



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jill Bourne
Rob Lloyd

**SUBJECT: DIGITAL INCLUSION
GRANTS UPDATE**

DATE: January 31, 2022

Approved

Date

2/4/2022

RECOMMENDATION

Accept the status report on the Digital Inclusion Fund (DIF) grant program, including:

- (a) Round 1 grantee final outcomes;
- (b) Round 2 grantee performance;
- (c) DIF revenue projections; and
- (d) Round 3 and future grants financial analysis and approach.

OUTCOME

The City Council will be aware of and provide feedback on the status of the DIF grant program, outcomes, challenges, future implementation, and program next steps. Approval of this recommendation will allocate unspent funds from Round 1 and Round 2, and Round 3, pausing implementation of grant rounds beyond Round 3 pending staff evaluation to define the “next phase” future model for the DIF.

EXECUTIVE SUMMARY

On February 25, 2020, the City Council approved the first \$1,000,000 in digital inclusion grant awards to fund 23 grants to 21 San José community-based organizations (CBOs) and two City departments. The Round 1 grant cycle ended on December 31, 2021.

In total, the grantees achieved 3,258 Adoptions. An “Adoption” is achieved when digitally unconnected households in San José are provided with access to the internet, a computing device, and digital literacy skills. Five grantees declined or terminated their grants, which reduced the total possible Adoptions from 4,000 to 3,530. Based on the adjusted total possible Adoptions, 92% (3258/3530) were completed.

On June 8, 2021, the City Council approved the conditional award of up to \$500,000 in additional Round 2 grant funding to existing grantees. Thirteen of the Round 1 grantees received a conditional award to complete a total of 1,212 additional Adoptions and 503 supplemental trainings by June 30, 2022. Four grantees declined their grant award and one amended the grant to include fewer Adoptions, which reduced the total possible Adoptions from 1,212 to 962 and supplemental trainings from 503 to 258. As of December 31, 2021, 353 Adoptions have been completed. Another 246 Adoptions are in process and expected to be complete by January 31, 2022, for a total of 599 Adoptions.

The application period for Round 3 grant cycle opened on November 9, 2021 and closed on February 1, 2022. By March 31, 2022, eligible applications will be scored by the review panel comprised of City staff, the California Emerging Technology Fund (CETF) serving as the City's fiscal agent, and the Digital Inclusion Advisory Board members (see Attachment A). In spring 2022, recommended grant awards will be brought to the City Council for approval and the Round 3 grant agreement term will commence on July 1, 2022.

Revenue from 5G small cell site usage fees and fundraising have not kept pace with projections set in 2019¹. The current 10-year revenue projection (2019-2029) is \$15,720,000. This is a 51% reduction from the 2019 projection of \$32,000,000. These revenues go into the City's Digital Inclusion Fund (DIF), which fund the City's Broadband operations and the Digital Inclusion grant program.

Given the current 5G small cell and fundraising revenue outlook, staff recommends \$500,000 for Round 3 instead of \$1,000,000, and then pausing future grant rounds until staff completes an assessment. Time is needed for staff to evaluate the program and define the "next phase" future model for the DIF. This approach maintains the financial health of the DIF, while sustaining the current lean staffing and support costs for staff, as well as contract fees for CETF through Round 3. The DIF is currently unable to support any added costs without reduction to grant funding and decreasing the scope of existing efforts to close the digital divide.

In April 2022, the City will start the process of conducting a major performance review of the DIF and grant program to determine the desire to continue the program as well as capacity and available funding sources.

BACKGROUND

On November 13, 2017, the City Council approved the Digital Inclusion and Broadband Strategy, which established an intentional focus on digital inclusion and equity, supported by a sustainable funding stream and forging a path to close the digital divide. In 2018, the City Council:

¹ February 12, 2019, City Council Meeting, [Digital Inclusion Fund](#) memo.

- Approved public-private partnership agreements with AT&T², Verizon³, and Mobilitie⁴ (on behalf of Sprint) for small cell deployments on City-owned streetlights; and
- Directed the City Manager to allocate small cell usage fee revenue to create a “Digital Inclusion Fund” within the General Fund to support efforts to close the digital divide in San José – focused on low-income youth and other vulnerable populations, such as the elderly and disabled.

On February 12, 2019, the City Council authorized the City Manager to negotiate and execute an agreement with CETF to implement an external donor-advised fund for the DIF⁵. Subject to appropriation of funds, allocations of small cell usage fee revenue and matching fundraising revenue are transferred from the City to CETF to administer grants for the digital inclusion program.

On February 25, 2020, the City Council approved the first \$1,000,000 in digital inclusion grant awards to fund 23 San José CBOs. This began the City’s decade-long – 2019 to 2029 – journey toward connecting 50,000 San José households to “Adoption” of the three key components of digital inclusion: internet connectivity, a computing device, and digital skills through grants to CBOs. Less than a month later, on March 16, 2020, regional shelter-in-place orders were implemented due to the worldwide COVID-19 public health emergency. In response, grant requirements were adjusted to allow CBOs greater implementation flexibility and two grant term extensions were offered to give grantees time to adapt and develop their programs and reach grant outcomes.

In response to the COVID-19 pandemic, the City activated the Digital Inclusion Branch of the Emergency Operations Center in April 2020 and funded a suite of initiatives intended to provide immediate and near-term connectivity support to residents. On May 19, 2020, the City Council authorized that COVID-19 donations could be given as grants by the City Manager without additional Council approval and approved the first amendment to the agreement with CETF. The amendment required CETF to separately account for donations made to the DIF that were specifically for digital connectivity during the pandemic. CETF selected grantees based on a number of criteria, including consultation with Santa Clara County Office of Education, to facilitate distance learning.

To date, the Mayor’s Office of Technology and Innovation and CETF have facilitated written commitments from 14 major donors. CETF also executed and managed 11 grant agreements with the County’s Office of Education to distribute \$1,390,723 in donations made specifically to assist with digital connectivity during the pandemic. These donations were distributed to seven San José school districts to distribute approximately 4,000 computing devices. CETF’s grant agreements included a requirement for the schools to collect surveys from the parents of the students receiving devices to enable CETF to prepare Impact Reports for all donors.

² May 1, 2018, City Council Meeting, [Agreement with AT&T for Permitting Small Cells](#) Memo.

³ June 26, 2018, City Council Meeting, [Agreement with Verizon for Permitting Small Cells](#) Memo.

⁴ June 26, 2018, City Council Meeting, [Agreement with Mobilitie for Permitting Small Cells](#) Memo.

⁵ February 12, 2019, City Council Meeting, [Digital Inclusion Fund](#) Memo.

On June 6, 2021, the City Council received an update on the Round 1 Digital Inclusion Grants and approved the conditional award of up to \$500,000 in additional Round 2 grant funding to 13 of the then-active 21 Round 1 grantees. The conditional Round 2 grant funds would be released to a grantee only if the following criteria were met:

- Successful completion of all Round 1 commitments; AND
- Round 1 commitments were met by the end of the extended grant term⁶ – initially September 31, 2021, then a final extension was offered through December 31, 2021.

In addition, grantees that receive Round 2 funds were required to add to their programs:

- Coordination with CETF and City programs to provide digital inclusion support to historically marginalized and disadvantaged communities in San José, with a focus on students, seniors, and disabled individuals;
- Outreach about the federal Emergency Broadband Benefit Fund⁷ and assist eligible households in applying for the benefit (now transitioned to the Affordable Connectivity Program⁸); and
- Requirements to meet the UNESCO Level 3 standard as well as implement and comply with the City's Digital Literacy Quality Standards⁹, which were developed by an Ad Hoc Committee and approved by City Council on May 19, 2020. This ensures grantee digital literacy training is consistent with the San José City Council Education Initiative Policy 0-30¹⁰ and the City's commitment to ensuring quality educational programming for its residents.

The City Council also directed that these requirements apply to subsequent grant rounds and that all existing grantees meet specific performance metrics to be eligible to apply for and receive funds in subsequent grant rounds.

ANALYSIS

Round 1 Grants Final Outcomes Report

Grant Extensions Supported Overcoming COVID-19 Impacts

The City's fiscal agent, CETF, manages the DIF grant agreements. The grant agreements are executed between CETF and each grantee, with the City as a third-party beneficiary. The form of the grant agreement is approved by the City Manager's Office. In September 2020, CETF and the City Manager's Office agreed to amend the grant agreements to address the negative impacts of COVID-19.

⁶ June 6, 2021, City Council Meeting, [Approval of Digital Inclusion Grant Awards](#) Memo.

⁷ Universal Service Administrative Co. Emergency Broadband Benefit Program. <https://www.usac.org/about/emergency-broadband-benefit-program/>

⁸ Universal Service Administrative Co. Affordable Connectivity Program. <https://acpbenefit.org/>

⁹ [City of San José Public Library Digital Literacy Quality Standards.](#)

¹⁰ [City of San José City Council Education Initiative Policy 0-30.](#)

The grant amendment included two options for term extensions to allow flexibility during the public health emergency. The first extension was available at a grantee's request and extended the grant term to September 30, 2021. The second extension was at CETF's discretion to offer grantees depending on performance and extended the grant term to December 31, 2021. The final extension enabled grantees to capitalize on momentum and maximize the achievement of Adoptions. This was the final allowable option to extend under the Round 1 grant agreements.

Round 1 Grant Outcomes

CETF monitors grantee compliance and progress through regular Progress Reports submitted to CETF by grantees. According to the Final Reports submitted to CETF, as of December 31, 2021, the Round 1 grantees achieved a cumulative total of 3,258 Adoptions out of the 4,000 Adoptions originally proposed by 23 grantees. However, five awarded grantees exited the grant round, which reduced the total possible Adoptions to 3,530. One grantee, StreetCode, declined the grant award before entering into a grant agreement in 2020 and another grantee (Hoover PTA) never initiated implementation.

Between June 30, 2020, and December 31, 2021, Round 1 grantees achieved 81% of the 4,000 Adoptions originally proposed. However, the grantees achieved 92% of the 3,530 Adoptions that were possible after adjusting the total to account for the declined and terminated Round 1 grants (see Table 1).

Table 1: Summary of Round 1 Grant Outcomes

	TOTAL PROPOSED ADOPTIONS	TOTAL ADJUSTED ADOPTIONS*	TOTAL ACHIEVED ADOPTIONS
Total Adoptions	4,000	3,530	3,258
Percent of Original Proposed Adoptions	100%	88%	81%
Percent of Possible Adoptions After Adjustments*			92%

**Adjusted to reduce the total by 470 Adoptions related to declined and terminated agreements*

Grantees steadily increased Adoptions between June 2021 and December 2021, which is consistent with CETF's experience with grantees statewide during the initial pandemic recovery period. Fourteen grantees successfully completed all Round 1 Adoption commitments – three of which achieved additional Adoptions beyond their grant agreement obligations. See Table 2 for a detailed breakdown of grantee outcomes.

Table 2: Round 1 Grant Outcomes

GRANTEE	TOTAL PROPOSED ADOPTIONS	TOTAL COMPLETED ADOPTIONS	TOTAL EXCESS ADOPTIONS	MET GRANT OUTCOMES? (Yes/No)
ACE Charter Schools†	200	200	41	Yes
Alum Rock Union School District†*	500	397		No
Catholic Charities of Santa Clara County	400	400	56	Yes
City of San José Parks, Recreation & Neighborhood Svcs*	100	51		No
Cristo Rey San Jose High School†*	100	100		Yes
<i>First Community Housing</i> **	300	170		No
Goodwill of Silicon Valley*	100	100	8	Yes
<i>Herbert Hoover Middle PTSA</i> † **	100	0		No
<i>Indian Health Center of Santa Clara Valley (IHC)</i> **	150	24		No
International Children Assistance Network (ICAN)*	80	80		Yes
International Rescue Committee (IRC)*	40	40		Yes
Latinos United for A New America (LUNA)*	80	80		Yes
Literacy Lab	150	13		No
<i>NPower Inc</i> * **	100	6		No
Rocketship Public Schools†	100	100		Yes
Sacred Heart Community Service*	200	200		Yes
San José Public Library Foundation*	600	600		Yes
San Jose Community Media Access Corp (CreaTV)*	20	20		Yes
Step Up and Do Something, Inc.	20	20		Yes
<i>StreetCode</i> **	20	0		No
Tech Exchange*	400	400		Yes
Third Street Community Center	40	40		Yes
The Vietnamese Voluntary Foundation (VIVO)*	200	112		No
Totals	4,000	3,153	105	
Digital Inclusion Fund Totals	\$1,000,000 (maximum)	\$788,250 (actual)	\$26,250 (actual)	

† Denotes education-related participant

* Denotes a grantee that was conditionally awarded a Round 2 grant

**Denotes a grantee that declined or terminated the Round 1 grant agreement

The total grant funds distributed for Round 1 is \$788,250 of the \$1,000,000 approved by City Council. This leaves \$211,750 undisbursed. However, three grantees achieved a total of 105

excess Adoptions beyond their grant commitments. Staff recommend \$26,250 of the undisbursed funds be used to compensate these grantees for the additional Adoptions. Staff recommends the rest of the funds (\$185,500) be used as described in the Recommendations and Next Steps section below.

Round 2 Grants Status Report

The grantees began implementing their Round 2 funded programs on July 1, 2021, with a total goal of achieving 1,212 Adoptions and providing 508 supplemental digital literacy trainings by June 30, 2022. However, four grantees have declined their grants. Sacred Heart Community Service amended their grant agreement with CETF to reduce their Adoptions from 200 to 160. These changes reduce the total possible Round 2 Adoptions to 962 and 253 supplemental digital literacy trainings.

CETF is working closely with the grantees to identify unconnected households to maximize grantee efforts to reach and provide digital inclusion programs to households in historically marginalized and disadvantaged communities in San José.

CETF monitors grantee compliance and progress through Quarterly Progress Reports submitted to CETF by grantees. CETF in turn provides the City regular summary progress reports. According to the January 2022 Quarterly Summary Reports, a total of 353 Adoptions have been completed by the grantees and 246 Adoptions are in process. See Table 3 and Table 4 for detailed breakdown of grantee statuses.

Table 3: Round 2 Grantee Status – Adoptions

GRANTEE	TOTAL PROPOSED ADOPTIONS	TOTAL COMPLETED AS OF 12/31/21	PROJECTED TO BE COMPLETE BY 1/31/22
Alum Rock Union School District	0	N/A	N/A
Cristo Rey San Jose High School†	120	54	54
<i>City of San José Parks, Recreation & Neighborhood Services*</i>	(100)	<i>Declined Award</i>	<i>Declined Award</i>
Goodwill of Silicon Valley	100	57	125
International Children Assistance Network (ICAN)	100	24	55
International Rescue Committee (IRC)	40	6	20
Latinos United for A New America (LUNA)*	70	20	73
<i>NPower Inc*</i>	(10)	<i>Declined Award</i>	<i>Declined Award</i>
Sacred Heart Community Service **	160	60	84
San José Public Library Foundation	200	69	120
San Jose Community Media Access Corp (CreaTV)	22	11	16
Tech Exchange	150	52	52

<i>The Vietnamese Voluntary Foundation (VIVO)*</i>	(100)	<i>Declined Award</i>	<i>Declined Award</i>
Totals	962	353	599
Digital Inclusion Fund Totals	\$336,700 (maximum)	\$123,550 (actual)	\$209,650 (projected by 1/31)

† Denotes education-related participant

* Grantee declined the Round 2 award

** Sacred Heart Community Service amended their grant agreement to reduce Adoptions from 200 to 160

Table 4: Round 2 Grantee Status – Supplemental Trainings

GRANTEE	TOTAL PROPOSED SUPPLEMENTAL TRAININGS	TOTAL COMPLETED AS OF 12/31/21
<i>Alum Rock School District†</i>	(100)	<i>Declined Award</i>
Cristo Rey San Jose High School†	13	13
<i>City of San José Parks, Recreation & Neighborhood Services</i>	(100)	<i>Declined Award</i>
Goodwill of Silicon Valley	100	100
San José Public Library Foundation	125	125
San Jose Community Media Access Corp (CreaTV)	20	20
<i>The Vietnamese Voluntary Foundation (VIVO)</i>	(50)	<i>Declined Award</i>
Totals	258	258
Digital Inclusion Fund Totals	\$25,800	\$25,800

† Denotes education-related participant

Round 3 Grant Requirements and Timeline

The application period for the Round 3 grant cycle opened on November 15, 2021 and closed on February 1, 2022. Round 3 applications were open to all interested CBOs and public agencies serving San José, except for those organizations that terminated the Round 1 agreement. Up to \$500,000 was announced as available for the Round 3 grants.

By March 31, 2022, eligible applications will be scored by the review panel comprised of CETF, City staff, and the Digital Inclusion Advisory Board members. In spring 2022, staff will bring the recommended grant awards to the City Council for approval. The Round 3 grant cycle is expected to commence on July 1, 2022.

Grant Agreement Term Extensions

To ensure alignment with Council direction, any future grant term extensions (Round 2 onward) will only be granted upon written approval of the City Manager's Office.

The Round 1 term extensions were a beneficial and necessary measure to mitigate the negative impacts COVID-19 had on grantees and their ability to implement their programs. However, each three-month grant term extension increased the complexity of the City's and CETF's DIF management and oversight of program performance. The additional administrative effort strained grantee, CETF, and City staff and resources because the Round 1 and Round 2 grant terms overlapped. To avoid this in the Round 2 and future grant cycles, any requests for extensions will require written approval from the City Manager's Office.

Round 1 Grantee Eligibility

Round 1 grantees are high-performing if they completed all Adoptions by December 31, 2021. In November 2021, Round 1 grantees were provided the following options to assist them in considering participation in the Round 3 grant cycle:

If the grantee completes all Round 1 Adoptions by December 31, 2021, they may:

- 1) Apply for a Round 3 grant award if they did not apply for a Round 2 grant award;
- 2) Forego their conditional Round 2 award and apply for a Round 3 grant award (only if Round 2 funds had not yet been released and work had not begun); or
- 3) Amend their Round 2 Adoptions commitment (by December 31, 2021) to reflect outcomes that can be met within the remaining six months of the Round 2 grant cycle – January 1, 2022, to June 30, 2022.

If the grantee did not complete all Adoptions by December 31, 2021:

- 1) Round 2 funds will not be released and will be automatically forfeited if the City Council had approved a conditional award to the grantee on June 8, 2021; and
- 2) The grantee may apply for a Round 3 grant. However, two conditions apply: (1) they must coordinate with CETF to assess their program capacity and performance to prepare their application and, (2) must clearly demonstrate in their application the program changes that will resolve previous challenges.

Round 1 grantees that terminated their agreement with CETF, and therefore did not endeavor to fully complete their Round 1 commitments, are not eligible to apply for a Round 3 grant award.

Nine Round 1 grantees did not complete their Round 1 Adoption commitments (see Table 5). These grantees were not able to develop a model that successfully integrated digital inclusion into their existing services with cost-effective implementation. The CBOs that did not complete

Round 1 Adoptions will need to demonstrate a dramatically different approach for CETF to recommend them for a Round 3 grant award.

Table 5: Eligibility for Round 1 Grantees with Incomplete Adoptions

GRANTEE	STATUS	ROUND 3 ELIGIBLE?
Alum Rock Union School District†	Declined Round 2 grant	Yes, with conditions
City of San José Parks, Recreation & Neighborhood Services	Declined Round 2 grant	Yes, with conditions
First Community Housing	Terminated Round 1 grant agreement	No
Herbert Hoover Middle PTSA†	Terminated Round 1 grant agreement	No
Indian Health Center of Santa Clara Valley (IHC)	Terminated Round 1 grant agreement	No
Literacy Lab	Round 1 Adoptions incomplete	Yes, with conditions
NPower Inc	Terminated Round 1 grant agreement and Declined Round 2 grant	No
StreetCode	Declined Round 1 grant	Yes, with conditions
The Vietnamese Voluntary Foundation (VIVO)	Declined Round 2 grant	Yes, with conditions

† Denotes education-related participant

Round 2 Grantee Eligibility

Round 2 grantees are high-performing if they are meeting their quarterly Adoption outcomes. To be eligible for the Round 3 grant cycle, Round 2 grantees must:

- 1) Complete 50% of the committed Round 2 Adoptions by February 1, 2022 (the due date for Round 3 grant applications);
- 2) Complete 75% of the committed Round 2 Adoptions by March 31, 2021, (the end of the third Quarter for Round 2 results) for the grant application to be recommended to the City Manager's Office (if selected by the grant review panel); AND
- 3) Complete 100% of the committed Round 2 Adoptions by June 30, 2021 (the end of the Round 2 grant agreement term) for the release of any Round 3 grant funds that may be conditionally approved by the City Council.

Revenue Considerations – Small Cell Usage Fees and Fundraising

Revenue from small cell site usage fees and fundraising has not met projections set in 2019¹¹.

¹¹ February 12, 2019, City Council Meeting, [Digital Inclusion Fund](#) memo.

The DIF is supported by revenue from small cell usage fees and fundraising efforts co-lead by the City and CETF. The DIF funds the City's Broadband operations and, based on funds available, the Digital Inclusion grants program, including the grant fiscal agent CETF.

Small cell revenue has been declining each year since 2020. The current 10-year revenue projection (2019-2029) for small cell revenue is approximately \$14,000,000. This is a 36% reduction from the 2019 projection of \$22,000,000. In addition, as of January 2022, fundraising revenue has contributed approximately \$1,720,000 to the DIF. This is 75% below the 2019 goal to fundraise \$7,000,000 for the DIF by 2022. Future fundraising is not expected to reach the total 10-year fundraising goal of \$10,000,000. The current combined small cell and fundraising 10-year revenue projection (2019-2029) is \$15,720,000. This is a 51% reduction from the 2019 projection of \$32,000,000.

In 2018, the City entered into innovative small cell partnership agreements with AT&T, Verizon, and Mobilitie (on behalf of Sprint) to permit and deploy a cumulative 4,000 small cells throughout San José. As of January 2022, the City expects to permit 3,100 small cell sites, a reduction of 900 sites compared to the 4,000 site small cell deployment expected in 2018.

Small cell usage fee revenue from new permits began to decrease in October 2020. At that time, approximately 1,800 permits had been issued and the telecommunications companies (telecoms) began seeking fewer new permits to focus on constructing the sites that had already been permitted. As of January 2022, 1,895 small cell permits have been issued. In 2018, the City and telecoms expected a higher volume of permit applications and the small cell deployment to reach or exceed 4,000 permits by Fiscal Year 2021-2022. These projections were prior to the pandemic and the Federal Communications Commission auction of private licenses for newly available frequencies in the 5G "mid-band" spectrum called C-Band¹² which is deployed on macro cell towers instead of small cells.

Compared to FY 2019-2020, the peak of small cell permitting and revenue, in FY 2021-2022 there has been a 93% decrease in new small cell permit applications, and a 52% reduction in new usage fee revenue. In FY 2019-2020, a total of 1,266 new small cell permits were issued and approximately \$2,080,000 was received in usage fee revenue. In FY 2021-2022, a total of 92 new small cell permits are projected to be issued by June 30, 2022 and projected usage fee revenue is approximately \$1,009,000. Important to note, small cell deployments are expected to ramp back up in approximately five (5) years as no additional spectrum actions are currently envisioned.

Fundraising revenue is also below the ambitious goals which were set when the DIF was established. In 2019, the City and CETF endeavored to achieve \$7,000,000 through fundraising by 2022 and an additional \$1,000,000 each year between 2023, 2024, and 2025 – \$10,000,000 total to match and augment small cell usage fee revenues. As of January 2022, fundraising has

¹² Forbes. C-Band Auction Points to Dramatic Shift in 5G. <https://www.forbes.com/sites/bobodonnell/2021/01/27/c-band-auction-points-to-dramatic-shift-in-5g/?sh=2bd7a929a36c>

contributed \$1,720,718 to the DIF. This is 75% below the 2019 goal to fundraise \$7,000,000 for the DIF by 2022.

The City and CETF co-own fundraising activities and have aimed to reach the original fundraising goals during the COVID-19 pandemic. The pandemic raised awareness of the importance of digital inclusion, but also posed challenges to fundraising because of the depth and breadth of community needs, including food, shelter, and healthcare – for which donors were also contributing. The Mayor’s Office of Technology and Innovation is the lead on behalf of the City for fundraising activities. During the first year, major fund-raising events took place to capitalize on the public launch of the City’s DIF and in recognition of the pandemic. However, fundraising efforts have yet to reach the \$10,000,000 estimated match for the small cell revenues.

Recommendations and Next Steps

Overall, DIF revenue is declining. Therefore, a cautious approach to funding future grant rounds is prudent. Due to the decrease in new small cell usage fee revenue and fundraising shortfall, the recommended funding for Round 3 is \$500,000 instead of \$1,000,000, and for future rounds to be paused pending the results of City staff’s evaluation of the program to define the “next phase” future model for the DIF.

At the close of Round 1, \$211,750 remained undisbursed due to declined and terminated grant agreements, and incomplete Adoptions. As of December 31, 2021, \$137,500 of the conditionally approved Round 2 funds have been declined by grantees. In sum, \$349,250 of the approved Round 1 and 2 funds will be unspent (see Table 6). Staff recommend \$26,250 for excess Adoptions in Round 1 that exceeded grantee commitments, allocating \$100,000 for a consultant to provide program evaluation, if needed, and the remaining \$223,000 be used to purchase computing devices and/or internet connectivity for Round 3 grantee’s digital inclusion program participants.

