Tape delayed!

In front of a studio audience!

From Myrtle Beach!

In Technicolor!

It's

Get

Smarter!

<u>Practice Question</u>: At the beginning of the Get Smart television series, how many doors does Max pass through?

The municipal finance game of chance, truth, and limited consequences!

With your hosts …

Ray
“Gene Rayburn”
Jones
Parker Poe

Brent
“Guy Smiley”
Robertson
Stifel /
Merchant Capital

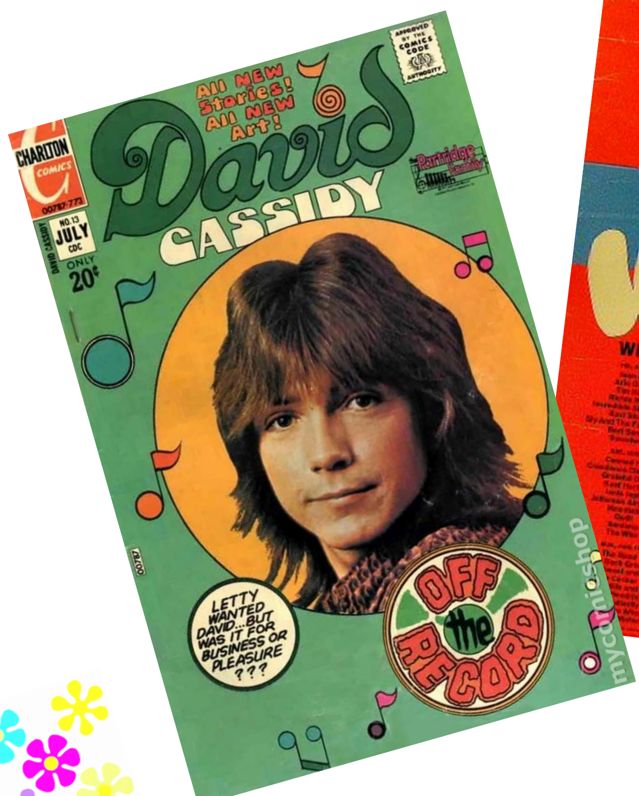
Practice Question: **At the beginning of the Get Smart television series, how many doors does Max pass through?** **8 … the car door, the front door of the building, 5 interior doors, and the phone booth door.**

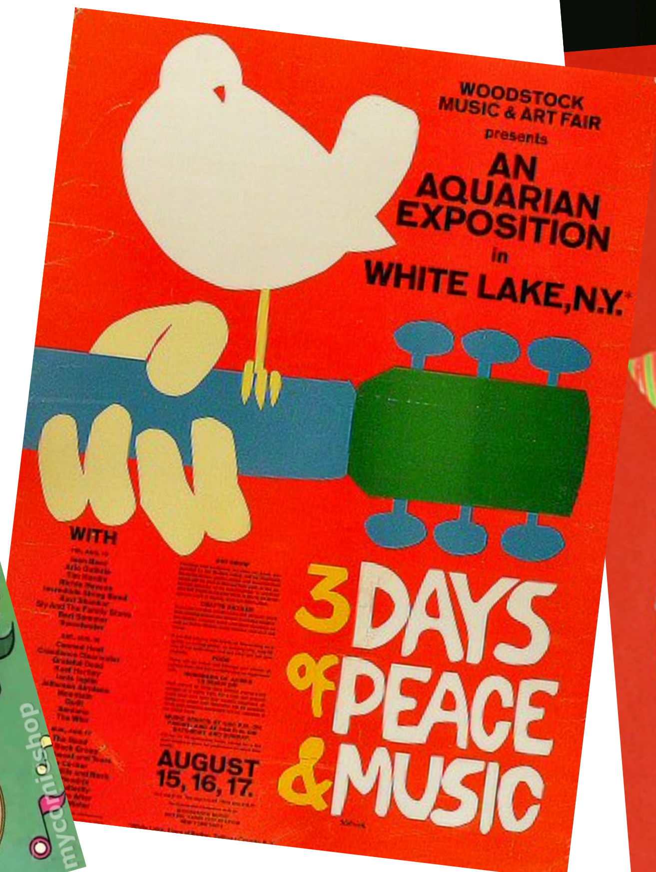
Source: https://www.youtube.com/watch?v=ElqZms_SUjg

You could win …

Far Out Clothes!

Tickets to Groovy Concerts!





A new car!


Put a Pinto under your tree.
Ford


If you can afford a car you can afford two Gremlins.
American Motors


Le Car
Introducing Le Car

… or, for budget as well as regulatory reasons, how about just some Parker Poe and Stifel swag?

<<insert your favorite legal disclaimer here>>

Categories:

Utility Revenue Bonds
Special Tax/Fee Bonds
General Obligation Bonds

Utility Revenue Bonds

Question One: Rank the following credit factors in order of most important to least important:

a) Legal Provisions
b) Financial Strength
c) Management
d) System Characteristics

1. b, c, d, a
2. b, d, a, c
3. b, d, c, a
4. d, b, c, a

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question One</u>: Rank the following credit factors in order of most important to least important:

a) **Legal Provisions 10%**
b) **Financial Strength 40%**
c) **Management 20%**
d) **System Characteristics 30%**

1. **b, c, d, a**
2. **b, d, a, c**
3. **b, d, c, a**
4. **d, b, c, a**

Moody's Financial Strength factor is further divided into the following sub-factors:

1. ***Annual Debt Service Coverage***
2. ***Days Cash on Hand***
3. ***Debt to Operating Revenues***

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Two</u>: Which statement is true with respect to days cash on hand and annual debt service coverage?

1. **Cash is more important**
2. **Coverage is more important**
3. **They're of equal value**
4. **Neither one is as important as the measure of debt to operating revenues**

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Two</u>: Which statement is true with respect to days cash on hand and annual debt service coverage?

1. **Cash is more important**
2. **Coverage is more important**
3. **They're of equal value**
4. **Neither one is as important as the measure of debt to operating revenues**

As noted, the Financial Strength factor accounts for 40% of Moody's total scoring for utility revenue bonds. Within this factor, days cash on hand and annual debt service coverage are both weighted at 15% with debt to operating revenues counting for the remaining 10% of the total score.

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Three</u>: When it comes to days cash on hand, how much is enough to fall within the scoring range for an "A" rating?

1. **>135**
2. **>250**
3. **35 to 150**
4. **75 to 135**

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Three</u>: When it comes to days cash on hand, how much is enough to fall within the scoring range for an "A" rating?

1. **>135**
2. **>250**
3. **35 to 150**
4. **75 to 135**

Cash is the primary resource utilities have to meet expenses, cope with emergencies, and navigate business interruptions. Utilities with ample cash are able to survive temporary disruptions and cash flow shortfalls without missing important payments (e.g., debt service on bonds). A large cash balance can also compensate in part for the lack of a debt service reserve fund.

"Days cash on hand" includes any cash and cash equivalent that is both liquid and unrestricted. Not included in the measure … DSRFs, unspent bond proceeds, cash restricted for capital improvements.

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Four</u>: We'd like to get a "Aa" rating. What level of annual debt service coverage should we target?

1. **1.50x-2.00x**
2. **1.70x-2.00x**
3. **1.50x-2.25x**
4. **1.70x-2.25x**

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

Question Four: We'd like to get a "Aa" rating. What level of annual debt service coverage should we target?

1. 1.50x-2.00x
2. 1.70x-2.00x
3. 1.50x-2.25x
4. 1.70x-2.25x

The magnitude by which net revenues are sufficient to cover debt service shows a utility's margin to tolerate business risks or declines in demand while still assuring repayment of debt. Higher coverage levels indicate flexibility to withstand volatile revenues, unexpected outflows, or customer resistance to higher rates.

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Five</u>: When it comes to management of a utility system, which of the following factors drive credit strength?

a) Rate Setting
b) Capital Expenditure Planning
c) O&M Budgeting
d) Environmental Compliance

1. a, b, c
2. b, c, d
3. a, b, c, d

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

Question Five: When it comes to management of a utility system, which of the following factors drive credit strength?

a) **Rate Setting**
b) **Capital Expenditure Planning**
c) **O&M Budgeting**
d) **Environmental Compliance**

1. **a, b, c**
2. **b, c, d**
3. **a, b, c, d**

All of these factors interplay with one another to determine the credit strength of a utility system.

