



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Robert L. Davis

SUBJECT: SEE BELOW

DATE: April 20, 2009

Approved

Christine J. Shipper

Date

4/22/09

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, 2007 to June 30, 2008.

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, 2007 through June 30, 2008, 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 has increased and the number of arrests made at Garden City has decreased very slightly. This comparative analysis is compiled with information provided by the Crime Analysis Unit of the San Jose Police Department with the purpose of 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.

The Division believes, in part, that the two San Jose cardrooms are situated at different geographical locations and as a result, the number of calls for service and reported incidents will vary between these establishments. Additionally, as foot traffic increases, there is a high probability the number of calls for service and reported incident will increase as well. In analyzing of the crime statistics, the vast majority of the "Calls for Service" and "Reported

April 20, 2009

Subject: CARDROOM ANNUAL REVIEW

Page 2

Incidents” occurred at both cardrooms were due to “event type” such as battery, disturbances, theft, and fraud/forgery.

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 2007-2008

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 2007-2008 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.

Calls for Service

E V E N T T Y P E	Calls for Service 2005 - 2006		Calls for Service 2006 - 2007		Calls for Service 2007 - 2008	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
C A R D R O O M						
AID	1	0	1	1	1	0
ANNOYING / HARASSING TELEPHONE CALLS	1	0	0	0	1	0

HONORABLE MAYOR AND CITY COUNCIL

April 20, 2009

Subject: **CARDROOM ANNUAL REVIEW**

Page 3

E V E N T T Y P E	Calls for Service 2005 - 2006		Calls for Service 2006 - 2007		Calls for Service 2007 - 2008	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
C A R D R O O M						
ASSAULT	1	0	0	0	1	1
ASSAULT WITH DEADLY WEAPON	0	0	0	0	1	0
ATTEMPT TO LOCATE	0	0	3	3	0	0
BATTERY	14	4	14	7	9	5
BOMB THREAT	0	0	0	0	0	1
CAR JACKING	0	0	0	1	0	0
CHEATING	1	3	3	2	2	0
CHILD ABUSE	0	0	0	0	2	1
CHILD NEGLECT	1	0	2	0	1	0
CIVIL STANDBY	0	0	1	0	1	0
COMMUNITY POLICING FOOT PATROL	0	0	0	4	1	2
CRIMINAL THREATS	1	1	1	0	0	0
CRUELTY TO ANIMALS	0	0	0	0	0	0
DOMESTIC VIOLENCE	3	0	3	1	2	0
DEFRAUDING AN INNKEEPER	5	0	11	1	6	1
DISTURBANCE	24	14	33	15	40	13
DISTURBANCE "JUVENILES"	1	1	1	1	0	0
DISTURBANCE FAMILY	3	4	3	1	2	1
DISTURBANCE FIGHT	3	3	5	3	2	4
DISTURBANCE WEAPON	0	1	0	0	0	1
DRUNK IN PUBLIC	9	2	4	2	10	2
DUI	2	1	1	0	1	3
EMBEZZLEMENT	0	1	1	1	1	1
EXTORTION	0	1	0	0	0	0
FELONY HIT AND RUN	1	0	0	0	0	0
FIRE DEPARTMENT AID	0	0	1	2	0	5
FOLLOW UP	0	0	0	0	5	3
FOUND MISSING JUVENILE	0	0	0	0	0	1
FOUND PROPERTY	2	2	0	2	1	1
FRAUD / FORGERY	50	40	51	46	73	67
GRAND THEFT	5	0	4	1	4	2
HANDICAPPED PARKING	0	0	2	2	3	0
INDECENT EXPOSURE	0	0	0	0	0	0
INFORMATION	9	2	2	2	3	1
MEET THE CITIZEN	4	6	7	2	9	3
MENTALLY DISTURBED	0	2	0	1	1	0
MISDEMEANOR HIT AND RUN	1	4	7	3	2	2
MUNICIPAL CODE VIOLATIONS	0	0	0	1	0	0
NARCOTIC VIOLATIONS	0	0	3	3	1	2
OBSTRUCTING AN OFFICER	0	0	1	0	1	0

