October 19, 2018

David Bean, Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT  06856-5116   Sent via email to: director@gasb.org

Re: Conduit Debt Obligations (Exposure Draft), Project No. 26-6

Dear David Bean:

Hillsborough County, Florida is a large general-purpose government with combined annual revenues of over $2.0 billion. The Clerk of Circuit Court is the Chief Financial Officer of Hillsborough County. This document summarizes our views on the Conduit Debt Obligations (Exposure Draft) document.

We agree with most items addressed but have the following comments for your consideration:

a. Some of the terms used should be defined to make the statement easier to understand. For example, the first sentence of Paragraph 5 should have the following wording added (see underlined items):

   5. For accounting and financial reporting purposes, a conduit debt obligation is a debt instrument issued in the name of a state or local government (the “issuer”) but is for the benefit of a third party that is primarily liable for the repayment of the debt instrument (the “third-party obligor”).

b. A glossary with terms such as the following would also be helpful: obligor, issuer, parity bond, cross-collateralization and debt holder or trustee.

c. Paragraph 5 states that conduit debt obligations have all of the (six) characteristics listed. We interpret this to mean that there is no conduit debt obligation if the issuer has no liability for the obligor’s bonds and no commitment to support the debt service on the obligor’s bonds. Is that correct?

   Here is a scenario. Hillsborough County has a discretely presented component unit, the Housing Finance Authority of Hillsborough County (“HFA”). The HFA has about $147 million of bonds outstanding that are payable solely from revenues, receipts, and resources of the HFA pledged under related trust indentures. The HFA (and Hillsborough County) are not obligated in any manner for the repayments of these bonds. As a result, these bonds are not reported as liabilities of the HFA or Hillsborough County.
d. The concept of economic substance over legal form is mentioned in the “Basis for Conclusion,” but briefly mentioning it in Paragraph 8 could help the reader of this statement. For example, the following changes could be done to Paragraph 8 to bring this concept into the reader’s mind (see underlining or strikethroughs):

8. An issuer should recognize a related liability and expense in the financial statements prepared using the economic resources measurement focus if the economic substance of the situation qualitative factors, rather than legal form, indicates that it is more likely than not that the issuer will support debt service payments for a conduit debt obligation.

If you have any questions, please contact me at (813) 307-7026 (gajjar@hillsclerk.com) or Justyna Swiebocki at (813) 307-7097 (justyna.swiebocki@hillsclerk.com), who also participated in preparing this response.

Sincerely,

/s/ Ajay Gajjar
Finance Director