



CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager

Date: September 3, 2015

Subject: FIRE DISTRICT #41 INTERLOCAL AGREEMENT CLARIFICATION AND NORTH KIRKLAND FIRE STATION UPDATE

RECOMMENDATION:

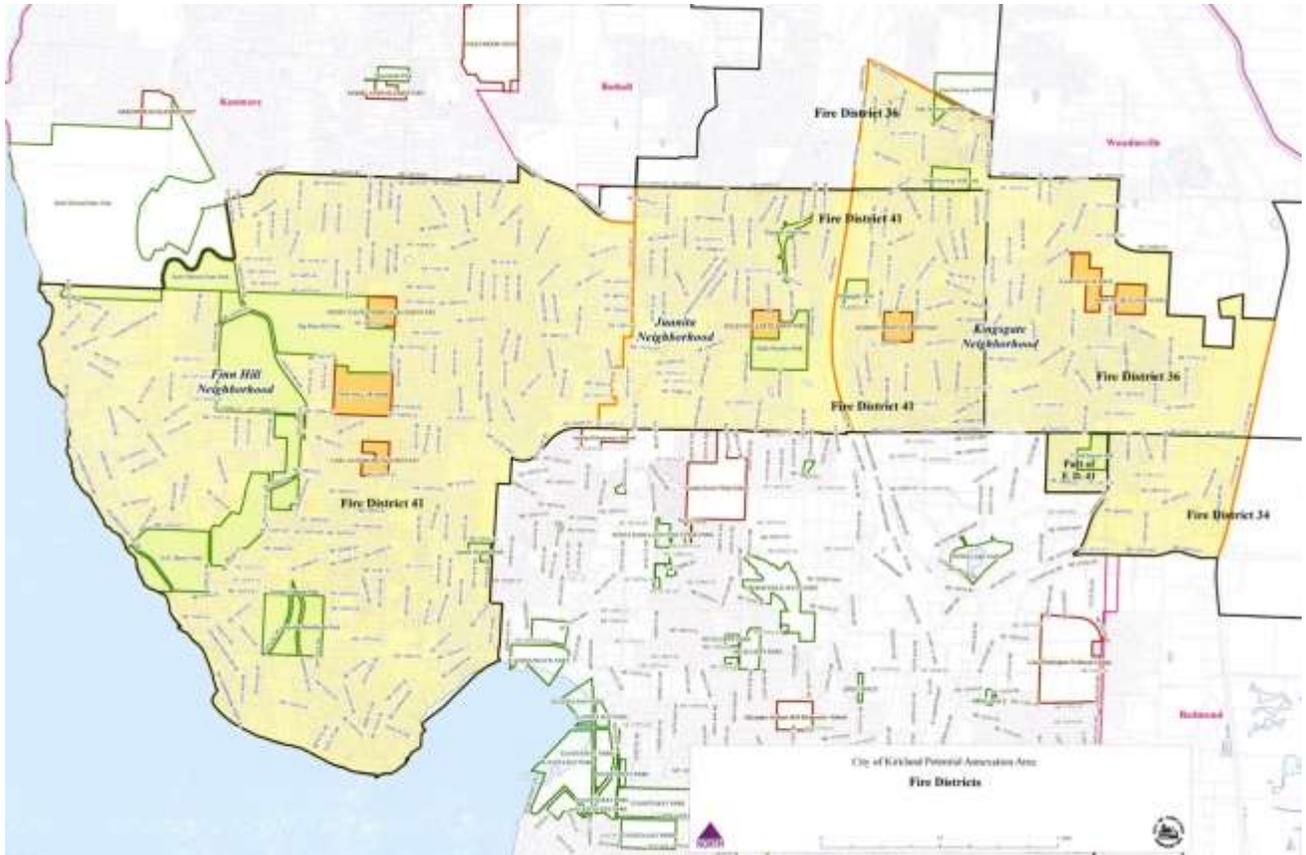
City Council receives an update on the North Kirkland Fire Station project in preparation for an October 6, 2015 public hearing regarding a resolution clarifying the intent of the 2011 interlocal agreement between Fire District #41 and the City of Kirkland in order to allow the renovation of Station 25 and the purchasing of property for a new Station 24 using Fire District #41 funds.

BACKGROUND DISCUSSION:

The North Kirkland Fire Station project has been a topic of discussion for many years beginning prior to annexation and continuing through multiple studies and reports related to the project. The purpose of this memo is to provide an overview of the historical background regarding planning for fire service enhancements for the Finn Hill neighborhood beginning prior to the 2011 annexation to the present time. This memo is a synthesis of several more detailed presentations to the Council and is not intended to repeat all of the information, data and analysis provided in those packets. Most of the background materials were drawn from previous staff and consultant reports and excerpts are shown in italics.

Effect of Annexation on Fire Districts

Prior to the 2011 annexation, the unincorporated area to the north was served by three agencies. Fire District #41 served the majority of the area through a contract with Kirkland Fire, Woodinville Fire and Life Safety served the easternmost portion (Kingsgate) and Redmond Fire District #34 served a small area on the Kirkland/Redmond border as shown on the map below.



State law dictates the terms under which a fire district is partially or completely assumed by an annexing city. In the case of Fire District #41, the entire district was within the annexation area. In this case, state law requires that all assets of the District be transferred to the City (including Stations 24 and 25 in Finn Hill and Station 27 in Juanita). On the effective date of annexation, the City became responsible for providing fire and emergency medical services to the area previously served by the District. The District only continued to exist to the extent that it needed to resolve any outstanding business matters (e.g. pay outstanding bill, prepare closing financial statements). The Kirkland City Council became the District's board of commissioners for the purpose of any official action needed to dissolve the District.

Interlocal Agreement

One of the last official actions of the District's Board was to approve an interlocal agreement (ILA) providing for the City to assume responsibility for outstanding projects and programs that were not completed prior to annexation. One of the projects was the Fire Strategic Plan for which the District had contributed significant funding. The other project was the fire station consolidation project first initiated by Fire District #41 around 2005. The station consolidation project was intended to improve response times in the Finn Hill area. A number of station sites were explored including a parcel within Big Finn Hill Park and a portion of the Lake Washington School District's Finn Hill Junior High site. Because these properties were both owned by public entities, the Fire District believed they could be used for little or no acquisition cost.

The original estimated cost of the station was determined by the Fire District at \$5.2 million. The estimate was to build a consolidated station of a similar size to Station 25 and did not include any property acquisition funds as the assumption was the station would be built on public land. Funding for the station was to come from District cash reserves (\$1.2 million) and limited general obligation debt that the District would issue prior to the effective date of annexation (\$4 million). Under the ILA, the anticipated sales proceeds from the two Stations that were to be decommissioned (Station 24 and 25) were not considered a funding source for the station project but primarily to retire the bond debt.

By completing the borrowing process prior to June 1, 2011 the District could assure that financing would be in place for the station project. It also allowed the King County Assessor to continue to levy taxes for the payment of principal and interest on the outstanding debt after the District no longer existed. Although the City became the service provider after June 1, the ability to levy taxes on behalf of the District continues until the bonds are paid off.

