

**MINUTES
CITY OF ST. CHARLES, IL
GOVERNMENT OPERATIONS COMMITTEE
MONDAY, AUGUST 3, 2015**

1. Opening of Meeting

The meeting was convened by Chairman Stellato at 7:35 p.m.

2. Roll Call

Members Present: Chair. Stellato, Ald. Silkaitis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner, and Lewis

3. Omnibus Vote - None

4. Police Department

- a. Recommendation to approve an Ordinance Amending Title 5 “Business Licenses and Regulations”, Chapter 5.08 Alcoholic Beverages”, Section 5.08.090 “License Classifications/Class B Restaurant License”, Section 5.08.260 “Regulations Applicable to Certain License Only” of the St. Charles Municipal Code.**

Chief Keegan: This item is a recommendation from the Liquor Commission last month. It pertains to an Economic Development recruitment piece. As you know the Police Department works in concert with Economic Development to make sure we’re on the cutting edge of attracting and retaining good sustainable businesses to the City of St. Charles. This is a recommendation to approve a Class B-3 license which offers the retail sale and package of wine along with fine dining experience. We’ve looked at some of our neighboring communities, in particular Village of Roselle and Lynfred Wineries, the unincorporated area of Maple Park Acquaviva and these fine dining experiences that offer wine for sale is something we would like to codify in our code and attract those types of businesses to the City of St. Charles. I would like to read into the record the amendment that was approved and forward from the Liquor Commission.

B-3. Class B-3 licenses shall authorize the retail sale of alcoholic liquors for consumption on the premises of a restaurant and tavern. Class B-3 shall also authorize the retail sale of wine in original packages only within the retail wine area of the premises. The retail wine area shall not exceed fifty percent (50%) of the total square footage of the premises. Further, wine and tasting bars shall be permitted in the retail wine area of said premises, and wine tasting may be conducted in accordance with St. Charles Municipal Code 5.08.260 (B).

Motion by Ald. Payleitner, second by Turner to recommend approval of an Ordinance Amending Title 5 “Business Licenses and Regulations”, Chapter 5.08 Alcoholic Beverages”, Section 5.08.090 “License Classifications/Class B Restaurant License”, Section 5.08.260 “Regulations Applicable to Certain License Only” of the St. Charles Municipal Code.

Roll Call: Ayes: Lemke, Turner, Bancroft, Gaugel, Bessner, Lewis, Silkaitis, Payleitner; Nays: Krieger.. Chrmn. Stellato did not vote as Chairman. **Motion carried.**

5. Economic Development Division

a. Recommendation to approve an amendment to Chapter 5.14 “Amusement Game Devices Regarding Amusement Game Device License Fees”.

Matt O’Rourke: Staff began working with a business owner, Paul Ojeda, several months ago and he is looking to locate a nostalgic video arcade downtown St. Charles. This would have stand up video games like Pac-Man, Centipede, those types of uses. There is a particular location he was interested in but discovered in our code there’s an amusement game device fee on the books of \$150 per game per year. Mr. Ojeda is looking to locate a significant amount of games into this location and this would create a very large fee for him. Staff is proposing to approve an amendment to Chapter 5.14 Amusement Game Devices. We do have fees in St. Charles, but staff started looking at our comparable communities, we discovered are fees are significantly higher than other folks in the area with one exception being West Chicago. After that review we discovered two models that other communities use in the area.

One is similar to ours with a base fee for the license and minimal or medium price fee for each game or just a flat fee structure. Both options are included in the material and we’re looking for direction for which one the Council would prefer. The flat fee would eliminate some staff time and effort in terms of checking the number of devices that are out there in these various establishments. We have one notable business “Under the Big Top” that has a significant number of games and pays a large fee under our current ordinances. Mr. Ojeda is here if you have particular questions of his business model. The most interested part is how these have changed over time. These are not coin operated machines, per se, they just charge a flat rate and you can play as many games as you want, so the types of revenue that were generated in previous iterations is really not there anymore. We are recommending approval of this ordinance.

Ald. Gaugel: From a historical perspective, was there a reason in the past to have these licenses? Was it trying to regulate or prevent something?

Matt: We did look into that. The ordinance was approved in 1979 and there weren’t very good staff records from that time that we can really say what the purpose was. More modern ordinances generally have some kind of purpose statement in them but this one does not. I can only speculate and couldn’t point to any one reason why.

Ald. Gaugel: I could make an argument for the second option as a flat fee. It would be much easier to administer and if that reasoning behind it is missing, it seems like it’s a fee to charge a fee and I don’t think that’s fair to the businesses. I would go with the lesser option with our neighbors from the south with over three machines for \$125 – flat fee for licensing.

Ald. Bessner: Was there any reason for taking the annual business license fee and taking it down to \$50 and not just leaving it at \$150?

Matt: What we incorporated is what Batavia charges as example. We can play with any of those iterations, if that's the desire of the committee/council.

Ald. Bessner: It seems like one less thing to change. I like option #1 for that purpose alone but I'll go with what the Council decides, but I think leaving the annual fee where it's at and \$5 per machine is doable.

Matt: We can do whatever way the Council would like us to craft the ordinance.

Ald. Lewis: I like option #3 which isn't there. I agree we are too high and probably out of line but I think we need to be somewhere in the middle. I look at what South Elgin and West Chicago has, they are neighbors too, they are even higher and after 60 machines would probably be higher than we are. Looking at Geneva I don't know if this is something we have faced, but it's unreasonable for someone who is going to have 60 machines would have to pay that much money. I would like to see something between the two.

Ald. Silkaitis: I would like to go with a flat fee because as you've stated is a very valid point, we are going in to count machines every so many months and that's going to take a lot of time and someone could sneak a machine in. What's the fine stand – do we have any?

Matt: We don't have a particular fine. We would say you have more machines so you need to pay the extra fee.

Ald. Silkaitis: I would have them pay the flat fee – say \$500, go in once a year, and be done with it.

Ald. Payleitner: I like Ron's flat fee of \$500 and I complement you on why we need to change and I understand that now that each machine isn't taking the token, that it's just a general admission and we should match that.

