MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aaa to SD Conservancy District SRF Program Bonds Series 2026C&D; outlook stable

22 Oct 2026

New York, October 22, 2026 -- Moody's Ratings (Moody's) has assigned Aaa to the proposed $25.165 million South Dakota Conservancy District's (District) State Revolving Fund Program Bonds, Taxable Revenue Bonds, Series 2026C and $143.685 million State Revolving Fund Program Bonds, Revenue Bonds, Series 2026D (2026 Bonds; together with outstanding bonds, Bonds). Additionally, we have maintained the Aaa ratings on the outstanding State Revolving Fund (SRF) Bonds. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the SRF program's strong performance, evidenced by a high 29% default tolerance (DTA; as of June 30, 2026), solid debt service coverage, and a diverse loan portfolio consisting of 378 unique borrowers with an average credit quality in the A-range. The top five borrowers represent about 35% of the pool whereas borrowers of less than 1% of the total loan portfolio constitute about 42%. The City of Sioux Falls (Aa1 issuer rating) is the largest participant in the SRF program (16%), with CW revenue pledges from the City.

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.

RATING OUTLOOK

The stable outlook reflects that the SRF will maintain its strong financial position and performance as evidenced by a high 29% DTA, significant over-collateralization level and a solid loan portfolio credit quality.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- None

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A significant decrease in the default tolerance dropping below 25%

- A substantial deterioration in the credit quality of the pledged loan portfolio to below A-range, particularly City of Sioux Falls's credit quality

PROFILE

The SRF Master Indenture implements a CW Program and a DW Program, which provides revolving loans to finance loans to political subdivisions of the State of South Dakota, owners of public water supply systems and other eligible borrowers for sewer, water and other authorized purposes. Both programs are funded by federal capitalization grants, loan repayments, investment earnings and bond proceeds. SD SRF is a cash flow model. The Master Indenture also provides that Revenues from either Program be used to cross-collateralize Bonds of the other Program pursuant to a subordinate loan, as needed. As of 6/30/2026, there were about $923 million of SRF Bonds outstanding.

The District was created within the State by the State Act for the purpose of planning, developing and

managing the use and conservation of the water resources of the State of South Dakota. The District is a governmental agency and body politic and corporate with authority to exercise powers specified in the State Act. 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 assessing natural resources and administering the SRF program.

METHODOLOGY

The principal methodology used in these ratings was Public Sector Pool Programs and Financings published in December 2025 and available at https://ratings.moodys.com/rmc-documents/455989. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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