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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bureau of Local Government and School Services

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2025-2 Prior Approval Applications (Incorporates elements of Bulletin 1 and replaces Bulletins 5, 8, 9, and 10 and Numbered Letter 2020-2)

Intended Audience: Chief Administrative Officers, Finance Directors, Bond Counsel, Municipal Advisors, Certified Public Accountants, Municipal Organizations, State Agencies, and Interested Parties.

Municipalities Impacted: Counties, Road Commissions, Townships, Cities, Villages, School Districts, Public School Academies, Intermediate School Districts, Community Colleges, Drain Districts, Authorities, Libraries, Hospital Finance Authorities

Summary: Numbered Letter 2025-2 creates a single source of information by incorporating elements of Bulletin 1 and replacing Bulletin 5 (last revised 2009), Bulletins 8, 9, and 10 (last revised 2018), and Numbered Letter 2020-2 (last revised 2021). Our goals with this revision include improving the overall user experience and creating efficiencies.

Public Act 34 of 2001, the Revised Municipal Finance Act, Section 303(7), requires municipalities denied "Qualified" status under Section 303(3) and issuing securities to request the prior written approval of the Department of Treasury (Treasury) before issuance. Within 30 business days of receiving an application, filing fee, and supporting documentation, Treasury shall make a determination whether the municipality has met all of the following:

- (a) Has indicated the authority to issue the municipal security requested;
- (b) Is projected to be able to repay the municipal security when due; and
- (c) Has filed a compliance letter with Treasury indicating compliance with the requirements of Section 303(3) or adequately addressing any noncompliance with Section 303(3) as determined by Treasury.

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

- (a) Section 303(7)(d) - Issuing a security under Section 303(7) without obtaining an investment grade rating. See #7.c. below for rating exemption flowchart.
- (b) Section 323 - Issuing a security greater than \$5,000,000 under Section 303(3) without obtaining an investment grade rating. See #7.c. below for rating exemption flowchart.
- (c) Section 305(3) - Issuing a security at a discount exceeding 10% of the principal amount; or
- (d) Section 611(2) - Issuing a refunding security at a net present value loss. See #6 below for details.

1. Electronic Filing

Our goal is to provide a secure environment for users and allow flexibility in maintaining a municipality's account. The Prior Approval Applications must be completed and submitted online. Treasury will not accept forms in any other format. This will reduce submission errors and place fewer burdens on the user. Municipalities can review their online record of all forms that have been filed, the date they were filed, and can print or save that information.

2. Login Page and Instructions

- a. Visit Michigan.gov/LAFD.
- b. Click on "File and Search Reports."
- c. Click on "File Online Reports."
- d. For the first visit, users will be required to click on "Request Access New User." You will need to create a new user profile.
- e. Complete all required fields. You will be asked to indicate what type of user you are from a selection on the drop-down list for User Type. If you are an Attorney, Certified Public Accountant, Financial Consultant, or employee of any of these filing on behalf of a municipality, select the type that pertains to you as the filer. If you are a county, road commission, city, township, village, drain district, authority, library, hospital finance authority employee or elected official, select Local Unit. If you are an employee of a school district, public school academy, intermediate school district or community college, select School. An "Instruction" link is available as you complete the new user request should you need it.
- f. Once you have submitted the request for access, you will receive an email with a temporary password. Enter your UserID and temporary password into the login page.

You will then be required to immediately change passwords from the temporary one to one you choose.

- g. If, in the future, you forget your password, click the “Forgot Password” link to receive a temporary password and follow the instructions on the page.
- h. If you have forgotten both your UserID and your Password, email Treasury at TreasLocalGov@michigan.gov with the subject “Forgot User ID and Password.”
- i. Once you login, you will be prompted to reset your password.

3. How to file a Prior Approval Application

- a. Treasury highly recommends the use of a municipal advisor (MSRB Series 50) and bond counsel for all municipal security issuances, including but not limited to the preparation of Prior Approval Applications and Security Reports (Form 3892).
- b. Once you have successfully logged in you will be taken to the Form Submission page. Select the county of the municipality for which you are filing and the municipality type from the drop-down lists provided. Then select the municipality. Select the form you wish to complete. The forms are in the drop-down list as “Long Term Prior Approval,” “Short Term Prior Approval,” and “Exemption.” For security reasons, the system will “time out” after a period of inactivity; however, your data will no longer be cleared from the form due to our autosave feature.
- c. Click on “Create Form.” This will generate the form you want to file.
- d. Specific form instructions can be found at Michigan.gov/MunicipalFinance. At the top of the page click on “Forms and Instructions.”
- e. All required questions on the applications are noted with a red asterisk and must be completed to submit the application.
- f. The applications are in 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 applications will display different questions based on the type of security applied for.
- g. Supporting documentation will be required to be uploaded depending on how certain questions are answered. All files must be in .pdf format. Supporting documentation may include but is not limited to the following:
 - Authorizing resolution adopted by the governing body