Source: Moody's US Municipal Utility Revenue Debt Rating Methodology (December 15, 2014)

<u>Question Six</u>: Utility revenue bonds are secured by a pledge of and lien upon the revenue of a utility system. Which of the following is NOT a "system" that may produce revenue to repay a utility revenue bond?

1. **Sewer System**
2. **Electric Plant**
3. **Shopping Mall**
4. **Cemetery**

Source: S.C. Code Ann. §6-21-40.

<u>Question Six</u>: Utility revenue bonds are secured by a pledge of and lien upon the revenue of a utility system. Which of the following is NOT a "system" that may produce revenue to repay a utility revenue bond?

1. **Sewer System**
2. **Electric Plant**
3. **Shopping Mall**
4. **Cemetery**

The South Carolina Code lists many things as a "system" including but not limited to water and sewer works, electric and other energy plants, trash disposal and recycling, hospitals, piers and docks, airports, city halls and courthouses, fire stations, hotels, community theaters, and recreational projects like golf courses and swimming pools.

Source: S.C. Code Ann. §6-21-40.

<u>Question Seven</u>: The South Carolina Code requires a municipality to authorize revenue bonds. What does NOT need to be included in an ordinance or resolution authorizing the sale of utility revenue bonds?

1. **Description of the improvement**
2. **Estimated Cost of the contemplated or completed improvement**
3. **Maximum rate of interest**
4. **Firm acting as Bond Counsel**

Source: S.C. Code Ann. §6-21-210.

<u>Question Seven</u>: The South Carolina Code requires a municipality to authorize revenue bonds. What does NOT need to be included in an ordinance or resolution authorizing the sale of utility revenue bonds?

1. **Description of the improvement**
2. **Estimated Cost of the contemplated or completed improvement**
3. **Maximum rate of interest**
4. **Firm acting as Bond Counsel**

No such bonds shall be issued until authorized by an ordinance or resolution which shall set forth a brief description of the contemplated or completed improvement, the estimated cost thereof and the amount, maximum rate of interest, time and place of payment and other details in connection with the issuance of the bonds.

Source: S.C. Code Ann. §6-21-210.

Question Eight: Revenue bonds shall not bear an interest rate of more than:

1. 6%
2. 4%
3. 8%
4. 1%

Source: S.C. Code Ann. §6-21-280

<u>Question Eight</u>: Revenue bonds shall not bear an interest rate of more than:

1. **6%**
2. **4%**
3. **8%**
4. **1%**

Section 6-21-280 of the South Carolina Code states "[i]n no event shall any of the bonds be sold on a basis to yield more than six per cent per annum from the date of sale to the date of average maturity of the bonds sold."

Source: S.C. Code Ann. §6-21-280

<u>Bonus Question</u>: Who is generally regarded as the most famous center square on Hollywood Squares in the 70s?

a) **Paul Lynde**
b) **Charley Weaver**
c) **Charo**
d) **Rich Little**

a

b

c

d

Source: https://en.wikipedia.org/wiki/Hollywood_Squares

<u>Bonus Question</u>: Who is generally regarded as the most famous center square on Hollywood Squares in the 70s?

a) **Paul Lynde**
b) **Charley Weaver**
c) **Charo**
d) **Rich Little**

… but opinions vary

a

b

c

d

Source: https://en.wikipedia.org/wiki/Hollywood_Squares

Special Tax/Fee Bonds

Question One: Special tax bonds speak to bonds secured by revenue sources including hospitality fees, tourism development fees, and ATAX. Which of the following credit factors is most important in the rating process?

a) **Taxable Base and Pledge**
   - **Economic Strength**
   - **Nature of the Tax Pledge**

b) **Legal Structure**
   - **Additional Bonds Test**
   - **Debt Service Reserve Fund**

c) **Financial Metrics**
   - **Maximum Annual Debt Service Coverage**
   - **Revenue Trend**
   - **Revenue Volatility**

