



Strategic Revenue Generation Discussion Video Gaming

Village of Lombard

Community Relations Committee

November 12, 2018

Items to be Discussed

1. Budget Overview
2. Identification of Options
3. Video Gaming Specifics

Input Sought

Recommendation from Committee on Video Gaming within Context of Committee Scope

Today's Situation

- Balanced Budget for FY 2019
- Below are the assumptions used for the 2019-2022 Multi-year Financial Forecast
- Sales, Use, & Place for Eating Tax changed from 1.5% annual growth in the 2018 Budget to 0% annual growth in the 2019 Budget.

Revenue Assumptions

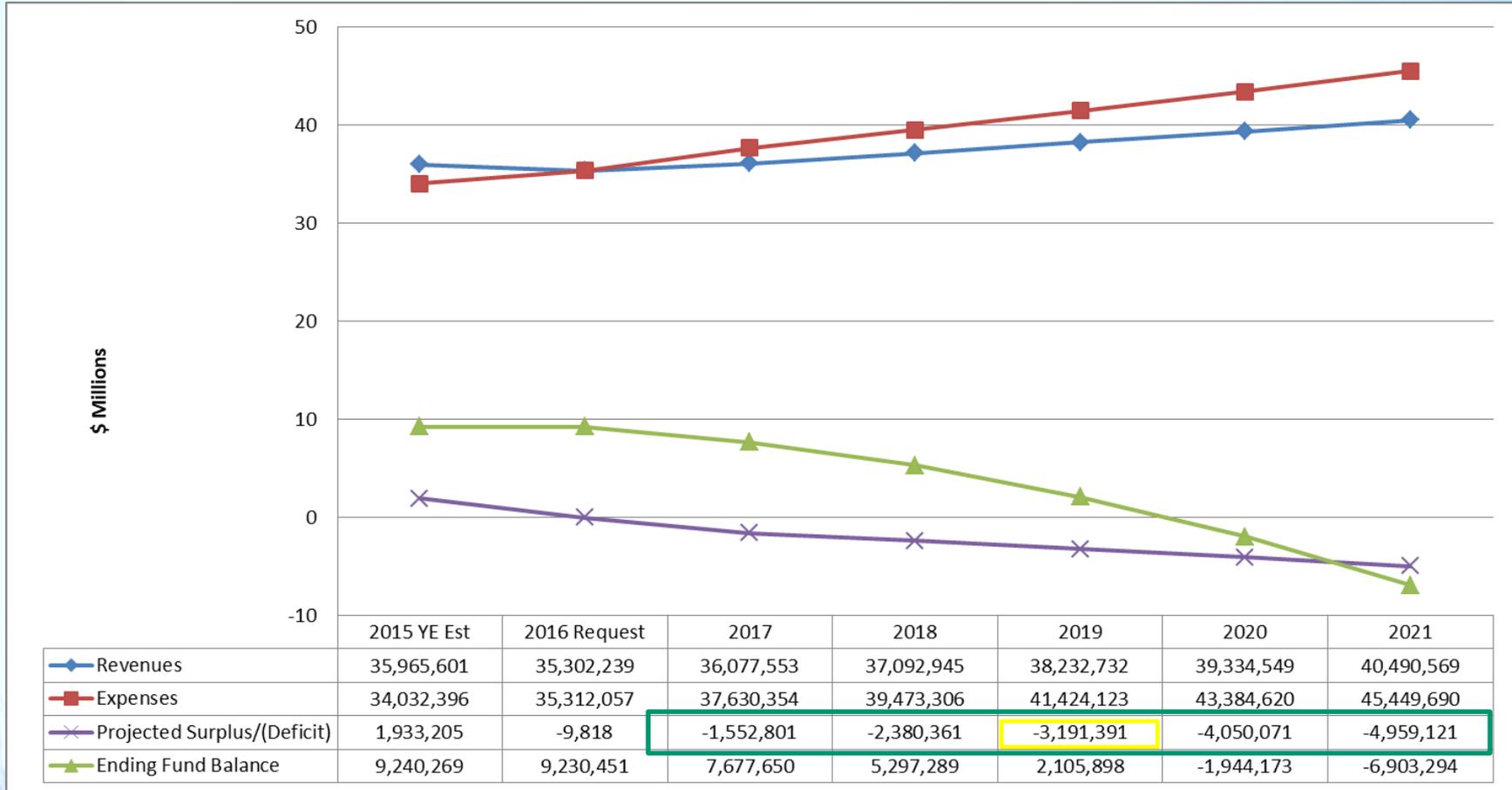
- 3.0% annual growth
 - Property Tax
(assumed max levy per statute)
 - Income Tax
 - Amusement Tax
 - Fees, fines, licenses, and permits
- 0% annual growth
 - Sales, Use, & Places For Eating taxes
- 0.0% annual growth for Utility Tax
 - Gas
 - Electric
 - Telecommunications

