



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jill Bourne

**SUBJECT: CITY INITIATIVES ROADMAP:
DIGITAL EQUITY AND
EMPOWERMENT PROGRAM
STATUS REPORT**

DATE: April 4, 2023

Approved

Date

4/6/2023

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

This memorandum recommends additional actions to advance the Digital Equity program which were not available when the original report to the Neighborhood Services and Education Committee was published.

RECOMMENDATION

- (a) As recommended by the Neighborhood Services and Education Committee on December 8, 2022, accept a report on preliminary findings and recommendations related to the Digital Inclusion and Broadband strategy, Digital Inclusion Fund grant program, and Digital Equity program outcomes as part of the approved City Initiatives Roadmap for 2022-2023.
- (b) Transfer fiscal management of the San José Digital Inclusion Fund Grant Program (Grant Program) from the California Emerging Technology Fund (CETF) to the San Jose Public Library Foundation (SJPLF).
- (c) Adopt a resolution:
 - (1) Authorizing the City Manager to negotiate and execute an agreement between the City and the SJPLF to manage small cell usage fee revenue allocations (from City to SJPLF), subject to appropriation of funds, and matching fundraising revenue to administer the funding of the Grant Program as fiscal agent from July 1, 2023, through June 30, 2029.
 - (2) Authorizing a \$500,000 payment from the Digital Inclusion Fund (DIF) to SJPLF to distribute grant awards pursuant to the City's agreement with SJPLF.

SUMMARY AND OUTCOME

Approval of the recommendation will shift existing funding to ensure continuity of service for the SJ Access program. This action will initiate the transfer of digital inclusion grants management from CETF to SJPLF, the selected successor organization, and the negotiation and execution of a contract between the City and SJPLF. This action also initiates a one-time payment of \$47,500 from the DIF to CETF for a three-month transition of grant management to SJPLF. The \$47,500 is already encumbered from the DIF for Fiscal Year (FY) 2022-2023. On April 19, 2022¹, City Council approved these funds to implement program changes and/or transfer grant management to the City or a successor agency.

Approval will also allow Round 4 grant funding of up to \$500,000 from the DIF to be disbursed by SJPLF to community-based organizations (CBOs) implementing digital equity programs in San José in FY 2023-2024. The DIF will allocate up to \$281,180 from small cell usage fees and \$218,820 or more from donations. All donated funds in the account managed by CETF at the time of transfer to SJPLF will be used for Round 4 grants. Up to \$50,000 of the \$500,000 may be used to pay Round 3 grantees for additional “Adoptions” (see definition in Background) over and above their grant requirement.

BACKGROUND

Digital Inclusion Strategy

The City’s digital inclusion journey began after the realization in 2016 that San José lagged peer cities in creating an enabling environment for all residents to benefit from the opportunities of the modern digital economy. At that time, approximately 90,000 San José residents were “unconnected” with no internet access at home. Even more were “under-connected” and struggling to access or afford internet access at high-speed, on a suitable device, and with the digital literacy skills that are sufficient to support homework, personal and household needs, and accessing career resources, healthcare, and other digital services that improve quality of life.

On November 13, 2017, the City Council approved the City’s Digital Inclusion and Broadband Strategy², which established (1) a hybrid approach to broadband deployment, focused on stimulating and accelerating private investments through value-trade public-private partnerships, and (2) an intentional focus on delivering digital inclusion and equity programs to close the digital divide.

¹ April 19, 2022, City Council Meeting, [Digital Inclusion Program](#) memorandum

² January 27, 2017, City Council Special Meeting, [Innovation Roadmap and City Council Committee Workplan](#) memorandum.

In 2018, the City Council approved (1) public-private partnership agreements with AT&T³, Verizon⁴ and Mobilitie⁵ (on behalf of Sprint, now merged with T-Mobile) for small cell deployments on City-owned streetlights, and (2) directed the City Manager to allocate small cell usage fee revenue to create a “Digital Inclusion Fund” within the General Fund, to support City programs and efforts to close the digital divide in San José. The DIF’s defined priority is on low-income youth and other vulnerable populations, such as the elderly and disabled.

