



COUNCIL AGENDA: 02/12/19  
FILE: 18-1879  
ITEM: 3.5

## Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Dolan Beckel  
Margaret McCahan

**SUBJECT:** DIGITAL INCLUSION FUND

**DATE:** January 31, 2019

Approved

*D. D. Syl*

Date

*2/1/19*

**SUBJECT: APPROVAL OF THE DONOR ADVISED GOVERNANCE STRUCTURE  
PROPOSED FOR THE SAN JOSÉ DIGITAL INCLUSION FUND**

### RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager to negotiate and execute an agreement between the City and the California Emerging Technology Fund (CETF) to manage small cell usage fee revenue and matching fundraising revenue allocations (from the City to CETF), subject to appropriation of funds, to implement a Digital Inclusion Fund.
- (b) Adopt the following 2018-2019 Funding Sources Resolution and Appropriation Ordinance amendments in the General Fund:
- (1) Increase the Estimate from Other Revenue by \$750,000; and
  - (2) Increase the Digital Inclusion Program appropriation to the City Manager's Office by \$750,000.

### EXECUTIVE SUMMARY

The City of San José engaged Dalberg Advisors to assist in developing a plan to implement the Digital Inclusion Fund. Dalberg reviewed models across the nation (and in selected nations) and provided recommendations for prospective governance structure models, partners, outcomes, indicators, and metrics.

Through internal analysis and collaboration with external stakeholders, Dalberg Advisors and the City evaluated the options and recommended the following:

- A donor advised fund governance structure;
- The California Emerging Technology Fund being the best organization to implement and manage the Digital Inclusion Fund;
- An initial set of outcomes, indicators, and metrics; and
- An initial timeline to launch the Digital Inclusion Fund and conduct the first round of grant allocations as early as the fall of 2019.

CETF's mission alignment, clear commitment, urgency to advance digital inclusion, approach to building local capacity, expertise, lean management approach, and ability to scale immediately make them the ideal partner.

## **OUTCOME**

Currently 95,000 San Jose residents are “un-connected” with no internet access at home. In fact, over 60% of low-income families in San Jose don't have broadband access at home, disproportionately affecting the Latino population with over 35% of Hispanic households lacking access. Even more are “under-connected” struggling with having quality, high-speed internet, which is defined as having 25 Mbps of upload/3 Mbps of download speed or better. Beyond having a reliable connection, the programming to come out of this Digital Inclusion Fund will ensure that residents have access to appropriate devices, whether for homework, career opportunities, healthcare, or other quality of life outcomes and access to digital literacy programs.

Approval of this recommendation sets bold and achievable digital inclusion goals which will firmly establish San Jose as a national leader in ensuring that technology's opportunities empower all residents and communities – especially those who are historically under-represented or underserved:

- **Connect 50,000 San José households** with universal device access and universal connectivity at speeds of at least 25 Mbps upload/3 Mbps download over the next 10 years;
- **Ensure 50,000 San José households achieve and sustain the appropriate digital skills proficiency level** (basic, intermediate, or advanced) to stay ahead of technology and **increase quality of life outcomes** (education, workforce, healthcare and more).

The 50,000 household adoption outcome is based on CETF experience and adoption benchmarks that have been recognized by the California Public Utilities Commission (CPUC) and the Federal Communications Commission (FCC).

Robust measurement will be critical for the success of the digital inclusion fund. An initial draft of the three **direct service outcomes** with associated indicators and metrics are highlighted below.

| <b>Long-term outcomes</b>      | <b>Indicators (long term objectives)</b>  | <b>Metrics (key performance indicators)</b>  |
|--------------------------------|---|--|
| <i>Universal connectivity</i>  | <ul style="list-style-type: none"> <li>• Lower priced service plans</li> <li>• Low-cost options for mobile populations / households with multiple families</li> <li>• Stronger relationships with providers/Improved ability to be self-advocates when working with providers (“self-efficacy”)</li> <li>• Increased awareness of low-cost options and benefits of connectivity</li> <li>• Change in willingness to pay for digital services (pre/post outreach/awareness events)</li> </ul>  | <ul style="list-style-type: none"> <li>• Number of outreach events held /number of people who sign up</li> <li>• Number of door-to-door outreach campaigns and people spoken with</li> <li>• Number of information sessions held with low-income residents</li> </ul>  |
| <i>Universal device access</i> | <ul style="list-style-type: none"> <li>• Number of families buying / receiving donations of devices</li> <li>• Improvement in self-reported outcomes (household level)</li> <li>• Awareness of low-cost device / free options for low-income families (pre / post intervention)</li> <li>• Number/diversity of access points for residents to acquire devices</li> </ul>  | <ul style="list-style-type: none"> <li>• Number of devices donated, refurbished, and distributed</li> <li>• Change in number of people with access to devices</li> </ul>   |
| <i>Adoption</i>                | <ul style="list-style-type: none"> <li>• Improved academic performance, attendance, and post-secondary outcomes</li> <li>• Improved awareness of and ability to navigate career application sites, and improved access to career development tools</li> <li>• Improved communication with healthcare providers + increased access to health services</li> <li>• Increased ability to independently use Internet + devices for communication with friends and family</li> <li>• Number of people who are hired for jobs with living wages from digital inclusion trainings</li> <li>• Self-reported increases in health</li> <li>• Increases in feelings of community for senior citizens</li> </ul> | <ul style="list-style-type: none"> <li>• Number of families using Internet + devices for completing homework, pursuing career opportunities, accessing telehealth and managing health needs, and connecting to friends and family</li> <li>• Number of students accepted to 2- or 4-year post-secondary institutions</li> <li>• Number of job applications submitted / number of jobs secured</li> <li>• Average increase in household salary over specified timeframe</li> <li>• Decrease in self-reports of social isolation and loneliness /</li> </ul> |

