



Mayor Paul TenHaken

CITY OF SIOUX FALLS

224 West Ninth Street • P.O. Box 7402 • Sioux Falls, SD • 57117-7402 • www.siouxfalls.org
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Mayor Paul TenHaken's Budget Address

Good afternoon Council, City staff, our partners here with us today and members of the public joining us in person and online. Thank you for the opportunity to present to you the proposed 2024 City operations budget and the next 5-year Capital Program. I want to thank leaders from across our City departments, our finance team, and our communications team for the time and energy invested in developing and communicating this budget. City Councilors, we've been listening and we've incorporated the priorities from your conversations in the months leading up to this process as well. It truly takes a One Sioux Falls team effort to shape the budget and develop important groundwork for the years to come. The foundation you build helps us continue to keep Sioux Falls on the map and grow awareness of our city for visitors, new residents, and new businesses.

We continue to hear the positive and personal stories of those who have recently made Sioux Falls their home. While each story is unique, they share similar sentiments toward our community.

This includes Matt and Mikel Crispo, a husband and wife, who grew up in the Salt Lake City area and recently moved to Sioux Falls because of an opportunity for Matt to further his education to become a CRNA. The two nurses didn't know anyone in our city and really didn't know what to expect. But they've embraced the community as much as it has embraced them. And they say that community connection has been the best part about moving to Sioux Falls. They're soon-to-be-new parents and are positive about their future in Sioux Falls and what's ahead.

Maddie and Sam Wadman were living in the Portland area and were just looking for a change of pace and something different. Sam took an opportunity to transfer to a job in sales for the trucking industry, so he and his wife, Maddie, looked at their move to Sioux Falls as a 5-or-10 year plan. But Maddie found a job as a server at Maribella's in downtown where she's able to use her sommelier skills, and the husband and wife have been pleasantly surprised by our community. They live in downtown, enjoy the quality of life in our city's core, and now feel like Sioux Falls is their "forever" plan.

It's not just residents learning about our community. Sioux Falls is increasingly featured on the national stage, which is drawing more people to Sioux Falls, South Dakota. This is evident from the latest tourism report for 2022. For the first time, Southeast South Dakota became the top tourism destination in the state. An estimated 1.2 million visitors spent time in our city last year. The sales tax dollars they spend while in Sioux Falls are important in supporting the population and geographic growth we are experiencing. This growth is occurring in all directions, with an increase in residents, visitors, and businesses alike, which also creates a demand for public investment. Throughout this year's budgeting process, our teams emphasized the need to balance critical infrastructure along with quality of life projects that make our city a great place to live, work, visit, and play.



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As Sioux Falls continues to be recognized by third-party validation lists, it's helping share our story and what we have to offer. This includes being ranked as the 8th "Best-run city in America" by Wallet Hub. Or one of the "best places to live for families" by Fortune. Sioux Falls has grown to be the 121st largest city in the country, and that's not because of visitors. It's because of people like the families we heard about earlier today, permanently making Sioux Falls their home. We experienced another year of historic growth in 2022, adding more than 6,200 people to our total population and marking \$1.9 billion in building permit valuation. The graph on the screen captures building permit valuations over the past five years from January through the end of June. By the end of last month, our permit valuation totaled \$570 million, a decrease compared to last year's numbers through this same time period, but still ahead of what was at the time, a record-breaking year in 2021. Our decline in valuation from this year to last year can be attributed to several variables, including higher interest rates and the rising costs of doing business. As we continue to diligently work to meet the demands of growth, we are also responding to the same inflationary pressures that continue to challenge the private sector. Despite these challenges, we remain fiscally responsible and anticipate inflation to continue leveling. This begs the question that we are both blessed with yet also challenged in answering: How do we maintain this momentum while also strengthening the quality of life and culture that has propelled Sioux Falls into the community so many love to call home and invest in today? It's a challenge and a delicate balance. And one that we share with cities throughout the country; Balancing the demands of a growing city while still facing various economic pressures, such as inflation. A thriving community starts with a vision and is achieved through balanced and responsible budgeting.