Expenditure Assumptions

- Increases
 - Salary progressions: **4%**
 - Health insurance: **7.5%**
 - Retirement benefits:
 - IMRF **4%**
 - Police & Fire Pension **7.5-9.0%**
 - Technology Reserve: **1.5%**
 - Fleet Services: **3%**
(Includes fuel, labor costs, and parts)
 - All other costs: **3%**

Initial FY 2017-2021 Budget Outlook

April 2016



Prior to any changes, the 5-Year Multi-Year Financial Forecast projected an estimated deficit of \$3.2M for FY 2019.

Village's Response to Growing Deficit

Long Range Plan

- On June 16, 2016, the Village Board approved a resolution to formally accept the Long Range Plan as presented on April 25, 2016 at the Joint Village Board and Finance and Administration Committee Workshop.
- In an effort to be proactive, the Village of Lombard developed a Long Range Plan, with strategies to address the rising costs of non-discretionary (required) expenses and to focus on core services.
- The Long Range Budget Plan focuses on fiscal responsibility, prudent planning, and the implementation of resident recommendations via Village Committees.
- The strategy approved in the Long Range Plan recommends that the **Village match dollar for dollar (50/50) revenue increases and expenditure reductions**, in order to maintain a balanced General Fund operating budget.
- The Village Board Updated and approved new financial polices on July 21, 2016 to include:
 - Conservative Budgeting Policy --budget revenues low and expenses high and annually update Multi-Year Financial Forecast.
 - Year-End General Fund Reserve Maintenance Policy

Village's Response to Growing Deficit

Major Decreases Since 2016

- **Examples of decreases to enhanced services/non-core programs since 2016**
 - Eliminated the Code Red Program (\$20,000)
 - Closed Village Hall on Monday nights (\$5,535)
 - Elimination of night time hours for police department lobby(\$113,206)
 - Reduced the street light contract (\$15,000)
 - Eliminated and Restructured Village positions (see following slide)
 - Reduced the Village contribution to the Meals on Wheels Program (\$15,000)
 - Phased out Taxi Subsidy (\$65,000)
 - Restructured Brush Collection Program (\$83,610)
- **Total of all year over year General Fund deficit reductions (includes changes/elimination of positions): \$1,907,571**

Village's Response to Growing Deficit

Position Changes

FY17 budgeted personnel changes compared to the FY16 budget:

- Eliminated PT Central Records Clerk.
- Eliminated 2 PT CSOs.
- Eliminated 1 PT Customer Service Rep.
- Eliminated 1 PT HR Intern (Co-Op Assistant).
- Eliminated 1 PT Special Events Coordinator.
- Eliminated 2 Seasonal PW Engineering Coops.
- Eliminated hiring seasonal snow plow drivers.

FY18 budgeted personnel changes compared to the FY17 budget:

- Eliminated Part-Time Human Resources Clerk.
- Eliminated Accounting Assistant; Increased Clerk Admin Secretary from 19 to 28 hours; Added Full-time HR Payroll Specialist.
- Eliminated 1 Part-time PD Records Clerk.
- Eliminated Investigative Aide position.
- Eliminated Towing Coordinator position.
- Eliminated 1 Full-time and 1 Part-time records clerk position when the PD reduce night hours.
- Eliminated 1 Part-time PD Admin position.
- Eliminated 1 Part-time Code Enforcement position.
- Eliminated 1 task force position which reduced a police officer position.

Planned FY19 budgeted personnel changes compared to the FY18 budget:

- Eliminate 1 vacant Civil Engineer Tech position.
- Eliminated 1 Civil Engineer position.
- Eliminate 1 vacant Part-time Community Service Officer position.
- Eliminate Accreditation Manager position.
- Eliminated Police Officer position.

