

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Gary Hayzlett at 12:30 P.M. on April 3, 2008 in Room 423-S of the Capitol.

All members were present except:

Representative Jerry Henry- excused
 Representative Terry McLachlan- excused
 Representative Mark Treaster- excused
 Representative Vincent Wetta- excused

Committee staff present:

Hank Avila, Kansas Legislative Research
 Bruce Kinzie, Revisor of Statutes Office
 Betty Boaz, Committee Assistant

Conferees appearing before the committee:

Laura Gourley, Finance Director, City of Gardner, KS
 Dottie Riley, Bond Counsel to Gardner, KS
 Tom Riederer, President, Southwest JO CO Economic Development Council
 Bob Marcusse, CEO, KC Area Development Council
 Bill Crandall, President, The Allen Group, KC
 Pat Hubbell, BNSF
 Peter Solie, President, Gardner Area Chamber of Commerce
 Stuart Little, JO CO Board of County Commissioners
 Dr. Bill Gilhaus, Superintendent of Schools, USD 231
 Mark Raney, City Councilman, Gardner, KS

Others attending:

See attached list.

Chairman Hayzlett called the meeting to order and opened hearings on **SB 693**.

SB 693 - Creating the Kansas intermodal transportation revolving fund, financing of intermodal transportation projects

SB 693 would create an Intermodal Transportation Revolving Fund within the Department of Transportation to provide assistance to government units for intermodal transportation projects. In order to be eligible for assistance from the fund, a governmental unit would have to have an intermodal facility project within its jurisdiction with a cost of a minimum of \$150 million. Neither the state nor the governmental unit would be authorized to pledge its full faith and credit to support the bonds issued through the fund.

The following were proponents of **SB 693**:

Laura Gourley, Finance Director, City of Gardner, KS (Attachment #1)
 Dorothea K. Riley, bond counsel to the City of Gardner, KS (Attachment #2)
 Tom Riederer, President, Southwest Johnson County Economic Development Council (Attachment #3)
 Bob Marcusse, CEO, Kansas City Area Development Council (Attachment #4)
 Joe Erskin, Deputy Secretary for Finance and Administration, KDOT (No written testimony)
 Bill Crandall, President of The Allen Group - Kansas City (Attachment #5)
 Pat Hubble, representing BNSF Railway (Attachment #6)
 Peter Solie, President of the Gardner Area Chamber of Commerce (Attachment #7)

The following were opponents of **SB 693**:

Dr. William Gilhaus, Superintendent of School, Gardner Edgerton, USD 231 (Attachment #8)
 Mark Raney, City Councilman, Gardner, KS (No written testimony)

After all questions from Committee members were answered, the Chairman closed the hearing on **SB 693**.

There being no further business before the Committee the meeting was adjourned.

HOUSE TRANSPORTATION COMMITTEE

DATE 4-3-08

NAME	REPRESENTING
JOE ERSKINE	KDOT
Mark Ranney	Gardner City Council
Peter Solie	Gardner Chamber of Commerce
Steve Weatherford	KDFA
CLAUD Hobby	GARDNER Citizen
Terry Heidner	KDOT
Tom Riosberger	Sw Joco EDC
ERIC HANSEN	USD 231 GARDNER-EDGERTON
DR BILL GILHAUS, SUPT.	USD 231. GARDNER-EDGERTON
KEVIN GREGG	KS MOTOR CARRIERS ASSN.
Mary B. Peters	Citizens - Gardner, KS
Danetri Herbert	Gardner News
J. P. SMALL	KSDOT

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: 4-3-08

NAME	REPRESENTING
Doty Riley	Gardner
LAURA GOURLEY	GARDNER
JOHN C. BOTTENBERG	ALLEN GROUP
Bill Wendall	The Allen Group
Patrick Robinson	The Allen Group
Skip Kalb	BNSF Ry. Co.
Pete Heaven	BNSF
Patrick A. Nubbell	BNSF
Tom Whitaker	KMCA
JEAN MILLER	CAPITOL STRATEGIES
REBECCA FLOYD	KQFA



**TESTIMONY
to
KANSAS HOUSE
HOUSE TRANSPORTATION COMMITTEE**

Laura Gourley, Finance Director, City of Gardner, Kansas on behalf of Mayor Carol Lehman and the Gardner City Council

**April 3, 2008
Senate Bill 693**

The Honorable Gary K. Hayzlett, Chairman and Members of the House Transportation Committee:

Gardner wishes to express its support of SB 693.

