Item 3.5
Digital Inclusion Fund

Kip Harkness, Deputy City Manager
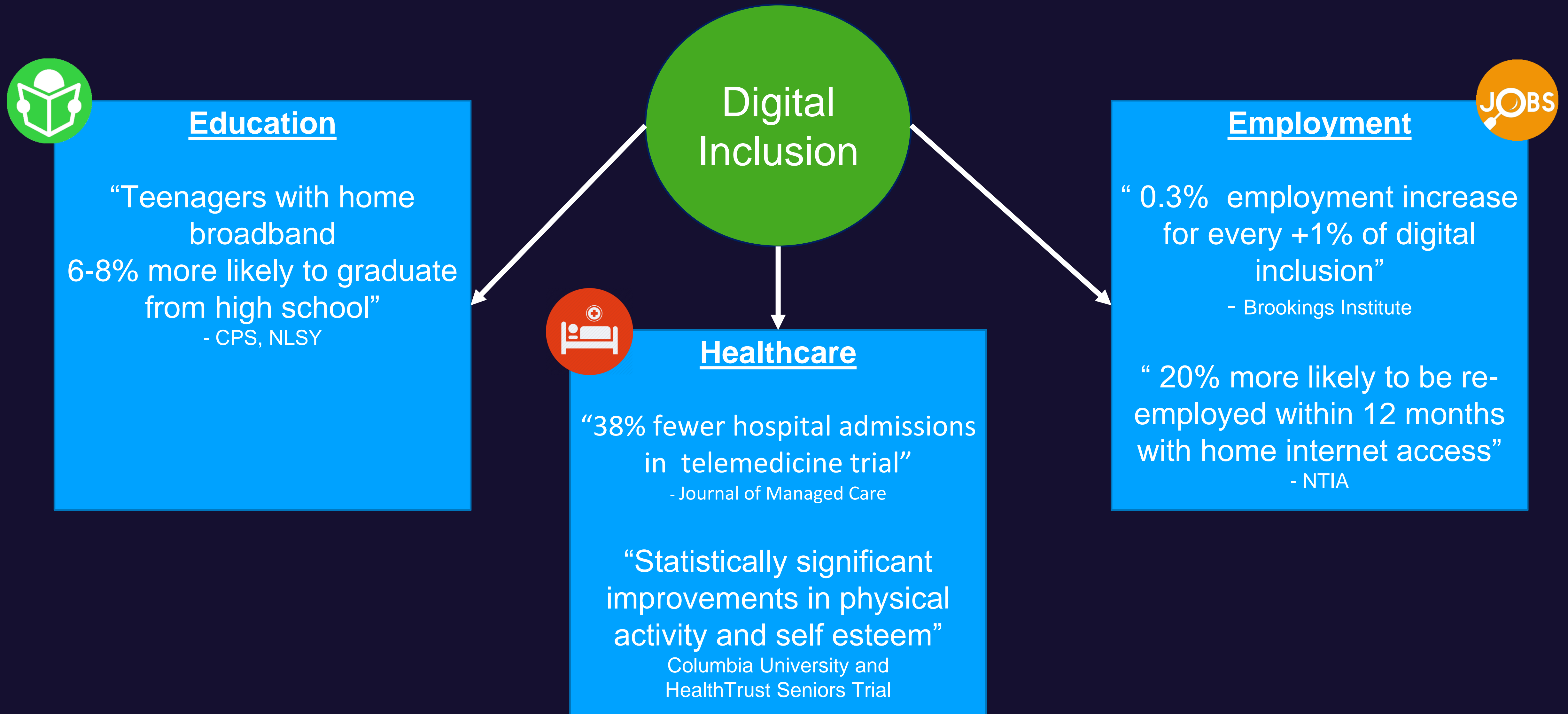Dolan Beckel, Director, Civic