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|  | <ul style="list-style-type: none"> <li>Increases in academic performance for students</li> </ul> | <p>increase in self-reports of well-being and social connectedness</p> <ul style="list-style-type: none"> <li>Number of users who have reached different steps on the digital ladder</li> <li>Total number of train-the-trainer program participants and trainers</li> <li>Number of basic / advanced skills trainings / learning circles</li> <li>Number of topic specific skills trainings (e.g., health, education, employment, etc.)</li> </ul> |
|--|--|---|

In addition to direct service outcomes, ecosystem impact will be key to measuring the programs and ensuring their sustainability. An initial draft of the three **ecosystem impact outcomes** with associated indicators and metrics are highlighted below:

| <b>Long-term outcomes</b>                 | <b>Indicators (long term objectives)</b>  | <b>Metrics (key performance indicators)</b>   |
|---|---|---|
| <i>Robust data and learning ecosystem</i> | <ul style="list-style-type: none"> <li>Data capture and aggregation across the digital inclusion ecosystem for key metrics</li> <li>Number of Community Based Organizations/nonprofits adopting best practices</li> <li>Increased commitment to evaluation across digital inclusion actors</li> </ul> | <ul style="list-style-type: none"> <li>Presence of open and transparent online data sharing portals</li> <li>Baseline data collected for all programs</li> <li>Number of new pilots and innovative approaches tested</li> <li>Number of articles/events sharing best practices</li> </ul> |

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| <i>Increased funding and attention to reducing the digital divide</i> | <ul style="list-style-type: none"> <li>• Total dollars disbursed to digital inclusion in San José</li> <li>• Number of new orgs conducting digital inclusion programs</li> <li>• Number of long-term commitments (5+ years) from funders to digital inclusion work</li> </ul> | <ul style="list-style-type: none"> <li>• Total dollars disbursed to digital inclusion in San José</li> <li>• Number of new orgs conducting digital inclusion programs</li> <li>• Number of long-term commitments (5+ years) from funders to digital inclusion work</li> </ul>      |
| <i>Coordinated ecosystem of providers</i>                             | <ul style="list-style-type: none"> <li>• Degree of representation across diverse digital inclusion stakeholders</li> <li>• Lack of duplicity among digital inclusion programs</li> <li>• Number of joint-programs run by two or more actors</li> </ul>                        | <ul style="list-style-type: none"> <li>• Degree of representation across diverse digital inclusion stakeholders</li> <li>• Lack of duplicity among digital inclusion programs</li> <li>• Comprehensive and targeted programming across all digital inclusion dimensions</li> </ul> |

Further elaboration of outcomes, indicators, metrics and definition of target measures will be done within 90 days after the agreement has been negotiated and signed.

Additional outcomes achieved through approval of this recommendation are:

### **Council Direction**

- **Fulfill May 2018 Council Direction** to create a Digital Inclusion Fund and return to Council with a plan to mobilize and govern this Digital Inclusion Fund to close the digital divide in San José.

### **Digital Inclusion Fund Governance**

- **Build local capacity** and enable expansion of local successful digital inclusion programs, in-language and in-culture, through allocation of grants from the Digital Inclusion Fund.
- **Solidify San José's position as a national leader in broadband policy**, through the building of mutual interest partnerships with the telecommunications providers by committing City small cell usage fee revenue to speeding broadband deployment, achieving predictable permitting, and increasing digital inclusion.
- **Optimize City funding** to maximize local digital inclusion outcomes by leveraging CETF's existing capabilities and their 10-year track record of reducing the digital divide in California through innovative, local, and metrics-driven programs and leveraging additional philanthropic funding estimated at \$10 million through CETF;

- **Promote innovation** while retaining local control and presence through creation of a cross-stakeholder Advisory Board to advise and oversee the use of funds, programming, and fundraising activities to best leverage the expertise of CETF to close the digital divide in San Jose. This donor advised governance model will allow for greater impact, innovation, and oversight by the City and City Council through the Advisory Board.

## **BACKGROUND**

### **San José's Digital Inclusion Journey**

San José aspires to be the city where technology's opportunities empower all residents and communities – especially those who are historically under-represented or underserved. An intentional focus on digital inclusion and equity, supported by a sustainable funding stream, forges a path for realizing these aspirations.

The City's digital inclusion journey began after the realization in 2016 that San José lagged peer cities in working to create an enabling environment for all residents to benefit from the opportunities of an increasingly digital economy.

There exists no dedicated source of public or philanthropic funding to promote digital inclusion and equity 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. Currently 95,000 San Jose residents are "un-connected" with no internet access at home. Even more are "under-connected" struggling with having quality internet and an appropriate device for homework, career, healthcare and other quality of life outcomes.

The desire to continue evolving intentional approaches that allow the City to promote digital inclusion and equity led to a series of actions that culminated in the concept of creating a Digital Inclusion Fund.

### **San José's Broadband and Digital Inclusion Timeline**

#### **Council Approves Inclusive Smart City Vision**

- April 16, 2016 - The Council unanimously approves the Smart City Vision setting the goal of San José becoming the nation's most innovative city by 2020 and prioritizing digital inclusion as one of the top 5 pillars of the Smart City Vision.

#### **Council Approves Broadband and Digital Inclusion Strategy**

- November 13, 2017 – The Council unanimously approves the Broadband and Digital Inclusion strategy recommendations to promote economic development, digital inclusion, and support for Smart Cities and Internet of Things by negotiating an exchange of value with the telecoms to accelerate broadband internet access while simultaneously closing

the digital divide for underserved communities. Policy, infrastructure, funding, and staffing recommendations include creation of a broadband team within the City Manager's Office to execute and realize the Strategy and the Smart City Vision.

#### **Council Directs Creation of Digital Inclusion Fund**

- May 1, 2018 – The Council approves the first value exchange agreement with AT&T for a limited small cell deployment and directs the City Manager to allocate small cell usage fee revenue to create a Digital Inclusion Fund that serves two purposes:
  - (1) **“Broadband Operations”** - Funds Broadband Infrastructure and Solutions Deployment Oversight Capacity, Process Improvements, Permitting Capacity
  - (2) **“Close Digital Divide”** - Funds efforts to close the digital divide, including building and operating community networks, distributing devices, and investing in digital literacy and skills through programs.

