



CITY OF
FOLSOM
DISTINCTIVE BY NATURE

Folsom City Council Staff Report

MEETING DATE:	9/13/2022
AGENDA SECTION:	New Business
SUBJECT:	Potential Modifications to City of Folsom Cardroom Ordinance and Direction to City Staff
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends that the City Council provide direction regarding potential modifications to the City’s Cardroom Ordinance (FMC, Chapter 5.20 Cardrooms) including but not limited to increases in the number of permitted card tables in any cardroom and allowing for the practice of Backline Betting in any cardroom.

BACKGROUND / ISSUE

Legal gambling establishments, popularly referred to as cardrooms, have existed in California since the 1850s, and for the majority of that time, regulation of cardroom activities was left almost exclusively to local governments. The Folsom City Council formally began regulating cardrooms in 1988 with the approval of Ordinance No. 618, which enacted Chapter 5.20 Cardrooms of the Folsom Municipal Code.

Control of cardrooms began to shift to the State of California in 1995 when the Legislature enacted a 5-year moratorium that restricted the licensing of new cardrooms within the state. The original intent of the moratorium was to temporarily freeze the expansion of gambling in California while the State Legislature crafted what would eventually become the Gambling Control Act (“Act”) in 1997, legislation that requires the licensure and regulation of cardrooms on a statewide level.

Passage of the Act ultimately extended the moratorium on issuing any new cardroom licenses and expanded the definition of "expansion of gambling" to also include the number of tables in a local jurisdiction. Under this definition, a local governmental body is prohibited from amending its Ordinance in a manner that would result in an increase of 25% or more (when compared to that authorized on January 1, 1996) in either the number of gambling tables in the

jurisdiction or in the number of gambling tables operated in a cardroom in that jurisdiction.

In the 20 plus years since the Act's passage, the Legislature has enacted several exceptions to the moratorium that allow for a modest increase in the number of tables operated in a licensed gambling establishment (e.g., 2-3 tables). The city of Folsom utilized one of these statutes to increase the number of tables that could be operated in a cardroom from 6 to 9 in 2010. Under the most recent statute enacted in 2013, the City is eligible to add 2 additional tables to its Ordinance increasing the number of card tables from 9 to 11.

In addition to the State legislation, the Folsom Municipal Code (FMC, Chapter 5.20 Cardrooms) includes provisions regarding the number of cardrooms permitted within the City and the number of card players allowed at a table. Specifically, the Folsom Municipal Code (FMC Section 5.20.050 (C)) states that no cardroom license shall be granted when the number of cardroom licenses in the City exceeds the ratio of one cardroom for each two thousand five hundred persons in the City according to the last preceding federal census. The 2020 United States Census estimated the population of Folsom at 80,454 persons, thus a maximum of 32 cardrooms would be permitted if consistent with state law. The Folsom Municipal Code (FMC, Section 5.20.070 (A)(4)) also dictates that no more than 10 players be permitted at a single card table within a cardroom.

The City currently only has one authorized cardroom (Lake Bowl Cardroom) which is situated within the FLB Entertainment Center located at 511 East Bidwell Street. The owners of Lake Bowl Cardroom have entered into negotiations for the sale of the cardroom's physical assets to Delta C, LP. in consideration of FLB's agreement to surrender both its local cardroom license and State gaming license so that Delta C, LP may apply for a new cardroom license with both the City and the State. Delta C, LP has extensive experience in operating cardrooms and own 3 cardrooms, all of which are located in the City of Stockton. The Folsom Municipal Code (FMC, Section 5.20.080(B)(1)) states that the assignment or transfer of a cardroom license from a partnership to one or more of the individual partners, or the addition of a new partner is prohibited. As a result, Delta C, LP would be required to apply for a new cardroom license to operate within the City as Lake Bowl's cardroom license is not transferrable (FMC, Section, 5.20.080).

On June 1, 2022, Delta C, LP submitted an application to the City requesting approval of a Municipal Code Amendment to amend the City of Folsom Cardroom Ordinance with the purposes of (1) increasing the number of permitted card tables in any cardroom from 9 to 11; and (2) allowing the practice of Backline Betting to occur in any cardroom. Delta C, LP stated in their application that these amendments to the City's Cardroom Ordinance are necessary for the cardroom to be able to compete with cardrooms in other local jurisdictions in the Sacramento area.

The following are the specific amendments to the Cardroom Ordinance being proposed by Delta C, LP:

- Amend Chapter 5.20, Section 5.20.070(A.)(2.) of the Folsom Municipal Code, to increase the number of card tables in the City from 9 to 11, pursuant to the allowance provided by Business and Professions Code § 19961.06(b), and add language to this Section that would allow the City to take advantage of any future table increases authorized by the Legislature without amending the Cardroom Ordinance as follows:

5.20.070 Cardroom regulations.

A. No person shall operate a cardroom in violation of any of the following regulations:

...

2. No more than ~~nine~~ *eleven (11)* card tables shall be permitted in any cardroom. *However, should judicial or legislative action alter the restrictions or limitations in the Gambling Control Act, Business and Professions Code section 19800 et seq., to allow for an increase in the current number of tables without voter approval, the maximum number of tables permitted in any cardroom may be increased, subject to city council allocation, up to the amount such judicial or legislative action allows, not to exceed a maximum of fifteen (15) tables.*

- Delete Section 5.20.070(A.)(13.)(d.) of the Folsom Municipal Code, which currently prohibits the practice of “backline betting” within the City as follows:

13. The following provisions shall govern wagering limits: It is unlawful for any person to bet or wager at or against any card game held at a licensed gaming club except as allowed by this chapter. In addition to any conditions that may be imposed on a license, the following restrictions shall apply:

...

~~d. Other than seated players actively participating in the game, no person shall be permitted to place a wager on any card game, and a player shall only place a wager on his or her own card hand. Backline betting or side betting is prohibited.~~

Backline Betting is the practice of placing a bet behind any seated player’s bet on a California table game such as Baccarat, California Blackjack, and Pai Gow Poker. A backline bettor does not occupy a seat at the gaming table, regardless of whether the table has seats available, and may place bets behind multiple seated players. The Gambling Control Act expressly authorizes backline betting and states that “The Commission shall not prohibit, on a statewide basis, the placing of a wager on a controlled game by a person at a gaming table, if the person is present at the table and actively participating in the hand with a single-seated player upon whose hand the wagers are placed”. (Business and Professions Code section 19843.) When more than one patron participates in the player-dealer position—by, for example, sharing the seated player-dealer’s wager, or taking any excess wagers the seated player-dealer’s wager does not cover—no one person is taking on all comers, paying all winners, and collecting from all losers (e.g., “banking” as that term has been authoritatively defined). Backline Betting is a

common practice in both cardrooms and casinos that allows for more action and the sharing of risk, which is not only appreciated by players, but consistent with the legislative intention to eliminate banking.

POLICY / RULE

Under Section 2.12 of the City Charter, amendments to the Folsom Municipal Code require review and approval by the City Council.

ANALYSIS

As referenced in the Background section of this report, the City received an application requesting approval of a Municipal Code Amendment to amend the City of Folsom's Cardroom Ordinance with the goals of (1) increasing the number of permitted card tables in any cardroom from 9 to 11; and (2) allowing the practice of Backline Betting to occur in any cardroom. It is important to acknowledge that the scope of the request is fairly limited given that there is currently only one authorized cardroom within the City, and that the number of authorized cardrooms would not change with this particular Amendment. Prior to commencing a detailed analysis of the potential impacts associated with the proposed Cardroom Ordinance, City staff is requesting the City Council provide policy direction to better assist City staff with the ultimate evaluation.

FINANCIAL IMPACT

While it is difficult to quantify the direct and indirect financial impacts the proposed Cardroom Amendments will have, the modifications to the Ordinance may allow the City's only cardroom to compete more effectively with cardrooms located in other nearby jurisdictions. Attached to this staff report is a 2019 Economic Impact Report (Attachment 1) provided by Delta C, LP, detailing the expected financial contributions of the Lake Bowl Cardroom to the City of Folsom's economy as commissioned by the California Gaming Association.

ENVIRONMENTAL REVIEW

The project is categorically exempt under Section 15061(b)(3) Review for Exemption of the California Environmental Quality Act (CEQA).

ATTACHMENTS

1. Proposed Cardroom Ordinance Modification Language
2. 2019 Economic Impact Report: The Economic Impact of Cardrooms to Folsom

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal flourish extending to the right.

PAM JOHNS
Community Development Director

Attachment 1

Proposed Cardroom Ordinance Modification

**Chapter 5.20
CARDROOMS***

5.20.070 Cardroom regulations.

A. No person shall operate a cardroom in violation of any of the following regulations:

...

2. No more than ~~nine-eleven (11)~~ card tables shall be permitted in any cardroom. However, should judicial or legislative action alter the restrictions or limitations in the Gambling Control Act, Business and Professions Code section 19800 et seq., to allow for an increase in the current number of tables without voter approval, the maximum number of tables permitted in any cardroom may be increased, subject to city council allocation, up to the amount such judicial or legislative action allows, not to exceed a maximum of fifteen (15) tables.

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13. The following provisions shall govern wagering limits: It is unlawful for any person to bet or wager at or against any card game held at a licensed gaming club except as allowed by this chapter. In addition to any conditions that may be imposed on a license, the following restrictions shall apply:

...

~~d. Other than seated players actively participating in the game, no person shall be permitted to place a wager on any card game, and a player shall only place a wager on his or her own card hand. Backline betting or side betting is prohibited.~~¹

Attachment 2

2019 Economic Impact Report: The Economic Impact of Cardrooms to Folsom



**CREATING JOBS
EMPOWERING
COMMUNITIES**
The Economic Impact to California's Communities

**The Economic Impact of Cardrooms
to Folsom**

	Jobs	Wages	Economic Impact
Direct Impact			
Gaming	18	\$774,700	\$3,447,700
Non-Gaming	22	\$784,600	\$2,593,600
Total Direct Impact	40	\$1,559,300	\$6,041,300
Supplier Impact			
Agriculture	0	\$100	\$300
Mining	0	\$0	\$0
Construction	0	\$10,300	\$26,900
Manufacturing	0	\$48,300	\$187,700
Wholesale	0	\$13,500	\$40,600
Retail	0	\$5,600	\$12,200
Transportation & Communication	0	\$51,300	\$226,100
Finance, Insurance & Real Estate	10	\$541,800	\$2,566,000
Business & Personal Services	7	\$548,300	\$1,064,700
Travel & Entertainment	1	\$45,700	\$87,400
Government	0	\$7,000	\$10,700
Total Supplier Impact	18	\$1,271,900	\$4,222,600
Induced Impact			
Agriculture	0	\$200	\$500
Mining	0	\$0	\$0
Construction	0	\$10,300	\$27,300
Manufacturing	0	\$63,300	\$220,000
Wholesale	0	\$27,200	\$81,700
Retail	4	\$162,600	\$357,900
Transportation & Communication	0	\$37,100	\$216,100
Finance, Insurance & Real Estate	3	\$176,600	\$1,165,400
Business & Personal Services	6	\$361,900	\$621,300
Travel & Entertainment	4	\$109,700	\$272,100
Government	0	\$6,000	\$10,000
Other	0	\$15,500	\$9,400
Total Induced Impact	17	\$970,400	\$2,981,700
Total Economic Impact†	75	\$3,801,600	\$13,245,600

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