Innovation
Shireen Santosham, Chief Innovation Officer
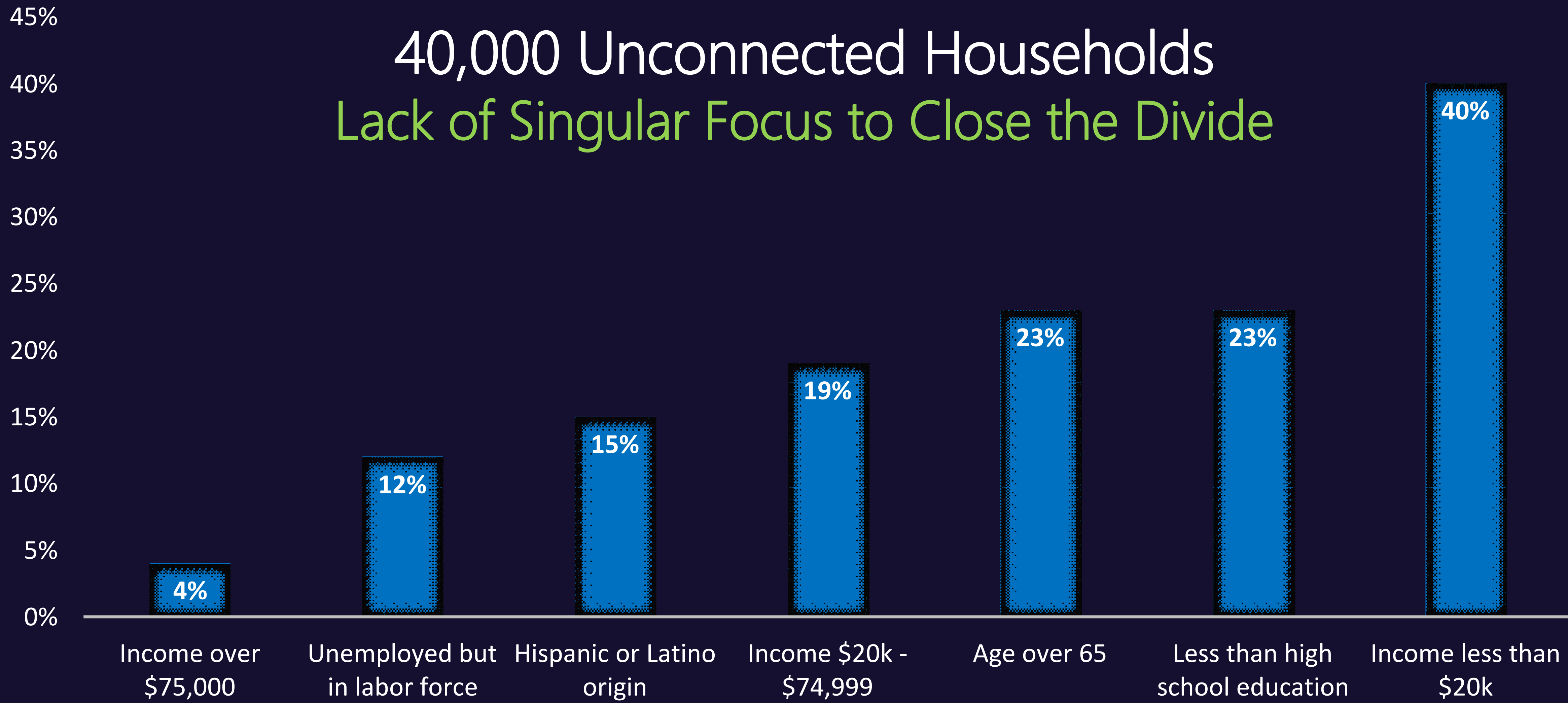
February 12, 2019

