

# TOWN OF NIWOT — PRO FORMA BUDGET & FINANCIAL ASSUMPTIONS

*Prepared by the Niwot Incorporation Committee*

**Version 1.0 — February 18, 2026**

All figures shown in nominal dollars (\$000s)

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This pro forma does not represent a legally binding budget. The actual budget of the Town of Niwot, if incorporated, will be adopted annually by the elected Town Council.

This pro forma reflects a structured feasibility model built using Boulder County data, Colorado Municipal League (CML) benchmarking, comparable municipality analysis, and preliminary service cost estimates. Where exact bids or intergovernmental agreements are not yet available, reasonable planning-level assumptions have been applied and stress-tested through sensitivity analysis.

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## EXECUTIVE SUMMARY

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This document is a planning-level feasibility model designed to answer one question: can Niwot's proposed tax structure support core municipal services and a long-term roads program while remaining fiscally resilient under adverse conditions?

### PROPOSED RECURRING REVENUE STRUCTURE MODELED:

- 4.0 mills municipal property tax
- 2.5% municipal sales tax
- 2.5% municipal use tax
- 3% municipal retail marijuana tax (modeled as one outlet)
- State-shared and formula revenues (HUTF, Specific Ownership Tax, Road & Bridge, and Conservation Trust Fund)

### OPERATING MODEL (LEAN, CONTRACT-FIRST):

- 2028 is modeled as the first full year of operations
- Core services are provided primarily through contracts and intergovernmental agreements, including:
  - Public safety via Boulder County Sheriff (modeled at 2.0 FTE)
  - Road routine maintenance and seasonal snow removal
  - Contracted planning/building services (modeled as approximately fee-supported)
  - Minimal administrative staffing and required governance functions

#### **ROADS CAPITAL PROGRAM MODELED:**

- A \$15 million road capital program financed over ~20 years
- Debt service modeled beginning 2030 at approximately \$1.195 million per year

#### **BASELINE RESULTS:**

- Under the baseline assumptions, annual surpluses are generated after operating expenses and modeled road debt service.
- Cumulative operating surplus (fiscal capacity) reaches approximately \$15.6 million by year-end 2040.

#### **STRESS-TESTING AND RESILIENCE:**

- The model was stress-tested using 100,000 Monte Carlo simulations that include multi-year downturns (revenue declines plus cost pressure), compounding trend error, and year-to-year volatility.
- Results at year-end 2040:
  - Median reserves: ~\$15.6M
  - 5th percentile (downside planning case): ~\$5.1M
  - Probability of negative cumulative reserves: less than 1% (approximately 0.6%)

#### **BREAK-EVEN MARGIN:**

In the tightest year (2030, first full year with road debt service), sales tax would need to decline **29%** before the annual surplus reaches zero. No other individual revenue line can cause a deficit even if eliminated entirely.

#### **BUDGET FLEXIBILITY:**

Discretionary programs (e.g., beautification and downtown improvements) provide flexibility and would be among the first items reduced or deferred in a downside scenario, before core services.

#### **IMPORTANT LIMITATION:**

This pro forma is not a binding budget. Actual revenues and expenditures will depend on economic conditions, reassessment outcomes, negotiated contracts, grant awards, and policy decisions made by a future elected Town Council if incorporation is approved. Voters authorize revenue measures at stated rates (or “up to” limits where applicable); specific staffing levels, service contracts, and program choices would be determined by a future elected Town Council.

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## **HOW TO READ THIS PRO FORMA**

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This pro forma is a feasibility model, not a finalized municipal budget.

It is designed to answer a single question:

*Under reasonable and stress-tested assumptions, can the proposed tax structure support core municipal operations and a long-term road capital program?*

For purposes of this model, “structural durability” means the ability to fund core operations and the modeled road debt service (loan repayment) while maintaining adequate reserves under adverse conditions.

It is not intended to:

- Lock in specific staffing or discretionary programs
- Predetermine the policy choices of a future elected Town Council

Where uncertainty exists, conservative planning assumptions and contingency have been applied. The model has also been subjected to adverse economic simulations to test structural durability.

The tables below summarize the pro forma budget; detailed assumptions and methodology are provided in Appendix A.

