

**FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.**

*Since* 1937

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**2018-2019**

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October 24, 2018

David Bean, Director of Research and Technical Activities

Governmental Accounting Standards Board

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Via email: director@gasb.org

Re: Project No. 26-6

Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the GASB Exposure Draft on Project No. 26-6 related to Conduit Debt Obligations. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We agree with most items addressed in Project 26-6 but have some concerns with the following:

* Definition of Conduit Debt, Paragraph 5 (e): we suggest rewording this to clarify that the third party is solely obligated for the conduit debt, which will match the legal obligation of the third-party obligor as delineated in the debt obligation documents. Some of the items listed in 6. a through e would technically be viewed as credit enhancements to the conduit debt, which effectively changes the obligation to something other than a pure conduit debt. While we understand the Board’s desire for a broad definition, it is important to draw a distinction between what is a credit enhancement and what may turn out to be financial support. Being required to support a debt obligation of another party that is included within the debt obligation documents and voluntarily deciding to support such an obligation is a significant difference.

Public officials potentially will react much differently (and make decisions which are hard to predict) based upon individual circumstances and the ability of others to convince the public officials that a true hardship will result if the conduit debt obligor faces a financial crisis or potential financial crisis.

* Qualitative factors, Paragraph 9: we have a concern that accounting standards may differ from the legal requirements of the debt instrument.
* Some clarification is needed on the financial statement presentation for the types of support that might be committed by the issuer based on the qualitative factors that initiated this commitment. Some of the factors that are listed to determine the 50% threshold are rather subjective and requiring finance professionals to read the minds of their governing bodies. We suggest you limit these items requiring recognition of a liability and expense to past practice of financial support and instances that would require notification to EMMA of a Rule 15c2-12 disclosure. Any items required under Rule 15c2-12 would require an analysis of the likelihood of reaching the 50% threshold, which, depending on severity, will still require reading the tea leaves of the future actions of the public officials.
* Notes to Financial Statements: we believe there needs to be clarity as to the level of summarization when there are no commitments and no liability.
* We think that adding a glossary with terms that included, as a minimum, the following would also be helpful: obligor, issuer, parity bond, cross-collateralization and debt holder or trustee.

We thank the GASB for its efforts in preparing the exposure draft and for the opportunity to respond. Please feel free to contact me at (850) 891-8082 or kent.olson@talgov.com regarding the comments above.

Sincerely,

Kent Olson, CGFO

President