

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Robert L. Davis

SUBJECT: SEE BELOW

DATE: May 27, 2008

Approved

Date

6-6-08

COUNCIL DISTRICT: City-Wide

**SUBJECT: ANNUAL REVIEW OF THE IMPACT OF CARDROOM GAMBLING ON
CRIME IN THE CITY OF SAN JOSE.**

RECOMMENDATION

It is recommended that the City Council accept the following report related to the impact of cardroom gambling on crime in the City of San Jose for the period July 1, 2006 to June 30, 2007.

OUTCOME

With the Minimum Internal Control Standards (MICS) Regulations in place to augment the provisions under Title 16, and with the cardrooms being tested for compliance on a continuing fashion, it can be concluded that the objective of ensuring public health, safety and welfare as set out under the Gaming Control Regulatory Program authorized by Title 16 of the San Jose Municipal Code has been achieved.

EXECUTIVE SUMMARY

During this reporting period of July 1, 2006 through June 30, 2007, there has been a noted increase in calls for service and reported incidents at both Bay 101 and Garden City Cardrooms as compared to the statistical information of the previous fiscal reporting period. Also, reported incidents involving arrests at Bay 101 remains unchanged and the number of arrests made at Garden City has increased slightly. This comparative analysis is compiled with information provided by the Crime Analysis Unit of the San Jose Police Department and is useful as one analytical tool for providing insight into each cardroom's management approach and attitude towards compliance, including the timeliness of reporting a crime and other issues relative to the City's regulatory program. The report details factors that may have affected the increase/decrease of calls for service, reported incidents and reported incidents resulting in arrest.

It should be noted that this report does not purport to document all crimes associated with the cardrooms, since a number of crimes (Burglary, Robbery, Domestic Violence, etc.) occur off-premises as a result of gambling losses, gambling addictions, and other socioeconomic factors, etc. which cannot be tied directly to any given cardroom through our Records Management System.

BACKGROUND

There are two permitted cardrooms in the City of San Jose: Sutter’s Place, Inc., d.b.a. Bay 101 Casino; and Garden City, Inc., d.b.a. Garden City Casino. Under Title 16, Section 16.04.050 of the San Jose Municipal Code, the Chief of Police is required to prepare an annual report evaluating the impact of cardroom gambling on crime in the San Jose metropolitan area. The annual report shall also evaluate any regulatory issues that the Chief of Police may wish to bring to the attention of the City Council. The report shall be presented to the City Council and made available to the general public.

ANALYSIS

Summary of Crime Statistics for Bay 101 and Garden City for Fiscal Year 2006-2007

The San Jose Police Department maintains records of all “reported incidents” and “calls for service.” “Reported Incidents” are incidents in which a report is generated by a member of the public or a police officer. In order for a reported incident to be specifically attributed to a cardroom, the individual cardroom address must be noted on the police report as the location of occurrence.

“Calls for Service” are calls requiring dispatch of a patrol unit. As with Reported Incidents, in order for a Call for Service to be specifically attributed to a cardroom, the individual cardroom address must be noted on the call for service as the location of occurrence. Only those statistics which can be directly related to the cardrooms during Fiscal Year 2006-2007 are included in this report. The following statistics may not capture some Calls for Service or Reported Incidents that may be related to the cardrooms but that occur away from the cardrooms’ physical locations (e.g. follow-home invasions and crimes arising from loan sharking).

Note: “Reported Incidents” include incidents that may or may not have resulted in an arrest(s). Not all calls for service result in a reported incident.

E V E N T T Y P E	Calls for Service 2004 - 2005		Calls for Service 2005 - 2006		Calls for Service 2006 - 2007	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
C A R D R O O M						
AID	1	3	1	0	1	1
ANNOYING / HARASSING TELEPHONE CALLS	0	0	1	0	0	0
ASSAULT	2	0	1	0	0	0
ATTEMPT TO LOCATE	0	4	0	0	3	3
BATTERY	16	10	14	4	14	7
CAR JACKING	0	0	0	0	0	1
CHEATING	0	0	1	3	3	2
CHILD ABUSE	3	0	0	0	0	0
CHILD NEGLECT	2	0	1	0	2	0
CIVIL STANDBY	0	1	0	0	1	0
COMMUNITY POLICING FOOT PATROL	0	0	0	0	0	4