The Council also directs the City Manager's Office to return with a plan to mobilize and govern this digital inclusion fund to close the digital divide in San José.

#### **Council Approves AT&T, Verizon, and Mobility (Sprint) Small Cell Agreements**

- June 26, 2018 – The Council unanimously approves the largest fiber and small cell deployment in the nation generating an estimated \$500 million in private sector investment and \$24.1 million in revenue for the Digital Inclusion Fund over 10 years.

#### **Council Approves Acceptance of Facebook Gift**

- December 2017 - The Council unanimously approves acceptance of a \$1,000,000 gift from Facebook to support a combination of educational, workforce, and digital inclusion initiatives. The digital inclusion initiatives include (1) funding of an independent recommendation for governance and execution of the Digital Inclusion Fund and (2) seed funding of \$300,000 for digital inclusion programs supported by the Digital Inclusion Fund.

#### **City Manager's Office Selects Dalberg for Digital Inclusion Fund Evaluation**

- August 2, 2018 – Dalberg Advisors is selected as the leading bidder in a competitive request for proposal to recommend a governance structure for the Digital Inclusion Fund.

#### **Smart City Committee Approves Donor Advised Fund Model**

- September 6, 2018 – The Smart City and Service Improvements Committee approves the report which recommends an external donor advised fund to govern the Digital Inclusion Fund and administer grants for digital inclusion programs. A donor advised fund is an external organization separate from the City which is advised by a board with significant City and cross stakeholder representation. The organization selected would manage and operate the donor advised fund.

### **The City and Dalberg Recommend California Emerging Technology Fund**

- December 2018 – Dalberg Advisors identifies several potential candidate organization options to manage and operate the donor advised fund. The City and Dalberg jointly evaluate these options and jointly agree that no candidate other than the California Emerging Technology Fund (CETF) meet the evaluation criteria including alignment of mutual interests in closing the digital divide in San José.
- December 2018 - the City of San Jose and CETF agree to commence negotiations for an agreement for the CETF to govern a donor advised fund.

## **ANALYSIS**

### **Executive Summary**

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Through internal analysis and collaboration with external stakeholders, Dalberg Advisors and the City evaluated the options and recommended the following:

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- An initial set of outcomes, indicators, and metrics; and
- An initial timeline to launch the Digital Inclusion Fund and conduct the first round of grant allocations in the fall of 2019.

CETF's mission alignment, clear commitment, urgency to advance digital inclusion, approach to building local capacity, expertise, lean management approach, and ability to scale immediately make them the ideal partner.

### **Why partner with CETF?**

The California Emerging Technology Fund (CETF) is a statewide non-profit organization with the assigned mission to close the Digital Divide in California by accelerating the deployment and adoption of broadband and other advanced communications services to unserved or underserved communities. CETF was founded as a public benefit from the mergers of SBC-AT&T and Verizon-MCI approved by the California Public Utilities Commission (CPUC) in 2005. AT&T and Verizon contributed a total of \$60 million in Seed Capital to establish CETF. CETF is required by state law to report annually to the California Legislature through the CPUC.

CETF is a unique organization in the nation—no other state has such a non-profit with a primary mission to close the Digital Divide by addressing the challenges of both “supply” and “demand” to increase the use of technologies enabled by ubiquitous high-speed Internet access. As



originally envisioned by the CPUC, CETF has been a vital catalyst for bringing together diverse stakeholders—from elected officials and policymakers, to regional and local civic leaders, to community-based organizations (CBOs) and broadband providers—to collectively address the challenges associated with the many facets of the Digital Divide.

As such CETF is a unique service distributed exclusively by CETF. There is no other nonprofit or CBO that provides this type of service in the San Jose, in the State of California, or in the Nation.

CETF works with local stakeholders and CBOs as the “trusted messengers and honest brokers” to target the most disadvantaged neighborhoods and communities to get un-connected and under-connected households online with meaningful use of technology. This approach builds local capacity for the future.

### **Relevant CETF Programs and Success Stories**

- In the last decade CETF has managed \$58 million in grants to community-based organizations (CBOs) and public agencies achieving aggressive statewide goals of 98% deployment of broadband infrastructure and 87% adoption.
- CETF leads and manages a statewide initiative to transform low-performing middle schools called School2Home that improves student academic performance.
  - \$250,000 to implement School2Home at 2 middle schools (Fischer Middle School in Alum Rock School District and Bridges Academy in Franklin-McKinley School District) in partnership with the Mayor’s Office, Silicon Valley Education Foundation, and East Side Alliance. Regional non-profit Tech Exchange is the program manager for School2Home and is collaborating with the San José Library to conduct Community Tech Fairs.
- CETF has further invested in local and regional programs to support the goals of San José including:
  - \$975,000 in grants to Latino Community Foundation and Chicana Latina Foundation to reach out to CBOs in the Bay Area Region, including Sacred Heart Community Center, Somos Mayfair, SIREN, Santa Clara County Office of Education Head Start Program, and Mi Pueblo to provide digital literacy training and assistance with broadband adoption.
  - \$750,000 to El Concilio of San Mateo County to deploy Wi-Fi in East Palo Alto.
- CETF is involved statewide in policy and regulatory arenas that complement and augment the work of San José and will provide opportunities to spotlight and advance the City’s leadership for Digital Inclusion. For example, CETF sponsored the Internet For All Now Act of 2017 which established the new Adoption Account in the California Advanced Services Fund (CASF) administered by the CPUC which may be a resource to leverage the Digital Inclusion Fund.
- CETF partnered with the University of Santa Clara Broadband Institute to publish a comprehensive report on government-led wireless networks that can provide additional expertise to the City.
- CETF has funded many CBO activities to reach seniors throughout California including:

- Chicano Latino Foundation serves seniors in low-income communities on the Peninsula in San Mateo County. With the CETF grant they provided digital literacy training, affordable computers and help to seniors who wanted to subscribe to affordable broadband offers.
- Community Centers Inc. serves primarily seniors in low-income communities in the South Bay Area of Los Angeles County. With the CETF grant they provided digital literacy training and help to seniors who wanted to subscribe to affordable broadband offers.
- Little Tokyo Service Center serves primarily Japanese seniors in low-income communities in downtown Los Angeles County. With the CETF grant they provided digital literacy training and help to seniors who wanted to subscribe to affordable broadband offers.
- Salvation Army serves a diverse group of seniors in low-income communities in the McArthur Park area of Los Angeles County. With the CETF grant they provided digital literacy training and help to seniors who wanted to subscribe to affordable broadband offers.

The experience of all of these CBOs in reaching seniors regarding Digital Inclusion is that they first have to overcome fears of using technology (of course, in-language and in-culture), and then they have to reassure the seniors about Internet safety (and teach them during the course of the digital literacy training). Seniors also need to be supported in interacting with ISPs.

### **Alignment of San José and CETF Mutual Interests**

- San José's interests in an external digital inclusion program execution partner include:
  - Expertise in achieving population level social justice in general and closing the digital divide in particular;
  - Existing and lean external organization to manage the Digital Inclusion Fund;
  - Expertise in managing large funds, with low administrative costs;
  - Expertise in raising additional funds; and,
  - Local presence.
- CETF interests in partnering with the City of San José include:
  - Continuing CETF's mission to close the digital divide and expand digital inclusion in California;
  - Expanding their presence in Northern California;
  - Significantly growing their local presence in San José; and,
  - Accessing the leadership of the City of San José and the surrounding technology and innovation network within the Capital of Silicon Valley

These mutual interests made CETF the ideal choice for a partner. CETF has the capacity and record of accomplishment that aligns with San José's goals, approaches, and outcomes. Through CETF, the City can leverage CETF's established grant making and fundraising infrastructure and expertise. Moreover, the City can expedite this initiation while limiting the overhead by working with a lean non-profit. CETF is solely focused on digital inclusion by building local capacity done in-language and in-culture by trusted messengers and honest brokers as local CBO

grantees. No other prospective partners have this combination of breadth and depth in the digital inclusion space. Therefore, no request for proposal was conducted and it is recommended that CETF be selected to manage implementation of the Digital Inclusion Fund.

### **Household Adoption Goal**

The 50,000 Household (HH) Adoption Goal was set using data from the American Community Survey 2017 (ACS) which shows of the 319,558 HHs in San Jose: 11.0% (35,171 HHs) have no access to Internet at home (the Un-connected); 19.2% (61,282 HHs) lack high-speed Internet access (the Under-connected); and 12.1% (38,550) HHs do not have a computer (other than a smartphone) at home. These data show that 30% of San Jose residents (about 96,000 HHs) are Digitally Disadvantaged (Un-connected and Under-connected).

However, given that: (1) there is significant “churn” and instability among the Digitally Disadvantaged which has been documented through surveys and focus groups; and (2) the outcome goal for the Digital Inclusion Fund includes ensuring that 50,000 HHs achieve and sustain appropriate digital skills proficiency (education, workforce, healthcare), it is essential to work also with the Under connected. It should be kept in mind that Un-connected individuals often are part of a Digitally Disadvantaged HH and the standard outcomes metric for broadband adoption is HHs.

Thus, 50,000 HHs is an appropriate Adoption Goal for connectivity and meaningful use of technology.

A cost per HH adoption of \$250 plus 10% administration for a total of \$275 is now a fairly recognized benchmark for projecting needed resources. It is generally referenced now in CPUC proceedings and policy discussions with elected officials. It comes from CETF documented data submitted to the CPUC and FCC based on the 10 years of experience in grant making with more than 100 CBOs throughout California.

The total cost for 50,000 HH is \$13,750,000. Having at least \$20 million in the Digital Inclusion Fund also provides additional resources to foster expansion of digital literacy programs.

### **Long Term Outcomes, Indicators, and Metrics**

The Digital Inclusion Fund is directly accountable for metrics; indicators and outcomes are the result of digital inclusion metrics and other factors outside the City’s purview. Robust measurement will be critical for success.

As the Education and Digital Literacy lead for the City, the Library Department will be a member of the Advisory Board and will provide guidance for the education and digital literacy metrics and educational outcomes to further define key results for which the CBOs will be held accountable for their performance and grant payments.

An initial draft of the three **direct service outcomes** with associated indicators and metrics are highlighted below.

| Long-term outcomes             | Indicators (long term objectives)   | Metrics (key performance indicators)   |
|--------------------------------|---|--|
| <i>Universal device access</i> | <ul style="list-style-type: none"> <li>• Number of families buying / receiving donations of devices</li> <li>• Improvement in self-reported outcomes (household level)</li> <li>• Awareness of low-cost device / free options for low-income families (pre / post intervention)</li> <li>• Number/diversity of access points for residents to acquire devices</li> </ul>  | <ul style="list-style-type: none"> <li>• Number of devices donated, refurbished, and distributed</li> <li>• Change in number of people with access to devices</li> </ul>   |
| <i>Universal connectivity</i>  | <ul style="list-style-type: none"> <li>• Lower priced service plans</li> <li>• Low-cost options for mobile populations / households with multiple families</li> <li>• Increased trust in providers</li> <li>• Increased awareness of low-cost options and benefits of connectivity</li> <li>• Change in willingness to pay for digital services (pre/post outreach/awareness events)</li> </ul>   | <ul style="list-style-type: none"> <li>• Number of outreach events held /number of people who sign up</li> <li>• Number of door-to-door outreach campaigns and people spoken with</li> <li>• Number of information sessions held with low-income residents</li> </ul>  |
| <i>Adoption</i>                | <ul style="list-style-type: none"> <li>• Improved academic performance, attendance, and post-secondary outcomes</li> <li>• Improved awareness of and ability to navigate career application sites, and improved access to career development tools</li> <li>• Improved communication with healthcare providers + increased access to health services</li> <li>• Increased ability to independently use Internet + devices for communication with friends and family</li> <li>• Number of people who are hired for jobs with living wages from digital inclusion trainings</li> <li>• Self-reported increases in health</li> <li>• Increases in feelings of community for senior citizens</li> <li>• Increases in academic performance for students</li> </ul> | <ul style="list-style-type: none"> <li>• Number of families using Internet + devices for completing homework, pursuing career opportunities, accessing telehealth and managing health needs, and connecting to friends and family</li> <li>• Number of students accepted to 2- or 4-year post-secondary institutions</li> <li>• Number of job applications submitted / number of jobs secured</li> <li>• Average increase in household salary over specified timeframe</li> <li>• Decrease in self-reports of social isolation and loneliness / increase in self-reports of well-</li> </ul> |

