

APPENDIX T  
VILLAGE OF MANTUA DEVELOPED SURCHARGE RATE CALCULATIONS  
BASED ON EQUIVALENT SURCHARGE UNIT

This Appendix is Referenced in Section 6.3.1. of this Agreement

Procedure:     Setting Recapitalization Cost  
                    Setting Equivalent Building Unit  
                    Setting Customer Surcharge Rate  
                    Calculating Customer Monthly Surcharge Fee  
                    Setting First Year Fees and Equivalent Surcharge Unit  
                    Setting Following Year Fees and Equivalent Surcharge Unit  
                    Annual Report to the Village Council

These following Procedures are agreed to by the Village of Mantua (Village) and Portage County (County) as an equitable method to establish fees by which the current Village utilities customers and future customers who receive the majority of their water and sewer service through, what is currently known as the Village of Mantua water and sanitary sewer facilities, shall pay for the cost of the Village Debt transferred to the County for retirement, estimated Recapitalization Costs and actual Recapitalization Costs to pay for the Identified Needs listed in Appendix J.

**Definitions**

For this Procedure the following terms are defined:

1.     Actual Costs are all costs incurred by the County for debt retirement for debt transferred on the date when the County received ownership of the Village's utilities, all costs associated with the work identified on the water and sanitary sewer Needs List, including any new debt required for completion of the projects on the Needs Lists.
2.     Agreement is the Village of Mantua, County of Portage Water and Sanitary Sewer Systems Transfer Agreement (Agreement) in its final form as approved by the Portage County Board of Commissioners and the Village of Mantua Council.
3.     Customer Monthly Surcharge Fee is the amount paid by an individual property or building owner and is calculated by multiplying the property's or building's ESU times the current Customer Surcharge Rate.
4.     Customer Surcharge Rates is the amount charged per ESU calculated by dividing the total EBUs connected to the water and sanitary sewer systems into the monthly Recapitalization Costs. The Customer Surcharge Rates shall be set by Agreement for the first year and thereafter annually recalculated and reported to the Village.
5.     Debt includes: 1) the Debt transferred from the Village to the County upon the County receiving ownership of the Village water and sanitary sewer facilities and 2) the Debt acquired to cover the cost of work completed on the Needs List which may be in the form of borrowed money or funds used from existing the County reserves. Funds used from the County reserves shall have

interest applied based on Ohio Water Development Authority (OWDA) published interest rate for the month during which the funds were expended.

6. Estimated Costs are the costs estimated for the individual water and sewer projects included in the Identified Needs and as agreed to by the Village and County as stated in the Agreement. Estimated Costs shall be increased at a rate of three percent per year until all work on the Identified Needs list is completed. Estimated Costs shall be replaced by Actual Costs once all work is completed and Actual Costs are known.

7. Equivalent Surcharge Unit (ESU) is the number calculated as Equivalent Building Units as equivalent single-family residential units per the Portage Country Water Resources Rules and Regulations Section 1401. An analysis for each parcel and building connected to either the water and/or sanitary sewer system shall be completed with the resultant ESU set for the parcel and building as agreed to by staff from both the Village and the County. For all buildings the minimum ESU set shall be one (1).

8. Identified Needs are the water and sanitary sewer needs which have been agreed to by the Village and the County and listed in the ownership transfer Agreement and when the individual Identified Needs are combined, they become the Needs Lists.

9. Needs List there is one each for the water and sanitary sewer systems and are included in the Agreement. The Needs List combines all the Identified Needs.

10. Recapitalization Costs is the amount to be charged for the water and sanitary sewer systems to pay for all costs at time of ownership transfer from the Village to the County and include current and future Debt, current Estimated Costs of Identified Needs remaining on the agreed Needs List, Actual Costs for each completed Identified Need, all of which is used to calculate a monthly payment total for the water and sewer systems based on the remaining years in the initial 40-year agreed upon repayment time period or the actual Debt repayment schedule.