HONORABLE MAYOR AND CITY COUNCIL

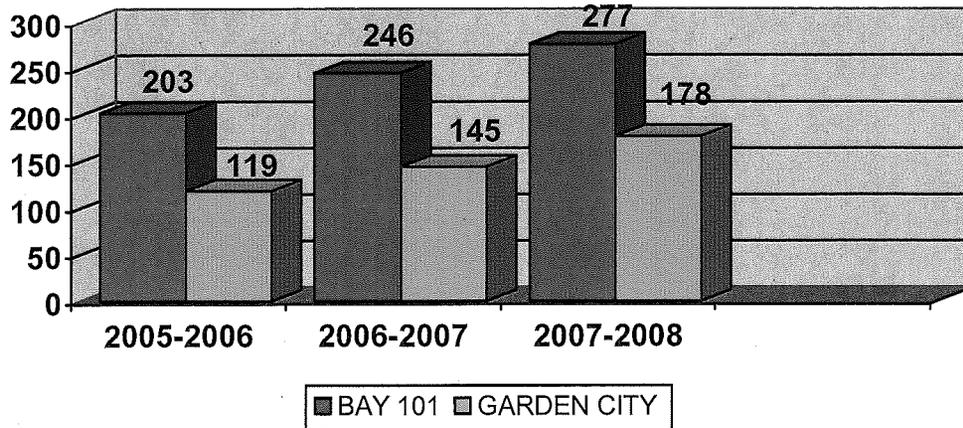
April 20, 2009

Subject: **CARDROOM ANNUAL REVIEW**

Page 4

EVENT TYPE	Calls for Service 2005 - 2006		Calls for Service 2006 - 2007		Calls for Service 2007 - 2008	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
PAROLE VIOLATION	0	1	0	0	0	1
PATROL CHECK	11	0	6	0	3	1
PAY TELEPHONE "9-1-1"	1	7	0	0	0	0
PEDESTRIAN STOP	0	0	2	5	7	7
PERSON DOWN	0	0	1	1	0	1
PETTY THEFT	2	1	2	0	4	0
PREMISE CHECK	4	0	1	2	5	3
PROSTITUTION	0	0	0	1	0	0
RECEIVING STOLEN PROP.	0	0	1	1	0	2
RECKLESS DRIVING	0	0	1	0	0	1
SEXUAL BATTERY	0	0	1	0	0	0
STAKE OUT	0	0	0	0	3	1
STALKING	0	0	0	0	0	0
STOLEN VEHICLE	2	1	4	1	2	3
STOLEN VEHICLE RECOVERED	1	0	1	1	2	3
SUSPICIOUS CIRCUMSTANCES	4	3	4	7	10	0
SUSPICIOUS PACKAGE	0	0	1	0	0	0
SUSPICIOUS PERSON	2	0	3	1	4	2
SUSPICIOUS VEHICLE	0	0	4	2	4	4
THEFT	14	2	16	6	19	4
TRAFFIC HAZARD	1	0	0	0	0	0
TRESPASSING	7	2	7	1	10	1
UNDERAGE GAMING	0	0	1	0	1	0
VANDALISM	2	0	5	2	1	2
VEHICLE ACCIDENT PROPERTY / NON-INJURY	0	4	1	1	0	3
VEHICLE BURGLARY	4	0	3	1	1	6
VEHICLE STOP	0	0	11	0	7	6
VEHICLE TAMPERING	0	1	1	0	2	0
VIOLATION OF COURT ORDER	1	0	0	0	0	0
WARRANT / FELONY	1	0	1	0	1	1
WARRANT / MISDEMEANOR	1	2	1	2	0	1
WELFARE CHECK	3	3	2	2	4	2
GRAND TOTALS	203	119	246	145	277	178

CALLS FOR SERVICE



Bay 101 had 277 calls for service and 197 reported incidents. Of the calls for service, forty-two (42) resulted in arrests at Bay 101.

Garden City had 178 calls for service and 114 reported incidents. Of the calls for service, eighteen (18) resulted in arrests at Garden City.

