

**COMMITTEE-OF-THE-WHOLE
MINUTES
February 16, 2021**

Mayor Gallo called the Committee-of-the-Whole meeting via Zoom Teleconferencing to order at 7:31 p.m.

COUNCIL IN ATTENDANCE REMOTELY: Aldermen Karen McHale, Nick Budmats, Kevin O'Brien, Jenifer Vinezeano, Jon Bisesi, John D'Astice and Lara Sanoica

COUNCIL MEMBERS ABSENT: None

STAFF IN ATTENDANCE REMOTELY: City Manager Barry Krumstok, Finance Director Melissa Gallagher, Deputy City Clerk Judy Brose, Assistant to City Manager Lori Ciezak, Police Chief John Nowacki, Fire Chief Jeff Moxley, Deputy Fire Chief Rick Acosta, Assistant Director Public Works Jo Ellen Charlton, Business Advocate Martha Corner and City Attorney Melissa Wolf

Those who are joining us via Zoom or in the City Council Chambers will be afforded the opportunity for public comment to address the City Council on matters that are on tonight's agenda after the City Council discusses with Staff.

Members of the public present in the City Council Chambers listening to the meeting will be afforded the opportunity to provide public comment in accordance with the procedures applicable to public comment at an in-person meeting of the City Council. Namely, members of the public must have signed-in before the start of the meeting.

Public comment will also be afforded to the public who are joining us on this conference line as long as they provided their contact credentials and the subject matter for which they would like to speak about before the deadline as noted on tonight's agenda. Written comments that were submitted prior to the meeting will also be read out loud after the topic is discussed by Council.

We ask that persons wishing to address the City Council keep their comments to 5 minutes in length. Comments must be addressed to the Council as a whole through the Mayor, and profanity will not be tolerated.

1) Updating Business License & Zoning Fees

Jo Ellen Charlton, Assistant Director Public Works – The staff report in the agenda packet outlines Staff's recommendations to simplify the City's Business License and Zoning Fee structure.

Business License Fees: As part of implementing the new permitting/inspection/licensing ERP software in preparation of "going live" this year, staff identified the City's Business License Fees as overly burdensome to both applicants and staff in terms of understanding, assigning and implementing fees. Appendix B of the City Code includes the "Schedule of Rates, Fees, Fines and Penalties" for all City regulations. Chapter XII of Appendix B outlines Business License Fees. There are SIX pages of businesses and fees listed in the current fee schedule. Many of the individual business classifications have the same or similar fees.

A review of other municipal codes showed business license fees charged for most businesses based solely or mostly on square footage. While the existing Rolling Meadows fee structure utilizes square footage as the basis for many of our fees, there are also over 70 fees for specific uses, such as gas stations or barber shops, listed in the fee

schedule. Furthermore, after examining how each of the City's billed businesses are classified, many of the individual license categories are not necessary or utilized.

The primary function of this exercise is to simplify the fee table by condensing businesses into like categories as much as possible and basing the fee mostly on the square footage that a business occupies. Although the City hasn't modified fees since they were last updated in 2007, staff believes that most businesses coming out of the pandemic would be appreciative of local efforts to hold the line on fee increases for the near future. The only recommended increase in fees is for "business registrations", which were already lower than the lowest fees for other similar business categories. Business "registrations" are required of businesses that are already "licensed" by the state and therefore not subject to local licensing requirements. The proposed Business Registration fees of \$100, \$150, and \$200 for the three ranges of business size are shown at the top of the table in Exhibit 3 of the agenda packet. These fees were increased slightly to be more consistent with other fees which are rounded to a "five". These "increases" make the registration fees more consistent with the lower fees in the other business categories. If and when an increase in fees is necessary, staff can further analyze our fees against multiple surrounding communities and recommend fee increases that would maintain a competitive environment.

One new fee is proposed to be added. Staff identified the need for a new license classification to accommodate a new use of individuals using desks or small offices in large vacant office spaces. Owners are leasing these spaces to small/single person business owners to have an "address", or to a corporate office accommodating smaller groups of their staff in a distant location as a result of the pandemic. This new inexpensive \$25 fee will allow these "businesses" to be compliant with licensing requirements and avoid violations, while still registering with the City as required by the Code. It is identified in the new fee structure as "Office Hub <500 sq. ft."

