

October 10, 2005

To The Editor

Recently, the Des Moines Register reported on a Heartland Institute report that was critical of Spencer's municipal communications utility. Spencer Municipal Utilities (SMU) believes the report's source, methodology, and motives are all highly suspect. The report also ignores the very reason why Spencer has a municipal communications system in the first place.

The source of the report, the Heartland Institute, is an organization that consistently advocates privatization of government services and does not disclose its funding sources. The author, Dr. Ronald Rizzuto, is a long-time critic of municipal utilities who has previously served as a paid consultant for large private telecommunications companies.

The methods used in the report lead to conclusions that are at best misleading, and at worst just plain deceitful. The indexes and methods used in the "analysis" of our communications utility's financial health are not applicable to SMU's situation. Indeed, if you applied those same methods to many other successful businesses, you would find similar negative results. Taken as a whole, the report appears to be the result of starting with a conclusion (that municipal communications utilities are bad), and then finding whatever material the author could to support that conclusion while ignoring all facts that dispute it.

Those facts, which directly contradict the reports conclusions, include many tremendous positives that a communications utility has brought to Spencer. Citizens have saved *almost seven million dollars* in cable TV and broadband internet rates in the last five years compared to neighboring towns. That's approximately \$1,400 for every household in Spencer. That's money that our citizens used to purchase groceries, clothing, health care, and housing. The SMU communications utility has provided over \$200,000 in funding for local economic development and community improvement projects in the past three years. We've partnered with over a dozen small rural communications providers to share resources and empower those companies to bring enhanced service to their customers. And we've done it all with absolutely no tax dollars being spent. Additionally, the statements about electric rates being raised to subsidize the communications utility are not true.

Finally, we would like to address the motive behind the report and its timing. In the last sentence of the report's introduction, the author writes, "*Iowa's experience with municipal communications services should serve as a warning to other states and municipalities considering similar enterprises.*" That sentence would seem to indicate that the report's true target is not Spencer, Cedar Falls, and Muscatine, but rather the 26 Iowa cities that will vote November 8th on municipal communications referendums. During the next six weeks, the giant telecommunications companies are expected to spend hundreds of thousands of dollars and use any method they can think of to scare citizens of those communities into voting no. The report

may also be timed to continue pressure on the Iowa Legislature to place restrictions on municipal communications providers in advance of the 2006 session.

Finally, it is important for Iowans to understand why Spencer Municipal Utilities got into the communications business in the first place. It was because the people of Spencer, through 91% voter approval on a referendum, asked for a better way. They asked why they had to continue paying big companies for inadequate services. They asked why their rates were going up but the product wasn't getting any better. Businesses asked why they couldn't get service at all in some cases.

The answer to Spencer's question was indicative of the can-do attitude our community has always possessed. The people of Spencer decided to do it for themselves. They have done it for themselves, making their community a better place to live, work, and thrive. These successful results can't be negatively spun by a hired gun from the corporate world.

While Spencer's answer was to build our own communications utility, every community is different. Each community should evaluate all their options, including working with existing providers, to determine which path will best help them obtain their goals.

This isn't the first time SMU has been attacked by large communications companies, and it won't be the last. We will not allow their unfair charges to distract us from our mission: to provide the people of Spencer with the best possible service at the lowest possible cost.

Leon J. Rodas
General Manager
Spencer Municipal Utilities
712 Grand Avenue
Spencer, Iowa 51301
(712) 580-5800