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Miami and Miami-Dade dip toes into Bitcoin, cryptocurrencies

By

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Two big south Florida governments are dipping their toes into the waters of cryptocurrency.

Miami and Miami-Dade County officials believe cryptocurrencies like Bitcoin can make local government work faster and more efficiently while at the same time establishing their municipalities as tech-forward innovation hubs.

Cryptocurrencies are decentralized and digital lines of computer code that are digitally signed each time they transfer from one owner to the next; the chain of custody is kept in ledgers known as blockchain.



*A worker inspects computer rigs in a cryptocurrency mining farm in Russia in March. Massive computing power, and associated power consumption, is required to create and maintain the blockchain ledger. **Bloomberg News***

Miami Mayor Francis Suarez sees the positive possibilities of cryptocurrencies, from paying city workers in bitcoin to establishing a bitcoin treasury fund with city monies to having residents and businesses pay their taxes, fees and fines with cryptocurrency.

The city commission is studying the proposals and is looking at the opportunities and risks that the mining and use of cybercurrencies hold for local governments. The City Commission also adopted a resolution encouraging the Florida legislature to let Miami to invest some of its treasury in bitcoin.

"I firmly believe that when and if Amazon and or Apple adopts Bitcoin as a payment structure the dam will essentially break because at that point you're talking about a very high volume of transactions being able to use Bitcoin," Suarez told Reuters news. "I just wanted us to be on the cutting edge and sort of ahead of the game."

Alan Konevsky, the chief legal officer at tZERO, a Securities and Exchange Commission-approved global broker-dealer of digital securities, said he applauds the city's receptiveness to the benefits of blockchain technology and products like Bitcoin and using it as a means of payment.

"I think this a very important step on this journey of acceptance," Konevsky said. "The key thing with anything of value being used as a means of payment, which is different than something that you speculate in for financial gain or use as a store of value, is if you just use it as a means of paying people then the key concept is acceptance."

The actual trading history of Bitcoin and other cryptocurrencies paints a picture more like a speculative investment play than a stable store of value.

The price of one bitcoin in U.S. dollars — \$57,260 Wednesday morning — has gone up more than sixfold in a year, according to data from Coinbase, a publication covering blockchain and cryptocurrencies.

But there's plenty of downside risk. Between December 2017 and December 2018, the price of one bitcoin fell by more than 81%, to \$3,194.96.

"If employees were to be paid in crypto, the recipients would be faced with a relatively high degree of volatility," said John Hallacy, founder of John Hallacy Consulting LLC. "The dollar fluctuates versus other currencies around the globe, but it generally holds its value, at least in the near term."

Hallacy also noted that cryptocurrencies are not only used as a method of payment.

“Some have the approach to using cryptocurrency in a similar manner as they would for gold: as a hedge,” Hallacy told The Bond Buyer. “Some hedge municipals with Treasury positions. Most do not hedge municipals.”



Miami Mayor Francis Suarez is enthusiastic about Bitcoin and cryptocurrency applications in his city. Bloomberg News

On Tuesday, the Miami-Dade [County Council](#) voted on a bill to set up a task force to study the possibilities of how cryptocurrencies, such as Bitcoin, Ethereum, Litecoin, Cardano and Polkadot, could be used for county business.

The task force would look at the benefits of letting the county "accept cryptocurrencies as a form of payment for county taxes, fees, and services is one application of blockchain technology that has the potential to enhance convenience and save on costs; and whereas, additional study on the cost, feasibility, and security of these systems is merited prior to the adoption of any of these new payment methods."

Last month, county commissioners approved a 19-year \$135 million deal with FTX, the cryptocurrency exchange platform, to rename the AmericanAirlines Arena, home of the NBA Miami Heat, as FTX Arena.

[Jeff Roth](#), a government planning expert, said he has followed the situation in Miami closely and feels the city is on the right track.

“The Miami mayor is clearly signaling that he wants the city to be the place to be for innovating in this space and as an expert on local government I think that’s a terrific thing,” Roth told The Bond Buyer. “If I was advising the Miami mayor on Bitcoin, I would tell him and other local leaders to wholly consider it and not just say Bitcoin, but cryptocurrency in general and think about ways to test it.” Roth said there are many exciting things happening in the cryptocurrency sector.

