

**MINUTES
CITY OF ST. CHARLES, IL
GOVERNMENT OPERATIONS COMMITTEE
MONDAY, AUGUST 17, 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

Budget Transfers Revision – July 2015
Budget Transfer Resolutions (25)

Motion by Ald. Bancroft, second by Krieger to to approve the omnibus items as presented.

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

4. Information Systems Department

a. Recommendation to upgrade Lawson Enterprise Resource Planning Software to Version 10 and authorization of contract with Ciber for Services.

Larry Gunderson: Tonight we're seeking approval for an upgrade of our Lawson Enterprise Resource Planning Software to Version 10. Penny Lancor, Project Manager of the IS Department will explain the project.

Penny Lancor: To be respectful of time I'm not going through all the details that are outlined in the packet, but I did want to bring up a couple of points regarding the project. One, I wanted to give you a framework of reference of how utilized the software system is. The numbers on the slide represent the number of transactions that have been processed through this software in a single month of July 2015 and it is highly utilized in the City. Two, I wanted to clarify how we calculate the requested approval amount. The project itself consists of the cost per services and the required complier license and then we added a contingency amount. We are upgrading not only operating systems levels but also the sequel server level for the infrastructure for this software. There could be potential unknown or unforeseen technical difficulties with that. We don't anticipate spending the contingency amount and if we don't, it will remain unspent.

Ald. Silkaitis: We did this in 2011, is this the average time frame every five years we have to spend \$155K?

Penny: Software generally does have that long of a life cycle – yes.

Ald. Gaugel: What is the City's experience with Ciber with the vendors specifically?

Penny: We've used them in other smaller projects. We've not used them in a project of this size. However, we have a core ERP team that consists of four individuals from the City. We interviewed quite extensively, all the technical resources from the four vendors that we received quotes from. They have by far implemented the greatest number of successful upgrades for other Lawson customers and they came in at the lower cost. We are very comfortable with them and they're the largest in size of all the vendors.

Ald. Lemke: You said additional licenses is that because there are more servers?

Penny: It's an upgraded license.

Motion by Ald. Turner, second by Lemke to recommend an upgrade of Lawson Enterprise Resource Planning Software to Version 10 and authorization of contract with Ciber for Services.

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

5. Fire Department

a. Recommendation to approve closing of parking lot J and the 100 block of Riverside Drive from 9 a.m. to 4 p.m. for Fire Department Open House Events.

Chief Schelstreet: On October 4 we are having our annual open house. This evening I would like to request permission to close the roadway in front of the Fire House and parking lot J which is the Municipal parking lot; as we do have many demonstrations with children running back forth; and for the simple purposes of safety I would like to close the roadway and parking lot for our event.

Motion by Ald. Krieger, second by Gaugel to recommend approval of closing of parking lot J and the 100 block of Riverside Drive from 9 a.m. to 4 p.m. for Fire Department Open House Events.

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

6. Mayor's Office

a. Presentation continued to discuss Video Gaming (staff, council and public comment).

Chrmn. Stellato: Ground rules for this item. One of the concerns we had last time was we went rather long and the committee never got a chance to ask questions or make statements. Tonight we are going to have staff make the presentation and they have a guest here tonight to talk as well. We are going to limit testimony in the audience until we've allowed everyone up here to discuss this issue after staff gives their presentation.

Mark Koenen: What's the lay of the land for tonight's presentation? Two weeks ago there was conversation related to video gaming. We are going to do a brief review of that meeting to build a bridge from that meeting to this meeting tonight. We have brought on board to the City's Video Gaming Team Maurine Patten who I will introduce later and has worked with the City for a number of years through a variety of projects, particularly in coaching as well as bringing on key staff managers to the organizations and she'll talk about some particular areas of the video gaming process and address some topics that I thought last time we were talking about this were missing from the presentation – namely some definitions, specifically the definition of video gaming and how the brain works, and what's an addiction. We are also going to talk about social costs. The Mayor reference of that in his earlier comments. We'll also talk about direct video gaming costs and what those revenues mean. That was highlighted at the last meeting and Chris Minick, Finance Director, will go into that with a lot more detail, and then there's some other information we'll share as well this evening.

First with the brief review. Video gaming, as we are talking about it tonight, is the use of these machines in various kinds of establishments in the City of St. Charles. It is sanctioned by the State of Illinois and the three types that the state has sanctioned are identified in the Powerpoint. The state has also put a limit on the number of terminals that can be in each of these establishments which are limited to five; you can't have any more than five machines. Video gaming device, itself, is considered an adult activity and needs to be segregated from the rest of the facility and be monitored by an adult supervisor. All these rules that the state has set up are under the Illinois Gaming Board.