Total 2017: \$314,911

Total 2018: \$247,003

Total 2019: \$434,645

Total position reductions/changes to General Fund: \$996,559

Village's Response to Growing Deficit

Major Revenue Increases

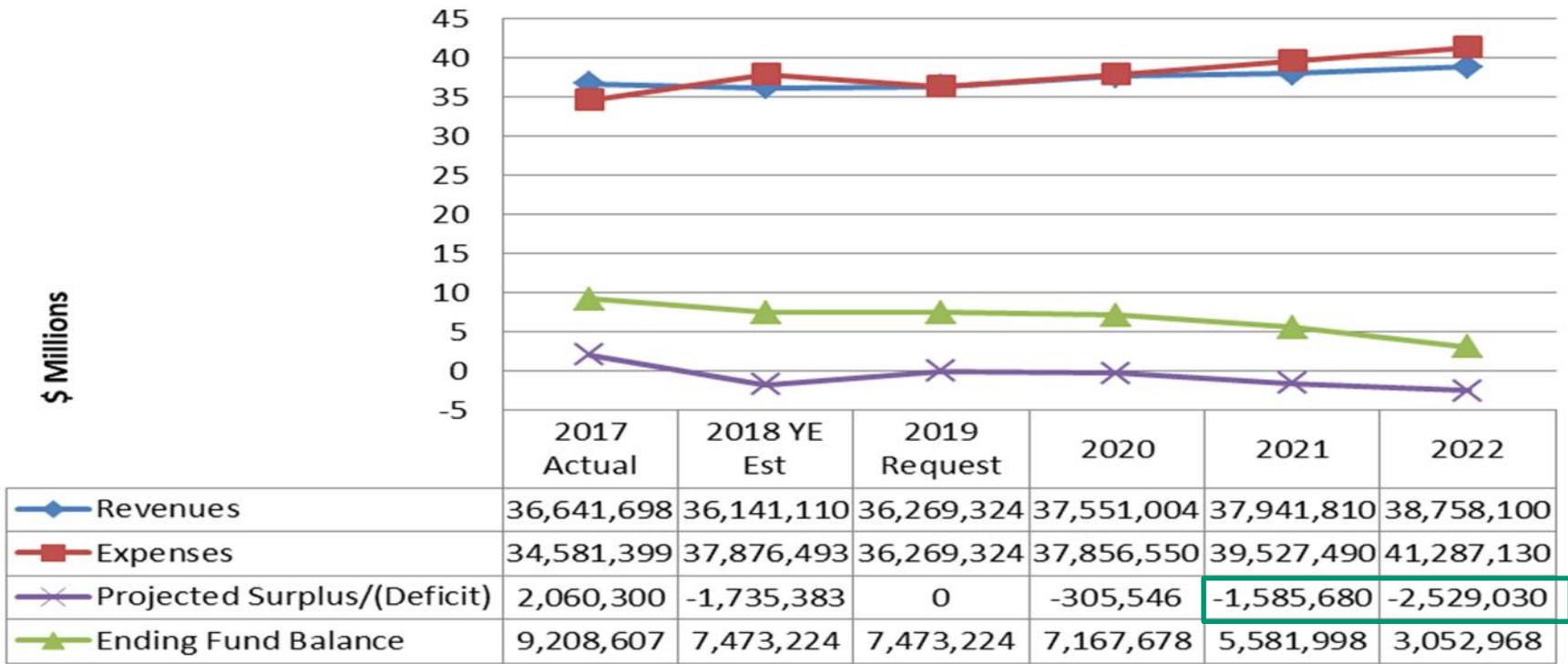
Ambulance fees increased on 1/1/2018. Additional revenue budgeted in FY 2019 compared to FY2017 Actual is approximately \$445,000.

Additional 1% Places for Eating Tax

Effective 1/1/17

Budget Year		Used/Planned for Budget Year		Saved in Long Range Plan Fund		Balance in Long Range Plan Fund
2017		800,000		800,000		800,000
2018	Estimated	1,150,000		450,000		1,250,000
2019	Estimated	450,000		1,150,000		2,400,000
2020	Estimated	1,600,000		-		2,400,000

Today's Situation – September 2018



CURRENT PROJECTIONS

Assumes a 0% increase to the sales tax starting in FY19.

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$306K in 2020, \$1.6M in 2021, \$2.5M in 2022.

Budget projections (FY19 and beyond) do not include increased sales/places for eating tax for new developments.