### **Recapitalization Cost Setting**

Recapitalization Costs for the first year are the water and sanitary sewer systems Estimated Costs for work identified as Identified Needs. The Village and the County expended considerable time in understanding each item in the Needs Lists, agreeing to the final Adjusted Budget for both the water and sanitary sewer systems Identified Needs. The Identified Needs is attached to the Agreement as Exhibit J and summarized below:

Adjusted Budget Water Identified Needs:	\$6,849,695
Village Current Debt Held:	\$131,544
Total:	\$6,981,239
Adjusted Budget Sanitary Identified Needs:	\$3,992,508
Village Current Debt Held:	\$653,077
Total:	\$4,645,585
Water and Sanitary Identified Needs:	\$10,842,203
Village Current Debt Held:	\$784,621
Total:	\$11,626,824

As work to complete each of the Identified Needs progresses an accounting shall be continually updated showing details of the work completed, and the Actual Costs of the Identified Need to return the water and sanitary sewer facilities to their full intended design condition, based on maintained age. Actual Costs will become known at completion of the work relating to a specific Identified Need and the Estimated Costs for that Identified Need is replaced with an Actual Costs. The Estimated Costs were developed during an inspection of the Village's Water and Sewer Facilities in 2016 and Identified Needs were defined requiring the repairs, maintenance, replacement and/or improvements to the Village water and sanitary sewer facilities. The 2016 Estimated Costs have since been updated for year 2020 based upon an agreed upon 1.3% per year for 3-year compounding average of 1.455% as provided for in the Appendix J of the Agreement. Recapitalization Cost Estimates were then adjusted after detailed discussion with the Village setting the Adjusted Budget. The Recapitalization Cost Estimates Adjusted Budget was then added to the current Village Debt to be paid by the County on behalf of the Village Customers resulting in the first year Estimated Recapitalization Costs as provided for in the Agreement.

Each year the Estimated Recapitalization Costs shall be adjusted, up or down, as the Actual Costs for the work required to complete each Identified Need is finalized. When the work is complete the Estimated Costs for the Identified Need shall be set to zero and the Actual Costs shall be used to recalculate the Recapitalization Costs and shall be added to the current debt payments reduced to a payment to be invoiced monthly for the next year. The process of resetting the Recapitalization Costs shall occur each year representing both the costs of correcting Identified Needs, current debt acquired or retired and paydown of the Recapitalization Costs. During years when no change in the Recapitalization Costs occurs there will be no change in the monthly Surcharge Rate unless there is a change in the ESUs the preceding year.

### **Equivalent Surcharge Unit Setting**

All improved parcels and/or buildings shall be assigned an Equivalent Surcharge Unit (ESU). A single-family residential parcel shall have an ESU of one (1). All parcels/buildings which are not single-family residential shall be evaluated to determine its equivalency to a single-family residential parcel/building. The minimum ESU any parcel or building may have is one (1). The parcel or building's ESU is used to establish the Surcharge Fee for the parcel or building by multiplying the ESU times the monthly Customer Surcharge Rate for water and/or sanitary sewer and billed monthly in addition to the monthly user rate for utility services provided at the current County user rate for water and sewer service.

The procedure for determining a parcel or building's equivalency to a single-family residential property is based on the analysis process in place and published in the current Portage County Water Resources Rules and Regulations Item 1401 which is based on the Ohio Environmental Protection Agency's publication titled the Green Book. The calculated Equivalent Building Unit (EBU) shall be calculated through the established methods outlined above and used to set the ESU.

Prior to the execution of the Transfer Agreement, the County and Village shall in combination evaluate each parcel and/or building receiving water and/or sanitary sewer service from the Village to establish each parcel and building ESU, reduce to writing the analysis resulting in the

establishment of the ESU for the parcel and/or building. Both a representative of the Village and the County completing the ESU analysis shall agree and sign off on the analysis. Every parcel and building ESU analysis shall be reviewed by the Village Administrator and the County Sanitary Engineer and they shall also sign off after reaching agreement on the established ESU.

Any property owner, tenant or agent interfering with the Village and County in obtaining the necessary information to accurately define a parcel or building ESU shall be subject to a best estimate based on standard engineering practices times a factor of two which shall remain in effect until such required information is provided by access to the building or property by the County and Village. No property owner shall receive a rebate for any overcharges occurring due to this Section.

Once the ESU is finalized as established in the process outlined above a copy shall be available for public review at the Village of Mantua and Portage County Water Resources. The sum of all ESUs for both water and sanitary sewer systems shall be updated annually as parcels or buildings are connected or disconnected and the updated information used annually to set the Customer Surcharge Rate for the following year.

Any adjustment to the original ESU set by the process outlined above shall only occur upon recommendation of the Village of Mantua Council and the Council sending said recommendation to the Portage County Commissioners for their consideration during the next annual setting of the Customer Surcharge Rate as outlined herein.