The ILA was approved by the City Council on May 24, 2011 (included as Attachment A) and provided for:

- Agreement for the District to issue \$4,000,000 in general obligation debt for the purpose of funding the station consolidation project in the Finn Hill area.
- Agreement that the City would use all District financial assets for the benefit of the District taxpayers to support fire and emergency medical services and payment of any outstanding liabilities of the District.
- Designation of a portion of the cash reserves to continue firefighter reserve stipends through 2011, continued funding for the Districts administrative staff through 2011 and \$70,000 for the Fire Strategic Plan. (These were all accomplished by the City)
- Agreement to use any remaining assets for the Finn Hill fire station consolidation project or a Finn Hill fire station renovation project and to retire the District's debt if the consolidation project is determined to be not necessary.
- Acknowledgement of the King County Treasurer as the ex officio Treasurer for the District following June with responsibility for dispersing tax revenue for the retirement of outstanding debt.
- Conditions under which the decommissioned fire stations would be sold and the proceeds applied to the station project. Importantly, the station sales proceeds could not be considered available for funding the construction since they could not be decommissioned until after the new station was occupied. The proceeds would then be used to prepay principal and interest on the debt, thereby reducing the service period and allowing the district's levy to be discontinued.
- The City can retain the sites but must use City funds to buy down the debt in an amount equal to the appraised value of the properties. If the proceeds are greater than the amount needed to retire the debt, the balance must be used for fire and emergency medical services or equipment for fire stations located within the District boundaries.

- Finally, the ILA provides for the possibility of the City determining that the station consolidation project is not feasible or necessary. In that case, all debt proceeds and other District assets would be used to retire the debt and, if any assets remained, for fire station upgrades or for equipment or services.

Fire Strategic Plan and Standard of Cover

Following annexation, the City hired a consulting firm (ESCI) to prepare a [Fire Strategic Plan](#). One element of the project was an evaluation of department performance including evaluation of response time standards and actual response times. ESCI concluded that *"There are small pockets of area in the City that require longer than four minutes of travel time to reach. The largest area is in the northwest section of Kirkland in the Finn Hill neighborhood, generally in the area surrounding Fire Station No. 24."* The report goes on to say:

"There are options that the KF&BD can use to improve coverage to the northwest (Finn Hill) area of the City:

- *Combine Fire Station Nos. 24 and 25 in a new location*
- *An additional (new) fire station*
- *Staff Fire Station No. 24 with career personnel*
- *Establish and maintain a shared facility with Northshore FD*

Combining Fire Station Nos. 24 and 25 at a better location could result in shorter travel time in Finn Hill and greater geographic coverage in the Finn Hill neighborhood. This would not resolve the need for a fire or EMS unit and additional personnel resources in this area of the City. There is no increase in the number of personnel available for incidents that require more than a single unit. Either adding a new fire station or staffing Fire Station No. 24 with full time personnel is considered to be cost prohibitive. Annual personnel services cost of one full-time staffed fire engine with three firefighter/EMTs is approximately \$2.5 million. Above the expenditures for personnel services are capital apparatus, administrative and support, training, and supply costs.

A shared or jointly staffed new facility in a location that would serve Northshore and Kirkland has benefits and cost avoidance for both fire departments. It would:

- *Reduce travel time to an underserved area of Kirkland and Northshore*
- *Add an apparatus to an underserved areas of the City*
- *Add an apparatus for response to incidents requiring multiple units*
- *Make the total number of personnel equal to KF&BD's full alarm assignment staffing*
- *Cost much less than constructing a fire station independently*
- *Improve service demand coverage"*

The report also noted that aging fire stations would require significant investment to address building repairs, seismic upgrades and safety improvements.

In their August 6, 2013 response, the Department noted that *"the consultant's report identified current response times were impacted by geographic area and station, however it was not detailed enough to truly understand the underlying factors impacting response times. The Department is conducting a Standard of Cover Study to obtain this information. This is an in-*

depth evaluation of response times and resource allocation including dispatch times, turnout times and drive times to emergency incidents. The study will also look at Station location, deployment of resources and the steps necessary to achieve response time standards."

The 2013-2014 Budget included one-time funding for 12-hour aid car staffing at Station 24 in Finn Hill to function at peak times. In a September 2012 memo "Fire Strategic Plan Recommendations Reflected in 2013-2014 Proposed Budget, an interim plan was funded. *"Over the coming biennium, the City will work with Northshore Fire and affected employee groups to determine the feasibility and cost of an ongoing partnership. Unless there is a significant economic recovery with resultant additional tax revenue to the City, it will be unlikely that the City can continue this staffing without some sort of voter approved funding..."* Joint staffing of Station 24 is a mandatory subject of bargaining for both the Kirkland and Northshore IAFF locals. City Administration was unable to reach an agreement with Kirkland's IAFF in 2013 to jointly staff the station but decided to continue discussions once the Standard of Cover Study was completed. The 12-hour aid car funding (still one-time) was ultimately used to fund a fourth firefighter at Station 25 to improve service in Finn Hill until a longer term solution could be found. The Council approved the continuation of the one-time funding in the 2015-2016 budget and the fourth firefighter still remains at Station 25.

At that point, there were two concurrent projects taking place – the continuation of the station consolidation siting process and the Standard of Cover study. While it was believed that one study could impact the other, the exercise of marrying the two studies would occur once they were both completed. Therefore, the station consolidation project proceeded as first scoped which was to find a location for the combined operations of Station 25 and 24 that could provide the maximum coverage to the Finn Hill area. Under this process, Stations 25 and 24 would be closed and the properties sold once the new station was completed. The Standard of Cover study was to be a detailed analysis of the City's response performance compared to targets citywide.

On June 17, 2014, the "[Standards of Coverage and Deployment Plans](#)" was presented by ESCI consultant Joe Parrott to the City Council. A summary of the major findings and recommendations were provided in a staff memo. Pertinent recommendations included:

- 1) *Improving Street Connectivity – Adding connector streets and removing several street barricades is suggested to reduce both travel distance and response times to specific neighborhoods. See SOCDP page 127.*
 - *Associated preliminary cost estimate: Costs are dependent on many variables and available remedies. The connector between Juanita Drive and NE 132nd Street on Finn Hill has been estimated at \$14,000,000. Removing the barricades prohibiting through access to neighborhoods would have minimal associated costs but significant community opposition.*
- 2) *Relocation of Two Fire Stations – Moving both Station 24 and Station 27 would significantly decrease response times to both the Finn Hill and Totem Lake neighborhoods. See SOCDP page 128.*
 - *Associated preliminary cost estimates: Station costs can vary up to \$10 million depending on costs for land acquisition, site upgrades and station design and*

construction. Currently \$5.2 million is allocated for construction of a new station to better serve North Finn Hill.

- 3) Staff Engine Companies with Four Firefighters - This effectively doubles the number of Emergency Medical Service (EMS) response units. When two firefighters respond to an EMS call the remaining two can respond to subsequent calls in their area. See SOCDP page 129.*

There are currently five engine companies and one ladder company serving Kirkland. Each apparatus is staffed 24 hours/7 days per week/365 days a year with three firefighters. Adding a fourth firefighter to each fire apparatus that is cross staffed with an aid unit for each of the three shifts and to staff firefighters to cover all leave types require a hiring ratio of 4.8 firefighter per single firefighter position. Therefore it will require thirty firefighters to staff engine companies with four firefighters.

- Associated preliminary cost estimate: The cost to hire thirty firefighters in order to increase six companies to four firefighter minimum staffing is between \$4 million and \$5 million annually, including benefits and support overhead.*

The staff memo described communication and outreach efforts in the Finn Hill Neighborhood where four alternative station configurations were presented by staff:

- 1. Status Quo - maintain existing response and upgrade Fire Station 25 only.*
- 2. Dual Station - maintain Fire Station 25 at its current location and locate a new fire station in the northwest area of the city.*
- 3. Single Station - relocate Fire Station 25 and provide a single fire station in the northwest area of the city.*
- 4. Single Station with New Emergency Access Drive- relocate fire station 25 and provide a single fire station in the northwest are of the city. Add a new emergency access drive to the Holmes Point neighborhood.*

Single Station and Dual Station Models

A detailed presentation of the response time maps for the "single station" model and the "dual station" model were presented. The "single station" model was essentially the consolidated station whereby Stations 25 and 24 would be closed and operations would be combined in a new station located more centrally on Finn Hill. The "dual station" model flowed from the Standard of Cover Study and proposed keeping Station 25 open at its present location and building a new station closer to the intersection of 100th Avenue NE and NE 132nd Street (near Juanita Elementary School). It also recommended moving Station 27 to a new location east of I-405, which would also address a response time gap in northeast Kingsgate. In addition, further work by Kirkland staff to update the station cost estimates to account for inflation and new codes and regulations identified that the "single station" proposal would cost far more than the amount provided by the Fire District. Estimated costs ranged from a low of \$8 million to a high of approximately \$12 million compared to \$5.2 million provided by District. When considering the cost of land and site improvements for a new station under the "dual station" model, the price was closer to \$10 to \$11 million.

Due to the long term operational benefits, staff recommended the “dual station” model as the best investment to lay the foundation for covering all the Finn Hill service gaps as well improve service to all of the former Fire District #41 residents by relieving pressure on Station 27 responses. The City Council supported the recommendation and directed staff to develop more refined cost estimates and identify specific properties for a new Station 24 near Juanita Elementary School. Later in 2014, acknowledging that any option would require additional funding, the City Council appropriated an additional \$3 million in one-time money for the station project. The most recent estimate to build a new Station 24 is \$12.6 million, assuming the station is built by 2018 and including \$2.5 million for property acquisition.

Fire Station Modernization

As noted earlier, the Fire Strategic Plan identified the need for significant repairs, upgrades and safety improvements at the existing fire stations. Using a portion of the \$3 million, a consultant was hired to assess each of the five stations and provide a list of recommended repairs and upgrades and associated costs. The improvements identified by the consultant range from seismic and safety improvements to apparatus, alerting systems, staff quarters, and building systems. The consultants also identified the need for expansion of certain stations to accommodate larger apparatus and improved ingress/egress. Under the “dual station” model, Station 25 needs to be remodeled and a new Station 24 and a new Station 27 would be built on new locations.

The 2015-2020 Preliminary Capital Improvement Program identifies the following estimated station modernization and replacement costs:

Station	Cost
Fire Station 21 Expansion and Remodel	3,885,400
Fire Station 22 Expansion and Remodel	5,812,600
Fire Station 25 Renovation	3,787,000
Fire Station 26 Expansion and Remodel	6,763,900
Fire Station 24 Replacement	12,633,000
Fire Station 27 Replacement	16,098,500
Total	48,980,400

Related Staffing Implications

The station consolidation project assumed that Station 25 staff would move into the new consolidated project and no new staff would be necessary. When the City Council supported the dual station model, staff needed to identify how the additional station would be staffed. The City Manager and the Fire Chief recommended that 3 of the 6 staff from Station 27 be moved to the new station since Station 27 had two engine companies, the result of staffing

added after the annexation. The "split" of Station 27 staffing was met with opposition from the firefighters and the City Manager agreed to set aside that staffing option. Adding a cross-staffed (engine/aid car) company to the new Station 24 would cost approximately \$2.2 million per year. At their February 20, 2015 retreat, the City Council acknowledged that there was a need for significant new capital and operating funding to fully fund the dual station model. The Council identified potential ballot measures in 2016 or beyond as the most likely way to secure this funding.

Use of Fire District Funds Without Financial Penalty

The City's detailed exploration of siting and constructing a consolidated fire station determined that the \$5.2 provided by the district was significantly less than the revenue needed and that the dual station model provided better service. One key element of the dual station model was the retention and renovation of Station 25. However, the interlocal agreement between Fire District #41 and the City of Kirkland was very specific about the use of District funds including the bond proceeds. The actual bond issue specified that the bond proceeds would be used for the "station consolidation project." If the City retained both Station 24 and 25, it would have to buy down the debt by the fair market value of the stations. In essence, the City would have to purchase the stations from itself at an estimated cost of \$1.2 million, resulting in less available revenue to build a new station or renovate Station 25.

When the City Council selected the dual station model to provide better overall response times to the entire north end, staff consulted the District's Bond Counsel to determine whether the bond proceeds could be redirected to a better solution for meeting the service needs for Finn Hill. Alice Ostdiek from the firm of Foster Pepper PLLC was bond Counsel for the District for the debt issue. Ms. Ostdiek was contacted by Kirkland staff to determine what, if any, steps could be taken to redirect the funds without losing the fair market value of the two stations. She suggested that the City contact and meet with all of the former District Commissioners to clarify the intent of the interlocal agreement and use of the bond proceeds and District cash. She also recommended that the City Council prepare a resolution stating the Council's intent to accomplish the purpose of the ILA and implement better response times in Finn Hill through an alternative use of the District assets and hold a public hearing prior to amending the ILA.

The Commissioners at the time the interlocal agreement was executed were Rick Krogh, Jim Lloyd, and current City Councilmember Toby Nixon. Staff contacted former Commissioners Krogh and Lloyd to invite them to participate in the public hearing and discussion. Both former Commissioners declined to participate in the public hearing, but did not voice objections to the suggested course of action.

City Manager's Alternative Improved North End Fire and Emergency Services Plan

The residents of Finn Hill have continued to inquire about when the City will take more permanent action to improve service to Finn Hill (compared to the interim fourth firefighter at Station 25). Similarly, residents of the Kingsgate neighborhood have expressed concern about adequate coverage in the northwest neighborhoods. Representatives of the Finn Hill Neighborhood Alliance felt that the community might be supportive of interim joint staffing of Station 24 if the resource was on-going. They felt that the community had seen Station 24 open and close too often and that certainty of the resource was needed.

Based on all of this information and history, City Manager developed the following recommendation for short and long term strategies that fulfill the intent of the Fire District #41 ILA, begin implementation of the recommendations contained in the Fire Strategic Plan and Standard of Cover study taking into consideration available funding.

Potential Improvements to North End Fire and Emergency Services

Goal: Invest FD #41 and City resources to fulfill response time commitments to Finn Hill while addressing the concerns of the community, the City and the IAFF.

Immediate Actions (2015)

- Do not split Station 27. Leave existing 6 Firefighters at Station 27 to serve Juanita and Kingsgate.
- Approve Fire District #41 ILA "clarification" to retain Station 25 and Station 24 without financial penalty.
- Renovate Station 25 with a portion Fire District #41 \$5.2 million. (Estimated at \$3.8M)
- Purchase property for a new Station 24 (Estimated at up to \$2.5M) near Juanita Elementary School with the remainder of the FD #41 money and a portion of the \$3 million the City has budgeted for the North End Fire Station.
- With IAFF agreement, reopen current Station 24 with a 24/7 dedicated aid car in partnership with the Northshore Fire District on an interim basis (3-5 years) until a new Station 24 is built.
- If such an agreement can be reached, convert the temporary 4th firefighter at Station 25 to an on-going resource to provide Kirkland's staffing at the current Station 24.
- Kirkland and Northshore would alternate providing two person crews at current Station 24 as determined by negotiations with both unions.
- Finalize Fire Station renovation and expansion analysis for inclusion in CIP process and as the basis for a potential ballot measure in 2016 or subsequent years.
- Invest remaining portion of \$3 million to improve fire service through the CIP and budget processes through Fire Strategic Plan implementation. (Some examples would be adding opticon gates to Finn Hill street barriers, and/or improvements to Station 27, evaluating 111th Street connection to Station 21 and so on.)
- An alternative would be to not focus on the Finn Hill barriers and instead set aside the remaining portion of the \$3 million (which could range between \$1.5M to \$2M) to help purchase land for a new Station 27 east of I-405.