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|  |  | being and social connectedness <ul style="list-style-type: none"> <li>• Number of users who have reached different steps on the digital ladder</li> <li>• Total number of train-the-trainer program participants and trainers</li> <li>• Number of basic / advanced skills trainings / learning circles</li> <li>• Number of topic specific skills trainings (e.g., health, education, employment, etc.)</li> </ul> |
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In addition to direct service outcomes, ecosystem impact will be key to measuring the programs and ensuring their sustainability. An initial draft of the three **ecosystem impact outcomes** with associated indicators and metrics are highlighted below:

| Long-term outcomes                        | Indicators (long term objectives)   | Metrics (key performance indicators)  |
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| <i>Robust data and learning ecosystem</i> | <ul style="list-style-type: none"> <li>• Data capture and aggregation across the digital inclusion ecosystem for key metrics</li> <li>• Number of Community Based Organizations/nonprofits adopting best practices</li> <li>• Increased commitment to evaluation across digital inclusion actors</li> </ul> | <ul style="list-style-type: none"> <li>• Presence of open and transparent online data sharing portals</li> <li>• Baseline data collected for all programs</li> <li>• Number of new pilots and innovative approaches tested</li> <li>• Number of articles/events sharing best practices</li> </ul> |

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| <i>Increased funding and attention to reducing the digital divide</i> | <ul style="list-style-type: none"> <li>• Total dollars disbursed to digital inclusion in San José</li> <li>• Number of new orgs conducting digital inclusion programs</li> <li>• Number of long-term commitments (5+ years) from funders to digital inclusion work</li> </ul> | <ul style="list-style-type: none"> <li>• Total dollars disbursed to digital inclusion in San José</li> <li>• Number of new orgs conducting digital inclusion programs</li> <li>• Number of long-term commitments (5+ years) from funders to digital inclusion work</li> </ul> |
| <i>Coordinated ecosystem of providers</i>                             | <ul style="list-style-type: none"> <li>• Degree of representation across diverse digital inclusion stakeholders</li> <li>• Lack of duplicity among digital inclusion programs</li> <li>• Number of joint-programs run by two or more actors</li> </ul>                        | <ul style="list-style-type: none"> <li>• Degree of representation across diverse digital inclusion stakeholders</li> <li>• Lack of duplicity among digital inclusion programs</li> </ul>  |

Further elaboration of outcomes, indicators, metrics and definition of target measures will be done approximately 90 days after the agreement has been negotiated and signed and the CETF Local Programs and Grants Manager has been hired.

### **Example Programs**

Upon execution of the proposed agreement with CETF, the City and CETF will leverage the Dalberg Report in collaboration with other stakeholders to develop local, customized digital inclusion program areas for San José. Through allocation of grants, CETF will build local capacity, **in-language and in-culture**, by the trusted and honest CBO brokers in the community to deliver successful programs tailored to CBOs' expertise and strengths.

Dalberg and the City have defined 5 categories of program clusters and examples of programs including

1. Access Programs:
  - a. Library connectivity programs;
  - b. Low cost and high capacity offerings for multiple family households in collaboration with telcos;
  - c. School2Home program expansion for San José elementary and middle schools to institutionalize workforce development;
  - d. Workshops to review various subscription options; and,
  - e. Community Wi-Fi program expansion (e.g., ESUHSD WIFI – can we put in some stats?)
2. Device Programs:
  - a. Expand library device check-out pilot; and,
  - b. Tech Community device donation and refurbishment programs;

3. Awareness Campaign Programs:
  - a. Sign-up days;
  - b. City of San José bill inserts; and
  - c. Leveraging libraries and community centers for direct outreach and education.
4. Digital Literacy Skills Building:
  - a. Expand existing library digital skills programs, including programs like the Coding 5K Challenge;
  - b. Senior mobility, technical support, and ease of use programs;
  - c. Parental and child safety concern programs;
  - d. Navigating the internet for ways to improve people's lives to establish meaningful use such as coordinating with Santa Clara County and recipients of Supplemental Nutrition Assistance Program (SNAP); and
  - e. Health Care Education coordination, applications, and other health information.
5. Innovation Pilots:
  - a. Matching fund programs for tech companies known for innovation and operating in San José.

### **Benefits of External Organization Model**

Dalberg Advisors considered a City-led model during the research phase. While local government holds considerable influence and can leverage different assets, Dalberg Advisors identified the following challenges with the City solely leading digital inclusion:

- Focus on digital inclusion can be challenging as the City confronts changing priorities;
- Innovation is maximized when City programs and Community Based Organizations can compete for grants;
- Certain demographics do not trust local government to act in their best interests whereas they do trust Community Based Organizations;
- City-led model tends to be less agile and requires intensive procurement processes; and
- An external, third party maximizes transparency and minimizes the perception of the City 'privileging' City-led programs.