## PRO FORMA BUDGET PROJECTIONS (2027–2040)

### REVENUE

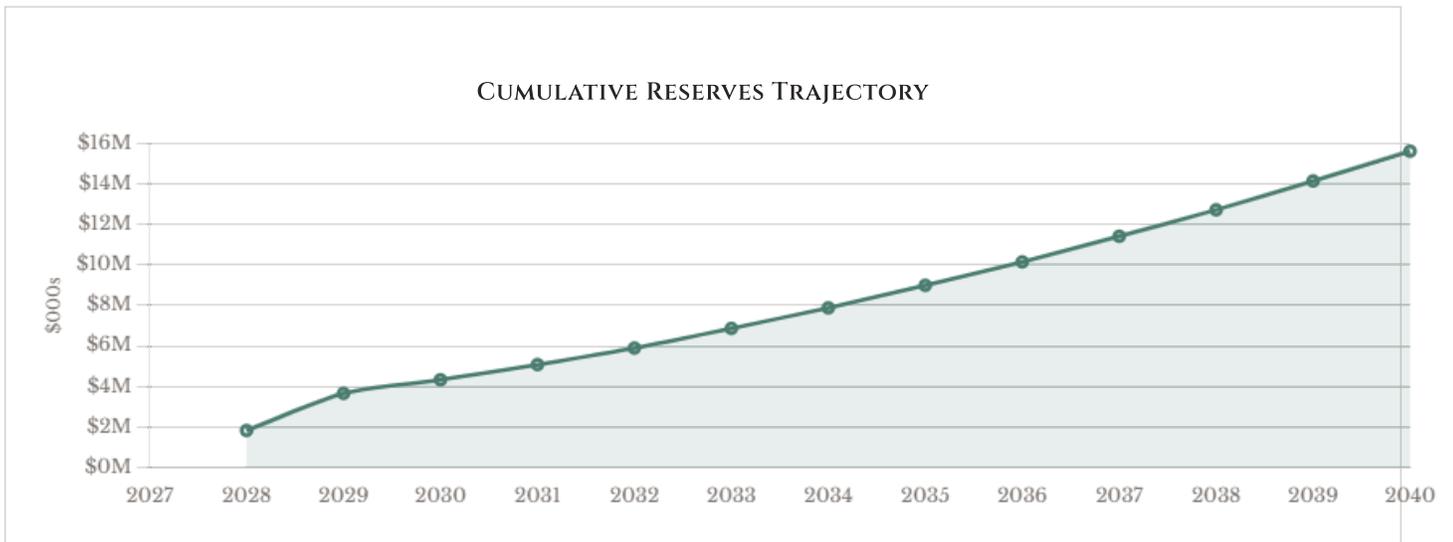
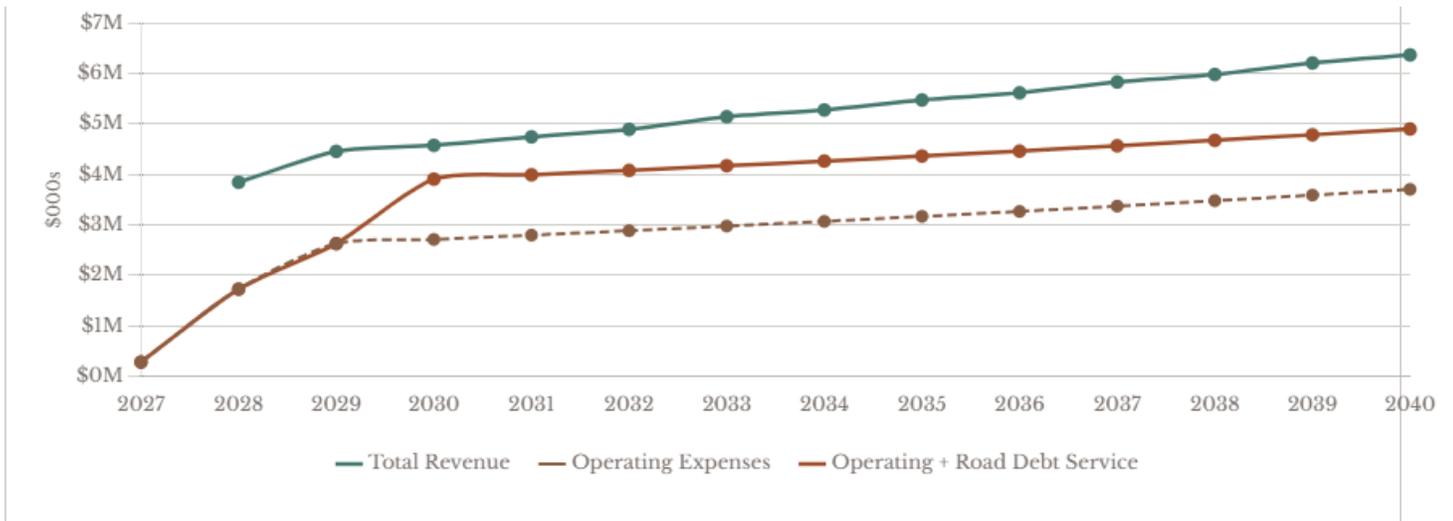
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Property Tax — 4 mills	—	\$819	\$871	\$882	\$939	\$973	\$1,106	\$1,119	\$1,192	\$1,206
Sales Tax — 2.5%	—	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610	\$2,688	\$2,768
Use Tax — 2.5%	—	\$481	\$495	\$510	\$525	\$541	\$557	\$574	\$591	\$609
Retail Marijuana Tax — 3%	—	\$50	\$52	\$53	\$55	\$56	\$58	\$60	\$61	\$63
Highway Users Tax Fund	—	\$109	\$113	\$116	\$119	\$123	\$127	\$130	\$134	\$138
Road and Bridge Fund	—	\$32	\$33	\$34	\$35	\$36	\$37	\$39	\$40	\$41
Specific Ownership Tax	—	\$35	\$36	\$37	\$38	\$39	\$41	\$42	\$43	\$44
Grants, Conservation Trust Fund	—	\$0	\$350	\$361	\$371	\$382	\$394	\$406	\$418	\$430
Utility and Franchise fees, other fees	—	\$75	\$77	\$80	\$82	\$84	\$87	\$90	\$92	\$94
Planning Department	—	\$58	\$180	\$185	\$191	\$197	\$203	\$209	\$215	\$221
<b>TOTAL REVENUE</b>	<b>—</b>	<b>\$3,845</b>	<b>\$4,458</b>	<b>\$4,576</b>	<b>\$4,744</b>	<b>\$4,893</b>	<b>\$5,143</b>	<b>\$5,277</b>	<b>\$5,475</b>	<b>\$5,611</b>

### EXPENSES

	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>PAY AND BENEFITS</b>									
Town Manager	\$33	\$99	\$102	\$105	\$108	\$111	\$115	\$118	\$122
Town Clerk	\$26	\$78	\$81	\$83	\$86	\$88	\$91	\$93	\$96

	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Deputy Clerk / Admin	\$20	\$60	\$62	\$64	\$66	\$68	\$70	\$72	\$74	
Benefits, Workers' Comp	\$30	\$90	\$93	\$96	\$98	\$101	\$104	\$108	\$111	
Mayor	\$4	\$12	\$12	\$13	\$13	\$14	\$14	\$14	\$15	
Town Council	\$12	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	
Contracting Attorney / Prosecutor	—	\$15	\$46	\$48	\$49	\$51	\$52	\$54	\$55	
Municipal Court / Contract Judge	—	\$8	\$23	\$23	\$24	\$25	\$25	\$26	\$27	
<b>SERVICE CONTRACTS</b>										
Public Safety — Boulder County Sheriff	—	\$150	\$450	\$468	\$487	\$506	\$526	\$547	\$569	
Public Works — Road routine maintenance—	—	\$140	\$419	\$431	\$444	\$457	\$471	\$485	\$500	
Public Works — Snow removal, etc.	—	\$49	\$146	\$151	\$155	\$160	\$165	\$170	\$175	
Public Works — Parks and trails	—	\$30	\$93	\$95	\$98	\$101	\$104	\$107	\$111	
Planning and Development	—	\$58	\$180	\$185	\$191	\$197	\$203	\$209	\$215	
<b>ADMINISTRATIVE EXPENSES</b>										
Office Space, Meeting rentals	\$12	\$36	\$37	\$38	\$39	\$41	\$42	\$43	\$44	
Insurance (P&C, W/C and liability)	\$20	\$60	\$62	\$64	\$66	\$68	\$70	\$72	\$74	
IT	\$40	\$30	\$31	\$32	\$33	\$34	\$35	\$36	\$37	
Finance Contracting / Auditing	\$15	\$40	\$41	\$42	\$44	\$45	\$46	\$48	\$49	
<b>OTHER EXPENSES</b>										
Materials Costs	\$20	\$100	\$103	\$106	\$109	\$113	\$116	\$119	\$123	
Election Costs	—	\$13	\$13	\$13	\$14	\$14	\$14	\$15	\$15	
Events and Beautification	\$45	\$180	\$185	\$191	\$197	\$203	\$209	\$215	\$221	
Downtown improvements	—	\$70	\$72	\$74	\$76	\$79	\$81	\$84	\$86	
Incorporation Costs	—	\$150	—	—	—	—	—	—	—	
<b>CONTINGENCY AND TOTALS</b>										
Contingency	\$7	\$225	\$343	\$354	\$365	\$376	\$388	\$400	\$413	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$284</b>	<b>\$1,728</b>	<b>\$2,629</b>	<b>\$2,712</b>	<b>\$2,798</b>	<b>\$2,885</b>	<b>\$2,977</b>	<b>\$3,070</b>	<b>\$3,169</b>	<b>\$3,262</b>
Roads Capital Project Loan Repayment	—	—	—	\$1,195	\$1,195	\$1,195	\$1,195	\$1,195	\$1,195	\$1,195
<b>CONTRIBUTION TO RESERVES FUNDS</b>	<b>\$284</b>	<b>\$2,117</b>	<b>\$1,829</b>	<b>\$669</b>	<b>\$751</b>	<b>\$813</b>	<b>\$971</b>	<b>\$1,012</b>	<b>\$1,111</b>	<b>\$1,216</b>
<b>CUMULATIVE RESERVES</b>	<b>—</b>	<b>\$1,832</b>	<b>\$3,661</b>	<b>\$4,330</b>	<b>\$5,081</b>	<b>\$5,894</b>	<b>\$6,865</b>	<b>\$7,877</b>	<b>\$8,988</b>	<b>\$10,204</b>