We look to the One Sioux Falls framework to guide our investments, including those in our proposed budget. The Fiscal Year 2024 budget balances critical investments in public safety and infrastructure with strategic and thoughtful investments into the future that continue to add to our community's thriving quality of life. As a reminder, our City budget is divided into three buckets: operating, capital, and internal service.

Operating expenses cover the day-to-day costs of running city services smoothly while meeting our residents' expectations. Capital expenses come from the 5-year capital program, which is at \$1.1 billion for 2024 through 2028. For 2024, capital expenses break down to \$341.1 million, which is used for large investments focusing on replacement, rehabilitation, and expansion of infrastructure and equipment. Almost \$119 million will be dedicated this year to internal service expenses, which is used for costs like employees' benefits, insurance, and building management.

Revenues for our budget come primarily from taxes like sales tax and property tax, what we charge for goods and services and licenses and permits. While each of these revenue sources support all three of our City budget buckets, dollars from the operating and capital budget impact the public most directly. We combine these expenses into what we refer to as the Service Expenditure Budget Breakdown, showing 75% of our annual budget supports Public Safety and Infrastructure throughout



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our city. We don't expect to break this trend in the coming years, and it's why the largest chunk of our 2024-2028 Capital Program is dedicated to Highways & Streets as traditionally is the case. More than \$457 million over the next five years is dedicated to street projects, which is in coordination to what the South Dakota Department of Transportation is investing in and around Sioux Falls. We'll get to more of that in a minute, but I also want to take a moment to recognize and thank the Councilors, who had the vision to support increases to four of our five utilities in Sioux Falls, beginning in 2024. As a result of economic pressures, the request we made was necessary to continue providing the safe and reliable utility infrastructure our residents expect, while setting our city up for success long-term. Utility rates fully support the operations, maintenance, equipment, and infrastructure projects needed to continue their expected level of service. It also helps plan for future service needs, which in the next five years, includes the continued expansion of the water reclamation plant, Basin 15 sanitary sewer expansion to support growth on the westside of our city, and a project that will fulfill the city's original water investment by bringing additional available water from Lewis & Clark regional water system.

Our vision statement of, "Taking care of today for a better tomorrow", is reflected throughout our recommended budget, including our investment into workforce. In 2024, we are proposing a \$2.2 million investment to workforce at the City. We have budgeted to add a total of 24 full time employees to deliver high-quality, direct customer service to our residents. These positions will help us keep up and stay ahead of the service demands and growth of Sioux Falls. We're adding positions like a building inspector, an urban planner, and a financial coordinator for risk management. Additionally, we are adding seven officer positions in the Police Department and six more positions that directly support the 24/7 Public Safety Campus; three custodians, one Fire Training Captain and two positions for IT support. Over the past several years, it's no surprise it has been difficult to recruit officers, and we're not alone in this as it's been a challenge across the nation. Through the strategic planning work of leadership, we are targeting a total of 300 officers by 2025.

The Public Safety Campus, set to open this fall, will provide a top-of-the-line training environment with modern training equipment for our police officers and firefighters and, a premier space for the area's 9-1-1 operations to continue the emergency collaboration they provide for our first responders and community. As our City grows, it's important our training develops with it and provides our first responders experience with different real-life scenarios. This 42-acre campus will require a significant and multi-department operating budget and is reflective of the emphasis we are placing on developing operating plans for large building investments.

We need to take thoughtful and strategic measures to find the right employees for the City of Sioux Falls. The latest report from the South Dakota Department of Labor and Regulation shows a historic unemployment low of 1.9% statewide and that number dropping to 1.7% in the Sioux Falls MSA. While the goal is a low unemployment rate, these numbers are too low. This means the demand for talent is high, and at the City, we're competing for employees, so our recruitment efforts matter. We



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want to attract the top talent, people who embody our values of safety, teamwork, innovation, character and respect and want to make a positive impact in their community, whether it's as a police officer, a librarian, or an engineer. It's why we are planning a recruitment campaign for the City of Sioux Falls. Not only will it help us tell the City's story, but it will also attract the right folks to come work for the City. The return on investment from this campaign will be noticeable when we're able to continue delivering the services residents expect at a high level. Previously, we've made investments to retain our employees, like the inflationary adjustment we asked you to supplement earlier this year. We will continue to do our best to stay market competitive, and this recruitment campaign will play a role in that. It will also help retain our employees, filling our workforce to prevent burnout while proudly sharing our story as an employer and the investments our employees make into the community.