Nearly 2 years ago, in the summer of 2006, the Mayor formed a task force known as the Intermodal Review Committee comprised of members of the business communities of both Gardner and the nearby community of Edgerton, elected officials of both Gardner and Edgerton, a representative from the school district, and citizens.

Following 10 weeks of study, public meetings, communication by citizens via the City's website, and presentations from both opponents and proponents of the project to the committee, the committee presented recommendations to the Gardner City Council and Gardner Planning Commission. Due, in part, to the relatively small size of our community and its resources, one of the key recommendations of the Committee was that revenues from the proposed development must pay for the infrastructure required for this project.

After much negotiation and coordination between the City of Gardner, The Allen Group, and Burlington Northern Santa Fe, at a Special City Council meeting on March 12th, the Gardner City Council approved a conceptual financial plan to pay for the \$63,300,000 in public infrastructure needed to support the BNSF Intermodal/KC Logistics Park. Adoption and utilization of SB 693 is a vital component of this financing plan.

Sources of revenue have been identified for approximately \$49,400,000 of the needed \$63,300,000 including the City of Gardner allocating the City excise tax, developer fees, and its utility sales tax and franchise tax revenues to the project. The conceptual finance plan approved by the City Council also included an 85% property tax abatement for 10 years for each of the warehouses to be built in the Logistics Park adjoining the intermodal facility and the payment of fees by the developer to be used to pay for a portion of the costs of the projects equal to 35% of their property taxes. Johnson County, too, is contributing significantly to the project by allocating their utility sales taxes and various road assistance dollars to the project.

The Development:

BNSF and the Allen Group anticipate spending approximately \$715,900,000 in developing 1,000 acres into an intermodal facility and a logistics park with 7 million square feet of warehousing over

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the next ten years, which is the anticipated time frame for the build out of all of the warehouses. This site is primarily located between 56 Highway and 191st Street, and between Waverly and Four Corners Road, currently just outside of Gardner's city limits.

The plans include the State of Kansas funding \$20,000,000 to build a new interchange in 2013 for I-35 somewhere between Waverly Road and Homestead Road and funding \$2,000,000 of improvements to the existing Gardner Road interchange to improve ramps and provide traffic signals in 2009. The Gardner Road interchange will be the main access for trucks serving the intermodal facility until the new interchange is built.

In order to accommodate this regional development, \$63,300,000 of local roads and utility infrastructure also need to be constructed. These roads will be primarily two lane, open ditch roads that are common in the unincorporated areas of Johnson County. Traffic studies have shown that this is appropriate for the projected traffic. The conceptual financing plan includes the following projects:

2009 Projects:

• 191 st Street – 188 th near Gardner Rd. to Four Corners	\$ 9,100,000
• Waverly Road – 56 Highway to 191 st (with S. Bridge and 56 Highway intersection improvements)	\$12,200,000
• Center Street Bridge (2 lane replacement)	\$ 3,900,000
• Center Street Bridge (2 additional lanes)	\$ 2,500,000
• 183 rd St. – Poplar to Waverly	\$ 1,000,000
• 191 st Loop Connection (prelim work)	\$ 300,000
• Wastewater Utilities (lift station, force main) (Water lines are in road costs)	\$ 1,500,000
• Quiet Zones (Poplar, Grand, other)	\$ 1,200,000
• Contingency for projects	\$ 1,300,000
• City of Edgerton Grade Separation	<u>\$ 5,000,000</u>
2009 Total	\$38,000,000

2013 Projects

• Road from new interchange to 191 st St.	\$ 4,200,000
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2015 Projects

• Waverly North Bridge	\$ 4,400,000
• 191 st St. Loop connection underpass	\$ 7,300,000
• White Drive underpass	<u>\$ 5,000,000</u>
2015 Total	\$16,700,000

2009-2019

• City Maintenance and Services (NPV*) This includes road maintenance (overlay, annual patching, snow and ice control), and public safety response.	\$ 4,400,000
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Total	\$63,300,000
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*(NPV) Net present value – the value of collecting monies over time and reflecting them in today's dollars for comparison purposes.

