

**Rating Action: Moody's Assigns Aaa to SD Conservancy District SRF Program Bonds Series 2022A & 2022B; outlook stable**

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04 Oct 2022

New York, October 04, 2022 -- Moody's Investors Service has assigned Aaa ratings to South Dakota Conservancy District, State Revolving Fund Program Bonds Series 2022A Taxable Revenue Bonds (\$58.945 million) and Series 2022B Revenue Bonds (\$97.775 million). In addition Moody's maintains the Aaa ratings on all outstanding parity bond. The outlook is stable.

**RATINGS RATIONALE**

The program's Aaa rating reflects its strong over-collateralization, a high 35% default tolerance, and a good credit quality for the underlying loan portfolio. The rating also incorporates a legal structure that allows for cross-collateralization of the clean water (CW) and drinking water (DW) programs (together, the state revolving fund (SRF) program) in the case of a payment deficiency in either program. City of Sioux Falls (City; Aa1 issuer rating) is the largest participant in the SRF program (16%), which receives revenue pledges from the City.

**RATING OUTLOOK**

The stable outlook reflects our continued expectation that the credit strength of the loan portfolio, program asset-to-debt ratio and default tolerance will remain strong and consistent with the Aaa rating.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Not applicable

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- A significant deterioration in debt service coverage, the program default tolerance or the average portfolio credit quality

**LEGAL SECURITY**

The Bonds are special obligations of the District, payable solely from specific revenues and funds pledged under a Fifth Amended and Restated Master Trust Indenture (Master Indenture), including moneys and investments in funds established under the Master Indenture and outstanding loans of the clean water program and drinking water program.

**USE OF PROCEEDS**

Proceeds of the Series 2022 Bonds, together with other available funds, will be used by the District (a) to make loans to borrowers for the financing of eligible water and sewer projects and (b) to pay costs of issuance.

**PROFILE**

The District is a governmental agency and body politic and corporate with authority to exercise powers specified in the State Act. The District develops water resource policy for the state of South Dakota and provides financing to other public and private entities for the construction and improvement of water, wastewater and solid waste facilities. Specifically, the Division of Financial and Technical Assistance (one of the five divisions in the Department of Agriculture and Natural Resources of the District) is responsible for administering the SRF program.

The SRF program provides revolving loan funds to make loans to political subdivisions of the State of South Dakota and owners of public water supply systems under the DW program as well as other borrowers for sewer, water and other authorized purposes under the CW program. The CW/DW programs are funded by capitalization grants, loan repayments, investment earnings and bond proceeds. This SRF program is a cash flow model.

## METHODOLOGY

The principal methodology used in these ratings was Public Sector Pool Programs and Financings Methodology published in April 2020 and available at <https://ratings.moodys.com/api/rmc-documents/66017>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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