Challenges Ahead

- Amazon Effect – Reduction in Retail Sales
- State Budget Crisis – Reduction in State Funding
- Recession – Possibilities
- Anchor Stores Closing

Available Revenue Options for Review

- Video Gaming – Currently Prohibited
- Places for Eating Tax – Raised from 1% to 2% in 2017
- Vehicle Stickers – Eliminated in 2013
- Home Rule – Requires Referendum

All options to be discussed in conjunction with ongoing long range financial planning discussions.

Why is Video Gaming being discussed now?

- August 16 Board Meeting - Business owners request Village reconsider current ban on video gaming
- Shared concerns regarding negative business impact and petition with 140 signatures supporting video gaming
- Village Board has requested review of issue by committees

Community Relations Committee Purview

- Per Section 30.24(D) of the Lombard Municipal Code, the Finance and Administration Committee shall consider and make recommendations to the corporate authorities on matters, including:
 - Social Services – Social service needs of residents and the use of social and assistance services;
 - Issues affecting Village senior citizens and youth;
 - Matters of intergovernmental cooperation and local communication;
 - Consideration of matters specifically referred to it by the corporate authorities.

Video Gaming in Illinois

- Illinois Video Gaming Act was approved in 2009
- Authorized up to 5 gaming terminals in retail locations, truck stops and fraternal establishments

Video Gaming in Lombard

- Local ban established in 2010 (Ordinance No. 6442)
- Hearings held and public comments taken on video gaming in 2014
- Majority of public comments in 2014 were in opposition
- Village Board voted in 2014 to uphold video gaming ban

Why discuss this issue again?

What is different now?

- Businesses are requesting gaming ban be lifted
- Video gaming has been widely implemented since 2009 and has been instituted in neighboring communities
- More data and information available now from other communities on their experiences, finances and impacts

Where is video gaming permitted?

- 986 Illinois governing bodies have approved gaming
- 16 municipalities in DuPage County permit video gaming
- 16 municipalities in DuPage County ban video gaming

