

Charitable Gambling Fund Background

The City's Charitable Gambling Fund was established in 1993 to account for the proceeds of a 10% contribution that charitable gambling organizations operating within Blaine are required to submit to the City (Code Section 22-384). The organizations participating in charitable gambling in 2014 are the Blaine Festival Committee, Blaine Youth Hockey, VFW – Sgt. John Rice, and Spring Lake Park Youth Hockey. These organizations are required to submit 10% of their net profits to the City within 15 days of the end of a calendar quarter.

Charitable Gambling Fund Revenues

After experiencing steady declines from 2007 through 2010, revenue from charitable gambling proceeds has experienced a steady incline over the past four years with 2014 gambling proceeds coming in at \$113,442. Based on actual receipts through June 30, a preliminary projection indicates \$119,000 in charitable gambling contributions for 2015. This is \$24,000 more than the budgeted amount of \$95,000 and a 5% increase over the 2014 amount. Staff anticipates a smaller increase in 2016 charitable gambling proceeds, but still foresees a 2.5% increase to \$122,000 in 2016.

Charitable Gambling Fund Expenditures

Expenditures from this fund are at the City's discretion, provided that they fall within the guidelines established by Minnesota Statute 349.12 subdivision 25. Specifically allowable contributions include donations to:

- 501(c)(3) organizations; and 501(c)(4) festival organizations
- Relieve the effects of poverty, homelessness, or physical or mental disabilities
- Treatment of post-traumatic-stress syndrome or compulsive gambling
- Public or private accredited nonprofit educational institution
- Scholarship funds
- Recognition of humanitarian or military service
- Activities and facilities that benefit youth under the age of 21
- Support police, fire, or other public safety-related services, equipment, and training
- Wildlife management projects
- Maintenance of snowmobile and/or ATV trails
- Support nutritional and congregate dining programs, and food shelves
- Community arts programs.

Annually, an expenditure report is submitted to the State of Minnesota, disclosing the amount, purpose and recipients of funds.

In total, the City appropriated \$137,250 for 2015, all of which has been paid, except for the amount earmarked for the Blaine Historical Society. Appropriations are summarized as follows:

<u>Organization</u>	<u>2015 Funding</u>
Alexandra House	\$40,000
CEAP	\$ 7,500
Centennial Community Food Shelf	\$ 7,500
Kingswood Church Food Shelf	\$ 7,500
Good Shepherd Covenant Church Food Shelf	\$ 7,500
Senior High Schools (3)	\$ 2,250
Civil Air Patrol	\$ 5,000
Blaine Historical Society	\$10,000
Family Promise	\$10,000
Hope 4 Youth	\$10,000
SBM Fire Department	\$30,000

The fund is expected to end 2015 with a fund reserve of over \$110,000.

2016 Proposed Budget

In addition to the increase in current revenue, the positive performance of the fund over the last two years has contributed to an increase in fund reserves that is estimated to be nearly \$75,000 above the fund's reserve goal. With this in mind, staff is requesting Council consideration of the following changes to Charitable Gambling Fund policies that would be implemented with the adoption of the 2016 budget:

- Establish a new reserve goal – The current reserve goal, established at a point when charitable gambling proceeds were at an all-time low, is \$35,000. With the fund's positive performance over the last several years, reserves have seen significant growth; 2014 ended with a fund reserve over \$127,000 and 2015 is expected to complete the year with a reserve above \$110,000. Staff is recommending that the City maintain a fund reserve of \$100,000 for Charitable Gambling. The basis for this recommendation resides in the fact that the collection of charitable gambling funds is controlled by statute and there is the potential that legislative changes could result in the City no longer collecting charitable gambling proceeds. In the 2015 legislative session a bill was introduced that, had it passed, would have ended the requirement for charitable organizations to contribute 10% of net profits to cities. Should legislation be adopted that would limit or end the City's ability to continue to fund this program, a fund reserve of \$100,000 would allow for one final year of charitable gambling funds to be distributed before ending the program.
- Set annual funding limits at the amount such that the fund's projected reserve at the completion of the current fiscal year is within 1% of the fund's reserve goal of \$100,000. For 2016, this would allow up to \$134,000 in charitable contributions. Annually Council would prioritize and appropriate funding to those organizations as Council sees fit within the adopted funding policy.

The current draft proposed budget is shown below.

CITY OF BLAINE, MINNESOTA

2016 Budget

CHARITABLE GAMBLING FUND - 240

	2013 Actual	2014 Actual	2015 Projected	2016 Proposed
FUND RESERVE AT BEGINNING OF YEAR	120,303	125,996	127,294	110,544
<u>REVENUES AND OTHER SOURCES</u>				
Investment earnings	\$ (919)	\$ 2,606	\$ 1,500	\$ 2,000
Charitable Gambling Contributions	91,362	113,442	119,000	122,000
Total revenues and other sources	90,443	116,048	120,500	124,000
<u>EXPENDITURES AND OTHER USES</u>				
To be appropriated in budget year				
Alexandra House	30,000	40,000	40,000	50,000
CEAP	7,500	7,500	7,500	7,500
Centennial Community Food Shelf	7,500	7,500	7,500	7,500
Kingswood Church Food Shelf	7,500	7,500	7,500	7,500
Good Shepherd Church	-	5,000	7,500	7,500
Senior High Schools	2,250	2,250	2,250	2,250
Civil Air Patrol	5,000	5,000	5,000	5,000
Poseidon Sea Cadet Unit/fireworks	25,000	25,000	-	-
SBM Fire	-	-	30,000	35,000
Blaine Historical Society	-	10,000	10,000	10,000
Beyond the Yellow Ribbon	-	5,000	-	5,000
Family Promise in Anoka County	-	-	10,000	10,000
Hope 4 Youth	-	-	10,000	10,000
Stepping Stone	-	-	-	10,000
Total expenditures and other uses	84,750	114,750	137,250	167,250
Increase (decrease) in fund balance	5,693	1,298	(16,750)	(43,250)
FUND RESERVE AT END OF YEAR	\$ 125,996	\$ 127,294	\$ 110,544	\$ 67,294
FUND RESERVE GOAL	\$ 35,000	\$ 35,000	\$ 35,000	\$ 100,000
FUND RESERVE ABOVE (BELOW) GOAL	\$ 90,996	\$ 92,294	\$ 75,544	\$ (32,706)