- Maturity schedule
 - Cash flow statement
 - Notarized proofs of call or waiver of notice
 - Compliance letter
 - Draft investment certificate
 - Calculation of discount rate
 - Net present value analysis
- h. A payment voucher is provided with instructions to submit the filing fee. The voucher and payment are the only part of the application that will be accepted via the United States Postal Service.
- i. It has been the policy of Treasury that the Chief Administrative Officer (CAO) is the person to certify the Prior Approval Application. Treasury also allows 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 filings and has asserted that it is complete and accurate in all respects.
- j. Providing false information on a Prior Approval Application is a misdemeanor pursuant to the Michigan Penal Code (MCL 750.489).
- k. Upon successful submission, the Prior Approval Application will be reviewed by Treasury within 30 business days. Treasury's determination letter and the Prior Approval Application will be combined and posted online as a single document in the document search website. An email with a link to the determination letter and Prior Approval Application will also be sent to the municipality.
- l. To view the document search website, go to Michigan.gov/LAFD, click on "File and Search Reports," and then "Document Search."

4. Treasury Guidelines

- a. A separate filing shall be made for each municipal security to be issued. If a municipal security is to be sold in more than one series, a separate filing shall be submitted for each series, unless all series are to be sold concurrently with the same source of repayment.
- b. When a Prior Approval Application is necessary for the issuer of a municipal security and the issuing municipality has a contractual agreement with one or more other municipalities relating to the proposed municipal security, or when a municipality other than the issuer shall have pledged revenues or its full faith and credit to secure repayment of the municipal security, then each municipality shall separately file a Prior Approval Application pursuant to Section 303(7) regardless of their status under Section

303(3). Only the issuing municipality is required to file the filing fee. See exception in #4.c. below.

- c. In situations where a drain district is issuing a municipal security on their own and repaying with special assessments, with no contractual agreements, and obtains a full faith and credit pledge from the county, and the drain district qualifies pursuant to Section 303(3), there is no requirement for the county to receive qualified status or submit a Prior Approval Application in order for the drain district to issue the municipal security.
- d. Orders of Approval will remain in effect for one year from the date of the approval letter. Municipalities that have not issued after one year and still desire to issue will need to re-submit a Prior Approval Application.
- e. Order of Approval letters may be amended under the following circumstances. The request letter from the municipality shall be emailed to Treas_MunicipalFinance@michigan.gov.
 - The title or name of the bond is being changed. For example, a bond deal was supposed to close in 20X1 but due to delays it is now closing in 20X2. This requires a letter from the municipality requesting the change. This does not require a new authorizing resolution. The expiration date of the Amended Order of Approval does not get extended beyond the original expiration date.
 - The final maturity date may be extended up to one year, as long it does not conflict with the authorizing resolution. This requires a letter from the municipality requesting the change, an explanation of why the change is necessary, and an updated debt service schedule. The expiration date of the Amended Order of Approval does not get extended beyond the original expiration date. A new Prior Approval Application is necessary for final maturities that need to extend beyond one year.
 - An Order of Approval would not be amended to increase the amount of issuance. This would require a new Prior Approval Application.
- f. School districts, public school academies, and intermediate school districts shall file a Prior Approval Application when obtaining a line of credit under MCL 380.1225(8) regardless of whether they qualify pursuant to Section 303(3).
- g. Municipalities whose Qualifying Statement under Section 303(3) was denied must have a Prior Approval Application approved prior to entering into agreements pursuant to Section 315(1)(a).
- h. Municipalities that do not qualify, pursuant to Section 303(3), shall not mail or otherwise distribute, as a sales document to prospective purchasers, the Official Statement or

Preliminary Official Statement without other prior approval of the municipal security by Treasury.