Next Steps (2016 and beyond)

- Place a Fire Station Bond Measure on the Ballot that includes:
 - Land purchase and construction of a new Fire Station 27 east of I-405.
 - Construction of new Station 24 near Juanita on purchased property.
 - Renovation and/or expansion of Stations 21, 22, and 26.
- Move Kirkland staff from old Station 24 to new Station 24. Close old Station 24.
- Consider a companion operating levy to help staff the new Station 24 and other identified operating needs.

Under this plan, the \$5.2 million from Fire District #41 would be used to fund the Station 25 modernization project (\$3.8 million) and to the remainder (\$1.4 million) to help purchase property for the future new North Kirkland station. Realization of this strategy is dependent on multiple factors:

- As previously stated, joint or alternating staffing of Station 24 is a mandatory subject of bargaining for both Kirkland and Northshore IAFF locals. The Northshore Fire Commissioners, Fire Chief and Northshore union have indicated interest in pursuing this strategy, depending on the details. The City Manager has opened the issue in contract negotiations with the Kirkland IAFF. However, no specific agreement has been reached. If either or both locals decline to bargain the issue, staff would need to develop an alternative interim staffing model. The City Manager would likely recommend continuing to fund the fourth firefighter at Station #25 with one-time money until permanent funding for new staff can be secured.
- Testimony at public hearing would need to support or, at a minimum, not present significant objections to the redirected use of District Funds.
- The City Council would need to approve the resolution clarifying the intent of the District assets and amending the ILA.

Recommended Actions

The draft resolution clarifying the intent of the interlocal agreement, prepared by the former District's bond counsel Alice Ostdiek, is attached for Council review and comment. Councilmember Nixon can speak to the District's intent as a former commissioner.

Staff is also seeking Council feedback on the City Manager's alternative plan, particularly whether Council would like to reserve remaining City dollars to help purchase land for a new Station 27 rather than explore Finn Hill barricade options.

Finally, staff recommends that the City Council hold a public hearing on the proposed resolution on October 6, 2015 so that the public can be invited to comment prior to any Council action. If approved, the City would continue to pursue appropriate properties for the new stations 24 (and 27 if so directed) and proceed with property purchases.

RESOLUTION R-4881

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF KIRKLAND AND KING COUNTY FIRE PROTECTION DISTRICT #41 REGARDING THE ANNEXATION OF THE JUANITA-FINN HILL-KINGSGATE AND WILD GLEN AREAS.

WHEREAS, the City of Kirkland ("City") has annexed the Juanita-Finn Hill-Kingsgate and Wild Glen areas, which will remove all of the territory served by King County Fire Protection District #41 District ("District") from its jurisdiction by operation of law as of June 1, 2011; and

WHEREAS, thereafter the City will be responsible for providing fire protection and emergency medical services for those areas and the District will be dissolved; and

WHEREAS, the District wants to ensure all District financial assets and future property taxes levied for the purpose of retiring District debt will be used solely for the purpose of providing fire and emergency medical services and facilities within the District's boundaries as they exist immediately prior to June 1, 2011 or costs attributable to the disposition of the District and retiring debt, respectively; and

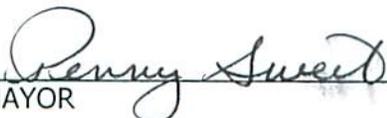
WHEREAS, the parties have determined certain other matters need to be addressed and memorialized as authorized by Chapter 39.34 of the Revised Code of Washington,

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. The City Manager is hereby authorized and directed to execute on behalf of the City of Kirkland an interlocal agreement substantially similar to that attached as Attachment "A", which is entitled "Interlocal Agreement Between the City of Kirkland and King County Fire Protection District #41 Regarding the Annexation of District Territory by the City."

Passed by majority vote of the Kirkland City Council in open meeting this 17th day of May, 2011.

Signed in authentication thereof this 17th day of May, 2011.


MAYOR

Attest:


City Clerk

INTERLOCAL AGREEMENT BETWEEN
THE CITY OF KIRKLAND
AND
KING COUNTY FIRE PROTECTION DISTRICT NO. 41
REGARDING THE ANNEXATION OF DISTRICT TERRITORY BY THE CITY

Pursuant to the Interlocal Cooperation Act, Chapter 39.34 of the Revised Code of Washington, the **City of Kirkland** ("City") and **King County Fire Protection District No. 41** ("District") do hereby enter into this Interlocal Agreement ("Agreement").

WHEREAS, the City has annexed the territory served by the District as described in the attached Exhibit "A" ("Annexation Area"), which will remove all of the territory served by the District from its jurisdiction by operation of law as of June 1, 2011; and

WHEREAS, as a result, the parties have determined certain matters need to be addressed and memorialized as authorized by Chapter 39.34 of the Revised Code of Washington;

NOW THEREFORE, in consideration of their mutual promises herein, the parties hereby agree as follows:

1. Purpose. The purpose of the Agreement is to provide for the financing and completion of certain projects and programs the District has undertaken, or with respect to which the District has engaged in substantial planning (collectively, the "Projects"), including the construction of a new fire station in the Finn Hill area of the District to replace Stations 24 and 25 which currently serve that area (the "Fire Station Consolidation Project"). This Agreement is entered into in anticipation that on June 1, 2011 ("Annexation Effective Date"), the entire territory of the District will be annexed into the City ("Annexation").

2. Projects And Programs To Be Completed. The District has undertaken or engaged in substantial planning for the following Projects which will not be completed prior to, or will continue after, the Annexation Effective Date.

a. Reserve Program Stipends. Due to budget constraints, the City eliminated stipends to volunteer firefighters in the City's reserve firefighter program from the operating budget of the joint fire and emergency medical services operated by the City and the District pursuant to their joint operating agreement. The District committed that in 2010 and 2011 it would contribute up to \$60,000 per year to continue payment of the stipends to volunteer firefighters to assure continuance of the reserve program, which staffs Station 24 within the District.

b. Fire Station Consolidation Project. Since the passage of voter-approved initiatives has reduced revenues to the City and the District, the District

has undertaken planning for a new fire station in the Annexation Area, which would provide operational savings by replacing Stations 24 and 25, while providing acceptable response times to a larger portion of the District. The new station could be staffed by crews from Station 25 alone. The District developed plans for the fire station to be located on land to the west of the Finn Hill Junior High School buildings, which would be leased from Lake Washington School District ("Junior High Site"). When permit requirements unique to King County unduly increased the cost of a fire station at the Junior High Site, the District explored the feasibility of locating the fire station site on land within King County's Big Finn Hill Park at the southwest corner of Juanita Drive and Northeast 138th Place ("Park Site"). The District has determined that the fire station is technically feasible at the Park Site and has engaged in negotiations for an interlocal agreement with King County for the transfer of the Park Site in exchange for constructing and maintaining a parking lot on the Park Site to serve the park users. The District has developed a preliminary site plan and undertaken a community communication effort. The District has also updated cost estimates for a station at the Junior High Site to consider its permitting under the City's codes and current construction costs and explored locating a third site which is occupied by existing homes.

3. Issuance of Debt to Finance the Fire Station Consolidation Project. Prior to the Annexation Effective Date, the District will enter into agreements with and issue debt instruments to a financial institution of the District's choosing (the "Lender") to provide the District with approximately \$4 million in funding for the District's Fire Station Consolidation Project ("Debt Proceeds"). The Debt Proceeds shall be deposited into a fund or account designated the "Fire Station Consolidation Project Account" within the District's expense fund and shall be invested in the King County Investment Pool, pending their transfer to the City for expenditure in accordance with this Agreement. Interest earned on Debt Proceeds shall be used only for the purposes that the Debt Proceeds may be used.

