



Mike T. Huether

MAYOR, CITY OF SIOUX FALLS

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July 27, 2016

Sioux Falls City Councilors:

This letter is to inform you that I hereby invoke the power of the Mayor under Section 3.04 of the Sioux Falls City Charter to veto Ordinance No. 83-16, "AN ORDINANCE OF THE CITY OF SIOUX FALLS, SD (THE "CITY"), REPEALING ORDINANCE NO. 36-16 AUTHORIZING THE ISSUANCE OF ITS SALES TAX REVENUE BONDS AND OTHER ACTIONS RELATED THERETO." It is in the best interests of the taxpayers and the City Government that the City proceed with the design and construction of a new City of Sioux Falls Administration building ("this building"). The sound reasons for selling the sales tax revenue bonds and constructing this building are many.

Our beautiful City Hall was dedicated and opened in 1935. It has served our citizens' needs for eighty-one years. At that time, our City's population was approximately 30,000. Now, the City's population is almost 175,000 and growing by almost 4,000 people per year. As our population grows, the citizens' demand for municipal government services will also grow. As you know, most of our municipal government services are provided by the 1,228 hard working women and men who comprise our City Government workforce.

With a growing demand for municipal services, your predecessors on the City Council recognized the need to provide for additional space for City Government. Almost a decade ago, the City Council authorized the purchase of property across from the Sioux Falls Main Branch Library near the intersection of 8th Street and Dakota Avenue. This site was identified as an ideal location for a future City Government building to house a growing City Government workforce and do it in a more productive and efficient environment for the citizens of Sioux Falls.

This need for additional space has recently been corroborated by two independent Space Needs studies conducted in 2009 and 2012. These outside experts confirmed that our City Government has a critical need for additional space. While we recently have made significant investments in City Hall to improve working conditions and maximize its space usage, it is not nearly enough to satisfy this growing demand for services.

The City team has conducted a bevy of due diligence over the last decade. Over twenty possible alternatives and locations were explored. Solutions considered included purchasing and renovating an existing building, leasing an existing building, leasing a new building built-to-suit, and building a new City-owned building. This due-diligence review, conducted with many different elected officials at our side, revealed that leasing space will cost the taxpayers many more millions of dollars than building a new City building. Leasing an equivalent amount of space over the next fifty years would cost taxpayers nearly \$100 million more than building and owning the proposed new building. If the City Government were to occupy the new building for as long as the present City Hall has already been occupied (about 80 years), leasing would cost taxpayers over \$300 million more than owning. Our taxpayers are already spending more than \$120,000 a year by leasing one solitary building at 100 South Dakota Avenue. Leasing does not build equity. Leasing for an extended time is not fiscally responsible, is not visionary, and makes little common sense. City Government is here for the long run.

This building makes the most financial sense for the taxpayers now and in the future. The City already owns this land so it would not incur any additional land purchase costs. This building would be connected to an existing City-owned parking ramp. This site is located in an established cluster of other City-owned buildings and is very near Minnehaha County facilities, creating a local government services corridor for the efficient delivery of governmental services to the local taxpayers. This City-owned building would provide taxpayers with many different services in one convenient location.

This building would provide solid opportunities for collaboration among employees as the Public Works, Parks & Recreation Department, and other employees are currently fragmented. Greater collaboration increases efficiencies, and enhances value and improves returns. Citizens demand this of their local government. This building will provide a conducive work environment that increases the productivity of City employees—all for the benefit of the taxpayer. For those who minimize the impact of work environment on the retention, recruitment, productivity, and morale of employees, an awakening is needed.

The right time to build this building is now. The project budget is locked in at \$21.9 million. Delaying the project will only drive up costs. If the City waits 20 years, when the bonds for this project would otherwise have been paid off, this building will cost \$39.6 million (assuming 3% annual construction cost inflation)—which is an increase of 80% of today's cost. That increase is millions more than the interest that will be paid on the bonds. Waiting only another five years will increase the project cost by \$3.5 million, while the City would continue to incur ongoing lease payments totaling hundreds of thousands of dollars. Interest rates are at/near historical lows. The need for this project will not disappear.

This new building would accommodate growth, and yes, potential collaboration opportunities, for the next 50 years. This new building will stand tall and strong, serving the needs of the City and enhancing civic pride for no less than 100 years. Another win is this location is adjacent to Van Eps Park and will dramatically enhance this city park asset, as well as, spur economic development all around the area.

Close your eyes and envision our new gateway into the heart of our great city, where citizens and visitors alike are enamored by the strength and vibrancy of Sioux Falls, including basic infrastructure like a city administration building. Basic, but important infrastructure for a city that cares deeply about serving its citizens and the city employees that work day in and day out for them.

For these reasons, I respectfully submit this veto for the benefit of the taxpayers of the City of Sioux Falls and our City Government employees.

Sincerely,



Mike T. Huether
Mayor

cc: Council Member Christine Erickson
Council Member Michelle Erpenbach
Council Member Rick Kiley
Council Member Greg Neitzert
Council Member Rex Roling
Council Member Marshall Selberg
Council Member Pat Starr
Council Member Theresa Stehly

1st Reading: 07/12/16
2nd Reading: 07/19/16
Date Adopted: 07/19/16
Date Published: 07/23/16
Effective Date: 08/12/16

ORDINANCE NO. 83-16

AN ORDINANCE OF THE CITY OF SIOUX FALLS, SD (THE "CITY"), REPEALING ORDINANCE NO. 36-16 AUTHORIZING THE ISSUANCE OF ITS SALES TAX REVENUE BONDS AND OTHER ACTIONS RELATED THERETO.

BE IT ORDAINED BY THE CITY OF SIOUX FALLS, SD:

WHEREAS, on April 5, 2016, the City adopted Ordinance No. 36-16 to authorize the issuance of its sales tax revenue bonds to pay the costs to design, construct, equip, and furnish an office building to be located at 231 N. Dakota Ave. and landscaping, street, and site improvements and signage with respect to the building and Van Eps Park for use by the City for various governmental purposes ("Administrative Office Building"); and

WHEREAS, the City Council has requested that the financing authorized by Ordinance No. 36-16 not be completed as contemplated;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF SIOUX FALLS, SD:

Section 1. The City hereby repeals Ordinance No. 36-16 to be effective as hereinafter provided.

Section 2. The City shall publish this Ordinance after its passage. This Ordinance shall become effective on the twentieth day following its publication, unless before such date there shall be filed with the City a petition requesting a referendum in the form required by and signed by the requisite number of voters as provided in Section 9-20-6 of the South Dakota Codified Laws.

Section 3. All prior resolutions or ordinances which conflict with the provisions of this Ordinance are hereby repealed to the extent of such conflict.

Date adopted: 07/19/16

ATTEST:

City Clerk

 VETO
Mayor
see attached veto message