Zoning Fees: In addition to the business license fees, staff has identified a need to update the fees associated with public hearing processes, such as variances, special uses, planned unit developments, and subdivisions. The existing fees are, like the business license fees, difficult to find as they are dispersed in different sections of the code. As a result, petitioners are unable to easily locate fees on their own, and instead, are instructed to call staff for their required fees.

The proposed fee structure is meant to be both more comprehensive to petitioners, as well as more in line with surrounding municipalities. All fees proposed are flat fees, instead of based on the size of a development. This proposed schedule also codifies publication fees, public notice sign fees, and escrow accounts. Escrow accounts are used in the event that outside professional services are required and/or the applicant fails to pay for services rendered. These fees are refunded upon successful completion of the project through the established processes, and assuming all owed fees have been paid. The public notice sign fee, as approved by Ordinance 18-02, will be referenced in the same place in Appendix B to minimize questions.

In addition to being more in line with similar fees in surrounding communities, the proposed fees are structured to reflect the complexity of processing the request. Planned developments and subdivisions typically require more process and review of documents than variances or special uses. Note that the variance fee for residential petitions (\$100) is quite a bit lower than other fees, which begin at \$500. This allows the City to be sensitive to unique residential properties that need justifiable relief from zoning requirements in order to improve their properties.

Summary: The primary function of this exercise at this time is to reorganize and consolidate the fee structure to make it easier to understand and use by the public and staff, and to facilitate staff's ability to program fees into the new ERP software. With the exception of the proposed increases to "business registration" fees, and the new "office hub" fees described above, the Business License fee reorganization is not expected to result in identifiable fee differences for our existing businesses. Zoning fees, which are not required all that often, are being revised to

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be consistent with neighboring communities, encourage residential improvements, and to consolidate all related fees into one place in the City Code.

Alderman Sanoica - I had some questions from residents who wanted to know what the purpose of the business licenses were or if they went to some specific account that was then earmarked for a specific use.

Jo Ellen Charlton, Assistant Director Public Works – I think there's two parts to that question and I'll try to answer the one part. Business licenses are a typical system in many communities for tracking businesses and licensing especially those that aren't licensed by the State of Illinois. It provides the City with information on contact names, addresses, square footages, it's a way for us to not only know we have and to keep track of them and make sure that the spaces are getting reviewed and checked on an annual basis. As part of the annual licensing we also take a look at signage fees and our elevator inspections and again, it's a way for us to keep track of our business community. Different parts of the fees are direct expense reimbursement, elevators is a good example of that as we pay an outside elevator contractor to do those required routine inspections of the elevators. Other things are just for the reimbursement of City fees and time spent doing those tasks. I'm sure a lot of that is also a part of the General Fund as well.

Barry Krumstok, City Manager - It all goes into the General Fund and it's utilized for staff and all the different work we do for businesses such as health inspections, Fire Department inspections, etc.. Any revenue that we're talking about tonight goes into the General Fund.

Alderman Sanoica - I understand that we're not talking about changing fees necessarily we're just talking about regrouping them so that the residents who ask us understand. Do we know if the current fees such as a food service for less than 2500 sq. ft. has a \$200 annual fee, does that cover the overhead that is involved in processing this license and all of the other inspections that are associated with that?

Barry Krumstok, City Manager – Typically, no.

Alderman Sanoica - I would ask the Chair if this is something that we can bring up right now or if this something that we would have to table for another time?

Mayor Gallo – By something, do you mean the actual fee amount and address any adjustment?

Alderman Sanoica – Yes, the fee amounts.

Mayor Gallo - If we're going to start looking at each of these specifically and understand whether or not the fee covers the scope of work or the hours invested from the City's side that could get into a much more comprehensive conversation. Are you specifically want to address this particular item or do you Alderman Sanoica want to discuss all of these fees and adjusting them to cover costs in then some?

Alderman Sanoica - In the interest of answering the resident, I did want to pose that question tonight but I do understand that the intent at this point is to just group these businesses so that we can move forward with modernizing our processes. I don't want to ask a bunch questions that staff doesn't necessarily have an answer to at this time unless that's something that they're interested in because then I would just want to put this on the agenda for later in the year.

Mayor Gallo - I think if we were to have that conversation I think it would be fair to give staff the time to actually look at the fees associated with each license and see if there are some that are more profitable than others that

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makes this particular one \$200 for food services under 2500 square-foot like a loss leader in that sense. I would recommend that this be a separate topic to be addressed down the road and give staff adequate time to actually perform that analysis and see which ones we should adjust, increase or decrease or what have you.

