CITY OF ELLENSBURG, WASHINGTON

Minutes of Council Meeting, Special Session
Date of Meeting February 26, 2001
Time of Meeting 7:00 p.m.
Place of Meeting Council Chambers, 100 North Pearl Street

Councilmembers Present: Barry, Bassett, Brown, Collins and Mayor Perrie.

Others present were City Manager Barkley; City Attorney Pidduck; Public Works Director Akers; Police Chief Richey; Finance Director Carpenter; Deputy Clerk Keno; Daily Record City Reporter Halliday; and approximately sixteen members of the audience.

The meeting was called to order by Mayor Perrie at 7:00 p.m.

The purpose of the special meeting is to consider gambling tax options available to the City.

GAMBLING TAX

City Attorney Pidduck reported gambling is an activity generally controlled by state law, and cities are quite limited in their ability to regulate it locally. However, cities may in accordance with applicable state law tax certain gambling activities. One particular activity, social card games, may be taxed to the extent of 20% of gross receipts. The tax rates that cities actually impose on card rooms vary from city to city, but generally appear to fall in the vicinity of ten percent (10%) of gross receipts. However, some cities impose the full 20% tax rate. Cities which impose taxes on social card games also uniformly impose gambling taxes on other common forms of gambling as well, such as punch boards and pull-tabs, bingo and raffles, and amusement games.

Chapter 9.46 RCW, the State Gambling Act, constitutes the exclusive legislative authority for the taxing by any city, county or town of any gambling activity in the state. State legislation adopted in 1997 permits gambling establishments to offer “enhanced card rooms” (commonly known as mini-casinos) which can have up to fifteen (15) tables and “house-banked” card games. Enhanced card room activities differ from player-banked card games which are limited to a maximum of five tables and require that players play against each other, as opposed to all players playing against the “house” in the enhanced card room. Both forms of card games constitute a “social card game” authorized under section 9.46.0282 of the State Gambling Act.

The State licenses many types of gambling activities, and within the City of Ellensburg as of the beginning of last year there were 32 active gambling licenses issued to 23 individual business establishments or non-profit entities. Those licenses cover the following types of gambling activities: fund raising events, bingo, raffles, amusement games, pull-tabs and punch boards, and public card rooms up to five tables. The most recent information provided by the state gambling commission indicates there are three establishments in the city that are licensed to operate public card rooms with
one being a non-profit only operation. The other two provide tables for player-funded banked card
games. Another business seeks to operate a food and beverage establishment at the West
Interchange and seeks a state gambling license to operate an enhanced card room in conjunction with
that business.

The authority of a city or county to tax gambling activities is limited as follows:

* bingo and raffles: 5% of gross receipts less the amount awarded as cash or merchandise prizes
* amusement games: 2% of gross receipts less prizes
* punch boards and pull-tabs used by charitable or non-profit organizations, 10% of net receipts
* punch boards and pull-tabs used as commercial stimulant, 5% of gross receipts or 10% of net
receipts; and
* social card games: 20% of gross receipts

Charitable and nonprofit organizations are exempt from bingo and amusement game taxes if the
combined net receipts from these games are no more than $5,000 per year and the organization does
not pay personnel to operate the games. The first $10,000 of net receipts from charitable or nonprofit
organization raffles are also exempt from the local tax.

In accordance with RCW 9.46.113, revenues from local gambling taxes must be used “primarily” for
the purpose of enforcement of the provisions of [the state gambling act] by the city, county or town
law enforcement agency. The state supreme court has indicated that “primarily,” as used in this
statute, means that a city or county needs only 10 percent of the tax revenues to enforce the
gambling laws, then it need not spend more than that for enforcement. Taxes imposed under Chapter
9.46 RCW become a lien upon personal and real property used in the gambling activity.

Council reviewed a listing of ten cities in the state that impose a tax on social card games along with
the differing tax rates. The rates are generally in the amount of 10% of gross revenues; several cities
ramp their tax up over time. According to the Gambling Commission, some cities impose the full 20%
tax. These cities also uniformly impose statutorily authorized gambling taxes upon other forms of
gambling.

Police Chief Richey distributed a report issued by the Washington State Gambling Commission on
gambling activity and trends for fiscal year 2000. In fiscal year 2000, Kittitas County reported $2.1
million dollars in gross sales of punch boards/pull tabs with $1.3 million dollars of those sales
occurring within the City of Ellensburg. Bingo accounted for $318,000 in gross sales in Kittitas County
of which $131,000 of those sales occurred within Ellensburg. If these types of games were taxed by
the City, they would bring in approximately $71,000 in projected revenues.
Several audience members expressed their opinions on gambling in Ellensburg. Council expressed interest in looking at a progressive gambling tax on receipts and directed staff to prepare a proposed scenario of the different tax rates and projected revenues for each gambling activity. Enforcement costs should be factored into the scenario to ensure the City is not collecting less than what it is spending. Due to the number of inquiries received from the public about gambling in Ellensburg, Council consensus was to agenda this matter for the March 5 meeting to invite public comment on this issue.

TRAFFIC IMPACT FEES

At the February 9 Council retreat staff requested Council’s review of possible implementation of transportation impact fees. Park impact fees were implemented by the City in 1995 after review by a study group of stakeholders. The decision at that time was to limit impact fee collection to park improvements, and handle traffic impacts through the SEPA mitigation process. This decision was due in part to the perception that traffic impact fees would not generate enough revenue to complete major projects, and still meet the six year expenditure requirement. Since then grant programs have evolved to place significant emphasis on projects that involve multiple funding partners, and projects that are ready to proceed to construction. With impact fees in place, project applications could be prepared to include the developer’s contribution of fees as partnership match. In addition, because the “ready to construct” aspect of grant submittals is at issue, money accumulated from fees could be expended on engineering to bring projects closer to construction phase.

Council received information on the City’s authority to impose impact fees, along with an estimation of revenue that might be realized through traffic impact fee collection. A tabulation of traffic impact fees currently in place in other Washington cities was also reviewed.

Several developers and home building industry representatives spoke against the imposition of another impact fee citing park impact fees implemented in 1995 which have not been spent. One builder pointed out the City’s impact fee ordinance does not include a provision for calculating the amount of the fee to be imposed on a development as required by RCW 82.02.060.

Council discussed the need for re-evaluation of fees the City currently charges before going forward with another impact fee. Compiling documentation supportable to imposing traffic impact fees will entail a huge amount of staff effort and City expense. Following lengthy discussion, Council consensus was to direct staff to prepare a report on the status of the park impact fees and to prepare a model for assessment of a traffic impact fee as a basis for Council consideration.

OTHER REVENUE SOURCES

The City charges many fees that do not cover the costs of service. City Manager Barkley suggested staff review the fees charged for specific services and report back to Council. Council may wish to consider adjusting any fees the City is currently subsidizing.
RECESS

Council recessed to executive session at 9:15 p.m. to discuss a property transaction. The executive session is anticipated to last approximately ten minutes and Council expects to reconvene to take action.

RECONVENE

Council reconvened in open session at 9:20 p.m.

Authorize the Mayor and the City Manager to sign the purchase and sale agreement and any Barry other documents necessary to consummate the real estate transaction at 202 S. Sprague Street to Tim and Lili Kay. Affirmed

ADJOURN Adjourn at 9:21 p.m. Barry

Affirmed

Mayor

ATTEST: