

**Village of Mantua, Ohio
RESOLUTION 2020-45**

**A RESOLUTION AUTHORIZING A MEMORANDUM OF UNDERSTANDING WITH
THE PORTAGE COUNTY COMMISSIONERS RELATING TO PROPOSED
AMENDMENTS TO ORDINANCE 2019-49, THE “MANTUA VILLAGE, COUNTY OF
PORTAGE WATER AND SANITARY SEWER SYSTEMS
TRANSFER AGREEMENT”, AND DECLARING AN EMERGENCY.**

WHEREAS, on November 19, 2019, the Council of the Village of Mantua approved Ordinance 2019-49, authorizing execution of the “Mantua Village, County Of Portage Water and Sanitary Sewer Systems Transfer Agreement” (“the Transfer Agreement”), to become effective January 1, 2020; and

WHEREAS, pursuant to Ohio Revised Code section 731.29, citizens of the Village of Mantua circulated petitions seeking referendum relating to Ordinance 2019-49 and ordering that such ordinance be submitted to the electors of such municipal corporation for their approval or rejection; and

WHEREAS, subsequent to certification of the referendum petitions, teams representing both entities have engaged in further discussions regarding the terms of the Transfer Agreement and have drafted proposed amendments thereto which would be put into effect in the event that Ordinance 2019-49 is approved by the voters of the Village of Mantua on November 3, 2020; and

WHEREAS, it is this Council's desire to enter into a Memorandum of Understanding with the Portage County Commissioners relative to such proposed amendments; and

WHEREAS, this Council further desires that the legislation authorizing such Memorandum of Understanding will be given three readings per Ohio Revised Code Section 731.17, in order that the citizens of the Village of Mantua can be fully informed of the substance of the proposed amendments to the Transfer Agreement prior to the election to be held on November 3, 2020.

NOW THEREFORE BE IT RESOLVED by the Council of the Village of Mantua, two-thirds or more of the members elected thereto concurring, that:

SECTION 1. The Mayor of the Village of Mantua is hereby authorized to execute a Memorandum of Understanding with the Portage County Commissioners, as set forth in “Exhibit A”, attached hereto and incorporated herein by reference.

SECTION 2. It is hereby found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its Committees that resulted in such formal action were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

SECTION 3. This Resolution is hereby declared to be an emergency measure, in order that the contemplated amendments to the “Mantua Village, County Of Portage Water and

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Sanitary Sewer Systems Transfer Agreement” may be put into effect immediately provided that Ordinance 2019-49 is approved by the Voters of Mantua Village at the general election of November 3, 2020, and for that reason this Resolution shall take effect immediately upon proper passage by at least two thirds of the Mantua Village Council.

PASSED IN Council this 20th day of October, 2020.

ATTEST

Linda Clark, Mayor

Jenny August, Clerk-Treasurer

1st Reading: September 15, 2020

2nd Reading: September 29, 2020

3rd Reading: October 20, 2020

Effective: October 20, 2020

I hereby certify the above Ordinance was posted at the five (5) public notice locations in the Village of Mantua, Ohio, on the _____ day of October, 2020.

Jenny August, Clerk-Treasurer

Approved as to Legal Form:

Michele Stuck, Solicitor

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“Exhibit A”

**MANTUA VILLAGE, COUNTY OF PORTAGE
WATER AND SANITARY SEWER SYSTEMS
TRANSFER AGREEMENT
MEMORANDUM OF UNDERSTANDING**

WHEREAS, Village of Mantua, Ohio, Village Council, by Ordinance 2019-49, passed in council on November 19, 2019, *inter alia*, authorized the execution of a “MANTUA VILLAGE, COUNTY OF PORTAGE WATER AND SANITARY SEWER SYSTEMS TRANSFER AGREEMENT”, and authorized its performance in order to effect the transfer of ownership and operation of the Village of Mantua water and sewer Utilities, as defined therein, to Portage County, as being in the best interests of the inhabitants of the Village of Mantua; and

WHEREAS, as a result of a valid petition for referendum, the passage of Ordinance 2019-49 is to be determined by the electors of the Village of Mantua in the November 2020 General Election; and

WHEREAS, the Village of Mantua and County of Portage have identified certain modifications to the “MANTUA VILLAGE, COUNTY OF PORTAGE WATER AND SANITARY SEWER SYSTEMS TRANSFER AGREEMENT”, and the Village of Mantua desires to indicate its understanding to effect these modifications through supplemental legislation; now therefore be it

AGREED, that in the event that the Village of Mantua electors approve the passage of Ordinance 2019-49 during the November 2020 General Election then the Village of Mantua, Ohio, Village Council will take up supplemental legislation to approve the modifications to the “MANTUA VILLAGE, COUNTY OF PORTAGE WATER AND SANITARY SEWER SYSTEMS TRANSFER AGREEMENT”, that are laid out in Schedule 1, attached hereto and hereby incorporated herein, along with all modifications to correct dates, indexes and typo corrections found necessary.

[SIGNATURES]

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SCHEDULE 1

The language below will replace language in the Transfer Agreement as provided for in Village of Mantua, Ohio Ordinance 2019-49.

5. FINANCIAL ASSETS

5.1. On the Closing Date, all Financial obligations owed by, or to, the Village Systems shall transfer to the County, and become obligations of or to the County. This includes, but not limited to, all liabilities, debt as identified in Appendices N and O, outstanding encumbrances, unpaid invoices as well as all receivables, including outstanding balances owed to the Village Systems for services rendered prior to the transfer and insurance payments. The Village will retain the cash balance in its sewer and water funds until the payroll associated with work performed by the Village System’s employee(s) up to the date/time of the transfer are paid by the Village, then the remaining cash balance shall be transferred to the County. Only the liabilities covering the Village’s time as owner of the Village Systems shall be paid from these funds up to the Closing Date, except for payroll as provided for above. All outstanding and delinquent account balances set forth in Appendix P will become obligations owed to the County. **All delinquent account balances greater than 60-days old as provided to the County from the Village in Appendix P on the Closing Date, when collected, shall be credited as revenues received toward the retirement of the Surcharge minus any applicable legal fees associated with collection.** Any balances deemed uncollectable by the County and removed as a pending receivable shall not be counted toward the Surcharge balance.

6. BILLING AND RATES

6.3. The projects in Appendices I and J, along with the debt identified in Appendices N and O, shall be used to calculate an expenditure balance unique to the Mantua Village Service Area. This balance forms the basis for a Surcharge Rate to be **used to calculate a Surcharge Fee to be** placed on the accounts of the **existing customers provided water and/or sewer service inside the Village Service Area, future customers of water and/or sewer service inside the Village Service Area and future customers of water and/or sewer service outside the Village Service Area receiving service primarily form the Mantua system** as identified in Section 5.3. and Section 6.4.

6.3.1 The Surcharge **Fee** is the amount charged monthly to each account **receiving water, sewer or water and sewer services** inside of the Mantua Village Service Area in relation to the items listed in 6.3. The Surcharge **Fee charged shall be based on the “Equivalent Surcharge Units” (“ESU”)** established for the property as such is calculated pursuant to Appendix T, ESU Accounting Procedure. **A single-family residential dwelling (detached house) equals one (1) ESU. The Surcharge Rate per ESU will** consist of a proportionate water component, a proportionate sewer component, or both combined in relation to the

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items listed in 6.3. It is agreed the starting monthly Surcharge Rate per ESU cannot be established until Village and the County complete the work outlined in Appendix T. It is further agreed that at the time that the MOU was drafted the estimate for water only customers is \$32.93, for sewer only customers is \$26.32 and for combined sewer and water customers \$59.25. It is further agreed that the Village and the County shall diligently work to evaluate and set all Customer’s ESU prior to the execution of the Final Agreement and that the Final Executed Agreement shall replace the estimated ESUs with actual ESU. The Surcharge Rate is multiplied by the property ESU, resulting in the monthly Surcharge Fee per Appendix T. The Surcharge Fee will be added to customers’ User Fees and included on their monthly utility bills.