### **Customer Surcharge Rate**

Except for the First Year, which Surcharge Rate shall be set by Agreement, all subsequent years shall have an evaluation of the Recapitalization Costs and any increases or decreases in ESUs from the previous year to calculate the new Surcharge Rate from the following year. As stipulated above should an owner prohibit the establishment of an ESU and later permits access to establish the actual ESU for the parcel or building, it is recognized that there may be a deduction in the total ESUs based on the accurate information being obtained.

The total calculated amount of the Recapitalization Costs for the following year and the updated ESUs for the current year are used to set the Customer Surcharge Rates for water and sanitary sewer.

$$\text{Customer Surcharge Rate} = \text{Monthly Recapitalization Costs} / \text{Total ESUs}$$

### **Customer Monthly Surcharge Fee**

The Customer Monthly Surcharge Fee is determined by multiplying the parcel's or building's current ESU times the current Customer Surcharge Rate for water and/or sanitary sewer.

$$\text{Customer Monthly Surcharge Fee Water} = \text{ESU} \times \text{Water Surcharge Rate}$$

$$\text{Customer Monthly Surcharge Fee Sanitary Sewer} = \text{ESU} \times \text{Sanitary Sewer Surcharge Rate}$$

Although the Surcharge Rate is subject to a Surcharge Cap the Surcharge Fee is not subject to a cap but is found by the ESUs times the current adjusted Surcharge Rate. Any change in the total of ESUs will have a resultant change in the Surcharge Fee charged.

### **Setting First Year Fees and Equivalent Surcharge Unit**

The Estimated Costs and Debt identified in the Agreement are added together to form the basis of the first year's surcharge to be paid by the Village current customers within the Village Service Area connected to the Village utilities at the time of transfer. Those parcels and buildings connected to the Village utilities shall continue to pay the Surcharge Fee until such time as inspections confirms they are disconnected from the Village utilities or all Capital Identified Needs are paid in full.

### **Setting Following Year Surcharge Fees and Equivalent Surcharge Unit**

Except for the First Year, which the Customer Surcharge Rate shall be set by Agreement, all subsequent years shall have an evaluation of the Customer Surcharge Rate from the previous year by adjusting based on the following parameters as provided for in detail above:

1. Recalculation of the ESU adding any new customers or increased parcel/building ESUs or deducting any parcel/building disconnected from the Village utilities used to calculate new totals for the water and sanitary sewer system ESUs.
2. Setting new Recapitalization Costs by analysis of the following information:
  - a. Deducting the amount paid for Debt which has retired the preceding year.
  - b. Adding the amount paid for new Debt that was added the preceding year for Identified Needs completed work.
  - c. Deducting the Estimated Costs for an Identified Needs when the work is completed.
  - d. Adding the Actual Cost for an Identified Need when the work is completed.
  - e. Calculating the current Recapitalization Costs and then reducing it by all amounts previously paid by the Village customers and reducing by any grant funds received.
  - f. Calculate the monthly payment required to pay the adjusted Recapitalization Cost principal over the number of months remaining (initially 480-months at the time of the Agreement) to completely pay off the adjusted Recapitalization payment using interest for County provided funds based on the current Ohio Water Development Authority

published interest rate for the month during which the expense was completed or the rate charged for all funds borrowed based on the specifics of the loan payback period.

3. The current value of the projected monthly payment for the Recapitalization Costs for the water and sanitary sewer systems shall be totaled and shall then be divided by the total ESUs for each system and the respective annual water and sanitary sewer Customer Surcharge Rate shall be established.
4. The new Customer Surcharge Rate and cost accounting is reported to the Village of Mantua Council and the Council provided the opportunity to make recommendations for consideration of the Portage County Board of Commissioners with respect to adjustments to ESUs.
5. The new Customer Surcharge Rate and cost accounting is presented to the Portage County Board of Commissioners for approval. If approved the new Customer Surcharge Rate shall be used for the following years billing cycles. If for any reason the new Customer Surcharge Rate recommended to the Board of Commissioners is not approved for any reason than the previous year's Customer Surcharge Rate shall remain in effect.

### **Annual Report to the Village Council**

At the end of each year the County shall provide an accounting to the Village of Mantua Council relating to the Identified Needs work completed, Actual Costs, remaining Estimated Costs, Debt payments made, Debt incurred to complete the Identified Needs, the payments made by the Village customers and all grant funds received. This information will be accompanied by the calculations completed to establish the following years Customer Surcharge Rate.

This Procedure is agreed to by both the Village and County officials. This Procedure is referencing the Agreement and is enforceable on both the Village and the County as if written in full within the Agreement.