



Neskowin Regional Water District

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Q&A on Operations and Rates

September 2026

Q: Why is the Neskowin Regional Water District (NRWD) increasing rates again this year after a significant increase in the last fiscal year?

A: Last year's increase was critical in addressing a large deficit in the approved budget, due to several factors (see below). As the NRWD has heard from ratepayers, if rate increases must be adopted, smaller, manageable increases are much preferred to the large recent increase that became necessary after consecutive years of no or low increases well below the Consumer Price Index (CPI) compiled by the Bureau of Labor Statistics (BLS). Extreme year-to-year swings in water rates put the integrity of our community water resource at risk, create greater hardship for ratepayers, and make it harder for management to ensure stable operations. If the NRWD Board (Board) is considering a customer rate increase, it holds a public hearing for ratepayers to provide comments on the proposed increase. In addition, the Board, in consultation with the NRWD's General Manager (GM), discusses budgetary matters, including current and reasonably foreseeable future expenditures and revenues, at each of its monthly public meetings in an ongoing effort to better estimate the necessity of potential future water rate increases. The Board and GM have also recently surveyed other comparable regional water districts and found that NRWD water rates fall in the middle of rates for such districts.

Q: How does the increase in NRWD expenditures and water usage rates compare to CPI measures of overall inflation for all goods and services and water usage costs nationwide?

A: The CPI measurement of water utility and sewerage maintenance was first introduced in 1952. Since 1952, the CPI's measure of water usage costs has dramatically outpaced the overall CPI for all goods and services. According to BLS data, from 1952 to 2026, the overall inflation rate for all goods and services nationwide averaged 3.47% annually, while water usage costs averaged 5.34% annually. More recently, between 2019 and 2026, the CPI measure for water usage costs nationwide significantly outpaced the overall inflation rate by 36%. For comparison, over the same period the CPI inflation rate for nationwide water usage costs was about the same as the inflation rate for the NRWD's water usage costs, both averaging between 5% and 6% annually.



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Because of above-normal inflationary pressures and decreased customer water usage, the water district had a large deficit by the end of the 24/25 fiscal year, necessitating a large rate increase. (See why below.) This increase was above the CPI's nationwide inflation rate for water usage during the same year. However, the NRWD's average annual inflation rate for water usage costs is still comparable to the CPI's nationwide measure of inflation for such costs during this decade, because there were NRWD fiscal years earlier in the decade when cost inflation was either below the nationwide inflation rate (e.g., NRWD fiscal year 2021-2022 with expenditure increases of only 2.9% over the previous year) or well below the nationwide inflation rate and even deflationary (e.g., NRWD fiscal year 2022-2023 with expenditures well below the previous year and negative at -7.3%).

Q: What do other water districts use to inform their annual rate increases and ensure adequate resources to serve customers?

A: Because there is a specific CPI indicator for water utilities, many use it as an important guide to align rate increases with market factors related to water district goods and services, including employee costs. The most recent CPI for water utilities is a little over five percent, as published by the BLS's CPI for water and sewerage maintenance. Other factors that can drive increases include unexpected infrastructure costs, equipment failures, and employee costs. No state or federal funding supports district operations, so the NRWD depends solely on property tax allocations and ratepayer revenues.

Q: Why were the rate increases in the 2025-26 fiscal year so much higher than normal in recent years?

A: Inflationary pressures were one of two reasons for the large budget deficit facing the NRWD at the time of the rate increase; the other was a decline in customer water usage. First, last year's NRWD rate increase reflected recent inflationary pressures from higher costs for water treatment, maintenance, and infrastructure, the addition of an essential employee several years ago, and normal employee costs. Second, the average increase in base rates in the last fiscal year resulted from a revenue deficit caused by a decline in water usage revenues. 99% of revenues for the NRWD's general operations come from rates on customer water usage. During the two COVID years, water usage rose to the point that the District did not consider rate increases necessary. When water usage returned to normal, the District lacked the revenues that incremental annual rate increases would have provided. Although collective water usage by NRWD customers fluctuates year to year, its recent trajectory has been downward. For example, total water



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usage in Neskowin reached a high of 31,056,415 gallons in fiscal year 2021-2022 and was only 28,652,145 in 2024-2025.

Q: What steps has the NRWD taken to stay on top of expenditures and revenues to foresee better, estimate, and predict potential water rate increases?

A: The NRWD Board and its GM are very sensitive to the issue of raising water rates. They discuss expenditures and revenue issues at each public monthly meeting and have reached out to the community for input. Last year's rate increase for the 2025-2026 fiscal year, described above, was unanimously adopted by the Board only after extensive analysis and consultation with the district's GM, and after at least six public monthly meetings in which the necessity of a rate increase was discussed. Two of these meetings were "rate hearings," publicly noticed in advance and devoted exclusively to increased rates. Only after this lengthy deliberative process did the Board adopt the rate increase.

As described more fully below, for many years the NRWD has also had a Budget Committee composed of five public members and the five members of the Board. The Budget Committee must approve the current budget before the Board later considers its adoption. In addition, after last year's rate increase, the Board created a revenue committee made up of five public members who had previously participated in various ways in district budget discussions, and two Board members. This year, the revenue committee has assisted the Board in its deliberations on water usage rates for the 2026-2027 fiscal year. Annual budgets and district costs are also available for public review on the district's website.

