

Michigan Department of Treasury
Instructions for Form 1435
Application to Issue Short-Term Municipal Securities

Local Unit Basic Information

This area is pre-populated upon login.

Other Filing Information

Although Public Act 34 of 2001, as amended, requires the Chief Administrative Officer (CAO) to file the Application for Short-Term Municipal Securities Form, that responsibility may be designated to a different individual. The filer will be required to certify that the authority has been designated by the CAO and both parties take responsibility for an accurate filing.

Issuing Information

All required questions on the application are noted with a red asterisk and must be completed in order to submit the application. Dates should be entered as mm/dd/yyyy.

Line by Line Instructions

Public Act/Year/Section. Provide the legal authority under which you are issuing. For example, if submitting an application for a Tax Anticipation Note (TAN), the Public Act could be “34,” the Year “2001,” and the Section “405.”

Amount of Issue Not to Exceed. Indicate the requested amount of issuance. This should match or be less than the amount authorized in the resolution approved by the governing body.

Amount Authorized in the Resolution. This is the maximum amount of issuance approved by the governing body in a regular or special meeting for which the municipality can apply.

Total Principal Found in Cash Flow Statement. This is the total amount of principal to be repaid through the final due date of the note, bond, or other debt instrument.

Title of Security. Provide the designated name of the security.

Does the Security have a Rating? Indicate if a rating was obtained. If the amount of issuance is in excess of \$5,000,000, the municipal security shall be rated by a nationally recognized rating agency unless the Department of Treasury determines that the advantages to the issuer of foregoing a rating outweigh the disadvantage of the municipal security being issued without a rating. Refer to MCL 141.2303(7)(d).

If “Yes,” provide the date of the rating and the rating itself.

If “No,” an exemption from a rating may need to be submitted to the Department of Treasury.

An exemption from a rating is not necessary for the following:

- The municipal security is an unlimited tax general obligation.
- The municipal security is secured by special assessments.
- The municipality obtains a credit enhancement for the municipal security.
- The municipal security is purchased by a government agency.

Purpose of Security. Provide a brief statement to the purpose of the security.

Estimated Issue Date. The date the municipal security will be issued.

Maturity Date. The final date the security will be repaid. Short-term municipal securities should mature in one year or less from the date of issuance. A municipal security issued shall not mature later than the estimated period of usefulness of the property or improvement for which the security is issued, except as otherwise provided for by law or statute.

What is the Net Interest Rate? Enter the expected interest rate for the municipal security. If it's variable, indicate the expected rate in the first year. This rate shall not exceed 18% per annum or a per annum rate determined by the Department of Treasury at the request of the municipality, whichever is higher.

Type of Sale. Indicate the method of sale, either Competitive or Negotiated, which is chosen by the municipality as to how the municipal security will be sold.

A *Competitive Sale* is when the issuer requests bids from underwriters for the purchase of the bonds, and the issuer selects the best bid according to criteria in the notice of sale.

A *Negotiated Sale* is when the terms of the sale are negotiated directly between the issuer and the underwriter.

Page Number in Resolution Showing the Type of Sale. Indicate the page number in the authorizing resolution or ordinance that expressly states the type of sale.

Select Method and Reason for Choosing Negotiated Sale. If the sale of the issuance is negotiated, the authorizing resolution shall expressly state the method and reason for choosing a negotiated sale. The method and reason selected should match the method and reason referenced in the authorizing resolution. Refer to MCL 141.2309(1).

Structure. Indicate if the structure of the security will be a Bond, Installment Purchase Agreement (IPA), Line of Credit (excludes Counties, Cities, Townships, and Villages), or Note.

Bond

Indicate the type of bond:

- A General Obligation bond includes a pledge to levy a property tax to meet debt service requirements.
- A Revenue bond guarantees repayment solely from revenues generated by a specified fund associated with the purpose of the bond.

If this is a *General Obligation* bond, indicate the type of security.

- A Limited Tax bond is payable from ad valorem taxes that are limited by law in rate or amount.
- An Unlimited Tax bond is also payable from ad valorem taxes, but is not limited by law in rate or amount.

Other bonds may be payable from the General Fund or other money available.

IPA (Installment Purchase Agreement)

Refer to the Public Act authorizing the borrowing to confirm if the issuance is subject to Public Act 34 of 2001, as amended.

Line of Credit (Excludes Counties, Cities, Townships, and Villages)

Indicate if the line of credit is for the Current or Next fiscal year.

Estimated State Aid: This is the amount of state aid expected to be received for the fiscal year the municipality is borrowing against. The school shall not pledge more than 30% of the state aid apportioned to the school for that fiscal year minus any state aid already received or pledged. Refer to MCL 380.1225(8).

