

(August 4, 1994, June 25, 2013)

LAWFUL GAMBLING  
Ordinance Chpt. 207  
CITY OF CHISAGO CITY

An ordinance authorizing and regulating lawful gambling under the City Code of the City of Chisago City.

The City Council of Chisago City does ordain:

**CHAPTER 207; LAWFUL GAMBLING**

**Section 207.01 Lawful gambling permitted.**

1. Lawful gambling, as defined in Minnesota Statutes, Section 349.12 is permitted in the City of Chisago City if the organization conducting such gambling meets the following criteria:
  - A. Is licensed by the Minnesota Gambling control Board, and is in compliance with Minnesota Statute Section 349.
  - B. Is a tax exempt organization pursuant to Section 501(c) of the Internal Revenue Code or has a Section 501(c) application pending with the Internal Revenue Service;
  - C. Maintains a primary place of business within the City or trade area and conducts more than 50% of its activities within the City;
  - D. Has been in existence as a non-profit corporation or as a Section 501(c) tax exempt organization for at least three (3) consecutive years prior to the date it begins its gambling operation; and complies with all of the provisions of this Ordinance.

**Section 207.02 Filing of records; inspections; access to records.**

1. Every organization licensed to conduct gambling in the City of Chisago City shall file with the City Administrator copies of all records and reports required to be filed with the Minnesota Lawful Gambling Control Board pursuant to Minnesota Statutes, Chapter 349, and the rules and regulations promulgated thereunder. The records and reports shall be due at the same time they are due to the Board;
2. Every gambling event in the City of Chisago City conducted by an organization under Minnesota Statutes, Chapter 349, shall be open to inspection by officers of the Lakes Area Police Department, and
3. Employees of the Lakes Area Police Department may inspect, at any reasonable time, without notice or search warrant, all records of a licensed organization, including gambling accounts and other bank records which are required, by the Minnesota Lawful Gambling Board, to be maintained and preserved.

**Section 207.03 Approval of Premises Permit.**

1. The Minnesota Lawful Gambling Board shall notify the City council in writing in the manner required by law of each pending application for a lawful gambling license at least ten (10) days before issuing the license. Each pending application for a license shall be approved or disapproved by resolution of the City Council.
2. Any organization applying to the Gambling Control Board for a Premises Permit, Bingo Hall License, or for the City shall, within ten (10) days of making such application, file the following with the City Administrator.

- A. A duplicate copy of the Gambling Control Board application along with all supporting documents submitted to the Gambling Control Board;
  - B. A copy of the Articles of Incorporation and Bylaws of this organization;
  - C. The names and addresses of all officers and directors of the organization;
  - D. A copy of the organization's written procedures and/or criteria for distribution of funds derived from lawful gambling, a standardized application form and its written fiscal control procedures; and
  - E. A copy of the Internal Revenue Service's tax exempt letter.
  - F. Such evidence as the City may deem necessary to determine whether the organization maintains its primary place of business within the city and carries out more than 50% of its activities within the city.
3. Upon receipt of the materials required by paragraph 2, above, and not later than sixty (60) days from receipt of notice from the Gambling Control Board, City staff shall investigate the applicant, and based upon said investigation, the City Council shall act on the application. An investigative fee may be charged. The cost to investigate the application may not exceed \$100.
  4. The action of the City Council to approve an application for a Premises Permit or a Bingo Hall License within the City shall be by resolution. Failure to receive a majority affirmative vote of the City Council shall consist as denial of this application.
  5. A copy of the council resolution will be made available to the license applicant upon request.
  6. Copies of any other reports or documents which are required to be subsequently filed by the organization with the Gambling Control Board, including monthly financial statements shall be filed with the City within ten (10) days of filing such materials with the Gambling Control Board.
  7. To assure compliance with this Ordinance, the City may require a Premises Permit Holder or Bingo Hall Licensee to provide copies of the records described in Minnesota Statutes Section 349.

