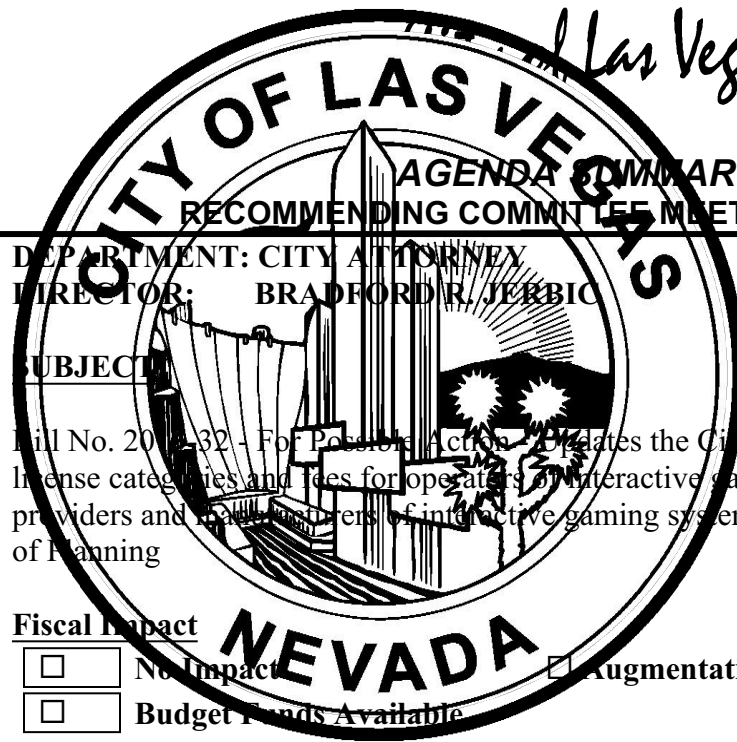




Las Vegas

Agenda Item No.: 6.

AGENDA SUMMARY PAGE
RECOMMENDING COMMITTEE MEETING OF: JULY 23, 2013

DEPARTMENT: CITY ATTORNEY
DIRECTOR: BRADFORD R. JERBIC

☐ Consent ☒ Discussion

SUBJECT:

Bill No. 2013-32 - For Possible Action - Updates the City's gaming regulations to add business license categories and fees for operators of interactive gaming, interactive gaming service providers and manufacturers of interactive gaming systems. Proposed by: Flinn Fagg, Director of Planning

Fiscal Impact

☐

No Impact

☐

Augmentation Required

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

This bill will update the City's gaming regulations to add business license categories and fees for operators of interactive gaming, interactive gaming service providers and manufacturers of interactive gaming systems.

RECOMMENDATION:

This bill should be submitted to a Recommending Committee for review, hearing and recommendation to the City Council for final action.

BACKUP DOCUMENTATION:

Bill No. 2013-32

Motion made by STAVROS S. ANTHONY to Hold in abeyance to 8/20/2013

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

BOB COFFIN, RICKI Y. BARLOW, STAVROS S. ANTHONY; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

By way of reading the item, COUNCILMAN BARLOW declared the Public Hearing open.

KAREN DUDDLESTEN, Business Licensing Manager, and MARY McELHONE, Business Licensing Supervisor, were present. MS. DUDDLESTEN indicated that they have been working on this bill with local gaming entities interested in moving into operations for internet poker

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industry and coming up with licenses for all the participants that the State gaming has singled out. They have collaborated to bring forward an ordinance that has both licenses, fees and fee structures, both for gaming inside Nevada, as well as address what the fees would be on a national level.

MS. McELHONE explained for COUNCILMAN BARLOW that intrastate gaming is where the players would have to play from within the State of Nevada. Interstate gaming is where out-of-state players would be able to come and play in the State of Nevada. Currently, interstate gaming is something the Governor is still working on.

COUNCILMAN ANTHONY verified that intrastate gaming is legal and that interstate is technically legal but through SB 300, which passed during the past legislative session, a committee needs to be formed to study internet gaming and how the Governor would be able to enter into compacts with other states and other jurisdictions outside of the State of Nevada so that gaming outside the state can take place. COUNCILMAN ANTHONY questioned establishing fees for something that is not legal. He suggested moving forward only with the intrastate gaming piece. MS. McELHONE explained that through many workshops and conversations with gaming industry, staff worked on changing code that would allow interstate gaming to take place so that as soon as State regulations are in place and it was allowed, the gaming industry could get licenses and move forward.

