

MEMORANDUM

TO: Finance & Administration Committee
FROM: Nicole Aranas, Assistant Village Manager *NA*
DATE: November 19, 2019
SUBJECT: DISCUSSION CONCERNING RAFFLES – QUEEN OF HEARTS RAFFLES

Attached please find information pertaining to a request from St. Pius X School and Montini Catholic High School requesting proposed amendments to Chapter 123 of the Lombard Code of Ordinances regarding the conduct of raffles within the Village of Lombard. Specifically, the requested amendments are being proposed in relation to the operation of “Queen of Hearts” raffles.

LOCAL RAFFLES

Chapter 123 of the Lombard Code of Ordinances permits religious, charitable, labor, fraternal, education or veterans’ organizations to conduct raffles within the Village pursuant to the issuance of a valid raffle license (Ordinance attached). The raffles ordinance regulates multiple aspects of the sale and conduct of raffles. Specifically local ordinance provides:

- **Maximum Retail Value** – The maximum retail value of each prize awarded in a single raffle shall not exceed \$200,000. The maximum aggregate retail value of all prizes and merchandise awarded by a licensee in a single raffle shall not exceed \$200,000.
- **Raffle Sales** – The maximum number of days during which chances may be issued or sold for a specific raffle shall not exceed 180 days.

QUEEN OF HEARTS

A specific type of raffle, called a Queen of Hearts Raffle, has been increasing in popularity over recent months. While specific rules and provisions may vary operations of the raffle slightly, a Queen of Hearts Raffle is structured as a progressive raffle where individuals purchase tickets for a chance to blindly draw/reveal a card, in hopes of uncovering the Queen of Hearts. If their ticket is drawn and they guessed correctly, they win the progressive jackpot. If not, the game continues, the pot rolls over and ticket sales begin again in the following week. Variants of the raffle involve the inclusion of jokers within the deck, which when drawn, effectively roll over the jackpot and restart the raffle board with a fresh deck of cards.

Due to the progressive nature of Queen of Hearts Raffles, the prize pool for this type of raffle has the potential to grow to a very large size and extend over a long period of time. Most notably, a local Queen of Hearts Raffle in McHenry Illinois extended for more than two years

with an eventual jackpot of \$2.8 million. I have attached an example of Queen of Hearts Raffle Rules from St. Catejan's in Chicago to this memo as a sample for reference.

QUEEN OF HEARTS IN LOMBARD

While Queen of Hearts raffles are not expressly prohibited in the Village of Lombard, the current raffle ordinance has the potential to restrict a Queen of Hearts progressive raffle which had ticket sales exceeding 180 days and/or a progressive jackpot of more than \$200,000. Any organization operating a Queen of Hearts raffle in Lombard would need to cap ticket sales to 180 days and a jackpot to \$200,000 (individually and in aggregate). This would need to be accomplished by continually drawing tickets in one day within the time allotted time frame and to a maximum jackpot of \$200,000.

With the increasing popularity of Queen of Hearts raffles and publicity of recent extreme jackpots, the Village has been approached by multiple local non-profit organizations inquiring about operations of Queen of Hearts raffles. Each organization has been provided with the information above regarding the current limits of the Village raffle ordinance. St. Pius X and Montini Catholic High School are seeking to jointly operate a Queen of Hearts Raffle within the Village and are requesting that the Village of Lombard consider increasing the time limitations for operations of a raffle as well as increase the limitations on the total maximum retail prize value. A letter requesting these changes is attached to this memo for your review.

SURVEY

In initial discussions with St. Pius and in consideration of potential changes to the local raffle ordinance, Village staff has prepared a survey of the raffle limitations of other local DuPage communities comparing the aggregate retail value of prizes, the maximum retail value of individual prizes, the maximum price that may be charged for a raffle chance, and the maximum number of days tickets/chances may be sold. Regulations for McHenry were later added to the survey, as publicity surrounding the McHenry raffle has driven much of the interest in Queen of Hearts raffles locally. A copy of the raffle code comparison survey is attached.

ISSUE

We are requesting the Finance & Administration Committee's input and recommendation to the Village Board of Trustees on the following two questions regarding the conduct of raffles in the Village of Lombard. All other aspects of the raffle ordinance would remain unchanged.

- (1) Should the Village amend the raffle ordinance to increase the maximum number of days that winning chances/tickets may be sold from the current limit of 180 days?
- (2) Should the Village amend the raffle ordinance to increase the maximum aggregate retail value of prizes and/or the maximum retail value of a single prize from the current limits of \$200,000?



ST. PIUS X PARISH SCHOOL

A community of faith, service and academic excellence

November 1, 2018

Board of Trustees
Village of Lombard
255 E. Wilson
Lombard, IL 60148

Dear Members of the Board of Trustees:

My name is Toni Miller and I am the principal of St. Pius X Parish School. I have been working with Trustee Pike and Nicole Aranas in regards to holding a Queen of Hearts raffle in partnership with Montini Catholic High School. Both were extremely helpful in providing information on how to coordinate this raffle.

