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Texas Gun Law Isn't Hurting One of Its Largest Bond Issuers, CFO Says.

- **DFW International Airport easily sold bonds last month**
- **A change in underwriters had no impact on pricing, CFO says**

Dallas Fort Worth International Airport faced a potential bind ahead of its recent \$1.2 billion bond sale: a new Texas law designed to stop banks from straying into political issues had forced three underwriters to bow out of part of the offering.

But the airport, one of the largest issuers of municipal bonds in Texas, ended up swapping in two other banks. There didn't appear to be any impact on the pricing when it sold the securities late last month, said Christopher Poinatte, the airport's chief financial officer, in an interview.

The airport's ability to sell bonds even after a last-minute change in underwriters underscores how demand for municipal bonds remains intense, even with recent signs that investor interest might be cooling a bit. With money managers still clamoring for the bonds, dozens of banks are eager to fill the void left by any banks affected by the state law.

The new Texas law bars state and local governments from doing business with banks that have limited their ties to the firearms industry. A separate measure restricts state contracts with firms that have shunned fossil-fuel producers, a major industry in Texas.

The laws come after activists have for years pressed banks to stop lending to gun makers as well as drillers and transporters of fossil fuels. In some cases, banks have listened to that pressure.

Now those banks are facing pushback from Texas. Citigroup Inc., JPMorgan Chase & Co., Bank of America Corp. and Goldman Sachs Group Inc. have faced a hit to their public finance business in Texas since legislation went into effect on Sept. 1.

Citigroup, JPMorgan, and Bank of America were expected to underwrite the roughly \$700 million taxable portion of the airport's offering, but were replaced with Barclays Plc and Morgan Stanley, Poinatte said. The taxable securities received orders equal to more than six times the amount for sale.

"We were very pleased," Poinatte said. "Barclays and Morgan Stanley stepped in, they really only had about three weeks to ramp it up. They did a great job with it."

Overall, the deal received more than \$7 billion of orders from 155 unique investors, he said. The bonds were sold to refinance debt and fund construction projects.

One place where state and local governments could see difficulty with the new laws is with finding firms to provide them with banking services, Poinatte said, such as making deposits and getting credit cards.

“That’s probably the biggest issue,” Poinatte said. “There are a lot of other underwriters that we can go to, banking relationships will be a harder problem to solve.”

The airport is about two years into a 10-year contract with JPMorgan that was finalized before the laws went into effect on Sept. 1. The legislation only impacts new contracts, so the airport’s agreement isn’t affected. Poinatte called that “fortunate” but other government entities going through the requisition process for banking services could see challenges with some large players unable to participate.

“I think the area that could impact Texas municipalities more than any other is the banking relationship,” Poinatte said.

Dallas Fort Worth Airport is one of the largest issuers of municipal bonds in Texas and it’s in the middle of a borrowing spree, with plans to sell \$4.2 billion of new money bonds to finance capital projects through the 2027 fiscal year, according to a presentation to investors dated Oct 7. That doesn’t include refinancings.

As the three biggest U.S. banks have faced pressure in Texas, other firms including UBS AG, Wells Fargo & Co. and smaller players like Hilltop Securities have stepped into the breach.

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— *With assistance by Amanda Albright*