The external organization model will rely upon the City to remain engaged and provides the following benefits:

- Reduce suspicion and allow for trust-building with a non-governmental organization leading this effort;
- Focus on digital inclusion is maximized as the singular focus of an outside organization;
- Provide greater flexibility to manage the funds over a ten-year period; and,
- City retains oversight but does not hold direct responsibility for outcomes that motivate an external organization to perform and innovate.
- Leveraged funding.

### **Governance Structure**

The key components of the governance structure, shown in Exhibit 1, are:

- An Advisory Board consisting of a broad group of digital inclusion stakeholders assigned by the City Manager;
- The Implementation Partner, CETF which has a fiduciary relationship to the City; and
- The Office of Civic Innovation within the City Manager's Office.

The primary responsibilities of the Advisory Board are to:

- Guide the scoping of each round of grant with CETF;
- Review grant recommendations with CETF;
- Provide grant recommendations to the City;
- Perform semi-annual reporting to the City;
- Provide annual and grant-specific funding requests and performance reporting to the City; and
- Participate in funding raising activities.

The primary responsibilities of the implementation partner, CETF, are

- Receive grant scope guidance from the Advisory Board;
- Receive annual and grant specific funding from the City;
- Solicit, evaluate, award, and manage each round of grants;
- Build capacity within grantees to sustain programs;
- Measure performance; and
- Co-own funding raising activities.

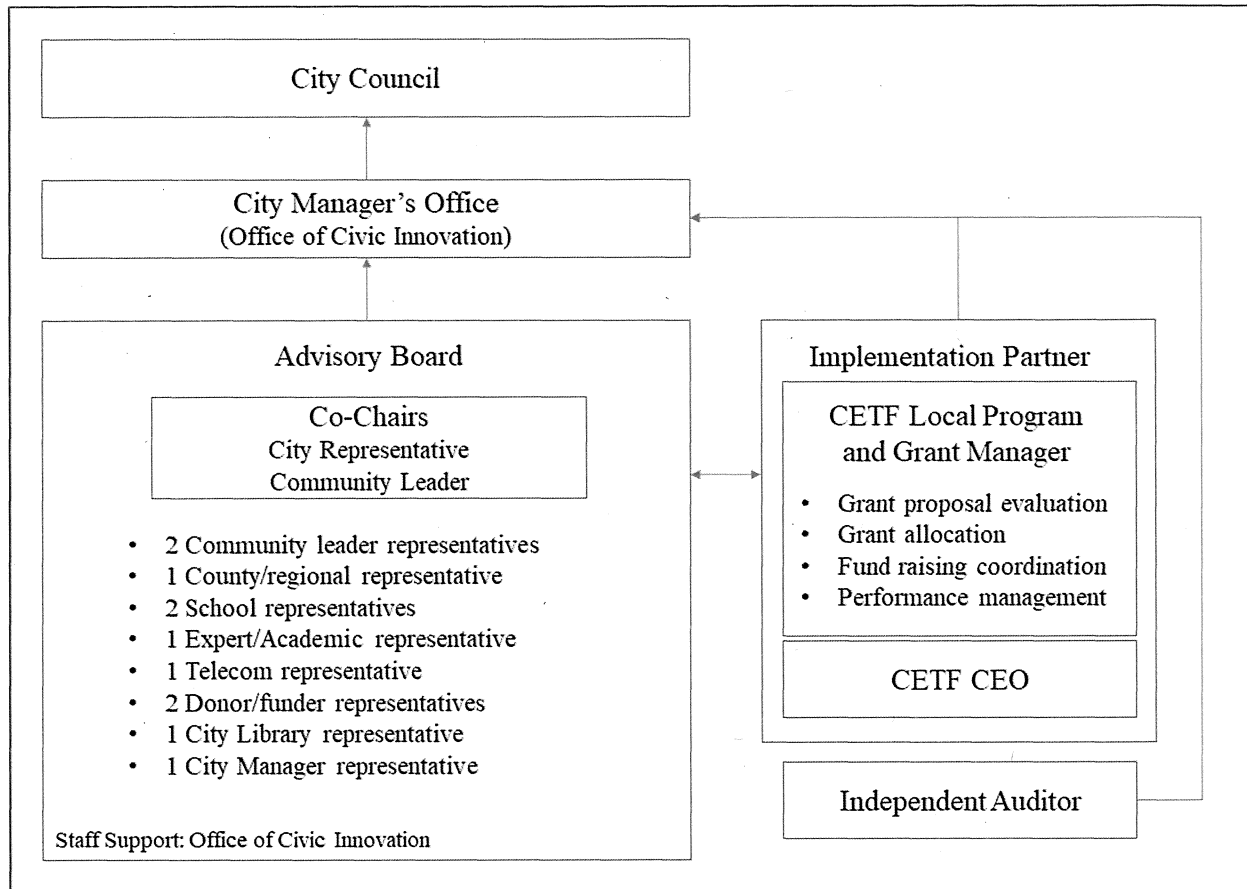
The primary responsibilities of the Office of Civic Innovation within the City Manager's Office are:

- Manage the fiduciary relationship with CETF;
- Bring forth performance reports, annual funding requests, and round specific funding request recommendations to the City Council;
- Staff the Advisory Board; and
- Manage incoming small cell usage fee revenue and fund-raising revenue in coordination with the City's Budget Office, Public Works Department, and fund raising channels.

The need for an independent auditor will be evaluated and, if necessary, implemented prior to the award of the first round of grants.



**Exhibit 1: Governance Structure and Advisory Board Members**



The medium-term timeline and key tasks to create a sound foundation, deliver meaningful achievement, and sustain and scale are shown in Exhibit 2.