6.3.2 A Surcharge Rate Cap, in relation to the items listed in 6.3., shall be the amount which the Surcharge Rate, shall not exceed during a stated period. It is agreed that the first year Surcharge Rate Cap per ESU is estimated at the time of this MOU to be \$59.25 and further it is agreed that the actual Surcharge Rate shall be established prior to execution of the final Agreement. The Surcharge Rate Cap shall be adjusted once each calendar year using the previous year Surcharge Rate Cap increased by either the Base Interest Rate of 3-percent or the prior year annual Construction Price Index average, whichever is greater (rates non-additive), the resultant being the new year Surcharge Rate Cap which shall remain in effect until changed. The Surcharge Rate Cap in effect is not applicable to and shall not limit the ability of the County to collect past-due, delinquent and/or unpaid amounts on customer accounts.

6.3.3. The identified dollar amount, and length of time over which the Surcharge Fee is to be collected, will be determined by the Portage County Board of Commissioners per Ohio Revised Code 6103 and 6117. Surcharge Rates shall be reviewed at least once each calendar year, and if found justified by the Portage County Board of Commissioners, Surcharge Rates may be adjusted. Further the parties understand that all adjustments to the Surcharge Rate shall be completed in open public sessions with the Portage County Board of Commissioners (see Appendix S for supporting methodology for Sections 6.3.3., 6.3.4. and 6.3.5.).

6.4. The boundaries of the existing Village Water Service area as set forth in Mantua Resolution 2002-36 and Portage County Resolution 02-922, and the existing Village Sanitary Sewer Service Area as identified by Village of Mantua Resolution 2002-45 and Portage County Resolution 02-1054-1, are attached to this Agreement as Appendices L and M to be used for reference purposes only. The County and Village agree that the County prepared parcel level accurate Mantua Service Area Map Appendix Q accurately represents those parcels and customers to be considered as Village customers as of the Closing Date of this Agreement. The County agrees to treat any customers wishing to tap into service for water or sewer, from within the parcel level accurate Mantua Service Area Map Appendix Q in the following manner: The County shall charge them any and all connection fees owed under County policy, prior to the connection as it would any other customer at that time, and shall charge them the current rates in place at that time, including the Surcharge Rate identified in Section 6.3 as the basis for the applicable Surcharge Fee. The value of the tap-in fees and Surcharges collected from such

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customers, located within the parcel level accurate Mantua Service Area Map Appendix Q, shall be credited as revenues received toward the retirement of the Surcharge identified in Section 6.3.

6.5. The County also agrees that any grants, loan deferments, or other non-rate revenues, collected specifically for any of the Identified Needs list for the Capital Improvement Plan projects identified in Appendix J will also be credited as revenues received toward the retirement of the Surcharge Rate identified in Section 6.3.

~~12. EMPLOYEE RETENTION – SECTION REMOVED BALANCE
RENUMBERED~~

~~12. FUTURE DEVELOPMENT AND EXTENSION OF VILLAGE FA-
CILITIES~~

~~12.1 The County shall have the right to determine whether to extend services from the Village Systems to areas within or outside the boundaries of the Village and the County. The County shall have jurisdiction to extend services, provide services, extend utilities, and otherwise exercise all rights and duties for sanitary sewer and water services as provided by law.~~

~~12.2 The Village and County agree that during the life of this Agreement, any future services extended to new Customer(s) outside of the agreed upon Service Area boundary, receiving potable water primarily from the Mantua WTP, and/or receiving sewage treatment primarily from the Mantua WWTP that the Tap in Fees collected, minus any deductions to or cost paid by the County associated with the Tap in Fees, shall be credited as revenues received toward the retirement of the Surcharge identified in Section 6.3.~~

~~12.3 Annually the Mantua Village Council shall receive from the County a report outlining the current estimated Identified Needs, the actual cost of the Identified Needs, all debt incurred by the County to pay for the Identified Needs, the amount of Surcharge Collected, the amount of Grants collected, the amount of debt held and all Tap in Fees collected and credited as revenues received toward the retirement of the Surcharge identified in Section 6.3. Once the surcharge is retired, additional tap fees, or any other fees collected, are for the sole use of Portage County Water Resources at discretion of the Board of Commissioners and will no longer be reported to Mantua Village Council.~~

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APPENDIX R – CALCULATION OF INITIAL SURCHARGE RATE

A table to show the basis of the calculation of the Surcharge Rate Developed by Village of Mantua and Agreed to by the Parties to This Agreement.