REVENUE VS. TOTAL COSTS (OPERATING + ROAD DEBT SERVICE)



NOTES TO THE PRO FORMA TABLES

**T1. Dollar format and rounding.** All figures are shown in nominal dollars and rounded to the nearest \$1,000 (“\$000s”). Minor differences may occur due to rounding.

**T2. 2027 is a transition / pre-incorporation year.** The year 2027 is modeled as a transition year and may include certain organizational and planning costs prior to incorporation. Revenue authority is assumed to begin in 2028. In 2027, recurring municipal revenues are shown as “—” because the Town is not assumed to be operating as a municipality. Where a revenue line item is assumed to be \$0 in an operating year (e.g., grants in 2028), the table shows \$0.

**Transition-year funding.** 2027 transition-year costs are assumed to be covered using existing community resources and non-municipal startup support. Niwot’s Local Improvement District (LID) has maintained approximately \$400,000 in reserves in recent years that may be available to support eligible transition expenses, subject to legal authority and LID governance. LID reserves are not assumed for ongoing operations and are referenced only as a potential one-time transition support source. No municipal tax

revenue is assumed for 2027; any transition-year costs are assumed to be covered through a combination of potentially eligible LID reserves (to the extent legally available) and/or private/donated support.

**Cash-flow timing:** Because municipal revenues may be received with a timing lag after formation, startup operations may require short-term working capital (e.g., an intergovernmental advance/loan or similar bridge funding mechanism), repaid once revenues are received. CDOR limits new municipal sales/use tax effective dates to January 1 or July 1, with the enacting ordinance/resolution due at least 45 days before the effective date; the pro forma assumes calendar-year operations for modeling simplicity.

**T3. 2028 is first full year of operations.** The year 2028 is modeled as the first full year of municipal operations and reflects the first year of full recurring revenues and contracted services.

**Timing clarification:** 2028 reflects a ramp-up year in which certain services may be provided for part of the year through transition arrangements; 2029 is treated as the first full year of contracted municipal service responsibility for planning-level modeling.

During the transition period, certain services may continue to be provided by Boulder County under existing arrangements while the Town establishes contracts and administrative systems.

**T4. Revenue totals.** “Total Revenue” equals the sum of all listed recurring revenues and excludes bond proceeds and other one-time financing sources.

**T5. Operating expenses definition.** “Total Operating Expenses” includes payroll, contracted services, administrative costs, and contingency, and excludes road debt service (shown separately below).

**T6. Contingency definition.** Contingency is modeled at 15% of non-contingency operating expenses and is included within Total Operating Expenses to account for uncertainty in startup conditions, price variability, and unanticipated costs.

**Scope note on startup municipal functions.** This pro forma reflects a lean, contract-first operating model. Certain functions commonly found in municipal budgets (e.g., payroll processing, HR support, records management, code enforcement coordination, fleet/equipment costs, and miscellaneous intergovernmental charges) are assumed to be covered through a combination of contracted services, materials/operating line items, and the 15% contingency unless otherwise shown as a dedicated line item.

**T7. Road debt service modeled beginning in 2030.** Road debt service (loan repayment) is modeled beginning in 2030 and held constant at the modeled annual repayment amount. The timing of debt issuance will be determined by the future elected Town Council and voter authorization; the pro forma models repayment beginning in 2030 as a planning assumption.

**T8. Contribution to reserves calculation.** “Contribution to Reserves Fund” is calculated as Total Revenue (treating cells shown as “—” as \$0 for calculation purposes) minus Total Operating Expenses minus road debt service (loan repayment), if applicable.

**T9. Cumulative reserves definition (capacity measure).** “Cumulative Reserves” represents the cumulative operating surplus generated under modeled assumptions, assuming surpluses are retained and no withdrawals occur. In practice, future Town Councils would likely allocate portions of annual surplus to capital reserves, equipment replacement, emergency stabilization, or discretionary projects. The table therefore reflects fiscal capacity under the modeled tax structure, not a commitment to maintain a static

cash balance. Note: CTF and most grant revenues are restricted to eligible purposes (parks/recreation and specific capital activities, respectively). “Contribution to Reserves” should be interpreted as aggregate fiscal capacity across all funds, not solely unrestricted General Fund cash. Restricted revenues are not assumed to fund general operating or public safety expenses.

**T10. Grants + Conservation Trust Fund are combined in the table.** The “Grants, Conservation Trust Fund” line reflects the combined total of grant revenue and Conservation Trust Fund revenue. In 2029, this line includes approximately \$270k of modeled grants plus ~\$80k from Conservation Trust Fund. CTF is restricted to eligible recreation purposes and is not assumed for general operating costs. Parks & Trails is modeled slightly above expected CTF receipts (planning delta of roughly \$18k/yr); final cost depends on how responsibility is allocated between the Town and Boulder County. Grant revenue is not guaranteed and is not relied upon to fund core operating or public safety services.

**T11. Planning Department is intended to be net-neutral.** Planning Department revenue reflects permit and development-related fees. Planning and Development expense reflects contracted building/planning services. These are modeled to be approximately revenue-neutral over time (fees offset service costs).

**T12. Sheriff line item is a contracted service.** Public Safety costs are modeled as a contracted service with Boulder County Sheriff’s Office. Final costs will be determined through an intergovernmental agreement.

**T13. Road maintenance vs. snow removal.** Public Works costs are shown as separate line items for routine road maintenance and seasonal snow removal/street services to reflect different cost drivers and variability.

**T14. Events/Beautification and Downtown improvements are discretionary.** “Events and Beautification” and “Downtown improvements” represent discretionary quality-of-life and place-making programs that may be adjusted by future elected officials based on budget priorities. In a downside revenue scenario, discretionary programs would be the first area subject to reduction or deferral before core services. Downtown improvements could be higher if the Town qualifies to establish an Urban Renewal Authority (URA) and utilize Tax Increment Financing (TIF) under the Colorado Urban Renewal Law (CRS 31-25-101 et seq.). Establishing a URA with TIF requires a statutory blight finding, an impact report to overlapping taxing entities, negotiation of TIF-sharing agreements with affected special districts, and governing body approval. TIF allocation is limited to a maximum of 25 years from plan approval (subject to limited statutory exceptions, e.g., bond default conditions under CRS 31-25-107(9)). Whether to pursue a URA designation would be a future policy decision of the elected Town Council. See Appendix B for detailed statutory requirements.