HONORABLE MAYOR AND CITY COUNCIL

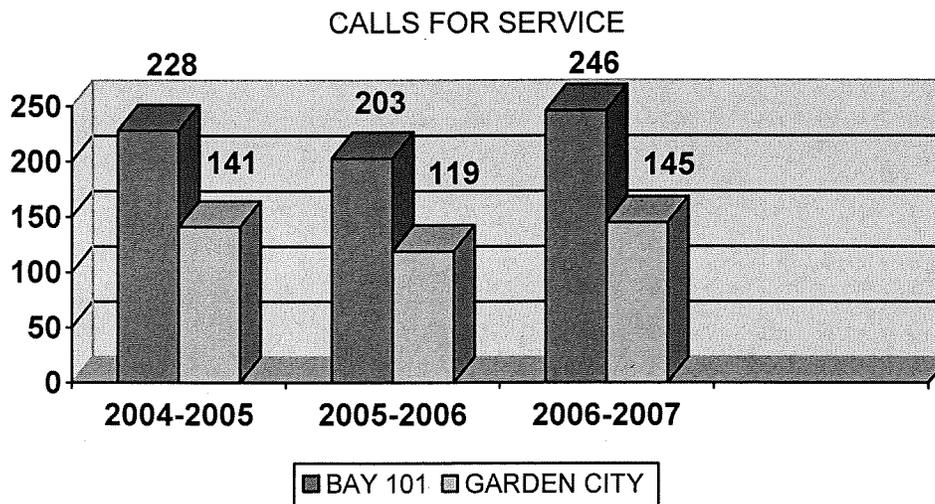
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EVENT TYPE	Calls for Service 2004 - 2005		Calls for Service 2005 - 2006		Calls for Service 2006 - 2007	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
CRIMINAL THREATS	3	1	1	1	1	0
CRUELTY TO ANIMALS	0	1	0	0	0	0
DOMESTIC VIOLENCE	2	0	3	0	3	1
DEFRAUDING AN INNKEEPER	2	3	5	0	11	1
DISTURBANCE	44	19	24	14	33	15
DISTURBANCE "JUVENILES"	0	2	1	1	1	1
DISTURBANCE FAMILY	2	4	3	4	3	1
DISTURBANCE FIGHT	2	3	3	3	5	3
DISTURBANCE WEAPON	1	0	0	1	0	0
DRUNK IN PUBLIC	4	3	9	2	4	2
DUI	0	1	2	1	1	0
EMBEZZLEMENT	1	0	0	1	1	1
EXTORTION	0	0	0	1	0	0
FELONY HIT AND RUN	0	0	1	0	0	0
FIRE DEPARTMENT AID	3	1	0	0	1	2
FOUND MISSING JUVENILE	2	0	0	0	0	0
FOUND PROPERTY	0	1	2	2	0	2
FRAUD / FORGERY	67	41	50	40	51	46
GRAND THEFT	4	0	5	0	4	1
HANDICAPPED PARKING	0	0	0	0	2	2
INDECENT EXPOSURE	0	1	0	0	0	0
INFORMATION	5	1	9	2	2	2
MEET THE CITIZEN	6	2	4	6	7	2
MENTALLY DISTURBED	0	1	0	2	0	1
MISDEMEANOR HIT AND RUN	4	4	1	4	7	3
MUNICIPAL CODE VIOLATIONS	0	0	0	0	0	1
NARCOTIC VIOLATIONS	0	2	0	0	3	3
OBSTRUCTING AN OFFICER	0	0	0	0	1	0
PAROLE VIOLATION	0	0	0	1	0	0
PATROL CHECK	0	0	11	0	6	0
PAY TELEPHONE "9-1-1"	0	0	1	7	0	0
PEDESTRIAN STOP	0	0	0	0	2	5
PERSON DOWN	0	0	0	0	1	1
PETTY THEFT	4	1	2	1	2	0
PREMISE CHECK	0	1	4	0	1	2
PROSTITUTION	1	1	0	0	0	1
RECIEIVING STOLEN PROP.	0	0	0	0	1	1
RECKLESS DRIVING	1	0	0	0	1	0
SEXUAL BATTERY	1	0	0	0	1	0
STALKING	0	1	0	0	0	0
STOLEN VEHICLE	1	3	2	1	4	1
STOLEN VEHICLE RECOVERED	0	1	1	0	1	1

EVENT TYPE	Calls for Service 2004 - 2005		Calls for Service 2005 - 2006		Calls for Service 2006 - 2007	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
SUSPICIOUS CIRCUMSTANCES	8	1	4	3	4	7
SUSPICIOUS PACKAGE	1	0	0	0	1	0
SUSPICIOUS PERSON	3	3	2	0	3	1
SUSPICIOUS VEHICLE	0	2	0	0	4	2
THEFT	18	8	14	2	16	6
TRAFFIC HAZARD	0	0	1	0	0	0
TRESPASSING	4	1	7	2	7	1
UNDERAGE GAMING	0	0	0	0	1	0
VANDALISM	3	0	2	0	5	2
VEHICLE ACCIDENT PROPERTY / NON-INJURY	1	1	0	4	1	1
VEHICLE BURGLARY	2	2	4	0	3	1
VEHICLE STOP	0	0	0	0	11	0
VEHICLE TAMPERING	0	1	0	1	1	0
VIOLATION OF COURT ORDER	0	1	1	0	0	0
WARRANT / FELONY	1	0	1	0	1	0
WARRANT / MISDEMEANOR	0	1	1	2	1	2
WELFARE CHECK	3	3	3	3	2	2
GRAND TOTALS	228	141	203	119	246	145



Bay 101 had 246 calls for service and 187 reported incidents. Of these, there was one (1) "Priority-1" call (danger to life or property). Of the calls for service, 27 resulted in arrests. In addition, there were two (2) self-initiated arrest by police officers for a total of 29 arrests at Bay 101.

Garden City had 145 calls for service and 100 reported incidents. Of these, there were zero (0) "Priority-1" calls (danger to life or property). Of the calls for service, eighteen (18) resulted in arrests. In addition, there were four (4) self-initiated arrests by police officers which resulted in a total of 19 arrests at Garden City.

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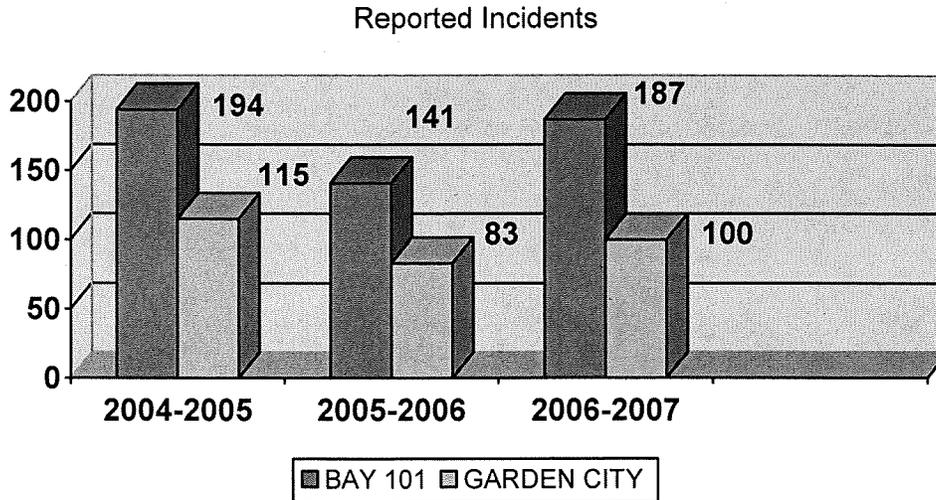
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Reported Incidents

E V E N T T Y P E	Reported Incidents 2004 - 2005		Reported Incidents 2005 - 2006		Reported Incidents 2006 - 2007	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
C A R D R O O M						
AGGRAVATED ASSAULT	1	0	0	1	2	0
AUTO BURGLARY	5	0	2	0	4	0
AUTO RECOVERY	0	1	0	0	0	0
AUTO THEFT	0	2	1	1	3	2
CASE MANAGEMENT	0	1	0	0	1	0
CHECK OFFENSES	1	1	1	1	0	1
CHILD ABUSE	5	0	0	0	2	1
CHILD NEGLECT	1	0	1	0	1	0
COURTESY REPORT	20	17	33	22	30	30
CREDIT CARD	1	1	0	0	0	0
DISORDERLY CONDUCT	2	1	3	1	7	1
DISTURBING THE PEACE	21	8	10	7	33	8
DRUNK IN PUBLIC	6	3	8	3	7	3
EVENT ONLY	1	1	0	0	2	0
FEDERAL VIOLATIONS	34	20	11	5	13	11
FORGERY	9	10	6	10	4	4
GAMBLING	1	1	3	2	3	4
GRAND THEFT	8	6	8	5	6	3
HIT & RUN	0	2	0	0	0	0
INFORMATION ONLY	10	3	8	2	8	2
MENTAL CASES	0	1	0	2	0	0
MISSING ADULT	0	0	0	1	0	1
NARCOTICS	2	2	0	0	1	0
NON-CRIMINAL OFFENSES	0	0	0	0	0	1
OTHER FELONY	0	1	1	1	0	0
OTHER MISDEMEANOR	5	6	7	5	3	2
PETTY THEFT	19	9	16	4	27	5
PROPERTY LOST OR FOUND	7	6	3	1	1	3
PROSTITUTION	1	1	0	0	0	1
SEX	1	2	0	0	1	1
SIMPLE ASSAULT	17	3	15	6	13	7
STOLEN LICENSE PLATE(S)	1	0	1	1	2	1
SUSPICIOUS CIRCUMSTANCES	7	2	2	2	3	3
SUSPICIOUS VEHICLE	0	1	0	0	0	0
TRAFFIC/DRIVING VIOLATIONS	1	1	0	0	1	1
TRAFFIC ACCIDENTS	2	0	0	0	0	0
VANDALISM	3	2	1	0	7	4
WARRANTS	1	0	0	0	0	0
WELFARE CHECK	1	0	0	0	2	0

EVENT TYPE	Reported Incidents 2004 - 2005		Reported Incidents 2005 - 2006		Reported Incidents 2006 - 2007	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
GRAND TOTALS	194	115	141	83	187	100



The graph above reflects that during Fiscal Year '06-'07, Bay 101 experienced an increase of forty-six (46) Reported Incidents and Garden City experienced an increase of seventeen (17) Reported Incidents from prior Fiscal Year ('05-'06).

As a result of training provided by the Division, and the cardrooms' efforts to properly identify and address problems or crimes as they occur, reported incidents increased during this fiscal year at Bay 101 and Garden City.

Reported Incidents Involving Arrests

REPORTED INCIDENTS INVOLVING ARRESTS AT BAY 101 CARD CLUB

CRIME TYPE	REPORTED INCIDENTS RESULTING IN ARRESTS 2004-2005	ARRESTS IN FISCAL YEAR 2004-2005	REPORTED INCIDENTS RESULTING IN ARRESTS 2005-2006	ARRESTS IN FISCAL YEAR 2005-2006	REPORTED INCIDENTS RESULTING IN ARRESTS 2006-2007	ARRESTS IN FISCAL YEAR 2006-2007
Battery	3	3	2	2	2	2
Cheating	0	0	0	1	1	3
Check Offenses	5	5	3	3	0	0
Child Neglect	1	1	1	1	0	0
Defrauding Innkeeper	0	0	1	1	1	1
Disturbance	1	1	0	0	2	2
Domestic Violence	0	0	1	1	2	2
Drunk in Public	6	6	7	7	3	3
DUI	0	0	2	2	1	1
Federal Violations	1	1	1	1	1	1
Grand Theft	1	1	2	2	0	0
Misdemeanor Hit & Run	0	0	0	0	1	1
Narcotics	1	2	0	0	3	3
Parole Violation	0	0	0	1	0	0
Petty Theft	3	3	1	1	1	1

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Obstructing Officer	0	0	0	0	1	1
Trespass	0	0	3	4	6	6
Vandalism	1	1	0	0	0	0
Warrants	2	2	2	2	2	2
TOTAL	25	26	26	29	27	29

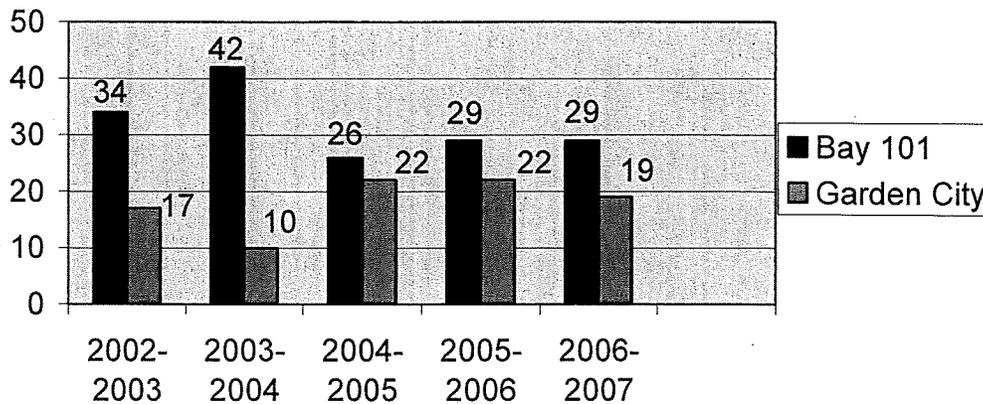
The above chart shows that there were a total of twenty-nine (29) police-initiated arrests made at Bay 101, compared to a total of 246 calls for service generated by Bay 101.

REPORTED INCIDENTS INVOLVING ARRESTS AT GARDEN CITY CARD CLUB

CRIME TYPE	REPORTED INCIDENTS RESULTING IN ARRESTS 2004-2005	ARRESTS IN FISCAL YEAR 2004-2005	REPORTED INCIDENTS RESULTING IN ARRESTS 2005-2006	ARRESTS IN FISCAL YEAR 2005-2006	REPORTED INCIDENTS RESULTING IN ARRESTS 2006-2007	ARRESTS IN FISCAL YEAR 2006-2007
Battery	0	0	1	1	3	3
Cheating	0	0	2	2	1	1
Disturbance	0	0	2	2	2	2
Disturbance –Weapon	0	0	1	1	0	0
Domestic Violence	0	0	2	2	0	0
Drunk in Public	3	3	1	1	3	3
Embezzlement	0	0	1	1	1	1
Extortion	0	0	1	1	0	0
Fraud	10	10	4	4	2	2
Indecent Exposure	1	1	0	0	0	0
Mentally Disturbed	1	1	2	2	1	1
Narcotics	2	2	0	0	2	2
Parole Violation	0	0	1	1	0	0
Petty Theft	1	1	0	0	0	0
Prostitution	0	0	0	1	1	1
Trespassing	0	0	1	1	1	1
Underage Gaming	1	1	1	1	0	0
Warrants	3	3	1	4	2	2
TOTAL	22	22	21	25	19	19

The above chart shows that there were a total of nineteen (19) police-initiated arrests made at Garden City, compared to 145 calls for service generated by Garden City.

Arrests Made At Bay 101 and Garden City



Per City Council request from Fiscal 04-05, the above chart reflects arrests occurring at both Bay 101 and Garden City Casino per fiscal year.

Cardroom Security Logs

Our examination of the FY 2006-2007 data revealed that both Bay 101 and Garden City had zero (0) security log entries that did not match to those reports found in Police records.

Based on these results, it is clear that the standardization of categories of calls, log entries and on-going training provided by the Division and the cooperation between the Division and both cardrooms, have for the most part, resolved the once troublesome discrepancies noted in previous reports.

The Division of Gaming Control will continue to monitor the Cardrooms on an on-going basis for compliance with the provisions of Title 16 and other rules and regulations as promulgated by the Administrator of the Division of Gaming Control.

Rules and Regulations

Since the implementation of the Accounting Regulation and Minimum Internal Control Standards Regulations (MICS), the Division has been actively monitoring the gambling operation of both Permitted Cardrooms. The Division pays particular attention to any internal control weakness that would otherwise compromise the integrity of cardroom gaming. In the case of regulatory violations, the Division looks for whether or not corrective action has been taken by the Cardroom Permittees. The objective is to achieve self-compliance from the cardroom operators.

In connection with this compliance testing methodology using the Minimum Internal Control Standards Regulations and the provisions under Title 16 as a benchmark, the Division has detected intentional as well as inadvertent deviations from these regulations. As a result, the Division initiated thirty-seven (37) administrative investigations during this reporting period and took administrative action, including the issuance of administrative citations, violation notices,

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and other appropriate regulatory action, against those licensees and permittees responsible for the violations.

It is clear that with the implementation of these regulations, the Division and the Cardrooms are in a better position to monitor the gambling operations for fraud, errors, and irregularities. This in turn allows the Division to fulfill its regulatory responsibilities by maintaining public confidence in the integrity of cardroom operations in the City of San Jose.

During this reporting period, the Administrator began the procedure for amending the proposed "Responsible Gaming Program" Regulation. The Administrator has provided input on the State of California's proposed regulations on problem gambling which was passed during the latter part of fiscal year 2006-2007. The City's problem gambling regulation had been postponed until such time the State had finalized and adopted its regulation to ensure that the City's proposed regulation would not conflict with that of the State's program.

In order for the City's proposed Responsible Gaming Program to work, those individuals who voluntarily entered into the program must agree to stop gambling, or be restricted to certain gambling games or check cashing, for a time certain at both Permitted Cardrooms. The proposed program also mandates an advertising campaign to educate the public on the personal and social costs of compulsive gambling. This program will enable the Division and the Cardrooms to assist those patrons and/or individuals that are affected by problem gambling. This regulation will also promote the prevention of compulsive gambling.

In the interim, the Division has continued its partnerships with outside community organizations who are educating their members as to the dangers of problem gambling. It is the Division's goal to finalize the regulations and to implement a Responsible Gaming Program for Patrons during Fiscal Year 2007-2008.

On January 23, 2007, three individuals were each granted a Stockowner and Key Employee license to own and operate the Garden City Cardroom. Given that these individuals possessed no gaming experience, the Administrator recommended to the Chief placing various conditions on their respective licenses to help protect the integrity of cardroom gambling. The new owners agreed to these conditions. These new owners/operators assumed operational control of the Garden City Cardroom on March 1, 2007. Although many months have passed, the Division has not been able to achieve the level of confidence it would like to have about their operation of the cardroom, but is working towards resolving many of the problems in weekly or biweekly meetings with Garden City representatives. Depending on the changing of Garden City's management philosophy and understanding of the closely regulated environment in which the cardroom operates, we would like to see Garden City come into compliance within the next fiscal period.

Industry Meetings

The Division of Gaming Control continues to hold regularly scheduled meetings with management and staff of both Cardrooms. Most meetings are also attended by representatives of

the California Department of Justice, Division of Gaming Control; and California Gaming Control Commission Representatives. During these meetings, issues and concerns from all parties present are discussed in an open forum so that all perspectives are presented and a resolution is formulated.

Governmental Meetings

The Administrator has also shared his experience and views with other State and local law enforcement agencies concerning table game rules, slot and near-slot device testing procedures and other regulatory issues.

Training of Cardroom Personnel

The Division of Gaming Control has provided and will continue to provide training, such as Department of Motor Vehicles training to identify counterfeit identification cards and U.S. Secret Service training to identify counterfeit currency for cardroom personnel in both formal and informal settings. This training has proven to be useful in minimizing potential problems arising from the cardrooms' lack of knowledge or experience and has helped in preventing and/or identifying violations as they occurred. To date, this training has been well received by cardroom employees as well as management and new training topics are being identified for future training.

Gaming License Investigations

The Gaming Administrator has prescribed detailed suitability examination protocols for use in conducting background investigations on applicants for gaming licenses. This licensing program is designed not only to examine the applicants' civil and criminal background but also their financial history as well. The financial examination protocols assist the Administrator in determining whether or not an applicant possesses the requisite honesty, character, integrity, business judgment, and experience to meet the licensing standards set out in the ordinance. The protocols provide for an in-depth screening process to ensure that unsavory characters, criminals, or otherwise unqualified applicants are not or will not be associated with the legalized gaming operations in San Jose.

During this reporting period, the Division completed several extensive stockowners' and key employees' background investigations for Garden City's new owners. The Administrator recommended to the Chief of Police to grant three (3) stockowner / key-employee license applications, to grant one (1) key-employee license, to renew one (1) stock owner license application, to renew one (1) stock owner / key-employee license application, and to renew one (1) key-employee application. Additionally, several financial investigations have begun during this fiscal period including three (3) key employees at Bay 101 and Garden City.

It is important to point out that the Division of Gaming Control has received cooperation from most license applicants of both Cardrooms and expects this cooperation to continue.

Conclusion

The Division of Gaming Control has found that the Cardrooms have been diligent in their reporting of suspected crimes and/or irregularities to the San Jose Police Department. The accuracy and completeness of the reporting have improved noticeably during this fiscal period. It is apparent that training provided to the Cardrooms has helped in reaching this level of accuracy and the Division will continue to provide this support to the Cardrooms.

In-house training for patrol officers is also an ongoing process. It will ensure that officers will stay current with the Cardrooms' methods of operation and all the nuances associated with gambling. When performing premise checks, this training will enhance the officers' ability to carry out their functions as well as ensure regulatory compliance.