DUPAGE COUNTY

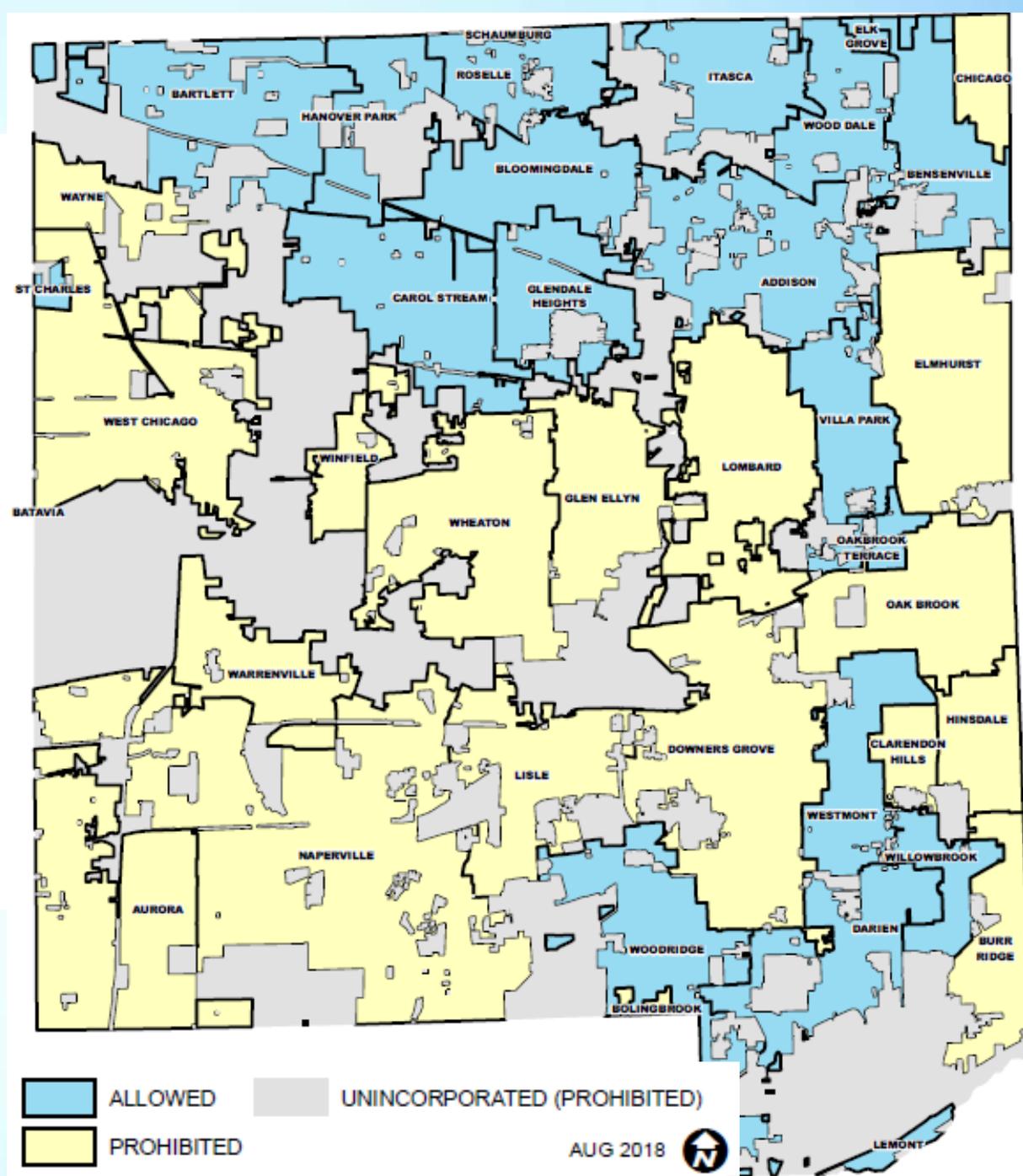
MUNICIPALITY VIDEO GAMING STATUS

Allowed:

- Addison
- Bartlett
- Bensenville
- Bloomingdale
- Carol Stream
- Darien
- Glendale Heights
- Hanover Park
- Itasca
- Oak Brook Terrace
- Roselle
- Villa Park
- Westmont
- Willowbrook
- Wood Dale
- Woodridge

Prohibited:

- Aurora
- Burr Ridge
- Clarendon Hills
- Downers Grove
- Elmhurst
- Glen Ellyn
- Hinsdale
- Lisle
- Lombard
- Naperville
- Oak Brook
- Warrenville
- Wayne
- Wheaton
- Winfield
- West Chicago