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

<u>Question One</u>: Special tax bonds speak to bonds secured by revenue sources including hospitality fees, tourism development fees, and ATAX. Which of the following credit factors is most important in the rating process?

a) **Taxable Base and Pledge 30%**
   - **Economic Strength**
   - **Nature of the Tax Pledge**

b) **Legal Structure 30%**
   - **Additional Bonds Test**
   - **Debt Service Reserve Fund**

c) **Financial Metrics 40%**
   - **Maximum Annual Debt Service Coverage**
   - **Revenue Trend**
   - **Revenue Volatility**

Note that legal structure is materially more significant during the rating process of a special tax bond than it is for a utility revenue bond.

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

a) **Taxable Base and Pledge**

- **Economic Strength**

  Based on the taxable base's diversity, size, stability and growth potential as well as an assessment of the area's socioeconomic indicators

- **Nature of the Tax Pledge**

  Taxes on more essential items that are applied broadly (e.g., sales tax on all goods) are viewed more favorably than narrowly applied taxes/fees on discretionary items (e.g., hospitality fee)

b) **Legal Structure**

- **Additional Bonds Test**

  Highly leveraged special tax bonds with a low ABT typically lead to a lower rating; the higher the ABT the more positive the rating impact

- **Debt Service Reserve Fund**

  Cash funded, full year reserves are stronger than springing reserves (i.e., reserves that become funded only when debt coverage drops below a certain level) or partial year reserves

c) **Financial Metrics**

- **Maximum Annual Debt Service Coverage**

  Aaa (>4.50x), Aa (2.51x-4.5x), A (1.51x-2.5x)

- **Revenue Trend**

  Growing = Best, Stable = Good, Declining = Weak

- **Revenue Volatility**

  Evaluated based on the magnitude of historical revenue declines

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

<u>Question Two</u>: After examining the various factors/sub-factors of a special tax credit, Moody's may notch the rating up or down based on a additional factors. Match the following "up lift" notching factors.

1. **Enhancement**
2. **Active Management**
3. **Additional Taxable Base Strength**

____ **Presence of state capital or a university**

____ **First dollars collected go to fully fund bond debt service before any distributions to city/county**

____ **Ability to raise tax rate coupled with history of doing so**

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

Question Two: After examining the various factors/sub-factors of a special tax credit, Moody's may notch the rating up or down based on a additional factors. Match the following "up lift" notching factors.

1. Enhancement
2. Active Management
3. Additional Taxable Base Strength

__3__ Presence of state capitol or a university

__1__ First dollars collected go to fully fund bond debt service before any distributions to city/county

__2__ Ability to raise tax rate coupled with history of doing so

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

Question Three: Match the following "down drag" notching factors.

1. **Complex Debt Structure**
2. **Refinancing Risk**
3. **Other**

____ **Fixed rate bonds with a 25-year amortization and a 10-year put**

____ **Prospective additional bonds test**

____ **Variable rate bonds swapped to fixed without a collateral support annex**

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

<u>Question Three</u>: Match the following "down drag" notching factors.

1. Complex Debt Structure
2. Refinancing Risk
3. Other

__2__ Fixed rate bonds with a 25-year amortization <u>and</u> a 10-year put

__3__ Prospective additional bonds test

__1__ Variable rate bonds swapped to fixed <u>without</u> a collateral support annex

Source: Moody's US Public Finance Special Tax Rating Methodology (January 31, 2014)

Question Four: My Council and Manager/Administrator/ Supervisor wants to issue a special tax secured bond. We need help setting this up. Match who to call.

1. Bond Counsel	____	Ray
2. Tax Counsel	____	Ray
3. Financial Advisor	____	Brent
4. Underwriter/ Placement Agent	____	Brent

Source: Ray and Brent

<u>Question Four</u>: My Council and Manager/Administrator/ Supervisor wants to issue a special tax secured bond. We need help setting this up. Match who to call.