**T15. Incorporation costs are one-time.** Incorporation Costs are modeled as a one-time legal and administrative expense and are not recurring.

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## APPENDIX A — GLOBAL ASSUMPTIONS

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### A1. POPULATION ASSUMPTION

The incorporation area population is assumed to be 4,305 residents.

## A2. ASSESSED VALUE BASE

Property values are based on Boulder County Assessor data for tax year 2025 (June 30, 2024 assessments), including both residential and commercial property within the proposed incorporation boundary.

## A3. ESCALATION ASSUMPTIONS

- Residential property market value growth is assumed at a 20-year historical compound annual growth rate (CAGR) of 4.4% for the Front Range.
- Commercial property market value growth is assumed at a 20-year historical CAGR of 2.4%.
- All other recurring revenues and expenses are escalated at 3% annually unless otherwise noted.
- Exception: Public safety contract costs are modeled with 4% annual escalation based on preliminary guidance; other recurring revenues and expenses are escalated at 3% unless otherwise noted.
- An additional up to 5% growth adjustment is applied to property market values in the first two years following incorporation as a planning assumption; actual impacts may be lower or zero depending on market conditions and reassessment outcomes. Sensitivity note: The pro forma remains structurally solvent (able to fund core operations and modeled road debt service without recurring deficits) if this post-incorporation adjustment is 0%, as it is not relied upon to fund core services.

## A4. CONTINGENCY

Operating expenses include a 15% contingency to account for uncertainty in startup conditions and potential unanticipated costs.

## A5. PARTIAL-YEAR OPERATIONS

2028 reflects a ramp-up year in which revenue authority begins and certain services may be provided under transition arrangements. 2029 is treated as the first full year of contracted municipal service responsibility. Some 2028 figures may reflect partial-year startup conditions where applicable.

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## REVENUE FOOTNOTES

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### RI. PROPERTY TAX – 4 MILLS

Property tax revenue assumes a 4.0 mill municipal levy applied to assessed valuation. The model separately calculates residential and commercial valuation growth using their respective assessment rates and historical growth assumptions before applying the municipal mill levy.

#### **Residential Property**

- Residential assessment rate modeled at ~6.7% as a planning assumption. Under current law (HB 24B-1001 and subsequent legislation), the residential local government assessment rate is scenario-based: the statute provides alternate rates depending on whether statewide actual value growth exceeds 5% (e.g., 6.15% vs. 6.25% for tax year 2025; 6.7% vs. 6.8% for tax year 2026). Both scenarios apply the rate after a market value reduction equal to 10% of actual value or \$70,000 (inflation-adjusted), whichever is less,

as provided in current law. The 6.7% planning assumption reflects a rounded midpoint of the current statutory range for the projection period.

- Market value growth assumed at 4.4% annually.
- Boulder County reassessment occurs every two years; model reflects this cycle.

### **Commercial Property**

- Commercial and agricultural property assessment rate is 25% for tax year 2026 under HB 24B-1001 (down from 27% in prior years). Most other nonresidential property classes are assessed at 26% in 2026, declining to 25% from 2027 onward. The pro forma models commercial property at 25% for simplicity across the projection period.
- Market value growth assumed at 2.4% annually.

All property tax revenue is shown in the year received, based on prior-year market values.

**Statutory change risk.** Colorado's residential assessment rate has been modified multiple times in recent years (Gallagher Amendment repeal in 2020, SB 22-238, SB 24-233, HB 24B-1001). Future legislative changes to assessment rates, exemption levels, or the value reduction formula can alter assessed value — and therefore property tax revenue — independently of underlying market value trends. The pro forma does not model future statutory changes; if assessment rates are reduced below the modeled assumption, property tax revenue would decline accordingly. Property tax represents less than 25% of modeled total revenue, limiting the structural impact of any single reassessment-rate change.

### **R2. SALES TAX – 2.5%**

Sales tax revenue assumes a 2.5% municipal rate.

2025 local retail sales are estimated at approximately \$25 million annually based on Local Improvement District (LID) receipts at a 1% rate.

Non-local/remote taxable sales (collected under Colorado's destination-based sales tax rules) are estimated at approximately \$55 million annually using per-capita and income-adjusted comparisons with similarly sized Front Range municipalities (Lyons, Lafayette, and Berthoud). Louisville was also reviewed as a benchmark; inclusion of Louisville would increase projected revenue by approximately \$100,000 annually. The model therefore reflects a conservative midpoint estimate.

Adjustments were made for:

- Population
- Household income
- Local tax rate

Total estimated 2025 taxable sales base: ~\$80 million.

Inflated at 3% annually to 2028 results in ~\$2.185 million in municipal sales tax revenue.

The implied 2028 taxable sales base is approximately \$87.4 million (~\$20,300 per capita).

This per-capita taxable sales level is consistent with small Front Range municipalities with active neighborhood commercial districts.

**Conservatism check.** If collections are lower than modeled, the primary budget-balancing tools would be to reduce discretionary spending and/or phase capital timing.

**Sales tax exposure note:** As with all small municipalities, sales tax collections may be influenced by a limited number of larger retailers. The 15% operating contingency and reserve accumulation are designed to buffer short-term volatility in the event of individual business turnover.

**Tax administration posture.** Sales and use tax is modeled as state-collected (administered by the Colorado Department of Revenue), consistent with the statutory town structure. The sales and use tax base follows state definitions under CRS 39-26-104. If Niwot were to later adopt a home rule charter with self-collection authority, it would likely participate in the state's Sales and Use Tax System (SUTS) portal for centralized filing and remittance. Many self-collecting home rule jurisdictions participate in SUTS; CDOR maintains a current list of participating jurisdictions.

**Remote and destination-sourced sales.** Colorado requires remote sellers exceeding \$100,000 in annual gross sales into the state to register and collect applicable sales tax (CRS 39-26-102(3), effective post-*Wayfair*). Once the threshold is exceeded, collection must begin by the first day of the first month commencing at least 90 days after crossing the threshold (or by January 1 of the following year if the threshold was exceeded in the prior calendar year). Marketplace facilitators (e.g., Amazon, Etsy) independently bear collection obligations above this threshold. The Colorado Department of Revenue provides GIS-based address lookup and the SUTS portal to support accurate local rate sourcing under destination-based rules. For a state-collected statutory municipality, remote seller compliance is administered entirely by CDOR — the Town would not need to operate a separate tax administration function. The inclusion of remote taxable sales in the modeled sales tax base reflects this existing state infrastructure.

### R3. USE TAX – 2.5%

Use tax revenue is modeled at a 2.5% rate and is based on comparisons with Louisville, adjusted for population, household income, and tax rate.

