

# Items 3.3, 3.4, 3.5

## Actions related to

### Agreements with Mobilitie, AT&T, and Verizon

Kip Harkness and Dolan Beckel

June 26, 2018

# Today's Agenda Items

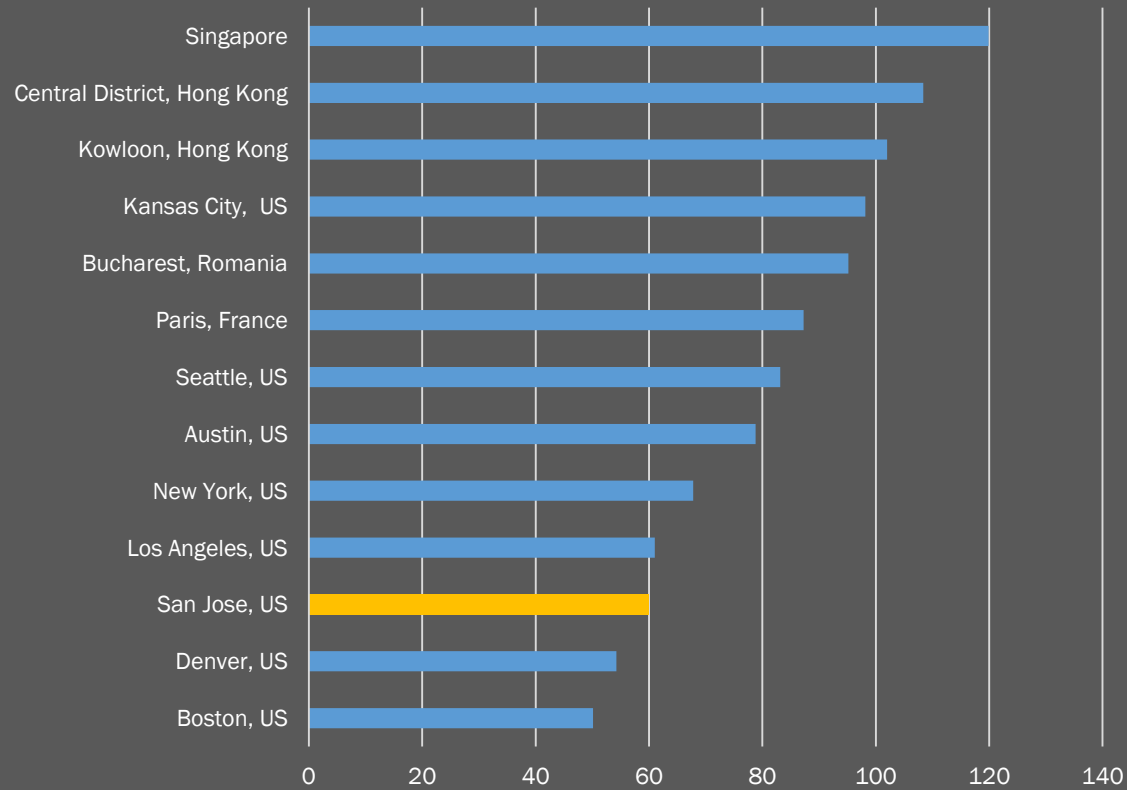
1. Collective impact of three new telecom agreements that dramatically accelerate broadband in San Jose:
  - Approximately 4000 small cells
  - Almost 1000 miles of fiber
2. Digital inclusion and broadband strategy
3. Specific agreements:
  - AT&T
  - Mobilitie on behalf of Sprint
  - Verizon