On February 12, 2019, City Council authorized the City Manager to negotiate and execute an agreement with CETF to implement a grant program with funding from the DIF and administer grants to community-based organizations and public agencies for digital inclusion programs ⁶.

Community WiFi

As part of the City’s commitment to advancing affordable connectivity solutions for residents, the Community WiFi program, previously referred to as Access East Side, was first established in 2016 through a partnership with East Side Union High School District (District, ESUHSD). The partnership leverages the District’s voter-approved technology bond to design, construct, install, and maintain WiFi access points that are attached to City-owned light poles in residential areas within each high school attendance area. The City’s first network was constructed in the James Lick attendance area, funded by ESUHSD, and was completed in 2017.

The Overfelt and Yerba Buena networks were constructed and opened for public use in 2020. These networks were also funded by ESUHSD. Driven by the success of these projects and the onset of the COVID-19 pandemic, on June 1, 2020, the City Council approved the Digital Inclusion Expenditure Plan, which expedited the construction of five additional network areas, and committed the City to fully fund the construction of the Independence, Andrew P Hill, and Oak Grove attendance areas using a combination of City General Fund, American Rescue Plan Act, and Community Development Block Grant funds. The funding plan included the construction of the Mt. Pleasant and Silver Creek High School attendance area networks, to be funded by ESUHSD.

Since the December 2022 report to the Neighborhood Services and Education Committee, the Oak Grove High School Community WiFi network has opened for student and public use. This network of 243 access points serves 4,200 households.

The Mt. Pleasant High School Community WiFi network has completed installation and is in the final phase of network optimization and testing. This network consists of 200 access points serving 2,678 households and is expected to be open for use in April 2023. This network was fully funded by an initial investment of \$1.64 million from East Side Union High School

³ May 1, 2018, City Council Meeting, [Agreement with AT&T for Permitting Small Cells](#) memorandum.

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

⁵ June 26, 2018, City Council Meeting, [Agreement with Mobilitie for Permitting Small Cells](#) memorandum.

⁶ February 12, 2019, City Council Meeting, [Digital Inclusion Fund](#) memorandum.

District, and the use of Community Development Block Grant funding to complete this \$2.4 million dollar project.

The Silver Creek High School Community WiFi network has begun installation of 200 access points serving approximately 2,400 households. This network is expected to be open for public use in June 2023. This network was fully funded by an initial investment of \$1.64 million from East Side Union High School District, and the use of Community Development Block Grant funding to complete this \$2.4 million project. The three Community WiFi networks funded by the City are completed and open for public use, and the remaining two projects are fully funded.

On March 16, 2023, the California Public Utilities Commission awarded the City of San Jose a \$500,000 grant from the Local Agency Technical Assistance program. Staff submitted an application to the State in October 2022. The grant will support a technical study and identify necessary changes to expand the bandwidth available to the public community WiFi networks from 20 Mbps to 100 Mbps upload and download speeds and may provide design to add access points to the Yerba Buena and/or Andrew P Hill networks. The enhancement in speed is a prerequisite to meeting the minimum federal broadband service level and becoming eligible for additional broadband funding. All budget actions to recognize the grant and allocate the funding will be addressed in a future budget process.

Hotspots and Computing Devices

The Emergency Connectivity Fund is a \$7.1 billion dollar fund authorized through the American Rescue Plan for schools and libraries to fund connectivity and devices for education and learning purposes. The Federal Communications Commission and the Universal Service Administrative Company released regulations that authorized funding for schools and libraries for purchases and contracts for hotspots, tablets, laptops and other hardware, as well as the monthly recurring service costs. Eligible devices must provide internet filtering compliant with the Children's Internet Protection Act. Eligible end-user recipients must certify that they do not have sufficient internet access to complete learning, and the device must be used for education and learning purposes.

To fund the purchase and ongoing monthly data of filtered devices without impacting the City's American Rescue Plan allocation or the General Fund, the City applied for and was awarded \$3.6 million dollars from the Emergency Connectivity Fund for filtered hotspots and Chromebooks in January 2022. The award was retroactively applied for device purchases and monthly data plans beginning July 1, 2021 through November 2022. Staff applied for a second Emergency Connectivity Fund award in the amount of \$1.2 million in May 2022 to fund a portion of the available hotspots during the 2022-2023 fiscal year. That award is still pending and should the City not receive the award, then Staff will bring a recommendation to City Council to address the shortfall, which may include reducing the total number of devices available to the public. Staff is currently seeking a renewed Individual Price Rate Agreement with AT&T will allow for the ongoing payment for all devices that are authorized for use in the 2022-2023 Adopted Operating Budget, at the current rate of \$11.00 per device, per month, not

including taxes and fees. This action will return to City Council later this spring. The hotspot and computing device lending program is proposed to continue in 2023-2024, but with one-time funding sources exhausted, the General Fund or another source will need to be identified to pay for monthly data plan costs.

Digital Inclusion Grant Program

The Grant Program is part of the City's strategy to close the digital divide by the year 2029. The Grant Program mission is to empower 50,000 San José unconnected households to achieve "Adoption" of the three core components of digital inclusion – a fast internet connection, a computing device, and digital skills.

On February 25, 2020, the City Council approved the first digital inclusion grant awards of up to \$1,000,000 to fund 23 grants to 21 CBOs and two City departments serving San José residents. Round 1 was highly impacted by the COVID-19 public health emergency. The Round 1 grant cycle ended on December 31, 2021. Grantees achieved 3,215 Adoptions, which was 91% of the total possible 3,530 Adoptions (adjusted for declined and terminated grants).

In addition to the Round 1 grants, \$1,390,723 in donations made specifically to assist with digital connectivity during the pandemic was distributed through eleven grant agreements with the Santa Clara County Office of Education. These donations were distributed to seven San José school districts to provide approximately 4,000 computing devices to students.

On June 8, 2021, the City Council approved up to \$500,000 for Round 2 grants to provide additional funding to existing grantees from Round 1. Grant funds were disbursed to nine grantees. The Round 2 grant cycle ended on June 30, 2022. Grantees achieved 1,057 Adoptions, which was 110% of the total possible 962 Adoptions (adjusted for declined and terminated grants). The Round 3 grant cycle is in progress and ends on June 30, 2023. The Attachment includes a comprehensive listing of all grants awarded to date.

On February 15, 2022, City Council approved Staff's recommendation to conduct a comprehensive assessment of the DIF and grant program, prompted by decreased revenue⁷. The goal of the assessment was to define the City's "next phase" for its digital inclusion work and preserve the financial health of the DIF. Since 2020, small cell and fundraising revenue has been declining. The current 10-year revenue projection (2019-2029) for small cell and fundraising revenue is approximately \$14,500,000. This is a 55% decrease from the 2019 projection of \$32,000,000.

In April 2022, the City began the assessment of the DIF and grant program to determine program direction, as well as the future capacity of available funding sources. The assessment of the DIF and grant program will be combined with a broader assessment of the Digital Equity and Empowerment portfolio, which will be completed and return to City Council for review in 2023-2024.

⁷ February 15, 2022, City Council Meeting, [Digital Inclusion Grants Update](#) memorandum.

ANALYSIS

Digital Inclusion Grant Program Assessment and Transition

Optimizing the Digital Inclusion Grant Program

The City's DIF, which finances the annual grant program, is 100% funded by non-taxpayer revenue. Funding comes from small cell usage fees and donations from fundraising when the grant program began in 2020-2021. The usage fees are paid annually by telecommunications companies for each City-owned streetlight pole that hosts 4G/5G antennas that improve cellular service. Both funding sources have fallen short of initial expectations and goals and are not expected to recover to the levels that were originally anticipated. Staff assessed the DIF revenues, and the grant program costs and structure to develop "next phase" recommendations to optimize program management and extend the fiscal longevity of the DIF.

Recommendations:

1. Transition fiscal agency and grant administration from CETF to SJPLF, resulting in \$150,000 annual savings from fiscal and program streamlining.
2. Migrate the current Digital Inclusion Advisory Board from the City Manager's Office to the San Jose Public Library Foundation, to continue to advise on implementation of the Digital Inclusion Grant Program.
3. For 2023-2024 Round 4 Grants, offer Round 3 (current round) grantees with 100% of grant required targets met the option to apply for funding to complete additional Adoptions. Require a focus on Affordable Connectivity Program (ACP) sign-ups.
4. For future grant rounds:
 - a. Funding: \$500,000 (\$400,000 in base awards, up to \$100,000 for bonus adoptions/outcomes).
 - b. Eligibility: Past and existing grantees with 100% of grant required targets met.
 - c. Required program components and cost caps:
 - i. Affordable Connectivity Program (ACP) sign-ups required (\$200/subscription).
 - ii. Digital skills training optional (\$100/participant) – if opt-out, referral is required.
 - iii. Take-home devices optional (\$50/device) – if opt-out, referral is required.
 - iv. 15% CBO funded match level required.
 - v. Maximum award: \$150,000 per applicant.

- d. Priority: enrolling ACP-eligible residents citywide in at-home internet plans;
- e. Bonus scoring: Applicant contribution of greater than 15% in matching funds; demonstration of direct referral partnerships for devices and/or skills training; Community Wi-Fi neighborhoods focus for ACP sign-ups.

Streamline Grant Program Administration

The grant program has three core administrative components: fiscal agent, grant administration, and program management. CETF has been the City's fiscal agent and grant program administrator since 2019 (grants commenced in February 2020) while City staff lead program management.

Fiscal Agency and Grant Administration

Transitioning grant management to SJPLF reduces costs and aligns the grant program with the City's existing Digital Equity structure and the Library's role in Education and Digital Literacy. The original agreement with CETF included a flat \$190,000 annual management fee to provide fiscal agent and grant administration services. This contract award assumed fiscal management and distribution of \$24 million in grants over ten years – \$10 million in fundraised donations and \$14 million in small cell usage fees. The \$190,000 would amount to an effective 8% of the total funds managed. However, reductions in the fund's revenue project that approximately half, \$5 million, will be managed and distributed over the same ten years – 2019 to 2029. The original fee constitutes 38% of the total fund value over ten years.

In 2022, CETF requested the flat fee increase to \$225,000, plus an ongoing annual cost of living adjustment for CETF to continue as fiscal agent and grant administrator. If accepted, CETF's management fee would amount to 45% of the total funds managed each grant round (\$500,000). Comparatively, the San Jose Public Library Foundation (SJPLF) management fee is a set 15% of the total funds managed, or \$75,000 to manage the annual \$500,000 in grants. This results in \$150,000 annual savings to the DIF.

This transition would also leverage the Library Department's expertise in digital literacy and empowerment to support grantees, strengthen the relationship between the Library and SJPLF, and maximize the City's integrated efforts in digital equity, workforce and economic development, and Children and Youth Master Planning.

The Library Foundation successfully manages other City funds. Specifically, the Foundation has administered the Citywide SJ Learns grant program utilizing the same management framework as is recommended in this action. The SJ Learns fund is an annual \$1 million City allocation which is used to fund before and afterschool programming for TK-3rd grade students who need support to achieve grade-level reading and math benchmarks. As the fiscal agent and grant management entity, the Foundation convenes an Advisory Board, develops and solicits grant applications, makes grant awards, provides grant management support, facilitates a Community of Practice, and hires an external evaluator of the program. The Foundation leads efforts to fundraise for the program from philanthropic and other corporate sources. Staff from the Library

support these efforts and provide guidance and oversight of the grant program, in addition to managing regular reporting of the efforts through the Neighborhood Services and Education Committee.

The current Digital Inclusion Advisory Board will be invited to continue their service under the new structure led by the Library and the Library Foundation. The current Advisory Board provides guidance to the City Manager's Office. In their new capacity, they will provide guidance to the Library Foundation whose Board of Directors will ratify grant awards.

The Library Foundation will maintain all legal liability for accounting of the City's funds and grantee performance and will be subject to all the same terms and conditions that the City requires of contractors and vendors.

Grant Eligibility Requirements and Funding

If this recommendation is approved, staff will immediately begin working with CETF and SJPLF to facilitate the grant transition and develop the 2023-2024 Round 4 grant application. It's expected that the Round 4 process will be in place by the close of the fiscal year, and grants will be available early in the next fiscal year.

Beginning with Round 4 grants, staff recommend prioritizing ACP enrollments – or successor affordable internet program – as a base requirement and primary focus for all grant funded CBO programs. The ACP provides a \$30 dollar per month subsidy for in-home internet subscriptions, enabling effectively free access to high-speed plans (100mbps or greater). Enrollment in an affordable in-home internet plan supports sustainable connectivity and is the foundation for successful digital adoption. Establishing sign-ups as top priority maximizes the impact of the grant program and limited DIF funds by accelerating in-home internet access.

Staff also recommend allowing CBOs the option to implement digital skills training and offering no/low-cost computing devices in-house or to rely on referral to a partner organization – starting in Round 4 or Round 5, whichever would not cause any delay to awarding Round 4 grants. This recommendation addresses CBO feedback that it is costly to build and sustain in-house capacity to support internet sign-ups, digital skills training, and provide take-home devices. CBOs of all sizes have limited capacity and need flexibility to effectively design and implement digital inclusion programs that leverage their strengths. Encouraging CBOs to develop partnerships to achieve full adoption – home internet, sufficient skills, and suitable device – enables the efficient use of grant funds and supports coordination of services across providers rather than duplication.

For future Grants, staff recommend the following structure: Utilize up to \$500,000 in DIF funding, with \$400,000 designated for grant awards and up to \$100,000 reserved for bonus adoptions/outcomes. Invite applications from existing and past grantees that have met all grant performance targets in the current round and any previous rounds. Applicants may request up to \$150,000 in total grant funding and programs must implement ACP enrollments as a base requirement to be eligible for funding. Programs may include optional digital skills training and providing computing devices in addition to ACP sign-ups or must demonstrate referral partnerships the program will connect APC enrollees to for these components.

Applications will be scored on set criteria. First, two base requirements must be met to be considered for funding (1) implement an ACP enrollment program, and (2) contribute at least 15% of the proposed program cost as a match for City grant funding. Bonus points will be given to programs that contribute greater than 15% matching funds, prioritize serving Community Wi-Fi service area neighborhoods, and demonstrate partnerships to provide no-cost digital skills training and no/low-cost computing devices to residents.

The San Jose Public Library Foundation Board will review and approve grant recommendations from the Digital Inclusion Advisory Board. Information on the grant program and award amounts will be made available to the City Council via an Information Memorandum and the annual Education and Digital Literacy report which comes to the Neighborhood Services and Education Committee and City Council in the fall.

COST SUMMARY/IMPLICATIONS

The Digital Inclusion Program (DIP), which is commonly referred to as the DIF, is separate from the Digital Inclusion appropriation that was originally funded in the Coronavirus Relief Fund.

Small cell usage fee and fundraising revenues are not guaranteed and are recognized as the revenue is received. Small cell revenue will be appropriated to the DIP appropriation. Fundraised revenue and DIF funds currently held by the City's fiscal agent – CETF – in the "City Fund" account will be transferred to the successor fiscal agent, SJPLF. The City has the sole right and authority to control and direct the use of all donated and DIF funds.

Small cell usage fee revenues are anticipated to generate approximately \$11.7 million over a ten-year period (2019-2029). Fundraising in the amount of \$10 million is no longer expected. Approximately \$100,000 is anticipated to be fundraised by SJPLF annually to support the grant program and will be recognized as funds are received. The \$11.7 million is made up of contributions from AT&T, Verizon, and Mobilitie. Small cell usage fee revenue may vary based on changes to the number of sites, timing of permitting of each site, and number of carriers. Small cell usage fee revenue may also be impacted by a federal court review of the Federal Communications Commission ruling on small cell infrastructure.

Necessary resources to support the DIP and Round 4 grants, including additional staffing resources and \$75,000 to SJPLF for the administration of the grant awards will be included in the development of the 2023-2024 Proposed Operating Budget. Of the \$500,000 for Round 4 grants, \$281,180 will be paid to SJPLF from DIP appropriation small cell usage fees and \$218,820 or more from donations transferred to the DIP from CETF's "City Fund". The grants will be disbursed by SJPLF to the grantees in phases between July 1, 2023, and June 30, 2024, with the first phase totaling \$125,000. Subsequent phases will not exceed the total allocation of \$500,000.

