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Dear Mr. Puskaric,

Re: Consultation on the Public Sector Accounting Board (PSAB) proposed Statement of Concepts and Statement of Principles

For public sector entities looking to manage resources and plan effectively, a principled and sound approach to accounting for green infrastructure assets is needed. Proposed changes to the Public Sector Accounting Board (PSAB) Statement of Concepts and Statement of Principles are important steps to addressing this need. The Green Infrastructure Ontario (GIO) Coalition commends and supports their adoption, and encourages PSAB to continue to support the practical development of guidance in this area.

Green infrastructure assets are the natural vegetative systems and green technologies that collectively provide society with a multitude of economic, environmental and social benefits. They include:

- Urban forests and woodlots;
- Bioswales, engineered wetlands and stormwater ponds;
- Wetlands, ravines, waterways and riparian zones;
- Meadows and agricultural lands;
- Green roofs and green walls;
- Urban agriculture;
- Parks, gardens, turf, and landscaped areas.

They also include soil in volumes and qualities adequate to sustain plant life and absorb water, as well as technologies like porous pavements, rain barrels and cisterns. Green infrastructure assets extend from rural to suburban, to urban communities and generally fall into one of two categories: natural assets (eg. forests and wetlands), or Low Impact Development assets (eg. street trees and bioswales).

Green infrastructure provides many services communities rely upon, including stormwater storage and filtration, urban heat reduction, and human health and wellbeing benefits. Yet, in many public sector agencies, decision makers overlook green infrastructure considerations and only consider them, at best, as a secondary factor in major capital allocation and infrastructure investment decisions. Furthermore, green infrastructure professionals are often far-removed from major decision making processes when it is well established that their early involvement improves the integration of green infrastructure and its associated benefits. Including green

infrastructure assets in financial planning and reporting will help address these issues by building meaningful understanding with decision makers and helping them apply this knowledge to business processes and effective communication with stakeholders.

In a changing climate green infrastructure impacts, dependencies, risks and opportunities are increasingly material issues that prudent public sector agencies must consider. To do so in an equitable and consistent manner, it is important to plan and manage green infrastructure assets in the same framework as their grey counterparts. PSAB is a key stakeholder in guiding the integration of these assets in to accounting frameworks.

GIO strongly supports PSAB's leadership in revising its conceptual framework and reporting model. Many of the changes proposed to the Statement of Concepts and Statement of Principles will help integrate green infrastructure assets in to financial planning and reporting processes in public sector agencies across the country. We also support the separate, co-signed submission that provides considerations, conclusions and recommendations to increase the recognition of natural assets in Canadian public sector accounting standards.

Below, we offer four recommendations and observations on the changes and next steps that we believe should be considered in the development of exposure drafts for further consultation.

1) Include projects addressing inherited natural asset issues on the PSAB technical agenda

Moving the recognition prohibition related to inherited natural resources from the conceptual framework to the standards level within the PSA Handbook is an important first step in accounting for natural assets. At the standards level the prohibition can be narrowed and potentially removed over time as GAAP are developed. To help this process we recommend PSAB prioritize projects focused on addressing excluded items, inherited natural resources in particular, in its technical agenda. As a next step it would be important to include accounting for natural assets in PSAB's next project priority survey, as we understand the survey drives the technical agenda.

2) Continue with the planned creation of the "Accumulated Other" component

We are very supportive of the creation of the new "accumulated other" component of net assets or net liabilities. Currently, many public sector agencies underestimate both their dependence on the services of green infrastructure assets, and their risks and exposure should those assets fail. A concern that has slowed the inclusion of green infrastructure assets on financial statements is that they would be reflected in the annual surplus/deficit. This new "Accumulated Other" model allows for some revenues and expenses to be recognized directly in net assets or net liabilities without affecting the surplus or deficit in the period they arise. PSAB would then have the ability to determine whether the revenue or expense would be recognized in a future annual surplus/deficit. This will pave the way for green infrastructure assets that are not traditionally capitalized to be included in the public sector reporting model.

As PSAB has indicated, no types of transactions have been identified to be recognized directly in the accumulated other component. But, PSAB specifically cites natural assets as potentially appropriate to include in the new category should their recognition in financial statements be required. We would highly recommend that PSAB consider natural assets for inclusion in the new component and that the process to do so begin soon as guidance on this issue will be critical.

3) **Develop Standards for Green Infrastructure Asset Valuation**

Accountants provide the tools for the financial community to provide objective analysis. Like all assets, green infrastructure should to be accounted for in a correct, comparable, credible way so that it can be analyzed. It is important that PSAB help with the development of standards and GAAP for both natural and low impact development (LID) assets.

Natural assets are often inherited and have no historical cost (eg. forests). Other green infrastructure assets are often purchased, but their historical costs do not reflect the appreciation value of an asset as it matures and its benefits increase (eg. a street tree as it grows). A standards level project should be undertaken to consider fully whether historical cost or a proxy is available for green infrastructure assets. For both inherited and purchased assets there are a number of valuation methods available and currently in use, therefore it would be useful for PSAB to guide the discussion and development of a standard of practice. With a range of tools and frameworks already available to enable the valuation of green infrastructure assets, PSAB is in a prime position to support the development of common approaches and help embed their applications within public sector agencies.

4) **Develop a Statement of Recommended Practice (SORP) to provide guidance on green infrastructure asset reporting.**

PSAB should provide clarity around where different types of green infrastructure assets should be reported. As the PSA Discussion Group recognized, PSAB should clarifying existing guidance in the PSA Handbook so that it is clear what green infrastructure is eligible for capitalization when costs have been incurred. We would suggest they also clarify what green infrastructure assets should be included in other accountability reporting.

As a first step, we recommend PSAB start a SORP to provide the following guidance:

- Reporting on natural assets in reports outside of financial statements
- Key Principles on what should be reported
- Examples that can illustrate best practice

As a long term step, we recommend PSAB formalize the structure of an accountability report for green infrastructure assets through its standards development process.

Thank you for taking the time to consider our recommendations. GIO would be pleased to provide any additional information or research. We would also greatly appreciate the opportunity to be engaged in the

development of any standards and guidance materials to support public sector agencies reporting on green infrastructure assets.

Green Infrastructure Ontario Coalition

Over the last nine years GIO has been successfully promoting the implementation of green infrastructure across Ontario. With over 140,000 people working full time in the industry, from nurseries to designers to contractors, GIO provides a united voice for the sector. The coalition's steering committee members include:

Conservation Ontario | Ducks Unlimited Canada | Green Communities Canada | Green Roofs for Healthy Cities | Landscape Ontario Horticultural Trades Association | LEAF (Local Enhancement and Appreciation of Forests) | Ontario Association of Landscape Architects | Ontario Parks Association | Toronto and Region Conservation | Forests Ontario

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