



Office of Mayor Ted Wheeler
City of Portland

May 12, 2017

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE., Washington, DC 20549-1090

RE: File No. S7-01-17 - Proposed Amendments to Rule 15c2-12

Dear Mr. Fields:

Thank you for the opportunity to comment on proposed amendments to Rule 15c2-12, relating to disclosures of bank loans and other non-publicly offered obligations incurred by municipal issuers.

The City of Portland (the “City”) is a frequent borrower in the capital markets, averaging 4-6 publicly offered debt transactions each year. In addition, we enter into several bank loans and other non-publicly offered transactions each year. In total, the City has about \$3.4 billion in outstanding debt, of which about 5.4% is in the form of bank loans and non-publicly offered obligations. The City is also deeply committed to providing timely and accurate disclosure of all debt transactions to the market. We have been a leader in voluntarily disclosing bank loans and non-publicly offered debt on the EMMA system, despite EMMA system challenges that made those disclosures unnecessarily difficult. We are encouraged by the MSRB’s willingness to address system limitations with respect to voluntary disclosures so that our disclosures can be made readily accessible to the City’s investors.

The City is also actively involved with the Government Finance Officers Association and other groups working to improve disclosure throughout the municipal bond industry. We take our primary, continuing and voluntary disclosure responsibilities very seriously as we believe a robust disclosure program increases investor interest in the City’s debt obligations. Such investor interest ultimately results in lower interest rates and lower costs to our taxpayers and ratepayers.

It is within this context of our commitment to disclosure that we offer the comments below.

Definition of Financial Obligation. The proposed amendments are overly broad in defining what constitutes a “financial obligation”. While we agree that the incurrence of a bank loan or other debt obligation is something that should be disclosed to the market, we are concerned that

the definition of “financial obligation” is easily interpreted to include varying types of leases, such as those for the copiers, lawn mowers and other minor equipment acquisitions. Not only is the tracking of such obligations in a large organization problematic, but we question whether investors are benefitted by such disclosures. Flooding the EMMA system with hundreds of disclosures regarding broadly defined “financial obligations” will make it harder, not easier, for investors to find the information they need to make an informed investment decision.

Lack of Materiality Standard. While the proposed amendments do include a materiality exception, there is no workable materiality standard proposed in the language. When issuers have no guidance with respect to materiality, the tendency is to reduce legal risk by disclosing far more information than would be useful to investors in making an informed investment decision. Moreover, even if an issuer wishes to apply a narrower interpretation of materiality, bond underwriters, in order to avoid risk, may insist on a broader materiality standard and require issuers to disclose a broader range of “financial obligations.”

Definition of an Event Reflecting Financial Difficulties. As with the materiality standard, the proposed amendment fails to provide standards or guidance with respect to what constitutes an “event that reflects financial difficulties”. The term “financial difficulties” needs to be better defined in order for issuers to be able to comply with the requirement.

Limitation to Parity Debt. The City believes that any amendments to Rule 15c2-12 should relate only to material events for those circumstances where the proposed material event category impacts debt obligations held in parity to publicly-offered debt.

10 Business Day Reporting Standard. As noted above, the ability of a large organization to identify all new “financial obligations” within their jurisdiction and to report on such obligations within 10 business days is an unreasonable standard. As a result, we may be forced to disclose in future official statements those circumstances where a new financial obligation, that has little or no significance to investors, was not reported to EMMA within ten business days. An extended period of time to make filings of such financial obligations would help to avoid these timing shortcomings.

Conclusion

We urge the SEC to consider the following changes to the proposed amendments:

1. Provide meaningful guidance for issuers and their officials to determine *materiality* for the obligations addressed in this proposal
2. Define the term *financial difficulties*
3. Define the terms *lease, guarantee, and derivative instruments*
4. Revise the definition provided for the term *financial obligation* to:

(f) * * *

(11) *The term financial obligation means OBLIGATIONS THAT ARE HELD BY THE ISSUER IN PARITY TO BONDHOLDERS. THESE OBLIGATIONS MAY INCLUDE A (i) debt obligation, (ii) capital lease, (iii) guarantee, or (iv) derivative instrument, ~~or (v) monetary obligation resulting from a judicial, administrative, or arbitration proceeding.~~*

The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

In closing, we reiterate the City's commitment to full and timely primary, continuing and voluntary disclosure. The City recognizes the benefits of quality disclosure through greater investor interest in our debt obligations. However, we firmly believe that the proposed amendments, if not changed to address the issues above, will greatly complicate the disclosure process without providing any meaningful benefit to investors.

If you have any questions, please contact the City's Debt Manager, Eric Johansen, at ([REDACTED]) [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read 'Ted Wheeler', with a long horizontal line extending to the right.

Ted Wheeler
Mayor of Portland