# Collective Impact of Three Telecom Agreements

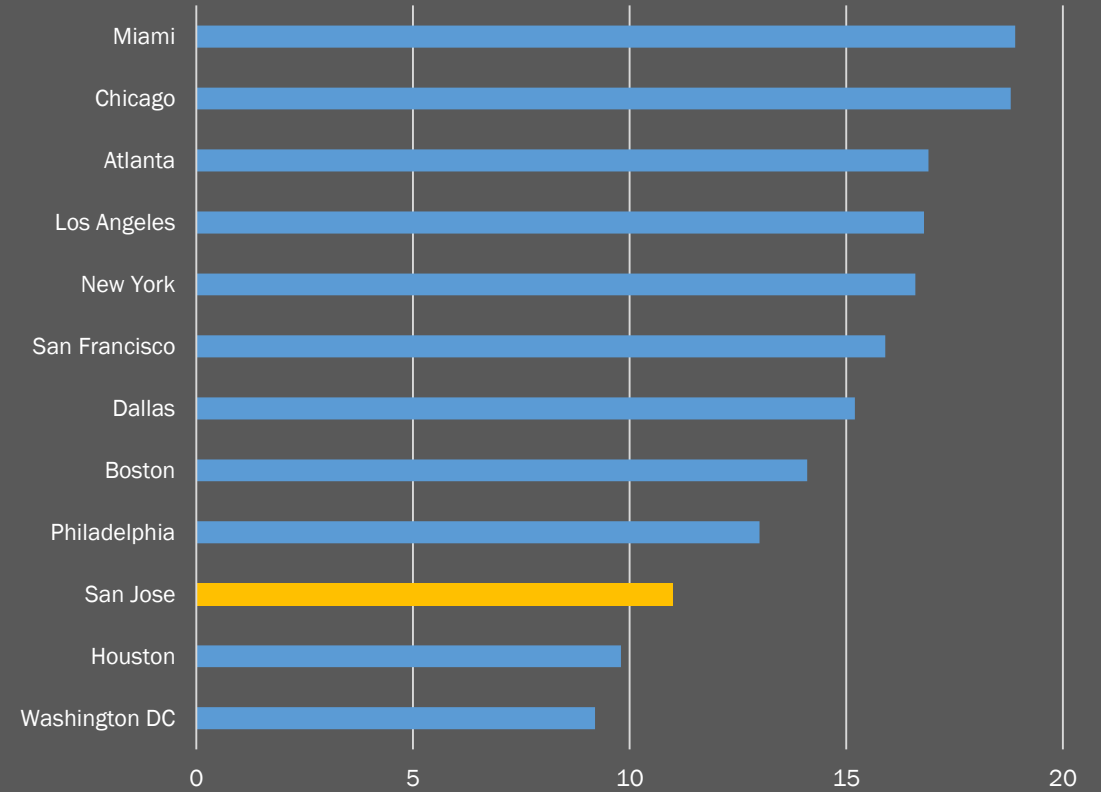
- **Quality, Choice, and Pricing**
- **GDP and Job Growth** - Approximately \$500 million in private sector telecom infrastructure investment over next 5 years
- **Digital Inclusion Fund** - Approximately \$24 million investment in broadband operations, permitting improvements, and digital inclusion over agreement duration
- **Smart City/In Kind** – Creation of Smart City Innovation Zones to pilot smart city and internet of things (IoT) solutions – in-kind investment of approximately \$4.6 million over next 2 years
- **Street Light Operations and Maintenance** – Approximately \$6 million in attachment fee revenue to operate and maintain light poles with attachments over agreement duration
- **Telecom Capital** – alignment of telecom capital expenditure planning cycle with City decision making process

# Broadband Strategy

Average residential wireline download speeds (mbps)



