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Bulletin 10

Public Act 34 of 2001, Revised Municipal Finance Act

Application for Exemption; Changes to Filing Process

Issued By: Local Government Financial Services Division
Bureau of Local Government Services

Effective Date: March 24, 2016

Public Act 34 of 2001, the Revised Municipal Finance Act, requires municipalities issuing securities under certain conditions to seek an exemption from the Department of Treasury prior to issuance. The conditions under which an exemption is necessary are as follows:

1. Section 303(7)(d) - Issuing a security under Section 303(7) without obtaining an investment grade rating;
2. Section 323 - Issuing a security greater than \$5,000,000 under Section 303(3) without obtaining an investment grade rating;
3. Section 305(3) - Issuing a security at a discount exceeding 10% of the principal amount; and
4. Section 611(2) - Issuing a refunding security at a net present value loss.

The purpose of this bulletin is twofold. First, it introduces a revised Application for Exemption, Form 1432. Second, it addresses a new method to electronically file the Application for Exemption.

Revised Application for Exemption

General Changes

The Application for Exemption has undergone major revisions in an effort to clarify questions, add new questions to better mirror statutory criteria, and become more user-friendly while gathering additional information to better support the Department in making an informed decision. The application has been changed from a static format to a dynamic format. Static applications display a fixed layout that does not change, while dynamic applications display a

layout that differs based on the user's interactions. The revised application displays different questions based on the type of security applied for.

We will no longer be accepting applications that are missing documents, thereby incomplete. Instead, as you complete the application, you are required to attach certain documentation before being allowed to submit. A "Browse" button is available to allow for the attachment of the supporting documents, and all documents must be in a portable document format (PDF). By requiring a complete application, less time and correspondence is needed to obtain missing documents. This should result in a more expeditious determination by the Department. In addition, in instances where the municipality's Qualifying Statement and/or Audited Financial Statements are due but have not been filed, the application will be rejected. The municipality may submit a second application after the appropriate filing requirements have been met.

Investment Grade Rating

For an issuance without obtaining an investment grade rating, the municipality will indicate if they have an outstanding rating. If so, the date obtained and the rating will be required. Applications for municipalities that do not have an outstanding rating, or have an outstanding rating that is more than 365 days old, are not a private placement, and have not taken any additional actions, will be denied a rating exemption. The municipality will also be required to indicate if it is a private placement, and with whom; the cost to obtain a rating; and, other actions that may have been taken. A draft of the investment certificate will be a required attachment as supporting documentation.

Discount

For an issuance at a discount exceeding 10% of the principal amount, the municipality will indicate under which of the conditions in Section 305(3) they are applying. Documentation supporting the condition selected and the calculation of the discount rate will be a required attachment.

Refunding at a Net Present Value Loss

When a refunding results in a net present value loss, the municipality will indicate under which of the conditions in Section 611(2) they are applying, and will enter both the net present value loss and the percent of loss. Documentation supporting the condition selected and the calculation of the net present value loss will be a required attachment at the time of submission.

For all exemption applications, the municipality will attach at the time of submission a certified copy of the resolution adopted by the governing body that authorized the request for the exemption. The resolution shall clearly state authorization for the exemption being applied for: Investment Grade Rating, Discount, or Refunding at a Net Present Value Loss. If the resolution was adopted at a special meeting and a member of the governing body was absent, then notarized proofs of call or a waiver of notice will be required as part of the filing.

Starting March 24, 2016, Applications for Exemption will only be accepted in the electronic filing manner stated below:

Electronic Filing

The manner and form in which an Application for Exemption is submitted has changed in the following ways:

1. The Application for Exemption, Form 1432, will no longer be accepted through the U.S. Postal Service, by email, or by hand delivery, effective March 24, 2016. Instead, the application is to be completed online at <http://www.michigan.gov/MunicipalFinance>.
2. If not already acquired, users must obtain a new user_id and password by clicking on the “Request Access” link on the login page. Once clicking on “Request Access,” there is an instruction link available should you require additional assistance.
3. The purpose for this change in filing is to utilize one system for all forms filed with the Local Government Financial Services Division. It is our intention to convert forms such as the Security Report to a similar electronic filing process in the near future.

Notification Process

Upon implementation of this new system, approval and denial letters will not be sent via the U.S. Postal Service. Notification will now be sent via email with the letter included as an attachment. The letters and application packets will be posted on our Web site within 24 hours after receipt of the notification email. This is similar to our Web site postings for the Qualifying Statement approval and denial letters.

Chief Administrative Officer Certification

It has been the policy of the Department of Treasury that the Chief Administrative Officer (CAO) is the person to certify the Application for Exemption. With the implementation of the new forms, we will now allow that responsibility to be designated to a different individual. The individual filing must certify that the CAO is aware of the information included in the filing and has asserted that it is complete and accurate in all respects.

This bulletin is issued pursuant to Section 201(b) of the Revised Municipal Finance Act, which authorizes the Department of Treasury to issue bulletins or adopt rules to carry out the purposes of the Act.

For questions, please contact the Local Government Financial Services Division at (517) 373-3227.