



City Council Agenda Item Report

FROM: Nicole Bredeweg

MEETING DATE: October 27, 2025

SUBJECT: Resolution No. 251027-A Split of Fund 592 (Water and Sewer Enterprise Fund) into Fund 496 (Sewer Capital Projects Fund) and Fund 497 (Water Capital Project Fund)

DESCRIPTION:

This resolution authorizes the formal split of Fund 592 (Water & Sewer Enterprise Fund) into two separate capital project funds—Fund 496 (Sewer Capital Projects) and Fund 497 (Water Capital Projects)—effective July 1, 2025.

The City has established a water capital improvement fee. Kalamazoo Lake Sewer & Water Authority (KLSWA) collects and remits this fee to the City. Maintaining distinct funds ensures those revenues are accounted for in their appropriate categories and used for their intended purposes. If the City receives future state and federal grants related to replacement of water or sewer infrastructure, having separate water and sewer capital funds will make grant tracking and matching-fund reporting more straightforward.

The proposed transfer of approximately \$800,000 reflects the combined fund balance currently held in Fund 592 as of June 30, 2025.

These balances will be reclassified to the new capital project funds as follows:

- Fund 496 – Sewer Capital Projects: approximately \$230,000
- Fund 497 – Water Capital Projects: approximately \$570,000

These allocations were derived through a detailed review of eighteen years of financial data. Each transaction was categorized as water-related, sewer-related, or unknown. Known water and sewer transactions produced a near 50/50 distribution, which provided a rational basis for allocating the remaining unknown items. Interest earnings were then proportionally assigned based on each period's relative fund balance—so if Water held 92 % of the pooled balance during a given month, 92 % of that month's interest was credited to Water.

This approach represents the City's best effort to reflect historical activity as accurately as possible while ensuring that the combined totals remain reconciled to the City's general ledger for Fund 592.

BUDGET ACTION REQUIRED:

No new expenditures are proposed. This action simply aligns the City's accounts with the adopted FY 2025-2026 budget, which already incorporated Funds 496 and 497 (Water and Sewer Capital Projects) instead of Fund 592.

COMMITTEE/COMMISSION REVIEW:

Not applicable.

LEGAL REVIEW:

The City Auditor has reviewed the proposed split and concurs with the accounting treatment.

SAMPLE MOTION:

Motion to approve Resolution No. 251027-A, authorizing the division of Fund 592 – Water & Sewer Enterprise Fund into Fund 496 – Sewer Capital Projects Fund and Fund 497 – Water Capital Projects Fund, effective July 1, 2025, and to reallocate total fund balance of approximately \$800,000 between the two new funds as presented.

**CITY OF SAUGATUCK
COUNTY OF ALLEGAN
STATE OF MICHIGAN**

RESOLUTION NO. 251027-A

**A RESOLUTION AUTHORIZING THE SPLIT OF FUND 592 (WATER & SEWER ENTERPRISE)
INTO FUND 496 (SEWER CAPITAL PROJECTS) AND FUND 497 (WATER CAPITAL
PROJECTS), AND AUTHORIZING RELATED TRANSFERS AND JOURNAL ENTRIES —
EFFECTIVE JULY 1, 2025.**

WHEREAS, the City previously recorded water and sewer operations and capital activity within a single enterprise fund (Fund 592); and

WHEREAS, due to changes in operations and to improve clarity and compliance with reporting requirements, the City Manager and City Treasurer have recommended the separation of Fund 592 into two capital projects funds to separately account for water and sewer capital activity; and

WHEREAS, the City Auditor has concurred with this approach; and

WHEREAS, the City Treasurer has prepared an allocation schedule identifying the specific balances to be transferred to the new funds; and

WHEREAS, the City Council finds it is in the best interest of the City to reorganize the funds for clarity in capital project accounting and reporting.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Saugatuck, Michigan, that:

1. The City Council hereby authorizes the reorganization and split of Fund 592 (Water & Sewer Enterprise) into two separate capital project funds, as follows:
 - a. **Fund 496 — Sewer Capital Projects**; and
 - b. **Fund 497 — Water Capital Projects**.
2. The effective date of the fund split shall be **July 1, 2025**.
3. The City Treasurer is hereby authorized and directed to:
 - a. Prepare and execute the necessary journal entries to transfer assets, liabilities, and fund balances from Fund 592, totaling approximately \$800,000.00, distributed as follows:

- > Fund 496 – Sewer Capital Projects Fund – approximately \$230,000.00
- > Fund 497 – Water Capital Projects Fund – approximately \$570,000.00

4. The City Manager and City Treasurer are authorized to take all actions necessary to effectuate this Resolution, including updating internal accounting records and chart-of-accounts mappings, as appropriate.

BE IT FURTHER RESOLVED that the City Clerk shall cause a copy of this Resolution to be recorded in the minutes of the City Council and included in the City’s financial records.

YEAS:

NAYS:

ABSTAIN:

ABSENT:

RESOLUTION NO. 251027-A DECLARED ADOPTED

Holly Anderson, Mayor

Date

Jamie Wolters, City Clerk

Date

CERTIFICATION

I, Jamie Wolters, the duly appointed clerk of the City of Saugatuck do hereby certify the foregoing is a true and complete copy of a resolution adopted by the Saugatuck City Council at a regular meeting held _____, 2025, in compliance with the Open Meetings Act, Act No. 267 of the Public Acts of Michigan, 1976, as amended, the minutes of the meeting were kept and will be or have been made available as required by said Act.

Attest:

Jamie Wolters, City Clerk