Agenda

1. Digital Inclusion and the San José Digital Divide
2. Implementation Recommendations
3. Why California Emerging Technology Fund
4. Ten Year Outcomes and "Digital San José"
5. Governance Model, Timeline, Financials
6. San José's National Broadband and Digital Inclusion Leadership

Digital Inclusion Creates Opportunity

Digital Inclusion

Education

"Teenagers with home broadband
6-8% more likely to graduate from high school"
- CPS, NLSY

Healthcare

"38% fewer hospital admissions in telemedicine trial"
- Journal of Managed Care

"Statistically significant improvements in physical activity and self esteem"
Columbia University and HealthTrust Seniors Trial

Employment

" 0.3% employment increase for every +1% of digital inclusion"
- Brookings Institute

" 20% more likely to be re-employed within 12 months with home internet access"
- NTIA

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San José– Significant Digital Divide

40,000 Unconnected Households
Lack of Singular Focus to Close the Divide

Category	Percentage
Income over $75,000	4%
Unemployed but in labor force	12%
Hispanic or Latino origin	15%
Income $20k - $74,999	19%
Age over 65	23%
Less than high school education	23%
Income less than $20k	40%

Historical Timeline

2017

Nov. 2017 – Council approves Broadband and Digital Inclusion Strategy.

2018

May 2018 – Council approves creation of "digital inclusion fund" and gives direction to engage a consultant and report back with an implementation plan to leverage funds to close the digital divide in San Jose. City procures Dalberg Advisors for the plan.

2019

Jan. 2019 – City Manager's Office enters into Letter of Intent with California Emerging Technology Fund (CETF) upon conclusion of Dalberg report.

Feb. 12 – Council recommendation to negotiate and execute agreement with CETF as implementation partner.

Dalberg Implementation Recommendations

- Conducted 70+ resident interviews spanning multiple neighborhoods across San José
- Reviewed 10+ local and regional organizations
- Evaluated several implementation models and recommended "donor-advised model" with City oversight
- Recommended the California Emerging Technology Fund (CETF) as the implementation partner able to provide a unique service to the City to close the digital divide

Dalberg

Bridging the Digital Divide in San José

FINAL SYNTHESIS REPORT
JANUARY 2019

Why CETF

- **Singular Focus** - close the California digital divide
- **Unique Service** – no other local, state, or federal organization
- **Track Record** – ten years providing successful programming
- **Infrastructure** – grant making and transparent reporting
- **Local Presence** - Alum Rock and Franklin McKinley School2Home
- **Lasting Impact** - Capacity-building for longevity and success
- **Fund Raising** - Commitment to co-owning fundraising with the City
- **Lean operations** – Leverage existing, add one person
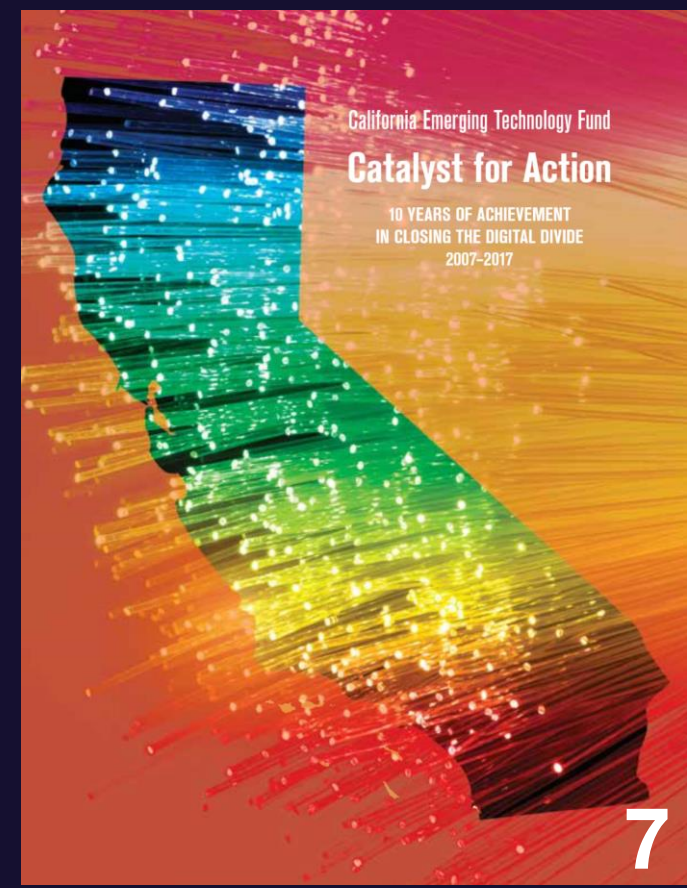
Ten Year Outcomes