4. Continuation of Projects. After Annexation, the City agrees to:

a. Fire Station Consolidation Project. Take all steps necessary to complete the Fire Station Consolidation Project, including but not limited to, making the final site selection for a new fire station, acquiring or leasing land, designing the fire station and related improvements, obtaining necessary permits, constructing the station and all related improvements, commissioning the station and decommissioning and selling Stations 24 and 25, all in accordance with Exhibit B.

b. Reserve Program Stipends. Continue providing stipends to reserve firefighters through calendar year 2011.

5. Additional Commitments of the City and District.

a. The City will maintain the administrative employee provided in the 2011 Joint Operating Budget, which has been filled by Tracy Fitzgerald, through the end of calendar year 2011. The City will create a posting of an employment opportunity, consistent with current city policies and union agreement. Provided she emerges as the successful candidate, she will continue her employment as an employee of the City at a monthly salary equivalent to an existing City classification that pays no less than her current monthly salary until the earlier of December 31, 2011 or her employment is terminated by her resignation, acceptance of a different position within the City or termination by the City for cause.

b. The City will undertake and complete a Strategic and Master Plan for the Kirkland Fire Department.

6. Transfer and Use of District Assets and District Property.

a. Transfer of District Real and Personal Property. On the Annexation Effective Date, the District will convey all District real and personal property to the City by warranty deed and bills of sale, respectively, including but not limited to the three fire stations ("District Property").

b. Transfer of Cash, Investments, Tax Receivables and other District Financial Assets. On the Annexation Effective Date, the District will transfer its cash and investments held in the District's expense fund, and any other cash assets accrued through that date, including all Debt Proceeds, tax receivables and interest earnings (collectively, "District Financial Assets") to the City and shall take any and all actions necessary or convenient for the City to be able to take possession of this property.

c. Application of District Financial Assets. The City shall apply the District Financial Assets in the following order to the following purposes:

(1) District Financial Assets other than Tax Receivables and Debt Proceeds. The City shall apply amounts other than Tax Receivables and Debt Proceeds to the following purposes without regard to priority among these purposes:

(A) Payment of stipends for reserve firefighters up to a total of \$60,000 in 2011, less amounts paid by the District before the Annexation Effective Date;

(B) Payment toward the cost of the Strategic and Master Plan in an amount not to exceed \$70,000; and

(C) Payment of salary, benefits, and payroll taxes for Tracy Fitzgerald, so long as she remains in the administrative position within the Fire Department, provided that such payments shall not continue beyond December 31, 2011.

(D) Any other obligations of the District.

(E) Any funds remaining after payment of expenses as provided in Subsections (A) through (D) above shall be applied to payment of the District's debt and costs of the Fire Station Consolidation Project.

(2) Fire Station Consolidation Project Costs. The City shall apply all Debt Proceeds and the District Financial Assets remaining after the payments under subparagraph (1)(E), above, to the costs of the Fire Station Consolidation Project, including but not limited to, the cost of site selection, planning, land acquisition, construction drawings, permit, inspections, site clearing and preparation, and cost of construction, and as otherwise set forth in Exhibit B. Debt Proceeds remaining after all costs of the Fire Station Construction Project have been paid shall be used only for capital purposes for fire stations located within the boundaries of the District, including the purchase of fire and emergency medical aid equipment.

(3) Tax Receivables and other amounts other than Debt Proceeds. The City shall be entitled to all receivables and future receipts from *ad valorem* property taxes levied and collected by or on behalf of the District (collectively, "Tax Receivables") within the boundaries of the District as those boundaries exist immediately prior to the Annexation Effective Date (the "District Boundaries"). All Tax Receivables except for amounts collected in 2011 for operating costs shall be applied first to the timely payment of all amounts due and payable with respect to the outstanding District debt. Excess Tax Receivables shall be used to prepay outstanding District debt, including principal, interest and any prepayment penalty and other costs of such prepayment. After the outstanding District debt is fully defeased or retired, Tax Receivables and any other amounts remaining after the purposes in subsection (1) are satisfied, shall be applied to the purchase of fire and emergency medical aid equipment for fire stations located within the District Boundaries, or for fire and emergency medical services provided within the District Boundaries.

d. Use and Disposition of District Property. After completion of the new station constructed pursuant to the Fire Station Consolidation Project, (except as provided in this paragraph) the City shall sell Stations 24 and 25 and

use the net proceeds from those sales to prepay principal of and interest on the District's Fire Station Consolidation Project debt within the terms of the debt conditions and as further set forth in Exhibit B. Notwithstanding the foregoing, the City may elect to retain ownership of fire station 24 or 25, rather than selling either or both, only if the City has the fair market value of the property determined by an MAI certified appraiser and uses other funds of the City to apply to the District's debt service in an amount equal to the fair market value of the station it retains, less estimated costs of sale. In the event that the proceeds of a sale or transfer from the City as described in this paragraph exceed the amount necessary to repay the then outstanding indebtedness for the Fire Station Consolidation Project, then the City agrees to use such sale proceeds or excess funds for the purchase of fire and emergency medical aid equipment for fire stations located within the District Boundaries or for additional fire and emergency medical services provided to residents within the District Boundaries.

7. District Tax Levy. The City shall cooperate with the County Treasurer, as *ex officio* Treasurer of the District and other appropriate County officials to take all such actions as may be necessary or desirable to ensure that the regular property tax levy necessary for repayment of the District's outstanding indebtedness in accordance with RCW 35A.14.500 and 35A.14.801(5) is levied and collected within the District Boundaries until such debt is retired, all as further set forth in Exhibit B.

8. Abandonment of Fire Station Consolidation Project. If the City determines the Fire Station Consolidation Project is not feasible or necessary, the City may abandon the project. In such event, it shall use all remaining Debt Proceeds and other District Financial Assets, as necessary, to retire the District's outstanding debt as soon as is practicable. The City shall use Debt Proceeds and any other District Financial Assets remaining after retirement of the debt to upgrade one or more stations within the District Boundaries or, if such upgrades are not needed, then to purchase fire and emergency medical aid equipment for such stations or provide other capital improvements within the District Boundaries.

9. Term. The term of this Agreement shall be from the date signed by both parties, and continue until all obligations have been met.

10. Compliance with Laws. The Parties shall comply with all applicable rules and regulations pertaining to them in connection with the matters covered herein. However, to the extent allowed by law, the Parties agree the provisions of this Agreement shall supersede such provisions.

11. Assignment. The Parties shall not assign this Agreement or any interest, obligation or duty therein without the express written consent of the other Parties.

12. Notices. All notices given prior to the Annexation Effective Date may be hand delivered or mailed. If mailed, they shall be sent to the following respective addresses:

To the City:

City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033
Attn: Kurt Triplett

To the District:

Ken Davidson, District Secretary
520 Kirkland Way
Suite 400
Kirkland, WA 98034

or to such other respective addresses as the Parties hereafter from time to time designate in writing. All notices and payments mailed by regular post (including first class) shall be deemed to have been given on the third business day following the date of mailing, if properly mailed and addressed. Notices and payments sent by certified or registered mail shall be deemed to have been given on the day next following the date of mailing, if properly mailed and addressed. For all types of mail, the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing.