Ald. Lemke: I noticed option 2 and I think there's a way to bring in both scenarios that if someone wants 1 to 3 machines, it's fair to have it at less than the flat fee. So you could have option 2 being a certain amount and over three an additional amount, and up to a maximum flat fee like Schaumburg.

Ald. Turner: I'll go with flat fee.

Ald. Bancroft: Flat fee.

Ald. Krieger: If it's a flat fee, I think it should be higher than Schaumburg. I would go with the \$500 flat fee.

Mayor Rogina: The fact that we are to be business friendly, we should provide incentivization to bring new businesses to St. Charles and this particular business I remember a campaign of "what's for kids downtown?" and I want to see those store fronts filled.

Brian Volpe, 1219 Dean Street: This is a video arcade gaming systems only? It won't include other video gaming machines?

Chrmn. Stellato: No.

Doc Mac, owner of Galloping Ghost Arcade, Brookfield, IL: We opened our arcade up in 2010. We had approached other towns and was met with some resistance. Everyone had old connotations of what arcades were. There were a lot of struggles as far as pricing. I've grown up in Brookfield my whole life, and it has really changed the town into something very special. This is a very unique business. Brookfield has always been known for the zoo but now we've grown into being the largest arcade in the world. On an average Saturday we are pulling in 500 people for the day using this same business model. The village has complemented us on doing such great things for the town. They told us not to worry about paying taxes on our machines because we are drawing in business and families from all over the world. It's been a really great thing for our community. I would recommend making it so they can grow; they need startup time to get their business rolling. The taxes per machine, if they are kept low, will allow them to grow and make it a friendly family establishment. It will bring people to your community for years to come. Video gaming industry isn't anything like it used to be. Before when those taxes were put into place it was to restrict the amount of people coming to those locations because they were concerned about things. If you can keep the taxes down you are bringing in business that will generate, not only a successful business, but it will improve the community where local restaurants are getting business. Flip side if expenses are too high than they won't be able to afford to stay open.

Ald. Lewis: How many machines do you have in your arcade?

Doc Mac: We opened with 130 and we've grown in the past five years to 475 machines in one location.

Ald. Lewis: I'm not sure this location is going to be able to handle that.

Doc Mac: It's not about the amount of games. I helped 9 locations open this year and am currently helping 13 more in random places. It doesn't matter on the size of the location. The video gaming industry makes more money than music, movies; it's the largest entertainment industry out there. This business model of having a flat rate encourages people to come in and spend an entire day there. We have never had any issues with our business and we help other businesses within our community when they have events and ask to borrow our games.

Kevin – owner of Mike's Amusements: I've been doing business in St. Charles for 20 years. You need to be careful with the licensing fee for a bar that only has one jukebox it would increase and you would be penalizing someone with fewer machines. A tiered process makes more sense.

Matt: Yes the other example I would point out is this fee also applies to Redbox machines where you rent DVDs – they have one station as well.

Chrmn. Stellato: So if we make it a flat fee can we just attach this to the zoning or special use for video arcade?

Matt: It's not currently a special use in many zoning districts. It's considered indoor amusement. The license fee structure is in place, we would just change the language to incorporate the tier approach into the amendment that's in front of you.

Motion by Ald. Silkaitis, second by Payleitner to table amendment to Chapter 5.14 "Amusement Game Devices Regarding Amusement Game Device License Fees" and direct staff to do more research on this and make it a combination of so many machines for so much money and anything over that is a flat fee.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chairman. **Motion carried.**

Ald. Payleitner: There's no other way we can collect money – there's no tax, no sales tax?

Matt: Not to my recollection.

Ald. Turner: Why don't we separate this because we are talking two different things between Redbox and jukeboxes and gaming where someone is racking up a score?

Matt: You want us to come back to committee level or go directly to Council?

Chrmn. Stellato: Come back to committee and the intent is we do want this to happen, we just have to fit this altogether.

6. Mayor's Office

a. Discussion on Video Gaming (staff, council and public comment).

Chrmn. Stellato: When anyone comes up to speak, please give us your name and address for the record. Try not to be repetitive. This is to be a professional, early discussion on video gaming. The Mayor is going to present, than staff; we'll then turn over to the audience, listen to your comments and end up with the committee.

Mayor Rogina: Two weeks at the July 20 meeting the committee unanimously approved a request by Mr. Donzelli, owner of A'Salute, and Mr. Patrick Strader, Administrator of the St. Charles Loyal Order of the Moose to request to have a public discussion of video gaming at this meeting here tonight. We are here to have that and broke the discussion into five distinct areas: a) impact on Video Gaming to revenues, b) State of Illinois rules and regulations, c) police input regarding video gaming, d) public comments, and e) Council discussion.

Chief Keegan: Director Minick and I have prepared a presentation to give an overview to the elected officials and those in attendance this evening.

- Video gaming was signed into law July 2009.

- Video gaming is allowed in three different types of location: license retail liquor establishments, (St. Charles license classes B, C, D); allowed in codified truck stops (do not apply to the City); and licensed fraternal and veterans associations that have 501(c) status.
- Machines must be monitored by adult supervision at all times.
- Machines must be segregated away from customers who are not age of 21.
- Any violations are investigated and sited by the Illinois Gaming Board.
- Hours of operation usually coincide with the legal hours of consumption on the license premise.
- Approved sites are allowed up to 5 Video Gaming Terminals (VGTs) per establishment.
- Each machine is connected to central communications system (like an ATM machine).
- There are site location restrictions.
- There is a 5-member board appointed by the Governor – anyone who touches any terminal must be vetted and screened by the Illinois Gaming Board.
- Two agents from the Gaming Board are here tonight to answer any questions you may have as well.
- Signage is required (Age 21 and over and “Who Should I Call”).
- Misconceptions of the on-site gaming machines. All currency goes into the gaming machines. Payouts are done via a voucher from the machine itself. Most times it is paid out by ATM machines – there are few businesses that can be registered to payout the player.
- Player is not allowed to play machines simultaneously. One must cash out from the current machine they’re at – then move onto a new machine.
- Transaction of money is posted through the gaming machines and recorded by the central communication system and monitored by the State. It is very transparent and its posted in real-time on their website.
- Information to Date – 7,000 licenses issued to date, 5,000 establishments in the state currently have machines, and 20,000 machines installed (average of 4 – state allows up to 5 machines per establishment).
- 400 applicants have been denied and waiting time from application to installation is less than 6 months.
- Transparency – State Gaming Board website is up-to-date and posts monthly financial reports in real time (showed example slides of some reports).
- Local social service agencies have not responded an increase in service levels since 2012 due to gaming issues.
- Local police jurisdictions have reported no issues or increased calls for service associated with gaming.
- Showed a list of where video gaming is authorized in Kane and surrounding counties.
- Showed slide of zoning districts of indoor recreation and amusement use, permitted in a number of districts: primary/principal use and accessory use.
- Video Gaming Cafes – visited several along the Randall Road corridors. Cafes are generally located around big box uses in strip malls. Operations pertain around lunch time and dinner crowd, there is a food/beverage menu, the atmosphere is restaurant/deli style – not a tavern or bar.

