COMMENTS OF
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
ON

SEC RELEASE NO. 34-60332
FILE NO. S7-15-09

PROPOSED AMENDMENT TO MUNICIPAL SECURITIES DISCLOSURE

These comments on proposed amendments to Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934 contained in SEC Release No. 34-60332 (the "Release"), relating to municipal securities disclosure, are submitted to the Securities and Exchange Commission ("SEC") by The Metropolitan Water District of Southern California ("Metropolitan"). Metropolitan is a California special district created in 1928 that supplies water at wholesale to 26 member public agencies. More than 18 million people reside within Metropolitan's 5,200-square-mile service area, which includes all or portions of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura Counties.

The Release requests comments of issuers on the proposed amendments. Metropolitan is commenting as an issuer. Metropolitan has issued over $1 billion principal amount of water revenue bonds and water revenue refunding bonds so far in 2009.

1. Time Frame for Submitting Event Notices under a Continuing Disclosure Agreement. The amendments suggested in the Release propose to change the time frame for filing of event notices under continuing disclosure agreements with the Municipal Securities Rulemaking Board ("MSRB") from "in a timely manner" to "in a timely manner not in excess of ten business days after the occurrence of the event."

Metropolitan opposes this proposal. The timeliness of a filing should be measured according to the situation giving rise to the disclosure obligation and the reasonable diligence of the issuer or obligor in filing the event notice. The Release recognizes that most material events are within the issuer's control or involve the issuer's participation. For these events, the issuers usually know that they have occurred and should prepare and file timely event notices.

Other events, such as rating changes, are not within the issuer's control. The rating agencies do not notify affected issuers when they downgrade bond insurers and other credit enhancers. Requiring that issuers file notices within ten business days after the occurrence of these events will impose administrative burdens on issuers, who will need to frequently monitor events and quickly prepare and file notices. This additional burden comes when staff resources at many public agencies are stretched due to hiring freezes, voluntary or mandatory furloughs to save labor costs and other budget constraints.

The Commission's concerns about timely availability of information should be weighed against this increased burden and the potential impacts to issuers from late disclosure filings. Under the Rule, an issuer must undertake to disclose in its official statements any instances in the previous five years in which the issuer has failed to comply, in all material respects, with undertakings in its continuing disclosure agreements. If the proposed filing period is adopted, would filing a notice of downgrade more than ten business days after it occurs be such a failure to comply? A single filing made after the prescribed filing period could adversely impact an issuer's securities for years to come.

The Release suggests that issuers can amend agreements with credit enhancers and require notices of rating changes, to assist them in meeting their disclosure obligations. However, if an issuer relies on receiving this notice, the issuer's ability to fulfill its disclosure obligation would depend on timely notice from the credit enhancer. Late notice from the credit enhancer or failure to comply with the notice covenant would jeopardize the issuer's compliance with its disclosure agreement. The grave consequences to issuers from missed or late filings make it inadvisable to rely on this notice.

For these reasons, Metropolitan urges that material event notices continue to be filed "in a timely manner" rather than within an arbitrary time frame. If the Rule is amended to include the ten business day filing period, Metropolitan recommends that this period commence when the issuer knows or reasonably should have known of the occurrence of the material event.

2. *Materiality Determinations Regarding Event Notices.* The proposed amendments seek to require disclosure of certain events without regard to their materiality to bondholders. These events are (1) payment delinquencies, (2) unscheduled draws on debt service reserves reflecting financial difficulties, (3) unscheduled draws on credit enhancement reflecting financial difficulties, (4) substitution of credit or liquidity providers or their failure to perform, (5) defeasances and (6) rating changes. The proposed amendments also would add bankruptcy or insolvency and tender offers to this list.

While the majority of these events are material if and when they occur, others may not be. The issuer or obligor should retain its ability to judge the materiality of these events. Removal of the materiality qualification will increase issuers' administrative burdens for monitoring the possible occurrence of these events and may require disclosure of events that, absent this change, would not be disclosed. As an example, an error in the amount of a debt service payment to a trustee, paying agent or depository that is promptly corrected and does not affect payments to bondholders is not material. Minor mistakes in payments, particularly when corrected within a day or two, should not be subject to mandatory disclosure. Metropolitan recommends that the materiality qualification be retained for disclosure of all of the listed events.

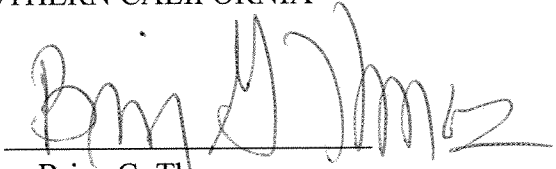
3. *Event Notices Regarding Adverse Tax Events.* Currently the Rule requires disclosure of adverse tax opinions or events affecting a security's tax-exempt status, if material. The proposed revisions would require disclosure of *proposed* or final determinations of taxability.

The existing requirement allows issuers to assess the likelihood of an adverse determination by the IRS and its impact on bondholders, when determining whether to file a material event notice for a proposed determination of taxability. In many circumstances the issuer may settle the matter in a way that does not present any material risk to bondholders. Disclosure of a potential taxability determination could limit the issuer's options to negotiate such a settlement. In addition, disclosure of potential taxability could have far-reaching consequences to the issuer, affecting market perceptions of all of the issuer's securities, imposing increased interest and other costs and limiting future market access. Disclosure of a pending audit similarly would have adverse consequences to the issuer long before the IRS finally determines whether any tax code violations actually have occurred. Metropolitan believes it is appropriate to require disclosure only when the adverse tax opinion or event has occurred, or a when formal process has commenced and an adverse determination is likely, and its impact is material.

Further, it would be helpful for the SEC to better define the proposed Rule's broad requirement for disclosure of "other material notices or determinations with respect to the tax-exempt status of the securities, or other events affecting the tax-exempt status of the security." Do such events include occurrences applicable to tax-exempt securities generally, such as changes in federal tax law? Requiring disclosure of generally applicable events is an unnecessary burden for issuers and does not affect the risks to holders of particular securities.

Date: September 4, 2009

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: 

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