Summary:
Oklahoma Water Resources Board; State Revolving Funds/Pools

Primary Credit Analyst:
Andrew Bredeson, Centennial + 1 (303) 721 4825; andrew.bredeson@spglobal.com

Secondary Contact:
Katelyn A Kerley, Centennial + 1 (303) 721 4683; katelyn.Kerley@spglobal.com

Table Of Contents
Rating Action
Stable Outlook
Credit Opinion
Related Research
Summary:
Oklahoma Water Resources Board; State Revolving Funds/Pools

Credit Profile

<table>
<thead>
<tr>
<th>Description</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$19.935 mil state loan prog rev bnds ser 2021C due 10/01/2051</td>
<td>AAA/Stable</td>
<td>New</td>
</tr>
<tr>
<td>Oklahoma Wtr Resources Brd</td>
<td>AAA/Stable</td>
<td>Affirmed</td>
</tr>
<tr>
<td>Oklahoma Wtr Resources Brd st revolv</td>
<td>AAA/Stable</td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Rating Action

S&P Global Ratings assigned its 'AAA' long-term rating to the Oklahoma Water Resources Board's (OWRB) anticipated $19.9 million state loan program revenue bonds, series 2021C. At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on OWRB's state loan revenue bonds outstanding. The outlook is stable.

The OWRB will apply the series 2021C bond proceeds to make loans to the Blackwell Municipal Authority and the Jones Public Works Authority.

The bonds will be issued under the 2016 general bond resolution, bringing the total debt outstanding under the new resolution to about $456.5 million. The ratings on OWRB's bonds issued under both the 2016 and 1986 resolutions equally benefit from the board's access to the state's Water Infrastructure Credit Enhancement Reserve Fund (WICERF). The state statute authorizing the WICERF authorizes the OWRB to issue as much as $300 million of state GO bonds, as needed, to prevent or cure a default on bonds issued by the board.

Credit overview

The rating reflects our view of OWRB's credit strengths, including a long history of borrower repayment with no defaults in program history and no recent delinquencies, as well as and generally strong financial policies and practices. The rating further reflects the credit support provided by the WICERF to cure any potential defaults by the program's borrowers, and the program's extremely strong loss coverage score as determined per our criteria, which reflects the combination of ample program reserves and annual coverage generated from borrowers that we believe substantially mitigates credit risk even under a default scenario.

Because we view securitizations backed by pools of public-sector assets as highly sensitive to national risk, we cap the rating on the securitization at two notches above the sovereign. However, no specific sovereign default stress is applied given the strength of the U.S. sovereign rating (AA+/Stable).

Based on the board's ability to issue bonds supported by a state general obligation (GO) pledge, in an amount up to $300 million, the strong ability of the program to withstand even a heightened default scenario, and the program's
strong loan-repayment history, we applied a one-notch positive override to assign the 'AAA' rating. The ability of the board to issue state GO bonds is contingent on the state retaining strong market access. Considering the high rating on the state (AA/Stable), we do not believe this is a risk. However, should the state's access to the bond market become less certain, the enhancement provided by access to the WICERF could be diminished. For more on the state of Oklahoma’s credit quality, see our report published April 13, 2021.

The stable outlook reflects our expectation that there will be no changes in the WICERF authorization as it is formalized in the state constitution, and that the board will manage its loan origination process to provide strong protection against loan default risks. We expect that modest coverage, coupled with available reserves, will provide protection against potential loan delinquencies or defaults.

**Stable Outlook**

**Downside scenario**

We could lower the rating in the unlikely event of a sudden increase in loan delinquencies or defaults, or an increase in leverage and a resulting mismatch between loan payments and bond payments. A lower rating would also be likely in the event OWRB's access to the WICERF comes into question.

**Credit Opinion**

In November 2012, Oklahoma citizens voted in favor of State Question No. 764, which authorizes OWRB to issue as much as $300 million of state GO bonds, should additional funds be needed to avoid a default on bonds issued by the board. The WICERF debt issuance process will begin immediately following depletion of the OWRB reserve funds for avoiding a payment default on any OWRB obligations. The board has developed policies and procedures for accessing the WICERF, including triggers for initiating a bond sale.

The program’s extremely strong loss coverage score reflects the ability for program cash flows and reserves to cover a high level of defaults, followed by less than 100% recovery. The pool is highly concentrated, with the five largest borrowers (the Enid Municipal Authority, Oklahoma City Water Utilities Trust, the Broken Arrow Municipal Authority, the Tulsa Metropolitan Utility Authority, and Waurika Lake Master Conservancy District) accounting for roughly 66% of the combined loan balance outstanding under the 1986 and 2016 resolutions following the series 2021C issuance.

Following this issuance, OWRB will have about $5.2 million for the 1986 general reserve and $24.0 million for the 2016 general reserve. Our cash flow analysis indicates a modest annual coverage level under a no-default scenario. OWRB administrative fees are subordinate and therefore create a small coverage margin each year that could be used to absorb a small degree of defaults or delinquencies.

**Related Research**

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
<table>
<thead>
<tr>
<th>Oklahoma Wtr Resources Brd st loan prog rev bnds ser 2012C dtd 08/29/2012 due 09/01/2013-2022 2032 2042</th>
<th>Long Term Rating</th>
<th>AAA/Stable</th>
<th>Affirmed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma Wtr Resources Brd st revolv</td>
<td>Long Term Rating</td>
<td>AAA/Stable</td>
<td>Affirmed</td>
</tr>
<tr>
<td>Oklahoma Wtr Resources Brd st revolv</td>
<td>Long Term Rating</td>
<td>AAA/Stable</td>
<td>Affirmed</td>
</tr>
<tr>
<td>Oklahoma Wtr Resources Brd (2016 Resolution)</td>
<td>Long Term Rating</td>
<td>AAA/Stable</td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.