This Appendix is Referenced in Section 6.3.2. of this Agreement

Document Provided for Inclusion in this Agreement by Village of Mantua

1 Page Insert to Follow

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APPENDIX R – CALCULATION OF INITIAL SURCHARGE RATE

POSSIBLE AMENDMENT FOR COUNCIL
Village of Mantua – Portage County
Utility Merger Transfer Agreement
Date: _____
Proposed Appendix R

APPENDIX R – CALCULATION OF INITIAL SURCHARGE RATE

WATER INFRASTRUCTURE

Identified Needs	Appendices I & J	\$6,829,809		
Debt	Appendices N & O	\$180,345	\$7,010,154	57.8%

SEWER INFRASTRUCTURE

Identified Needs	Appendices I & J	\$3,992,739		
Debt	Appendices N & O	\$1,119,739	\$5,112,478	42.2%

Initial Expenditure Balance Unique to Mantua Village Service Area

\$12,122,632

Payment per Month Total*

\$43,397.14

Number of Customers

Sections 5.3 & 6.4

732

Initial Total Surcharge Rate

(\$43,394.89 / 500)

\$59.25

Water Portion

\$34.26

57.8%

Sewer Portion

\$24.99

42.2%

*The Payment per Month Total was determined utilizing a **Standard Debt Amortization Calculator** for a debt amount of \$12,122,005 to be amortized over a 40 year period at an annual interest rate of 3%.

The above calculation is the analysis used for the first year’s surcharge. When all Identified Needs are completed the amortization period shall be reduced five years to provide a pay back margin to guarantee all funds repaid within a total of forty years allowing for useful life not to expire during the payback period.

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**APPENDIX S – PORTAGE COUNTY BOARD OF COMMISSIONERS ANNUAL OPEN
SURCHARGE RATE REVIEW**

A document to show the basis of how the Surcharge Rate will be evaluated by the Portage County Board of Commissioners Developed by Village of Mantua and Agreed to by the Parties to This Agreement.

This Appendix is Referenced in Section 6.3.3. of this Agreement

Document Provided for Inclusion in this Agreement by Village of Mantua

Expenditure Balance Unique to Village of Mantua Service Area (Reference Appendices I, J, N &O) is calculated by adding the Identified Costs to Date plus the Remaining Project Budget Balances:

Adjustments to remaining Expenditure Balance including but not limited to:

- Debt Reduction (original 6.3)
- Surcharge Revenues from Village of Mantua Service Area customers (original 6.3)
- Tap-In Fees for new customers (original 6.4)
- Collection of Delinquent Account Balances (Section 5.1)
- Loan Deferments (original 6.5)
- Non rate revenues collected specifically for any of the Identified Needs (original 6.5)
- Grants Received and applied toward specific projects (original 6.5)
- State and Federal Funds received and applied to specific projects

Adjusted Year End Expenditure Balance = Identified Costs + Remaining Budget Balances – or + Adjustments

Each year the Commissioners will use the Adjusted Year End Expenditure Balance (above) along with the remaining time and number of current customers to review the existing Surcharge Rate.

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**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.

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

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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 expensed.

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:	\$6,829,809
Village Current Debt Held:	\$180,345
Total:	\$7,010,154

Adjusted Budget Sanitary Identified Needs:	\$3,992,739
Village Current Debt Held:	\$1,119,739
Total:	\$5,112,478

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Water and Sanitary Identified Needs:	\$10,822,548
Village Current Debt Held:	\$1,300,084
Total:	\$12,122,632

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

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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.

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

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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.

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- 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.