Sources of Revenue:

A significant part of the funding for the projects will come from fees paid by the developer to the City as the development progresses.

Allen Group (Warehouse Developer):

• Excise (NPV)	\$ 3,800,000
• Developer fees (NPV)	\$16,900,000
• Additional Funding	<u>\$ 1,000,000</u>
Allen Group Total	\$21,700,000

BNSF Railroad:

• Net direct funding	\$ 7,000,000
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BNSF will provide \$13,000,000 in direct funding up front with \$6,000,000 to be repaid over time.

Total Private Funding of Public Infrastructure \$28,700,000

City/County/Federal Funding Sources:

• City utility sales and franchise taxes (NPV)	\$10,600,000
• County utility sales taxes (NPV)	\$ 1,000,000
• County CARS FAU match	\$ 2,500,000
• Federal FAU match	<u>\$ 6,600,000</u>
Total Government Funding of Public Infrastructure	\$20,700,000

Total Sources of Revenue \$49,400,000

The private sector is providing an estimated 58% of the identified revenues to pay for these projects. This is more than is asked of other developers in Gardner as well as in other cities in the Kansas City region.

Bridge the Gap:

This current plan has a gap between expenses and revenues:

Total Public Infrastructure	\$63,300,000
Total Revenue	- <u>\$49,400,000</u>
Funding Gap	\$13,900,000

Various sources are being explored to close this gap including grants or other direct funding. Several funds have been tentatively identified as possible sources. As with any budget, if new revenues are not found to close the gap some of the projects will have to be deferred until such time as funding permits. Examples of possible projects to defer are listed below:

Center Street bridge - additional two lanes (2009)	\$ 2,500,000
Other projects – contingency (2009)	\$ 1,300,000
Edgerton Grade separation (2009)	\$ 5,000,000
Waverly North Bridge (2015)	\$ 4,400,000
White Drive Underpass (2015)	\$ 5,000,000
191 st St. Loop connection underpass (2015)	\$ 7,300,000

At this point, the City Council has given all it can provide to the project without impacting current residents and businesses. Further, there is not enough capacity under the City's statutory debt limit to allow for the City to issue any type of general obligation debt nor to enter into any other financing arrangement that involves the City's general obligation backing for a project of this size;

the City needs to retain what debt capacity it has to finance other projects in our rapidly growing city.

With the private sector providing an estimated 58% of the identified revenues to pay for these projects, and with Gardner and Johnson County contributing the remaining 42%, both sides feel they have contributed significantly to the success of the project. However, Gardner's City Council is ever mindful of the limited financial resources of our small community for a project of this size. Although revenue streams have been identified to repay any forthcoming loans from this act, if approved by the Legislature, the actual cash flow for repayment is wholly dependent on how quickly the Logistics Park develops. Because the State of Kansas will receive significant financial benefits from this proposed development, the City of Gardner is seeking the support of the Kansas Legislature. This support will mitigate the risk to the City and Johnson County by allowing the State to provide credit enhancement of the forthcoming intermodal transportation revolving loans needed to fund the infrastructure. The support of Legislature is necessary to assure the success of this major economic development project which will have positive financial impact throughout the State of Kansas.

KUTAK ROCK LLP

SUITE 500
1010 GRAND BOULEVARD
KANSAS CITY, MISSOURI 64106-2220

816-960-0090
FACSIMILE 816-960-0041

www.kutakrock.com

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April 3, 2008

The Honorable Gary Hayzlett, Chairperson,
and Members of the House Transportation Committee
Topeka, KS 66612

Re: Senate Bill No. 693

Ladies and Gentlemen:

As bond counsel to the city of Gardner, we are recommending, on its behalf, adoption of Senate Bill No. 693 ("SB 693"). The bill provides much needed assistance to the City for financing roads, highways, culverts and similar improvements to support the projected traffic from the intermodal hub and warehouse facilities proposed to be constructed in the Gardner area.

SB 693 authorizes the Secretary of Transportation to establish an intermodal transportation revolving fund to assist government units, such as the city of Gardner, to finance bridge, culverts, highway, road and street projects within an intermodal transportation area. SB 693 and the mechanics of the intermodal transportation fund are largely the same as the existing State transportation revolving fund program. The existing transportation revolving fund program, however, requires local governments, which borrow from the fund, to either secure their loans with general obligation backing or acquire bond insurance on the loan. General obligation backing of the financing that will be required for improvements required for the proposed intermodal hub and associated warehouse facilities is not feasible for the City of Gardner for a project of this size. SB 693 will permit bonds for the types of projects previously mentioned in connection with large intermodal facilities without the necessity of a local government general obligation pledge or bond insurance on the loan.

We believe SB 693 will help provide a financing tool to assist local governments to work with the State and private entities to provide local, regional and state-wide economic development associated with the proposed intermodal transportation hub to be located in the Gardner area.

The Honorable Karen Brownlee, Co-Chairperson,
The Honorable Nick Jordan, Co-Chairperson
and Members of the Senate Commerce Committee
March 26, 2008
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If we may be of any assistance to the committee on this matter, please let me know.

Very truly yours,

Dorothea K. Riley



Testimony
Before the
House Transportation Committee
April 3, 2008

Good Morning Chairman Hayzlett and members of the Committee. My name is Tom Riederer and I am President of the Southwest Johnson County Economic Development Council.

I am here today to speak in favor of SB 693, a bill that will provide support to build infrastructure for the intermodal facility in Gardner, Kansas. This project which has been called one of the largest economic development projects in Kansas in the last 40 years will benefit the whole State.

BNSF and the Allen Group Kansas City will testify about the scope of their projects, but I would like to discuss what will happen beyond that 1,000 acre site. Southwest Johnson County is becoming very active in the logistics market. Last year Kimberly-Clark opened a 450,000 sf distribution facility at the New Century AirCenter. In Olathe there is a 650,000 sf spec building being built by Kessinger Hunter and Pacific Sun's distribution center. There is a proposed development by LS Commercial Real Estate before Johnson County at this time which will be approximately 2 million square feet when built out. This is the market response before the intermodal is up and running. Experienced developers have looked at the impact in other areas where intermodals have been built and they are investing in Kansas.

There are thousands of acres that will benefit from the proposed infrastructure improvements. Within this area, in addition to the projects I just mentioned several large parcels of land that have been acquired by private developers. The developers have not announced projects, but these transactions could easily result in another 2 million square feet of development.

A project this size goes beyond the capabilities of Gardner to do on its own. Gardner and Southwest Johnson County communities need infrastructure to optimize the potential of the intermodal and SB 693 builds a partnership to make sure that happens.

I ask for your support and would answer any questions you might have.

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Attachment # 3

TESTIMONY BEFORE THE KANSAS HOUSE TRANSPORTATION COMMITTEE

April 3, 2008

SUBMITTED BY:
Bob Marcusse, CEO
Kansas City Area Development Council

Chairman Hayzlett and members of the committee:

I am pleased to offer support for this important piece of economic development legislation. I will be concise.

Kansas City Area Development Council is the regional economic development group for the Kansas City Area. We work closely with Kansas Department of Commerce and our local community partners to grow the economy of Eastern Kansas. Our region has been relatively successful in part because of the past work of the Kansas Legislature that has continually improved the business climate and in part because of an aggressive sales effort to tell our story.

As you know, we have an unprecedented opportunity to create an economic development project of national significance in Kansas. The location of the BNSF Intermodal facility and the subsequent location of the Allen Group Logistics Park will create vitality, opportunity, and draw national attention as few other projects can do.

Because of these planned investments we have a story to tell throughout this country and overseas that we have been unable to tell before. It is the story of the ability to effectively compete against Texas, Illinois, Tennessee and other logistics oriented states in the high stakes world of economic development. We will be able to not just tell a story but locate the companies that will create jobs for Kansans. Without your support for this bill we will be unable to do so and our bright future will have dimmed.

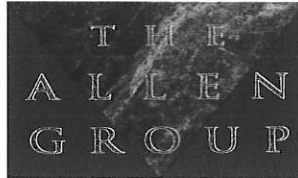
Your support for this bill will spur an estimated \$800M of private and public sector investment. Your support will set the stage for the creation of thousands of jobs. Your support will vault Kansas to the national stage and your support will allow those of us who compete to compete effectively.

I request your support.

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Attachment # 4



**TESTIMONY BEFORE
HOUSE TRANSPORTATION COMMITTEE**

Concerning an intermodal transportation revolving fund

April 3, 2008

Chairman Hayzlett and Committee Members:

My name is Bill Crandall and I am President of The Allen Group - Kansas City. The Allen Group will be responsible for the development of "Logistics Park Kansas City", an approximate 600 acre warehouse and distribution park, that when fully built out will include over 7.0 Million SF of buildings surrounding the BNSF Intermodal Facility. Over \$466 million will be invested by The Allen Group during the 10-15 absorption period. It is our intention to construct a first class development which meets the needs of the intermodal market and we will also seek out opportunities to be environmentally sensitive through the use of energy efficient and environmentally conscious design.

Today, we are seeking your support for this bill which provides financial backing for bonds that will fund offsite public infrastructure only. Importantly, not One Dollar of these improvements will be directed toward any private improvements. Rather each of the \$63.30 Million dollars will go toward public infrastructure improvements opening up thousands of additional acres of development surrounding Intermodal Facility. Equally as important, there are many sources of repayment for the bonds including local excise tax, origination fees, direct investment by the private sector, utility and franchise taxes, redirection of county funds and matching federal grants to name a few. So, the State's backing of the bonds is simply a means to aggregate these various sources of repayment such that the initial bonds may be sold and the proceeds from which can be put into use immediately. This will enable a cohesive and complete approach to constructing the infrastructure required to support this economic engine.

Intermodal Facilities, also known as Inland Ports, represent a new level of opportunity and industry within the State of Kansas. The BNSF's Intermodal Facility, combined with Logistics Park Kansas City represents an economic stimulus to the greater Kansas economy and further, will be one more asset in your portfolio to market the State and expand business and workforce. It is anticipated that the BNSF will deliver their Intermodal Facility near the first quarter of 2010. Similarly, Logistics Park Kansas City will come on line at that same time. It anticipated that one large distribution center will be constructed on a speculative basis.

Again, we are seeking the support of the Kansas Legislature and would stress that (i) we are not seeking the State to provide a direct infusion of cash or general obligation, but rather we are requesting that the State provide their backing to enable a first class development, (ii) there are multiple sources of repayment that should provide confidence to the State, (iii) unlike many economic development incentives, none of the bond proceeds will go to offset private investment, (iv) the ration of private to public investment is 12:1 and (v) finally much work has been done by the State, City of Gardner, Johnson County, KDOT, BNSF and The Allen Group.....we are all in support of this plan and we are seeking your support as well.



J. Vann Cunningham
AVP
Economic Development

BNSF Railway Company
P.O. Box 961051
Ft. Worth, TX 76161-0051
2650 Lou Menk Drive
Ft. Worth, TX 76131-2830
817-867-6336
817-352-4400 fax
vann.cunningham@bnsf.com

April 3, 2008

Kansas State House
House Transportation Committee
State Capitol
Topeka, Kansas

Re: SB 693

Dear Chairman and Committee Members:

I am writing this letter in support of Senate Bill 693 relating to the financing of intermodal transportation projects in Kansas.

As the nation's leading intermodal carrier, BNSF has a unique perspective on the many benefits that this mode of transportation provides:

- Energy-Trains are two to four times more fuel efficient than trucks and can help significantly improve the fuel-efficiency of freight transportation in Kansas and the nation. Today, on average, railroads move each ton of freight a distance of 423 miles (approximately the east-west distance across Kansas) on only one gallon of fuel.
- Environmental-Trains produce 60% fewer emissions per ton mile than long haul trucks and each intermodal train can take as many as 280 or more trucks off our long-distance freeways.
- Economic-A conservative Economic Impact Analysis prepared by Lockwood-Greene/CH2MHill estimated a total fiscal impact of \$1.7 billion to the State of Kansas from our proposed intermodal facility and private warehouse development over a 20 year timeframe, generating over 13,000 jobs.

Intermodal has become the fastest growing business and economic development engine in the rail industry because it combines the long-distance fuel efficiency of trains with the local delivery capabilities of trucks. We believe that intermodal represents the most efficient transportation method of handling our nation's increasing demand for freight, including the growing importance of international trade in today's global economy. Therefore, our proposed intermodal project is important not only to the State of Kansas, but also carries national and international significance as well.

In conclusion, BNSF and the State of Kansas have a unique opportunity to continue our long history of working together to realize mutual benefits, and we respectfully request passage of SB 693.

Sincerely,

House Transportation
Date: 4-3-08
Attachment # 6



BNSF INTERMODAL FACILITY
APRIL 2, 2008

BOND PURPOSE and INFRASTRUCTURE SCOPE

- Bond Purpose
 - State is not being asked to fund the bonds and the legislation **does not call for the State's general obligation.**
 - Rather, the **State is being asked to "guarantee" the bonds** which have multiple sources of repayment to insure the coverage of the debt.
 - The primary **sources for repayment is the taxing activity generated from the Private investment,** ie; Excise Tax, Origination Fees, Utility/Franchise Tax, etc.
 - Origination Fees will be recaptured from the tenants and used to fund the public improvements.
 - Bond indebtedness will be limited to the amounts reasonably amortized by the sources of funds.
- Scope of Infrastructure
 - Public investment for this phase totals approximately \$63.30 Million. **All of which is for public improvements.**
 - Not one dollar of the bonds issued will be used to offset private investment.
 - Improvements include perimeter roads, primary utilities, bridges, intersection upgrades and other infrastructure surrounding the project.
 - Infrastructure investment will benefit the initial 1,000 acres as well as several thousand more.

STATE BENEFITS AND PUBLIC INVESTMENT

- In a twenty year analysis period there will be;
 - A **\$1.7 Billion of total fiscal impact to the State of Kansas**
 - Over **13,200 direct and indirect jobs created.**
- Multiple counties in Kansas will benefit, that's why the State should back the bonds
- State has said this is the largest economic development event in the last 40 years.
- Local City and County Government have voted in favor of the project.

PRIVATE INVESTMENT

- Legislation calls for minimum \$150,000,000 private investment.
- **Intermodal Facility = 400 acres and complete in early 2010.**
- **Logistics Park = 600 acres, 7.1 Million SF**
- **Combined private investment totaling over \$800,000,000** by BNSF and The Allen Group alone.
- **Ratio of Private to Public investment is approximately 12:1** with initial 1,000 acres alone. In other words for ever \$12.00 invested by the Private sector, only \$1.00 is being requested in public incentives. All of which are for public roads, not private offset.



Testimony for the Kansas House of Representatives

Thursday, April 03, 2008

Re: Senate Bill 693

Honorable Chairman and Members of the Committee:

My name is Peter Solie, President of the Gardner Area Chamber of Commerce. I am here today representing the Board of Directors of the Chamber. The Board of Directors of the Gardner Area Chamber of Commerce has studied this legislation and voted unanimously to recommend the passage of SB 693 by the Kansas Legislature.

This legislation strikes the necessary balance of risk and investment that permits the city, county, and state to each meet necessary commitments and benefit from substantial new tax revenues. This legislation permits the City of Gardner to proceed with this beneficial development. Without the State's backing of the bonds, the project may not be developed with all of the infrastructure improvements necessary for a cohesive plan to develop a first class asset.

The Gardner Area Chamber of Commerce has been involved with the review of the intermodal facility and logistics park from early in the process. Our former Chair served on the Intermodal Review Committee and we have made policy statements regarding this facility several times over the past two years. Governmental authorities, in cooperation with The Allen Group and BNSF have effectively responded to the many concerns found in the Intermodal Review Committee report including addressing traffic flow, environmental impact and over all impact to the community. We believe the agreement reached by the City of Gardner, The Allen Group, BNSF, Johnson County and the State of Kansas will benefit not only Gardner, but the entire Kansas economy.

We believe that the development concept is valid and beneficial to the diversification of the tax base. We also welcome primary jobs located in our community. Additional primary jobs mean mothers and fathers working just minutes away from their children, providing increased opportunities for school and park and recreation activities with their children. Additionally, local jobs lead to new residents, a stronger day-time economy and increased commercial activity.

We thank you for your consideration of our recommendation in support of SB 693.

I will stand for questions at the appropriate time.

Respectfully submitted,
Peter Solie, President

House Transportation
Date: 4-3-08
Attachment # 7



Statement from USD 231 Board of Education regarding Concept Finance Plan and proposed legislation for Gardner Intermodal & Logistics Park (SB613 & SB693)

The Superintendent of Schools and Board of Education of the Gardner-Edgerton School District have a responsibility to the communities of Gardner and Edgerton to promote and protect the best interest of our students and patrons at all times. As such, we must analyze the Concept Finance Plan for the proposed Intermodal and Logistics Park from an economic impact perspective. When assessing the appropriateness of the proposed 85% Tax Abatement from a public indebtedness standpoint, the school district must evaluate with grave concern the burden such public financing will place on the taxpayers of our communities.

As a governing body, we firmly believe that the proposed financing strategy merely shifts the responsibility for the costs of the Intermodal and Logistic Park from those that stand to benefit most, Burlington Northern Santa Fe and the Allen Group, and places the burden firmly on the backs of the taxpayers of our community. As such, we question the appropriateness of the proposed financing model.

In essence, while there is certainly much to consider with regard to the Intermodal project, the question of infrastructure funding comes down to "affordability". When everything is considered, who is in the best position to fund the infrastructure costs associated with this project?

Currently USD 231 enrollment projections indicate the need for a new elementary school, a third middle school and significant technological upgrades throughout the district over the course of the next four years (at an estimated cost of \$65 million). Consequently, the Board of Education must consider the overall impact that any additional costs or loss of revenue would place on our community and school system.

In light of the district's immediate and future building needs, the Board of Education simply cannot support the proposed financing plan. When one considers the fact that BNSF reported fourth-quarter operating income of \$950 million, projects a capital budget of \$2 billion in cash for 2008 AND reported a profit margin in excess of 1.5 BILLION DOLLARS in 2007, the question of ownership, cost and affordability becomes the true issue at hand.

According to information provided by the Allen Group and BNSF, the Intermodal project will create as many as 7,500 jobs over the course of the next 20 years. Without question, these newly created employment opportunities will cause several hundred, if not thousands

of potential employees to relocate to our community. This will undoubtedly result in a significant number of additional students which will ultimately require the construction of new facilities.

In essence, the school district will be gaining additional students which will require the construction of additional facilities; yet at the same time, receiving very minimal property tax relief from this project. The end result will be significantly higher mill levies for all in order to build more schools and maintain the high-quality educational programs currently being provided in our district.

In November of 2006, the **"Can't Beat 'em, Let's Tax 'em"** campaign, which was approved by the majority of the patrons of Gardner allowed the City of Gardner to:

- A. **consider** annexation of the property
- B. **control** the streets and traffic surrounding the Intermodal and
- C. TAX the industrial park associated with the Intermodal**

The current Bonded Indebtedness of the Gardner-Edgerton School District is \$113,000,000. This alone, has caused the overall mill rate of the district to outpace all other schools in the State of Kansas over the course of the past 12 years.

As a result, it is safe to assume that diversification of our tax base will ultimately lead to some form of property tax relief. However, 10 year abatements which will more likely provide a window of 20 years of tax relief for businesses that eventually settle into the logistics park are a cause of grave concern for the school district.

During this same 20-year period, the need for many new elementary, middle and high schools will continue to force property tax rates up for homeowners and small business owners in our community.

We understand that tax abatements are part of doing business in Southwest Johnson County in an effort to attract business & industry. However, the School Board respectfully requests that all governing and legislative bodies reconsider supporting any and all legislation that ultimately provides an 85% tax abatement.

Should anyone have an interest in visiting directly with representatives of the Gardner-Edgerton School District to visit further regarding this matter, please contact the following at 913-856-2000:

- Dr. William Gilhaus, Superintendent of Schools
- Eric Hansen, Director of Business & Finance