Reported Incidents

EVENT TYPE	Reported Incidents 2005 - 2006		Reported Incidents 2006 - 2007		Reported Incidents 2007 - 2008	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
AGGRAVATED ASSAULT	0	1	2	0	3	2
AUTO BURGLARY	2	0	4	0	0	8
AUTO RECOVERY	0	0	0	0	0	2
AUTO THEFT	1	1	3	2	2	1
CASE MANAGEMENT	0	0	1	0	0	0
CHECK OFFENSES	1	1	0	1	2	1
CHILD ABUSE	0	0	2	1	2	1
CHILD NEGLECT	1	0	1	0	2	1
COURTESY REPORT	33	22	30	30	29	19
CREDIT CARD	0	0	0	0	3	1
DISORDERLY CONDUCT	3	1	7	1	10	1
DISTURBING THE PEACE	10	7	33	8	22	8
DRIVING UNDER THE INFLUENCE	0	0	0	0	0	1
DRUNK IN PUBLIC	8	3	7	3	12	4
EVENT ONLY	0	0	2	0	1	0
FEDERAL VIOLATIONS	11	5	13	11	26	27
FORGERY	6	10	4	4	15	17
GAMBLING	3	2	3	4	3	0
GRAND THEFT	8	5	6	3	3	4

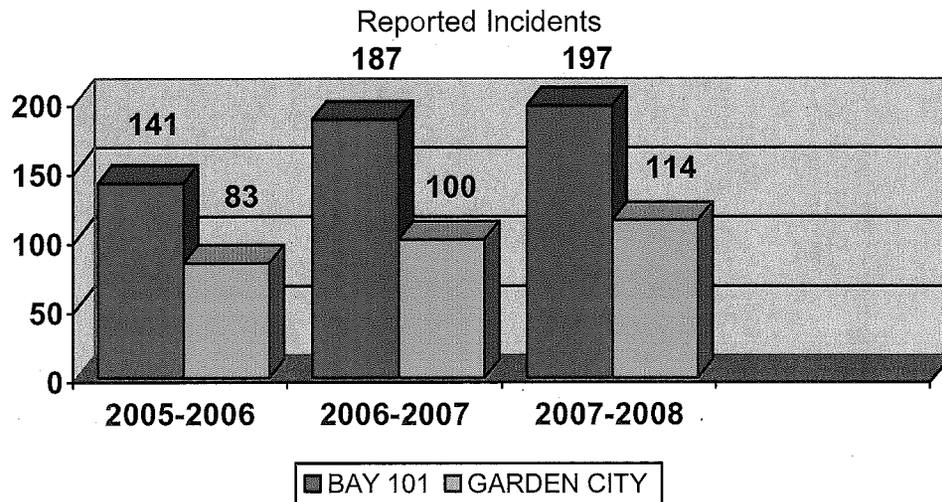
HONORABLE MAYOR AND CITY COUNCIL

April 20, 2009

Subject: CARDROOM ANNUAL REVIEW

Page 6

EVENT TYPE	Reported Incidents 2005 - 2006		Reported Incidents 2006 - 2007		Reported Incidents 2007 - 2008	
	Bay 101	Garden City	Bay 101	Garden City	Bay 101	Garden City
CARDROOM						
HIT & RUN	0	0	0	0	1	0
INFORMATION ONLY	8	2	8	2	6	1
LIQUOR OFFENSES	0	0	0	0	1	0
MENTAL CASES	0	2	0	0	1	0
MISSING ADULT	0	1	0	1	0	0
NARCOTICS	0	0	1	0	2	1
NON-CRIMINAL OFFENSES	0	0	0	1	0	0
OTHER FELONY	1	1	0	0	0	0
OTHER MISDEMEANOR	7	5	3	2	4	0
PETTY THEFT	16	4	27	5	24	2
PROPERTY LOST OR FOUND	3	1	1	3	0	2
PROSTITUTION	0	0	0	1	0	0
RECEIVING STOLEN PROPERTY	0	0	0	0	0	1
SEX	0	0	1	1	1	0
SIMPLE ASSAULT	15	6	13	7	7	4
STOLEN LICENSE PLATE(S)	1	1	2	1	1	0
SUSPICIOUS CIRCUMSTANCES	2	2	3	3	9	0
SUSPICIOUS VEHICLE	0	0	0	0	0	0
TRAFFIC/DRIVING VIOLATIONS	0	0	1	1	0	1
TRAFFIC ACCIDENTS	0	0	0	0	0	0
VANDALISM	1	0	7	4	4	4
WARRANTS	0	0	0	0	1	0
WELFARE CHECK	0	0	2	0	0	0
GRAND TOTALS	141	83	187	100	197	114