- **Connect 50,000 San José households** with device access and connectivity at speeds of at least 25 Mbps upload / 3 Mbps download

- **Educate 50,000 San José households** to achieve and sustain the appropriate digital skills proficiency level, stay ahead of technology, and increase quality of life outcomes

✓ Detailed outcomes, indicators, metrics will be elaborated three months after agreement is signed with the San José Library Department taking lead role in alignment with the City's Education and Digital Literacy Strategy

"Digital San José"

The community facing "Program" to close the digital divide by connecting and educating 50,000 unconnected households in San Jose over the next ten years consisting of:

- **Donor** – The City of San José
- **Advisory Board** – Advising the City on goals and donations to CETF
- **CETF** – "Program" implementer, issuer of grants, collaborator, fiduciary relationship with the City
- **Community** – Recipient of connectivity, device, and digital literacy programs
- **Funding**
  - General Fund
    - Small cell usage fee revenue within the General Fund
    - Designated for only broadband and digital inclusion
    - First city in the nation to solely designate funds this way
  - Fund Raising
    - Co-owned by the City and CETF to increase available funds
  - CETF Implementation Fund
    - Funds from the City to CETF as approved by Council on annual/grant basis

Digital San José

Examples of what the community sees from Digital San José

- **Digital Literacy**
  - Programs with a focus on family opportunity and safety
  - Library and community center programs
  - School2Home program targeting literacy, access, and devices in middle school
  - In-language and in-culture programs
- **Devices**
  - Donation and refurbishment and check-out
  - Age specific devices and operating systems
  - Technical assistance including "tech on wheels"
- **Access**
  - Focus to leverage connectivity programs at the state and national level
  - Increase awareness and trust of existing service provider programs
  - Telco engagement to Increase household quality and lower price of existing discount programs
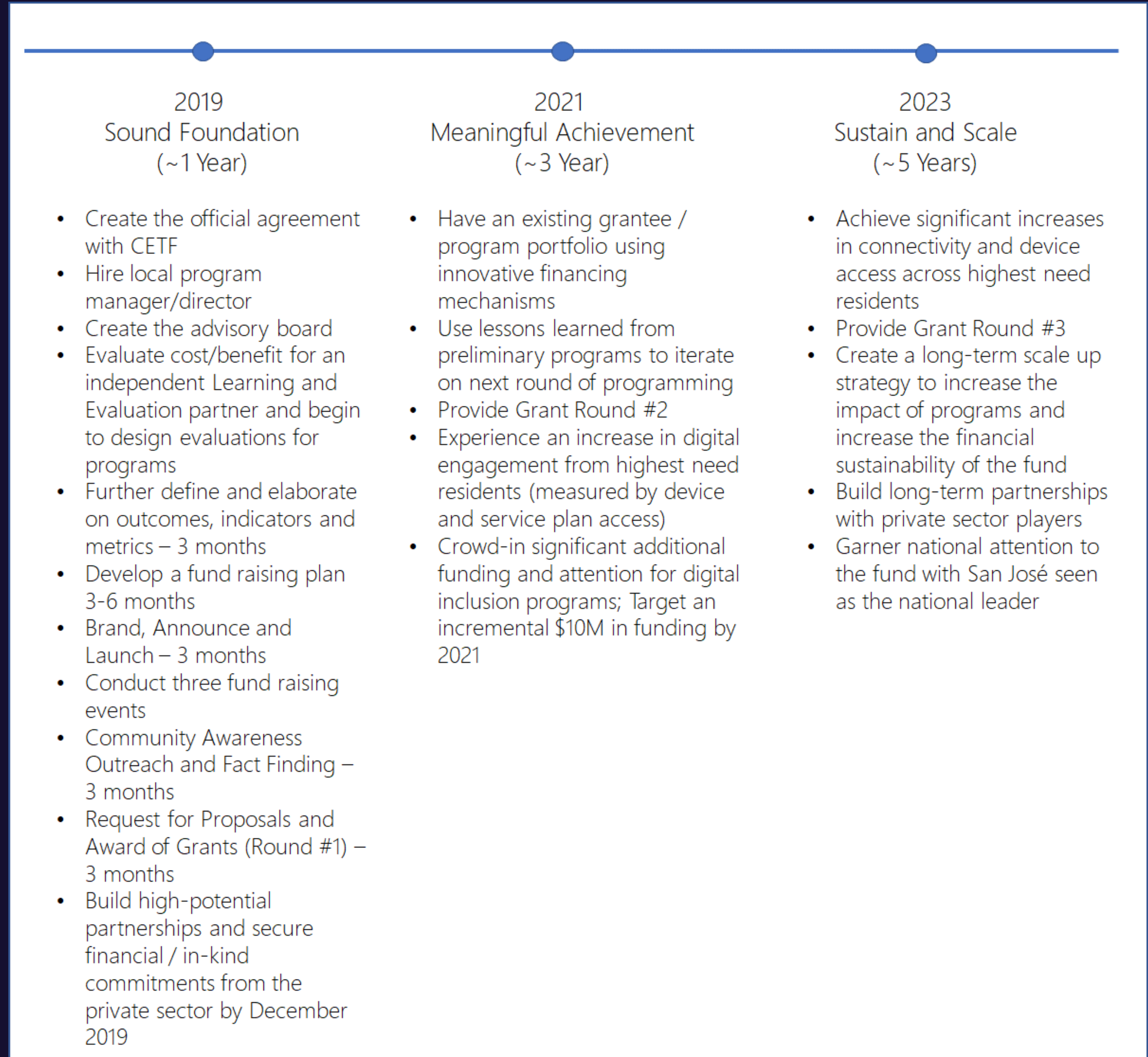 - Cross domain programs for the homeless

