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Citi's Texas Strategy Hinges on Rainmaker Who Made Bank No. 1 Underwriter.

- **Bank to lean on Mario Carrasco, lead muni banker for southwest**
- **Top Texas muni underwriter from 2018-2020, Citi is now eighth**

A key Citigroup Inc. rainmaker in Texas is faced with reviving the bank's public-finance business there after GOP officials sought to punish the firm for its gun policies, triggering an unprecedented pullback from underwriting in a fast-growing state.

Mario Carrasco, head of public finance for Citigroup in the Southwest, helped make the bank the biggest municipal underwriter in Texas the past three years. Now, with the company saying it's ready to resume the operations after a two-month halt, he's tasked with recapturing market share in one of the hottest corners of the nation's \$4 trillion muni-bond market.

It was Carrasco, a Citigroup veteran of more than a decade, who expressed concern back in April to at least one big issuer, San Antonio, about an early version of Senate Bill 19 that was working its way through the Republican-led legislature, public records obtained by Bloomberg show.

The measure, which evolved and became law in June and took effect Sept. 1, bars governmental entities in the state from working with companies that "discriminate" against the firearms industry. It upended the operations of Citigroup and some of its biggest Wall Street rivals, which had introduced new gun policies in the wake of U.S. mass shootings.

"We do appreciate your understanding and patience as Citi Texas navigates our current legislative issues," Carrasco told issuers via email on Sept. 27.

Now it looks like Carrasco and his Texas colleagues — a squad of roughly nine bankers and analysts — can get back to work in the state.

Citigroup said Nov. 9 that it's prepared to restart its Texas public-finance business after working through a certification process under the new law.

The bank has had conversations with state officials as part of that process and is confident it's able to resume deals soon, according to a person familiar with the matter who asked not to be named as the conversations aren't public.

Citigroup, the second-largest underwriter of munis nationwide, has made no substantive changes to its gun policy in response to the Texas law. The bank has said for months that it can comply with the legislation.

The bank has some ground to make up. After being ranked the biggest underwriter of Texas munis from 2018-2020, New York-based Citigroup has dropped to eighth place this year, data compiled by Bloomberg show. Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. also haven't underwritten munis sold by the state and its cities, schools, and transit agencies since the

legislation took effect.

Citigroup's latest step may mark the beginning of the end of a months-long saga where the normally placid muni market became the latest battleground for the nation's culture wars. This year's standoff came after the bank said in 2018 that it would forbid retailers that are its customers from offering bump stocks or selling guns to anyone who hasn't passed a background check or is younger than 21.

Banking Relationships

For Citigroup to regain its foothold, Carrasco and his colleagues will have to lean on the relationships they've spent their careers building.

A lifelong resident of San Antonio, Carrasco graduated from St. Mary's University in the city in 1998. He joined Citigroup in 2010 after working at firms including Stifel Financial Corp., and has been head of public finance in the Southwest since 2015.

Citigroup declined to make Carrasco available for an interview or to comment further.

At an industry conference in San Antonio last month, several bankers described Carrasco as a central figure in Texas's muni-finance community. In 2019, he led the board of trustees for the Municipal Advisory Council of Texas, which tracks market data and hosts events.

Despite the fallout from the new law, he and his colleagues still attended the San Antonio conference and mingled at the event, for which Citigroup was a sponsor.

Losing access to the Texas market would be a blow for any muni banker. The state's surging population has driven debt sales for infrastructure. In 2020, Texas borrowers sold about \$58 billion of debt, trailing only those in California.

Final Approval

Of course, nothing is certain until the Texas attorney general, Republican Ken Paxton, makes it clear he won't block Citigroup's deals. The office hasn't responded to multiple requests for comment.

Paxton's office reviews and signs off on public debt sales in Texas. That presents a potential scenario where, if the office rejects a deal, debt that has already been priced wouldn't close, investors wouldn't receive their bonds and the issuer would have to re-offer the debt. The bank could test the waters by bidding on deals sold via auction, rather than having an issuer hire it before the sale.

Several issuers say they welcome Citigroup's return, signaling they expect it to be able to resume underwriting.

Texas Comptroller Glenn Hegar, a Republican who oversees the state's finances and is a member of its bond review board, said he was glad to see the bank had made the proper certifications.

"I am pleased that Citigroup has certified that they are able to comply with Texas law and will resume underwriting bonds in one of the fastest growing and dynamic markets in the nation," he said in an emailed statement.

Reaching Out

Last week, Citigroup bankers in Texas were already reaching out to clients.

Elizabeth Reich, Dallas's chief financial officer, said she was "pleased" by the news from the bank.

"It is in the taxpayers' and residents' best interests that we have as many potential partners as possible when we are financing needed infrastructure for the City of Dallas," she said via email.

And Bill Bilyeu, administrator for Collin County, part of the Dallas metropolitan area, said the county would be willing to work with Citigroup again and that he heard from Carrasco last week.

"We very much appreciate your patience with this important matter and look forward to continuing to serve the clients of Texas, as we have in the past," Carrasco said via email.

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