The estimate excludes building materials use tax.

2025 base estimate: ~\$440,000.

Inflated to 2028: ~\$481,000.

**Collection variability.** Use tax collections vary by municipal administration and compliance. The model assumes a moderate, benchmark-based level; if actual collections are lower, the variance would be absorbed through discretionary adjustments and reserves.

### R4. RETAIL MARIJUANA TAX – 3%

Retail marijuana tax assumes a 3% municipal rate.

Estimated annual retail sales per outlet: \$1.67 million. This is based on observed changes in local LID revenue following store opening and is below the Boulder County average per store (\$3.2 million

annually).

The model assumes one retail outlet.

**Marijuana revenue note:** Marijuana-related revenue is treated as a marginal line item and is not relied upon to fund core services. Actual collections may vary and could decline over time depending on regional market conditions.

#### **R5. HIGHWAY USERS TAX FUND (HUTF)**

HUTF distributions are based on a statutory formula weighted 80% by registered vehicles and 20% by center lane miles (per Colorado Municipal League formula description).

#### **Assumptions:**

- 25–29 centerline miles of roadway (see road mileage sensitivity note below)
- Approximately 4,500 registered vehicles

**Mileage definitions.** Road responsibility throughout this document is expressed in centerline miles (the length of the road regardless of number of lanes). Treatment costs in E4 are expressed per lane mile (centerline miles × number of lanes; approximately 2× centerline miles for predominantly two-lane residential roads). HUTF’s statutory formula uses “center lane miles,” a lane-mile measure used in HUTF reporting and distribution calculations.

Registered vehicles are estimated at approximately 4,500. This estimate is derived from:

- 4,305 residents
- Estimated average household size of ~2.3 persons
- Approximate 2.4 vehicles per household, reflecting Niwot’s suburban travel patterns

The resulting estimate is rounded conservatively for planning purposes.

**Road mileage sensitivity:** Road responsibility is modeled at ~25 centerline miles as a planning assumption. Final mileage may be higher (e.g., ~25–29 miles) depending on intergovernmental allocation of responsibility for certain through roads. HUTF revenues and road-related costs scale with final mileage and responsibility split.

Revenue assumed at approximately \$4,000 per centerline mile as a planning estimate, derived from the statutory formula applied to the modeled vehicle count and mileage. This falls within the mid-range of historical HUTF distributions for municipalities of similar size and road mileage.

Estimated 2025 revenue: ~\$100,000.

Inflated to 2028: ~\$109,000.

#### **R6. ROAD & BRIDGE FUND**

Revenue equals Niwot’s proportionate share of Boulder County’s 0.167 mill levy for Road & Bridge.

#### **Formula:**

$(\text{Niwot Assessed Value} \div \text{Boulder County Total Assessed Value}) \times \text{County Road \& Bridge Revenue}$ .

Estimated 2025 revenue: ~\$29,600.

Inflated to 2028: ~\$32,300.

## R7. SPECIFIC OWNERSHIP TAX (SOT)

SOT revenue is derived from vehicle registrations and distributed proportionally to mill levy recipients.

### Assumptions:

- 4,500 vehicles
- ~\$180 average SOT per vehicle
- 4 mills municipal levy
- Approximate total levy used for modeling: 102.461 mills (countywide composite estimate)

### Formula:

$(4 \text{ mills} \div 102.461 \text{ mills}) \times \text{total SOT pool.}$

Estimated 2025 revenue: ~\$32,000.

Inflated to 2028: ~\$35,000.

## R8. GRANTS

Grant revenue is modeled conservatively based on the specific state and federal programs for which a newly incorporated Colorado municipality of Niwot's size and characteristics would be eligible. Key programs include:

- **GOCO Community Impact (Great Outdoors Colorado).** Funds planning and construction of parks, trails, and outdoor recreation amenities. Colorado towns are eligible. Awards range from \$100,000 to \$2,000,000 per project (GOCO program description). GOCO plans to invest approximately \$16 million annually through its base grant programs (FY2026).
- **CDBG Public Facilities (DOLA/HUD).** Community Development Block Grant program for non-entitlement municipalities (population under 50,000). Awards up to \$100,000 for design/engineering/environmental clearance (DEEC program); construction grants of up to several hundred thousand dollars per award (program-specific caps vary by funding round). Eligible projects include water/sewer systems, streetscape improvements, and community facilities.
- **CDOT Transportation Alternatives Program (TAP).** Federal funds for pedestrian and bicycle facilities, safe routes to school, and environmental mitigation. Competitive, with 20% local match. CDOT indicates the next Call-for-Projects timeline (FY2027–2029) will be released in late spring 2026; calls occur on a three-year cycle.
- **DOLA Energy/Mineral Impact Assistance Fund (EIAF).** Awards up to \$200,000 (Tier I) or \$200,000–\$1,000,000 (Tier II) for public facilities, comprehensive plans, and infrastructure. Multiple application cycles per year. Niwot's eligibility may be limited as this program prioritizes communities impacted by energy/mineral development.
- **CDOT Safe Routes to School.** Awards up to \$1,000,000 for infrastructure and non-infrastructure pedestrian safety projects near schools.

The model assumes:

- No grants in 2028
- \$270,000 beginning in 2029

The \$270,000 annual planning estimate reflects a single successful mid-range grant application per year (e.g., one GOCO Community Impact or CDBG award in the \$200,000–\$400,000 range, annualized). This is conservative relative to the aggregate funding available across these programs and does not assume success in every application cycle.

Grants are not guaranteed. If not awarded, projects would be deferred or funded through alternative means.

Grant revenue is not relied upon to fund core public safety or required operating services. If grant funding is lower than projected, discretionary capital projects would be deferred.

#### **R9. CONSERVATION TRUST FUND (CTF)**

CTF is a lottery-funded distribution allocated primarily on a per-capita basis.

2026 statewide pool: ~\$82 million.

Colorado population: ~5.9 million.

Implied Niwot share: ~\$72,000.

Inflated to ~\$80,000 in 2029.

Funds are restricted to recreation-related capital and maintenance.

#### **R10. UTILITY AND FRANCHISE FEES**

Assumed at approximately \$75,000 annually based on comparable municipalities. May include franchise fees, traffic fines, and minor municipal fees.

#### **R11. PLANNING DEPARTMENT**

Planning and building services are based on an estimate from SAFEbuilt, a Colorado municipal contractor.

Planning expenses are assumed to be fully offset by permit and development fees.