Governance Structure

- Representative
- Flexible
- Lean
- Accountable
- Manageable
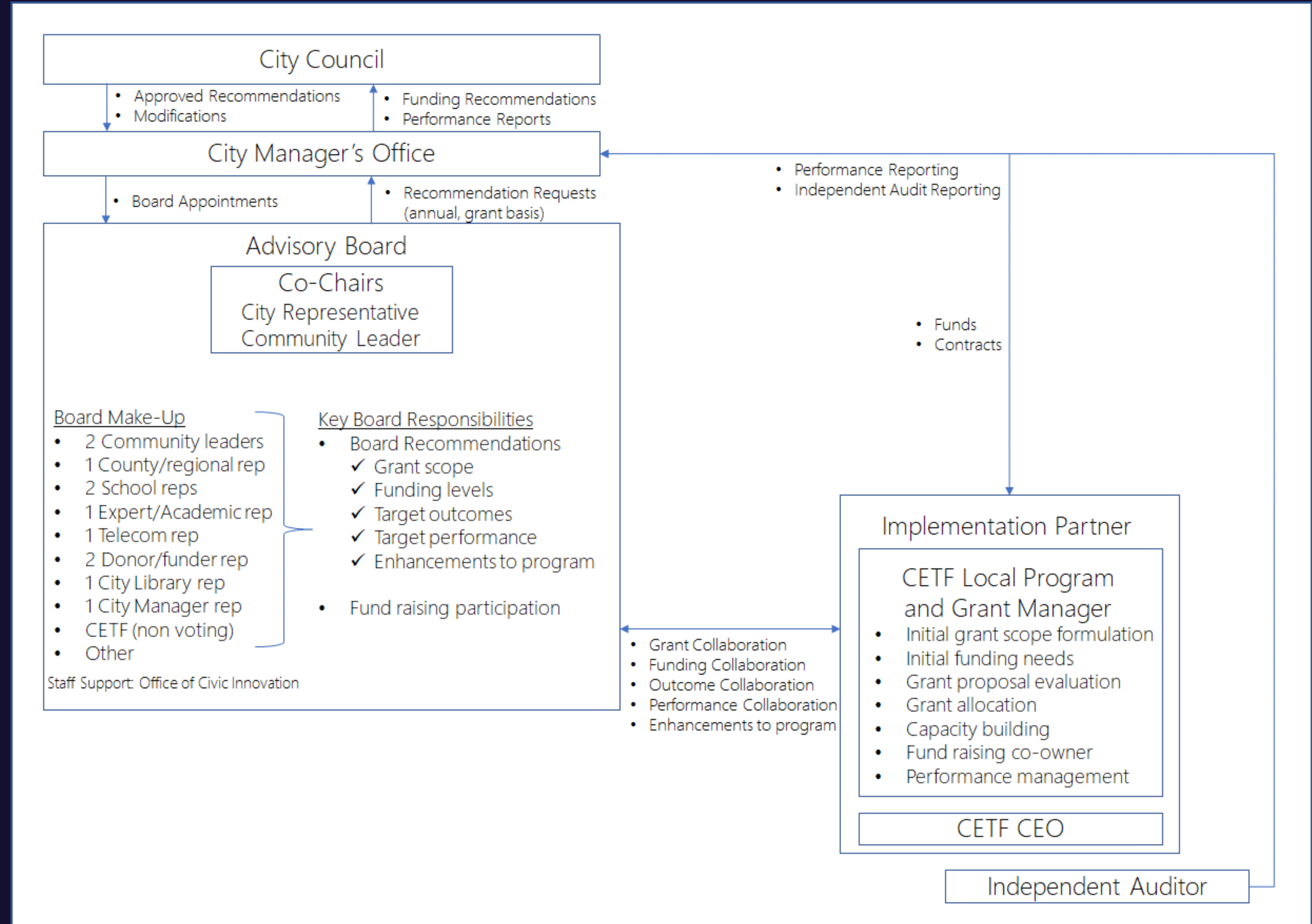
Timeline