“It’s really the local governments that are at the cutting edge, the forefront of this,” Roth said. “And they are looking to welcome companies that want to come in and innovate in this space.”

However, he said, there needs to be clear public policy goals and metrics to back them up when setting up a new system. Looking at Miami, he said he thinks the public will benefit from the creation of jobs and investment in the city’s infrastructure.

There are over 6,700 different cryptocurrencies traded publicly with a total value of more than \$1.6 trillion as of February, according to CoinMarketCap.com. Bitcoin represented about 60% with Ethereum having about 15%.

“The lure of cryptocurrency as an investment is the rise in price that cryptocurrency has experienced, particularly Bitcoin. As the supply of available Bitcoin is limited, more widespread use can put upward pressure on its price, which is attractive to some investors,” Barbara Turley, director of investment research at Commerce Trust, wrote in a report last week. “Although there are mixed opinions about investing in cryptocurrency, many investment professionals believe it is a speculative investment.”

Bitcoin investors should be braced for much greater government scrutiny, according to Nigel Green, CEO and founder of deVere Group, a financial advisory and fintech firm.

On April 14, Coinbase, the biggest cryptocurrency platform in the U.S., launched its initial public offering on the Nasdaq.

“Coinbase’s direct listing is a truly momentous day for the cryptoverse,” Green said, adding that “as they become increasingly embedded in the global financial system, and, critically, as the direct listing on the Nasdaq will reach a wider investment base other than the usual crypto-evangelists, investors must expect much greater government scrutiny.”



Monitors in New York City display Coinbase and Bitcoin signage during Coinbase's initial public offering in April. **Bloomberg News**

He said governments, central banks and regulators will want to protect the currency status quo.

“However, Bitcoin investors shouldn’t be put off by the likelihood of greater government scrutiny,” he said. “Major draconian clampdowns are unlikely as digital currencies are increasingly regarded as the future of money — even by traditionalists. They can’t put the genie back in the bottle.”

In the U.S. last week, the [SEC delayed](#) its decision on approving an exchange traded fund until June 17. The delay came just as the SEC was set to rule on the application from VanEck Associates Corp., one of 10 issuers who have petitioned the SEC about Bitcoin ETFs.

Municipalities are not the only ones interested in using cybercurrencies in new ways.

Companies such as AT&T, Microsoft and Home Depot have already started to accept Bitcoin as payment while Starbucks and Whole Foods have plans to do so soon.

In the real estate sector, the Los Angeles Times reported that Bitcoin will now be accepted for residential and commercial rent payments at the Grove shopping center and other properties in California owned by developer Rick Caruso. The Times said the Caruso is also planning other initiatives such as using blockchain technology to support a rewards and loyalty program for shoppers.

In the wealth advisory space, JPMorgan Chase is reportedly preparing to offer this summer an actively managed Bitcoin fund for its wealthy clients while BNY Mellon will soon offer a service for digital assets. Mastercard has said it will support cryptocurrencies directly on its network.

“Another issue is that crypto is not really considered a real currency at this time. The Federal Reserve has said as much,” Hallacy said. “From a tax perspective, crypto is considered an investment.”

The blockchain that supports cryptocurrencies is created and maintained — “mined” is the way it’s usually termed — using massive amounts of computing capacity that require massive amounts of electricity. Miami city and county officials are silent on the carbon-emission implications, even as they face an existential threat from rising seas caused by climate change.

Turley said there were several other risks associated in buying cryptocurrency as an investment, with the most notable being price volatility.

“Additional risk considerations include potential future competition and regulation. Janet Yellen, former chair of the Federal Reserve and current U.S. Treasury Secretary, said there remain important questions about the legitimacy and stability of cryptocurrency, calling it an extremely inefficient way of conducting transactions,” Turley said.

“The future cryptocurrency landscape may look very different from the way it looks currently, as improvements are made over time to shore up the weaknesses in today’s options,” she said.

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