We will continue to double down on our investments in public safety, letting our men and women know they're supported in our community. This means in the Police Department's 2024 budget, we are providing funding for updates to body armor, adding more vehicles to the fleet when they become available, and acquiring land when opportunities present themselves for future report-to-work stations in Sioux Falls, further increasing efficiency of police operations.

Sioux Falls Fire Rescue is targeting land acquisition and construction funding for our next fire station to be built in northeast Sioux Falls in 2026. The placement of the next fire station is critical to helping this department keep their ISO 1 rating, the highest classification a department can get, reassuring our community this team is committed to protecting Sioux Falls and its property.

Investments in public safety don't just come in the form of additional buildings or employees. It also includes partnerships. The latest example of this is the homelessness street outreach team. We are close to signing a contract with a local organization for this effort and look forward to City Council reviewing it soon. The goal of this initiative is to strategically engage with more of our homeless population in Sioux Falls to connect them to the appropriate resources they need.

This pilot initiative makes a difference in the future quality of life and development momentum we are seeing as our downtown and core neighborhoods see a resurgence with activity and expansion. The expansion of our downtown continues to occur and especially to the east. With the city's planned construction of transformational investments at Jacobson Plaza and the third phase of the downtown river greenway beginning this fall, there is energy around the opportunity of adding the Riverline District to the downtown skyline. The Riverline District is a roughly ten-acre site just on the east side of the viaducts and south of 10th Street. The land is under contract with the Sioux Falls Development Foundation, and a group of stakeholders, *Friends of the Riverline District*, are actively working to evaluate how this site can contribute to the fabric of downtown and the skyline of the city for our next generation. Within the next few months, we expect more public discussion regarding this incredible opportunity.



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As I mentioned earlier, as we are making these large-scale investments for our community, it's important we're anticipating operational needs and how that will affect the budget moving forward. This is something we're already looking at in preparation for funding considerations in the 2025 budget and beyond.

Several projects will require this level of planning and attention in the next five years.

One example is the 8.6 mile and \$220 million South Veterans Parkway investment. Beginning this year, crews will start work on a two-mile stretch of that road annually until completed. Currently, they're working from Cliff Avenue to Western Avenue. When this project is finished in 2027, the City will be responsible for maintaining, meaning snow removal in the winter and in the far future, potholes or asphalt repair, of an additional 48 lane miles. Additionally, our Parks & Recreation department will be responsible for another nine miles of median. Our teams across the organization work collaboratively to plan for these budget impacts while ensuring we remain fiscally responsible. Not only taking care of today but also planning for tomorrow.

We are fortunate that our partnership with the South Dakota Department of Transportation continues to grow and that South Veterans Parkway, a critical transportation corridor for Sioux Falls and the region is one of several projects we are tackling alongside of them. From 2023 to 2026, the South Dakota Department of Transportation will invest close to \$765 million in and around Sioux Falls. Almost \$465 million of that will be invested *within* city limits. While this is great for Sioux Falls, it also means our investment priorities within the Capital Program need to reflect and leverage the State's commitments. These projects include the completion of I-229 and Benson Road, and the new interchange at 85th Street and I-29. We expect to bid this project next year, which will bring our development boundaries even closer to our neighbors in Tea. Landowners in this area have partnered with the City and County to see this investment realized. This financial partnership will ultimately leverage millions of dollars in private investment once the interstate connection is finalized. Investments from the DOT will also help the reconstruction of two more interchanges in Sioux Falls: one at I-229 and Cliff Avenue in 2025 and at I-229 and Minnesota in 2027. These projects will include some of the most advanced pedestrian connections we've seen in the city, providing easier access to the recreation trail and keeping bikers, walkers, and runners safe while still moving vehicular traffic.