In terms of gaming revenues, the state and municipalities share in that revenue. 30% of net terminal income is income of what is wagered and that's what paid out as winnings, in other words the losses are shared between the State of Illinois and municipal governments. The state retains 5/6 of that and City of St. Charles would obtain 1/6 of that. For example for every \$2M (net terminal income), \$100K would come into the city's coffers. There is also a startup cost that is associated with this program. Should the City Council determine that video gaming would be permitted as authorized under the state law, it doesn't happen immediately tomorrow. The process vendors would have to apply to the State of Illinois and there is a 6-month process they need to go through to get their license, there'll be a City of St. Charles licensing element as well, and then there would be a maturing of video gaming in the City of St. Charles for consideration.

Last time we talked about a reasonable amount of revenue the City could receive and at full normalization we are talking about \$175K and that would take up to 3-5 years. That translates into 92 terminals to be placed. In St. Charles we have approximately 80+ establishments – so you can do the math.

Our local police department did some evaluation with some of their peer organizations on increase calls for service, any increased crime levels that we should be concerned about early on if we were to engage in state sanction video gaming operation and they have seen little evidence of that being a reality, but there are indirect impacts that are difficult to quantify and we'll talk about that later.

Some public comment questions were raised on social issues and the cost of such issues, such as, addiction and counseling, domestic issues/abuse, homelessness, bankruptcy, reduced resources to allocate to other needs. At that same time we heard about the economic boosts this would provide to people in the community who would have these types of activities in their establishments.

I'm now going to introduce Maurine Patten, Ed.D, local St. Charles citizen who has done significant training in the reality therapy training and working with addictions. She also has done some work in the area of "how do you own your brain fitness (coach) and also optimizing brain health performance". Ms. Patten is a member of the American Psychology Association and the International Positive Psychology Association, and will ask her to come forward.

Maurine Patten: I will give you some facts tonight that I hope will help you with the decision you have to make. Video gaming is becoming more part of our culture. Gambling is on the continuum and we start with things such as bingo, lottery, cards, dice, etc. Video gaming is on the end of the continuum. Is it a part of life that has become entertainment? Yes it is. What we are trying to balance here are what types of gambling that is being renamed as gaming and are perhaps more addictive and causing problems for people. Gambling has now been placed in a new category. Prior to that it had been in a category for impulse disorders and now it's in the substance related addictive category.

Refer to Slide 11 of presentation where definitions are listed for video gaming, addiction, gambling disorder, video gaming addiction. Video gaming can be utilized through a computer screen and on phones. This is the most addictive form of gambling out there because machines are designed to present greater chances of a payoff than there actually is. These machines also hit one's pleasure system so that you respond in a very positive way. 2-3% adults have a gaming problem. Also note that 80% of people who have gaming addictions do not go for help as they don't recognize themselves as having an addiction. 75% who do go for treatments will return to gambling. Primary targets are veterans and women.

Slide 12 described the addiction's impact on the brain regarding how the pleasure center tells the brain what is important and what behaviors to repeat to survive and the brain's reward system in the pleasure center is overstimulated by video gaming negatively affecting emotions, decision-making, etc. Dopamine floods circuits to the frontal lobes producing euphoric, trance-like effects similar to a high or in the zone; and the brain keeps producing dopamine to keep the zone going. Addicts don't play to win; they play to get in the zone.

Slide 13 Video Gaming's Relationship with alcohol: It takes significantly less time for addiction to occur with video gaming – and of this group they will also have an alcohol addiction; but with alcohol you don't get addicted as quickly as one does to video gaming. It is more similar to being addicted to cocaine and Meth. 1 in 5 with a gaming disorder attempts suicide – that is not true for alcohol. 1 in 12 adults (20%) are addicted to alcohol.

Slide 14 – Link Between Location and Video Gaming: easy access to gaming opportunity increases odds of problem gambling among women; easy access or close proximity is considered

a risk factor for addiction affecting all ethnic groups, married, single, divorced, widowed, male, female regardless of employment and education levels.

In closing I was talking to the gaming board about video gaming and I was told that the patent for allowing vouchers to run the machines instead of paying your own money as the system is right now will expire in 2017. The machines will all become cashless. Once the machines are cashless they are totally designed for addiction. The goal of the machines is basically to have people play to what they call “extinction”, which means in the gambling world is “going broke”. I can assure you that there is more at stake here than just money.

Mark: It is difficult to quantify social costs as it relates to video gaming. We did come up with a quote out of the Chicago Tribune:

Slide 15: “Kindt, a professor of business and legal policy at the University of Illinois Urbana...has studied the effect of gambling for the last 25 years, points to his own research findings that suggest all gambling in the state produces about \$1.5 billion, whereas the “social costs” – drug addiction, bankruptcies and crime – fall between the \$3 billion and \$6 billion.”

We tried to bring this down to being more local – what does it mean for Kane County, what does it mean for the City of St. Charles? All we could come up with is that St. Charles is included in this value. Relating back to video gaming which is a part of our environment today, so we are a part of that value.