In the process of exploring the raffle, the Village of Lombard graciously took a survey of local communities to compare our village raffle rules. Currently, the Village of Lombard has a raffle length of 180 days and a maximum payout of \$200,000. I respectfully ask that the Board of Trustees consider amending these rules as we prepare for our raffle, which we hope to begin in January.

It did seem from the survey that the 180 day length was on the low end of timeframes compared to other communities. Would the board consider extending this to a year? These raffles tend to grow very slowly and it would really help us to reach the goal of the maximum jackpot.

Admittedly, it does seem that the \$200,000 limit is not an outlier when it comes to the maximum prize amount for the raffles in the communities that were surveyed. Would the Board of Trustees consider raising the maximum prize to \$500,000? The Queen of Hearts raffle is a huge undertaking and can actually generate a great deal of excitement and visibility for our community. We would like to commit to three at most, hoping for one to reach the maximum prize amount.

Thank you so much for considering our requests in regards to the raffle rules for the Village of Lombard. We are grateful for all the time and support we have already received from the Village of Lombard.

Sincerely,

Toni Miller
Principal

RAFFLE CODE COMPARISON

Municipality Name	Aggregate Retail Value	Max retail value of a prize	Max price charged for each chance	Max # of days chances may be sold
Lombard	\$200,000	\$200,000	\$200	180
McHenry	\$6M	\$6M	\$100	365
Elk Grove	\$1M	\$1M	\$100	365
OakBrook Terrace	\$200,000	\$200,000	\$250	365
Naperville	\$2M	\$2M	\$100	180
Westmont	\$100,000	\$50,000	\$200	365
Willowbrook	None	None	None	None
Downers Grove	\$50,000*	None	>\$50	12 months
			<\$50	6 months
* Village Council can authorize raffles in excess upon request of the applicant				
Elmhurst	\$200,000	\$200,000	\$100	180
Addison	\$150,000	\$150,000	\$250	365
Oak Brook	\$250,000*	\$100,000	250	6 months
*Village Board can authorize a higher aggregate retail value and/or retail value of a single prize upon written request value				
Villa Park	\$150,000	\$150,000	\$250	364 days
*Village Board can authorize a higher aggregate retail value and/or retail value of a single prize upon written request value				
Bensenville	None	None	None	None
Wheaton	\$10,000*	N/A	N/A	90*
*Unless otherwise approved by resolution of the City Council				
Glen Ellyn	\$100,000	\$100,000	\$1,000	180
Carol Stream	\$200,000	\$100,000	\$100	90

**QUEEN OF HEARTS -- 50/50 RAFFLE
RULES OF THE GAME
ALL PROCEEDS BENEFIT ST. CAJETAN SCHOOL**

- “The Queen of Hearts” is a weekly progressive raffle.
- 54 playing cards including two jokers are placed face down on a mounting board purchased from a certified gaming vendor; the cards are numbered one (1) through fifty four (54) and are sealed to the board.
- Once a card is selected, it will be turned over with the card face up on the board. If the Queen of Hearts is not selected the game will rollover to the next week. After the drawing, all tickets for that week’s drawing will be destroyed.
- The total prize pool will continue to accumulate weekly until the QUEEN OF HEARTS is drawn. The jackpot amount, based on ticket sales, will be updated and displayed at McNally’s. Updates will also be posted in the school newsletter each week and on Facebook. A projected amount will be posted on the marquee and on the weekly forms used for reference based off of the following weeks sales.
- The first drawing will be Saturday, September 30th at 5:30 PM at McNally’s. Only 1 ticket will be drawn each week. Winner need not be present. Thereafter, the drawing will be each Saturday at 7:00 PM at McNally’s (unless otherwise posted). When the drawing falls on a holiday, we will freeze the drawing until the following Saturday.
- Tickets are 6 for \$5, and you can buy as many as you wish. Tickets can be purchased immediately after the drawing up to the time of the next drawing. **There can be only one name per ticket. Write your name, telephone number AND the number of the available card you’re requesting. If your name is illegible, your ticket will be thrown away and a new ticket will be drawn from the drum.**
- The cap for this raffle will be a \$1,000,000 pot, with a **maximum payout of \$500,000 going to the winner.**
- If a person does not put a number on their ticket, the committee will open the first available number on the board
- **If a ticket is pulled and it has a number that has already been taken, the committee will open the next available number on the board. (i.e. if you have number 7, and that is taken, we will start with card 8 and move you to the next available open card) – this will also be protocol for the drawdown if necessary**
- The ticket holder who selects the Queen of Hearts is the Grand Prize Winner and will be paid half the pot, or a maximum of \$500,000 if the pot reaches one million dollars.
- If a prize of greater than \$5,000 is awarded, the winner will need to confirm their identity and SSN number by completing and signing an IRS Form W-2G. In addition, IRS requires a withholding of 28% of the winnings less the amount of the wager. Winnings will not be distributed until the W-2G has been completed and signed. If a player is unwilling or unable to provide any of the listed items, the prize money will revert to the school. This may take up to two weeks.
- A winner cannot donate the prize without first taking ownership of the prize, which means the appropriate W-2G must be issued and the appropriate withholding taken. If a winner then wants to donate the prize he/she can do so.
- Tickets will be available for purchase at McNally’s everyday beginning at 12 noon. We will also be selling tickets at various school functions. Ticket sales will END 15 minutes prior to the drawings, so get there early!!
- No single tickets will be sold.
- If you do not agree with the rules of this game at this venue, there is no obligation to play
- *As of May 31, 2018, drawings will be held on Thursday nights at 9pm