13. Miscellaneous.

a. All of the terms in this Agreement shall extend to and bind the legal successors and assigns of the Parties.

b. This Agreement is made and shall be construed in accordance with the laws of the State of Washington. Jurisdiction and venue for any action arising out of this Agreement shall be in King County, Washington.

c. No separate legal entity is hereby created.

d. Except as expressly provided herein, nothing in this Agreement shall be construed to permit anyone other than the Parties and their successors and assigns to rely upon the terms herein contained nor to give any such third party a cause of action on account of any nonperformance hereunder.

e. No joint oversight and administration board is created hereby.

f. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable by a final decision of any court having jurisdiction on the matter, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect, unless either party determines that such invalidity or unenforceability materially interferes with or defeats the purposes hereof, at

which time the Parties shall substitute a provision that most closely approximates that which was invalidated without being invalid itself.

g. This Agreement constitutes the final and completely integrated agreement between the Parties on its subject matter.

h. No modifications or amendments of this Agreement shall be valid or effective unless evidenced by an agreement in writing signed by all Parties.

i. Copies of this Agreement shall be filed with the King County Auditor's Office by the City.

j. Each party has had the opportunity to consult with counsel in connection with this Agreement. Each of the provisions of this Agreement represents the combined work product of all Parties. Therefore, no presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same will apply in connection with the construction or interpretation of any of the provisions of this Agreement.

k. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the dates set forth below.

CITY OF KIRKLAND

KING COUNTY FIRE PROTECTION
DISTRICT NO. 41

By: _____
Kurt Triplett, City Manager

By: _____
James Lloyd, Chair, King County Fire
Protection District No. 41 Commission

Date signed: _____

Date signed: _____

Approved as to form:

Approved as to form:

City Attorney

District Counsel

Exhibit A

Description of Annexation Area Boundaries for Juanita-Finn Hill-Kingsgate Annexation and Wild Glen Annexation Areas:

Legal Description

**BOUNDARIES OF THE JUANITA-FINN HILL-KINGSGATE ANNEXATION
AREA**

The legal description of the boundaries of the Juanita-Finn-Hill-Kingsgate Annexation Area,

That portion of Sections 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30 and 31 Township 26 North, Range 5 East W.M. and Sections 13, 23, 24, 25, 26 and 36 Township 26 North, Range 4 East W.M. in King County, Washington described as follows:

Beginning at North Quarter Corner of Section 28, Township 26 North, Range 5 East, W.M.;

Thence west along the north line of the Northwest Quarter of said Section 28 (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the corner common to Sections 28 and 29, Township 26 North, Range 5 East, W.M.;

Thence west along the north line of the Northeast Quarter of said Section 29 (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the centerline of 116th Avenue NE right of way;

Thence southerly along the centerline of 116th Avenue NE right of way to the easterly extension of the south margin of the NE 132nd Street right of way;

Thence westerly along said south margin and the south margin of the NE 131st Way right of way (said south margins being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062) to the west line of east half of Section 30, Township 26 North, Range 5 East, W.M.;

Thence south along said west line (said west line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No.

3062) to the north line of the southeast quarter of the northwest quarter of said Section 30;

Thence west along said north line (said north line being the north boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance No. 4048) to the west line of east 275 feet of said southeast quarter of the northwest quarter;

Thence south along said west line (said west line being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance No. 4048) to south line of said southeast quarter of the northwest quarter;

Thence along said south line to the east margin and/or the northerly extension of the east margin of 91st Avenue NE (said east margin being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance Number 3121);

Thence south along said east margin and/or its northerly extension (said east margin being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance Number 3121) to the south margin of NE 120th Street;

Thence east along the south margin of NE 120th Street and/or its easterly extension to the west limits of the City of Kirkland as established by King County Ordinance No. 15471;

Thence south along said west limits to the southerly margin of Juanita Drive NE right of way;

Thence along said southerly margin to the west line of Juanita Bay Condominiums (said line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062);

Thence southerly and southeasterly along the said west line and its southerly extension (said line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062) to the outer limits of the second class shorelands of Lake Washington;

Thence leaving said city limits, southwesterly and northwesterly along said outer limits to North line of King County Short Plat Number 985037 (Alteration), recorded under Recording Number 911180963, records of King County, Washington and the limits of the City of Kenmore as established by King County Ordinance No. 12815;

Thence along said limits of the City of Kenmore the following courses:

Thence easterly along the North line of said King County Short Plat and the North line of Lot 2, King County Short Plat Number 273020, recorded under Recording Number 7601230425 records of King County, Washington to the west margin of 62nd Avenue Northeast;

Thence southerly along said margin to the north line of the Southeast Quarter of Section 23, Township 26 North, Range 4 East, W.M.;

Thence easterly along said north line to the east margin of 62nd Avenue Northeast;

Thence southerly along the east margin of 62nd Avenue Northeast to the point of intersection with the north line of King County Short Plat Number 376072, recorded under Recording Number 7607290790, records of King County, Washington;

Thence easterly along the north line of said King County Short Plat and the north line of King County Short Plat Number 682031, recorded under Recording Number 8404240701 and King County Short Plat Number S89S0226, recorded under Recording Number 8908311935. all in records of King County, Washington, to the westerly margin of Holmes Point Drive Northeast;

Thence northerly and easterly along said margin to the westerly margin of Juanita Drive Northeast;

Thence northerly along the westerly margin of said Juanita Drive Northeast to the point of intersection with the westerly extension of the north margin of Northeast 143rd Street;

Thence easterly along said extended line and the north margin at Northeast 143rd Street and the north margin of Northeast 145th Street to the intersection with the Westerly margin of 92nd Avenue Northeast;

Thence northerly along said margin to the intersection with the northeasterly margin of Simonds Road Northeast, said margin also being the limits of the City of Bothell as established by City of Bothell Ordinances 225, 227 and 960;

Thence southeasterly along the southerly limits of the City of Bothell and the northeasterly margin of Simonds Road Northeast to the west margin of 100th Avenue NE;

Thence north along said west margin to the north line of Section 19, Township 26 North, Range 5 East, W.M. and the south limits of the City of Bothell as established by City of Bothell Ordinance Number 225;

Thence east along said north line and the south limits of the City of Bothell to the Northeast Corner of said Section 19;

Thence east along the north line of Section 20, Township 26 North, Range 5 East, W.M. and the south limits of the City of Bothell as established by City of Bothell Ordinance Number 1220 to the southerly prolongation of the east margin of 100th Avenue NE and the easterly limits of the City of Bothell as established by City of Bothell Ordinance Number 1220;

Thence north along said southerly prolongation and easterly limits of Bothell to the north margin of NE 145th Street;

Thence leaving said city limits, east along said north margin to the southerly prolongation of the west line of the plat of Norway View according to the plat thereof recorded in Volume 125 of Plats at Pages 77 and 78, records of King County, Washington:

Thence north along said southerly prolongation to the north margin of NE 145th Street;

Thence east along said north margin and its easterly extension to the southeasterly margin of Juanita-Woodinville Way NE;

Thence southerly along said southeasterly margin to the north margin of NE 145th Street;

Thence east along said north margin to the east line of the plat of Windsor Vista No. 1 according to the plat thereof recorded in Volume 81 of Plats, at pages 70 and 71, records of King County, Washington;

Thence southerly along the southerly prolongation of said east line to the south line of Section 17, Township 26 North, Range 5 East, W.M.;

Thence east along said south line to the easterly margin of Primary State Highway No. 1 (SR-405) as depicted on the Record of Survey recording in Book 182 of Surveys, at Pages 251 through 259, records of King County, Washington:

Thence north along said easterly margin to the south line of a tract land conveyed to King County by the State of Washington by

instrument recorded under 8603110513, records of King County, Washington;

Thence east along the south line of said tract to the east line of said tract;

Thence north along the east line of said tract to the southwesterly margin of the City of Seattle Tolt River Pipeline Right of Way:

Thence southeasterly along southwesterly margin to the west margin of NE 124th Avenue NE and west limits of the City of Woodinville as established by King County Ordinance No. 10306;

Thence along said limits of the City of Woodinville the following courses:

Thence south along said west margin to the intersection of the westerly extension of the south boundary of Kingsgate Highlands, Division No. 5, recorded in Volume 88 of Plats, Pages 1 to 5, Records of King County, Washington;