The flip side of that coin is qualitative value and what does that mean? If you accept the definition of video gaming – it’s here today. St. Charles is not totally immune of what the real cost of social cost may be in our community. Additionally, St. Charles is in a donut hole. Figuratively speaking state manage video gaming is around us. Also as the Mayor said earlier, e-technology permits video gaming today in the City of St. Charles.

Social costs, to some extent, are here. Prior to two weeks ago, Chief Keegan had a conversation with a local social service agency who provides services to members of our community. Those include TriCity Family Services, Ecker, Renz, and Lazarus House. They all indicated that they had no quantitative data that suggests that the number of clients coming to them for assistance has grown in particular since the Illinois Gaming Board has become effective. Having said that, at the same time they cautioned those kinds of comments by saying they really are concern about the state managed video gaming program as a new introduction of that level of entertainment in the City of St. Charles.

Video game statistics – I’m now going to turn the podium over to Chris Minick, Finance Director, who will walk you through some of these values.

Chris Minick: As we gathered two weeks ago to discuss this item for the first time, there was a lot of discussion about the numbers and calculations and various scenarios. I’ve had the opportunity over the past two weeks to put together some analyses and scenarios and answer some of the questions that were raised by the committee at that particular point in time. I’ve also

had opportunity to go out to some various websites from the State of Illinois and gather some statistics and we'll go through those statistics before we get into the analysis because some of those statistics form the basis and some of the base assumptions that go into the analysis that I'm going to go through, in quite a bit of detail. There are a lot of numbers I am going to present tonight, but it will help to close the loop on the financial end of it and what happens to the wagering dollars in the State of Illinois according to statute.

The gaming board's website actually tracks statistics on video gaming for a 34-month period – back to September 2012. At the time I performed this analysis the latest month that they had information for was June 2015. They have since added July, but these numbers, tonight, only reflect the 34 months of September 2012 to June 2015. **Reference Slide 17 Video Gaming Statistics:** amount wagered; VGT payouts; Net Terminal Income (NTI) equals 92.03% state payout ratio.

I was asked to compare video gaming activity to lottery sales. I was able to go from the gaming board's website and take a look at the last State of Illinois fiscal year of July 2015 to June 2015 and that reflected that there was a little over \$10B in gaming activity in the most recent fiscal year. Lottery sales in that same 12-month time period were just about \$2.85B. So there's over three times amount of gaming activity related to video gaming terminals as compared to lottery sales within the State of Illinois. **Reference Slide 19 Video Gaming Statics:** talked about tax rate of 30% of NTI and percentages municipalities received (1/6) of taxes generated at VGTs and the tax rate and distribution formula that are set out in state statutes.

Slide 20: Calculations: Based on these amounts and calculations and these types of ratios, approximately \$25.1M would need to be wagered if video gaming terminals were within the City limits to return \$100K in tax revenue to the City of St. Charles. **Reference Slides 21 and 22 as calculation examples.**

Slide 23: Distribution of Wagers made... Closing the loop on the \$25M, we discussed the amount wagered going into the machine, discussed winnings returned to players, talked about taxes that the state retains and the City experiences based on that level of activity. What we haven't accounted for yet is the \$1.4M that is the difference between the \$2M in losses and the \$600K tax liability. State law does require that 50% of after tax profits from a VGT to be paid to the Terminal Operator (VGT provider) and 50% to be paid to the local licensed establishment holding the VGT (the business within the City of St. Charles). Based on this distribution formula the \$1.4M would be split evenly between the two. That closes the loop and accounts for all \$25M that would be wagered under that scenario.

Slides 24 - 26: How Many Terminals?: When you annualized the monthly wagers it comes out to \$475K in wagers that are placed on average per terminal within the State of Illinois. Based on that math, in order to generate \$25.1M in wagers we would need to place approximately 53 terminals. There is 5-terminal limit per location which means we would have to have at least 11 locations located within the City of St. Charles to generate enough to wager the activity to see \$100K in revenue. Breaking it down to an establishment basis, placing five terminals would

equate \$9,500 in tax revenue for the City which equates to \$190K in wagering losses annually per site with 5 terminals.

Slide 27: Impact to Local Business: If we presume \$475K average annual wagering activity per terminal, a local would expect to receive \$13,250 per gaming terminal placed. If a local business place the maximum number of five terminals it would expect \$66,265 per year.

Reference Slide 28: Distribution of Wagers Placed for the above calculation.

I have gone through a lot of calculations and scenarios and will pause for a moment to see if any of you have any questions before I go on.

Chrmn. Stellato: The goal tonight is we would like to come up with some type of decision; so whichever way we go tonight, let's try to focus on a goal to either get staff to provide more information, table this issue, or vote it up or down, or direct staff to put something together. I have two questions. 1) This is not the first time you've done an analysis on video gaming? How long ago did we do the other analysis under the previous mayoral administration?