Table 6: Digital Inclusion Fund Expenditures to Date

	Round 1 (City Council Approved)	Round 2 (City Council Approved)	Round 3 (Proposed)	TOTALS
Total Maximum Funding	\$1,000,000	\$500,000	\$500,000	\$2,000,000
Total Adjusted† Funding	\$788,250	\$362,500*		\$1,150,750*
Total Undisbursed/Unspent	\$211,750	\$137,500*		\$349,250*

† The Total Maximum Funding minus unspent funds from incomplete Adoptions and declined awards.

* As of December 31, 2021, final Adjusted Maximum will be known after June 30, 2022.

In addition, staff and CETF recommend Round 3 allocate a significant portion of grant funds (75% or more) to high-performing CBOs with a proven track record of achieving Adoptions and reserve up to 25 percent of available grant funds for new grantees. This is expected to result in fewer total grantees, but higher overall impact in closing the digital divide.

The City's agreement with CETF requires a DIF management review every three (3) years. The first evaluation is required to begin in April 2022 and is intended to determine if there should be a continuation or modification of the City's Agreement with CETF for management of the DIF.

In April 2022, the City will also start the process of conducting a major performance review of the DIF grant program to determine the desire to continue the program as well as evaluating capacity and funding sources. Staff recommend beginning this major performance review early because:

- The significant decline in revenue into the DIF necessitates review;
- It is efficient to combine the CETF management review and DIF performance review since the two reviews have significant overlap and decisions made for each have direct impacts on the other; and
- In 2020 and 2021, CETF and the Digital Inclusion Advisory Board recommended to the City Manager's Office that the major review be conducted to provide timely evaluation and adjustment to the City's strategy and grant program based on lessons learned during the COVID-19 pandemic.

The City Manager's Office, the Library Department, and CETF will coordinate to conduct the program evaluation (DIF management review and DIF grant performance review), prepare a full program update, and present updates to the City Council in winter 2022, with final results and recommendations by June 30, 2023. Any budget actions related to the program evaluation will be included in the FY 2022-2023 Proposed City Budget.

The Knight Foundation has indicated interest in supporting the program evaluation, including conducting community surveys to understand the current digital inclusion gaps and needs in San José. Staff and the Mayor's Office of Technology and Innovation are in discussion with the Knight Foundation to explore the opportunity and form next steps. Should that funding not materialize, staff recommends allocating \$100,000 of unspent grant funds for a consultant to support the program evaluation. The data resulting from the program evaluation will also assist the City in preparing project proposals for federal and state broadband and digital inclusion grants.

Staff are also continuing to track federal and state funding for Broadband and Digital Inclusion programs that may augment what is able to be funded through the DIF. Staff expect clarity in March 2022 and will include updates in reports to the City Council in winter 2022.

CONCLUSION

Based on the decrease in new small cell usage fee revenue and current fundraising shortfall, the recommended funding for Round 3 and future rounds is \$500,000 instead of \$1,000,000, contingent upon availability of funds. Staff also recommend pausing implementation of future

grant rounds until the program evaluation is complete and the “next phase” future model for the DIF is defined.

In summary, \$349,250 of the approved Round 1 and 2 funds will be unspent as of December 31, 2021 (see Table 6). Staff recommend that \$26,250 is used to compensate Round 1 grantees for excess Adoptions, \$100,000 is reserved to fund a consultant to provide program evaluation, pending the result of discussions with the Knight Foundation, and the remaining \$223,000 is used to purchase computing devices and/or internet connectivity for Round 3 grantee’s digital inclusion program participants, at the discretion of the City Manager’s Office in consultation with CETF. In addition, staff recommends that Round 3 allocate a significant portion of grant funds (75% or more) to CBOs with a proven track record of consistently achieving Adoptions by the quarterly and annual performance deadlines. This is expected to result in fewer grantees, but higher overall impact in closing the digital divide.