**Exhibit 2: Timeline**

| 2019<br>Sound Foundation<br>(~1 Year)   | 2021<br>Meaningful Achievement<br>(~3 Year)  | 2023<br>Sustain and Scale<br>(~5 Years)   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Create the official agreement with CETF</li> <li>• Hire local program manager/director</li> <li>• Create the advisory board</li> <li>• Evaluate cost/benefit for an independent Learning and Evaluation partner and begin to design evaluations for programs</li> <li>• Further define and elaborate on outcomes, indicators and metrics – 3 months</li> <li>• Develop a fund raising plan 3-6 months</li> <li>• Brand, Announce and Launch – 3 months</li> <li>• Conduct three fund raising events</li> <li>• Community Awareness Outreach and Fact Finding – 3 months</li> <li>• Request for Proposals and Award of Grants (Round #1) – 3 months</li> <li>• Build high-potential partnerships and secure financial / in-kind commitments from the private sector by December 2019</li> </ul> | <ul style="list-style-type: none"> <li>• Have an existing grantee / program portfolio using innovative financing mechanisms</li> <li>• Use lessons learned from preliminary programs to iterate on next round of programming</li> <li>• Provide Grant Round #2</li> <li>• Experience an increase in digital engagement from highest need residents (measured by device and service plan access)</li> <li>• Crowd-in significant additional funding and attention for digital inclusion programs; Target an incremental \$10M in funding by 2021</li> </ul> | <ul style="list-style-type: none"> <li>• Achieve significant increases in connectivity and device access across highest need residents</li> <li>• Provide Grant Round #3</li> <li>• Create a long-term scale up strategy to increase the impact of programs and increase the financial sustainability of the fund</li> <li>• Build long-term partnerships with private sector players</li> <li>• Garner national attention to the fund with San José seen as the national leader</li> </ul> |

**Summary Financials**

The Digital Inclusion Fund was intended to fund two different functions: the Broadband team and related process improvements expenditures as well as the effort to close the digital divide through partnering with CBOs known as the Digital Inclusion Fund. The table below maps out the anticipated revenues and expenditures for both the Broadband team the Digital Inclusion Fund.

**Exhibit 3: Digital Inclusion Fund 10-Year Financial Summary**

| <b>Estimated Revenue</b>                        | <b>Amount</b>       |
|---|---------------------|
| Small Cell Usage Fee Revenue                    | \$21,000,000        |
| Verizon Contributions                           | \$1,000,000         |
| Estimated Fundraising co-owned by CETF and City | \$10,000,000        |
| <b>Total Digital Inclusion Fund Revenue</b>     | <b>\$32,000,000</b> |

| <b>Estimated Operating Expenses</b>   | <b>Amount</b>              |
|---|----------------------------|
| Broadband Infrastructure and Solutions Deployment Oversight Capacity, Process Improvements, Permitting Capacity | (\$6,000,000)              |
| CETF Local Programs and Grants Manager and One-Time Start-Up Costs  | (\$1,920,000)              |
| <b>Total Digital Inclusion Fund Operating Expenses</b>  | <b>\$7,920,000</b>         |
| <b><u>Total Available for Grants</u></b>  | <b><u>\$24,080,000</u></b> |
| <b>Estimated Funds Transfer from City TO CETF</b>   |                            |
| Digital Inclusion Fund Revenue  | \$32,000,000               |
| City Broadband Operations and Other City Staff Support  | (\$6,000,000)              |
| <b><u>Total Funds Transfer from City to CETF</u></b>  | <b><u>\$26,000,000</u></b> |

**Funding Considerations**

- The Digital Inclusion Fund is anticipated to receive an estimated \$32,000,000 over ten years in revenue from current small cell usage fee commitments and fund raising.
- The fundraising estimate of \$10,000,000 is based on CETF experience in leveraging their seed funding and in fundraising at the State level.
- Actual small cell usage fee revenue may be higher as new small cell contracts are signed with interested parties like T-Mobile and ExteNet Systems.
- Due to an FCC ruling that is currently being challenged in federal court cell, small cell usage fee revenue may be lower if the City is challenged in court by telecom companies.
- The City expenses for Broadband Infrastructure and Solutions Deployment Oversight Capacity, Process Improvements, Permitting Capacity and other City staff support is estimated at \$6.0 million over ten years.
- The funds support a CETF Local Programs and Grants Manager FTE estimated at \$1,920,000 over ten years.
- Total funds transferred from the City to CETF are estimated at \$26.0 million.
- Of the funds transferred from the City to CETF, an estimated \$24.1 million will be available for grants and grantee capacity building.
- The City will only transfer funds that have been received by the City.
- The City will transfer funds to the CETF on two cycles:
  - Annual basis - annually to support Local Programs and Grants Manager

- Grant basis - as requested by the Advisory Board through the City Manager's Office to support a specific grant round
- The fiscal year 2019-2020 budget, estimated at \$1,425,000, consists of a \$1,000,000 round one grant, \$190,000 for the CETF Local Programs and Grants Manager, CETF \$20,000 one-time support investment, and remaining \$215,000 budget available for the support costs for a potential independent auditor, one-time Library Funding for performance measurement, and other City staff support not previously accounted for to complete the first-year tasks shown in Exhibit 2.
- The City will only transfer funds that have been received by the City. The available City funds grow as small cell revenue is received. Yearly small cell revenue reaches critical mass in July 2021 allowing two years to assess performance, small cell adoption, and legislation impact before committing significant ongoing annual funds.
- Digital Inclusion Funds may only be allocated to Broadband and CETF expenses and grant making unless otherwise directed by City Council.
- There will be a major "5-Year Journey" performance review to determine the desire to continue the program for another 5 years.
- The agreement may be terminated upon 90 written notice by the City. All unused funds will be returned to the City less any reasonable ramp-down costs.
- Leverage of CETF's independent auditor is being evaluated.

### **Fund Raising Considerations**

- CETF and the City will co-own fund-raising activities.
- The Mayor's Office of Technology and Innovation will take the lead on behalf of the City for fund raising activities.
- During the first year, three major fund-raising events will take place to capitalize on the public launch of the Digital Inclusion Fund. As such the majority of the estimated \$10,000,000 in matching fund-raising revenue will be front loaded in the first 12-18 months.