Enter any payments received for the fiscal year the municipality is borrowing against.

Enter state aid previously pledged for other municipal securities. If none, enter \$0.

Indicate if a line of credit will be necessary in the subsequent fiscal year.

If a line of credit will be necessary in the subsequent year, enter the amount estimated to be borrowed.

Indicate the number of students who are currently enrolled for the current fiscal year. This should be the actual number enrolled, not projected or estimated.

Note

Indicate the type of note anticipated to be issued.

Bond Anticipation Note (BAN)

Enter the amount to be issued on a long-term municipal security from the authorized resolution the municipality proposes to issue. The principal amount of the security shall not exceed 50% of the proposed long-term security. Refer to MCL 141.2413(3).

Revenue Anticipation Note (RAN)

Enter the amount of revenue sharing received in the prior fiscal year. The principal amount of the municipal security issued shall not exceed 50% of the total revenue sharing payments received in the last preceding fiscal year. Refer to MCL 141.2407(2).

The total set-aside is used for the payment of principal and interest on the municipal security. A portion of each dollar that is not less than 125% of the percentage that the principal amount of the municipal security bears to the amount of the revenue sharing, up to the amount of principal. This should match to what is reported on the cash flow statement.

Example:

Principal of Note	X	125%	=	%	of revenue sharing that needs to
Revenue Sharing					be set aside each month, up to
					amount of principal
\$5.0 M (RAN)	X	125%	=	62.5%	of revenue sharing needs to
\$10.0 M (Revenue Sharing)					be set aside each month, up to
					amount of principal

Tax Anticipation Note (TAN)

Enter the expected operating tax levy for the fiscal year borrowing against. If borrowing against the subsequent fiscal year and the operating tax levy for that year has not been determined, use the current year operating tax levy. The amount of security issued shall not exceed 75% of the operating taxes of the current fiscal year that remains to be collected at the time of the authorizing resolution. Or, the amount of the security issued shall not exceed 50% of the operating tax levy if the operating tax levy is for the next succeeding fiscal year. Refer to MCL 141.2405(2) and MCL 141.2403(3).

The total set-aside is used for the payment of principal and interest on the municipal security. A portion of each dollar that is not less than 125% of the percentage that the principal amount of the municipal security bears to the amount of the operating taxes, up to the amount of principal. This should match to what is reported on the cash flow.

Example:

$\frac{\text{Principal of Note}}{\text{Property Taxes}}$	X	125%	=	% of property taxes that need to be set aside each month, up to amount of principal
$\frac{\$7.5 \text{ M (TAN)}}{\$10.0 \text{ M (Property Tax)}}$	X	125%	=	93.75% of property taxes need to be set aside each month, up to amount of principal

State Aid Note (SAN)

Indicate the fiscal year the municipality is borrowing against. Only during the last four months of a fiscal year may notes be issued pledging state school aid for the next succeeding fiscal year. Refer to MCL 380.1225(5).

Estimated state aid is the amount that is expected to be received for the fiscal year borrowing against.

Notes shall not exceed 70% of the difference between the total state aid funds apportioned to the school district or intermediate school district for the current fiscal year end and portion already received or pledged. Refer to MCL 380.1225(3).

Notes shall not exceed 50% of the difference between the total state aid funds apportioned to the school district or intermediate school district for the subsequent fiscal year end and portion already received or pledged. Refer to MCL 380.1225(5).

Enter any payments received for the fiscal year the municipality is borrowing against.

Enter state aid previously pledged for other municipal securities. If none, enter \$0.

Indicate whether a state aid note will be necessary in the subsequent fiscal year to repay this state aid note application.

If a state aid note will be necessary in the subsequent fiscal year, enter the amount estimated to be borrowed.

Indicate the number of students who are currently enrolled for the current fiscal year. This should be the actual number enrolled, not projected or estimated.

Resolution Adopted at a Special Meeting. A regular meeting is one which is held recurrently, like a monthly meeting held on a specific date or day each month. A special meeting is a board meeting outside of the regular timetable.

If held at a special meeting, indicate if any members of the governing body were absent.

If any members were absent, a waiver of notice or proof of call must be uploaded with this application.

- A waiver of notice is a document that waives the right to formal notification.
- A proof of call is a document indicating the member was made aware of the meeting before it took place.

Months on the Cash Flow Statement with a Negative Ending Balance. Indicate how many months on the cash flow statement end with a negative balance with the inclusion of this borrowing. If no months end with a negative balance with the inclusion of this borrowing, enter zero.

If one or more months are selected, indicate the first month in which the cash flow statement first goes negative.

Total Amount of Long-Term Debt Outstanding. Include all indebtedness of the municipality.

Debt excluded from Debt Limit Calculation. Indicate the total amount of debt that is excluded from debt limit calculation per statute.

Debt Structure. Indicate whether the bonds are due serially, term, or both.

- *Serial bonds* mature in consecutive years or other intervals.
- *Term bonds* are due in a single maturity whereby the issuer may agree to make periodic payments into a fund for mandatory redemption of term bonds before maturity or for payment at maturity.

Source of Repayment. Indicate what source of revenue is pledged towards the payment of the municipal security.

If from a *Special Assessment*, indicate date of the last installment. A municipal security issued in anticipation of special assessments shall mature no later than two years after the time fixed by law for the payment of the last installment of the assessments from which the municipal security is paid. Refer to MCL 141.2501(2)(a).

If from a *Special Assessment for County Drain(s)*, indicate the total amount to be assessed on the taxpayers.

Date of Last Payment on Cash Flow Statement. Enter date of last payment on the cash flow statement. This is the date on which the principal amount of a note, bond, or other debt instrument becomes due and is repaid.

Total Repayment. Enter the total amount of principal for the repayment of the security off the cash flow statement.

General Fund.

- *Beginning Fund Balance* – Enter the ending balance of the most current audited financial statements.
- *Operating Revenues* – Enter the amount budgeted for the current fiscal year.
- *Operating Expenditure* – Enter the amount budgeted for the current fiscal year.
- *Other Financing Sources – Revenues / (Expenditures)* – Enter as positive/negative number if it is increasing/decreasing the fund balance.

New Entity. A new entity is a municipality that has had 18 months or less of operations and has not been required to file an audit.

If Yes, indicate date when established.

If No, indicate the fiscal year the most recent qualifying statement was filed.

Qualifying Statement

Indicate if the qualifying statement was filed late. A qualifying statement is due six months after the end of the fiscal year.

Indicate the status of the qualifying statement. This determination is posted online and can be found at [Local Government Financial Services Division Document Search](#).

Indicate whether this is the first application since filing the most recent qualifying statement.

If No, indicate if this is an amended filing. An *amended filing* is to correct any errors from an original submission that was rejected.

Indicate the fiscal year the most recent audit was filed. If the audit was filed under the primary local unit, enter the fiscal year the primary local unit's most recent audit was filed.

When the form has been completed, select the "Save" button at the bottom of the screen.

Document Upload

Upload any required supporting documentation. All files must be in the .pdf format. Supporting documentation may include some or all of the following: resolution adopted by the governing body, cash flow statement, notarized proofs of call or waiver of notice, and compliance letter.

A compliance letter is a required attachment in most instances. Municipalities that have been denied "Qualified" status should indicate how any noncompliance from its Qualifying Statement

denial letter have been addressed. New municipalities should address whether they are in compliance with each subsection in Section 303(3), or if not, how it has been addressed. When done, select the “Continue” button at the bottom of the screen.

Certification

Provide the Chief Administrative Officer (CAO) name and e-mail address. If applicable, provide the name and e-mail address of the bond attorney, financial consultant, and certified public accountant. Select that the application is complete and accurate in all respects.

Although Public Act 34 of 2001, as amended, requires the CAO to file the Application for Short-Term Municipal Securities Form, that responsibility may be designated to a different individual. The filer will be required to certify that the authority has been designated by the CAO and both parties take responsibility for an accurate filing.

Filing Fee Voucher

A filing fee (payable to the “State of Michigan”) equivalent to .03% of the principal amount that is, not less than \$800 or greater than \$2,000, must be submitted. If the Qualifying Statement was received by the Department of Treasury more than six months after the end of the municipality’s fiscal year, a late fee of \$100 shall accompany the first application filed. Enter the amount paid and the check number. Select the “Verify” button. If no changes are needed, then select the “Print” button. Mail the voucher and check to the address on the voucher.

Print a Copy of the Application

After printing the voucher, select the “Return” button in the upper right hand corner of the screen. Then select the “Close” button at the bottom of the next screen. This opens the Form Submission page. Under the “Form” column, select “Short-Term Prior Approval.” This will open a copy of the application that can be printed.

Application Review

Upon successful submission, the Application to Issue Short-Term Municipal Securities will be reviewed within 30 business days. The Department of Treasury’s determination will be posted online in the Local Government Financial Services Division Document Search. An e-mail notification will be sent when the determination letter is available online.

If the status has been denied, a municipality may file another application to correct noncompliance issues identified in the denial letter. Any new application must be completed in its entirety with the correct or amended information.

An official statement or preliminary official statement shall not be mailed, or authorized to be mailed, or otherwise distributed as a sales document to prospective purchasers before the issuance of an Order of Approval.