MOODY'S RATINGS

Rating Action: Moody's Ratings assigns Aa1 to City of Sioux Falls, SD's junior lien sales and use tax bonds; outlook stable

11 Aug 2026

New York, August 11, 2026 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to the City of Sioux Falls, SD's Sales Tax Junior Lien Revenue Refunding Bonds, Series 2026A and Sales Tax Junior Lien Revenue Bonds, Series 2026B with a proposed par amount of $89.8 million. We affirmed the city's outstanding Aa1 issuer rating, as well as the Aa1 rating on the outstanding senior and junior lien sales and use tax bond. We have also assigned a stable outlook. Following the sale, the city will have around $417 million in debt outstanding.

The city was assigned a stable outlook because of our expectation that the city's financial position will remain healthy and long-term liabilities are not expected to materially increase.

RATINGS RATIONALE

The Aa1 issuer rating reflects the city's healthy local economy that serves as the largest economic center in the state. Resident income and full value per capita are healthy at 104% and $150,000 but trail similarly rated peers. The rating also incorporates the city's strong financial operations, with healthy fund balance and liquidity, low long-term liabilities, and modest fixed costs. A large non-recurring revenue increase in the water fund from a legal settlement pushed down the available fund balance ratio, though it is still a very healthy 52% of revenue. We anticipate in 2026 this will move closer to the historic figures around 60%. For fiscal 2026 the city has budgeted for a slight increase in the general fund, which based on current year-to-date figures is anticipated to be realized. The city has no plans for additional debt over the next few years.

The city's Aa1 senior lien special tax rating is the same level as its issuer rating because the pledged revenue provides sound debt service coverage just under 7.5x in fiscal 2026. Coverage is likely to remain high as the city does not have plans to issue more senior lien bonds in the near-term.

The city's Aa1 junior lien special tax rating is the same level as its issuer rating because the pledged revenue provides sound debt service coverage at roughly 4.7x in fiscal 2031. Coverage is likely to remain robust as the city currently anticipates no new junior lien issuances before 2031.

RATING OUTLOOK

The stable outlook on the issuer and underlying ratings reflects the city's strong budget management with the willingness to adjust expenditures, low leverage and growing population and tax base.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improvement in resident income levels and full value per capita to levels above 120% and $200,000 respectively

- Notable increases in development and economic growth relative to peers

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Available fund balance ratio approaching 30% coupled with a decline in liquidity that hovers around 40%

- Long-term liabilities ratio consistently above 200% of revenue

PROFILE

Located in southeast South Dakota (Aaa stable) along the Iowa (Aaa stable) and Minnesota (Aaa stable) borders, Sioux Falls is the county seat of Minnehaha County (Aa1) and a regional economic center. There are approximately 201,000 residents making it the largest city in South Dakota, accounting for over 20% of the state's population.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in June 2026 and available at https://ratings.moodys.com/rmc-documents/466689. 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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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