COUNCILMAN BARLOW felt that state potential legislation is premature given the fact that it is uncertain on the State committee's decision. MS. McELHONE stated that that might be a possibility, but staff moved forward with this bill draft in the direction of the non-restricted locations within the City of Las Vegas jurisdiction. DEPUTY CITY ATTORNEY STEED explained that the bill would not change no matter what the State decides to do.

COUNCILMAN COFFIN stated that this bill is similar to passing the marijuana license knowing full well that dealing with marijuana was illegal, but there was a fee that law enforcement supported. He asked what the penalty is for someone playing interstate poker. DEPUTY CITY ATTORNEY STEED replied that it would be a misdemeanor without a license with a \$1,000 fine or six months in jail.

VIRGINIA VALENTINE, Nevada Resort Association, introduced KEVIN SULLIVAN, Boyd Gaming, and RUSSELL ROWE, Boyd Gaming. MS. VALENTINE thanked staff for holding meetings and workshops with the gaming industry regarding this ordinance, and thanked MS. McELHONE, DEPUTY CITY ATTORNEY JIM LEWIS and MS. DUDDLESTEN. She appeared in support of the intrastate gaming piece, as it is legal in Nevada and many companies have gone through the licensing process with the State. The City has done a good job of making the definitions of the code include a legal business activity as interstate gaming, but there are many unknowns with respect to interstate gaming. The first six months of the past legislative session everybody was caught up in passing a bill through the legislature that made interactive poker gaming legal. Towards the end of the session there was a realization that there was going

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to be a second piece of this was a compact with other states. The State of Nevada did not change the industry's perspective that there still ought to be a federal law so that there is a level playing field between states and within states on gaming activity. One of the big unknowns is how the effects of compacting may change views on what is needed in the City's code with respect to licensing. The location of where this business activity is occurring has not been completely identified. Intrastate is clear but when other states and potentially other countries get involved in this activity, she does not know what the effects would be and it is important not to put something out there that would create a conflict.

MR. SULLIVAN pointed out that Delaware and New Jersey are the only two states that have intrastate gaming and neither is in operation yet; they only have allowed licenses. There would be federal penalties under the Unlawful Internet Gaming Enforcement Act (UIGEA). MS. VALENTINE stated that compacting will take some time. The legislature passed AB 360 which creates a legislative committee to study issues related to internet gaming between now and the next legislature session. So far in Nevada only internet poker is legal. There are complications about the locations of where this activity is occurring and the effects of licensing and taxing across multi-jurisdictions. She asked to delete every reference to the interstate gaming portion of this ordinance and suggested bringing back a revised ordinance. Recommending Committee so that it is fully vetted with the gaming industry.

ATTORNEY ROWE added that local governments understand the need for licensing structure. He thanked staff for their help on this ordinance. MR. SULLIVAN also asked that references to interstate gaming be removed and to clearly define the section referring to being licensed within the City and what it really means.

DEPUTY CITY ATTORNEY LEWIS referred to Page 1, Line 1 and suggested removing A-D relating to the interstate fee schedules and remove 6.40.115 but leave the definition of the interstate gaming because there will be a replacement that would state no interstate interactive gaming will occur within the City of Las Vegas until a licensing category is adopted by the City Council to ensure that the industry understands that this will be brought back. He also suggested expanding the definition of where the gaming occurs.

COUNCILMAN COFFIN asked if there is an advantage to set the licensing fees for interstate gaming before the next legislature session. DEPUTY CITY ATTORNEY LEWIS responded that the request to include the language came from several non-restricted gaming industries located in the City so they could move forward with licensing once the State definitions are put in place. It is the City Council's discretion to remove or include it. MS. VALENTINE opined that the City might drive location decisions and she believes the last thing the City would want is to drive this type of potential activity out of the State's limits. With respect to timing, she believes it is important for the City to have the regulations and activities identified in the code so they could legally occur. Evolution in technology might change quickly with respect to licensing of interactive gaming. Compacting will take time and it will be complex as it would take negotiations with other state legislators with the attorney general's involvement. Once it is

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imminent, the City would have an opportunity to add the interstate definition back into the code with the advantage of knowing more about what the industry looks like.

COUNCILMAN COFFIN verified with MS. VALENTINE that there would be no need for compact fees with a federal law, but still doing something with local licensing activity. MR. SULLIVAN added that a federal law would obviate the need for dual state compacting. The concern is there could be compacting in two other states and the gaming industry would have to pay a tax here because that falls within the definition of interstate gaming. Again, he asked that references to interstate gaming be removed and suggested working with staff on the definition of location.

COUNCILMAN ANTHONY appreciated everyone's comments and recommended holding the proposed bill in abeyance for 30 days to remove all references to interstate gaming.

By way of reading the next item, COUNCILMAN BANLOW declared the Public Hearing closed.

