

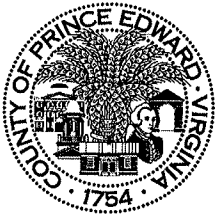
BOARD OF SUPERVISORS MEETING

**May 31, 2016
7:00 p.m.**

AGENDA

- 1. Review FY17 Budget contributions to outside agencies.**
- 2. Request from Ferrum College**

RECESS until Wednesday, June 8, 2016 at 6:00 p.m. – Town Council Chambers for joint public hearing on Boundary Adjustment.



County of Prince Edward
Board of Supervisors
Agenda Summary

Meeting Date: May 31, 2016
Item No.: 2
Department: County Administration
Staff Contact: W.W. Bartlett
Issue: FERRUM COLLEGE

Summary:

I have been contacted by the Vice President for Business and Finance for Ferrum College and their financial advisors in assistance in the issuance of \$9,900,000 of Bank Qualified Bonds for the College, Attachment (1). As the attachment explains the College's host County (Franklin) and a neighboring County (Floyd) usually assist the College in such endeavors but are unable to do so this year due to their own bond requirements. 501(c)(3) organizations are required to issue bonds through a governmental entity in order to borrow on a tax-exempt basis. This is a common practice in Virginia. Typically that is accomplished through an IDA, like the one in Prince Edward County. In addition, Section 265(b) of the Internal Revenue Code often referred to as bank-qualified or "BQ" designation of bonds is used to provide a lower interest rate to the borrower. Under this exception, the County/IDA (not the 501(c)(3) beneficiary) could issue on behalf of a not-for-profit and designate up to \$10 million aggregate principal amount of its governmental obligations plus bonds it issues for 501(c)(3) organizations as BQ bonds each calendar year.

Prince Edward County has allowed our annual BQ Bond allotment to be used by other entities in the past. Most recently Prince Edward County allowed Hampden-Sydney to use the allotment to build their Library. The IDA charges Hampden-Sydney \$1,000 each year for the administration of the Bond. The IDA does not receive any notices of payment nor any other Bond management activities except for an annual Bond affidavit. The IDA is permitted to charge Ferrum an annual fee of up to one-eighth of one percent of the outstanding principal balance of the bond (\$12,375 for \$9.9M).

To cover a localities lack of liability for bonds that an IDA might issue for Ferrum or any other not-for-profit, Section 15.2-4909 of the Industrial Development and Revenue Bond Act of the Code of Virginia provides that any bond issued by an IDA must specifically state that neither the Commonwealth nor any political subdivision thereof (Prince Edward County) nor the IDA shall be obligated to pay the bond except from revenues pledged therefor (in this case debt service payments specifically to be made by Ferrum). That section likewise provides that the directors of the IDA won't be personally liable on the bond. This language is put into the Code of Virginia to make it clear that the a local government and IDA that assists a 501(c)(3) has no legal responsibility on the debt. Thus there would be no risk or obligation for either the IDA or the County.

While the IDA would be issuing the Bonds and not the County, the IDA likes the Board of Supervisors to make their wishes known on major issue.

Attachments:

1. E-mail dated May 29, 2016 from Chris Burnley, VP for Business & Finance, Ferrum College
2. Section 15.2-4909 of the Code of Virginia

Motion _____	Cooper-Jones _____	Pride _____	Townsend _____
Second _____	Gray _____	Simpson _____	Wilck _____
	Jones _____	Timmons _____	

Wade Bartlett

From: Christopher Burnley <CBurnley@FERRUM.EDU>
Sent: Sunday, May 29, 2016 12:44 AM
To: wbartlett@co.prince-edward.va.us
Cc: jsanderson@investdavenport.com
Subject: Ferrum College Financing

Importance: High

Mr. Bartlett - My name is Chris Burnley, Vice President for Business and Finance at Ferrum College. I am writing to request that you ask your Board of Supervisors if they are willing to assist Ferrum in the issuance of \$9,900,000 Bank Qualified, tax exempt refunding bonds through the County's IDA. The College's Board has already fully authorized the refunding and Carter Bank has provided a commitment letter for the loan. Franklin County and Floyd County have assisted the College in the past, but they are unable to this year due to prior commitments to issue bonds. We are coming to Prince Edward as Ferrum College has historically and intends to continue providing educational services to citizens of Prince Edward County. Currently, there are approximately 10 students at Ferrum from Prince Edward. As you are aware, by assisting Ferrum through your IDA, neither the IDA or the County are obligated on the debt. Ferrum College appreciates your consideration of this matter.

Sincerely,

Chris Burnley
Vice President for Business and Finance
Ferrum College
215 Ferrum Mountain Rd
Ferrum, VA 24088
434-221-5058 Cell

Code of Virginia
 Title 15.2. Counties, Cities and Towns
 Chapter 49. Industrial Development and Revenue Bond Act

§ 15.2-4909. Liability of Commonwealth, political subdivisions, directors and officers.

A. Bonds issued pursuant to this chapter shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality which created the authority issuing such bonds, but such bonds shall be payable solely from the funds provided therefor as herein authorized. All such bonds shall contain on the face thereof a statement to the effect that neither the Commonwealth, nor any political subdivision thereof, nor the authority shall be obligated to pay the same or the interest thereon or other costs incident thereto except from the revenues and moneys pledged therefor and that neither the faith and credit nor the taxing power of the Commonwealth, or any political subdivision thereof, is pledged to the payment of the principal of such bonds or the interest thereon or other costs incident thereto.

B. Neither the directors of the authority nor any person executing the bonds shall be liable personally on the bonds by reason of the issuance thereof.


C. All expenses incurred in carrying out the provisions of this chapter shall be payable solely from the funds of the authority and no liability or obligation shall be incurred by the authority hereunder beyond the extent to which moneys shall be available to the authority.

D. Bonds issued pursuant to the provisions of this chapter shall not constitute an indebtedness within the meaning of any debt limitation or restriction.

1966, c. 651, § 15.1-1380; 1997, c. 587.

5/31/2016


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