



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Joseph

SUBJECT: See Below

DATE: January 13, 2026

Approved

Date:

1/23/26

COUNCIL DISTRICT: Citywide

SUBJECT: Amendment to Title 16 (Gaming Control) of the San José Municipal Code

REASON FOR REPLACEMENT

The Police Department did additional, intentional outreach and engagement with a local cardroom on the proposed changes to Title 16 of the San José Municipal Code. During this outreach, additional potential proposed changes to Title 16 were submitted to the Police Department for consideration. This replacement memorandum includes additional changes to Title 16 based on the outreach and review of the additional proposed changes. Other changes proposed will be reviewed separately, and any resulting changes will be brought to the City Council if necessary and consistent with the scope and purpose of the regulatory program. The replacement memorandum also clarifies and refines the food and beverage provisions related to complimentary alcoholic beverages so that the policy accurately reflects its intended scope, including the permissibility of structured, time-limited hospitality events conducted in accordance with applicable state laws, while maintaining the underlying policy objectives and compliance requirements.

RECOMMENDATION

Approve an ordinance amending Title 16 (Gaming Control) of the San José Municipal Code to:

- (a) Revise the immediate reporting requirement to the Police Department related to the discovery of crimes at cardroom premises from immediately upon discovery to either immediately upon discovery or, when immediate reporting is not feasible, then promptly upon making a determination that conduct has occurred which raises a reasonable suspicion that a crime has been committed, without compromising responsiveness to potential criminal conduct and revise the

- requirement to report to the Division of Gaming Control any conduct which raises a reasonable suspicion of a violation of Title 16 from four hours to no later than the next business day;
- (b) Expand the allowable betting layout design from 10 to 20 betting squares per player-position per card table, requiring advance approval from the Division of Gaming Control and labeling of all betting opportunities on table layouts to align with modern gaming practices;
 - (c) Repeal Section 16.18.075 (Limitations on continuous presence at cardroom premises) as unnecessary given the minimal number of affected patrons and the disproportionate administrative effort required for enforcement;
 - (d) Remove the four-tournament-per-year limit and add an exception to the existing 25% charitable contribution requirement for cardrooms that make lump-sum charitable contributions under settlement agreements;
 - (e) Expressly permit the cardrooms to offer complimentary or discounted food and non-alcoholic beverages, and discounted alcoholic beverages offered during limited promotion periods (such as happy hours) to patrons, provided such items are not conditioned on gambling participation, are conducted in compliance with applicable state law and consistent with responsible gaming principles; and
 - (f) Make other technical, non-substantive, or formatting changes.

SUMMARY AND OUTCOME

Approval of this recommendation finalizes the effort to streamline Title 16 (Gaming Control) by aligning staffing levels, regulation fees, and the overall regulatory framework with current operational needs. Adoption of the ordinance amending Title 16 updates regulatory provisions to improve clarity and enforcement practicality. The proposed changes reflect operational realities in licensed gaming establishments, while maintaining public safety and regulatory integrity.

The proposed changes also maintain the previously implemented reduction of the annual Cardroom Regulation Fee from \$1,077,536 to \$857,216 per cardroom per year and the elimination of two civilian positions in the Division of Gaming Control of the Police Department, as part of City Council approval of the Cardroom Regulation Fee memorandum¹ on August 19, 2025. These adjustments complete the City Council-directed restructuring initiative, ensuring that regulatory oversight remains effective, while proportionally reducing the scope of required compliance activities.

¹ <https://sanjose.legistar.com/View.ashx?M=F&ID=14578159&GUID=ACF8518D-8443-48AD-B125-F7D5DD998E74>

BACKGROUND

The Division of Gaming Control provides comprehensive oversight of San José's two licensed gambling establishments, Casino M8trix and Bay 101 Casino. The Division ensures compliance with Title 16, the California Gambling Control Act, and local gaming regulations to safeguard public confidence and prevent criminal influence.

As the gaming industry evolves, periodic updates to Title 16 are necessary to remove outdated or ambiguous provisions, reflect current enforcement standards and reporting practices, and clarify operator responsibilities to ensure accountability and transparency.

