

Niwot Bond Election Topics Frequently Asked Questions (FAQ) – September 17, 2026

1. What will be the credit rating for the Town's bonds?

The Town will likely receive an investment grade credit rating on its bonds. Even though the Town will be newly incorporated, it has existing purchases subject to sales and use tax from other government entities, so the new municipal sales and use tax will generate revenue immediately after it goes into effect on January 1, 2028. This tax will be used to repay the bonds after issuance. Additionally, because Niwot's bonds are planned to be issued at earliest in 2029 – the Town will have over a year of financial and operating history to support its credit rating.

This differs from the bonds of new metropolitan districts which typically have no credit rating since they have no existing development or tax base and rely solely on future growth for bond repayment.

Examples of other small towns that have recently and successfully issued sales and use tax revenue bonds include the Town of Carbondale in 2022 and the Town of Limon in 2021.

2. How will the Town pay for the fees associated with the bond issuance (e.g., attorney fees, credit rating, etc.).

Fees associated with the bond issuance will be paid from the funds raised by the bond and are included in the pro forma debt repayment schedule. Fees on this type of issuance are typically about 1.5% of the bond amount. The Town will not be responsible for paying bond-related fees out-of-pocket.

3. How much money will the Town receive from the bond issuance?

The ballot question authorizes \$15 million of bonds, but the Town may be able to receive approximately \$16 million of funds depending on market conditions.

Municipal bonds today are typically sold at a 'premium' (i.e., a bond with \$100 of face value is purchased by investors for more than \$100). This results in the lowest interest rate for the Town and potentially additional funds for Niwot's road projects.

4. What interest rate will the Town receive on its bond?

The interest rate for municipal bonds is set based on a tax-exempt interest rate benchmark (similar to US Treasuries). The final interest rate of the bonds will be based on the credit rating as well as market conditions at the time of issuance. Bonds issued today for a similar municipality, after the rate hike by the Federal Reserve on September 16, 2026, are seeing rates of approximately 4.75% to 5.75%.

Additionally, the bonds will have a 10-year prepayment provision, allowing the Town to refinance the bonds to a lower interest rate after 10 years depending on market conditions at that time.

5. What will happen if the Town is unable to repay the bond?

If the Town is unable to repay the bonds, the bonds will go into default. Investors would not have claim to any of the Town's or individuals' property or assets – they can only be repaid with revenues from the pledged sales and use tax. Historically, default on municipal bonds issued by incorporated municipalities in Colorado is extremely rare.

The Town's sales and use tax rate cannot be increased to help repay the bonds without voter approval. Property tax and marijuana tax revenues are not pledged for bond repayment.

6. Why would the Town issue debt instead of funding the roads with cash?

Bonds are a tool that allow the Town to fund its critical road projects as soon as possible, instead of waiting over a decade to accumulate enough cash to complete the project. If the Town were to wait years to accumulate cash, the project would also become more expensive due to the higher cost of repairing roads that have degraded to the point of needing full reconstruction. By 2040, the project cost is expected to more than double to \$33 million according to the Niwot Incorporation Committee.

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