**Yarnell Water Improvement Association**

**President’s Report**

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**Introduction: “I alone can fix it.” Donald J. Trump**

Over the past several years I have heard numerous versions of the YWIA “salvation story.” Various individuals or groups of individuals have been credited with “saving” our water company from the perilous brink of collapse. This salvation story seems to repeat itself in the history of the Yarnell Water Improvement Association. I am happy that Yarnell has been blessed by a cadre of saviors, but frankly this is a story that we do not want to keep repeating. We should not want to have a water company that is providing one of the most essential elements of our community’s existence to continually need to be “saved.” We need a water company that can be sustained with as little “drama” as possible. The membership of YWIA needs to have a dependable supply and distribution of water that can be counted on into the future.

The main characters of the various YWIA salvation stories are the “saviors.” Of course, we all like to have heroes, but in most cases the heroes require the existence of villains. Whereas there are actual villains that appear in the YWIA salvation stories that could be named, it is more polite and useful to identify the forces that created the villains than to name the actual villains. So, what are the forces of villainy?

**Complacency, Apathy and Misplaced Trust**

We oftentimes focus on the moment of salvation more than on the many moments that created the need for salvation. This is the “happy ending syndrome” that inevitably leads us to repeat the same mistakes in our lives. Instead of just looking at the moment of collapse that precedes the moment of salvation in our lives, we should spend time examining the many decisions and choices that we make that ultimately imperil us. That is something the YWIA Board has done this past year, and this report concludes with an analysis of some of our mistakes. We have a very strong shared value of transparency, and an even stronger commitment to learn from our mistakes.

There are three forces of villainy in our company’s history that seem to repeat themselves. These negative forces are complacency, apathy and misplaced trust. Past Boards have been guilty of complacency. After periods of significant accomplishment, it is natural to seek a respite from the demands and obligations of a working board. As detailed below, the YWIA Board is coming off of a year of significant achievements, and we need to consciously resist succumbing to the force of complacency. Complacency is characterized by adopting an uncritical self-satisfaction, and instead of remaining vigilant in seeking opportunities or uncovering hidden problems, you coast on your past achievements.

The second negative force is apathy. It is understandable that the membership of YWIA might become apathetic because for the past several years the water service has had no disruption. You turn on the faucet, the shower, or flush your toilet and water reliably appears in your home. Unlike our local electrical service, we might likely assume that something must be going right with our water company. That should not be an excuse for apathy. Our community must remain engaged in our member owned company. Attendance at monthly Board meetings is encouraged and welcomed. Interest in seeking to become a member of the Board is highly encouraged. Seeking out volunteer opportunities to assist the work of the company are very welcomed. Most of the past crises that the YWIA has confronted did not occur overnight. They evolved in an atmosphere of member apathy.

Finally, the last and most dangerous pitfall for YWIA is “misplaced trust.” In the context of a business this can involve mistakenly trusting the intentions or motivations of individuals or organizations. We have clear examples of misplacing our trust in local government. But more often, “misplaced trust” is a mistake made by erroneously trusting the competency, expertise or effectiveness of those you form partnerships with. We need to continue to adopt better practices for discerning untrustworthy situations and to more broadly and critically consult.

**5 Numbers to Know about YWIA**

* **38 ft. The static level of our wells. We have a hearty supply of water.**
* **28% The percentage of our customers that are not full-time residents.**
* **5 The net number of new customers. Largest growth in 5 years.**
* **$572,000 Long term debt of the company. Although our debt to revenue ratio has improved, this is a critical context for the company.**
* **0 The number of complaints to ACC about YWIA during the past 3 years.**

**2024 Challenges and Achievements**

* **Lead Service Line Inventory and Customer Notifications** This year, ADEQ initiated a new regulatory requirement for water companies to conduct an inventor of all service lines and to alert customers to the possibility of lead in the water system. Compliance with this requirement was very time intensive. YWIA was recognized for providing one of the most complete inventories.
* **APS Easement Agreement** The new power lines being installed by APS required the assistance of YWIA to allow for APS to utilize our existing utility easement. We negotiated the payment for the legal fees for this process to be fully reimbursed by APS.
* **Yavapai County 5 Year Franchise Agreement** Every 5 years YWIA must apply to renew a franchise agreement with Yavapai County. This agreement essentially gives us the right to operate as a water utility in Yavapai County. The agreement was successfully renewed.
* **Transmission Line Break** We suffered a costly break in our transmission line that transmit water from the well site to our storage tanks. This could have been a major disaster if not for the citizen reporting of the leak and the fast response by AQW.
* **Development of New CIP** We are developing a new Capital Improvement Plan with updates to both our proposed projects and to the commensurate cost estimates for the respective projects.
* **Designation from low risk to high-risk water source by ADWR** Discussions are continuing with ADWR about a new “high-risk” designation that was given to our water production location. This was made without any change in criteria to the analysis or to any change in the function of land surrounding our well site.
* **Backflow Cross-connection Policy Review and Enforcement** Our backflow cross-connection policy was updated and a new enforcement strategy was enacted.
* **ACC RATE CASE** The Arizona Corporation Commission concluded our rate case by granting us slightly higher rates than we had made application for. In the opinion of the Commission, these are the rates necessary to provide a sustainable source of potable water.
* **ARPA Grants in Contract** All of the ARPA grants have been situated. Although two of the grants could not be fulfilled, the other three grants are in contract and work has begun.
* **SCADA System failure and recovery** Our SCADA system (Supervisory Control and Data Acquisition) failed. The repairs were expensive, and in the end the Board determined that the current system was not a “fit.”
* **Holiday Star** Is once again shining brightly on the hillside above Yarnell.