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## **EXPENSE FOOTNOTES**

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### **E1. SALARIES**

Salaries are benchmarked using:

- Colorado Municipal League surveys
- Salary databases

- Comparable municipality budgets

## E2. BENEFITS

Benefits assumed at approximately 38% of salary, composed of:

- **PERA employer contribution (Local Government Division):** 15.80% of salary (January 2026 rate per PERA published schedule; includes 10.00% base rate, 2.70% AED, 2.00% SAED, 1.00% Automatic Adjustment, and 0.10% DC Supplement)
- **Medicare (employer share):** 1.45% of salary. Most PERA-covered public employment is exempt from Social Security (OASDI); Medicare coverage applies to employees hired after March 31, 1986, or as determined by the employer's Section 218 agreement status. The pro forma includes only Medicare as a baseline payroll tax obligation.
- **Employer health insurance contribution:** ~10–12% of salary (varies by plan design and employee demographics)
- **Workers' compensation:** ~2–4% of salary (varies by job classification and claims experience)

The 38% composite assumption is intentionally conservative relative to the 30–35% ranges commonly observed in small Colorado municipalities. The conservatism margin (~3–5 percentage points above the sum of the components listed above) provides a buffer for plan design variability, potential Section 218 Social Security obligations if applicable, and any future PERA rate adjustments.

Note: PERA employer contribution rates are subject to change under the Automatic Adjustment Provision (AAP), which can increase (or decrease) member and employer rates by up to 0.5% per year based on funded status. The AAP was not triggered for July 1, 2026. Future AAP adjustments are not modeled but would be absorbed within the 15% contingency.

## E3. SHERIFF SERVICES

Based on preliminary, non-binding guidance from the Boulder County Sheriff's Office indicating a blended loaded cost of approximately \$200,000 per FTE (2026 dollars).

Current service level estimated at ~0.67 FTE, based on Boulder County's characterization of existing patrol allocation to the Niwot area.

The model funds 2.0 FTE to ensure adequate coverage. This represents approximately three times the estimated current service level to ensure adequate local visibility and response capacity.

The \$450,000 estimate reflects approximately two full-time equivalent (2.0 FTE) deputies at an estimated blended cost of \$200,000 per FTE (2026 dollars), escalated to the first full year of service and including administrative and contractual margin. The first year reflects partial-year ramp-up. Final costs will be determined through an intergovernmental agreement with Boulder County. If final negotiated costs exceed modeled assumptions, staffing levels or other discretionary expenditures would be adjusted accordingly.

## E4. ROAD MAINTENANCE & SNOW REMOVAL

**Routine maintenance methodology:** Routine road maintenance is estimated using treatment-cycle assumptions (e.g., crack seal / patching / surface treatments) applied to an estimated road surface area, with unit pricing informed by contractor guidance and comparable municipal cost experience. This approach converts road condition needs into a per-lane-mile (or surface-area) cost basis. Assumes crack seal / pothole work on ~20% of roads annually at ~\$13k per mile, and chip/slurry seal on ~15% annually at ~\$82k per mile. Surface area estimate based on road-width assumptions and cul-de-sacs; total road surface modeled at ~740,000 sq ft.

**Benchmark calibration.** Unit costs are consistent with published per-lane-mile rates from the City of Littleton, Colorado (2016 bid prices): crack sealing ~\$5,500/lane mile, surface seal (slurry/chip) ~\$35,000/lane mile, mill & overlay ~\$320,000/lane mile. Escalated to the pro forma base period at ~3%/year ( $\times 1.37$ ), these translate to approximately \$7,500, \$48,000, and \$438,000 per lane mile respectively. Niwot's modeled treatment cycle (~20% crack seal, ~15% surface seal annually across ~25 miles of predominantly two-lane residential road) produces annual routine maintenance costs within the range implied by these benchmarks. Littleton maintains ~161 centerline miles and publishes its pavement management plan publicly; unit costs are used here for calibration, not as direct comparables to Niwot's smaller network.

**Snow removal basis:** Snow removal assumptions are informed by preliminary vendor bid pricing and event-based estimating (miles  $\times$  events), plus an allowance for signs, lights, and traffic control devices.

Snow removal estimated using:

- \$175 per mile  $\times$  25–29 miles  $\times$  12 events
- \$200 per mile  $\times$  5 sidewalk miles  $\times$  12 events
- \$250 per mile  $\times$  25–29 miles  $\times$  2 sweeping events
- Additional \$50,000 allowance for signs, lights, and traffic devices

Total rounded to approximately \$140,000. The ~\$140k estimate reflects ~25 miles; at ~29 miles, the estimate scales to approximately \$150k–\$160k depending on event count and vendor pricing. Final costs scale with confirmed road mileage (see R5 road mileage sensitivity note).

## **E5. OFFICE SPACE / MEETING RENTALS**

Modeled using ~2,000 sq ft at ~\$15/sq ft plus meeting rentals (e.g., Niwot Hall), inflated from 2026.

## **E6. INSURANCE**

Insurance estimates are based on Colorado Municipal League and CIRSA data for municipalities of similar size and asset profile. Typical range cited \$40k–\$80k; used \$60k midpoint, potentially lower due to minimal employees and no municipal vehicles or buildings.

## **E7. IT**

2027 includes one-time setup (\$40k); 2028 and beyond reflect ongoing subscriptions, support, and compliance (~\$30k midpoint). Typical range \$20k–\$40k for municipalities of this size.

## **E8. FINANCE CONTRACTING / AUDITING**

Typical range \$20k–\$35k for municipalities of this size; modeled \$40k due to lean internal staff and reliance on contracted finance/audit services.

Colorado’s Local Government Audit Law (CRS 29-1-603) requires the governing body of each local government to cause an annual audit of its financial statements. Audit exemptions are available only for local governments with revenues and expenditures at or below \$1,000,000 (as updated by SB 25-023); Niwot’s projected budget exceeds this threshold from Year 1, so no exemption is available. Audit reports must be filed with the Office of the State Auditor. The \$40k line reflects contracted CPA services sufficient to satisfy this statutory obligation in a lean staffing model with no internal finance department.

#### **E9. MATERIALS COSTS**

Materials costs are modeled at \$100,000 to account for deferred infrastructure needs and startup provisioning. This exceeds typical ranges for towns of comparable size and reflects the conservative assumption that a newly incorporated municipality will face higher initial materials requirements during its first several years of operation.

#### **E10. ELECTION COSTS**

Estimated using DOLA and CML guidance. Assumes periodic elections with costs in the \$5,000–\$20,000 range per election year.

Election costs are modeled on an annualized basis for simplicity. For planning simplicity we annualize; actual spend occurs in election years (e.g., ~\$25k every other year).

#### **E11. INCORPORATION COSTS**

One-time legal and administrative expenses estimated at ~\$150,000.

#### **E12. CONTINGENCY**

Operating contingency set at 15% of expenses to address startup risk and uncertainty.

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## **CAPITAL & RESERVES**

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#### **CI. ROADS CAPITAL PROJECT LOAN**

The modeled annual payment of approximately \$1.195 million corresponds to a ~\$15 million capital project financed over approximately 20 years at an assumed municipal borrowing rate in the 4–5% range. Actual bond terms will depend on market conditions at issuance. The modeled annual payment is based on a standard level-debt amortization structure; actual structure (level, wrapped, or sculpted) will be determined at issuance.

