
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: DISCUSSION: VIDEO GAMING TERMINAL FEES
AGENDA: JANUARY 18, 2022
DATE: JANUARY 14, 2022

ISSUE

Shall the Village implement a Video Gaming Terminal Fee.

DISCUSSION

Under the Video Gaming Act, the Village is allowed to charge \$250 per terminal, to establishments with Video Gaming terminals. The fee previously was \$25 per terminal and was recently approved in December 2021, increasing the allowable fee for Non-Home Rule municipalities to charge \$250/terminal. Current law allows up to 6 terminals per establishment, with the exception of Truck Stops who are permitted up to 10 terminals.

Currently, there are 4 establishments operating video gaming terminals within the Village totaling 23 terminals. Establishing a \$250/terminal fee would generate \$5,750 in revenue to the Village. If approved, this would be established in conjunction with the renewal of the liquor licenses for FY2022-2023.

Establishments with Video Gaming currently:

- Grove Stop – 6 terminals
- Graham's C-Store – 6 terminals
- Open Range Grill – 5 terminals
- American Legion – 6 terminals

As expected annual video gaming revenues for the twelve-month period November 2019 through October 2020 were down due to State mandated COVID closures. The first three establishments listed had a 25% drop in video gaming revenue for November 2019 through October 2020 versus the prior period. For the November 2020 through October 2021 period (most recent reported), revenues have more than made up the loss and rebounded to 40% above the 2018-2019 base period.

The American Legion suffered a 22.5% video gaming revenue loss in 2019-2020 and an additional 16.3% loss in 2020-2021.

On average, the first three establishments have increased their annual video gaming revenues by over \$77,000, while the Legion's revenues have dropped over \$24,000 annually. The first three have also seen their overall sales rebound to pre-pandemic levels, while the Legion's have taken a hit.

The addition of the \$250 Video Gaming Terminal Fee would result in additional \$5,750 in annual General Fund revenue to the Village that could be used for a multitude of worthwhile efforts. The revenues will grow as new video gaming providing establishments enter the Village. Based on their video gaming revenues three of the four establishments should be able to absorb the fee without a material effect on their profitability. Until activity returns to pre-pandemic norms, the fee may have a detrimental effect on the Legion.

Staff recommends that the Village establish the Video Gaming Terminal Fee at the allowed \$250 rate and provide a temporary exception to the Legion if allowed by State law.

COST

Legal fees to investigate a temporary exception for the Legion are estimated at \$500. Establishing a Video Gaming Terminal Fee will result in \$5,750 in annual revenue

RECOMMENDATION

The Village Board direct staff to establish a Video Gaming Terminal Fee effective with FY22-23 Liquor License renewals with an exception for the Legion if allowed by State law.