

City of Kirkland Annexation Assessment Tasks
Assessment of Financial and Capital Implications for Fire Service for Different
Annexation Scenarios
June 14, 2005

Section 1. Purpose

The purpose of this memo is to outline the possible implications of the City of Kirkland's potential annexation of an area to the north of the City to fire and emergency medical services (EMS). The City of Kirkland's Fire Department currently provides fire protection by contract for service with King County Fire Protection District No. 41 (FD 41), which includes the Finn Hill and Juanita area and a large western portion of the Kingsgate area. In addition, parts of Kingsgate are served by Woodinville Fire & Life Safety District (Fire District 36), and, in much smaller part, by Fire District 34 (operated by the City of Redmond Fire Department).

Through interviews with the Kirkland Fire Department and Fire District 41, Berk & Associates has identified cost and revenue estimates for fire service for the annexation areas under different annexation alternatives and the implications of timing for the annexation of each area, including:

- Kirkland annexes all three areas at once;
- Kirkland annexes two areas first and one later in time; and
- Kirkland annexes a single neighborhood at a time.

This memo also outlines implications of each annexation scenario on operating and capital costs, governance, and the legal and practical effects of transferring assets across districts.

In addition, included here is a discussion of the cost and revenue implications to the City of Kirkland if the City were to annex to Fire District 41 and fully transfer City fire operations to Fire District 41. That discussion includes the tax capacity of FD 41 to pay for the current level of fire service enjoyed by current residents, how that might change with annexation, and the disposition of current property taxes being levied within Kirkland for fire service in such a scenario.

Section 2. Summary of Findings

Kirkland now provides fire service by contract in all of FD 41 including most of the current potential annexation area (PAA), except for the easterly areas of Kingsgate. Because the Kirkland Fire Department is the provider of service in any scenario the service impact on residents is likely to be unnoticeable as result of annexation.

Kirkland could face a variety of complex operating, capital and asset transfer costs, depending on the perspective of the analysis. From Kirkland's perspective, taking on the whole PAA would eliminate the District's contract payment of \$3 million per year, and the City would levy taxes in the PAA to replace the contract payment.

Annexing the PAA by neighborhood presents different scenarios and financial implications for the City and the District due to the differing sizes of the neighborhoods and the state laws governing asset transfer upon annexation of District territory. Leaving Finn Hill in the territory of FD 41 seems to

present the best opportunity for FD 41 to remain viable. In addition, the annexation of Kingsgate poses the most challenging operating and financial situation for the City in terms of costs that don't exist today. Juanita represents the least challenging annexation situation. FD 41's challenge is to ensure that enough revenue exists to be able to support a contract for operations.

In an alternative scenario, there would be little incentive for Kirkland residents to annex to FD 41 because their tax burden would nearly double for services they are already receiving, unless the City reduced its tax levy by the same amount.

Section 3. Background

King County Fire Protection District No. 41 is an independent municipal corporation responsible for providing fire suppression and emergency medical services to an unincorporated area of King County lying north of the corporate boundaries of the City of Kirkland and south of the corporate boundaries of the Cities of Kenmore, Bothell and Woodinville. This area includes Finn Hill, Juanita, and a large western portion of Kingsgate, all within Kirkland's Potential Annexation Area (PAA). The Fire District is governed by an elected Board of Commissioners and has one employee.

Joint Service Contract. The City of Kirkland's Fire Department currently provides fire protection to the City and PAA through an intergovernmental contract for service with Fire District 41. The contract was signed in 1988 and is scheduled to expire in 2008. The City provides firefighter/EMT staffing to respond to service calls and Kirkland is also responsible for managing and maintaining the capital assets (fire stations, fire trucks, aid cars, and other equipment) owned by FD 41 and the City. The Board of Commissioners of FD 41 is consulted on policy issues and the operating budget for the joint services, but the contract delegates day-to-day management and supervision of fire and emergency services to the Kirkland Fire Chief. The contract may be terminated by either party at the end of any calendar year by giving written notice no less than twelve months prior to the date of termination.

Operating Costs. Under its contract with the City, FD 41 is required to pay a percentage of the operating costs for joint services. The District's percentage contribution is equal to its percentage share of the assessed valuation (AV) of property in FD 41 plus the City (Figure 1), which in 2005 totaled 26.8% of joint services expenses, or \$3.03 million. FD 41's likely contribution for 2006 will be \$3,106,000.