As part of the Fiscal Year 2025–2026 Proposed Fees and Charges Report, the City Council on June 10, 2025, approved a memorandum from Councilmembers Doan, Campos, and Casey directing the Administration to return with amendments to Title 16 of the San José Municipal Code. The direction specified removing municipal regulations already addressed by the California Gambling Control Commission and the State Attorney General's Office, while retaining the City Manager's authority to issue registrations and regulations, existing limits on the number of gaming tables, and provisions enabling enforcement against illegal gaming. The direction also included a reduction of two non-sworn positions in the Police Department's Division of Gaming Control, offset by a decrease in the annual cardroom regulation fee.

On August 19, 2025, the City Council amended the 2025-2026 Schedule of Fees and Charges to reduce the annual Cardroom Regulation Fee to \$857,216 per cardroom per year and eliminated 1.0 Senior Auditor position and 1.0 Staff Specialist position. The action reduced the Cardroom Regulatory Fee Program staffing from 6.0 to 4.0 positions in the Police Department while maintaining 0.16 positions in the City Attorney's Office. This regulatory oversight is a 100% cost-recovery program supported by the fees paid by the City's two cardrooms. The City Council also approved the joint memorandum co-authored by Mayor Mahan, Vice Mayor Foley, and Councilmembers Cohen, Mulcahy, and Casey, which approved the staff recommendation and confirmed that the action fulfilled prior City Council direction related to cardroom regulation.

This ordinance therefore fulfills the City Council's remaining direction by implementing the final updates to Title 16, ensuring that oversight resources and regulation fees remain proportional to the City's streamlined responsibilities.

ANALYSIS

This ordinance further refines and finalizes the updates to Title 16 (Gaming Control) described above, completing the planned revisions to the City's gaming regulatory framework.

1. Section 16.14.010 — Crime Reporting Requirement

Proposed Amendment. Revise the immediate reporting requirement to the Police Department related to the discovery of crimes at cardroom premises from immediately upon discovery to either immediately upon discovery or, when immediate reporting is not feasible, then promptly upon making a determination that conduct has occurred which raises a reasonable suspicion that a crime has been committed. Further, revise the requirement to report to the Division of Gaming Control any conduct which raises a reasonable suspicion of a violation of Title 16 to the Division of Gaming Control from four hours to “no later than the next business day.”

Justification. Existing municipal ordinance requires cardrooms to immediately report any conduct that raises a reasonable suspicion that a crime has been committed on cardroom premises. The proposed amendment clarifies “immediate” reporting by recognizing that certain circumstances may make instantaneous contact impractical. Similarly, the inclusion of the “next business day” standard for Title 16 violations introduces flexibility while maintaining prompt reporting expectations. This aligns with standard regulatory practices across jurisdictions, allowing for administrative efficiency without compromising responsiveness to potential criminal conduct.

2. Section 16.18.070 — Limitations on Bets

Proposed Amendment. Expand allowable betting layout design from 10 to 20 betting squares per player-position per card table. Require advance approval from the Police Department Division of Gaming Control and labeling of all betting opportunities on table layouts. Retain restrictions on backline bets and wager limits as defined by state law.

Justification. Existing municipal ordinance requires card table layouts to have no more than 10 betting squares per play position. The proposed revisions address industry changes and the introduction of new California-approved card games that employ more complex betting structures. The explicit labeling requirement ensures transparency and prevents disputes regarding bet placement. Increasing allowable betting squares provides flexibility for newly approved game types while preserving safeguards. Collectively, these updates improve operational clarity and regulatory oversight.

3. Section 16.18.075 — Limitations on Continuous Presence at Cardroom Premises

Proposed Amendment. This section will be repealed in its entirety.

Justification. Existing municipal ordinance limits a patron’s continuous presence at a cardroom to no more than 20 continuous hours without requiring at least a four-hour absence from the cardroom premises. Further, the existing municipal ordinance includes patron time spent on another cardroom permittee’s premises as part of the 20 continuous hours, when known. The proposed ordinance amendment would remove this provision entirely. The Division of Gaming Control’s recent compliance reviews indicate that the number of patrons who exceed the 20-hour threshold is minimal and

does not justify the administrative burden of monitoring and enforcement. Maintaining a dedicated regulation for such a small subset of occurrences provides limited public benefit relative to the staff time and operational resources required to ensure compliance. To ensure continued protection of patron welfare, the Division of Gaming Control will require cardrooms to address excessive or prolonged stays through their approved Responsible Gaming Programs, consistent with best practices. These Responsible Gaming Programs include cardroom staff training to identify signs of problem gambling and procedures for intervening appropriately when patrons exhibit extended or unhealthy patterns of play.

