

## A Municipal ICO Offers an Alternative Funding Method for Cities

The Initial Coin Offering, commonly called the ICO, solves many of the issues a city faces every time they need to fund a civic project.

When a city needs to fund a local project, the city generally has limited choices for funding. If the city does not have existing funds for the project or the legal right to transfer extra funds from another project to the new project, the city generally must perform a referendum to issue a municipal bond. The results of the referendum have, in its balance, the ability for the city to obtain funding from its citizens necessary to maintain a sound and future-driven direction. However, the referendum will sometimes fail, leaving the city with few remaining alternatives to complete these well needed projects.

Interestingly, even if the referendum succeeds, let's say at 51%, then 49% of the city's citizens are committed to support the project even though they did not agree with the premise of the referendum.

In addition to the minority being forced to participate, the referendum approach also has other drawbacks, such as:

- Third party organizations need to be paid to handle the municipal bond activities that provide the funding of the project.
- Transparency into the project is provided by third party organizations showing the accounting of the project.
- Those that are passionate about the project and want to participate financially can be required to participate at a minimum level of thousands of dollars, depending on the terms of the municipal bond issuance. This high minimum level excludes the average citizen from being a participant in the funding.

### **Why do Cities Use Traditional Municipal Bonds for Funding?**

When a person needs money to buy a car, the person goes to a bank and gets a loan. When a city needs to borrow money for a new city project, they often must issue a bond. The bond is a loan, of sorts, for the city to obtain funds the city did not have before the bond's creation. The bond carries an obligation for the city to pay back to the buyers of the bond at a specific amount and specific date. So, the city gets money that it did not have, and the bond investors get their money back with a bit more to produce a 'Return on Investment'.

Some States mandate specific ways to pay for city projects. Other States, like the State of Texas, allow their [cities to raise their own revenue](#). Regardless of the State laws regarding the alternatives for a city to raise funds for a new project, an ICO remains an attractive method. The current State laws must be respected, but, also can be requested to change.

### **Why an ICO may be Attractive to a City?**

A city could use an ICO to raise funds for a much-needed project or service for its citizens. The value of the project may be for only a minority of the citizens causing concern that a referendum may not pass with a majority vote. Yet, the city may gain a great deal from the project.

An ICO offers an incredible opportunity for the city to implement plans that will move their city from being merely a provider of services that aid the majority - to a city that provides equally for all its citizens.

The municipal ICO will create a unique token that could be used within the city's services, both new and old. So, the new token would have a utility value. This token could also be exchanged for other cryptocurrencies that would allow the value of the token to increase on the open market. This could provide a situation where the project would be self-funding and even be used to fund future projects under the rules set by the governing Smart Contract.

A municipal ICO has the following advantages:

- Participants could contribute financially at as low as \$50, allowing those with little resources to follow their passion for the project as a financial contributor.
- The administrative cost of the funding could be substantially less than a traditional referendum and issuance of a municipal bond. This will put more money into the project instead of general administrative costs.
- Transparency would be available without the need of a centralized third party since the smart contracts and transactions would be on a decentralized blockchain for all to see.
- Citizens from other cities or anywhere in the world could financially participate in the municipal ICO and the municipal token on into the future.
- The city will be incentivized to keep a balanced budget and excellent public reputation since these factors will impact the success of the ICO and the new token generated from the ICO.

### **Let's Look to the Future**

This is just the beginning of this discussion. There are laws and regulations that we must respect and improve, if necessary. We understand how to execute a successful ICO for a business project. We need to apply that knowledge and experience to benefit a city wanting to improve the lives of all their citizens, without exclusion, when traditional methods of funding are ineffective.

We will continue this discussion and develop the ICO framework so any city can effectively implement a Municipal ICO.