1. Bond Counsel	**1**	**Ray**
2. Tax Counsel	**2**	**Ray**
3. Financial Advisor	**3**	**Brent**
4. Underwriter/ Placement Agent	**4**	**Brent**

Ray (Parker Poe) can serve as <u>both</u> your bond and tax counsel.

Brent (Stifel) can serve as <u>either</u> your financial advisor <u>or</u> underwriter/placement agent, not both. This is an important distinction to keep in mind when defining the role of your finance professional(s). Under certain conditions, an underwriter/ placement agent can change their capacity and become your FA, but the reverse is not allowed.

Source: Ray and Brent

<u>Question Five</u>: Which of the following may be taxed under a hospitality tax?

1. **Prepared meals and beverages sold in or consumed in establishments**
2. **Frozen meals sold in the grocery store**
3. **Hotel rooms and accommodations within the municipality**
4. **Sporting event, concert, and musical production tickets**

Source: S.C. Code Ann. §6-1-710.

<u>Question Five</u>: Which of the following may be taxed under a hospitality tax?

1. **Prepared meals and beverages sold in or consumed in establishments**
2. **Frozen meals sold in the grocery store**
3. **Hotel rooms and accommodations within the municipality**
4. **Sporting event, concert, and musical production tickets**

The South Carolina Code defines "local hospitality tax" as a "tax on the sales of prepared meals and beverages sold in establishments or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer, or wine." The municipality may authorize a local hospitality tax by ordinance, but the tax may not exceed 2% of two percent of the charges for food and beverages. "Local accommodations taxes" tax hotel rooms and other accommodations.

Source: S.C. Code Ann. §6-1-710.

<u>Question Six</u>: What is the maximum amount that a municipality may charge for a local accommodations tax on hotel rooms and other accommodations?

1. **1%**
2. **2%**
3. **3%**
4. **4%**

Source: S.C. Code Ann. §6-1-520.

Question Six: **What is the maximum amount that a municipality may charge for a local accommodations tax on hotel rooms and other accommodations?**

1. 1%
2. 2%
3. 3%
4. 4%

A municipality may, after approval by ordinance, impose an accommodations tax up to 3%. Just like the local hospitality tax, all proceeds from a local accommodations tax must be kept in a separate fund segregated from the imposing entity's general fund. All interest generated by the local accommodations tax fund must be credited to the local accommodations tax fund.

Source: S.C. Code Ann. §6-1-520.

Question Seven: The municipality may issue bonds secured by the revenue from accommodation taxes. For which of the following may a municipality NOT use the bond proceeds?

1. **Civic Activities**
2. **General Infrastructure**
3. **The Arts**
4. **Cultural Events**

Source: S.C. Code Ann. §6-4-15.

Question Seven: The municipality may issue bonds secured by the revenue from accommodation taxes. For which of the following may a municipality NOT use the bond proceeds?

1. **Civic Activities**
2. **General Infrastructure**
3. **The Arts**
4. **Cultural Events**

A municipality or county may issue bonds, enter into other financial obligations, or create reserves to secure obligations to finance all or a portion of the cost of constructing facilities for civic activities, the arts, and cultural events. The annual debt service of indebtedness incurred to finance the facilities or lease payments for the use of the facilities may be provided from the funds received by a municipality from the accommodations tax in an amount not to exceed the amount received by the municipality after deduction of the accommodations tax funds dedicated to the general fund and the advertising and promotion fund.

Source: S.C. Code Ann. §6-4-15.

<u>Question Eight</u>: True or False: A municipality may pledge special tax revenue to pay outstanding municipal bonds.

1. **True**
2. **False**

Source: S.C. Code Ann. §6-4-15.

<u>Question Eight</u>: True or False: A municipality may pledge special tax revenue to pay outstanding municipal bonds.

1. **True**
2. **False**

True…ish. The tax revenue may be used to pay the debt service on outstanding municipal bonds but only if the accommodations tax revenue was obligated for that purpose when the debt was incurred.

Source: S.C. Code Ann. §6-4-15.