Q: How does the NRWD ensure that it spends budget funds efficiently and effectively, including procurement and purchasing of goods and services?

A: Getting the best price for goods and services is a requirement of the NRWD, not only as a public entity but also as the ethical and fiduciary foundation upon which the management of the district is based. In addition to the five-member Board of Commissioners, which oversees all operations, and a highly skilled and experienced GM, the organization's financial position and annual spending, revenue, etc., undergo an external audit each year. Because the district lacks the economies of scale a larger entity might enjoy with more ratepayers, the costs of the NRWD and other smaller coastal water authorities must be spread over a smaller base. Along with other national increases in goods and services and inflation, costs have risen above historical run rates in recent years. Whether it's healthcare, eggs, meat, transportation, or a replacement part for the water plant



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filtration system, prices for many goods and services have risen faster than in recent years for all Neskowin and Oregon consumers, as well as the NRWD and its ratepayers.

The NRWD follows public procurement requirements for competitive bids when purchasing goods and services at certain levels, including, for example, district vehicles when replacing older, unreliable trucks. Our GM knows many of the suppliers of water plant parts and equipment and works to ensure the lowest cost and best value. Purchases are made when necessary to protect the integrity of our water system and prevent greater losses from larger failures.

The NRWD runs with the minimum number of employees needed to meet all basic requirements for safe, clean water and routine maintenance, and to handle extraordinary situations, such as major neighborhood line breaks or system integrity problems requiring construction skills. Employee pay rates are set based on employee experience, position and market assessment, years of experience, and diversity of duties within a broad job description, which in a larger organization would be filled by several professionals.

Importantly, as a public utility, the NRWD is a not-for-profit entity, and it uses all water-usage funds collected from customers only to pay for water distribution, treatment, maintenance, and the personnel needed for that work.

Q: Where does the NRWD get its operating funds?

A: All funds for daily operations come from the NRWD's more than 800 ratepayers. The district also receives a modest amount of revenue from a contract with a small, nearby water district for operating services (Cascade Head). Outside of operations, the district has designated grant funds to purchase land in the district's Hawk Creek watershed to ensure clean, potable, and affordable water. The district also receives grants for other finite projects.

Q: Why can't the NRWD issue a bond to get more funding for the budget rather than increasing the rates for consumers?

A: Issuing state bonds can certainly be a viable option to raise funding. A few things to consider before using this approach: it is roughly a 2-3 year process, from development and submission to the state, to multiple approvals, to alignment with an election (getting it on the ballot), to actual funding. The district pays the debt service on any bonds, using ratepayer revenues, until the bonds are paid off.



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Sometimes public entities can have the state cover some of the debt service on the bonds, or partially forgive it. The NRWD has generally determined that bond funding is best used for future, longer-term, and more expensive infrastructure projects, which gives the district and its ratepayers time to plan for such projects and their funding well in advance of construction or implementation.

Q: What is the Capital Improvement Fund and how does the NRWD use it?

A: The Capital Improvement Fund is used for necessary infrastructure that expands or protects district resources, reservoirs, piping systems, culverts, major equipment replacement if catastrophic failure occurs, and other physical assets. For example, a major project involving new and larger piping systems to ratepayers' homes in South Beach, replacing a failing section, cost roughly a million dollars and took fifteen months to complete, requiring multiple contractors and hundreds of hours of district employee time.

Q: Have there been recent planned or emergency upgrades to the NRWD water infrastructure that had significant impacts on budget resources?

A: The district has made several recent upgrades to our water system, including a major upgrade in South Beach, among other improvements throughout the NRWD. Along with regular maintenance, the NRWD has worked hard to ensure efficiency throughout the district and the highest-quality water supply possible. The NRWD continues to purchase additional watershed land above our catchment at the Water Plant, using donor funds and grants. The catchment is about two miles east of Neskowin Village.

Q: Are there other risks that the NRWD considers when determining the need for a healthy reserve fund?

A: Other potential impacts on the district's water supply that present potential risks – and a need for emergency financial resources -- involve the district's watershed and natural disasters (e.g., landslides, wildfires, earthquakes, droughts, etc.). The impacts are particularly concerning for the NRWD, which serves more than 800 residential and commercial accounts and relies exclusively on Hawk Creek as its drinking water source. Hawk Creek flows are highly sensitive to local rainfall patterns. Emergency reserves are critical to manage the impacts of these risks more quickly for members of our community.



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Q: How is the budget for the NRWD set?

A: In May of each year, the Board, consisting of its five publicly elected members, appoints five Budget Committee members from residents living in our district who express an interest in participating in discussions regarding various district issues. They, along with the elected Board members, form the district's Budget Committee, deliberate, and then approve an expenditure budget for the coming year. In June, the elected board adopts a budget based on the Budget Committee's recommended budget. The budget the Board adopts includes revenues to cover the approved expenses, mostly based on estimated water sales. State of Oregon law sets all the above budget approval steps.

Q: Does the NRWD's efforts to own and/or control land surrounding the Hawk Creek watershed impact the current budget?

A: No. To date, the vast majority of funds to purchase land in the watershed to protect Neskowin's water have come from donations and grants. Grants have also funded appraisals and management plans. Future land purchases, especially for major lands owned by an industrial timber company, will need to be funded outside the regular budget process.

Thank you for helping us keep Neskowin's water district going strong.