Chris: 2009 or 2010. The law goes back that far. There was quite some delay in actually activating it. The law was passed in 2009 and became active and started gaming in 2012. There was a delay while the Gaming Board established its policies/procedures and got everything up and running.

Chrmn. Stellato: Okay and we didn't go any further than that because at the time, and what I'm getting to is our budget; I want to take a 30,000-foot view and phrase this comment. At the time our budget in St. Charles did not have this \$2M loss that the state is projecting with the \$1.6M plus the loss in motor fuel tax. Hence that's why today we are actually discussing this issue a little further. Last time it came up for the record, I was not in favor of it. This time around I'm still learning what I need to learn about this issue. 2) There was a comment made that once you give out a license, you cannot take it back. Is anyone able to shed light on what that means?

Chris: I believe Administrator Koenen is going to touch on that. Let me finish up my slides and we can go there.

Chrmn. Stellato: Let's pause on that and see if anyone else has questions about the numbers before we go there.

Ald. Bessner: What happens in years 1 and 2? I understand you talked about some lag time in setting up machines – is that what that number is all based on?

Chris: As we talked about the procedures, there is going to be at least a 6-month time frame, which is what the current investigative process that the Gaming Board goes through. I would picture that there will be a few institutions that will want to do this if it is eventually enacted and I foresee the applications would go down state and work out the things they need to work out in terms of placement of machines, etc. That might actually take 6 months to a year for an establishment to get to where its generating some revenue. I would anticipate like any new

activity for a business a kind of ramp-up period as people become aware that certain establishments may have it. Like any business it will build up over time. It's not that we get zero dollars in years 1 and 2; I think it will take 3 to 5 years to normalize.

Ald. Bessner: So if we have hypothetically 92 machines on day 1 ready to go, those numbers would be spread out over five years?

Chris: What you would see over that 5-year period is a build up to \$75K in revenue if you had 92 terminals. \$175K is the estimated annual income but I don't think it's going to be \$175K in day 1. I haven't done an analysis but it might \$30K in the first year, \$75K second year, etc.

Ald. Bessner: The reason for my asking is that there was some talk about the life of a machine and it might be 10 years. So the actual payout of 92% might not be correct. So I'm trying to figure out, if the average is there, is it either over 10 years or right away in the early part. We're not going to see much because there is no percentage that is 92% - might be 95, 96, 97%. I'm still a little lost and trying to figure out how all these numbers come together.

Chris: I can tell you the 92% payout ratio – that's based on the 34 months' worth of experience that the state reported on its website. They're over 20,000 terminals that are accounted for in there; I would think it would be pretty close to a 92% payout. It will also vary on the number of dollars that are actually wagered. If wagering is higher at terminals in the City of St. Charles as compared to that \$475K average state-wide, that would result in higher activity, higher revenues; but if its lower – it will work the other way. It's just like the sales tax. You need somebody there playing the machine to generate the dollars, just like you need somebody actually buying something within the City to get sales tax.

Ald. Gaugel: Can you clarify the terminal operator and the host site? Are they ever the same entity?

Chris: I don't believe they can be by law. There's a prohibition there, correct Chief, that a terminal operator cannot be a host establishment?

Chief Keegan: Correct, the terminal host site would be the establishment and the operator would be the amusement company.

Ald. Silkaitis: Are there ways to license the machines to operate in St. Charles?

Chris: My understanding there are licenses that can be applied but it is not a regulatory type of a function, but more of a tracking type of a function. The state handles the regulation and regulatory aspects of that.

Ald. Silkaitis: If someone wanted to put two machines in, could we charge them like \$500?

Chris: There is a statute on the maximum fee for non-Home Rule communities, but we would be able to charge a fee.

Ald. Payleitner: Correct me if I'm wrong but the state is currently not paying to municipalities what they are owed?

Chris: The state is withholding gaming video tax revenue pending the approval of their new budget; the same way they are holding motor fuel tax.

Ald. Payleitner: And you're basing your figures on 53 terminals?

Chris: Yes, the question that was raised last time was how much activity would be needed to occur for the City to get \$100K?

Ald. Payleitner: I'm looking for the slide that had all the communities in our area that allowed video gaming and was broken down into counties. Aside from Aurora and Elgin, I don't recall anyone even being close to 53. We would be #3 then in terms of quantity of VGTs after Aurora and Elgin. Maybe Hoffman Estates might be around there. 53 is a lot.

Chris: Addison has 62, skip Aurora, Bartlett has 39 – I have 32 communities listed here.

Ald. Payleitner: I recall the list but that would put us third or fourth of the 18 or so communities listed.

Ald. Lemke: For the host site we said \$13K per year per terminal?

Chris: Approximately.

Ald. Bancroft: Just a couple of math questions. At one point you said there was 20,000 terminals this was based on?

Chris: Correct, there was about 20,000 terminals as of June 2015. The number varies each and every month.