Chris Minick: I will now discuss some of the revenue impacts to the City. There are a lot of variables that go into these equations and I want to give you a fundamental understanding of some of the basic concepts as to how those revenues get generated and reported to the City.

- Revenues are based on two factors: 1) the amount wagered within each gaming video terminal and 2) the number of gaming video terminals that are placed. The state levies taxes for video gaming on terminal income, which the statute defines as money put into the VGT in the form of bucks minus credits paid out to players in the form of winnings/payouts.
- State tax rate is 30% of that net terminal income and there is a mandated payout of at least 80% over the lifetime of the terminal. 20% would be the gross revenue played in the machine. Of the 30% tax rate that is generated, 5/6 of that tax income is retained by state for their purposes and 1/6 is distributed to the municipality where the video gaming terminal is located.
- Showed pie chart of VGT gross revenue distribution percentages: payout ratio, VGT operator, VGT establishment, State share of tax, and municipal share.
- Statewide, municipal share of tax income averages \$1,880 per VGT annually; and based on that state-wide average over 2 to 3-year period, city income from VGT would range between \$173,900 - \$695K per year. Again dependent upon number of terminals placed and the amount wagered.
- Showed slide on revenue impacts to the City based on the three classes of liquor licensees (B,C,D) with number of potential machines and projected revenue estimates per machine/locations.
- Proceeds may be used for any general corporate purpose authorized – proceeds designated for capital/economic development projects. This is not like flipping a switch and we start collecting revenue tomorrow; there is a process and lead time to get things set up.
- Additional Information: the Illinois Gaming Board website has excellent Q&A and other categories pertaining to video gaming: www.igb.illinois.gov

The more basic question that needs to be answered before we go anywhere is are we going to even authorize video gaming at this particular point in time.

Ald. Payleitner: I utilized the state website. What you didn't include in your report is to get that amount, for example, 153 terminals – how much has to be played to get that kind of revenue?

Chris: 1% of the gross revenue would be retained.

Ald. Payleitner: \$80M would have to be played to get that number and \$7M lost. Second question, I printed out some of our local municipalities that have this – how many of them have even close to 153 machines? Elburn has 9; South Elgin has 54; Addison has 62; Carol Stream has 47 and we're looking at 153.

Chris: There were 36 locations that have more than 150 machines out of 971 municipalities and counties.

Ald. Payleitner: How many of those are in our area? There is a ton down state; I want to know who in our area has close to 153 terminals? Okay, we don't know that. 54 terminals in South Elgin had \$31M played, had \$2.5M lost, for a revenue to the city of \$122K. That's a lot of money played and lost for \$122K.

Ald. Krieger: I am going to have to leave and would like to make a couple of comments. First in one of the morning papers on the front page it said communities are hurting because they aren't getting their money; so are we counting our chickens before they are hatched? Also let the record show I will be voting no.

Ald. Krieger left at 8:23 p.m.

Bernie Forster, 516 Longmeadow, St. Charles: I am reading into the record on behalf of Mike and Betsy Penny, 90 Whittington Course, St. Charles their comments since they are unable to be here tonight.

Dear Mayor Rogina and Aldermen,

We are out of town and are unable to attend the City Council meeting video gambling is being discussed by the public; therefore we wish to have on records our objection of allowing video gambling in St. Charles. To say we are disappointed with the current possibility of St. Charles City Council approving Video Gambling in our city is an understatement. Describing it as "Gaming" is misleading. At least be honest enough to call it what it is. Because we will be out of town and unable to attend the August 3rd meeting where this will be discussed by the public, we wish to have on record our objection to allowing Video Gambling in St. Charles.

We have been residence of the city for 41 years and made a decision to not move from here when we retired because it has always been a community that valued a positive, healthy and safe lifestyle for its citizens. Allowing Video Gambling to be a part of our community does not fit that lifestyle. It is making money on people losing money and unfortunately often the people who can least afford this which is often to the detriment of their families.

We believe the least that could be done by the council is to offer a referendum to determine if this is something our citizens want, not just the tavern/restaurant/club owners, or perhaps have focus groups to investigate the pros and cons other communities have experienced where it has been allowed and make recommendations. You represent all the citizens, not just those whose businesses would benefit from the loss of people's money through gambling.

The argument that adults should be allowed to make their own decisions about this is shallow at best. We all know that is why we don't have bars open until 4:00 in the morning, or gentlemen clubs etc. Just because people can choose doesn't mean our community should offer those things in the environment that are detrimental to the life style the majority of our residents desire. So at least do this community the courtesy of seeking all the residents input beyond one or two meetings that many cannot attend with as suggested: referendum, survey or perhaps focus groups. We would hope that no one wants to rush into this decision.

From what we understand about our city's current financial position, there is certainly no need to resort to Video Gambling as a revenue source. We would rather see a slight increase in taxes than have Video Gambling be brought here to increase needed revenue.