Over the next five years, we will invest \$99.2 million to rehabilitate more than 3,600 blocks throughout our road network. This means two things: first, I hear you Sioux Falls, when you share your concerns about potholes, and second, we are committed to getting into your neighborhoods and investing in your daily commutes. This has been, and will continue, to be a priority during my time as your Mayor. One example of a project wrapping up this week is the asphalt overlay of Cliff Avenue from 11th to 26th Street. This is a great example of taxpayer dollars at work!



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Our team strategically evaluates ways to preserve and rehabilitate existing infrastructure. The idea of rehabilitation is so important when it comes to the topic of housing. It's vital to maintain properties throughout the city to support the existing inventory of safe, sustainable housing. We are proposing the housing division receive \$10.8 million in 2024. This team does a phenomenal job maximizing federal, state, and local dollars and even one-time funding opportunities to help with the housing challenges in our city. They will continue to reinvest and leverage funding in various ways, especially working with community partners to address our housing needs.

One pilot program that is just getting started this year focuses on rehabilitating and restoring vacant homes in the City's core. This partnership is with Habitat for Humanity. Once the non-profit finds an eligible single-family home on the vacant home registry list, the City of Sioux Falls will give them a grant to rehabilitate the home that would otherwise sit vacant. Once the money has been reinvested into the home, Habitat for Humanity will be able to sell it to a qualifying candidate. There are several 'wins' with this program: We're investing in our city's core and saving houses within these neighborhoods. It's also helping increase inventory and getting families into homes they can afford. As the housing team goes through the pilot, they'll evaluate its success and consider investing more money as progress is made.

The housing division already offers various programs to address the needs in our community. In 2024, they will get the opportunity to continue and expand the Rental Rehabilitation Program with a total investment of \$350,000 proposed for it. This opportunity gives registered rental property owners low-interest loans to be used to rehabilitate the inside and outside of a home. We've seen great success with this program, once again investing in the housing inventory we already have throughout the City, keeping families in their homes and increasing accessibility. In 2022, this program helped start 19 projects in the city, directly improving 126 housing units that are considered workforce housing. It's important we're able to offer a lending hand when we can, especially with current economic conditions putting strains on every aspect of household budgets.

Sometimes, solving challenges in the City takes innovation, and we have an opportunity right now to seek out possible innovations for public transit. Since our current management agreement for Sioux Area Metro expires at the end of this year, we have issued a request for proposal to see what options are available to build the best transit experience that's right for Sioux Falls. The RFP focuses on the unique needs of our community with an emphasis on customer service. We'll bring the community more details on this process as they become available.

When it comes to any project within the City, we know the power of collaboration and its impact. It's why I focused on this so much in my State of the City address earlier this year. You might be tired of hearing about it, but collaboration, partnerships, teamwork, however you want to phrase it, leads to change and ultimately making a difference in our community.



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We're thrilled to announce another public-private partnership that will help us complete an aquatics project in 2024. Since opening in 2016, the Midco Aquatic Center has far exceeded expectations. In the past five years, swim pass sales have nearly doubled and attendance topped a record 223,000 in 2022. The current locker rooms are inadequate to accommodate the amount of use we are seeing at the Midco. We have proposed a project in 2024 to increase the size of both the men's and women's restrooms with a building addition. The project will double the square footage of locker room space, increase the amount and size of the lockers, and make for a much more enjoyable experience for swimmers. This would not be possible without the generosity of Joe and Jennifer Kirby. We're grateful they will be donating \$500,000 through the Parks Foundation, to make this \$1.2 million project a reality. Please join me in recognizing Joe and Jennifer as they're here with us today.

The Midco Aquatic Center is a great example of how much our residents love aquatics in Sioux Falls. Further data from community surveys, show outdoor and indoor swimming is one of the top parks priorities for our community, right behind trails and nature areas. It's why we've valued the community's input in this process so far for the Quality of Life projects for our aging pools. We recognize we have unique opportunities in front of us with the redesign and renovation of the pools at Frank Olson and Kuehn Park. But we also realize we must look forward and be able to responsibly operate what we build and balance this with other priority needs within the General Operating Fund. Lifeguards, utilities, building caretakers are just a few examples of additional costs the city will add every year once these investments are built. Once we receive final designs for Frank Olson & Kuehn Park, we will go out to the bond market to support the construction of these investments. We anticipate to start paying a small portion on the Quality of Life bond in late 2024 and proceed with full payments in 2025.