Ald. Bancroft: Any clue how many lottery dispensaries?

Chris: I do not know that.

Ald. Bancroft: You also put up two numbers; \$10B was wagered in VGTs from July to June; lottery sales \$2.8B and I assume the lottery doesn't have a similar sort of payout number that they show out?

Chris: I was not able to find anything in that regard.

Ald. Bancroft: When you net out the \$10B, it's about 8%. The lottery sales is about three times the cost less whatever the winnings are?

Chris: If you had the 92% payout ratio, it would be about \$1B in losses based on video gaming.

Ald. Payleitner: Do we see any of that lottery money? Whatever their losses are it doesn't matter because it doesn't come to us.

Chris: Not directly and it doesn't come to us.

Ald. Bancroft: It does matter.

Ald. Payleitner: For you, but I'm saying my point is we are benefitting from people's losses.

Ald. Lewis: When we look at the number of terminals, that includes truck stops also; so some communities might look like they have larger amount of terminals or more establishments, but it also is in truck stops which St. Charles does not have any that would qualify.

Chris: We currently have no locations that would qualify as a truck stop. As far as the mix in other towns, I don't know.

Ald. Lewis: I did some research and you can tell who has more terminals and payouts like these café companies that are coming in which is a different whole discussion; but it's not just a few local bars downtown, it's other places as well.

Chris: Getting back to the slides.

Slide 29: Comparison to other Revenues: Every year I do my budget presentation and you hear me talk about the seven line items within the General Fund and the fact that usually accounts somewhere between 90 and 95% of the revenue. Showed a breakout table of the seven tax revenues sources for the City of St. Charles and the comparison of what they represent as compared to the video gaming projections.

Slide 30: Showed more of the same comparison with smaller line items of the General Fund. I think we'll be somewhere between 53 and 106 video gaming terminals within the City which would slot in somewhere a quarter to half percent of revenue to the General Fund.

Mark: Thank you for being patient with numbers. It was a lot of information that we thought was important to get out in front of you. One of the questions asked us last time was if the City of St. Charles chooses to accept the State of Illinois Gaming program, and we get down the road five years from now, and for whatever reason we decide to undo that approval process – can we?

Slide 31: State statutes provide the City with the authority to prohibit Video Gaming. There is nothing in the statute that the City's authority to do so is in any way affected but it's allowing it. In other words if the City repeals the prohibition on video gaming it still can prohibit it at a later date. There may be practical problems with winding it down but no legal impediment at least at the present time.

Another question was can we eliminate video gaming and Ald. Lewis touched on something relating to video parlors. **Reference Slide 32:** There are means to limit control of video gaming

such as, minimum floor area of business and I understand that's significant because of these hospitality organizations known as a café – they like to be in that 1,200 to 1,500 sq. ft.; operation for a minimum of one year with a liquor license before a video license is issued – that would be a new business would have a bigger commitment to the City, if that were to happen; and the third requirement is to have an on-site kitchen. These are tools that can help to better manage video gaming. I'm sure there are others.

Questions and Comments: One thing that came up last time was what will the State of Illinois do down the road as it relates to payouts to local agencies with regard to video gaming? There is no sure answer on what the state may choose to do, but I did take the time and contacted Senator McConnaughay's office and asked her the question if there is any conversation going on today that would relate to video gaming and are there rules proposed that would perhaps suggest a variance from what the local agency is receiving for income from video gaming as we know it today? She said presently there is no conversation on that front. She was quick to assure me that could change.

Chrmn. Stellato: Again staff has put a lot of work into this and it's up to us to put closure to this, or get staff to move forward.

Ald. Payleitner: When you asked the other communities what they're doing, was that specific to Elgin, Bloomingdale and Bartlett, much larger communities I might add, is their limit via the liquor license or is it directly that they have ordinances in place controlling video gaming per se?

Mark: This relates to requirements that they have in place that would impact video gaming and some of it is through the liquor licensing code, some of it is written under video gaming. They all have a different style. It depends on the personality of the ordinance.

Ald. Payleitner: This is kind of back door. Even though Senator McConnaughay was right that there were no conversations going on as far as reworking the funding, but there are several house bills on regulations. The ink isn't dry on this yet so I'm not sure how far we want to swan dive into it. One of those is about the municipalities power and the municipalities control – HB0259 and that's been put back since April. So we could control video gambling via the liquor licenses – we can't really via video gambling itself.

Mark: These examples are based on the law that is written today that these communities have used. This is status quo.

Ald. Payleitner: Yes, via the liquor license.

Mark: Correct.