April 20, 2009

Subject: **CARDROOM ANNUAL REVIEW**

Page 7

The graph above reflects that during Fiscal Year '07-'08, Bay 101 experienced an increase of ten (10) Reported Incidents and Garden City experienced an increase of fourteen (14) Reported Incidents as compared to prior Fiscal Year ('06-'07)

Calls for Service Involving Arrests

CALLS FOR SERVICE INVOLVING ARRESTS AT BAY 101 CARDROOM

CRIME TYPE	CALLS FOR SERVICE RESULTING IN ARRESTS 2005-2006	CALLS FOR SERVICE RESULTING IN ARRESTS 2006-2007	CALLS FOR SERVICE RESULTING IN ARRESTS 2007-2008
BATTERY	2	2	3
CHEATING	1	3	1
CHECK OFFENSES	3	0	0
CHILD NEGLECT	1	0	1
DEFRAUDING INNKEEPER	1	1	0
DISTURBANCE	0	2	1
DOMESTIC VIOLENCE	1	2	1
DRUNK IN PUBLIC	7	3	8
DUI	2	1	1
EMBEZZLEMENT	0	0	1
FEDERAL VIOLATIONS	1	1	0
FORGERY	0	0	3
GRAND THEFT	2	0	1
MENTAL CASES	0	0	1
MISDEMEANOR HIT & RUN	0	1	0
NARCOTICS	0	3	2
PAROLE VIOLATION	1	0	0
PETTY THEFT	1	1	5
OBSTRUCTING OFFICER	0	1	1
OTHER FELONIES	0	0	1
OTHER MISDEMEANORS	0	0	2
TRESPASS	4	6	7
UNDER AGE GAMING	0	0	1
VANDALISM	0	0	0
WARRANTS	2	2	1
TOTAL	29	29	42

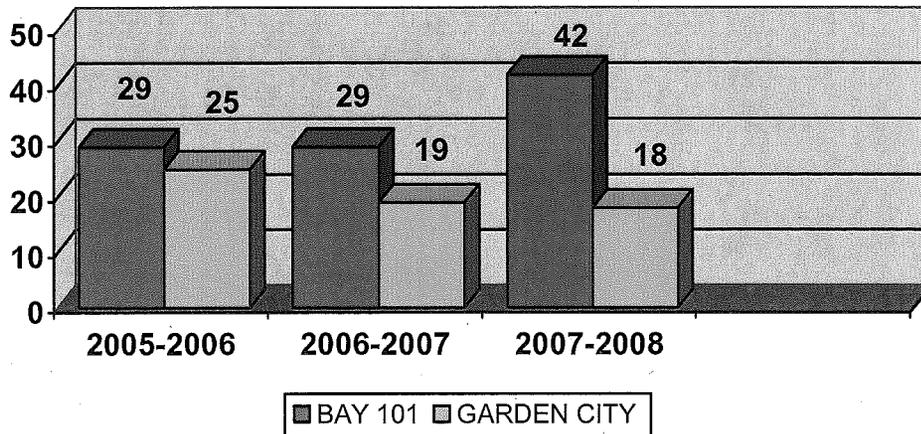
The above chart shows that there was a total of forty-two (42) police-initiated arrests made at Bay 101, compared to a total of two hundred seventy-seven (277) calls for service generated by Bay 101.