Based on the forgoing, it is apparent that the Regulatory Program continues to develop. The Division of Gaming Control will continue to provide strict but necessary oversight of both Cardrooms and their respective owners and employees in order to maintain the integrity of the gaming operations and the credibility of the City of San Jose.

PUBLIC OUTREACH

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

In anticipation of the adoption of the Responsible Gaming Program Regulation, the Division has continued partnerships with outside community organizations such as the Chinese Health Coalition, and AACI (Asian Americans for Community Involvement) who are educating their members on the dangers of problem gambling.

COORDINATION

This report was prepared with the assistance of the San Jose Police Department's Crime Analysis Unit and the Fiscal Unit, and coordinated with the City Manager's Office, the City Attorney's Office, and the Planning Division.

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CEQA

Not a project.



ROBERT L. DAVIS
Chief of Police

RLD:RT:rt

Attachments

For further questions, please contact Sgt. Richard Fong in the Division of Gaming at 794-1474.

SAN JOSE POLICE DEPARTMENT

Division of Gaming Control

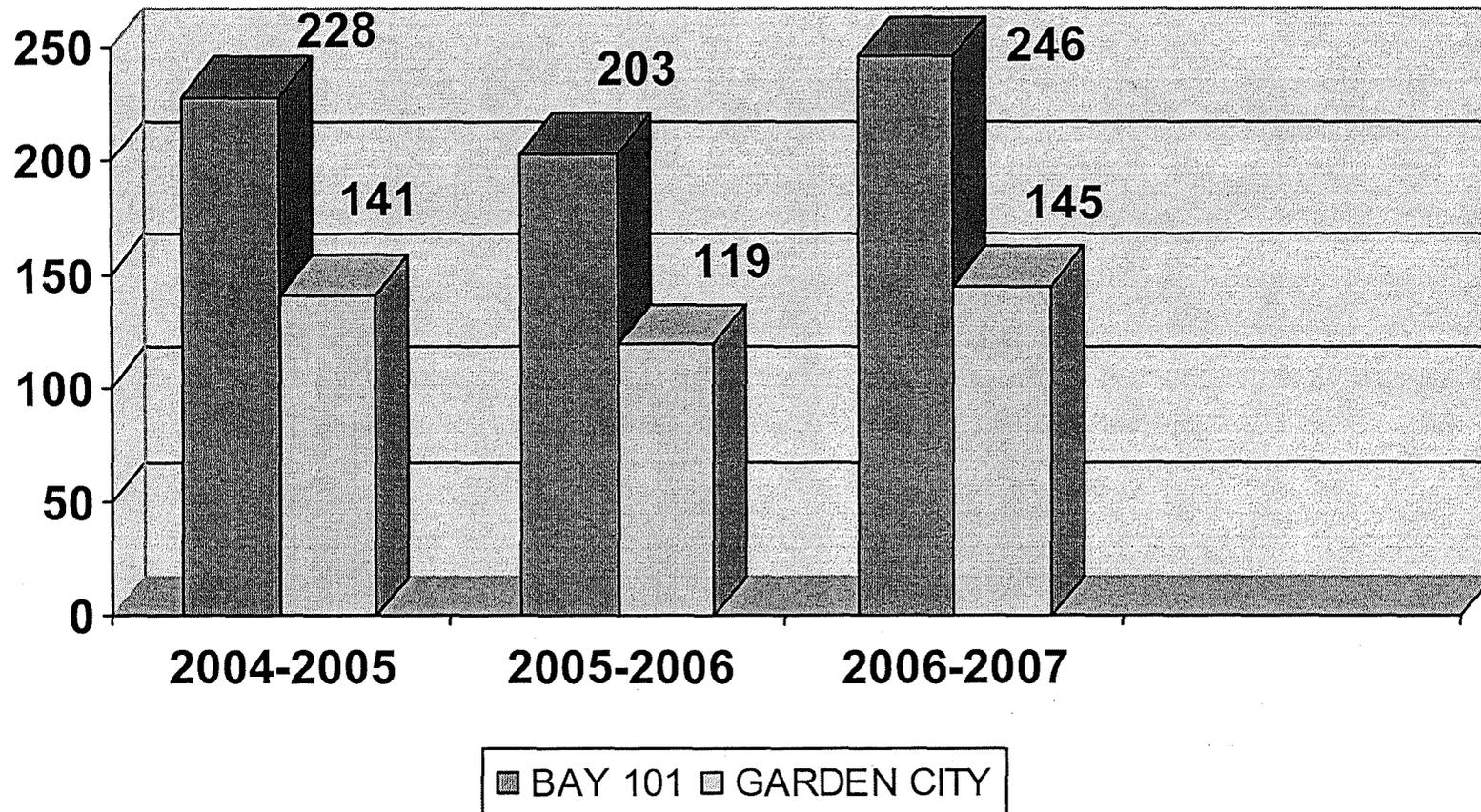
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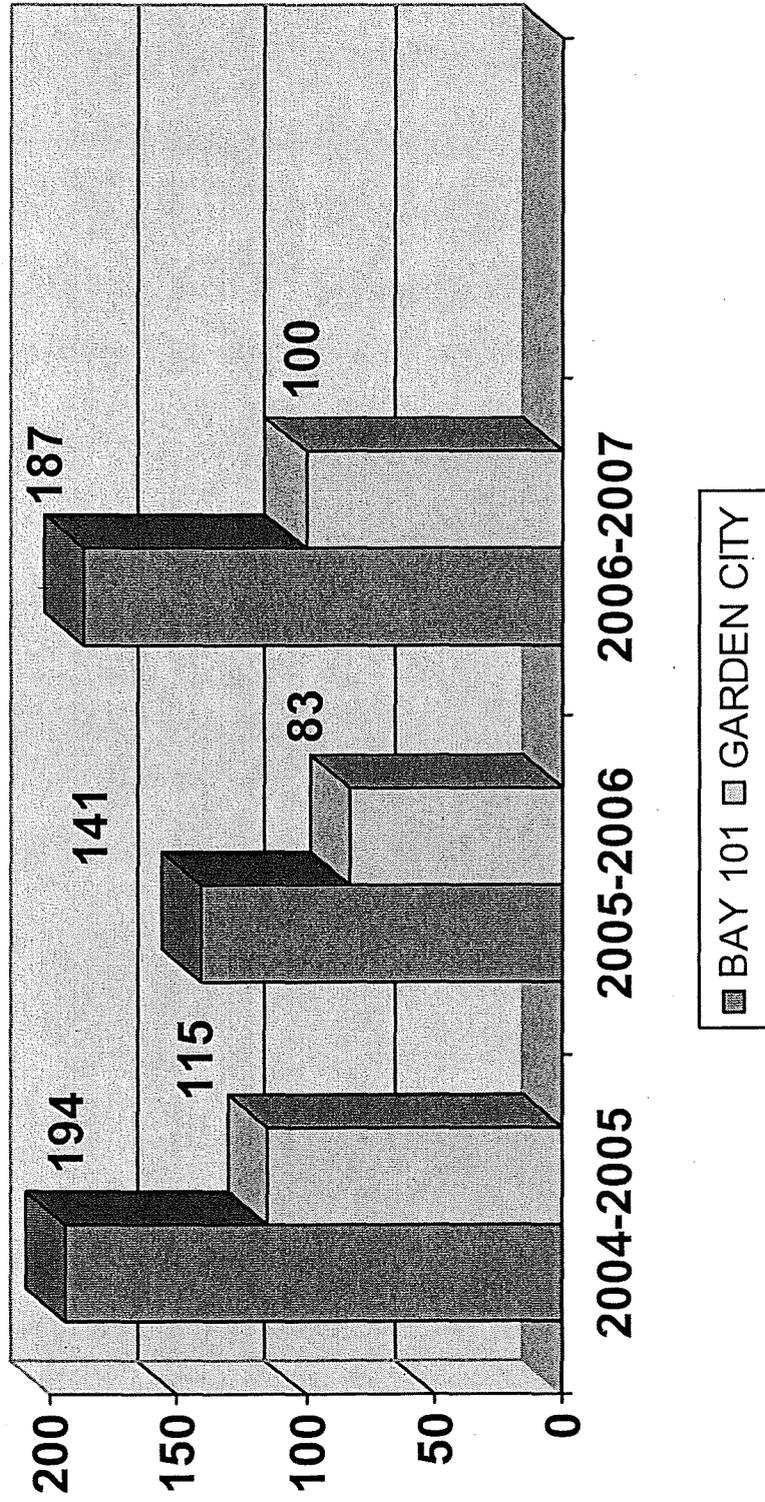


Fiscal Year 2006 - 2007

CALLS FOR SERVICE



REPORTED INCIDENTS



ARRESTS AT CARDROOMS