Ald. Silkaitis: Very good presentation. I learned a lot from the slides and guest speaker. I liked both perspectives of the speaker and the finances. There were very valid points. At our last meeting Ald. Turner mentioned that people need to take responsibility for their actions. I completely agree with that; we can't control everything, but do we want to lead them down the

road any more than we already have with however many bars we have here in St. Charles – how far do we want to go? That’s my concern. I understand the City’s financial problems, understand the state’s financial problems, but I don’t know for the amount of money we would be getting that I’m convince this is the path I want to take right now. I don’t think it’s worth it. If I had to vote, I would vote no on it right now.

Ald. Payleitner: I would like to address something the Mayor said when he held up his phone and said you can do it on your phone. I can get porn on my phone; it doesn’t mean I want it on my Main Street. Because you can get something on your phone doesn’t make it okay. Secondly my strongest position remains on this no matter what we hear, what numbers are thrown out at us, what addiction, etc. I think still, and I haven’t seen anything to change my mind on this, I think it’s unconscionable for our city to financially benefit from gambling losses from our citizens and visitors. Let’s get another car dealer. Let’s do something to have a positive way so that we are not fearing for people to lose money to puff up our coffers. My second point is and I’ve addressed it before, I trust the State of Illinois about as far as I can throw it. The Mayor has spoken to us that we can’t have dependence on the State of Illinois. We have to think outside the box and get away from Illinois. Who’s cutting our check? The State of Illinois is cutting our check on this. We are trusting the State of Illinois to not trust the State of Illinois. We can’t have our cake and eat it too. No matter what our percentage returned to the municipalities it’s still based on the amount played and amount lost. The density for us to have those kinds of number of 92 terminals – it blows my mind. I know there are no towns around us that have those amounts of terminals to get that kind of money - \$100K. More towns our size are looking more at \$20K or \$19K or \$16K.

I thank Dr. Patten for bringing up the social costs and there’s an economic cost and that \$2M is not being spent in other places. That isn’t money that’s found, that’s disposable income that isn’t being spent on cars, haircuts, etc. I think there’s an economic lost. Also it was addressed by Dr. Patten that there is so much unknown in this and right now the fact that the patent is up in 2016 on the machines – right now we feel safe because it’s cash only but in two years that won’t be the case and that gets more and more dangerous. Addressing Bill’s “nanny” statement last time and Ron said we can’t control everybody, but at the same time we don’t have to roll out the red carpet. There are a lot of legal businesses out there for 18 and over for well thinking, clear thinking, adults to participate in, it doesn’t mean I want them on my Main Street. I don’t want adult book stores, pawn shops, strip clubs, XXX movie theaters, but they are all legal and they are all 18 and above that people can decide. Also nobody mentioned the Veterans’ organizations – they don’t want anything to do with this – I asked. St. Charles Veterans organizations want nothing to do with this and I promised I would put that on the record. The integrity of our local government is at stake here for me in how we make our money and this is not a good way to make our money.

Ald. Lemke: From what I can tell the dollar amounts per machine are actually less than what is lost at a riverboat casino like the one in Elgin. Unfortunately the social cost is here and at other locations – I’ve seen it. I don’t anticipate that we are going to be licensing these many machines, but I would say seeing the last slide that whatever controls we can have in place, and if the state begins to throttle us, then I think it’s fair for us to say at some point, no more or to advertise or

further extend those that we have. We have that control and other cities do as well. Certainly the types of things we talk about are for businesses, and for businesses that are not just a slice as in South Elgin; it's for businesses that are expected to have food and beverages. So with controls like that and others we might pick up in model ordinances I would be willing to push it forward.

Ald. Turner: I would like to see an ordinance written so we could have something to look and our citizens and businesses deserve a straight up or down vote. I don't think it really has anything to do with the money spent or we're going to get, or what the State of Illinois does, to me anyways. I've spent a lot of time going to garage sales in my ward and people don't care about this – seriously. People said it's their money, let them spend it the way they want. I'm getting that a lot and there was some real angst out there about our government and control. Every time they turn around and this is an age group between 25 to 50 years; one person said my whole life is taxes and rules, taxes and regulations, taxes and restrictions; now here you go on the local level that you can't spend your money the way they want to. You're talking about the integrity of the City? I don't want a city that tells people they can't spend money on a legal activity. I think we're going way too far down the road on that. We got to trust our people to make their own decisions. We're making decisions for people. We're telling them we don't trust you to make the right decision, to make the right decision with your money. We don't trust you to practice choice in a responsible manner. In other words – freedom is too much for you people to handle – we're going to handle it for you.

Ald. Payleitner: That's not what I said Bill.