April 4, 2023

Subject: City Initiatives Roadmap: Digital Equity and Empowerment Program Status Report

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COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the Department of Information Technology.

/s/

JILL BOURNE

Director, Library Department

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

Attachment: Digital Inclusion Fund Grant Allocations, Inception to Date

GRANTEE	AWARD ROUNDS (City Council Approval Date)				TOTAL ACTUALS	
	ONE (2/25/20)	COVID-19 (5/19/20)	TWO (6/8/21)	THREE (4/6/22)	AWARDED	ADOPTIONS
	Amount	Amount	Amount	Amount	Thru Feb 2023	Thru Dec 2022
Ace Charter Schools	\$ 50,000				\$ 43,250	173
Alum Rock Union School District	\$ 125,000		\$ 10,000	\$ 262,500	\$ 159,450	569
Catholic Charities of Santa Clara County	\$ 100,000			\$ 70,000	\$ 131,850	507
Closing the Divide				\$ 17,500	\$ -	0
Cristo Rey San Jose High School	\$ 25,000		\$ 43,300		\$ 68,300	220
Evergreen Community College				\$ 52,500	\$ -	0
First Community Housing	\$ 75,000				\$ 42,500	170
Goodwill of Silicon Valley	\$ 25,000		\$ 45,000	\$ 17,500	\$ 72,000	208
Herbert Hoover Middle School PTSA	\$ 25,000				\$ -	0
Indian Health Center of Santa Clara Valley	\$ 37,500				\$ 6,000	24
International Children Assistance Network, Inc. (ICAN)	\$ 20,000		\$ 35,000	\$ 21,000	\$ 72,500	230
International Rescue Committee, Inc.	\$ 10,000		\$ 14,000	\$ 14,000	\$ 27,150	89
Latinos United for New America (LUNA)	\$ 20,000		\$ 24,500		\$ 44,500	150
Literature Lab	\$ 37,500				\$ 3,250	13
NPower, Inc.	\$ 25,000		\$ 3,500		\$ 1,500	6
Prosperity Lab				\$ 17,500	\$ -	
Rocketship Public Schools	\$ 25,000				\$ 25,000	100
Sacred Heart Community Service	\$ 50,000		\$ 70,000	\$ 61,250	\$ 128,750	425
San Jose Community Media Access Corp. (CREATV)	\$ 5,000		\$ 9,700	\$ 3,500	\$ 7,100	26
San Jose Public Library Foundation	\$ 150,000		\$ 82,500		\$ 256,650	869
San Jose Parks, Recreation, and Neighborhood Services (PRNS)	\$ 25,000		\$ 45,000		\$ 13,500	54
Santa Clara County Office of Education (Devices only, for schools)*		\$ 1,390,723			\$ 1,390,723	
Silicon Valley Education Foundation (SVEF)				\$ 35,000	\$ -	
Sourcewise				\$ 35,000	\$ -	0
Step Up and Do Something! Inc.	\$ 5,000			\$ 72,800	\$ 41,400	124
Street Code Academy	\$ 5,000				\$ -	0
Tech Exchange	\$ 100,000		\$ 52,500	\$ 52,500	\$ 195,200	672
Third Street Community Center	\$ 10,000				\$ 10,000	40
Vietnamese Voluntary Foundation, Inc. (VIVO)	\$ 50,000		\$ 40,000	\$ 19,950	\$ 43,650	163
Funding reserved for extra Adoptions			\$ 25,000	\$ 35,000		
TOTALS	\$ 1,000,000	\$ 1,390,723	\$ 500,000	\$ 787,500	\$ 2,784,223	4,832
Total Authorized Funding				\$ 3,678,223		

* Fund allocation to SCCOE occurred during Round 1 for 4,000 devices distributed to schools in support of distance learning.

Round 3 Adoptions are not included in the total adoptions. They will be reported after the close of the grant period on June 30, 2023.