Thence east along said westerly extension and said south boundary to the southeast corner of said plat of Kingsgate Highlands Division 5;

Thence north along the east boundary thereof to the southwest corner of the plat of Kingsgate Vista, recorded in Volume 107 of Plats, pages 52 and 53, records of King County, Washington;

Thence east along the south boundary of said plat of Kingsgate Vista and its easterly projection to the West margin of 132nd Ave NE;

Thence southerly along said west margin of 132nd Avenue NE to the westerly extension of the south margin of NE 143rd street;

Thence easterly along said westerly extension and south margin thereof to the west line of the Puget Sound Power and Light Co. transmission line easement as located in the NW 1/4 of the NW 1/4 of Section 22, Township 26 North, Range 5 East W.M.;

Thence south along said west line to the south line of the NW 1/4 of Section 22, Township 26, North Range 5 East W.M.;

Thence easterly along said south line to the NW corner of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section 22;

Thence south to the SW corner of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section 22;

Thence east along the south line thereof to the North-South centerline of Section 22;

Thence north along said North-South centerline to the center of said Section 22;

Thence west along the East-West centerline thereof 310 feet, more or less, to the SW corner of Tax Lot No. 108 in the SE ¼ of the NW ¼ of said Section 22;

Thence N 7° 10' 00" W along the west line of said Tax Lot 108, 380 feet, more or less, to the NW corner thereof;

Thence N 77° 15' 00" E along the northerly line of said Tax Lot 108 to the westerly margin of the Burlington Northern Railway right-of-way (also known as Northern Pacific Belt Line);

Thence southerly along said westerly margin to the south line of the NE ¼ of said Section 22;

Thence east along the south line of the NE ¼ of said Section 22 to the easterly margin of the Burlington Northern Railway right-of-way, (also known as Northern Pacific, Snoqualmie Branch) and an angle point in the limits of the City of Woodinville;

Thence leaving said limits of the City of Woodinville and continuing along the south line of NE ¼ of said Section 22 to the easterly margin of the Burlington Northern Railway right-of-way, (also known as Northern Pacific, Snoqualmie Branch)

Thence south along said easterly margin to the south margin of NE 124th Street;

Thence westerly to the northeast corner of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 1030;

Thence west along the north line of the tracts of land annexed to the City of Redmond by City of Redmond Ordinance Numbers 1030 and 966 to the west line of the east ¾ of the Northwest ¼ of the Southwest ¼ of Section 27, Township 26 North, Range 5 East, W.M.

Thence south along said west line and the west line of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 966 to the south line of the said Northwest ¼ and the north line of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 778;

Thence west along said south line and said limits of the City of Redmond to the easterly margin of Seattle Water Department Eastside Supply Line right-of-way and the limits of the City of Kirkland as established by City of Kirkland Ordinance Number 3063:

Thence north along said easterly margin and said limits of the City of Kirkland to the south margin of NE 124th Street:

Thence westerly along said right of way and said limits of the City of Kirkland to the northerly tangent point of the southerly margin of said right-of-way with the westerly margin of the Slater Avenue NE right of way;

Thence northwesterly perpendicular to the centerline of NE 124th Street right-of-way to the southerly line of a tract of land annexed to the City of Kirkland by City of Kirkland Ordinance No. 2545:

Thence northeasterly along said southerly line to the southeast corner of said tract of land;

Thence northerly along east line of said tract of land to the northeast corner thereof;

Thence west along said north line of said tract of land to the west line of the northeast quarter of the northeast quarter of Section 28, Township 26 North, Range 5, W.M. and the limits of the City of Kirkland as established by City of Kirkland Ordinance Number 2252;

Thence north along said west line and said limits of the City of Kirkland to the north line of said Section 28:

Thence west along said north line (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the Point of Beginning.

BOUNDARIES OF THE WILD GLEN ANNEXATION AREA

Legal Description

That portion of Section 19, Township 26 North, Range 5 East W.M. in King County, Washington described as follows:

Beginning at the northwest corner of the Northeast Quarter of the Northeast Quarter of said Section 19; Thence east along the north lien of said Section 19 and the south limits of the City of Bothell as

established by City of Bothell Ordinance Number 225 to the west margin of 100th Avenue NE; Thence south along the west margin of 100th Avenue NE to the northerly margin of Simonds Road Northeast; Thence northwesterly along the northerly margin of Simonds Road Northeast to the west line of said Northeast Quarter of the Northeast Quarter of Section 19 and the limits of the City of Bothell as established by City of Bothell Ordinance Number 960; Thence north along said west line to the Point of Beginning.

Exhibit B

Procedures Relating to the Bonded Indebtedness of the District

Capitalized terms not defined in this Exhibit B have the meanings given in the Interlocal Agreement and in Resolution No. __ of the District.

1. Issuance of Bond; Terms

a. On or before May 31, 2011, the District shall issue, sell and deliver the Bond to the Lender under substantially the terms set forth in the offer letter dated May __, 2011.

2. Collection of Taxes; Repayment of Bond

a. From and after the Annexation Date, City Council, acting on behalf of the District, shall consult with the County Treasurer, as *ex officio* Treasurer of the District and shall certify to the County Assessor, the amount necessary, in accordance with RCW 35A.14.500 and 35A.14.801(5), to make timely payments of the principal of and interest on the bonded indebtedness coming due and payable in the next calendar year, including a reasonable allowance for delinquencies and nonpayments ("Annual Debt Service Requirements"). The Annual Debt Service Requirements shall take into account a reasonable expectation of delinquencies and nonpayments and shall be the regular levy amount required for that calendar year.

b. Upon receipt of certification of the Annual Debt Service Requirements, the County Assessor shall spread the levy on the rolls of the taxable property within the District as the District's boundaries existed on the date of issuance of the Bond.

c. The County Treasurer shall act as Bond Registrar and Paying Agent and shall collect all taxes levied and apply such receipts to the timely payment of the Annual Debt Service Requirements to the Lender.

d. From time to time (e.g., upon the sale of Fire Station 24 or 25), the City may transfer additional amounts to the County Treasurer, which amounts shall be applied to the prepayment of principal of, interest on, or redemption premium with respect to the Bond. Upon any prepayment of principal of the Bond, the Annual Debt Service Requirements shall be recalculated, in accordance with the terms of the Bond and the Authorizing Resolution.

3. Deposit and Use of Debt Proceeds

a. Upon issuance of the Bond, proceeds of the sale of the Bond shall be applied to pay the costs of issuance and all remaining proceeds shall be deposited with the County and transferred to the City on the Annexation Effective Date.

b. The City Finance Director shall direct the timing and amounts of all expenditure of bond proceeds to pay the costs of the Fire Station Consolidation Project and as otherwise set forth in the Interlocal Agreement.

c. Interest earned on proceeds invested pending their expenditure shall be used to pay costs of the Fire Station Consolidation Project, to pay debt service on the Bond or, if necessary, to make any required arbitrage rebate or yield reduction payments to the United States Treasury with respect to the Bond.

d. The City Finance Director shall, with the cooperation of the County Treasurer, ensure that any arbitrage rebate calculations that may be required (if any) under applicable provisions of the Internal Revenue Code and related regulations are completed in a timely fashion and that any amounts owing on account of rebate payments or yield reduction payments are paid out of bond proceeds or interest earnings thereon.

4. Prepayment of Bond. Whenever the City realizes proceeds from the sale of Fire Stations 24 or 25, the City shall apply those net proceeds, or cause the same to be applied, to prepayment of the Bond, including principal, interest, and any prepayment or redemption premium with respect thereto.

5. Reporting to City. The County Treasurer shall provide to the City Finance Director monthly financial reports and, within 60 days of the end of the calendar year, an annual financial report of District, and such other financial information as the City may request.

