



Memorandum

TO: HONORABLE CITY COUNCIL

FROM: Mayor Sam Liccardo
Vice Mayor Magdalena Carrasco
Council Member Sylvia Arenas
Council Member Dev Davis

SUBJECT: AT&T Permitting Small Cells & Establishment of a Digital Inclusion Fund

DATE: April 27, 2018

Approved

Sam Liccardo SS

Date 4/27/18

Magdalena Carrasco
Sylvia Arenas
Dev Davis HC

RECOMMENDATION:

Accept staff's recommendations on the AT&T DBA New Cingular Wireless PCS, LLC agreement for permitting small cells.

Additionally, through the June budget process, direct the City Manager to create a "Digital Inclusion Fund" within the General Fund that will be used to support efforts to close the digital divide for the residents of San José, with a focus on low-income youth as well as other vulnerable populations, such as the elderly and disabled.

This fund will:

1. Receive any revenue generated from broadband provider street infrastructure lease agreements, after allocations have been made pursuant to those agreements to address improvements in operations, training, and capacity of City staff to increase the speed and quality permitting, inspections, and oversight of broadband deployment.
2. Receive any other corporate and philanthropic donations made for digital inclusion.
3. Dedicate funds to efforts to close the digital divide, including building and operating community networks, distributing devices, and investing in digital literacy and skills through programs operated by the City, educational institutions, and non-profit partners.
4. Utilizing corporate contributions and an expert consultant, return to Council within six months with a three-year strategic plan around how best to utilize and manage these funds to close the digital divide in San José. The work should include benchmarking similar digital inclusion funds in peer cities, establishing organizational design and stewardship of funds, defining a program portfolio, and identifying strategies for obtaining additional external funding from corporations and philanthropies. The strategic plan should incorporate outreach to community, nonprofit, philanthropic, and corporate partners.
5. Provide an annual report to City Council on the allocation of funds, including performance metrics focused on outcomes to close the digital divide in San José.

BACKGROUND

In 2016, the City Council unanimously adopted the Smart City Vision to make San José the most innovative city in America by 2020. A core tenet of this vision lies in building a more inclusive city through the use of technology.

Today, we have over 95,000 residents without broadband internet access. We have much work to do. Last year, the Mayor's Office raised external funds to commission a study in partnership with Stanford University to better understand the digital divide in San José.

Key findings of the study included:

- Only 45% of low-income families, making less than \$35,000 a year report having broadband access at home. At the same time, 70% of public school teachers report requiring their students to have online access to complete their homework assignments.
- Black and Hispanic families, as well as extremely low income families (earning <\$15K per year) are more likely to lack internet access relative to other groups
- Low-income children without broadband have unpredictable, unreliable access to the internet to do their homework, with limited hours
- A majority of low-income families report that they cannot afford current \$10/month low-cost plans

ANALYSIS

These new broadband deployments offer the opportunity to create more equity in our city – both through incentivizing the private sector to provide more balanced deployments across historically neglected areas of the city, such as the East Side, as well as providing much needed funding to close the digital divide.

There is no dedicated source of public or philanthropic funding to bridge the digital divide in San José. Instead, entrepreneurial teachers, nonprofits, and librarians deploy solutions to alleviate the problem through “Go Fund Me” campaigns, coding camps dependent on ad hoc funding, and limited “hot spots” and device distribution. Overall, few programs exist to provide baseline connectivity at home to school children to do their homework. Despite their best efforts, the digital divide remains wide.

Launched in parallel with the digital inclusion study, the Mayor's Office and City Manager's Office also championed a large-scale broadband study to understand how best to encourage investment in digital infrastructure, both to fuel long-term economic growth for our innovative ecosystem of companies, and to offer better broadband services to our residents. In total, the Mayor's Office helped to secure close to \$600,000 in funding and in-kind services to inform our digital inclusion and broadband efforts.

With these dollars, we seek to bootstrap a strategy that will ultimately yield more dollars, and provide a self-sustaining means for the City to pursue its work with our partners. We propose that these new revenue streams from this and future contracts be repurposed into a “Digital Inclusion Fund” focused on bridging the digital divide.

In the stewardship of these new funds, we seek to create a strategic plan that includes an effective governance model, transparency on how funds will be utilized, the programs available to the community, as well as the potential for additional external funding from corporations and philanthropies. This

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approach will ensure that the community has visibility into the programs and can further attract follow-on donations as well as additional corporate participation in the fund by efficiently leveraging dollars through matching and challenge grants. This plan will provide a strong signal to the corporate and philanthropic community that our City is serious about closing the digital divide, and they will see a substantial social return on their investment.