Ald. Bancroft: Dr. Patten's numbers when you first feel them, when their first communicated, you think it's with a negative spin on video gaming; and really to Bill's points if 3% is the addictive number, we're telling 97% they can't do something for recreational reason; so I think there are fairness issues there. Why shouldn't these people be allowed to do something in their own home town that the state has sanction and is legal? I personally don't think we have to root for losses but I understand where Ald. Payleitner gets that. I get that argument. As I understand it I think we're being asked for tonight is to have staff draft an ordinance and I would be in favor to see what an ordinance would look like and I would vote yes for that. A couple of things I would suggest that it have are: 1) if this is an attempt at a trial period, we better have a fixed date because people who out there conducting their businesses are going to enter into agreements and need to understand that the ordinance has been past but it's only been passed for 2, 3, 4 years. We need to put the people in a position to manage their businesses; so put some date on there for the next go around for a decision. Then I would look at it as a trial period. If it doesn't work or generate any money then no harm, no fowl, no one is doing it. If does work and generating significant money, that's something we need to look at and that's for the better of the community. Second, I would not be in favor of any of the limiting factors: square footage, etc. and the only reason is that you have to give this a chance from a revenue standpoint to succeed, in my opinion. The more things you put around it to stop it from going forward, the more it's not going to have a result that's positive. Third, the only focus for me, Bill focused more on the personal choice aspect; I focus more on just the funds. If we have an extra \$100K in the coffers, I can spend that on George's and make some interesting complement to the Arcada Theatre or something. I think this community is so much better off and that's money that is just found. I

would really be interested in the four things the Mayor said in his announcement. What use of the funds are we going to make? I would like to understand where that is going. I don't know if we build that into the ordinance? I don't know if we want to restrict it that way. The use of the funds is the only benefit that comes out of this decision, so I'd be very interested in how there going to be used.

Ald. Krieger: First I would agree with Ald. Payleitner. I don't think we need to risk citizens to have the ability to go out and spend money that they probably won't have to spend on something they don't need to do so that we can make a few dollars. I think that is just wrong. I think there are other ways if the City is that desperate, and I don't think we are. The state is not paying anybody. I think there are some other areas we could cut back on before we would consider this. I would vote no.

Ald. Gaugel: Mark you stated if this were to be voted in, it's up to us that we can then vote it out, but you said there would be some practical concerns in doing that. What are those in your viewpoint?

Mark: That's a good question and I'm not certain that I know all the practical conditions, but I'd have to assume that there would be some contract issues between a host site (downtown business location) with a vendor who provides them the machines. There is some sort of life to a contract, there's some issues about if the machines are taken out who pays for that and how that plays out in the conversation. I don't know what that looks like and I have not had a specific conversation with either the host company who provides the equipment or an establishment who maybe has had some practical experience in this matter.

Ald. Bancroft: That is what I meant by having some fixed date so these people could manage their contract process.

Ald. Gaugel: There are both sides that have made very valid points and I agree with a lot on both sides of this debate. I talked with many people in my ward and I was the one bringing that conversation up and, for the most part, there wasn't a strong opinion as Ald. Turner had echoed. I didn't get a real strong sense either way that this is something that the people in my neighborhood are not polarizing as a strong yes or strong no. I mentioned the last time and I still believe this, if this is going to be a 3 to 5-year rollout to get up to that point of the full revenue projection: 50 some terminals, \$100K in revenue; I'm comfortable with that number. I went on the state's site and pulled up 50 different municipalities from the Chicagoland area to downstate to get a good cross section and most of our comparable municipalities were right in that ballpark from 30 terminals to 60/70. I saw some as high as 90. Most of the revenue ranged somewhere in the \$100K to \$200K a year range – closer to the \$120K. So where I'm going with this is if that 3 to 5-year time frame is what we're ramping up toward, and if I were a betting man, I bet the State of Illinois is going to change things all along that way and by the time that we were to get to that full projection, I bet our estimate of what we think we would be getting at that time would be less due to the State of Illinois seeing the revenue stream and going for it. We talk about not wanting to be dependent on the State of Illinois and this is one more thing where I think we would be, and as of right now I would have a difficult time supporting it.

Ald. Bessner: Mark, you stated that the gaming license would tie into a liquor license possibly after a year. What happens if a business loses its liquor license for violations? What happens to that gaming license?

Mark: If they lose their liquor license, in particular lose their state license, they are no longer eligible to play video games. That's one of the three criteria for holding a video gaming license in the State of Illinois. They cannot remain open for video gaming. They could sell sandwiches.

Ald. Bessner: I'm looking at this on a completely black and white basis. The social aspects are important and in my own way I'll get to that and everyone here is divvy on that as well. For that matter we could have this kind of discussion every time we had a liquor license to put some credence in what we're comparing it to. What's important to me, and Ald. Bancroft touched on it as well, is the revenue that will come to the City of St. Charles. It's easy to say we're going to get \$100K; staff has done a great job on trying to show how this money will come back to us in revenue, but if it's less than that, the balance has to be how important that money will be versus maybe a stigma that's attached or a stigma of extra jurisdiction or pieces we have to put in place to control video gaming. That's the balance I have in that right now. The revenue is important. We do have to create other revenue streams but on the other end of that it has to overtake any kind of backlash we might get from this. I'm still at this point, in favor of moving further with either a discussion or send it back to staff for an ordinance to be presented back to us and, at that point in time, we'll have our chance to say yes or no.