Sincerely,

Mike & Betsy Penny

Mylena Litchfield, 118 Whittington Course, St. Charles: I am the National Victims Advocate for 501(c) organization out of Washington, D.C. call Stop Predatory Gambling. I am an RN who saved lives for a living for 30 years but could not save myself from developing a crippling and devastating addiction to slot machines. The quality of my life and family was altered. I have turned my purpose to be a face and voice for those that due to social stigma and discrimination remain silent and in the shadows. There is a staggering number of reckless gambling proliferation. (Told her testimonial of her experience of gambling and how she moved to St. Charles where she could finally pull her life together.) Let people go to other towns where they have gambling if that's what they want to do. The restaurants today are crowded without the offensive, obnoxious cheap noises of slot machines which would serve to poison the pure sound of history and community of which St. Charles embraces. In a short amount of time you will increase bankruptcy, embezzlement, child neglect, suicide, etc. You'll be left with fixing it and the realization too late that these were not unintended consequences. I urge you as officials to charge with protecting the public, to read all the data diligently as you may read and be seduced by a casino industry spreadsheet. Towns that allow video gambling are worse off in the long run which is why many towns in Illinois are now back peddling or pulling their current bans. There is no un-ringing this bell. You can't just do this for the Moose or a particular bar; all of Rt. 64 could be filled with video gambling arcades and the repercussions will filter into St. Charles swiftly. Please do not make St. Charles collateral damage. I've made St. Charles my home for new and fresh beginnings. Please maintain this town as it was always meant to be.

David Amundson, 500 Cedar Street, St. Charles: For every million dollars that the residents lose, the City will see \$50K of revenue. That's a heck of a price to pay for a little bit of money. This seems like a bad idea that is not worth the social cost. Lazarus House came into my mind as one who are the victims of this kind of predatory activity and who are going to be within a 3-minute walk of where these locations will all be. I talked with Liz Eakins of Lazarus House who sees this as a serious threat to her residents and is not at all in favor of this. This is a race to the bottom which is not a race we want to win but we'll be joining it if we did this. I think this wreaks of desperation and we could do better than this – I know we can; and yes I would support a tax increase if that's what we had to do to fill up the coffers, but I don't think we're in that desperate position yet.

Max Biddle, 3149 St. Michelle Lane, St. Charles: I've been in this community for 52 years and want to point out a couple of things. The pie graph that was shown that showed the percentage the city would be receiving. I also saw a percentage that the establishment would be receiving, and the turnover that we have in some of our establishments in the City, I could see where a percent could help those. It's interesting to note the list of villages and cities that have these

machines; if people are going to play these machines, they are going to go to those places and leave their 15% that could be returned to the City and these parties would receive the benefit of the machines. I have a difficult time hearing all the time about increase of the taxes, this is an opportunity for those people who want to use the machines, let them use them and the money will go to the organizations within the City. If it's not allowed in the City, it will go to those other towns and you'll lose the 15%.

Brian Volpe, 1219 Dean Street, St. Charles: I love gambling, I enjoy it, it's fun; but I don't want it in St. Charles. There are plenty of places around – that was made clear. Our model of the City is “Pride of the Fox” and we should have pride in ourselves to be better than the other towns around us. If Ald. Payleitner is right - \$80M – that's a lot of money that the local businesses are going to lose out on. That money is being lost that way. Yes it could go to taxes, people could pay a little bit more if they are going to blow it someplace else, but why not just give it to the City that they love and live in. If I want to gamble I will go someplace else.

Pat Strader, 37W767 Dean Street, St. Charles: If you look around here I don't Bugsy Seghal, etc. These are honest people here. I understand some people have addictions; some people are addicted to smoking, some are addicted to drinking, some are addicted to drugs, some are addicted to watching TV - calling the shopping channels. You are never going to cure people's addictions by telling them no, they can't do that. They're going to find a way around it. They will go elsewhere to get whatever they need. So to deny it is saying I don't care what the cost is. I don't want it in my community. I guess you don't want people being in your community, trying to support your businesses, support your functions with churches, etc. Churches run 50/50 raffles which is a game of chance. Bingo is a game of chance – everyone goes to Bingo. I can understand you being mad at riverboats, but I think you're cutting off your nose to spite your face if you don't think about the income that you're possibly going to get. You're right, not everyone is going to get those machines. To try and get them you do have to jump through a lot of hoops. Some establishments might say that's not worth it for me and others might.

Gus Donzelli, 3410 Charlemagne Lane, 2nd Ward, St. Charles: I passed out some pamphlets to you and I have Chris Cunning here of the Illinois Game System that can answer any questions you may have. There are a lot of different addictions, you can buy lottery tickets which I see as another form of gambling.

Chris Cunning, Illinois Game System, 3744 Sunburst Lane, Naperville, IL: I do want to applaud your staff as that is the best presentation as far as a factual overview of the act on how it works. We've seen this work. It's a difficult business; we focus on restaurants, we don't typically do bars, and it's helped a lot of our establishments. It's a legal option in the State of Illinois and it's provided a lot of those establishments an opportunity that wanted to choose the path to increase their revenues. A lot of them have done some fantastic things within their establishments to revitalize them: job creation, real estate expansion. It's been a good product for the clients that have been served, it doesn't fit for everyone.

Reverend Al Patten, 405 Delnor Glen Drive, St. Charles: Told a story of a person whose spouse has a gambling problem and doesn't know how to deal with it. Addiction is the key issue

on this kind of gambling and addictions are increased in direct proportion to the opportunities. You provide the opportunities, you'll increase the addiction.

Bob Karis, 655 Oak Lane, South Elgin, owner of Rookies along with Mike Mandis, St. Charles: I am part of the group that owns the Village Squire restaurants and Alexander's Café. We have nine locations. We've been in St. Charles since 1996. Everybody can address the ills of society. Personally when video gaming first passed, I had a relief of finally we'll get a little help with our business. Every restaurateur in most towns see this as a big help to keep our doors open. Some big restaurants are allowed to sell package wine rather than to help the little people that make up every community. Video gambling is not my business. I didn't grow up with it in my business, and it's not my savior but you can say it keeps the doors open. It's not something we need to maximize but it's there as an option and it does help. At the Squire in South Elgin, we've been there three years, and every penny we've made we've invested back into the business. We got new tables and chairs, new menus, we keep staff. One has to love it to be in this line of work because its tough with the hours, staff, training development, dealing with young people and customers, dealing with the town and taxes. There's always something to deal with every other week, such as, the chickens are sick – we're paying double for eggs. We cannot pass every cost on to the consumer or you would have a different menu every day – it's a market price on every item. The minimum wage is going up which we support to have better staff, but we need to bring that money back in. We're looking to expand into new cities and if a city does not allow this, it definitely takes a back seat to the neighboring town that does allow it. It's something that big to us to help us manage our costs. Rookies in St. Charles, you can see what's around us. It's hard to stay open when everyone else around you is closed. We are a law abiding establishment, keeping the place to make St. Charles proud and I don't think the video gaming would change that at all. I haven't seen it at the Squire which is a more family elegant location. People don't say "oh you have video gaming – I'm never coming in here again." You can't please every single person out there. Restaurant is a tough business and we need all the help we can get.