Figure 1
City of Kirkland and Fire District 41:
2005 Assessed Valuation (AV) and Operating Costs for Fire Services

	2005 AV	% AV	2005 Operating Costs
City of Kirkland	\$7,872,486,056	73.2%	\$7,954,002
District 41	\$2,875,528,891	26.8%	\$3,032,569
Total	\$10,748,014,947	100.0%	\$10,986,571

Source: City of Kirkland

The expenses for operating fire and EMS services are set forth in a joint operating budget approved by both the City Council and the Board of Commissioners. The District and the City each own three fire

stations which house professional staff, vehicles and equipment. The joint budget includes the cost of repairing and maintaining fire stations. The budget includes a 5% charge by the City for general administration expenses and overhead in supporting fire department operations.

FD 41 has no debt – all fire stations and equipment are paid for.

Fire District Levy. The District’s primary funding source is a regular property tax levy. In 2004 and 2005, FD 41 was authorized to collect a property tax levy of \$0.94 per \$1,000 of assessed valuation, which was scheduled to raise approximately \$2.7 million. Due to a projected operating shortfall of approximately \$330,000 in 2005, the Board of Commissioners called a special election to ask the voters to lift the levy lid to \$1.20 per \$1,000 of AV beginning with 2006 collections. A summary of the District’s financial position as of 2005 is shown in Figure 2. On May 17, 2005, the voters approved the levy lid lift, raising the fire district tax levy to \$1.20 per \$1,000 of assessed valuation.

**Figure 2
Fire District 41: Former and Current Tax Levy**

	Current/2005 Levy	New/2006 Levy
Total AV of Fire District 41	\$2,875,528,891	\$2,875,528,891
FD 41 Levy (per \$1,000 AV)	\$0.94	\$1.20
Total FD 41 Projected 2005 Revenue	\$2,702,997	\$3,450,635
FD 41 Share of 2005 Operating Budget	\$3,032,569	\$3,032,569
Operating Surplus/(Shortfall)	(\$329,572)	\$418,066

Source: City of Kirkland, Berk & Associates

Kirkland’s Potential Annexation Area. Figure 3 shows the shares of assessed valuation by neighborhood for both the PAA and the Fire District, and a description of the stations operated within FD 41 boundaries follows the table.

**Figure 3
Kirkland’s PAA and FD 41 AV Shares by Neighborhood**

	Total AV of Kirkland's PAA	% of Total PAA	Total AV of FD 41	% of Total FD 41
Kingsgate	1,145,520,225	30%	159,277,768	6%
Finn Hill	2,230,594,605	58%	2,230,594,605	78%
Juanita	485,656,518	13%	485,656,518	17%
Total	3,861,771,348	100%	2,875,528,891	100%

Source: City of Kirkland, Berk & Associates

The percentages of total potential annexation area based on AV do not equal the percentages of total Fire District 41 because the PAA is larger than FD 41 (see Figure 3 above and map in Exhibit 1). Consequently, the annexation of one area will have different financial implications than another.

There are currently three fire stations in Kirkland’s PAA that are the property of Fire District 41.

Finn Hill. There are 2 fire stations in the Finn Hill area (Station 24 in North Finn Hill and Station 25 on Holmes Point Drive, which belong to Fire District 41). FD 41 plans to consolidate the two stations into one facility, with the new station expected to open in the first quarter of 2007. The construction of the new station will be funded by a bond issue to be presented to District voters in early 2006.