Alderman Sanoica - Okay. The only other item at this time with relation to the grouping, do we know if the current structure is incentivizing or de-incentivizing any specific types of sectors or industries?

Jo Ellen Charlton, Assistant Director Public Works – Under our current structure?

Alderman Sanoica - Yes, under the current fee structure, for example we have warehouse industry distribution which is showing us a rate between \$100-\$700 depending on square footage which seems pretty commensurate with food service or entertainment uses. When I reviewed this it did not look like our fee structures favored or disincentivize or incentivize certain industries, it seemed pretty much similar across-the-board but I had a resident that was interested in whether or not our current Code is set up where certain fees are higher for certain industries than others for any development reasons.

Jo Ellen Charlton, Assistant Director Public Works – The fees that are in place have been in place for at least 8 to 10 years. The thought process that went into creating these specific fees wasn't typically isn't based on incentivizing any one particular business or another, it's typically evaluated against surrounding competition at the time. My guess is that's probably what was done. It could be something if Council wants to direct if we're moving down as the Mayor suggested and evaluating some different things in the future. If you want to incentivize certain types of businesses that could be something that we can look at as modifying those fees to accomplish that. Similarly if you want to dis-incentivize certain types of businesses you can provide higher fees as a disincentive. I think it's probably fair to say that the general categories are in place and were probably very commensurate with what was in place at the time when the fees were adopted 8 to 10 years ago.

Barry Krumstok, City Manager - We are pretty diverse and I could tell you that diversity allows for a lot of different businesses. Staff is still working with some of that diversity. We've been working with the meatpacking company that's looking into moving in. Since 1999 there has never been a business that said our business licenses are too expensive and that's why they didn't locate here. It's usually the environment, location and the building that's really drawing them to Rolling Meadows. We're extremely diverse with what we have in our overall categories in what kind of businesses call Rolling Meadows home.

Elizabeth Payne, Administrative Services Coordinator – Just for the record I wanted to point out for the residents that Alderman Sanoica was talking to, this updated fee structure reflects our fees as they are currently existing in our business license code. The only thing that we wound up doing was grouping together and eliminating fees that were not being used because there were a great many of them. The only other thing that we did was that our current business licensing code allows us for a proration every month which gets complicated and makes implementing EnerGov additionally complicated so kind of a compromise is that new businesses would pay half price when they first come in and then it would be the annual renewal fee thereafter. We considered taking a look at changing the fees but in light of the pandemic staff considered that it was probably for the best to keep them at the levels they are to not create sticker shock for our businesses.

Alderman Vinezeano - If I was a business coming into renew my license, would staff know where to categorize my business if this restructuring goes into effect or is this something that the business owner would need to be educated on?

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Elizabeth Payne, Administrative Services Coordinator – Staff is always there to help with any questions that a business owner might have. We wouldn't necessarily expect a business owner to come in and say I'm this type of business and I will pay this type of fee. That's something that staff would evaluate on receipt of a business license application, we would look at the square footage, location of the business and the type of business it is. Some of the benefits of this is that a business owner can look in advance and say this is what I expect my business license fee to be so that they could budget appropriately and of course staff is always available to answer questions.

Alderman Vinezeano - Once this new tiering system is set up will it be accessible on the City's website? I really want as much information out there as possible to our businesses so that they can budget appropriately especially in a pandemic that they can get their fees in line for the year and then for next year as well.

Elizabeth Payne, Administrative Services Coordinator – Yes, absolutely.

Alderman Sanoica - The question is whether or not home businesses are included in this chart? Is this for businesses that would not work out of the home?

Jo Ellen Charlton, Assistant Director Public Works – Home businesses are included in the proposed fee structure and those are not changing. The home daycare's is proposed at \$150 and any regular home occupation would be coming in at \$75 for the full year fees and as Ms. Payne indicated if they're coming in as a new business or for the first time it would be half of that fee.

Alderman Budmats - I'm looking at Exhibit 2 and I'm curious, we only have two licensed subcontractors in Rolling Meadows. Is this only for in town subcontractors and then contractors who just pull a permit with us, assuming we have them get a business license but don't renew it if they don't have another permit the next year?