### **Grant Making Considerations**

- The first \$1,000,000 grant making process (Round 1) is targeted for the fall of 2019 based on current permitting and cash flow estimates.
- Each grant round is 9 months long:
  - 3 months: Announcement and Launch of Digital Inclusion Initiative
  - 3 months: Community Awareness Outreach and Fact Finding; and
  - 3 months: Request for Proposals and Award of Grants

### **EVALUATION AND FOLLOW-UP**

Robust measurement and reporting of the direct service outcomes and ecosystem outcomes is critical. Dalberg Advisors has identified an initial set of indicators and metrics for the key long-

term outcomes which will guide the work between the City and CETF upon execution of the proposed agreement.

The following evaluation and follow-up schedule is recommended:

- Each grantee reports on quarterly or monthly basis, as deemed appropriate, for each individual grant;
- A major journey update during the 5<sup>th</sup> year on the digital inclusion outcomes at the population level and desire to continue the program;
- Advisory Board meets monthly moving to quarterly as appropriate;
- Semiannual reporting on program outcome measures, partnership strength, and fund health is reported; and
- The City Manager's Office provides the City Council an annual report on program outcomes measures, partnership strength, and fund health with the annual funding recommendation.

## **PUBLIC OUTREACH**

Significant public outreach was performed:

- During the broadband and digital inclusion strategy, when over 60 organizations and individuals were interviewed about digital inclusion barriers, existing programs, and possible solutions. Outreach insights may be found in the Broadband and Digital Inclusion Strategy Report. (A link to the strategy report may be found at the end of this memo.)
- During the digital inclusion surveys when over 650 low income families with school children were extensively surveyed on the digital divide. Survey results and insights may be found in the Digital Inclusion Street Survey Report. A link to the Digital Inclusion Street Survey Report is included at the end of this memo.
- During the resident research phase Dalberg Advisors conducted over 70 interviews across diverse neighborhoods and organizations across the City including Alum Rock, Mayfair, Little Saigon, Downtown San José, Willow Glen, and South San José. Eight composite archetypes of residents were created using human-centered design principles and are in the appendix section of Dalberg Advisor's final report. A link to Dalberg Advisors' final report is included at the end of this memo
- During the ecosystem research phase, Dalberg Advisors interviewed over 30 individuals across the digital inclusion ecosystem including CBOs, industry, schools, potential partners, and several City departments. The full list is included in the Background and Objectives Section of Dalberg Advisor's final report. A link to Dalberg Advisors' final report is included at the end of this memo.

Significant additional public outreach will be performed:

- During the initial mobilization phase;
- During the fundraising phases;
- During each grant round when CETF will conduct extensive town halls to communicate the objectives and process for each grant round; and

- As determined necessary by the Advisory Board and the CETF.

Additionally, this memorandum will be posted on the City's Council Agenda website for the February 12, 2019 Council Meeting.

### **COORDINATION**

This memo was coordinated internally with the City Attorney's Office and the Library Department.

This memo was coordinated externally with CETF and Facebook.

### **COMMISSION RECOMMENDATION/INPUT**

There was no commission recommendation on this action at this time.

### **COST SUMMARY/IMPLICATIONS**

Site lease revenue for small cell sites are anticipated to generate \$21 million over a 10-year period and will be recognized and appropriated to the Digital Inclusion Program appropriation. The \$21 million is made up of contributions from AT&T, Mobilitie, and Verizon. Lease revenue may vary based on changes to the number of sites, timing of permitting and lease of each site, and number of carriers. Lease revenue may also be impacted by a federal court review of the FCC ruling on small cell infrastructure. An additional \$1.0 million, or four years of \$250,000 each, from Verizon will also be received and appropriated to the Digital Inclusion Program. Fundraising in the amount of \$10 million is not guaranteed and will be recognized as funds are received.

Necessary resources to support the Digital Inclusion Program will be brought forward as part of the 2019-2020 Proposed Operating Budget, including staffing in the Office of Civic Innovation and Digital Strategy, one-time set-up costs in the Library Department, and other city support costs. The Library Department and other City departments may also receive funding through the competitive grant process administered by CETF. Requests to recognize and appropriate the grants from CETF to the City will be brought forward to the City Council as appropriate. It is unclear if an outside auditor would be necessary to assist in monitoring the performance of the utilization of Digital Inclusion Program funds by CETF. If it is determined that an auditor will be necessary, costs will reduce the funds available to grant to CETF.

The budget actions recommended in this memorandum recognize small cell revenue projected to be received in 2018-2019 and allocates this funding to the Digital Inclusion Program.

### **BUDGET REFERENCE**

The table below identifies the fund and appropriations associated with the recommended budget actions.

| Fund # | Appn # | Appn. Name                | Total Appn    | Requested Budget Action | 2018-2019 Adopted Operating Budget Page | Last Budget Action (Date, Ord. No.) |
|--------|--------|---------------------------|---------------|-------------------------|---|-------------------------------------|
| 001    | R130   | Other Revenue             | \$166,072,788 | \$750,000               | III-34                                  | 12/04/2018, 78880                   |
| 001    | 204M   | Digital Inclusion Program | \$300,000     | \$750,000               | N/A                                     | 06/26/2018, 30136                   |

### **CEQA**

Not a Project, PP 17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment, and PP 17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/  
DOLAN BECKEL  
Director, Civic Innovation & Digital Strategy

  
MARGARET MCCAHAHAN  
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2018-2019 monies in excess of those heretofore appropriated there from, said excess being at least \$750,000.

  
MARGARET MCCAHAHAN  
Budget Director

For questions please contact Dolan Beckel, Director, Office of Civic Innovation and Digital Strategy, at (408) 535-8260.

#### Attachments:

Digital Inclusion Strategy Report  
Dalberg Report on Bridging the Digital Divide in San José  
CETF Decade Report