Lynn Clesen, 7N310 Long Ridge Road, St. Charles: We are proud members of the Moose and we are a fraternal organization. We have a strong city that volunteers a lot such as the Moose does. We have 1,748 just in our lodge. We are a part of over a million people strong who work hard to support Mooseheart (our neighbor) and Moosehaven (Florida). We had machines in our lodge before and we didn't have any problems, they were monitored, we had good people. I'm not here to debate the rights or wrongs morally – that's everywhere and that is nothing new to life. We are not looking to make money; we are looking to enhance our business. We are a family oriented organization and have family functions every weekend for adults, children, seniors, and mid-lifers and it's a good group of people. This is another way of looking at things and our way of volunteers because all we do all goes back to the children that we work so hard for.

Kathy Gilroy, 230 W Division Street, Villa Park: I have spent 20 years studying, advising, and working with government leaders, non-profit groups, and individuals who want to know what harm comes from gambling. Anyone who hasn't heard any negative effects of gambling has not studied the issue at all. The "ABC's" of convenience gambling includes addictions,

bankruptcies, crime, corruption, child abuse, divorces, embezzlements, homelessness, poverty, and suicides. Crime related to gambling often does not happen at the gambling parlor. In states that have had convenience gambling longer than Illinois has, mini casinos attract addicted gamblers, drug dealing, and crime. Convenience gambling seduces your neighbors, those who would not gamble otherwise. Gambling can turn ordinary St. Charles residents into the wrong element. A roped off area does not prevent children from being exposed to gambling in their favorite restaurants and bowling alleys and to gambling advertising on local streets. Are St. Charles parents okay with that exposure?

The Illinois legislature, in their desperate attempts to raise revenue, already is considering increasing the number of slots allowed from the current 5 to 10 or more. The governor is withholding gambling revenues now until there is a budget. Towns that allow slots are being inundated with liquor license applications from out-of-towners and their hole-in-the-wall mini casinos. A vote for slots would invite them to move into town to compete with existing St. Charles bars that are trying to survive. The role of government is to protect constituents from themselves and others, not find ways to harm them.

Illinois gamblers have lost over \$1 Billion in local slots. That \$1 Billion could help other Illinois businesses. Slot machines would not bring money into St. Charles, they would take money out of it. Consider the St. Charles businesses that would lose sales to slots, and consider the wishes of St. Charles residents who would become gambling losers and not just the wishes of gambling pushers that would become gambling winners. Please, continue to ban slots from St. Charles.

I would also like to counter some math I heard earlier. The 80% figure is the minimum payout on the slot machines. Typically, right now, competition is making the payout about 94%. Instead of dividing the 20% among the town businesses, it's about 6% of the amount that is wagered; about a third less, so the amount that would have to be wager would be three times as high as the amount that was given.

Nancy Duall, represents United Methodist Church Northern Illinois Conference and Baker Memorial United Methodist Church in St. Charles: In our work to oppose expansion of gambling we collaborated with Illinois Church Action Alcohol Addiction Problems (ILCAAP). I know packets of information were sent to each of the aldermen. Our work is to fight against the negative effects of gambling and to work with legislation. Video gambling is considered the crack/cocaine of gambling because it's so very addictive in nature and the way the machines are. Most of the statistics I've seen is based on the profits which would be the losses. The local establishments that have the machines gets 35%, machine distributor operators gets 35%, State gets 25% and the local community gets 5%. People have to lose a million dollars to the city to get \$50K or lose \$1 to get a nickel. The operators and distributors have been very active going around talking to local bars and restaurants to get them involved. Places surrounding here that are mentioned in your materials have rejected overturning their ban: Campton Hills, Schaumburg, Chrystal Lake, Geneva, Lombard, Batavia, Lisle, Wheaton; you won't be losing any money to them. Our legislators are influenced by the lobbyists and the money that is contributed to them for their campaigns. They also don't want to raise taxes so they think this is the way to go without raising taxes. The Gaming Board has a lot more work than they've had

before and they are under staffed and under-funded and some things has slipped through. When people lose their money to the machines it takes away from other businesses. Crimes are rising because people are breaking in to steal the money in the machines. Also those mentioned cafes are not all of what they say are. I urge you for the benefit of St. Charles to keep your ban in place.

Mark Hoffmann, 221 S 2ndnd Street, St. Charles: I own a small business, 2nd Street Tavern. I make my living from the business I have in this town. I don't have any issues or fight for those people who are crusading for the social aspect of gambling. I have no animosity towards nor do I disagree with them. However, St. Charles is an entertainment destination for a lot of people. They come to this city from large surrounding areas to enjoy the ambience, food, beverages, social part of St. Charles. Video gambling in the establishments where they would go to would simply be an enhancement to that. It would be an additional draw to bring people into St. Charles which I think is what St. Charles wants. We can see just going down Main Street that there is a lack of people coming to St. Charles and this would be one small way to increase travel to St. Charles and make it more of a destination.

Five video gaming machines is not going to turn any restaurant or bar into a mini casino. Our business is food and beverage; it's not gambling. I think I can speak for other people as well as myself that a responsible operator is going to toss a drunk out of his bar because it's an unsavory character; we're certainly not going to let people do vile things in the establishment or let someone sit there for 15 hours a day and pump money into the machine. We are responsible operators who will monitor it. People like that would not be good for our core business. Deadbeats won't be allowed in my bar whether it be for drinking, gambling or whatever it might be. We're still going to make more money from the food/beverage than we will from the gambling. We aren't going to turn into gambling establishments.