Final bond terms subject to market conditions and voter authorization. If interest rates at issuance are higher than modeled, the Town could reduce project scope, extend timing, seek grants, or adjust revenue measures subject to voter authorization.

## C2. CONTRIBUTION TO RESERVES

Equals annual operating surplus after expenses and road debt service.

## C3. CUMULATIVE RESERVES

Represents accumulated annual surpluses assuming no withdrawals. For reference, the Government Finance Officers Association (GFOA) recommends that general-purpose governments adopt a formal fund balance policy and maintain, at minimum, a reserve equivalent to approximately two months of regular general fund operating expenditures. Under the modeled assumptions, cumulative reserves exceed this threshold by the second full year of operations.

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## SENSITIVITY ANALYSIS

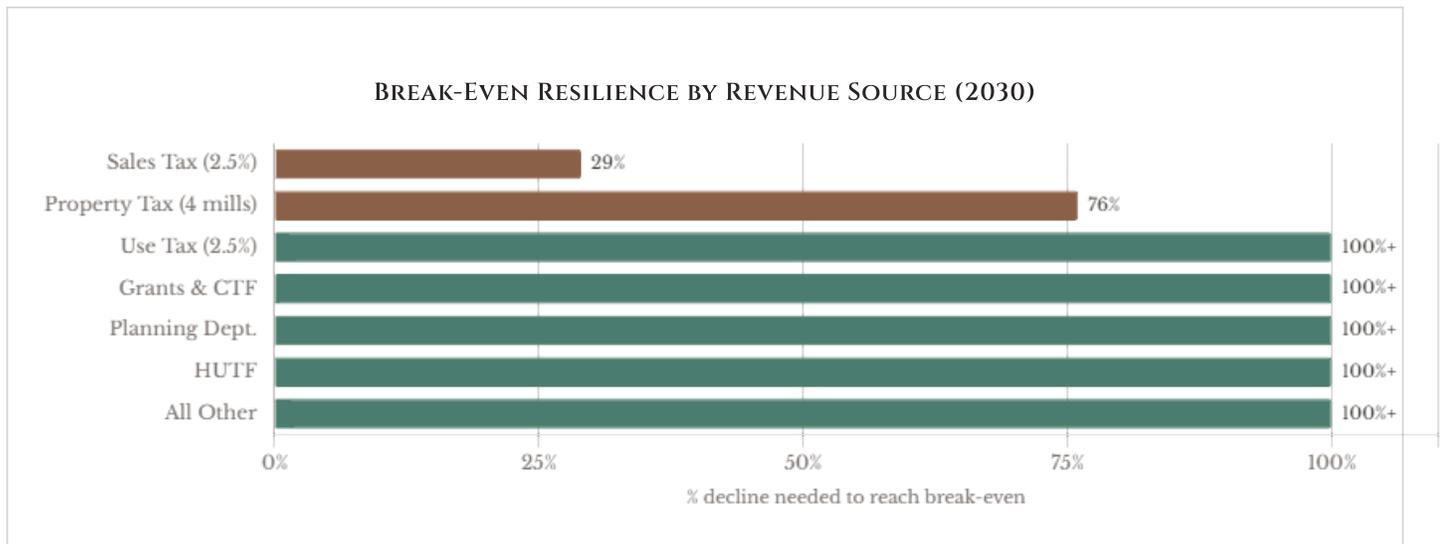
### BREAK-EVEN REVENUE SENSITIVITY

The following table illustrates how far each major revenue category would need to decline — holding all other revenues and expenses constant — before the annual contribution to reserves reaches zero. The reference year is **2030**, selected because it is the first full year of operations with road debt service and produces the smallest annual surplus (\$669,000) in the projection period.

Revenue Category	2030 Modeled (\$K)	Decline Needed to Reach Break-Even
Sales Tax (2.5%)	\$2,319	29% decline (\$669K shortfall)
Property Tax (4 mills)	\$882	76% decline (\$669K shortfall)
Use Tax (2.5%)	\$510	Entire elimination would not cause a deficit
Grants & CTF	\$361	Entire elimination would not cause a deficit
Planning Department revenue	\$185	Entire elimination would not cause a deficit
HUTF	\$116	Entire elimination would not cause a deficit
All other (SOT, R&B, Franchise, Marijuana)	\$204	Entire elimination would not cause a deficit

### Combined downside scenarios:

Scenario	Combined 2030 Revenue (\$K)	Decline Needed
Sales + Use Tax decline together	\$2,829	24% combined decline
All state-shared revenue (HUTF + R&B + SOT) eliminated entirely	\$187	Budget remains in surplus by \$482K
Grants & CTF go to zero, <i>plus</i> Sales Tax declines	\$361 + \$2,319	Grants zeroed + 13% Sales Tax decline to break even



**Interpretation.** Only sales tax is individually large enough to drive a deficit within a plausible range of deviation, and even then would require a sustained ~29% shortfall, holding all other revenues and expenses constant. Property tax would require a 76% decline. No other individual revenue line can cause a deficit even if it goes to zero completely. In the most pessimistic combined scenario — all grants eliminated and sales tax simultaneously falling 13% — the budget reaches break-even but does not enter deficit. These single-variable results are inherently optimistic because real downturns produce correlated shocks; the Monte Carlo analysis below tests those correlated scenarios directly.

These single-variable sensitivities complement the Monte Carlo analysis below, which tests correlated multi-variable shocks across all revenue and expense categories simultaneously.

### STOCHASTIC STRESS TESTING (MONTE CARLO)

The pro forma was subjected to 100,000 Monte Carlo simulations over the period 2027–2040 to test structural resilience under adverse and volatile economic conditions.

All simulation results reflect the 4% public safety contract escalation assumption used throughout this pro forma.

#### Model Design

Each simulation year computes:

$$\text{Contribution}_t = \text{Revenue}_t - \text{Expense}_t - \text{Road Debt Service}_t$$

$$\text{Year-End Cumulative Reserves}_t = \sum (\text{Contribution}_i) \text{ from } i = 2027 \text{ to } t$$

#### Bond and Shock Assumptions

In the Monte Carlo, annual shocks are applied to total revenues (including property tax) and total operating expenses, using a common macro factor plus drift and idiosyncratic noise. Road debt service is held constant at the modeled annual repayment of approximately \$1.195 million.