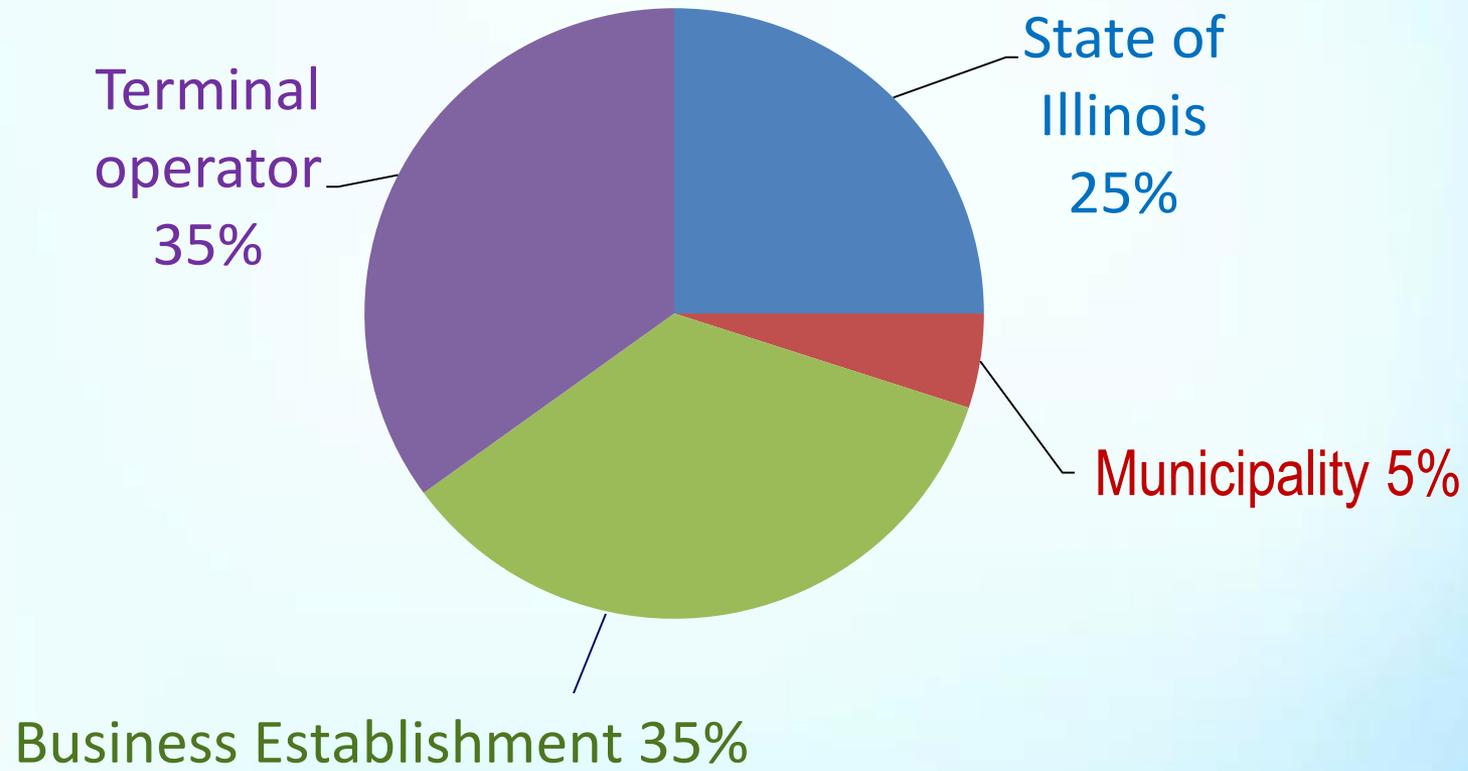


State Restrictions on Video Gaming

- Business Type – Alcohol sold for consumption on premises, truck stops, and fraternal establishments
- Location – May not be within 100' of school or church
- Number – No more than 5 machines at any one premise
- Location – Area restricted to 21+, within employee view
- Age – No one under 21 may play at a terminal
- Hours – Only open during regular business hours
- Wagers – Maximum wager for any single hand is \$2
- Payout – Payout by tickets only and maximum cash award for any single hand is \$500

Video Gaming Fund Distribution

- Net gaming revenues (less payouts to winners) are taxed at 30% rate (25% to IL and 5% to municipality)
- Remaining 70% of revenue is divided between business establishment and terminal operators (35% each)



Anticipated Revenues For Lombard

Revenue to Lombard would ultimately depend on how many businesses choose to adopt gaming and how many machines they each elect.

- Average income for DuPage County municipalities where gaming is allowed:
 - \$97,958 in 2015
 - \$130,962 in 2016
 - \$159,458 in 2017
 - \$183,013 trailing 12 months (September 2017-August 2018)

Video Gaming Revenue Report

September 2017 – August 2018

							Total	Average Total				Municipality
	Establishment	Terminal	Amount			Net Terminal	Revenue for	Revenue per	NTI Tax	State	Municipality	Share
<u>Municipality</u>	<u>Count</u>	<u>Count</u>	<u>Played</u>	<u>Funds In</u>	<u>Funds Out</u>	<u>Income (NTI)</u>	<u>Businesses (35%)</u>	<u>Business</u>	<u>Rate (30%)</u>	<u>Share (25%)</u>	<u>Share (5%)</u>	<u>Average per Terminal</u>
Addison	21	99	82,792,436	26,205,099	19,229,951	6,975,148	2,441,302	116,252.46	2,092,555	1,743,797	348,759	3,523
Bensenville	8	38	17,816,526	5,636,410	4,065,533	1,570,877	549,807	68,725.87	471,266	392,722	78,544	2,067
Bloomington	8	30	14,633,743	4,613,931	3,413,122	1,200,809	420,283	52,535.41	360,245	300,204	60,041	2,001
Carol Stream	16	79	59,435,388	18,616,776	13,750,124	4,866,652	1,703,328	106,458.01	1,460,004	1,216,670	243,334	3,080
Darien	8	38	43,228,852	12,976,327	9,401,773	3,574,554	1,251,094	156,386.75	1,072,371	893,643	178,728	4,703
Glendale Heights	12	58	54,925,651	16,716,022	12,354,365	4,361,657	1,526,580	127,215.01	1,308,503	1,090,419	218,084	3,760
Itasca	5	23	11,490,320	3,523,096	2,597,545	925,551	323,943	64,788.55	277,667	231,389	46,278	2,012
Oakbrook Terrace	11	49	60,199,774	18,245,994	13,493,961	4,752,033	1,663,211	151,201.04	1,425,615	1,188,013	237,602	4,849
Roselle	11	53	35,398,263	10,887,725	8,152,225	2,735,500	957,425	87,038.64	820,655	683,879	136,776	2,581
Villa Park	19	89	99,012,523	29,727,548	21,878,754	7,848,794	2,747,078	144,583.04	2,354,648	1,962,207	392,441	4,409
Westmont	14	68	95,081,743	27,610,583	20,340,069	7,270,514	2,544,680	181,762.86	2,180,921	1,817,434	363,487	5,345
Willowbrook	4	20	11,852,368	3,769,150	2,809,105	960,045	336,016	84,003.90	288,016	240,013	48,003	2,400
Wood Dale	10	47	30,591,736	9,517,029	6,962,357	2,554,672	894,135	89,413.53	766,407	638,673	127,734	2,718
Woodridge	7	31	20,171,784	6,418,681	4,771,143	1,647,538	576,638	82,376.91	494,265	411,887	82,377	2,657
						AVERAGE	1,281,109	108,053		915,068	183,013	3,293 *