Elizabeth Payne, Administrative Services Coordinator - That is correct Alderman Budmats. The contractors who are not located in Rolling Meadows are currently listed in a separate database, their fees are \$100 for general contractor and \$75 for a subcontractor. They don't renew unless they have work in Rolling Meadows.

Alderman Budmats - Are we going to also have a six month deal for them where if they apply in the second half of the year they only pay half the fee?

Elizabeth Payne, Administrative Services Coordinator – No, contractor licenses are actually good for one full calendar year from the date that they apply.

Alderman Budmats - I saw that we have a lot of sign inspections and so I had a complaint/inquiry from a constituent, does our sign inspector have a form that they provide to the people who are paying for sign inspection?

Elizabeth Payne, Administrative Services Coordinator – Historically, they have not done so. The process is changing to where I believe that is being done starting this year.

Alderman Budmats – Okay. According to Exhibit 2, we have no hotel licenses right now?

Elizabeth Payne, Administrative Services Coordinator – We do, it should be 3 (Motel 6, Holiday Inn Express, Aloft (when operational))

Alderman Budmats – The first business license category listed is alarm business, is that somebody who runs a business of answering alarms?

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Elizabeth Payne, Administrative Services Coordinator – I believe that would be like ADT’s, home security type of business.

Alderman Budmats – Do we charge a fee for people who have alarms like false alarms, etc.?

Jo Ellen Charlton, Assistant Director Public Works – It’s not part of the business license fee structure. The Fire Department has a section in the City Code that regulates when fire alarm fees are assessed.

Barry Krumstok, City Manager – Alderman Budmats, we have two different permits, fire alarm permit and police alarm permit. Both go through the General Fund and they are allowed a certain number of false alarms as part of the annual fee and after that they get billed for each additional alarm afterwards.

Alderman O’Brien – I was just going to confirm what Manager Krumstok said from personal experience. We have a home alarm and we pay an annual fee. A few years ago we received a false alarm notice saying we only had 1 or 2 more before we had to pay any additional fees. I can confirm from personal experience that it’s tracked through the Fire Department and Police Department.

Mayor Gallo – Any further questions, comments or concerns regarding the fee structure and the reorganization? Seeing none, a straw vote would be in order to make sure these proposed reorganization and the current fee structure that is here would be moved forward so you can have follow up conversations with our attorneys, correct?

Jo Ellen Charlton, Assistant Director Public Works – Correct.

Mayor Gallo – All those in favor of showing support for staff to continue pursuing this. 7 in favor; 0 opposed. It’s unanimous.

2) Video Gaming Discussion

Barry Krumstok, City Manager - The City Code currently establishes two annual licenses for the operation of video gaming terminals in the City (“Video Gaming Licenses”). These licenses are separate and apart from the GA and GC liquor licenses that authorize the conduct of video gaming at certain establishments within the City (“Use and Liquor Licenses”). The City’s intention and past practice has been that the local establishment obtain and pay for the Use and Liquor Licenses and that the terminal operator locating its video gaming terminals in the City obtain and pay for the Video Gaming Licenses associated with the operation and placement of video gaming terminals in the licensed local establishments.

Recently, the Illinois Gaming Board issued proposed rules that clarify that it is to be presumed an “illegal inducement” if the terminal operator pays any fees that are the obligation of the local establishment. Inducements have always been prohibited by Section 25(c) of the Video Gaming Act (230 ILCS 40/25(c)), but the proposed rules are meant to clarify what does and does not constitute an inducement under the law. The new rule states, in relevant part, as follows:

New Section 1800.350:

- a) A terminal operator providing the following goods and services to a licensed video gaming location, or payment for those goods and services, does not constitute a prohibited incentive or inducement under Section 25(c) of the Act:

- 5) Assisting a licensed video gaming location in preparing or filing applications or other documentation required by the Board, or assisting a licensed video gaming location in complying with the Act and this Part, but not including paying any fee or cost on behalf of the licensed video gaming location.

- b) Provision of the following goods and services, or payment for those goods and services, by a terminal operator, its owners, employees, agents, or other persons of significant influence or control, to an applicant or licensed video gaming location, its owners, employees, agents, persons of significant influence or control, or their immediate family members, creates a rebuttable presumption of a prohibited incentive or inducement under Section 25(c) of the Act:

- 3) Reimbursement or payment to any third party for a debt or obligation of the licensed video gaming location, applicant or related individuals.