CALLS FOR SERVICE INVOLVING ARRESTS AT GARDEN CITY CARDROOM

CRIME TYPE	REPORTED INCIDENTS RESULTING IN ARRESTS 2005-2006	REPORTED INCIDENTS RESULTING IN ARRESTS 2006-2007	REPORTED INCIDENTS RESULTING IN ARRESTS 2007-2008
BATTERY	1	3	2
CHEATING	2	1	0
DEFRAUDING INNKEEPER	0	0	1
DISTURBANCE	2	2	2
DISTURBANCE - WEAPON	1	0	0
DOMESTIC VIOLENCE	2	0	0
DRUNK IN PUBLIC	1	3	3
DUI	0	0	2
EMBEZZLEMENT	1	1	1
EXTORTION	1	0	0
FRAUD	4	2	1
INDECENT EXPOSURE	0	0	0
MENTALLY DISTURBED	2	1	0
NARCOTICS	0	2	1
PAROLE VIOLATION	1	0	0
PETTY THEFT	0	0	0
PROSTITUTION	1	1	0
STOLEN VEHICLE	0	0	1
TRESPASSING	1	1	1
UNDERAGE GAMING	1	0	0
WARRANTS	4	2	3
TOTAL	25	19	18

The above chart shows that there was a total of eighteen (18) police-initiated arrests made at Garden City, compared to one hundred seventy-eight (178) calls for service generated by Garden City.

Arrests Made



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 2007-2008 data revealed that both Bay 101 and Garden City had zero (0) security log entries that did not match 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 found several intentional and/or inadvertent deviations from the regulatory requirements. As a result, the Division initiated nine (9) administrative investigations during this reporting period and took administrative action, including the issuance of administrative citations, violation notices, and other appropriate regulatory action, against those licensees and work permittees responsible for the violations. In addition, the Division also conducted several unannounced inspections of the cardroom cage and vault at both cardrooms to ensure that there is adequate cash on hand to redeem outstanding casino chips pursuant to the accounting regulations.

During this reporting period, Division personnel continued to assist in the revision of Title 16 of the San Jose Municipal Code and to refine the proposed "Responsible Gaming Program" regulation and a related regulation to monitor patrons who remain on cardrooms premises for a period longer than twenty (20) hours. 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 certain time-frame at the 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 who are affected by gambling addiction.

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 2008-2009.

Regulatory Enforcement:

Throughout this fiscal year, the Division has been vigorously enforcing Title 16 of the San Jose Municipal Code and the Minimum Internal Control Standards (MICS) Regulations to ensure that gaming is conducted consistent with the public's health, safety and welfare. For example, the Division actively pursued a Regulatory Action against Garden City and its Stockowners for violations of Title 16 and the MICS relating to the operation of its cardroom business. Most of the violations were related to Garden City's failure to have the required experienced personnel in the day to day operation of the business. In addition, other violations included Garden City's inadequate security surveillance system. In July 2008, the City reached a settlement with Garden City in which Garden City agreed to pay costs and fines in the amount of \$110,000 and to surrender key employee licenses held by two (2) stockowners. Garden City further agreed to "stayed penalties" which would be triggered in the event of future significant regulatory violations within one year. These stayed penalties include an additional fine of \$140,000 dollars and a one week suspension of the gaming operation at Garden City. In carrying out its regulatory responsibilities, the Division will continue to monitor the gaming operations and take administrative action whenever necessary to ensure that the permitted cardrooms comply with Title 16, Rules and Regulations of the Division of Gaming Control, the California Gambling Control Act and other laws of the State of California.

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, Bureau of Gambling Control; and California Gambling 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 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

Division personnel will continue to conduct due diligence on applicants for gaming licenses using the licensing program designed not only to examine the applicants' civil and criminal background but also their financial integrity and stability 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 initiated seven (7) financial background investigations which are still in progress and four (4) key employees' background investigations at Bay 101 and Garden City. The Administrator also recommended to the Chief of Police to renew one (1) stock owner license application.

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 has concluded that both cardrooms were diligent with respect to their reporting of suspected crimes and/or irregularities to the San Jose Police Department. The accuracy and completeness of the reporting have improved during this fiscal period. It is apparent that training provided to and the communications with the cardrooms played a key role 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)

April 20, 2009

Subject: CARDROOM ANNUAL REVIEW

Page 12

- 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.

CEQA

Not a project.



ROBERT L. DAVIS
Chief of Police

RLD:RT:rt

Attachments

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