<u>Bonus Question</u>: Match the 1970s gameshow host to their show.

a)	**Gene Rayburn**		**Hollywood Squares**
b)	**Chuck Barris**		**Beat the Time**
c)	**Peter Marshall**		**Match Game**
d)	**Guy Smiley**		**The Gong Show**

Source: Google

Bonus Question: **Match the 1970s gameshow host to their show.**

a) Gene Rayburn

b) Chuck Barris

c) Peter Marshall

d) Guy Smiley

Hollywood Squares

Beat the Time

Match Game

The Gong Show

Source: Google

General Obligation Bonds

<u>Question One</u>: We're shooting for a GO rating or upgrade consideration. What two measures of fund balance will be scrutinized by our credit analyst?

a) **Fund balance as a % of total taxable AV**
b) **Fund balance as a % of operating revenues**
c) **Fund balance as % of operating expenses**
d) **Dollar change in fund balance over the over the last five years**

Source: Moody's US Local Government GO Debt Rating Methodology (January 15, 2014)

<u>Question One</u>: We're shooting for a GO rating or upgrade consideration. What two measures of fund balance will be scrutinized by our credit analyst?

a) **Fund balance as a % of total taxable AV**
b) **Fund balance as a % of operating revenues**
c) **Fund balance as % of operating expenses**
d) **Dollar change in fund balance over the over the last five years**

10% of Moody's GO scorecard exercise examines available fund balance as a % of operating revenues. While specific funds included in the analysis vary by credit, most will include at least general fund unassigned plus assigned fund balance. Available fund balance may be adjusted further by other resources available for operating purposes (e.g., non-trust held OPEB deposits).

An additional 5% of Moody's scorecard exercise examines a historic lookback calculated as available fund balance in the most recent year minus available fund balance five years earlier, as a % of operating revenues in the most recent year.

Source: Moody's US Local Government GO Debt Rating Methodology (January 15, 2014)

<u>Question Two</u>: Identify the following economic/tax base factors as either positive or negative influences on a GO rating.

a) **Non-Taxable Institutional Presence (e.g., universities, military bases, state capital)** ____________

b) **Economic Concentration (e.g., large, stable single taxpayer or industry)** ____________

c) **Regional Economic Center (e.g., numerous daytime visitors such as shoppers or employees)** ____________

Source: Moody's US Local Government GO Debt Rating Methodology (January 15, 2014)

<u>Question Two</u>: Identify the following economic/tax base factors as either positive or negative influences on a GO rating.

a) **Non-Taxable Institutional Presence (e.g., universities, military bases, state capital)** — **Positive**

b) **Economic Concentration (e.g., large, stable single taxpayer or industry)** — **Negative**

c) **Regional Economic Center (e.g., numerous daytime visitors such as shoppers or employees)** — **Positive**

Source: Moody's US Local Government GO Debt Rating Methodology (January 15, 2014)

Question Three: From most to least, rank the following in South Carolina.

a) Number of “Baa” GO-rated cities, towns and counties
b) Number of “A” GO-rated cities, towns and counties
c) Number of “Aa” GO-rated cities, towns and counties
d) Number of “Aaa” GO-rated cities, towns and counties

1. a, b, c, d
2. b, c, a, d
3. b, a, c, d
4. c, b, d, a

Source: Moody’s MFRA (September 28, 2016)

Question Three: From most to least, rank the following in South Carolina.

a) Number of "Baa" GO-rated cities, towns and counties
b) Number of "A" GO-rated cities, towns and counties
c) Number of "Aa" GO-rated cities, towns and counties
d) Number of "Aaa" GO-rated cities, towns and counties

1. a, b, c, d
2. b, c, a, d
3. b, a, c, d
4. c, b, d, a

Aa = 34 (17 cities/towns, 17 counties)
A = 9 (3 cities/towns, 6 counties)
Aaa = 7 (4 cities/towns, 4 counties)
Baa = 0

Source: Moody's MFRA (September 28, 2016)

<u>Question Four</u>: What municipal revenue sources provides for the repayment of general obligations bonds?

1. **Sales taxes within the municipality**
2. **Ad valorem property taxes within the municipality**
3. **Special sources of revenue such as accommodation and hospitality taxes**
4. **Fees for services within the municipality**

Source: S.C. Code Ann. §5-21-400.