The City Manager's Office, the Library Department, and CETF will coordinate to conduct a complete program evaluation (DIF management review and DIF grant performance review) between April 2022 and June 2023. CETF and the City are committed to continuing ongoing support to grantees and individually assisting awarded CBOs with completing all awarded Adoptions. Moreover, CETF will also work closely with the applicants to analyze and improve the grant program by operationalizing lessons learned during the pandemic and through the recovery to shape the recommendations for Round 3 grant awards.

EVALUATION AND FOLLOW-UP

CETF monitors grantee compliance and progress through Quarterly Progress Reports submitted to CETF by grantees. CETF, in turn, provides the City regular summary progress reports.

By March 31, 2022, eligible Round 3 applications will be scored by the review panel comprised of CETF, City staff, and the Digital Inclusion Advisory Board members. In spring 2022, staff will bring the recommended grant awards to the City Council for approval. The Round 3 grant cycle is expected to commence on July 1, 2022.

In April 2022, the City will start the process of conducting a DIF program evaluation, including:

1. DIF management review to determine if there should be a continuation or modification of the City’s Agreement with CETF for management of the DIF; and
2. Major performance review of the DIF grant program to determine the desire to continue the program as well as evaluating capacity and funding sources.

The City Manager's Office, the Library Department, and CETF will coordinate to conduct the program evaluation (DIF management review and DIF grant performance review), and present status updates to the City Council in winter 2022 and final results and recommendations by June 30, 2023.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City’s website for the February 15, 2022 City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Manager’s Office of Civic Innovation, City Manager’s Budget Office, and City Attorney’s Office.

COMMISSION RECOMMENDATION/INPUT

This report has not been reviewed by a City Commission.

FISCAL/POLICY ALIGNMENT

This action aligns with the City’s existing Broadband and Digital Literacy Strategy, which identified the then-current state of unconnected households, and stipulates that the City’s role in closing the digital divide is to provide connectivity solutions and leverage private investment from existing telecommunications companies.

This action also aligns with the City’s Education Policy – Council Policy 0-30. The policy states clearly the City’s position that the educational attainment of San José residents is a critical necessity to several priority City outcomes such as a strong economy, a safe city, and thriving residents. The policy states that wherever possible, City assets should be utilized to reduce barriers to accessing education.

COST SUMMARY/IMPLICATIONS

Acceptance of the status report has no cost implications. Any budget actions related to the program evaluation, as well as recognizing and appropriating revenue from 5G small cell site usage fees for 2022-2023, will be considered as part of the development of the 2022-2023 budget.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
JILL BOURNE
Director, Library Department

/s/
ROB LLOYD
Deputy City Manager

For questions, please contact Ann Grabowski, Division Manager – Digital Equity, at ann.grabowski@sjlibrary.org, or Abby Shull, Assistant to the City Manager – Broadband Manager, at Abigail.Shull@sanjoseca.gov.

Attachments:

- Digital Inclusion Partnership Advisory Board Roster

ATTACHMENT A

DIGITAL INCLUSION PARTNERSHIP ADVISORY BOARD ROSTER

1. **Allen S. Hammond**
Phil and Bobbie Sanfilippo Chair and Professor of Law, and Director of the Broadband Institute of California, Santa Clara University
2. **Angel Rios**
Deputy City Manager
3. **Christine Fitzgerald**
Community Advocate, Silicon Valley Independent Living Center
4. **Dolores Alvarado**
CEO, Community Health Partnership
5. **Glenn Vander Zee**
Superintendent, East Side Union High School District
6. **Jill Bourne**
Library Director, San Jose Public Library
7. **Karla Rodriguez-Lomax**
Public Affairs Director, Kaiser Permanente
8. **Lennies Gutierrez**
Director of Government Affairs, Comcast
9. **Dr. Lisa Andrew**
CEO, Silicon Valley Education Foundation
10. **Dr. Mary Ann Dewan**
County Superintendent of Schools, Santa Clara County Office of Education
11. **Maureen Damrel**
Senior Initiatives Officer, Destination Home SV
12. **Nicole Taylor**
President and CEO, Silicon Valley Community Foundation
13. **Sam Liccardo**
Mayor, City of San José and Co-Chair
14. **Sophie Horiuchi-Forrester**
San Jose Regional Manager, AARP
15. **Steve Preminger**
Director Office of Strategic and Intergovernmental Affairs, Santa Clara County

16. Theodora (Tedi) Vriheas

Director of External Affairs, AT&T

17. Janine Polosi

Chief Marketing Officer, ZOOM