Prioritizing our investments and continuing to move projects forward, we have decided to pay for the replacement of the McKennan Park Wading pool separately from the bond and instead, with cash out of the 2024 budget. \$3.8 million is budgeted for the construction of this pool, which is expected to start the end of summer in 2024. At Frank Olson and Kuehn Park, we will explore the possibility of a multi-generational recreational facility and other improvements through our hired design teams in the coming months. But the question we are answering when it comes to the Quality of Life Bond for these pools, isn't if Sioux Falls will support a multi-gen center or two. The question will be, what can Sioux Falls responsibly afford? As we consider our debt service capacity, we look at striking a balance that will not disrupt or compromise essential services in our budget. We're accommodating for an appropriate amount of debt in our budget at this time. We've balanced it, and Director Pritchett will explain more of this in detail when he presents to City Councilors in the coming weeks.



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As we go through this process, we're also looking at other opportunities to add indoor recreation space to help fill the community's needs. The Great Plains Zoo and Butterfly House and Aquarium have successfully merged into one organization, but they are still operating on separate campuses. The goal is to have the Butterfly House & Aquarium on the Zoo's campus in 2026, leaving the existing building vacant, which according to contract, will be left to the City to repurpose. We have a few years to establish what the community wants, but right now, there are considerations for indoor play equipment, a creative art studio, or some sort of educational programming.

One thing many people look forward to during the budget process is the announcement of renovations or additions to community parks. We are proposing more than \$9 million over the next five years to expand and reconstruct portions of our beautiful recreation trail. One of the expansions proposed for 2026 includes Cherry Creek Trail, which will be almost an additional 1 mile of trail to connect Family Park to Madison Street.

As part of the gifting of Arrowhead Park, the house on the property was also donated to the city. Many people may not even realize there *is* a house on the property. It overlooks two historic quartzite quarries. The Parks & Recreation team has plans to completely gut and renovate the interior of it in 2024, redeveloping it into a meeting space that can be used for off-site company events, private gathering space or adventure-type programming.

More improvements are coming to the baseball fields at Harmodon Park on the east side of Sioux Falls after innovation led to positive changes from a pilot project. Many families who have played at these fields have experienced delays or tough playing conditions after rain. The photos on the screen show a small story of what they had to deal with on the fields, even having to shop vac water to get the fields ready to play for games. One of the leaders in Parks & Recreation came up with a plan to reconstruct the infields in hopes of creating better drainage. The improvements made such a positive difference that more baseball fields will receive these renovations starting after the 2024 baseball season. Three fields in the upper portion of Harmodon will be worked on first, which includes the championship field. Three other fields in the lower part of the park are expected to be renovated starting in 2027.

As we go through this process, it's hard not to just think about the numbers because at the end of the day, that's what our annual budget is, and our 170-page budget book is full of them. But these numbers affect every single person in our community, and it's essential to remember a better tomorrow relies on strategic decisions that we make today.

Earlier today, I shared stories of individuals who picked up and moved to Sioux Falls for various reasons. They all found our amazing community that many of us have enjoyed for years, even as we grow. A thriving community can look different to everyone. To some, it's the hydrant parties in various neighborhoods that bring multiple departments together as One Sioux Falls. To others, it's



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the fact that we take pride in our city, continuing to invest in and preserve the beauty and culture of our community. But it's the responsible, balanced, and strategic financial choices we've made in the past and continue to make that help our community thrive.

Today you heard a few highlights of my recommended budget. In the weeks ahead, you will hear from department leaders, who will highlight how they're serving and investing their time and necessary resources in our community. We look forward to continuing to collaborate as we go through this annual process. Thank you for your time today and for your continued investment in Sioux Falls, and may God Bless Sioux Falls in the year ahead.