- 4) Total or partial payment or reimbursement of any tax or fee that is the legal obligation of the applicant or licensed video gaming location, regardless of the source of the obligation, except legally authorized levy, garnishment or specific court order.

As such, the proposed rule indicates that the payment of a license fee (even shared payment) on behalf of the licensed video gaming location is an inducement. Accordingly, the City Code should distinctly identify the licenses and fees that are required of the terminal operator, so that there is no ambiguity regarding the fact that the licenses and fees are the sole obligation of the terminal operator, in order to eliminate any presumed inducement.

The proposed ordinance amending the City Code to effectuate this distinction and clarify that the terminal operator is required to be licensed for both the conduct of its business (business license) and the placement/operation of its video gaming terminals (video gaming terminal license) within the City and that these licenses and fees are required by and are the sole obligation of the terminal operator. Please refer to the following:

XXVII – Video Gaming.

The annual fee for a terminal operator business license and video gaming terminal license shall be as follows:

Terminal operator business license.....\$1,000.00 (annual license required by the terminal operator for each licensed establishment in which the terminal operator places or intends to place its video gaming terminals).

Video gaming terminal license.....\$1,000.00 (annual license required for each video gaming terminal located in the City).

The license fees shall be paid for each calendar year and shall be the sole obligation of the terminal operator. For any license issued during the year, there shall not be any prorating of fees.

Please note that this will also mean that an establishment will now have additional licenses hanging on the walls. Currently a GA establishment has two: a liquor license (like A1, A2, etc.); then a GA, and now they would have two additional licenses: a terminal operator license and video gaming terminal licenses (a total of four). Currently for a GC establishment have one license (GC): and now they would have two additional licenses: a terminal operator license and video gaming terminal licenses (a total of four).

Mayor Gallo – There’s two areas to address. 1) Discussing any sort of relief afforded to the establishments; and 2) the proposed ordinance in the agenda packet. Are there any questions, comments or concerns on either of those two topics?

Alderman O’Brien – I guess “relief” is just a word choice. I’m going to tie the two together. I’m in full support of following the state law and I’m sure the businesses and the gaming terminal operators want to do the same thing as well. The three owners that I’ve talked to support what the state law change is. My question is regarding the one’s that we have given the relief to that haven’t paid yet, the June to July, this might be more for Attorney Wolf, with the new state law that I’m guessing is in effect now based on the great write up, it’s effective now. So for entities that we may have had paid, I think 3 out of the 9 and 2 out of the mix now, have already paid, how does that work when it comes to the June or July for the one’s that did take advantage of the relief for their renewal fee? Would they still be applicable to pay for it as the entity owner or would that go to terminal operator at that point? Or is this possibly effective January 1, 2022, when we start making the terminal operators pay?

Melissa Wolf, City Attorney – The Video Gaming Act has been consistent this entire time. What the Video Gaming Act prohibits is any kind of inducement from the terminal operator to the establishments and what the new proposed gaming rules provide are examples of what constitutes such, either a permissible action or an impermissible inducement. One of those items that’s identified as an impermissible inducement is the payments on behalf of that establishment for any fee owed to a third party. What we were doing here is essentially clarifying what was already existing in our City Code with respect to the fees and it was always the intention of the City that those fees would be paid on behalf of the terminal operator and not paid on behalf of the establishment. So this is merely a clarification. If there’s relief to terminal operators that they benefited from prior if you continue to allow that terminal operator to benefit from further relief that’s completely okay. Where the problem comes in is if we, as the City, were requiring the establishment to pay a fee and that establishment was getting some of that money from the terminal operator, that’s where the illegal inducement would come in. Whatever the Council decides with respect to relief I don’t think will implicate any of the stages or the direction advanced in the proposed rule.

Alderman O’Brien – That was my understanding when we agreed to delay the payments was to help the local entity not the gaming terminal operator. Based on the statistics from the Gaming Board, the \$70,000 income was larger than 7 of the 9 actual entities operating with gaming for the year. I’m in agreement that they had a healthy year even though it was during a pandemic. The question on the line is that we weren’t going to give relief to the gaming terminal operators it was more for the entity. So whoever would pay it come July for their 2021 if they did take advantage of the delayed payment, we would within the intent of the ordinance.