- i. "Negotiated Sale," as used in Section 309, is defined by Treasury to mean a sale that is limited to one or more bidders, identified by the issuing municipality prior to the sale.
- j. "Competitive Sale," as used in Section 309, is defined by Treasury to mean a sale that is not a negotiated sale.
- k. "Lowest Interest Cost," as used in Section 309(3), is defined by Treasury to mean true interest cost which is the rate that will discount all future cash payments so that the sum of the present value of all cash flows will equal the bond proceeds.
- l. When a notice of sale is required for a security, as required under Section 309(2), it must include all of the following information:
 - The date, time, and location or locations for accepting bids
 - Name of issuer
 - Title of issue
 - Amount of issue
 - Identification of location where "additional information" is available

At a minimum, "additional information" must include all of the following:

- The denomination or denominations
 - The date of the security
 - The maximum interest rate allowable
 - Any applicable discount
 - The maturity schedule
 - Any early redemption schedule
 - The first interest payment date of the security
 - The purpose and security pledged for the security
 - The party providing and paying for the legal opinion and printing of the security
- m. "Capital Improvement," as used in Section 517, is defined by Treasury to mean:
- Land
 - Real property subject to depreciation under generally accepted accounting principles
 - Personal property subject to depreciation under generally accepted accounting principles

5. Expedited Prior Approval Application Review

- a. Upon submitting an application online, a municipality may email a copy of the check for the filing fee and payment voucher to Treas_MunicipalFinance@michigan.gov. This will be accepted as proof of payment.
- b. A copy of the check and payment voucher should be attached as a single pdf file with the file name being the six-digit muni code followed by "P A check." For example: 332020 P A check.
- c. The email subject line should also be the six-digit muni code followed by "P A check."
- d. Do not include a copy of the check with the supporting documents you upload online, as those will be posted on our publicly available web site.
- e. Mail the live check and payment voucher via United States Postal Service mail as instructed on the voucher.
- f. Should the live check not be received by Treasury within one month of the application's submission, the municipality may receive a denial of their subsequent year qualifying statement under Section 303(3)(o). Future applications will also be denied until all filing fees have been paid in full.
- g. For Security Report filing fees, continue to send via United States Postal Service mail as is current practice. Do not email a copy of the check for security report filing fees.

6. Net Present Value Loss Exemptions

- a. Public Act 34 of 2001, the Revised Municipal Finance Act, Section 611, states an issuer may only issue a refunding security when the net present value of the principal and interest to be paid on the refunding security, including the cost of issuance, is less than the net present value of the principal and interest to be paid on the outstanding security being refunded. A municipality may obtain an exemption from the net present value savings requirement if Treasury determines a reasonable basis for that exception exists. A reasonable basis, for purposes of Section 611, includes four acceptable situations, one of which is where the refunding is necessary to reduce or eliminate requirements of ordinances or covenants applicable to the existing outstanding security. The other three acceptable situations are shown in #6.d. below.
- b. A covenant is an enforceable promise to do, or refrain from doing, some act, generally intended to maintain the level of risk assumed at the time of issuance, and to provide assurances that are legally enforceable. Generally, with respect to municipal bonds,

covenants may be found explicitly stated in the bond contract, resolution, or indenture. Typical bond covenants include covenants to maintain casualty insurance on the financed project; to complete, maintain, and operate the project in a manner to ensure revenue to meet the bond obligations; not to encumber or sell the project; not to issue parity bonds unless certain earnings tests are met; or not to violate Internal Revenue Service regulations or take other actions that would cause the bonds to become arbitrage bonds.

- c. Although the maturity date is an essential term of an ordinance, resolution, indenture, loan contract agreement, or other evidence of indebtedness, Treasury has determined that the maturity date is not considered to be a "covenant" for the purposes of Section 611(2)(b), and the modification or extension of a maturity date does not constitute a reduction or elimination of requirements of ordinances or covenants applicable to the existing outstanding security with respect to Section 611(2)(b). Treasury expresses no opinion as to whether the maturity date is a covenant for purposes other than Section 611(2)(b).
- d. Other three acceptable situations that are a "reasonable basis" for purposes of Section 611 include the following:
 - Refunding is required by a state or federal agency.
 - Refunding is necessary to avoid a potential default on an outstanding security.
 - Refunding of a bond anticipation note under Section 413.

7. Resources

- a. Treasury has an online video library which includes videos on the borrowing process, including Prior Approval Applications. Visit Michigan.gov/MunicipalFinance, in the middle of the page click on "Municipal Finance," then click on "[Municipal Finance Video Library](#)." At the bottom of the page, click on "Municipal Finance – Borrowing in the State of Michigan."
- b. A borrowing process flowchart is available at Michigan.gov/MunicipalFinance. In the middle of the page click on "Municipal Finance" then "[Borrowing Process Flowchart](#)."
- c. A rating exemption flowchart is available at Michigan.gov/MunicipalFinance. In the middle of the page click on "Municipal Finance" then "[Rating Exemption Flowchart](#)."
- d. For those looking for more information on municipal securities terminology, the Municipal Securities Rulemaking Board (MSRB) has a Glossary of Municipal Securities Terms at MSRB.org/glossary.

If you have any questions, please email our office at Treas_MunicipalFinance@michigan.gov.