Resolution R-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND RELATING TO THE ACCOMPLISHMENT OF THE GOALS OF THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF KIRKLAND AND KING COUNTY FIRE PROTECTION DISTRICT #41 TO INCREASE THE LEVEL OF SERVICE TO THE FORMER FIRE DISTRICT TERRITORY.

1 WHEREAS, the City of Kirkland (the “City”) and King County Fire
2 Protection District #41 (the “District”) entered into an Interlocal Agreement
3 dated as of May 24, 2011 (the “Interlocal Agreement”), describing the intent
4 of the City and the District to ensure that certain funds being provided by
5 the District to the City would be used to enhance levels of fire service and
6 emergency medical response to the former District territory; and
7

8 WHEREAS, the District provided \$5.2 million to the City, consisting
9 of approximately \$1.2 million of cash reserves and \$4 million of bond
10 proceeds, with which to enhance levels of fire service and emergency
11 medical response to the former District territory, and in particular to the Finn
12 Hill neighborhood, by undertaking the Fire Station Consolidation Project;
13 and
14

15 WHEREAS, at the time the Interlocal Agreement was entered into,
16 the Fire Station Consolidation Project contemplated the use of the District’s
17 contribution to construct a new fire station potentially located on public land,
18 the consolidation of service previously provided by Fire Stations 24 and 25,
19 the resale of the properties vacated after the consolidation of those
20 stations, and the contribution of sale proceeds to pay down debt service
21 principal; and
22

23 WHEREAS, the Interlocal Agreement describes two possible
24 publicly-owned sites that were under consideration at the time for the
25 construction of the new station to replace Fire Stations 24 and 25, and
26 assigns responsibility for the final site selection to the City after further
27 investigation; and
28

29 WHEREAS, on June 1, 2011 (the “Annexation Effective Date”), the
30 entire territory of the District was annexed into the City and the City became
31 the successor to the District, assuming all assets, liabilities and
32 responsibilities of the District in accordance with state law and the Interlocal
33 Agreement; and
34

35 WHEREAS, since 2011, the City continued the siting process for a
36 consolidated Finn Hill fire station and, through that process, determined
37 that none of the previously-identified publicly owned sites were ideally
38 suited and/or available for the purposes of constructing a consolidated fire
39 station; and
40

41 WHEREAS, the Interlocal Agreement also provided that the District
42 would provide funding for a Strategic and Master Plan for the Kirkland Fire

43 Department, which the City completed in September 2012, the results of
44 which included a recommendation that the City undertake development of
45 a Standard of Coverage and Deployment Plan; and
46

47 WHEREAS, the City temporarily suspended the siting process
48 while the City completed a Standard of Coverage and Deployment Plan
49 and adopt new standards for levels of service throughout the City, including
50 the former District territory; and
51

52 WHEREAS, the efforts to adopt a new Standard of Coverage and
53 Deployment Plan identified a new “dual station” option, involving renovating
54 Station 25 and constructing and staffing a new Station 24, operating the
55 two together as a “dual station” model; and
56

57 WHEREAS, the City subsequently restarted the station siting
58 process, including evaluation of both the consolidated “single station” and
59 “dual station” options; and
60

61 WHEREAS, in connection with this evaluation, it has become
62 apparent that the cost of either a consolidated single station option or a
63 dual station option, located on any of the sites that had been previously
64 identified, is likely to be between \$7.5 million and \$11.9 million, which is
65 significantly more than the \$5.2 million provided by the District; and
66

67 WHEREAS, in light of the new Coverage and Deployment Plan, the
68 City has determined that the dual station option is the most effective way
69 to provide improved response times to the residents formerly served by
70 Fire District #41, that the dual station option is the most cost-effective
71 alternative to increase the levels of service to the Finn Hill neighborhood;
72 and
73

74 WHEREAS, because the dual station option was not contemplated
75 at the time that the Interlocal Agreement was entered into, the City
76 determined that it would be appropriate to seek the input of the former
77 District Commissioners and of the residents of the Finn Hill neighborhood,
78 who are most affected by the selection of a new option that was not
79 previously contemplated; and
80

81 WHEREAS, to this end, the City Council held a public hearing on
82 October 6, 2015, in order to ensure that the current residents of the former
83 District have an opportunity to provide input into the use of the District funds
84 that were provided to the City to increase the levels of service to their
85 neighborhood; and
86

87 WHEREAS, the City also conducted outreach to the former District
88 Commissioners and publicly posted information about the public hearing
89 on its website, listservs and other means of public communication; and
90

91 WHEREAS, the Deputy City Manager has contacted each of the
92 former Commissioners (Rich Krogh, Jim Lloyd and Toby Nixon) to seek

93 their input on behalf of the current residents of the former District and
94 invited each to attend a public hearing on the topic; and
95

96 WHEREAS, the Deputy City Manager received written responses
97 from two former Commissioners (Rich Krogh and Jim Lloyd), declining to
98 participate and voicing no objection to the proposal, and the third former
99 Commissioner (Toby Nixon) is now a member of the City Council and will
100 participate in the public hearing in that capacity; and
101

102 NOW, THEREFORE, be it resolved by the City Council of the City
103 of Kirkland as follows:
104

105 Section 1. In light of the facts and circumstances recited in this
106 resolution and after due consideration upon public hearing and an
107 opportunity for comment, the City Council finds that:
108

109 1. The goals of the Interlocal Agreement cannot reasonably
110 and cost-effectively be accomplished by undertaking the Fire
111 Station Consolidation Project as described in the Interlocal
112 Agreement.
113

114 2. To continue to attempt to consolidate the two stations in
115 a new location would frustrate the purpose of increasing service
116 levels in the near-term and within the budget provided by the
117 District, and such attempt would not be in the public interest.
118

119 3. The most cost-effective option that will increase service
120 and response times the most quickly and effectively is the dual
121 station option, including the use of the District's funds (1) to
122 renovate existing Station 25, and (2) to acquire land to construct a
123 new station at some time in the future that will replace Station 24.
124

125 4. The use of the District's funds for these purposes is the
126 most reasonable and cost-effective way to accomplish the goals of
127 the Interlocal Agreement.
128

129 5. Because ownership of the two properties is being
130 retained by the City solely to accomplish the goals of the Interlocal
131 Agreement, the provisions of the Interlocal Agreement (specifically
132 Section 6(d), which purports to require the sale of both properties
133 or to permit the City to retain only upon payment of the fair market
134 value of the property) are not applicable. Those provisions are
135 interpreted to apply only if the City retains either or both property for
136 a City use other than increasing levels of fire service and
137 emergency medical response within the former District.
138

139 6. Consistent with the Interlocal Agreement, upon
140 completion of construction of a new station to replace Station 24
141 and sale of the existing Station 24 property, the City will contribute
142 the proceeds of any such sale toward the costs of constructing that

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new station or to other allowable costs under the Interlocal Agreement.

7. Upon the completion of renovations to Fire Station 25 and the purchase of property intended for the construction of a new fire station in the former District territory, the Fire Station Consolidation Project will be deemed to have been completed and the goals of and obligations under the Interlocal Agreement with respect to that project shall be deemed satisfied.

Section 2. In light of the foregoing, the City is authorized to proceed to spend the amounts provided by the District to the City for the Fire Station Consolidation Project by pursuing the most cost-effective alternative for increasing service within the Finn Hill neighborhood, including retaining notwithstanding the provisions in the Interlocal Agreement requiring the sale of the existing fire station sites.

Passed by majority vote of the Kirkland City Council in open meeting this __ day of ____, 2015.

Signed in authentication thereof this __ day of _____, 2015.

MAYOR

Attest:

City Clerk