Ald. Lewis: When you talked about not being able to undo when you put this in place, I would like something clarified because Will County, I read in the Tribune, has decided to put a ban on any further expansion of video gambling and that includes the unincorporated Will County. They can't take them away once they are already established, but they can prevent new ones. If we had them and when the next year comes around we could say this really isn't working and the ones we have will have to stay, but we won't allow any more.

Mark: I'm not familiar with the Will County experience but we could follow up on that.

Ald. Lewis: I went to the American Gaming Association website and we would like to think that everyone is doing this – that's it all around us, but I found a statistic on their website that there are currently 44 states that have some form of legalized gaming devices and that would be American casinos – 24 states; American Indian casinos – 28 states; racetrack casinos – 14 states; and non-casino licenses which are bars, restaurants or other establishments – 7 states and those states are Illinois, Louisiana, Montana, South Dakota, Nevada, Oregon, and West Virginia. I think we are a real minority and people want to tell us there is a majority of states that have this type of gaming in their communities. Most of our country does not and I thought that a rather startling statistic. I have several different aspects as to why I will not support this for social issues. I don't have confidence in the State of Illinois to administer this program correctly and according to the head of the gaming board he says they are completely understaffed at this point in time. They have 200 employees that are overseeing the issuing of licenses and a lot of them are falling through the cracks. Their workload is so intense that they can't process correctly. There are so many things that need to be straightened out that I think it's too soon to rush into

this and I don't think I want staff using their time to put any more time into this when there are so many more positive things that are beginning to happen in St. Charles with new development. At this point in time I will say no.

Chrmn. Stellato: I would support moving this forward to have staff draft an ordinance because we need to vote on something and I'm not sure exactly what that something is. I would like to have some type of ordinance in front of us that we could either soften or harden depending on how the terms of the ordinance looks. I also believe that we, in our history, have always been fairly creative and I mentioned this before; we're the first one to have an industrial park like we do, first one to have the car dealers and we still have most of them and the hotels. We've done this because we live on the cutting edge. I will also bring up one other point. I've been on this Council for 20 years and I've never been faced in my history with the deficits that the state is projecting for us. The game has changed. Every source of revenue needs to be looked at so that everybody who is either against it or for this has to understand that we have to look at everything a little differently in today's world. We have to survive. We have to get out there and find other sources of revenue; if this is not the right one then so be it. I'd like to take a look at what that would be. Now in this voting process tonight I do not vote. I only vote in case of a tie, but I would suggest we put some type of motion out there and let's see what happens.

Motion by Ald. Turner, second by Bancroft to direct staff to draft an ordinance to allow legalize video gaming in the City of St. Charles subject to Council comment.

Chrmn. Stellato: If there is no other discussion on this I will call the roll.

Ald. Turner: My comment on it would be that it only be allowed in fraternal organizations, bars and restaurants that have liquor licenses in good standing with the City of St. Charles Liquor Commission and would also say there be a time limit that five years from now we revisit the ordinance for re-authorization.

Chrmn. Stellato: Second concur?

Ald. Bancroft: Second concur.

Chrmn. Stellato: Does everyone understand the motion?

Ald. Payleitner: Do we have the ability to do that – the understanding of writing the ordinance? I don't think we do. It's either a yes or a no is my understanding. We can't tweak it.

Mark: That a new concept for us to consider this evening. If that's a condition of the approval ordinance, we'll explore it and bring that information back. That covers the operational issue that a couple of you have brought up tonight.

Ald. Turner: I definitely want it explored because as it's been said if it isn't working out, we can let it lapse. If we want to keep it going as is – that's fine. If you want to expand it to stand-

alone parlors, of which I'm not in favor of at all at this point, we could do it then, but in five years we put it up for review for re-authorization.

Chrmn. Stellato: So if it is possible to be in the ordinance and if not, it won't be in the ordinance and you can vote it up or down based on that?

Ald. Lemke: Yes and I've seen three things on the last slide that say the others are doing it, so it ought to be through the liquor license and we're doing this to help our businesses. Not to say automatically that someone comes here and buys/rents a slice of property and wants one of these. They should have to do what our existing businesses are doing for a period of time.

Ald. Turner: Exactly.

Chrmn. Stellato: I'll repeat the motion.

Motion is to direct staff to draft an ordinance that Council can look at to vote up or down based on the video terminals would only be allowed in fraternal organizations, restaurant and bars that are in good standing with the Liquor Commission and with a 5-year re-authorization required.

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

Chrmn. Stellato: What that means is we are going to be looking at an ordinance and voting on that. All we agreed to do is to look at the ordinance. This will be on the September 8, 2015 Government Operations Committee agenda (Tuesday after Labor Day).

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. Turner, second by Bancroft to adjourn meeting at 9:15 p.m.

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

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