Alderman Vinezeano – I too spoke with a couple of our businesses that have gaming and it would be our accessory license. When I proposed this when they approached myself and then later to the whole Council a couple months

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ago, that when we did the accessory license the intent was to help our local restaurants with that added income in months that they're struggling with their restaurant revenues. One of our businesses that has an accessory license was very kind in sharing their numbers with me and I found it very insightful because we're looking at numbers in front of us that Mayor Gallo has in front of us for 2020 which look very great to me if you're looking at numbers by themselves but I want to kind of put this in perspective compared to 2019 for these businesses. In 2019 this business had \$85,600 in revenue and in 2020 their net was \$27,900, that's almost a 70% difference in that year to date. I don't want to disregard that \$27,900 is not a lot of money because it is. These businesses that did apply for this accessory license definitely took a hit for that revenue when they needed it the most. I'm very much an advocate for pushing that we want the terminal operators to pay these fees. I think it's our business owner's responsibility to pay for their license fee, for their liquor and business fees, they chose to be part of our community but the terminal operator fees need to be covered by the terminal operator owner's. In any way we can pass that I'm absolutely in favor of that. I just wanted to share those numbers with Council and with residents that these numbers look like big numbers which they are but I wanted to put it in perspective compared to the year before. These businesses really did take quite a hit to their income when they needed it the most.

Alderman Sanoica – Attorney Wolf, is Alderman Vinezeano's suggestion not included in the current ordinance draft?

Melissa Wolf, City Attorney – If I'm understanding correctly, she was a proponent of this clarification which establishes the fact that without question that the terminal operator is the entity that's responsible for these fees that are listed.

Alderman Sanoica – The draft ordinance that we have before us does clarify that this is a fee that we expect the terminal operators to provide and not the location of the businesses within Rolling Meadows.

Melissa Wolf, City Attorney – That's correct. We wanted to eliminate any ambiguity so that it would be clear that these fees were in fact the fees of the terminal operator and thereby making that clear would eliminate any argument that there would be an inducement by making it clear that it's not the establishment's obligation and only the terminal operator's obligations.

Alderman Budmats – Just a quick question regarding the video gaming fees, are these the proposed fees and is there any limit on what we can charge or is it just what the market bears?

Melissa Wolf, City Attorney - From a legal perspective, a license fee is supposed to be able to compensate a municipality for its monitoring and regulating of the operation. It's limited in the sense that if it's too high it could be deemed a tax as opposed to a license fee so we want to be careful about what fees are established and make sure that they're in line with other established fees that have or have not been challenged.

Alderman Budmats – We charge \$2500 for a pawn broker for an annual fee, it seems to me that business might require more oversight especially from police. To charge \$2500 for a license for a gaming terminal operator seems to be in line with the same thought process for a pawn broker. I understand the per terminal fees would be separate but I would have no problem with charging \$2500 if that's what we're charging for pawn brokers within our town that we would charge the same thing for video game operators in our town.

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Barry Krumstok, City Manager – Alderman Budmats, when the Mayor takes the straw votes you can ask for \$2500 or whatever we can justify.

Alderman Budmats – I'm just saying at this point, we have an established license fee for that kind of dollars and so that would be my thought process for justifying a fee of similar nature for this business.

Alderman D'Astice – Can someone give me clarification in Section 2, there's \$1000 terminal operator business license and a \$1000 video gaming terminal license, are those current or new?

Barry Krumstok, City Manager – Those are current fees. All that's changing is the additional terminology at the end for clarification.

Alderman D'Astice – The way it's written is that the terminal operator will pay the business license of \$1000 per machine and the business owner also pay \$1000 per terminal?

Melissa Wolf, City Attorney – No that's not correct. The terminal operator is paying for all of the fees that are set forth in Section 2. The first fee is the basic business license for operating its business within the City of Rolling Meadows. The next fee is per terminal, it's the video gaming terminal license. All of these fees will be borne by the terminal operator.

Alderman O'Brien - I'm not opposed to increasing that fee to potentially \$2500 like the pawn shop. My question is, is it in our purview as the Council that it could be for new businesses? What I'm hearing from the owners that I've talked to that this is not a significant cost for the gaming terminal operators because this is their business. I'm wondering the ones that have already come into town and establish this whether it's a GA or GC, if that were to go to \$2500 that could, in theory, impact the business. Could we grandfather it and it would be for anyone who comes in is a new entity after July 1, 2021 would pay the \$2500? Is that even possible? I don't think \$1500 is going to make a huge difference, I just don't know if that could potentially impact the business?