I live in Darien and I've talked with a number of bar owners there and contrary to what I'm hearing, the problems that have been described don't really exist with the people I talked to. Being a businessman, this is an opportunity for the Council to help people with small businesses in St. Charles. If the numbers out there are correct, the money I might make for my establishment from the gambling machines will just barely offset the 2% extra sales tax we have to pay on alcohol. That's the effect and that's a help. It gets more difficult each year to manage a food and beverage operation. This is a no-cost option. I'm talking about money. There might be other social costs that have been described earlier, but this is no-cost money option to help small businesses to attract more people to St. Charles and to raise some revenue for the City. To me it's a win/win/win. Those people who have problems because of gambling are going to have problems because of gambling whether I have five gambling machines in my business or not.

Mayor Rogina: I appreciate everyone who spoke tonight. I have a quote: "Way to become self-reliant Ray, do not rely upon crafting a budget using State of Illinois money." That's what a successful businessman right here in this town told me recently as we discussed the political mess in our state capitol – Springfield. Staff gave a wonderful presentation to discuss the rules, regulations, revenues associated with video gaming was factual. We heard respectful opinions from both sides of discussion here. I agree there is evil in gambling, liquor, over-eating, the

internet, smoking, and binge shopping, etc. I come back to the point on self-reliance because the fiscal pendulum from Springfield seems to be moving in that direction. As a group of elected officials, we played defense by making early cuts in the budget; and the offense, whatever it may be, suggesting program cuts, more program cuts, or seeking new sources of revenue. I speak for myself only, I am NOT in the mood to support increases in taxes. I heard some people make that comment tonight and that's fine; but I hear people say to me that I can't afford to live in St. Charles – my taxes are too high already.

We have kept our levy low for these past seven years. Cook County just raised their sales tax 10% - the largest in the state. I'm happy the staff took my suggestion of if we are going to talk about video gaming, let's tie it to something that's profitable in our community: capital improvement, economic development. We certainly should NOT devote any substantial amount of money of our budget to video gaming. That would be very un-prudent of us, but I do support the implementation of video gaming for its revenue potential. Beyond that I support it for two reasons. I trust we can manage it properly and after 40 years of living in this community, I am very skeptical about St. Charles' image being tainted. It's just not so – this is a good town. Those who would enjoy the opportunity of gaming (that is what it is called in the statute – gaming not gambling) are making a discretionary call as an adult.

The City and State of Illinois does their part by providing safe guards. The marketplace will tell us about its success or lack of. If it's not successful, it will die. We have supported independent businessmen in our community since our town's inception. We've also welcomed large chains to our community and never question the impact upon the independent. What's my point? We support choice and allow our citizens to make choices. You, the body, will ultimately decide on this matter. I will respect your decision and, as a group of elected officials, we'll move forward one way or the other. You were elected to make easy and difficult decisions and you represent the citizenry and we are not expected to conduct referendums before making every decision.

I would like to suggest some steps in closing. I see three choices here: 1) do nothing – you can vote NOT to continue this discussion, not advance video gaming beyond tonight; 2) continue the open discussion at the August 17 GOC meeting and if you do that, I would put point 3 in there as a suggestion; 3) direct staff, not an ordinance, to develop terms for an ordinance. I would not move to develop the ordinance but would suggest the business terms for discussion. Let the staff come back and depending on what you heard here tonight and all the questions that may come up, let staff put that in print for you to look at, digest, debate and discuss; and then you can say to the staff to create an actual ordinance and then vote positive/negative on the subject.

Ald. Silkaitis: Good discussion. As an elected official, I have to look at all options and the Mayor is right regarding the State of Illinois. We have to look at more revenue or cut costs. I also have to look at what the impact would be and I understand from the business owners completely, I respect them. I don't know in this case if the end justifies the means here. I'm not sure about it. When a patron goes into an establishment, he may not cause a problem there, but he might when he goes to the next establishment or when he goes home. I've heard both sides of the story and heard different numbers from people here, but I'm not totally comfortable with

allowing this in St. Charles right now. I understand the need for the revenue but don't know that this is the way to get it.

Ald. Payleitner: While we heard from Chief Keegan and Director Minick on the financial and regulatory impact on the town, I feel it was unfair and disingenuous not to have somebody officially present from the City of St. Charles on the social costs of this. I think its only fair that we heard from the social impact. We have Dr. Patten and have used her services in the past; have her come up and tell us honestly what the social impact is of this, or Liz Eakins, if invited, would like to give her view on the impact of the future of what that would mean to Lazarus House. If we move forward on this conversation, I absolutely insist that somebody from the City formerly present the social cost to our town.

I have a question on the regulations. Can we trust the state to regulate? I read in the paper this week on how the Illinois Gaming Board has issued licenses to run video gambling machines as to several people who have ties to crime and illegal gambling. This is who we are trusting to regulate? I'm not sure I'm comfortable with that. You say we'll watch it and there will be safeguards?

Chief Keegan: I presented that there were 7,000 businesses that were approved and 400 denied. I talked to the gaming agency and there were a few that surfaced with one that the fingerprints were entered out-of-state in Florida – that's the Tribune article you are referring to. There have been a couple of instances where backgrounds had boxes that were not checked and data wasn't presented to the state. My comfort level is I talked to surrounding communities, I put boots on the ground and visited with these locations and talked with a lot of area police chiefs. I'm pretty familiar with the process, having gone through it, and I've had close contact with the Gaming Board; so I will rest on their record that I think they have done a pretty good job, all things considered as there have been a lot of applications thrown at them over the last three years. I mentioned there is a delay of 6 months. They have a lot of police officers out there doing backgrounds and visiting locations and vetting the applicants.

Ald. Payleitner: Speaking about the State of Illinois, right now our LGDF funds are in limbo. Are we getting them or not? It's up to the state to say "guess what you're getting none of them." What's to say this doesn't happen with video gambling? They may say "hey there's a good revenue for the state because no matter if our budget passes or not, we're still in a mess". Who's to say the state won't use our portion of the proceeds or if it even come to us?

Chris: State does write the statute and governs the video gaming law. I can't stand here today and guarantee you with any certainty that they would not change the revenue formula in some way or even eliminate it. It's a possibility if they decided to change the law.