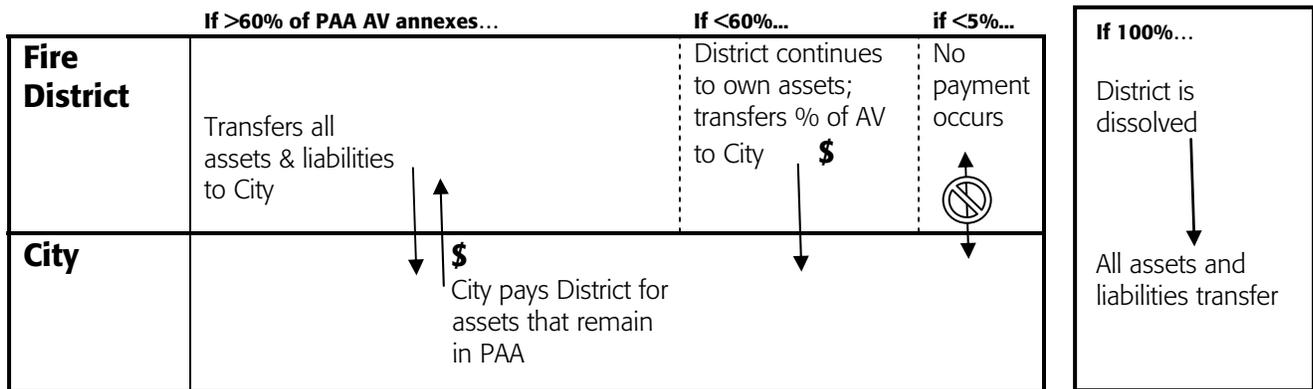
Juanita. There is one fire station in Juanita (Station 27), which belongs to Fire District 41.

Kingsgate. Kingsgate is served by three fire districts: Fire District 41 (primarily from Station 27 in Juanita), Woodinville Fire & Life Safety (Fire District 36), and, in much smaller part, Fire District 34 (operated by the Redmond Fire Department). There are no fire stations in Kingsgate that are the property of Fire District 41, but there is one that is owned by Woodinville (Station 34).

Section 4. Washington’s Asset Transfer Laws for Fire Districts

State law guides the asset transfer among districts in the event of a change in governance, and it is useful to understand each situation as applicable to Kirkland’s annexation scenarios. In practice, asset transfer agreements are subject to negotiation and rely on communication between the two governments. For more information, please reference the RCWs or Municipal Research and Services Center of Washington’s (MRSC) Annexation Handbook, or RCW 35.02.190. The graphic below and text that follows explains how asset transfer works.

**Figure 4
Asset Transfer: A Theoretical Example**



Source: Berk & Associates, Revised Code of Washington

If 60 percent or more of the assessed real property valuation of a fire district is annexed to a city, the city will own all of the district’s assets. However, the city is to pay the district a sum equal to the percentage of the value of the real and personal property in the district that remains outside the annexed area. The payment is to be made within one year of the annexation, in cash, property, or contracts for fire protection services (RCW 35.02.190 and RCW 35A.14.380).

Another important point is that the residents in the fire protection district but outside the annexed area may hold an election to require the annexing city to assume responsibility for providing fire protection and for operating and maintaining district property, facilities, and equipment. In such a situation, the district must pay a reasonable fee to the city (or district) for the services it provides.

If less than 60 percent of the assessed real property valuation of a fire district is annexed to a city, the district maintains ownership of its assets. However, the district is to pay the city (in cash, properties, or contracts for fire protection services) a percentage of the value of its assets equal to the percentage of the value of the real property in the district that has been annexed into the city. This payment is to be made within one year, or within the time the district continues to collect taxes in the annexed area (RCW 35.02.200 and 35A.14.400).

If less than five percent of the area of the fire protection district is included in the area annexed, no payment is due the annexing city from the district, except in certain circumstances (RCW 35.02.205, RCW 35A.14.400).

If 100% of a fire protection district is included in the annexing city, all of the assets and liabilities of the district are to be transferred to the city upon annexation. The fire district in this case will be automatically dissolved.

It is important to highlight that the payment can be made in either cash, property, or contracts for fire protection services, so the City and District would have some latitude in resolving asset transfer. One example of how these payments can be made is an agreement between King County Fire District 25 and the City of Renton, in which the annexation of part of Fire District 25 by Renton resulted in a 10-year contract amount. The Fire District essentially “paid down” the total asset transfer amount over a period of time through a long-term contract with the City of Renton.

If an annexation were to occur, the City and District would need to reach an agreement on the value of the assets to be transferred, including the value of stations, vehicles and cash in reserve. For the purposes of this report, an estimated value was derived (Figure 5). In the event of an annexation and asset transfer, appraisals of all the assets of FD 41 would need to be completed in order to refine this estimate. For example, with the passage of the levy in May 2005, Fire District’s estimated reserves will probably increase over the next few years.