**The Queen of Heart’s Committee reserves the right to amend these rules as needed prior to any week’s drawing.

CHAPTER 123: - RAFFLES

§ 123.01 - Definitions.

For the purpose of this Chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

Net proceeds. The gross receipts from the conduct of raffles, less reasonable sums expended for prizes, local license fees, and other reasonable operating expenses incurred as a result of operating a raffle.

Raffle. A form of lottery as defined in the "Criminal Code", 720 ILCS 5/28-2, conducted by an organization licensed under this Chapter, in which:

- (1) The player pays or agrees to pay something of value for a chance, represented and differentiated by a number or by a combination of numbers or by some other medium, one or more of which chances is to be designated the winning chance; and
- (2) The winning chance is to be determined through a drawing or by some other method based on an element of chance by an act or set of acts on the part of persons conducting or connected with the lottery, except that the winning chance shall not be determined by the outcome of a publicly-exhibited sporting contest.

(Ord. 2451, passed 1-22-81)

§ 123.02 - Eligibility for license.

- (A) Licenses shall be issued only to bona fide religious, charitable, labor, fraternal education, or veterans' organizations that operate without profit to their members; which have been in existence continuously for a period of five years immediately before making application for a license; and which have had during that entire five-year period a bona fide membership engaged in carrying out their objects, or to a non-profit fund-raising organization that the village determines is organized for the sole purpose of providing financial assistance to an identified individual or group

of individuals suffering extreme financial hardship as the result of an illness, disability, accident or disaster. For purposes of this section, the following definitions apply:

Charitable. An organization or institution organized and operated to benefit an indefinite number of the public. The service rendered to those eligible for benefits must also confer some benefit on the public.

Educational. An organization or institution organized and operated to provide systematic instruction in useful branches of learning by methods common to schools and institutions of learning which compare favorably in their scope and intensity with the course of study presented in tax-supported schools.

Fraternal. An organization of persons having a common interest, the primary interest of which is both to promote the welfare of its members and to provide assistance to the general public in such a way as to lessen the burdens of government by caring for those that otherwise would be cared for by the government.

Labor. An organization composed of workers organized with the objective of betterment of the conditions of those engaged in such pursuit and the development of a higher degree of efficiency in their respective occupations.

Non-profit. An organization or institution organized and conducted on a not-for-profit basis with no personal profit inuring to anyone as a result of the operation.

Religious. Any church, congregation, society, or organization founded for the purpose of religious worship.

Veterans. An organization or association comprised of members of which substantially all are individuals who are veterans, or spouses, widows, or widowers of veterans, the primary purpose of which is to promote the welfare of its members and to provide assistance to the general public in such a way as to confer a public benefit.

(B) The following are ineligible for any license under this Chapter:

- (1) Any person who has been convicted of a felony;
- (2) Any person who is or has been a professional gambler or gambling promoter;
- (3) Any person who is not of good moral character;
- (4)

Any firm or corporation in which a person defined in (B)(1), (2), or (3) has a proprietary, equitable, or credit interest, or in which such a person is active or employed; and/or

- (5) An organization in which a person defined in (B)(1), (2), or (3) is to participate in the management or operation of a raffle as defined in § 123.01.
- (6) Any organization in which a person defined in (B)(1),(2), or (3) is an officer, director, or employee whether compensated or not.

(Ord. 2451, passed 1-22-81; Ord. 4491, passed 6/18/98)

§ 123.03 - License required; application; fee.

