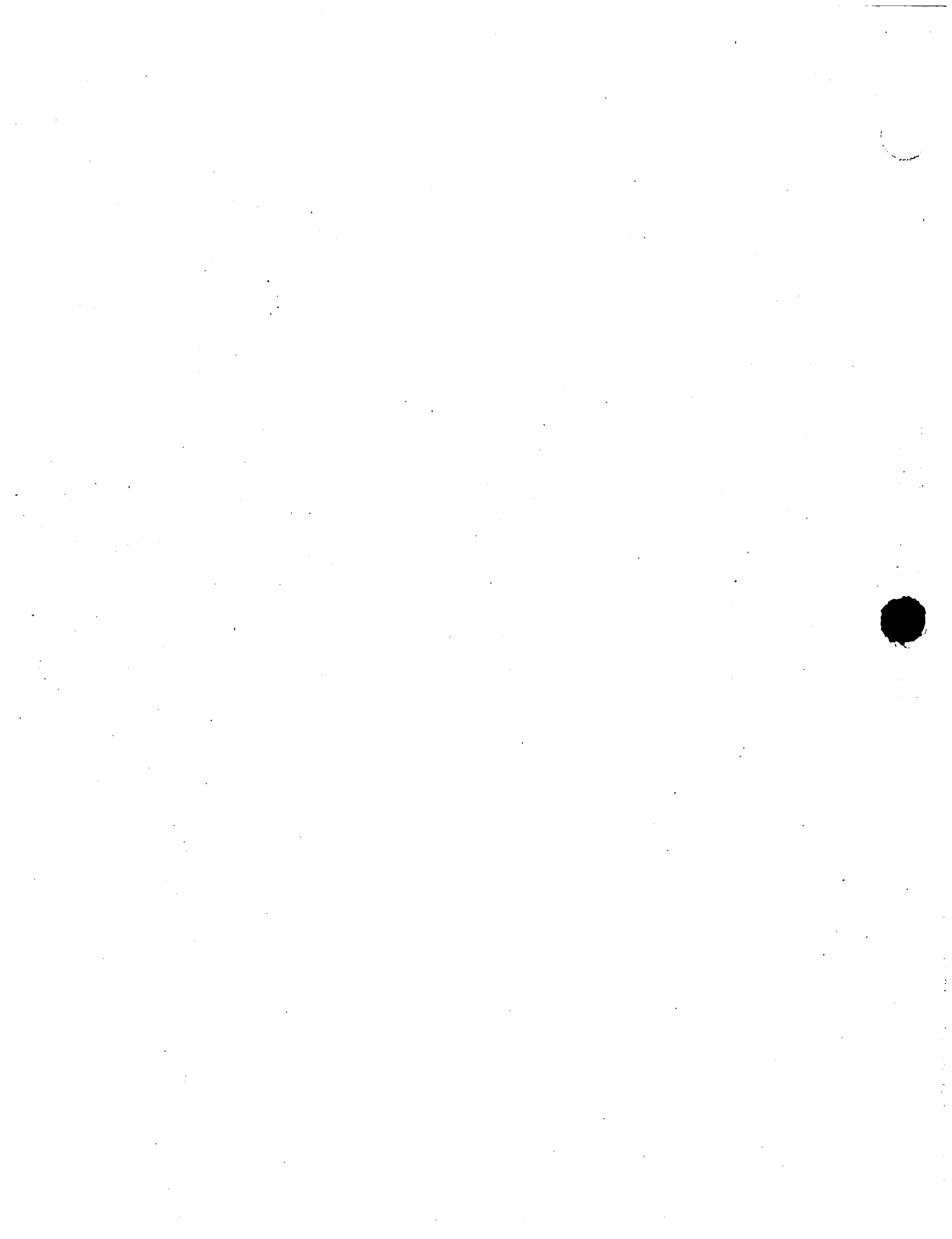
DATE ENACTED:

DATE EFFECTIVE:

MAYOR

ATTEST:

CITY CLERK



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18.105(a) AND 18.106, AND ADDING SECTIONS
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Organizations which are exempted from the payment of the bank and corporation tax by sections 23701a, 23701b, 23701d, 23701e, 23701f, 23701g, and 237011 of the Revenue and Taxation Code and mobilehome park associations and senior citizens organizations are eligible to apply for a license to conduct bingo games in the city under the provisions of the California Constitution, section 326.5 of the Penal Code and provisions of this chapter; provided that the receipts of such games are used only for charitable purposes, and provided further that no organization shall be eligible to apply for a license unless the organization has been in existence for three years or longer.

SECTION 2.

Subsection (a) of Section 18.105 of the Sacramento City Code is hereby amended to read as follows:

- (a) The name of the applicant organization, and a statement that the applicant is an eligible organization under Section 18.102, and proof that the organization has been in existence for three years or longer.

SECTION 3.

Section 18.106 of the Sacramento City Code is hereby amended to read as follows:

An annual license fee of \$50 shall accompany the application. ~~If an application for a license is denied, one-half of the application fee shall be refunded to the organization.~~ In addition to the \$50 annual fee, a fee of one percent (1%) of the monthly gross receipts over \$5,000 derived from bingo games shall be paid monthly by the organization to the city. Said fee shall be paid to the city within 15 days after the end of the month for which the fee is due, and shall be accompanied by a completed monthly income and expense statement on a form provided by the city manager. If the monthly fee is not paid within 30 days after the end of the month for which it is due, a penalty of \$15 shall be added to the unpaid amount. After 30 additional days, if the fee is still delinquent, an additional penalty of \$100 shall be added to the unpaid amount to cover the costs of enforcement.

The city manager may waive the annual license fee for any organization, such as a senior residence complex, senior center, or social club, which conducts bingo games solely for the entertainment of its members or residents and which has gross receipts derived from bingo games of less than \$1,000 per month.

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SECTION 4.

Section 18.116-1 is hereby added to the Sacramento City Code to read as follows:

Sec. 18.116-1 Minimum charitable contributions.

- (a) Notwithstanding the provisions of Section 18.116 or any other provision of law, a licensee which for any month has gross receipts derived from bingo in excess of \$5,000 shall use for charitable purposes no less than twenty percent (20%) of its total gross receipts derived from bingo games, calculated on an annual basis. The city manager shall establish reasonable regulations for measuring compliance with this requirement.
- (b) Every licensee shall comply with subsection (a) for the calendar year beginning January 1, 1989 and at all times subsequent thereto.
- (c) No bingo license shall be renewed on or after January 1, 1990, unless the licensee has, for all periods commencing January 1, 1989 to the time of renewal, complied with subsection (a).

SECTION 5.

Section 18.130 is hereby added to the Sacramento City Code to read as follows:

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Section 18.131 is hereby added to the Sacramento City Code to read as follows:

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MAYOR

ATTEST:

CITY CLERK