Melissa Wolf, City Attorney - My comment would just be that increase and that fee is still the obligation of the terminal operator so just remember that it's not the obligation of the establishment. Whether this Council wants to increase the fees only for new terminal operators that seek to do business in the City is probably at the Council's discretion if you would like to do that. There may be some practical implications with that and I don't know how the City Council (*inaudible*) if there are other increases in business fees. It appears that all of those business fees go up and due to the fact that these are renewed annually the change will take place once they were obligated to pay that fee. Manager Krumstok may be able to contribute more regarding the semantics of being able to handle it but from a legal perspective these are the obligations of the terminal operators and it's a decision of the Council, I don't see that there's any protected class attributed to incoming terminal operators seeking to do business in the City so it could be okay from a legal perspective.

Alderman O'Brien - Some of my concerns is that it was brought in to help restaurants and looking at some of the numbers, some of the restaurants made an extra \$9000 a year, some \$4500, some \$13,000, and \$3500. If we really do jack this up onto the terminal operators would they ever pull out of our restaurants? Saying it was great while we were there but you're increasing these prices where doesn't make sense for them since it's a 32% split between the terminal operator and the entity that it could be a disincentive for why the Council a few years ago put this in

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to help the restaurants. I just didn't know if we'd get too greedy and out price and these operators start pulling out of the restaurants is who this initially was for to put them in.

Mayor Gallo - I guarantee you if a terminal operator pulled out another one would move right in there. I don't think that would cause for a genuine alarm, that is a valid point but I don't think that they would pull out and if they did that absence would be filled very quickly thereafter.

Barry Krumstok, City Manager – Staffwise, we would prefer just one fee not if they were here before July 1 or if they were here in 2020 or 2019. We would just prefer one classification that says the terminal operator fee is \$2000, \$2500 or whatever it's going to be so we don't have a sliding scale.

Alderman D'Astice - With respect to changing the fee structure I'd like to make an educated decision and not just throw darts at a dartboard. Do we know what nearby municipalities charge? Like all the other fees we can be in line with them.

Mayor Gallo – Alderman Budmats, do you recall what you cited from Schaumburg and what their fees were?

Alderman Budmats - I think at the time it was \$5000. I think that they had heavy fees coming in and then they were lowered. Initial application fees were very high. I don't recall the exact numbers but \$5000 for some reason sticks in the head.

Barry Krumstok, City Manager - We can do a quick analysis from our neighbors and get that back before the second reading or during the first reading. We're trying to do a quick turnaround on this.

Mayor Gallo - We're still going to continue with dialogue and conversation on the floor but when it comes time for a straw vote, I'll just take a straw vote for moving ahead with the proposed ordinance and then at the time of first reading you'll have that data for us and actually just incorporate we'll make a determination as to what our benchmark is, whether it's \$2000 or \$2500 and by that first reading you'll have the data available for us?

Barry Krumstok, City Manager - Yes. It would be two prong, we would have the ordinance ready with whatever straw vote is taken on about increasing hypothetically the \$2500 and at that point with the information if you want to amend that number you have that data to do that.

Alderman D'Astice - That would be perfect.

Alderman Vinezeano - I'm hesitant about raising the fee without getting more information also from our business owners. My understanding is that the business owner sign a contract with the terminal operators and I am not knowledgeable enough to know what kind of contracts they sign. If it's only a yearly contract that once the terminal operators find out that they're going to have to pay a bill this year to pay these licenses than the fee is going to go up either this year or next year that they might at some point try to kick that back to our businesses if they're up for renewals on their contracts. For me, I would really like to get more information from our local businesses that have these contracts with the terminal operators to see if this is really going to impact them with raising these fees this year or next year before we just blindly raise the fees is my hesitation.

Mayor Gallo - Just to clarify, what you're looking for is to speak with the entities that have gaming to understand what potential impact there might be from the Council adjusting this fee from \$1000 to \$2000 or \$2500 on the terminal operator?