- (A) Licenses issued by the Village of Lombard are subject to the following restrictions:
 - (1) No person, firm, or corporation shall conduct raffles or chances without having first obtained a license therefor pursuant to this Chapter.
 - (2) The license and the application for the license must specify the area or areas within the village in which raffle chances will be sold or issued, the time period (calendar dates) during which raffle chances will be sold or issued, the time of determination (calendar dates) of winning chances, and the location or locations at which winning chances will be determined.
 - (3) The license application must contain a sworn statement attesting to the not-for-profit character of the prospective licensee organization, signed by the presiding officer and the secretary of that organization.
 - (4) A license authorizes the licensee to conduct raffles as defined in § 123.01. The following fees shall be applicable relative to the issuance of raffle licenses:
 - (a) One to three raffles during a calendar year—\$5.00 per raffle;
 - (b) Four to 12 raffles during a calendar year—\$25.00;
 - (c) More than 12 raffles during a calendar year—\$50.00.

(B) The Village Manager shall issue a raffle license to all qualified applicants.

(Ord. 2451, passed 1-22-81; Ord. 4491, passed 6/18/98)

Cross reference— Penalty, see § 123.99

§ 123.04 - Conduct of raffles; premises.

(A) The conducting of raffles is subject to the following restrictions:

- (1) The entire net proceeds of any raffle must be exclusively devoted to the lawful purposes of the organization permitted to conduct that game.
- (2) No person except a bona fide member of the sponsoring organization may participate in the management or operation of the raffle
- (3) No person may receive any remuneration or profit for participating in the management or operation of the raffle.
- (4) A license may rent a premises on which to determine the winning chance or chances in a raffle only from an organization which is also licensed under this Article.
- (5) Raffle chances may be sold or issued only within the area specified on the license and winning chances may be determined only at those locations specified on the license.
- (6) No person under the age of 18 years may participate in the conducting of raffles of chances. A person under the age of 18 years may be within the area where winning chances are being determined only when accompanied by his parent or guardian.

- (B) If a lessor rents premises where a winning chance or chances for a raffle are determined, the lessor shall not be criminally liable if the person who uses the premises for the determining of winning chances does not hold a license.

(Ord. 2451, passed 1-22-81; Am. Ord. 2605, passed 6-23-83; Ord. 4491, passed 6/18/98)

§ 123.05 - Raffle manager required; fidelity bond.

The operation and conduct of all raffles shall be under the supervision of a single raffles manager designated by the organization. The manager shall give a fidelity bond in the amount determined by the licensing authority in favor of the organization, conditioned upon his honesty in the performance of his duties. Terms of the bond shall provide that notice shall be given in writing to the licensing authority not less than 30 days prior to its cancellation. The village may waive this bond requirement by including a waiver provision in the license issued to an organization under this Chapter; however, a license containing such waiver provision shall be granted only by unanimous vote of the members of the licensed organization.

(Ord. 2451, passed 1-22-81)

Cross reference— Penalty, see § 123.99

§ 123.06 - Recordkeeping requirements.

- (A) Each organization licensed to conduct raffles and chances shall keep records of its gross receipts, expenses, and net proceeds for each single gathering or occasion at which winning chances are determined. All deductions from gross receipts for each single gathering or occasion shall be documented with receipts or other records indicating the amount, a description of the purchased item or service or other reason for the deduction, and the recipient. The distribution of net proceeds shall be itemized as to payee, purpose, amount, and date of payment.
- (B) Gross receipts from the operation of raffles programs shall be segregated from other revenues of the organization, including bingo gross receipts, if bingo games are also conducted by the same nonprofit organization pursuant to the license therefor issued by the State Department of Revenue and placed in a separate account. Each organization shall have separate records of its raffles. The person who accounts for gross receipts, expenses, and net proceeds from the operation of raffles shall not be the same person who accounts for other revenues of the organization.
- (C) Each organization licensed to conduct raffles shall report promptly and in no event later than monthly to its membership, and to the village, as to its gross receipts, expenses, and net proceeds from raffles, and the distribution of net proceeds shall be itemized as required in this section.
- (D) Records required by this section shall be preserved for three years, and organizations shall make available their records relating to operation of raffles for public inspection at reasonable times and places.

(Ord. 2451, passed 1-22-81)

Cross reference— Penalty, see § 123.99

§ 123.07 - Additional restrictions.

- (A) The aggregate retail value of all prizes and merchandise awarded by a licensee in a single raffle shall not exceed \$200,000.00.
- (B) The maximum retail value of each prize awarded in a single raffle shall not exceed \$200,000.00.
- (C) The maximum price which may be charged for each raffle chance issued or sold

shall not exceed \$200.00.

(D) The maximum number of days during which chances may be issued or sold for a specific raffle shall not exceed 180 days.

(Ord. 2451, passed 1-22-81; Ord. 4491, passed 6/18/98)

§ 123.99 - Penalty.

Any person who violates this Chapter shall be subject to a fine of not less than \$50.00 nor more than \$750.00.

(Ord. 2451, passed 1-22-81, Ord. 4104, passed 12/7/95)