<u>Question Four</u>: What municipal revenue sources provides for the repayment of general obligations bonds?

1. **Sales taxes within the municipality**
2. **Ad valorem property taxes within the municipality**
3. **Special sources of revenue such as accommodation and hospitality taxes**
4. **Fees for services within the municipality**

After issuing general obligation bonds, the municipality must levy an ad valorem property tax on all taxable property within the municipality. The municipality irrevocably pledges the full faith, credit and taxing power of the municipality to secure the general obligation bonds.

Source: S.C. Code Ann. §5-21-400.

<u>Question Five</u>: The South Carolina Constitution limits the amount of indebtedness that a municipality may issue as it relates to the value of all of the taxable property in the municipality. What is the current municipal debt limit?

1. **8%**
2. **6%**
3. **4%**
4. **2%**

Source: S.C. Code Ann. §5-21-240.

<u>Question Five</u>: The South Carolina Constitution limits the amount of indebtedness that a municipality may issue as it relates to the value of all of the taxable property in the municipality. What is the current municipal debt limit?

1. **8%**
2. **6%**
3. **4%**
4. **2%**

The municipal council of any municipality may issue general obligation bonds of such municipality for any corporate purpose of such municipality to any amount not exceeding the constitutional debt limitation. The constitutional debt limitation is 8%.

Source: S.C. Code Ann. §5-21-240.

Question Six: True or False: General Obligation Bonds issued by municipalities may be sold at private sale.

1. True
2. False

Source: S.C. Code Ann. §5-21-430.

<u>Question Six</u>: True or False: General Obligation Bonds issued by municipalities may be sold at private sale.

1. **True**
2. **False**

True, however bonds may only be sold privately under certain conditions. The bonds may be disposed of at private sale if there are no bids received, if all bids are rejected, or if the bonds are being sold to the United States government or a U.S. government agency.

Source: S.C. Code Ann. §5-21-430.

<u>Question Seven</u>: What should a municipality do if there is more revenue generated from the sale of the bonds than needed for the project?

1. **Spend it!**
2. **Pay off other bonds that are overdue**
3. **Deposit it in the sinking fund**
4. **Include it in the general revenue of the municipality**

Source: S.C. Code Ann. §5-21-450.

<u>Question Seven</u>: What should a municipality do if there is more revenue generated from the sale of the bonds than needed for the project?

1. **Spend it!**
2. **Pay off other bonds that are overdue**
3. **Deposit it in the sinking fund**
4. **Include it in the general revenue of the municipality**

The proceeds derived from the sale of general obligation bonds shall be deposited in a special fund, separate and distinct from all other funds, and applied solely to the purposes for which the bonds are issued. However, any premium shall be placed in the sinking fund, and any accrued interest shall be used to discharge in part the first interest to become due on the bonds. If any surplus remains, it shall be deposited in the sinking fund to be established for the payment of the bonds.

Source: S.C. Code Ann. §5-21-450.

<u>Question Eight</u>: What happens if a member of the governing body of the municipality diverts the funds meant for the repayment of bonds, sinking fund, or cushion fund?

1. **Nothing, the governing body has the discretion to divert funds**
2. **They will be guilty of a misdemeanor**
3. **They will be asked to step down from their position on the council**
4. **They will be guilty of a felony**

Source: S.C. Code Ann. §5-21-500.

Question Eight: What happens if a member of the governing body of the municipality diverts the funds meant for the repayment of bonds, sinking fund, or cushion fund?

1. **Nothing, the governing body has the discretion to divert funds**
2. **They will be guilty of a misdemeanor**
3. **They will be asked to step down from their position on the council**
4. **They will be guilty of a felony**

Any member of the governing body who votes to divert these funds or disburses the funds (even if it is authorized by the governing body) is guilty of a misdemeanor and shall either be imprisoned for anywhere between 30 days to one year, be fined $200-$500, or both.

Source: S.C. Code Ann. §5-21-500.

Bonus Question: The disclosure below is provided by Stifel with regard to our contributions to this presentation. Will you read it?

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