Alderman Vinezeano – Correct. If I own a restaurant and have five machines and the terminal operator comes in and says now I'm paying \$10,000 in licensing fees for you every year but now I'm only going to give you 20% in our new contract of the net income. I don't know what their cuts are and again I'm not knowledgeable enough to know what their terminal cuts are but we know that they exist. That might impact our restaurants knowing that the terminal operators could decrease their net revenues because their fees are increasing. I don't know. That may be a backlash to our restaurants.

Mayor Gallo - The reason I ask for the clarification because that would sound to me at this point from a straw vote perspective you would not be in favor of moving forward with this proposed ordinance change until you had that information from these businesses?

Alderman Vinezeano - I will move forward with it as long as we could have enough time before the second vote so that we could talk to the businesses. Since we're open for discussion that's where it would stand. I would want to get that information from our GA businesses.

Barry Krumstok, City Manager – Just a quick clarification. All the terminal operators have multiyear agreements with the business they're working with. The majority of them are going to be five or seven years from our understanding so it's not every year that they're renewing. If the straw vote is to move ahead, we would move it to March 9th for the first reading as it will also give us time to do the analysis on the numbers. I would draw your attention to the IGB states that all of them are supposed to be getting about 32.57 but if they have a side agreement or something that they're not supposed to have.

Alderman O'Brien - Schaumburg's terminal fee is \$500 but I cannot find what their gaming license fee is. To Alderman Vinezeano's point, I have not talked to all the seven operators but I did talk to a few prior to this because I have the same exact concern and question. They said if it's a reputable terminal operator that you have your contract with, as Manager Krumstok noted that they're multiyear, in the contract it says that gaming terminal operators have to follow all state laws where they're registered and doing business for that entity. A couple that I talked to prior to this meeting said that they did not see that being a problem because it's controlled by the state (32%) unless something else is going on but they did say in the standard contract, all of them might not be standard, with the bigger companies it says that they will adhere to all state laws of where they have their terminals being operated. I didn't talk to all seven since two of them were not renewing but the two or three that I did talk to said that should be covered.

Alderman Budmats - The \$500 gaming terminal fee is correct however their liquor fee for gaming establishments is \$5000 on an annual basis. One way or another they're getting their pound of flesh and I didn't want you to think that there's a huge bargaining going on in Schaumburg compared to us. Also, by taking the fee and putting it on the terminal operator, in some respects we're taking the lion share of the tax and putting it on the entity that's making the lion share of the profit and the arrangement seems to me it's be a little bit fairer.

Alderman O'Brien – Is that why in 2022 that we decided to increase our GC liquor license to \$4500, I think, so we do have that accounted for starting in 2022. I believe that was the agreement that Council had several months ago to increase that to be more in line but that's effective 2022. Still under the \$5000 so we're not there yet.

Mayor Gallo – I think at this time it makes sense to do, if there aren't any further questions, is cast the straw vote and leave the pricing alone and at the time of first or second reading we can make a motion and adjust the pricing when we've gotten the data back from staff, etc. So right now I would like to take a straw vote to get Council's permission to move ahead with this ordinance and right now just use what was listed in the agenda packet from a \$1000 terminal operator business license to \$2000 and at the time of first or second reading we can make motions to adjust that actual \$2000 price if necessary. Would Council be amiable to that? Quick head nods would be fine with me. Okay, thank you. So if there aren't any further questions let's take a straw vote to move ahead with the proposed ordinance as it's written. All those in favor with moving ahead. 7 in favor; 0 Opposed. It's unanimous. If there are any members of the Council who feel that there is relief needed for the actual business establishments, this is the opportunity to bring that up. I don't expect you to have a plan and a path forward. Tonight was just a night to be able to look at the data presented before us but if there are those who have something they would like to suggest or recommend now is the time. If there isn't, staff believes that there is not a necessity for relief at this time.

Is there a motion to adjourn? Alderman O'Brien has made the motion and it has been seconded by Alderman Sanoica. Will the Clerk please call the roll?

AYES: Bisesi, D'Astice, Sanoica, McHale, Budmats, O'Brien, Bisesi
NAYS: 0
ABSENT: 0

With 7 in favor and 0 opposed, this meeting is adjourned.

There being no further business, by unanimous consent the Committee-of-the Whole meeting was adjourned at 8:37 p.m.

Respectfully submitted: Judy Brose, Deputy City Clerk

February 16, 2021 Committee of the Whole Minutes Approved by Council on March 9, 2021.

Judy Brose

Judy Brose, Deputy City Clerk