September 13, 2019

Government Accounting Standards Board
Director of Research and Technical Activities
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via Electronic Submission: director@gasb.org, Project No. 30-1

Re: Exposure Draft: Public-Private and Public-Public Partnerships and Availability Payment Arrangements (the “Proposed Statement”)

Dear Madam/Sir:

S&P Global Ratings (SPGR) appreciates the opportunity to provide the Government Accounting Standards Board (the Board) our comments on its Exposure Draft of a proposed Statement of Governmental Accounting Standards for Public-Private and Public-Public Partnerships and Availability Payment Arrangements.

The views expressed in this letter represent those of SPGR and do not address, nor do we intend them to address, the views of any other affiliate or division of SPGR or of its parent, S&P Global. We intend our comments to address the analytical needs and expectations of our credit analysts.¹

General

We commend the Board’s efforts to make consistent the definitions for and financial treatment of public-private and public-public partnerships (hereafter, P3s). Our credit ratings are relative, and our approach to financial statement analysis is comparative. The comparability of financial information and disclosures between issuers is critical, and we believe these proposed enhancements in the Proposed Statement will be beneficial to our credit analysis and the broader public finance market.

Scope, Applicability and Definitions

We agree with the applicability and scope, that the requirements of the Proposed Statement should apply to the financial statements of all state and local governments and related enterprises. We believe that the Proposed Statement will also apply to Not-For-Profit entities that are Transferors (as defined in the Exposure Draft) and apply GASB standards.

¹ The opinions stated herein are intended to represent S&P Global Ratings’ views on potential changes in accounting and financial reporting standards. Our current ratings criteria are not affected by our comments on the proposed statement.
We also support the view that for PPPs that meet the definition of a lease, but not the definition of a service concession agreement, the accounting and financial reporting requirements of for leases should be applied.

**Accounting and Financial Reporting for PPPs**

We generally support the accounting and financial reporting requirements for PPPs in the Proposed Statement.

It should be noted that SPGR already makes certain analytical adjustments its financial ratios and metrics that help inform our overall credit opinion, similar to the liability recognition discussion of paragraphs 34 through 42 or contingent liabilities associated with the early termination risk as discussed in paragraphs 62 through 64 of the Proposed Statement. These adjustments, in our view, help inform our credit ratings by better assessing ongoing and future financial capacity to meet all obligations on time and in full. For example, we use analytic judgment to determine if the rated entity has truly transferred risk by way of an availability payment arrangement (APA), or if there are fixed contractual financial obligations owed to a third party that must be made unconditionally such as to a joint powers authority. Convergence of the financial reporting requirements as noted in the Proposed Statement with our existing analytical adjustments will benefit our analytical process and confirms our long-standing view.

**Notes to Financial Statements**

We generally support the disclosure requirements in the Proposed Statement and believe that they will add transparency and consistency in the financial information provided to the public finance market.

We have seen that bilateral contractual arrangements are generally summarized in the Notes to the Financial Statements, often under “Other Commitments and Contingencies,” but the specifics of the accounting treatment are not always disclosed. It is our view that more consistent and transparent disclosure is beneficial to the users of financial statements.

**Effective Date and Transition**

We anticipate that for the preparers of financial statements, the initial implementation period of the Proposed Statement will require robust levels of guidance to consistently determine whether a reporting entity’s bilateral agreement is a P3 within the scope of the Proposed Statement or is better captured by either Statement 60 for SCAs or Statement 87 for leases.

We would also anticipate that arrangements with multiple components, as described in paragraphs 50 through 55, potentially add complexity to the preparation of financial statements and, possibly, additional time required for that preparation, and that such costs and benefits should be considered.

As comparability with prior periods is also an important factor in our ratings, we generally prefer that new standards be applied retrospectively. Additionally, we have a preference that all entities are required to adopt new standards at the same time.

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Letter of Comment No. 028
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We thank you for the opportunity to provide our comments, and we would be pleased to discuss our views with members of the board or your staff. If you have any questions or require additional information, please contact the undersigned.

Very truly yours,

[Signature]

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