May 15, 2017

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: File No. S7-01-17

Dear Mr. Fields and Commissioners:

I am writing as a representative of a regular (generally once per year) issuer of municipal securities who is subject to continuing disclosure agreements with the underwriters of our debt issuances as per SEC Rule 15c2-12. We take our responsibility to provide ongoing disclosure to investors seriously, and to the best of my knowledge, the City has always filed annual financial information and material events disclosures on a timely basis since the rule was implemented. However, I have significant concerns about the proposed changes to the rule as outlined in file S7-01-17.

The Commission should be aware of the considerable amount of time and costs associated with adopting multiple changes to Rule 15c2-12 as proposed, with significant burden added to issuers, complication and confusion for investors, and an inevitable increase in costs to taxpayers and investors should the provisions be adopted.

As a local government, the City already discloses all of the information proposed in this amendment to 15c2-12 in our annual disclosure filings on EMMA, including our comprehensive annual financial report (CAFR). Our CAFR and most recent official statement are published on the City’s website, and as a local government subject to Wisconsin open records laws, much information is available to citizens and investors that is not generally public to investors in securities issued by private sector entities.

Our primary concerns are that the required determination of materiality, along with a very broad definition of a financial obligation, ambiguity about the defined scope of leases and other transactions, and an undefined term or concept related to financial difficulties that likely would create significant burdens and costs to for the City and other governments.

With respect to the concept of a financial obligation, the determination of materiality requiring disclosure is important in order to ensure that relevant information is passed along to investors. A decision regarding what is material is best made by an issuer on a case by case basis, after consulting with appropriate counsel. While the proposal does include a “if material”
qualification, it does not include or define key parameters to assist issuers make materiality determinations.

Although the City does not presently engage in bank loans, private placements, or debt-related derivative transactions, we would support voluntary disclosure of such instruments by issuers who engage in such transactions. Regardless, we believe that a number of the proposed additional “financial obligations” to be covered under Rule 15c2-12 would result in reporting of information that is both unessential to investors and costly for issuers to implement. For example, many governments enter into lease transactions frequently as part of their ongoing operations. Should all such transactions be reported, and of what value to investors would such reporting bring? Material lease transactions are reported in annual financial statements, and the proposed changes by the GASB in lease accounting and financial reporting will greatly increase the amount of information available in the financial statements already being posted to EMMA.

Further, we have concerns about the last clause of the proposed definition “monetary obligation resulting from a judicial, administrative or arbitration proceeding,” which could cause significant uncertainty as an issuer as to what should be reported. We would request that this clause be deleted.

Finally, we would request that that any additional event notifications be limited to material debt obligations held in parity to investor-held debt. If the Commission insists on including other types of financial obligations for event notifications, definitions should be tightened and clear unambiguous materiality definitions should be developed that will allow quick determination of required events. In addition, the actual capacity of the EMMA system to realistically take on the additional volume of information should be critically assessed.

With respect to the concept of “financial difficulties,” the lack of clarity in several of the terms provided in the proposed amendments is concerning as well. As this term is left undefined, we likely would have to engage counsel and incur significant costs to determine what, if anything within this area would be material. Further, we believe that the SEC has significantly underestimated the time needed by issuers like the City to prepare documents and comply with the requirements, particularly for a relatively small government like Brookfield. We and other small issuers do not have staff dedicated solely to debt management issues, and if the proposed changes are finalized, the additional requirements would us to engage bond counsel and consultants more frequently to assist with due diligence.

We respectfully request that the SEC consider these comments and other comments from the issuer and broader market community, revise the amendment at the very least to clearly define concepts included as “financial obligations” and provide another opportunity to comment before finalizing modifications to Rule 15c2-12. Thank you for considering our comments.

Sincerely,

CITY OF BROOKFIELD

Robert W. Scott
Director of Finance