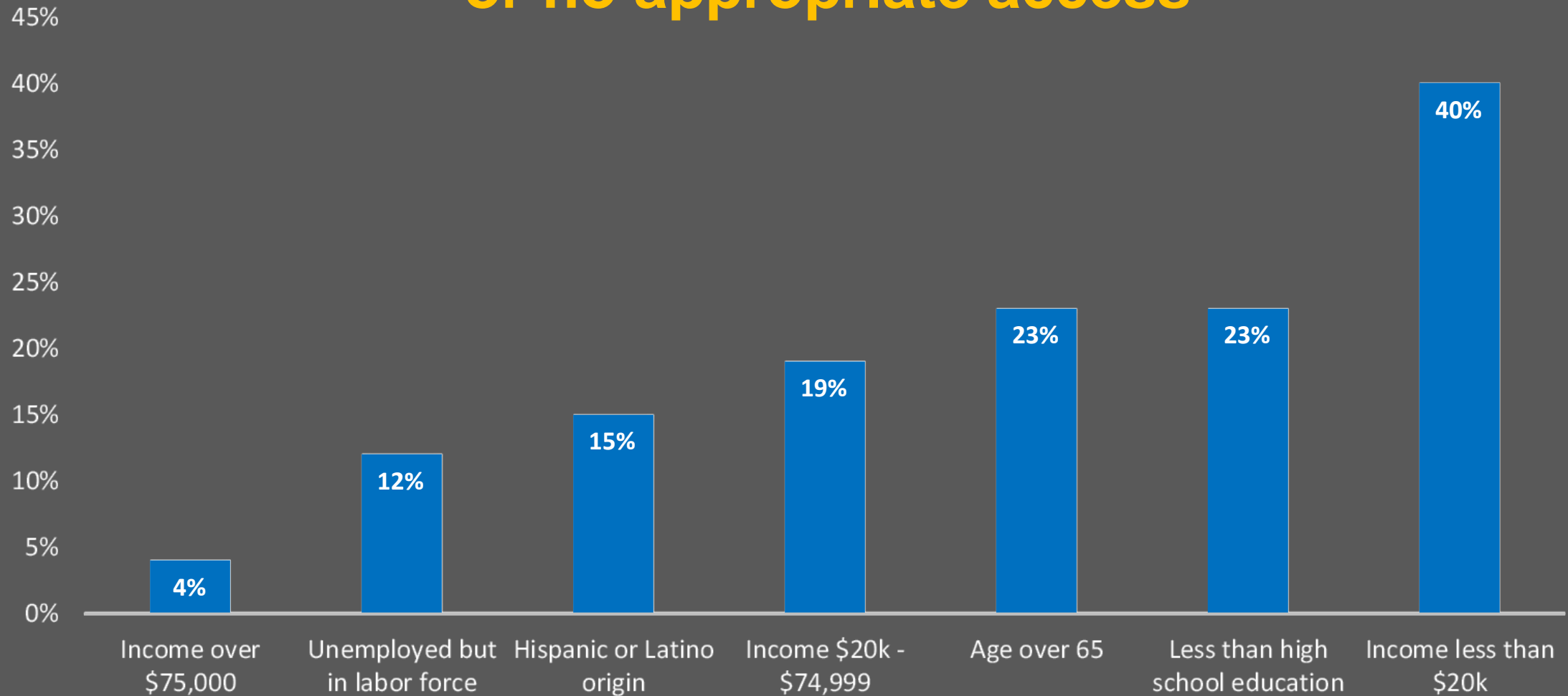
Average mobile download speeds (mbps)