**Revenue estimates above include gaming revenue from stand-alone gaming parlors

Estimated Local Revenues

Lombard Revenue Estimate

Estimated number of terminals in Lombard:	40-50
Average revenue per terminal in DuPage County:	\$3,293
Estimated Village Revenue:	\$131,720 - \$164,650**

**Revenue estimates above include gaming revenue from stand-alone gaming parlors.
If these types of establishments are locally prohibited, the anticipated revenues would likely be less.

- Estimated terminal count based on informal calls to local businesses gauging preliminary interest in video gaming.
- If directed, an updated survey on local business interest in video gaming could be conducted.
- Revenue estimate uses DuPage County terminal revenue averages which include stand-alone gaming parlor revenues.

Possible Local Regulatory Restrictions

- State of Illinois sets forth minimum standards and regulations for video gaming.
- Local municipalities may opt to enact additional regulatory restrictions pertaining to local applicants and license holders.

Gaming Revenue Limitations

- Limiting the percentage of income received from video gaming to a certain percentage of the overall income of the restaurant (e.g., 30% maximum).
- Businesses would be subject to an annual audit to verify compliance with this section.
- This type of limitation ensures that establishments do not rely on video gaming as their primary source of revenue (ensures gaming is an accessory use to primary food and beverage sales).

License Waiting Periods

- Waiting period for licensees (e.g., operations for one year prior to application for license).
- This type of limitation ensures that licensed businesses are established entities capable of operations without reliance on video gaming.

Security & Public Safety Requirements

- Licensees to install and operate video camera surveillance capturing clear recordings retained for a minimum time period (e.g., 30 days) and subject to inspection by the Police Department upon request.
- Direct connect burglar alarms to centralized dispatch to protect against unpermitted entry to licensed establishments.
- Regulations to ensure adequate safety measures are in place to protect against criminal conduct.

Promotional Signage Restrictions

- It shall be unlawful to advertise for video gaming via a sign visible from any street, alley or public right-of-way within the Village (includes external facing interior or window signage).
- Business shall otherwise maintain compliance with all other Village sign regulations.
- Regulations protect character of business districts and discourage promotion of video gaming to general public.

Public Safety Gaming Survey

- 16 DuPage County police departments surveyed
- Sought issues, problems, concerns or criminal activity following adoption of video gaming
- No criminal activity reported related to use of video gaming terminals or patron/operator conduct in restaurants or bars
- Video gaming parlors in six area communities experienced burglaries by same professional crew
- No departments have hired additional staffing

What are we looking for from the Community Relations Committee?

Seeking a committee recommendation on whether Video Gaming should be permitted within the corporate limits of the Village of Lombard

Evaluation/findings to include consideration of:

- Public relations and community outreach initiatives
- Potential impact on social services
- Considerations for Village communications on the issue

Next steps

- Advisory committee meetings and recommendations
 - Finance & Administration Committee – October 22
 - Public Safety & Transportation Committee – November 7
 - Community Relations – November 12
 - ECDC – December 10
- Village Board hearing and workshop
- Village Board of Trustees decision
- Public comments taken throughout process
 - videogaming@villageoflombard.org
- Continued commitment to transparency and open communications
 - www.villageoflombard.org/videogaming