Ald. Payleitner: We did have a resident speak of a personal struggle with video gambling and what she had said matched what I researched and what I hoped to hear up here and I didn't, from the City. I never read anything about Bingo addiction, of 50/50 addiction or lottery addiction. This is a whole other animal and we need to think of it as such. This isn't the same thing. I cannot in good conscience sit up here and accept any kind of funding that comes from someone's

losses. If there's another way to draw the line, let me hear it. Right now all the money we get in our coffers for the City, whatever the percentage is, it still comes from losses from the players.

Ald. Lemke: No comment right now.

Ald. Turner: I would like to continue the discussion and I have two comments. First it's legal and I don't believe in nanny government. If a guy can't handle himself, it's his problem, it's not the City. Somebody is going to have to do some self-reliance, some self-responsibility sometime in their life, and if it takes a crashing family or bankruptcy to do it, but I'm not going to sit here and tell 98% of the population that they can't play because 2% might have a problem. I'm not going down that road of nanny government. We've doing it at the state level, federal government, and it's going to have to stop somewhere and I'm not going for it.

Ald. Bancroft: I've been on the Council a little more than two years and I can honestly say I've left this room once where I didn't feel very good. That one time is when we just avoided this whole conversation when it came first time around. From my perspective I think the dialogue is good. I'm proud that everyone here has participated in it. I'm thankful that by at least having this conversation sort of lets me right that wrong. I believe it was wrong for a couple of reasons: 1) it's never good to avoid hard issues and 2) the proponents of this, our merchants, fraternal organizations who all do a lot of good in the community deserve the respect to be heard on the issue. From my standpoint I think this discussion has been a good one. For the record, from city staff and the presentation today, I did not find it disingenuous by any stretch. I do like the comment that we should hear about the social cost and I think that's worthy of another discussion. That's something we should all understand, but I believe the presentation from a lot of fronts shows creativity, desire to explore alternatives, and forethought; and the reason that we all can kind of cavalierly sit here and say the City is not in financial trouble, we think its desperation to consider these measures; to me is really not reflective of the fact of how much work it took to be in this position. It's a credit to staff and prior councils and a team of people who made hard decisions, looked at alternatives, and you continue to do that, and I think this a continuation of that process. I commend everyone in terms of the preparation and what happened. Someone said "you can't un-ring the bell". I don't know if that is true or not but there are questions to be had. The Mayor's suggestion of throwing terms of what an ordinance would like together – I don't see a downside of another discussion. Terms for what an ordinance might look like, social costs analysis – those elements in the next discussion would be important and the people who are looking for us to be leaders (local business owners, fraternal organizations, people who are proponents of allowing this in St. Charles) are worthy of that respect and worthy of another meeting and more education.

Ald. Gaugel: Thanks to staff for the long and many hours spent on researching this and the due diligence to present this to us. One of my biggest concerns about this is that it's a state program and the state of the State of Illinois is not good. If my understanding is correct, the state is currently holding payments based on the revenue that is brought in by these gaming terminals right now. I don't see any fixes coming any time soon for the budget issues that we have. This leads me to the following concern that they could change things at any time, which then would have an impact on what we decide and do here on the Council. The state is a wild card that I'm not comfortable with right now. That's a very real concern that we all need to consider as well.

There seems to be a wide gap of what the potential impact will be in terms of revenue. It could aid with many programs in the City or could be negligible in terms of the impact it could have. We heard from business owners here stating that amount would help to offset the increase in the liquor tax that is being paid currently. If we look at both sides of that coin there is still lots of interpretation that we as a Council would need to decipher and come to a reasonable conclusion as to what kind of impact it would have. I'm a big proponent of aiding our businesses wherever we can. We need to help and make all of you as viable as possible and give you the tools that you need to be competitive in whatever marketplace that you currently exist in. With that said, I don't know if this is the right time and my base goes back to the climate in the State of Illinois. I'm not comfortable with the state and what long term effects we would have if we were to implement.

Ald. Bessner: The City of St. Charles went through a sustainability initiative program over 3 to 5 years in which we, the Council and staff, made some drastic cuts that needed to be made and during that time we did not make any cuts to our service levels. We still have optimal service levels in place. We also took on no tax increases. There should be an open mind even for further discussion because we have to look at the cross roads right now of how much more we could cut and I'm sure we can analyze it more to find additional cuts or look at a possible tax increase, as was stated, or look at possible city stickers for your automobiles, but all those are taxes or service fees that we don't want to do. Is this the answer? I'm not sure and I don't think we're all sure either but we should look at it. On the back side the numbers as pointed out, Chris do we have any idea what lottery machines make? Not so much to compare this to lottery habits or techniques or sport, but to get an idea of what these machines could produce on a yearly basis. \$80M was raised at being an outrageous figure to get to, I'm not denying that and I don't know what each machine could produce but a lottery machine might give us some kind of idea of what people are spending in some kind of gambling mode.

Payment schedule to the City was mentioned. Would that be in intervals of 3 months like they paid us now or how is it paid to the establishment owner of their portion and how would it be paid to the City if all was great and the budget was fine and we were getting the full amount?

Chris: I don't know exactly how the payments go between the video terminal operator and the establishment, but the state statute actually calls out a direct debit that is set up for the tax revenue and it is withdrawn twice per month and it goes down to the state and remitted back to the municipalities once per month.

Gaming representative: I'm not exactly sure what the schedule is.

Chris: I seem to remember reading that in the statute and I'll will check on that.

Ald. Bessner: So it's fairly consistent that there would be no lag time in regards to the ways we are paid from other money that the state gives us?

Chris: Except for the fact of the budget impasse. The governor has taken the stance that there needs to be a budget appropriation in place for those monies to be released from the state coffers

and sent onto the municipalities. My understanding and what I've read in the media is they're currently making those dispersements because there is no budget in place at the state level. If the budget is in place at the state level and if everything is flowing properly, you would be correct that it would come to us in the same manner that any of the other state revenues that we would receive. In terms of the actual revenue that might be generated per machine, as long as you're talking about the video gaming terminals, we can go back and put that together as a staff based on the data that's in the gaming board's website. In terms of a comparison to what a lottery machine might generate, I don't know if that data is available – I will have to go back and research.