*San Jose's broadband significantly lags our peers*

# Broadband Strategy

**95,000 individuals have no home broadband or no appropriate access**



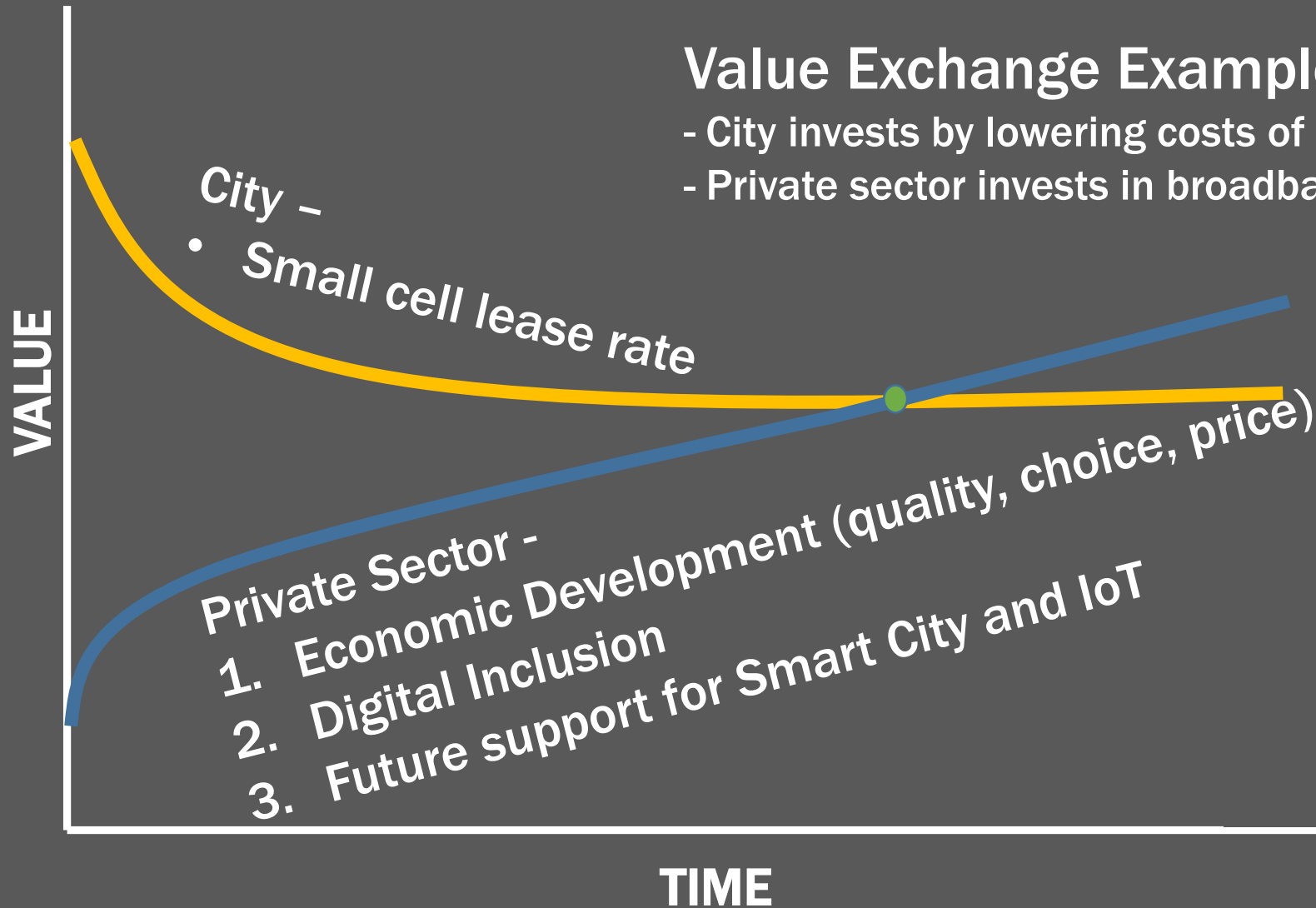
# Broadband Strategy

## Hybrid Approach – 80% results for 20% effort

	Government-led	Hybrid model <u>(Recommended)</u>	Market-led
Summary	<p>Cities building full fiber networks is expensive, complex, and risky</p> <p> <b>Too Risky</b></p>	<p>Cities that welcome private investment with appropriate guidance are most successful</p> <p> <b>Just Right</b></p>	<p>Cities with laissez faire broadband stagnate as cable-telecom duopolies</p> <p> <b>Too Ineffective</b></p>
Key Takeaways	<ul style="list-style-type: none"> <li>• Seattle, Palo Alto and others have determined that city-led full fiber build-outs are not practical, after detailed assessments</li> <li>• Chattanooga's unique buildout included control by the utility and federal funds</li> </ul>	<ul style="list-style-type: none"> <li>• Seattle leveraged streamlined policies to drive competition and massive fiber buildout</li> <li>• NYC used franchise agreements to drive fiber build-out</li> </ul>	<ul style="list-style-type: none"> <li>• Broadband speed and price cluster to the bottom of the peer set</li> <li>• No substantial competition in any market-led city</li> </ul>
Potential costs	<b>Very high.</b> City-owned fiber-to-the-premise would cost \$800M+.	<b>Moderate.</b> Working with carriers could cost \$50-250M based on build types.	<b>Very low or none.</b> City relies on private sector investment.
Results	Peers show <b>90%+ fiber build-out.</b>	Peers show <b>55-70% fiber build-out.</b>	Peers show <b>0-5% fiber build-out.</b>