Figure 5
Fire District 41: Estimated Value of Assets
(Stations, Apparatus and Cash Reserves)

	Asset Value
Cash	\$700,000
Station 24 (Finn Hill)	\$880,000
Station 25 (Finn Hill)	\$1,855,000
Station 27 (Juanita)	\$2,635,000
Total	\$6,070,000

Source: City of Kirkland Fire & Finance Departments
Ryan Dunham Realty

Section 5. Implications of Annexation Scenarios

For the purposes of estimating the operating implications of various annexation scenarios on the City of Kirkland, an approximate proportion of Kirkland's property tax revenues that are normally used for fire services was calculated as a point of reference. As Figure 5 demonstrates, approximately \$1.01 out of City's total regular property tax levy of \$1.30 is theoretically used for fire protection. It is important to note that this number is stated in a way that is potentially misleading, since the City of Kirkland provides a host of other municipal services besides fire services within its \$1.30 levy amount.

Figure 6
City of Kirkland: Regular Property Tax Levy Revenues Spent on Fire Services

City of Kirkland Property Taxes (per \$1,000 AV)	\$1.30
City of Kirkland AV	\$7,872,486,056
Kirkland's 2005 Regular Property Tax Revenues	\$10,275,198
City of Kirkland Fire Budget	\$7,954,002
% of Kirkland's Regular Levy Spent on Fire	77.7%
Portion of Regular Levy Spent on Fire	\$1.01

Source: City of Kirkland, Berk & Associates

The following tables (Figures 7 and 8) describe the operating impacts of various annexation scenarios on the City of Kirkland and Fire District 41. A narrative description of the financial implications follows the tables, including asset transfer estimates that could occur between the City of Kirkland and Fire District 41 (Figure 9).

Figure 7
Impact of Annexation Scenarios on City of Kirkland

Annexation scenario	Taxable AV of Annexation Area	% of Total PAA	Total Potential Revenue (\$1.30 City Levy)	Potential Revenue for Fire Services *
Kingsgate only	1,145,520,225	30%	\$1,489,176	\$1,156,975
Finn Hill only	2,230,594,605	58%	\$2,899,773	\$2,252,901
Juanita only	485,656,518	13%	\$631,353	\$490,513
Finn Hill & Juanita, not Kingsgate	2,716,251,123	70%	\$3,531,126	\$2,743,414
Juanita & Kingsgate, not Finn Hill	1,631,176,743	42%	\$2,120,530	\$1,647,489
All three areas at once	3,861,771,348	100%	\$5,020,303	\$3,900,389

* (\$1.01 of \$1.30 Levy)

Source: City of Kirkland, Berk & Associates

**Figure 8
Impact of Annexation Scenarios on Fire District 41**

Annexation scenario	Taxable AV of FD 41	% of Total FD 41	Remaining Taxable AV of FD 41	Remaining FD 41 revenue at \$1.20 levy
Kingsgate only	159,277,768	6%	2,716,251,123	\$3,259,501
Finn Hill only	2,230,594,605	78%	644,934,286	\$773,921
Juanita only	485,656,518	17%	2,389,872,373	\$2,867,847
Finn Hill & Juanita, not Kingsgate	2,716,251,123	94%	159,277,768	\$191,133
Juanita & Kingsgate, not Finn Hill	644,934,286	22%	2,230,594,605	\$2,676,714
All three areas at once	2,875,528,891	100%	\$0	\$0

Source: City of Kirkland, Berk & Associates

**Figure 9
Asset Transfer between the City of Kirkland and Fire District 41**

Annexation scenario	% of Total FD 41	Ownership of Assets	FD 41 transfers to City	City transfers to FD 41
Kingsgate only	6%	District 41	\$340,000	
Finn Hill only	78%	City of Kirkland		\$1,360,000
Juanita only	17%	District 41	\$1,030,000	
Finn Hill & Juanita, not Kingsgate	94%	City of Kirkland		\$340,000
Juanita & Kingsgate, not Finn Hill	22%	District 41	\$1,360,000	
All three areas at once	100%	City of Kirkland	\$6,070,000	

Source: City of Kirkland, Berk & Associates

1. Partial Annexation: Kirkland annexes a single neighborhood at a time

There is a summary table at the beginning of each section outlining the implications of partial annexation. The following notes apply to all of these summary tables: (1) \$1.01 is the current property tax equivalent levied by Kirkland for fire services; (2) Woodinville Fire & Life Safety is located within the Kingsgate PAA and serves the PAA, however no payment for services is currently paid to Woodinville by District #41 or the City of Kirkland; (3) a positive "Difference" in tax revenue indicates that the City would receive more property tax revenue than it would lose in Fire District payments.

Financial Implications of Annexing Finn Hill.

Finn Hill				
	Assessed Value	As % of Total	Levy Rate	Tax Revenue
City of Kirkland PAA	\$2,230,594,605	58%	\$1.01	\$2,252,901
Fire District #41	\$2,230,594,605	78%	\$1.01	\$2,252,901
Difference				\$0
Asset Transfer To/(From) City				(\$1,360,000)



The Finn Hill area has the largest assessed valuation of Kirkland's total Potential Annexation Area with \$2.2 billion in AV or 58% of the PAA. The area also comprises 78% of assessed valuation of Fire District 41. If the Finn Hill area is annexed to Kirkland, the City of Kirkland would gain approximately \$2.9 million in property taxes, of which \$2.3 million would be available for fire services. FD 41 will be left with approximately \$800,000 in annual revenues (at \$1.20 levy).

Since the Finn Hill area comprises approximately 78% of Fire District 41 AV, the City of Kirkland will own all of the district's assets, but only after it compensates the district in the amount of approximately \$1.4 million (Figure 9). The payment has to occur within one year of annexation and can be made in cash, property, or contracts for fire protection services. For the purposes of asset transfer, both stations existing today in the Finn Hill area are assumed to be assets of FD 41 although only one may exist in the future when annexation occurs.

Implications of Annexing Juanita.

Juanita				
	Assessed Value	As % of Total	Levy Rate	Tax Revenue
City of Kirkland PAA	\$485,656,518	13%	\$1.01	\$490,513
Fire District #41	\$485,656,518	17%	\$1.01	\$490,513
Difference				\$0
Asset Transfer To/(From) City				\$1,030,000

Juanita has the lowest assessed valuation, representing only \$485 million or 13% of Kirkland's total PAA. If Kirkland were to annex Juanita only, the City would gain approximately \$630,000 in property tax revenues, of which \$490,000 would be available for fire services. Fire District 41 would lose approximately 17% of its assessed valuation base and would remain operational with \$2.9 million in annual revenues from Finn Hill and Kingsgate.

Juanita comprises only 17% of Fire District 41, which, according to the RCW, would mean that if Kirkland were to annex the area, the ownership of the assets would remain with FD 41. The fire district would transfer \$1 million to the City of Kirkland (Figure 9).

Implications of Annexing Kingsgate.

Kingsgate				
	Assessed Value	As % of Total	Levy Rate	Tax Revenue
City of Kirkland PAA	\$1,145,520,225	30%	\$1.01	\$1,156,975
Fire District #41	\$159,277,768	6%	\$1.01	\$160,871
Difference				\$996,105
Asset Transfer To/(From) City				\$340,000

Kingsgate is potentially the most problematic of the three potential annexation areas, as the issue is complicated by the presence of three different fire districts in the area: Fire District 41, the Woodinville Fire & Life Safety District, and, in much smaller part, Fire District 34 (operated by the Redmond Fire Department).



If the City of Kirkland were to annex Kingsgate, the City would gain approximately \$1.5 million, of which \$1.2 million would potentially be available for fire services. However, as mentioned above, Fire Station 34 is located in Kingsgate and owned by Woodinville Fire & Life Safety District. According to RCW 52.08.025, annexation to a city automatically removes territory from a fire protection district and renders the annexing city responsible for fire protection in the annexed area. If Kingsgate is annexed to Kirkland, Woodinville Fire & Life Safety District would no longer have jurisdiction to serve the area (other than through automatic aid) and the following potential scenarios could unfold:

1) *Kirkland could contract with Woodinville Fire Life & Safety to continue to respond, and charge Kirkland on some basis.* During 2005, there were approximately 550 service calls received by Woodinville's Station 34 from within the boundaries of Kingsgate proposed annexation area. According to the City of Kirkland Fire Department, this volume of calls is roughly equivalent to annual number of calls at Fire Station 25 at Holmes Point. Under automatic aid agreements, response to calls will occur in this area as long as Woodinville chooses to keep the station in that area.

2.) *Woodinville Fire & Life Safety could leave Kingsgate.* Considering the relatively high volume of calls for the area, Kirkland would want to maintain response there by staffing and maintaining operations somewhere east of I-405, and ideally that response would come from the current Station 34. Before the disposition of the station is considered, the Kirkland Fire Department estimates that it would cost approximately \$750,000 in one-time expenses and up to \$1.2 million annually to operate Fire Station 34, maintaining the current service levels provided by Woodinville Fire & Life Safety. If Woodinville leaves Kingsgate and relocates its response elsewhere in the district, then Fire District 41 (or Kirkland, post-annexation) and Woodinville would have to resolve the disposition of the station. Either Kirkland could occupy the facility and staff the station (and Woodinville would likely charge rent to Kirkland); Kirkland could buy the facility from Woodinville; or FD 41 (or the City of Kirkland) could build a separate station in the area at an approximate cost of \$2 million (the greatest-cost-option).

An important point about the annexation of Kingsgate is that the service-related issues that need to be resolved with Woodinville Fire & Life Safety would probably need to be resolved between the two districts (FD 41 and Woodinville) even if there was no annexation. It is likely that Woodinville would relocate Station 34 in either case since the station is outdated and does not provide the optimum location for response. In addition, Woodinville has a \$1.50 fire district levy, and FD 41's levy would be lower even with a levy lid lift, so the tax burden on Kingsgate residents would decrease.

The area of Kingsgate that is part of Fire District 41 (in the south and west) represents 6% of the AV of the district. If the annexation were to take place, the ownership of the assets would stay with the district and it would have to pay approximately \$340,000 to the City of Kirkland in terms of asset transfer (Figure 9). However, there could potentially be two additional asset transfer transactions in the Kingsgate case. If Woodinville and Redmond's service areas within the Kingsgate PAA boundary each comprised more than 5% of their respective fire districts, an asset transfer from both districts to the City of Kirkland would have to occur. As evidenced in Figure 10 below, only approximately 3% of assessed valuation of Fire District 34 (operated by Redmond FD) is within Kingsgate, warranting no action with regard to asset transfer should Kingsgate be annexed to Kirkland. However,



approximately 9% of Woodinville Fire & Life Safety District’s assessed valuation is within Kingsgate, potentially necessitating an asset transfer from the District to the City of Kirkland in the event of annexation. Again, the asset transfer could take the form of cash, a property transfer or a service agreement. Due to the lack of data regarding Woodinville’s value of assets (including the value of stations, vehicles and cash in reserve), we did not estimate the amount of the asset transfer.

**Figure 10
Percent of Assessed Valuation of Various Fire Districts
within Kingsgate**

Fire District	Total AV	AV within Kingsgate	% AV within Kingsgate
Woodinville Fire & Life Safety	6,544,205,112	877,024,057	13%
Fire District 34 (Redmond)	3,515,992,834	109,218,400	3%
Fire District 41	2,875,528,891	159,277,768	6%

Source: Berk & Associates

2. Kirkland annexes two areas first and one later in time

Implications of Annexing Finn Hill and Juanita, not Kingsgate.

Finn Hill and Juanita				
	Assessed Value	As % of Total	Levy Rate	Tax Revenue
City of Kirkland PAA	\$2,716,251,123	70%	\$1.01	\$2,743,414
Fire District #41	\$2,716,251,123	94%	\$1.01	\$2,743,414
Difference				\$0
Asset Transfer To/(From) City				(\$340,000)

The Fire District 41 would be left with approximately \$150,000 in property tax revenue from its tax base. The City of Kirkland would receive \$3.5 million annually in property taxes from the newly annexed areas, of which \$2.7 million could be used for fire services.

In terms of asset transfer it would be a similar scenario to the one described above (Finn Hill and Kingsgate). The total of Finn Hill and Juanita comprise 94% of assessed valuation of Fire District 41, thus the City of Kirkland would own all of the district’s assets, but would have to pay \$340,000 in asset transfer (Figure 9).

Implications of Annexing Kingsgate and Juanita, not Finn Hill.

Kingsgate and Juanita				
	Assessed Value	As % of Total	Levy Rate	Tax Revenue
City of Kirkland PAA	\$1,631,176,743	42%	\$1.01	\$1,647,489
Fire District #41	\$644,934,286	22%	\$1.01	\$651,384
Difference				\$996,105
Asset Transfer To/(From) City				\$1,360,000

Kirkland would collect approximately \$2.1 million in property tax revenues from Kingsgate and Juanita, of which \$1.6 million would be allocated to fire services. Fire District 41 would exist with \$2.1 million annual revenues, after losing 30% of its assessed valuation.

Kingsgate and Juanita together comprise only 22% of Fire District 41, which would mean that if Kirkland were to annex the area, the ownership of the assets would remain in the fire district. The fire district would be obligated to transfer \$1.4 million to the City of Kirkland (Figure 9).

Annexing Finn Hill and Kingsgate, not Juanita.

This option is very impractical because it divides Kirkland's PAA, and therefore will not be discussed in this partial annexation analysis. Geographically, Juanita is located between the Finn Hill and Kingsgate (see map in Exhibit 1). It is very unlikely that it will not be annexed to Kirkland if the other two neighborhoods are.

3. Kirkland annexes all three areas at once

If the City of Kirkland were to annex all three areas at once, the City would be able to collect approximately \$5 million in property tax revenues from the area with some share available for fire services. The City would also have to address the issue with Fire Station 34 in Kingsgate (described in "Kingsgate only" annexation scenario above). Fire District 41 would most likely have to be dissolved, as only a very small geographical pocket of District property would remain in the northeast corner of Finn Hill (see map in Exhibit 1).

In the case of dissolution of FD 41, all of the assets and liabilities of the District would have to be transferred to the City upon annexation. The total asset transfer would be approximately \$6.0 million or the value of all district's assets. Once again, it is appropriate to mention that the payment has to occur within one year of annexation and can be made in cash, property, or contracts for fire protection services.

Potential Annexation of City of Kirkland to Fire District 41

Another option is for the City of Kirkland to annex to Fire District 41 with passage of a Council ordinance stating the intent to annex, and an affirmative vote of a simple majority of Kirkland and FD 41 residents in a special election (RCW 52.04.061). Any city or town annexed to a fire protection district is entitled to levy up to \$3.60 per \$1,000 of assessed valuation, less any regular levy made by the fire protection district or by a library district. After a city is annexed to a fire protection district, any territory annexed by the city would also be annexed and be a part of the fire protection district.

If the City of Kirkland annexes to Fire District 41, the levy rate for fire services in the City would be the same amount as is presently levied in FD 41: \$1.20 per thousand of assessed valuation which would be imposed on all taxpayers in FD 41 as it is now, but would constitute a new tax burden on the residents of the City of Kirkland, unless the City of Kirkland reduces its levy by a like amount. (In practical fact, the FD 41 levy would replace the City of Kirkland's levy).

Instituting a new fire district levy in addition to the current City property taxes (which are \$1.30 per thousand of assessed valuation) would almost double the tax burden for its citizens (see Figure 10

below). Kirkland residents are currently paying for fire services as part of the City's general property tax levy, so there would be no incentive for the voters to approve the annexation into the fire district unless the City could either offer more services for the higher tax rate, or if the City lowered its general tax burden by the amount levied by the Fire District. It is unlikely that the citizens would favor an almost double increase in taxes even if they received more services, and lowering the tax would bring Kirkland's tax levy down to \$0.10 per thousand of assessed valuation, thereby decreasing its general fund revenues for City services by the proportionate amount.

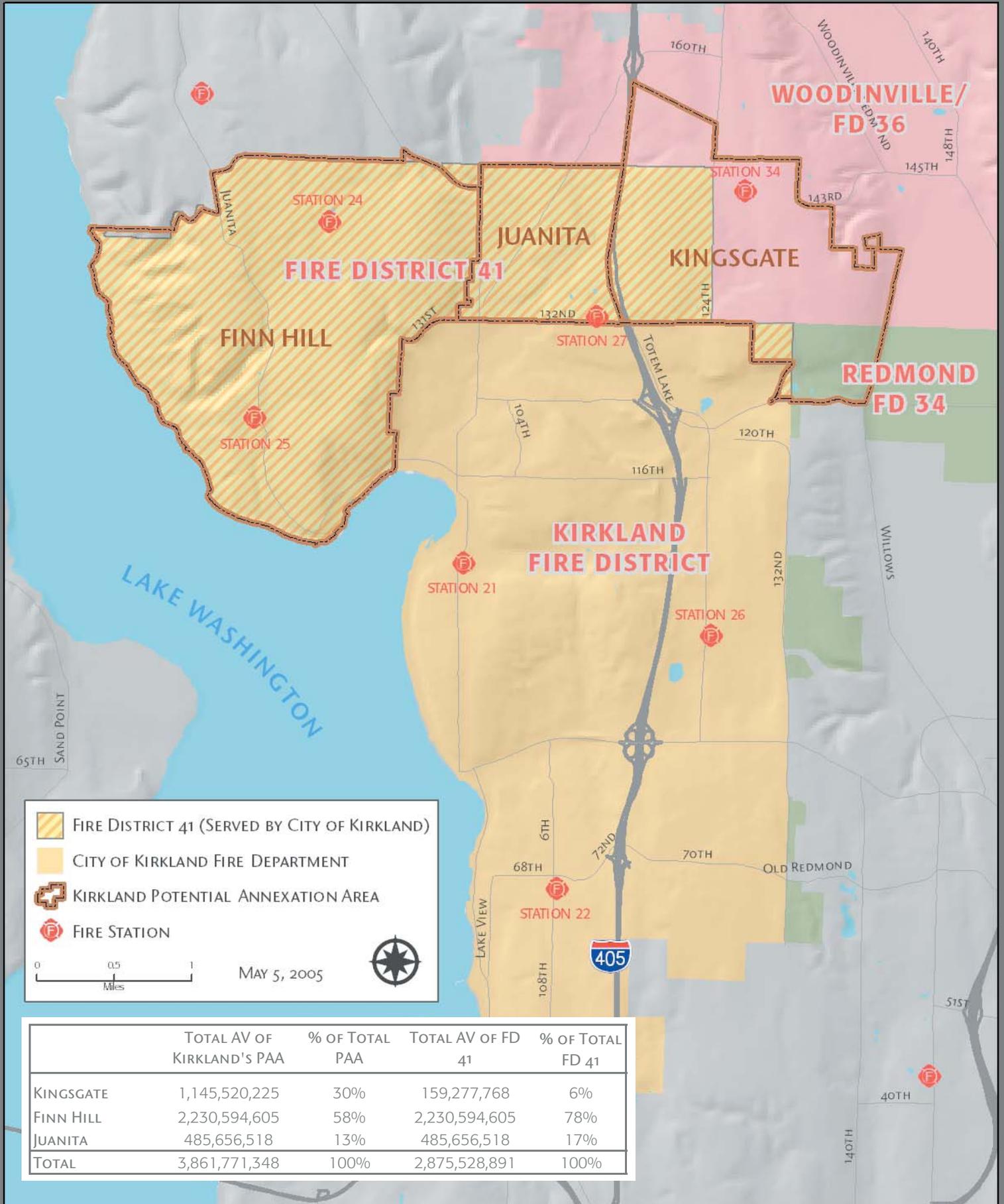
Figure 10
Potential Increase in Tax Burden for Citizens of Kirkland
if Annexed to Fire District 41

	Current	If Kirkland Annexed to FD 41
Sample House Value	\$300,000	\$300,000
City of Kirkland Levy Rate	\$1.30	\$1.30
City of Kirkland Annual Taxes Paid	\$390	\$390
Fire District Tax Levy	-	\$1.20
Fire District Annual Taxes Paid	-	360
Total Annual City and FD Taxes Paid	\$390	\$750

Source: Berk & Associates



EXHIBIT 1: KIRKLAND POTENTIAL ANNEXATION AREA



	TOTAL AV OF KIRKLAND'S PAA	% OF TOTAL PAA	TOTAL AV OF FD 41	% OF TOTAL FD 41
KINGSGATE	1,145,520,225	30%	159,277,768	6%
FINN HILL	2,230,594,605	58%	2,230,594,605	78%
JUANITA	485,656,518	13%	485,656,518	17%
TOTAL	3,861,771,348	100%	2,875,528,891	100%