



Rating Action: Moody's Ratings assigns Aaa to SD Conservancy District's SRF Program Bonds Series 2025A; outlook stable

08 May 2025

New York, May 08, 2025 -- Moody's Ratings (Moody's) has assigned Aaa to the proposed \$198.24 million South Dakota Conservancy District's State Revolving Fund Program Bonds, Series 2025A (2025 Bonds; together with outstanding bonds, Bonds). Additionally, we maintain Aaa ratings on all outstanding Bonds. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the State Revolving Fund's (SRF) strong finance position, evidenced by a high 2025 over-collateralization level of 3.34x, a very high 35% default tolerance (DTA), solid debt service coverage and a satisfactory loan portfolio quality. It further reflects the cross-collateralization of the clean water (CW) and drinking water (DW) programs in the case of a payment deficiency in either program. City of Sioux Falls (Aa1 issuer rating) is the largest participant in the SRF program (25%), with a CW revenue pledge from the City.

RATING OUTLOOK

The stable outlook reflects that the SRF will maintain the strong financial position (evidenced by a high over-collateralization level), a strong 35% DTA and the quality of its loan portfolio.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- A considerable decline in the DTA to below 25%, along with a significant deterioration in the credit quality of the pledged loan portfolio, particularly City of Sioux Falls's credit quality

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 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. Both programs are funded by capitalization grants, loan repayments, investment earnings and bond proceeds. SD SRF is a cash flow model. As of 4/1/2025, there were about \$736 million of SRF Bonds outstanding.

METHODOLOGY

The principal methodology used in this rating was Public Sector Pool Programs and Financings published in August 2024 and available at <https://ratings.moodys.com/rmc-documents/426425>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Ping Hsieh
Lead Analyst

Rachael McDonald
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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