# Broadband Strategy

## Leverage valuable city assets



### Value Exchange Example:

- City invests by lowering costs of broadband deployment
- Private sector invests in broadband outcomes

# Broadband Strategy – Recent Progress

- Approved May 1<sup>st</sup> agreement
- Continued hiring and starting improving permitting process
- Incorporated the June 2<sup>nd</sup> Smart City Committee feedback on LED retrofits and smart controllers into our telecom negotiations
- Identified the consultants to help design an appropriate city-wide organization structure and program strategy to close the digital divide in San Jose
- Announced three additional agreements being brought to Council today



# Broadband Strategy

## *Negotiated Lease Rates (usage fees) Incent Telecom Investment*

Deployment Tier	Small Cell Commitment	Lease Rate (per pole/per year)
1	2,000+	\$750
2	1500-1999	\$850
3	1,000-1499	\$900
4	600-999	\$1,250
5	50-599	\$1,500
6	1-49	\$2,500

# AT&T Proposed Agreement

- Negotiate and execute agreement
- Tier 1 City Wide deployment
- Revenue and in-kind equal to usage fee of \$750 per site per year
- Premier digital inclusion and smart city partnership
  - Creation of Smart City Innovation Zones to pilot:
    - LED Retrofits and Smart Controllers
    - Street light based connectivity platform and sensors
    - Structure Monitoring
- Collaboration on equitable build-out
- LED retrofit for appropriate value exchange
- Agreement is protected against Change of Law

# Mobilitie (Sprint) Proposed Agreement

- Execute
- Tier 5 deployment
- 140 small cells at \$1500 usage fee revenue per site per year
- \$1.0 M investment in permitting improvements
- \$700,000 permitting drawdown account
- Collaboration on an equitable build-out
- LED retrofit for appropriate value exchange
- Agreements protected against Change of Law

# Verizon Proposed Agreement

- Negotiate and execute
- Tier 1 deployment
- Revenue and in-kind equal to usage fee of \$750 per site per year
- Premier digital inclusion and smart city partnership
- Creation of Smart City Innovation Zones to pilot:
  - Traffic, Intersection, and Parking Management
  - Fleet Management
  - Integration with existing eTracker
- Collaboration on equitable build-out
- LED retrofit for appropriate value exchange
- Agreements protected against Change of Law

# Common Community Questions

- New City of San Jose website landing page for small cell information
  - <http://www.sanjoseca.gov/smallcell>
- Public Noticing
  - Prior to permit submittal, telecom mails a notification letter to addresses within a 300-foot radius
  - Recipients have 20 calendar days to relay concerns and questions to telecom
  - Telecom addresses issues prior to permit submittal
  - Telecom informs City of San Jose Public Work, in writing, if issues are not resolved
  - If Public Works cannot resolve, it will be escalated to Broadband Team
  - If we cannot resolve we will escalate to Deputy City Manager for further consideration
- Design
  - Picture of standard City of San Jose design included on subsequent slide
  - City of San Jose is not landlord of wooden poles
- Safety
  - The broadband team will evaluate any need for potential policy intervention on health and safety and is very open to engage with and be engaged by the FCC when appropriate
  - The FCC does not allow local authorities to deny permits based on health concerns

# Additional Points

- New benchmark for public private collaboration in telecom space
- Large and necessary scale of infrastructure build for the 21<sup>st</sup> century
- Relevant Smart City pilots at no cost to the city
- Significant commitment to close the digital divide
- Execution and commitment to Public Works

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3.02 3.05

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Speed



Results



Settings



VPN

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## Actions related to

### Agreements with Mobilitie, AT&T, and Verizon

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