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Muni Bankers Shrug Off Citi's Exit and Celebrate Deal Bonanza.

In San Francisco this week, municipal-bond bankers weren't fretting about industry concerns or the departure of giant Citigroup Inc. earlier this year.

Instead, they were celebrating the deals they've picked up amid a record pace of new state and local government bond sales this year.

"We have new players coming into the industry with fresh eyes and fresh ideas," said Leonard Jones, head of public finance at Blaylock Van LLC, in a panel discussion at the Bond Buyer's California Public Finance Conference in San Francisco on Friday. "We have a lot of regional and minority firms that are growing, and I don't see much to be negative about."

Issuers have sold \$423 billion of long-term municipal bonds so far this year, a more than 40% increase from the same period in 2023, according to data compiled by Bloomberg. If that pace holds for the rest of the year, the market would post an annual record, the data shows.

The tone was upbeat throughout the conference. At a panel Thursday, some panelists estimated more than \$500 billion worth of muni-bond sales in 2025.

The surge in supply indicates Citigroup may have pulled out of the market at the wrong time, said Cameron Parks, managing director at Truist Financial Corp. and a former Citi banker. "Citi exits and this becomes a record volume year. Their timing on that part wasn't that great," he said on the panel.

Smaller firms have been making inroads in the muni market after Citigroup and UBS Group AG largely pulled out of the market. Truist, for example, has surged in the muni underwriting rankings this year.

Jones said the remaining firms in the industry have increased resources to help bridge the gap. He detailed that Blaylock doubled the size of its sales and trading desk after Citi left, increasing the bank's secondary market trading and competitive bidding capacity from "pretty much zero."

"That's us stepping up and trying to provide some liquidity to the market," Jones said.

Still, borrowers remain concerned about fewer liquidity providers and banking relationships. Bankers often pitch issuers on potential financings or new structures.

"As an issuer, this has been an area of concern, we're concerned about liquidity," said Nikolai Sklaroff, capital finance director at the San Francisco Public Utilities Commission. "My most important concern is the liquidity of ideas."

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