Ald. Bessner: Why would they allow a cash payout at a local establishment? What are the reasons behind that?

Chief Keegan: Most terminals are set up where the payouts are via a voucher at the ATM. There are some locations set up through the Gaming Board if there is a larger disbursement or winning, you can get paid with the voucher system via the clerk. It's unusual but there are some circumstances where that can happen. This all has to be vetted and approved by the state.

Ald. Bessner: Do they have any security cameras?

Chief Keegan: No they do not.

Ald. Bessner: Is there anything that enable a person to go in, have a beer, sit there for 7 hours and not do anything wrong – would someone be able to tell them to leave?

Chief Keegan: In local business with trespass laws, you have the right to serve or not serve any proprietor in your business whether it be to have a drink or eat. That has always been the right of the establishment.

Ald. Bessner: Going back to what Ald. Silkaitis touched on, if we do move forward with open discussion, I would like to find out what this revenue could possibly be. If there's going to be a lot of monitoring and stipulations in place, it might not be worth it. We were just discussing pinball machines and not having to count 60 of them in an establishment. I'm not saying I'm for it or against it.

Ald. Lewis: I find it interesting that license for video gaming is tied to alcohol. That sounds like a lose/lose situation right there. I know in lot of the casinos in Iowa, American Indian casinos especially they don't allow alcohol in them – it's not a good mix. Walk me through it. I walk into an establishment, I sit and buy something to eat, and then how do I play this game?

Speaker from audience: They do let you have alcohol in the Indian casinos in Iowa.

Ald. Lewis: Well they didn't when I was there.

Chief Keegan: There are varying amounts of games that are loaded on any one machine.

Mr. Cunning, Illinois Game System: You can have five physical machines in an establishment but each terminal can have between 6 to 18 individual games on them. They are touch screens and you can choose the game you want to play.

Ald. Lewis: And that costs me how much money?

Mr. Cunning: The maximum bet is \$2.00.

Chief Keegan: If you needed cash and didn't come into the establishment with currency, you would visit the ATM and feed the cash into the machine and bet/wager ranges from 5 cents to \$2.00. I did not see any slot machines. They were all touch screens in the establishments I visited. There is no drop of coins or currency. Whatever your take is from the machine, you will get a voucher that will be printed and you take it back to the ATM to get paid or, in some certain locations, you would take that voucher to the proprietor and the business would pay you for your winnings or wage difference.

Ald. Lewis: They say the payout is over the life of the machine? What's an average life of a machine?

Mr. Cunning: 8 to 10 years.

Ald. Lewis: It leads you to believe that the 80% comes quickly but its 80% over a long period of time.

Mr. Cunning: It's more like 92% today.

Ald. Lewis: I have served on the 708 Mental Health Board for over 10 years and Ald. Silkaiats will now be taking my position. The City of St. Charles has a tax levy that is based on property taxes that brings in revenue between \$500K to \$700K a year, depending on the property values at the time. The agencies that come before the Mental Health Board are agencies that deal with social crises, mental health, gambling addiction and the money can only be given to residents who live within the corporate limits of St. Charles. I struggle with approving an activity that is known to be an addictive activity. It is known as an addictive activity because in the add, itself, it says 25% of all license fees are given to the Department of Human Services for administration of programs for treatment of compulsive gambling. So even the State of Illinois does recognize that it has addictive behaviors and of all your license fees you pay, 25% of that will go to Human Services just for that particular addiction.

I have heard the stories of people who have difficulty where they come before asking for money for their agencies and you don't necessarily see it in the establishment; you are correct that you see it in the homes, in the courts, in the embezzlements, in the foreclosures. If we went to our judicial system we might get a different picture from the judgements. Part of the sentencing they get sometimes is for treatment they get from Ecker Center, Renz Addiction Center, TriCity Family Services, although they might not be dealing with the gambler, per se, but with the family situation because of the addiction and behavior. For me it is a struggle to have spent 10 years of

my life in St. Charles, not even as a council member, listening to these stories and giving out the taxpayers money to help these people with these addictions and now have to sit here and say yes, let's put them in.

Ald. Bancroft: If the committee does decide to go forward to the next meeting and get the information, the use of the proceeds – we had a couple of line items in the slide, I would like to have that fleshed out to see what that would look like? What's the magnitude? How does it compare to other line items in the budget?

Ald. Lemke: What might be a pro forma? Remember the history of the state budget sometimes hasn't passed until September and what we are talking about here is not a panacea and knowing the timeframe we are talking about, there's no question if there's going to be any revenue between now and September/October. So it's when and if this should happen, it would help us to have a pro forma for year 2016, 2017. We also talked about some controls for further discussion.

Chrmn. Stellato: Our choices are we either continue this discussion or we vote to stop it or vote to move forward, but at some point we are going to need to make some type of motion. If we are to continue to August 17 and because of the lateness of the hour it sounds like we have more questions, but I'll defer to Committee to find out what you want to do from here?

Motion by Ald. Turner, second by Lemke to extend the conversation to August 17, 2015
Government Operations Committee.

Ald. Payleitner: Is this going to be a true conversation or just a bunch of statements – I want to know. If I had known I would of read my statement. We went into conversation and then time gets away and we're not able to address things that were said.

Chrmn. Stellato: We all have to make statements at some point and I have a bunch of questions I want to ask myself.

Ald. Lewis: Could I amend the motion to September's next meeting? That would give us a month to put things together?

Ald. Turner: I would like it stay where it is.

Roll Call: Ayes: Lemke, Turner, Bancroft, Gaugel, Bessner, Silkaitis, Payleitner; Nays: Lewis; Absent: Krieger. Chrmn. Stellato did not vote as Chairmen. **Motion carried.**

7. Executive Session

- Personnel
- Pending Litigation
- Probable or Imminent Litigation
- Property Acquisition
- Collective Bargaining

- Review of Minutes of Executive Sessions

8. Additional Items from Mayor, Council, Staff or Citizens.

9. Adjournment

Motion by Ald. Lemke, second by Turner to adjourn meeting at 9:55 p.m.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chairman. **Motion carried.**

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