## Revenue and Expense Variability

The simulation incorporates the following stochastic elements:

### Trend Error (Compounding Drift)

- Revenue drift: Normal(0, 1.0% per year), compounded
- Expense drift: Normal(0, 1.0% per year), compounded

### Correlated Macroeconomic Downside (Clustered Stress Years)

- Common AR(1) macro factor ( $\phi = 0.65$ ), generating persistent “bad stretches”
- Revenue impact: approximately -8% per  $1\sigma$  macro shock (lognormal mapping)
- Expense impact: approximately +4% per  $1\sigma$  macro shock (lognormal mapping)

### Idiosyncratic Annual Noise

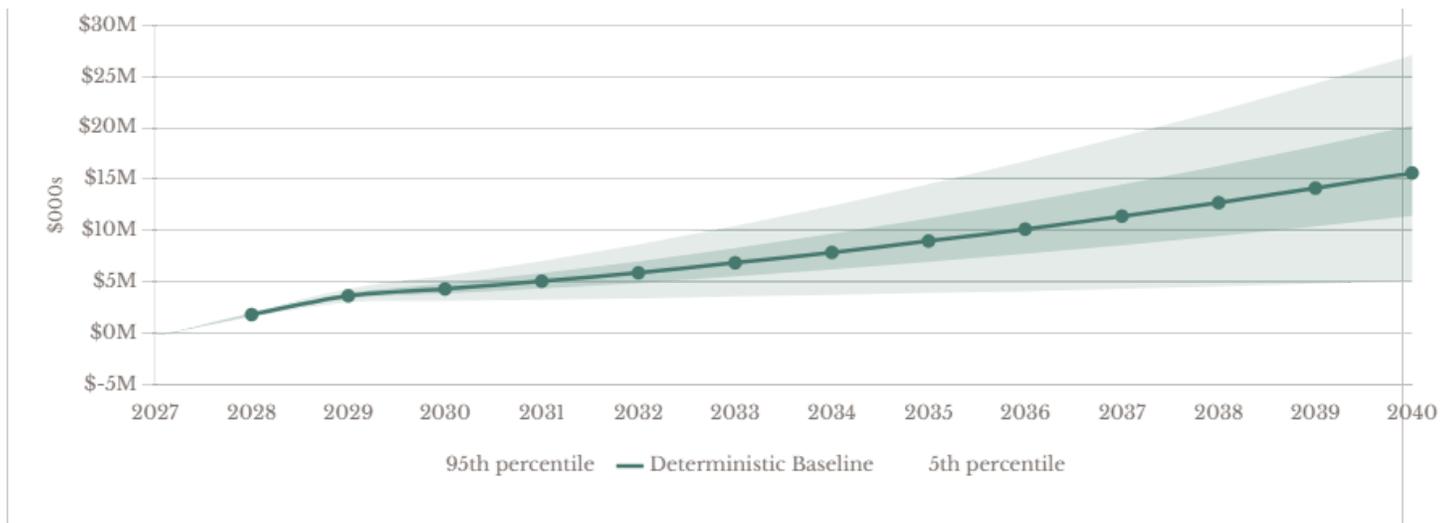
- Revenue: 2% lognormal
- Expenses: 2% lognormal

Multiplicative (lognormal) shocks are used to avoid negative revenues/expenses and to reflect that fiscal impacts scale with the size of the budget. The stress model is designed to mimic recession-like periods in which sales and use taxes decline while public safety and contracted service costs do not fall proportionally, producing multi-year budget pressure rather than isolated one-year shocks.

### Results (Year-End Cumulative Reserves in 2040)

“Year-end 2040 cumulative reserves” refers to the projected year-end 2040 cumulative reserve balance, assuming annual surpluses are retained and no withdrawals occur.

Metric	Value
Deterministic baseline (pro forma tables; rounded to \$000s)	\$15,599,000
Monte Carlo mean	\$15,819,168
Median	\$15,645,764
5th percentile	\$5,140,834
95th percentile	\$27,070,381
Probability reserves < \$0	0.63%
Minimum outcome	-\$9.17M
Maximum outcome	+\$47.76M



**Tail-risk note.** The minimum outcome reflects an extreme outlier path in a 100,000-run simulation and is not an appropriate planning benchmark; the 5th percentile (~\$5.1M) is a more suitable downside planning case for policy discussion.

### Interpretation

- The median simulation result closely aligns with the deterministic baseline. The slight difference between the mean and median reflects a modest right-tail skew generated by multiplicative revenue shocks.
- In 95% of simulated scenarios, year-end 2040 reserves exceed approximately \$5.1 million (the 5th percentile outcome).
- Fewer than 1% of simulations result in negative cumulative reserves.
- Downside outcomes require sustained revenue contraction combined with elevated expense growth over multiple years.

The results demonstrate that the proposed tax structure remains structurally resilient under clustered economic stress and compounding trend error.

The Monte Carlo design includes persistent adverse clustering to reflect multi-year downturn risk.

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## LIMITATIONS

This pro forma is a planning-level feasibility model and is not intended to predict exact future outcomes. Actual revenues and expenditures will vary based on economic conditions, reassessments, negotiated service contracts, grant awards, and policy decisions made by future elected officials.

### Downside Sensitivity

The largest structural risk factors in the model are:

- Sales and use tax performance
- Grant revenue variability

- Property valuation growth
- Final negotiated service contract costs
- Borrowing rate at time of bond issuance

The Monte Carlo analysis applies adverse multi-year stress to revenues and expenses simultaneously. Even under clustered downturn scenarios, the proposed tax structure remains resilient in the vast majority of simulations. The stress model intentionally includes multi-year downturns consistent with recession-like periods in which sales/use taxes fall while public safety and contract costs do not decline proportionally.

If specific revenue categories (e.g., grants or marijuana tax) underperform expectations, discretionary expenditures would be adjusted before core public safety or administrative functions.

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## STRUCTURAL CONCLUSION

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Under the modeled tax structure and stress-tested assumptions, the proposed Town of Niwot budget demonstrates structural durability — defined as the ability to fund core operations and modeled road debt service without recurring deficits across a wide range of economic conditions.

Policy decisions, service levels, and capital priorities will ultimately be determined by future elected officials and voters. This document is intended solely to demonstrate fiscal feasibility under conservative planning assumptions.

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## APPENDIX B — URBAN RENEWAL AUTHORITY / TAX INCREMENT FINANCING STATUTORY REQUIREMENTS

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This appendix provides the detailed statutory requirements referenced in Table Note T14.

Establishing an Urban Renewal Authority (URA) with Tax Increment Financing (TIF) under the Colorado Urban Renewal Law (CRS 31-25-101 et seq.) requires:

- a. A governing body resolution adopting a blight finding based on a minimum of four of eleven statutory factors defined in CRS 31-25-103.
- b. Submission of an urban renewal impact report to the board of county commissioners and overlapping taxing entities at least 30 days prior to a public hearing on the plan (CRS 31-25-107(3.5)).
- c. Negotiation of TIF-sharing agreements with affected special districts (school, fire, library, etc.), which under 2015–2016 statutory reforms have the right to negotiate directly with the URA before any incremental property tax revenues may be allocated. If no agreement is reached, mediation and related statutory constraints apply.
- d. Governing body approval of the urban renewal plan, which must conform to the municipality's general plan.

TIF allocation of incremental property taxes is limited to a period not to exceed 25 years from plan approval. A limited statutory exception exists (CRS 31-25-107(9)) allowing extension if bonds secured by TIF revenue are in default or other qualifying conditions apply; this exception does not affect the general planning assumption.