

Municipal operation of cable TV & telephone service is no "sure thing."

In fact, it's a long shot...

Very few of the municipal operations of cable TV and telephone networks have succeeded in a competitive environment. Take a look at their track record:

Beaverton, Oregon – City plans called for an extensive, 800 mile telecommunications network. But after spending \$6.4 million for a limited system, the city's electric utility realized the entire system might cost as much as \$240 million to complete and they suspended work on the project. "What we learned was that it's hard to show enough revenue to cover the costs." – project manager Ken Beeson (*"Oregon Business, April, 2001"*)

Paragould, Arkansas – an independent audit in 2001 reported that the system, after 13 years of operation, still doesn't generate enough revenue to cover annual operating costs, interest and amortization expenses. "The programming costs are killing us." – Rhonda Davis, CFO, Paragould Light and Water Commission. (*"Cashing in on Cable Warning Flags for Local Government", the Beacon Hill Institute at Suffolk University, David G. Tuerck, PhD, Jonathan Haughton, PhD, James Angelini, PhD, John S. Barrett, MSc, October, 2001"*)

Lebanon, Ohio – built its own cable system with the promise of lower rates. Now suffering big financial losses, Lebanon has had to hike its own rates to meet the higher than expected operating costs. (*"Cashing in on Cable Warning Flags for Local Government", Beacon Hill Institute"*)

"Telecom will never pay for itself as it exists. The bottom line is that no matter what, you, the taxpayers, will pay for the failure. The ultimate outcome will be higher taxes." (*Lebanon City Council Member Mark Flick as quoted in the Dayton Daily News, 5/19/01.*)

Tacoma, Washington – started in 1997 with an initial capital budget of \$40 million. By 2000, capital costs for the network had more than doubled to \$86.5 million. To cover lost revenue, Tacoma Public Utilities imposed a 50% surcharge on local electric bills. (*"Cashing in on Cable Warning Flags for Local Government", Beacon Hill Institute"*)

Braintree, Massachusetts – financial statements for 2000 show a **transferred** \$2.2 million from its electric utility (*"Cashing in on Cable Warning Flags for Local Government", Beacon Hill Institute"*)

Coldwater, Michigan – other municipal utilities provided nearly **\$3 million** in loans to help build the system in the late 1990's. These loans were never repaid and were later converted into equity investments. (*Economic viability Coldwater, Michigan's Municipal Telecommunication System, Dr. Ronald J. Rizzuto, Professor of Finance, University of Denver, march, 2002"*)

On April 1st, the cities of Batavia, Geneva and St. Charles will ask you to authorize their entry into the high tech world of operating a cable television and telephone network.

Do you think they'll break from the rest of the pack to meet this challenge?

Are you willing to bet your tax dollars on it?

Vote NO on municipal cable TV and telephone.

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On April 1st, the following questions will be on your ballot:

Batavia – “Shall the City of Batavia, Kane and DuPage Counties, Illinois, acquire, construct, own, or operate a telecommunications system which includes cable television, internet and telephone services, and, if necessary, issue general obligation bonds in an amount up to \$22,000,000 for the acquisition, construction, ownership and operation of the system?”

Average Batavia taxpayer's pledge per household on these bonds - \$2242

Geneva – “Shall the ordinance authorizing the City of Geneva, Kane County, Illinois to acquire, construct, own, or operate a community antenna television System take effect?” *The ordinance referred to in this question calls for general obligation bonds of \$19 million.*

Average Geneva taxpayer's pledge per household on these bonds - \$2232

St. Charles – “Shall the City of St. Charles, Kane and DuPage Counties, Illinois acquire, construct, own, or operate a telecommunications system, which includes cable television, Internet and telephone services and issue general obligation bonds in the amount of \$31,000,000 for the acquisition, construction, ownership and operation of the system?”

Average St. Charles taxpayer's pledge per household on these bonds - \$2547

In these difficult financial times – when many local governmental are facing budget shortfalls and when some of our local schools have to borrow money to pay operating expenses – should taxpayers even be asked to pledge over \$60 million to build a cable TV and telephone system?

Say NO to gambling with your future
Say NO to municipal cable TV and telephone