**Government Reports and Relationships**

Some of the most important work that the Board of Directors accomplishes each year involves maintaining relationships with several federal, state, and local government agencies. The Board has responsibility for filing over 20 different regulatory reports. Our on-going work with the state of Arizona includes our relationship with the Arizona Corporation Commission (ACC), the Arizona Department of Environmental Quality (ADEQ), the Arizona Department of Water Resources (ADWR) and the Arizona Department of Revenue (ADOR). We are happy to report that we have excellent working relationships with the officials in these state agencies and that YWIA is in full compliance with all state regulations and requirements. Additionally, we maintain several relationships with the United States Department of Agriculture. USDA has been our primary source of grant funding and is the source of our loan. Although Yavapai County has no single County official that is dedicated to work on rural water issues, we work with several of the various County offices to coordinate work projects. In the future, we hope to develop a more responsive relationship with Yavapai County.

**Mistakes**

Yes, mistakes do happen. The Board of Directors attempts to make sound financial and strategic decisions, but sometimes things do not go as planned. The following are two examples where mistakes were made. The underlying factors that contributed to these mistakes were “misplaced trust” and “complacency” discussed above.

The first example was our failure to succeed at bringing Well #3 on line. We attempted to utilize the remaining funds in our most recent USDA grants to incorporate a third well into our water production. We had approximately $100,000 remaining in our grant funds that could be used for this purpose. We hired a professional engineer to develop the specifications for this work. The engineering costs were eligible for reimbursement from the grant. The fees for engineering services totaled $22,000. When the project was put out to bid, we only received one qualified bid in the amount of $326,000. We were led to believe by a contractor that there were enough funds available in our USDA grant accounts to cover the cost. Our error was in trusting the accuracy of the contractor’s estimate and not seeking out other opinions of likely costs. We now own a set of $22,000 bid documents without the capital reserves to pursue construction. We plan to look for other grant opportunities to pursue this project in the future. Although the cost of the engineering was not a financial loss, there was an “opportunity cost” on what we might have been able to accomplish with more realistic guidance.

The second example is the failure of one of our five American Rescue Plan Act grants to be implemented. We were awarded a grant of $230,000 to replace a portion of a water main that runs down St. Rt. 89. The grant application was a gross underestimation (5X) of the costs of the project and contained a pivotal factual inaccuracy. Two attempts to amend the grant were denied by Yavapai County officials. We attempted to correct the errors in the application and to change the scope of the project to a set of parameters that were executable at the award level. We misplaced our trust in a contractor that submitted the grant application, and we misplaced our trust in the “good faith” of the County to work with us on this important initiative. More than any other mistake that the Board has “learned from,” this mistake has moved us in a direction of far stricter and critical oversight.

**2025 Goals**

1. **Investigate opportunities for revenue growth.**
2. **Create a durable digital records management system.**
3. **Increase Security at the Well Site.**
4. **Fire mitigation around storage tanks.**
5. **Implement new SCADA system.**
6. **Recruit Volunteers for Fire Hydrant Project**

**Conclusion: Trust is “Oxygen” for a Volunteer Board**

The current members of the Board of Directors, Trish Edwards, Barb Dow, Bob King, Sherri Fagan, Radu Bogdan, and David Green are a **diverse** group of individuals that bring differing perspectives to our work. The **diversity** of the Board’s backgrounds is a core strength of YWIA. We organize our discussions and deliberations in a non-hierarchical and intentionally horizontal structure to provide an **equal opportunity** for participation and authority. Our goal at every meeting is to **include** the diverse perspectives of the Board members. At no time do we believe that any single one of us are the only one of us that can fix a problem. We recognize that our **diverse** backgrounds are our strength and that we can only utilize that strength through a process of **inclusion** that values our **equality.**

When we tackle a problem as a team, we often start out from very different positions, but we work hard to reach a consensus that includes everyone’s insights. This is only possible because of the trust that the Board members have in each other’s dedication to serving the best interests of the community. This trust is “oxygen” for our volunteer board.