**Section 207.04 Locations**

1. A lawful gambling organization that wants to offer electronic pull-tabs must sell paper pull-tabs at that location. The use of the electronic gambling devices for bingo and pull tabs is limited to locations that are:
  - A. Licensed for the on-sale or off-sale intoxicating liquor or 3.2 malt beverages except for general food stores or drug stores that sell alcoholic beverages.
  - B. Bingo halls with a seating capacity of 100 or more as determined by the local fire code.
2. Lawful gambling under license issued by the Minnesota Lawful Gambling Control Board may be conducted only at the following locations:
  - A. In the licensed organization's hall where it has its regular meetings. No organization shall rent, lease, or occupy, directly or indirectly, any other property for the purpose of conducting gambling, except an on-sale establishment as permitted in this ordinance;
  - B. In licensed on-sale liquor, wine, and beer establishments; and
  - C. Notwithstanding Sub-sections A & B above, "raffle only" licenses may be approved for any property location.
3. No location shall be approved for gambling unless it complies with the applicable zoning, building, fire, and health ordinances of the City of Chisago City.

**Section 207.05 Liquor Sales/lawful gambling at on-sale establishments**

1. No sale, consumption or possession of liquor, wine, or 3.2 beer shall be permitted by a licensed organization, except as permitted under a valid on-sale liquor, wine, or 3.2 beer license, or a bottle club permit; provided further that no sale, consumption, or possession of liquor, wine, or 3.2 beer shall be permitted in the room where a bingo session is taking place.
2. Lawful gambling at on-sale liquor, wine, and 3.2 beer establishments shall be conducted in compliance with the following regulations:
  - A. Only license for pull-tabs and raffles may be issued, except where the licensed gambling organization also hold the on-sale liquor, wine or 3.2 beer licenses for the premises, in which case any lawful gambling license may be issued;
  - B. On-sale establishments shall be limited to two (2) licensed gambling organization at any one time in the licensed premises or any rooms adjoining the premises under the same management or ownership. No lease shall be effective between an on-sale establishment and a gambling organization while there is still a lease in effect between the on-sale establishment and another gambling organization;
  - C. Every agreement between an on-sale premises for gambling shall be in the form of a written lease. The written lease shall be the complete agreement between the parties, and there shall be no unwritten terms or conditions. The lease shall specifically provide that the lessee shall operate only after issuance of a license and shall be subject to the terms of this ordinance;
  - D. A copy of any lease agreement between a non-profit organization and an on-sale licensee shall be filed with the City Administrator with the gambling license application;
  - E. A lease agreement between a non-profit organization and an on-sale establishment shall provide for rental payments based on a percentage of receipts of profits from lawful gambling. There shall be no other compensation paid to the on-sale establishment directly or indirectly, other than the rental fee provided in the lease agreement. There shall be four (4) different operation types as follows:
    - i. A booth operation is a method of selling and redeeming disposable gambling equipment by an employee of a licensed organization on the premise that the lawful gambling organization leases or owns. Monthly rent for a booth operation may not exceed 10% of gross profits for that month. However, the maximum combined rent for all organizations conducting lawful gambling on the premises may not exceed \$1750 per month.
    - ii. Bar operations is a method of selling and redeeming disposable gambling equipment by an employee of the lessor within a leased premises which is licensed for the on-sale of alcoholic beverages. Monthly rent may not exceed fifteen percent 15% of the gross profits from electronic pull-tabs and electronic bingo for that month. Monthly rent may not exceed twenty percent 20% of the gross profits from all other forms of lawful gambling.
    - iii. Booth and bar operations for electronic linked bingo and electronic pull-tabs that are operated for separate time periods within a business day by a nonprofit organization and the lessor, monthly rent may be no more than fifteen percent (15%) for the monthly gross profits for the time periods operated by the lessor. The lessor is also responsible for any cash shortages that occur during these periods of operation. Ten percent (10%) for the monthly gross profits for the time periods operated by the lawful gambling organization. The lawful gambling organization is responsible for any cash shortages that occur during these periods of operation.
    - iv. Electronic linked bingo and electronic pull-tabs that are operated for separate periods within a business day by a nonprofit organization and the time lessor, monthly rent may be no more than Fifteen percent (15%) of the monthly gross profits for the time periods operated by the lessor. The lessor is also responsible for any cash shortages

that occur during these periods of operation. Ten percent (10%) of the monthly gross profits for the time periods operated by the lawful gambling organization. The lawful gambling organization is responsible for cash shortages during these periods of operation.