4. Section 16.18.080 — Tournament Play

Proposed Amendment. Remove the four-tournament-per-year limit. Add an exception to the existing 25% charitable contribution requirement for cardrooms that make lump-sum charitable contributions under settlement agreements.

Justification. Existing municipal ordinance limits tournament play to four times per year, provided that 25% of tournament entry fees are contributed to a charitable organization for charitable purposes. The proposed amendment modernizes tournament oversight by aligning local law with current operational practices. It would remove the quarterly restriction, enabling cardrooms to host charitable tournaments more flexibly while maintaining the 25% contribution requirement. The added exception ensures that cardrooms operating under settlement agreements requiring lump-sum charitable contributions remain in good standing without duplicative charitable payments. This change streamlines administration and promotes continued support for charitable organizations.

5. Section 16.18.090 — Stimulation of Play Prohibited

Proposed Amendment. Add Subsection I, expressly permitting cardrooms to offer complimentary or discounted food and non-alcoholic beverages to patrons, and to offer discounted alcoholic beverages during defined, time-limited promotion periods (such as happy hours), provided such items are not conditioned on gambling participation, are conducted in compliance with applicable state laws.

Justification. Existing municipal ordinance prohibits cardroom permittees from providing money, services, or anything of value to patrons, including food and beverages, for the purpose of stimulating play. The current language broadly bans such complimentary offerings, with only narrow exceptions (e.g., reimbursement for incidental damages, low-value promotional items, or transportation fare reimbursements). The proposed amendments would allow limited complimentary services to patrons while upholding responsible gaming standards. It aligns with practices observed in other gaming jurisdictions, establishing clear documentation requirements to prevent abuse and ensure transparency.

In total, City staff believe these ordinance amendments accomplish the objectives of streamlining regulations while preserving oversight in support of an evolving gaming industry.

EVALUATION AND FOLLOW-UP

In coordination with the City Attorney's Office, the Police Department has completed its comprehensive review of Title 16, marking the final phase of the planned reductions in staffing, regulation fees, and the overall regulatory framework. Going forward, the Division of Gaming Control will monitor implementation to ensure the streamlined structure maintains effective oversight while reducing administrative burden. Continued coordination and periodic internal reviews will verify that the revised framework sustains the City's core objectives to protect public confidence in cardroom operations, safeguard public health and safety, and ensure accurate tax reporting and revenue collection. No further substantive amendments are anticipated.

COST SUMMARY/IMPLICATIONS

The recommended ordinance amending Title 16 (Gaming Control) of the San José Municipal Code will not have any further material budget implications. The amendments to Title 16 will align the ordinance with the actions previously approved by the City Council on August 19, 2025, to reduce the Cardroom Regulation Fee for each cardroom by \$220,320, from \$1,077,536 to \$857,216. In addition, actions taken on October 21, 2025, as part of the City Council-approved 2024-2025 Annual Report, reduced the General Fund revenue estimate for Licenses and Permits and reduced the Police Department's Personal Services appropriation to account for the elimination of 1.0 Senior Auditor position and 1.0 Staff Specialist position in the Police Department.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the February 3, 2026 City Council meeting.

HONORABLE MAYOR AND CITY COUNCIL

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COMMISSION RECOMMENDATION AND INPUT

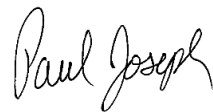
No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-008, General Procedure and Policy Making resulting in no changes to the physical environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

A handwritten signature in black ink, appearing to read "Paul Joseph".

PAUL JOSEPH
Chief of Police

For questions, please contact Kirill Yermanov, Gaming Administrator, Division of Gaming Control, San José Police Department, at kirill.yermanov@sanjoseca.gov or (408) 794-1474