- F. No gambling employee may use intoxicating beverages while working on the sale of games;
- G. No gambling funds shall be commingled with funds of the on-sale establishment
- H. No food, drink, or entertainment discounts or other promotions shall be offered in conjunction with the sale of gambling devices or changes;
- I. The on-sale establishment shall allow the organizations to conduct gambling at any time during its lawful business hours and shall prohibit gambling at any time other than its lawful business hours;
- J. The on-sale licensee shall make no agreements with any gambling equipment distributor requiring the use of his or her gambling equipment in the establishment;
- K. Sub-sections F, G, H, I, J and K shall not apply when the licensed gambling organization is also the holder of the on-sale license for the establishment where the gambling is conducted;
- L. The City Council may disapprove a gambling license application for an on-sale establishment in which gambling violations have previously occurred.

**Section 207.06 Gambling Manager**

1. Before any person may serve as a gambling manager for any organization licensed to conduct gambling in the City of Chisago City, that person must have satisfactorily completed a course of instruction conducted by the Minnesota Lawful Control Board on the duties and responsibilities of the gambling manager.

**Section 207.07 Trade Area Requirement**

1. Unless specifically permitted by the City Council in accordance with sub-paragraph 3 below, every organization conducting lawful gambling within the jurisdiction of the City of Chisago City shall annually spend at least ninety percent (90%) of its expenditures for lawful purposes on lawful purposes conducted or located within the City's trade area.
2. The City of Chisago City's "Trade Area" is defined as the area located within the Chisago City limits and each city and township contiguous to the city per State Statute 349.213.
3. An organization may apply to the City Council for special permission to expend less than 90% of its expenditures for lawful purposes within the City's trade area on a case by case basis. The City Council shall have complete discretion in deciding whether or not to grant such permission.

**Section 207.08 Gambling exempt from stated licensing requirements.**

1. Organizations which conduct lawful gambling which is exempt from state gambling licensing requirement pursuant to Minnesota Statute Section 349.166 may conduct such gambling within the City upon receipt of a permit from the City; except this requirement does not apply to door prize or raffles and bingo where total prizes are less than \$1500 in a calendar year;
2. An application for such a permit shall be made at least thirty (30) days prior to the date of such gambling shall be conducted. The application shall contain the following:
  - A. The name of the organization.
  - B. The address of the organization;
  - C. The place where such gambling will occur;

D. The total prizes to be awarded.

3. The organization shall pay a permit fee of ten dollars (\$10.00) for each day gambling is conducted;
4. Permits for all classes of gambling activities may be approved;
5. Lawful gambling by an organization exempt from licensing may be conducted on the premises of a licensed on-sale liquor, wine, or beer establishment or a bottle club, subject to the restrictions in this chapter relating to the conduct of gambling in on-sale establishments and bottle clubs;
6. Except as provided in sub-section 5 above, the sale, consumption, and possession of intoxicating liquor at the gambling event by an exempt organization shall be prohibited. However, 3.2 beer may be served and consumed, but only under a valid temporary on-sale beer license;
7. The organization shall comply with all statutory requirements for an exempt organization, including the thirty (30) day notice requirement to the City, pursuant to Minnesota Statutes Section 349.166;
8. Within thirty (30) days after filing any reports with the Gambling Control Board, the organization shall file a copy of such reports with the City; and
9. The provisions relating to “law enforcement and administrative costs” set forth in Section 207.08 shall not apply to gambling permitted pursuant to this Section. All other provisions of this Chapter apply to such organizations.

**Section 207.09 Lawful Gambling Contribution**

1. Lawful gambling organizations must contribute ten percent per year of their net profits derived from lawful gambling conducted at premises within the city's jurisdiction to a fund administered and regulated by the responsible local unit of government without cost to such fund. This fund must be disbursed by the local unit of government for (i) charitable contributions as defined in section 349.12, subdivision 7a, or (ii) police, fire, and other emergency or public safety-related services, equipment, and training, excluding pension obligations. A contribution made by an organization is not considered an expenditure to the city nor a tax under section 297E.02, and is valid and lawful. The city after receiving and making expenditures authorized under this clause must by March 15 of each year file a report with the lawful gambling board, on a form the board prescribes, that lists all such revenues collected, interest received on fund balances, and expenditures for the previous calendar year.

This ordinance shall take effect and be in force from and after its passage and publication.

Passed by the City Council of the City of Chisago City this 25th day of June 2013