- **Approve Recommendation**
  - ✓ Negotiate and execute with CETF
  - ✓ Interim funds appropriation
- **Hire program manager**
- **Build foundation**
- **Realize small cell revenue**
- **Raise funds**
- **Formulate first grant**
- **Return to Council for approval**
- **Launch**
- **Allocate first grants fall of 2019**
- **Iterate to improve**

2019
Sound Foundation
(~1 Year)

- Create the official agreement with CETF
- Hire local program manager/director
- Create the advisory board
- Evaluate cost/benefit for an independent Learning and Evaluation partner and begin to design evaluations for programs
- Further define and elaborate on outcomes, indicators and metrics – 3 months
- Develop a fund raising plan 3-6 months
- Brand, Announce and Launch – 3 months
- Conduct three fund raising events
- Community Awareness Outreach and Fact Finding – 3 months
- Request for Proposals and Award of Grants (Round #1) – 3 months
- Build high-potential partnerships and secure financial / in-kind commitments from the private sector by December 2019

2021
Meaningful Achievement
(~3 Year)

- Have an existing grantee / program portfolio using innovative financing mechanisms
- Use lessons learned from preliminary programs to iterate on next round of programming
- Provide Grant Round #2
- Experience an increase in digital engagement from highest need residents (measured by device and service plan access)
- Crowd-in significant additional funding and attention for digital inclusion programs; Target an incremental $10M in funding by 2021

2023
Sustain and Scale
(~5 Years)

- Achieve significant increases in connectivity and device access across highest need residents
- Provide Grant Round #3
- Create a long-term scale up strategy to increase the impact of programs and increase the financial sustainability of the fund
- Build long-term partnerships with private sector players
- Garner national attention to the fund with San José seen as the national leader

Financials

| 10 Year View	Estimated Amount
Small Cell Usage Fee Revenue (over 10 years)	$22,000,000
Fund Raising Revenue Co-Owned by City and CETF (over 10 years)	$10,000,000
Broadband Infrastructure and Solutions Deployment, Oversight, Capacity Building, Process Improvements, Permitting Speed, Revenue Realization Support (over 10 years)	($6,000,000)
CETF Program Director (over 10 years)	($1,630,000)
Library and City Staff Costs (front loaded one time)	($330,000)
CETF Administration Cost (front loaded one time)	($20,000)
Total Available For Grants and Enhancements (over 10 years)	$24,020,000

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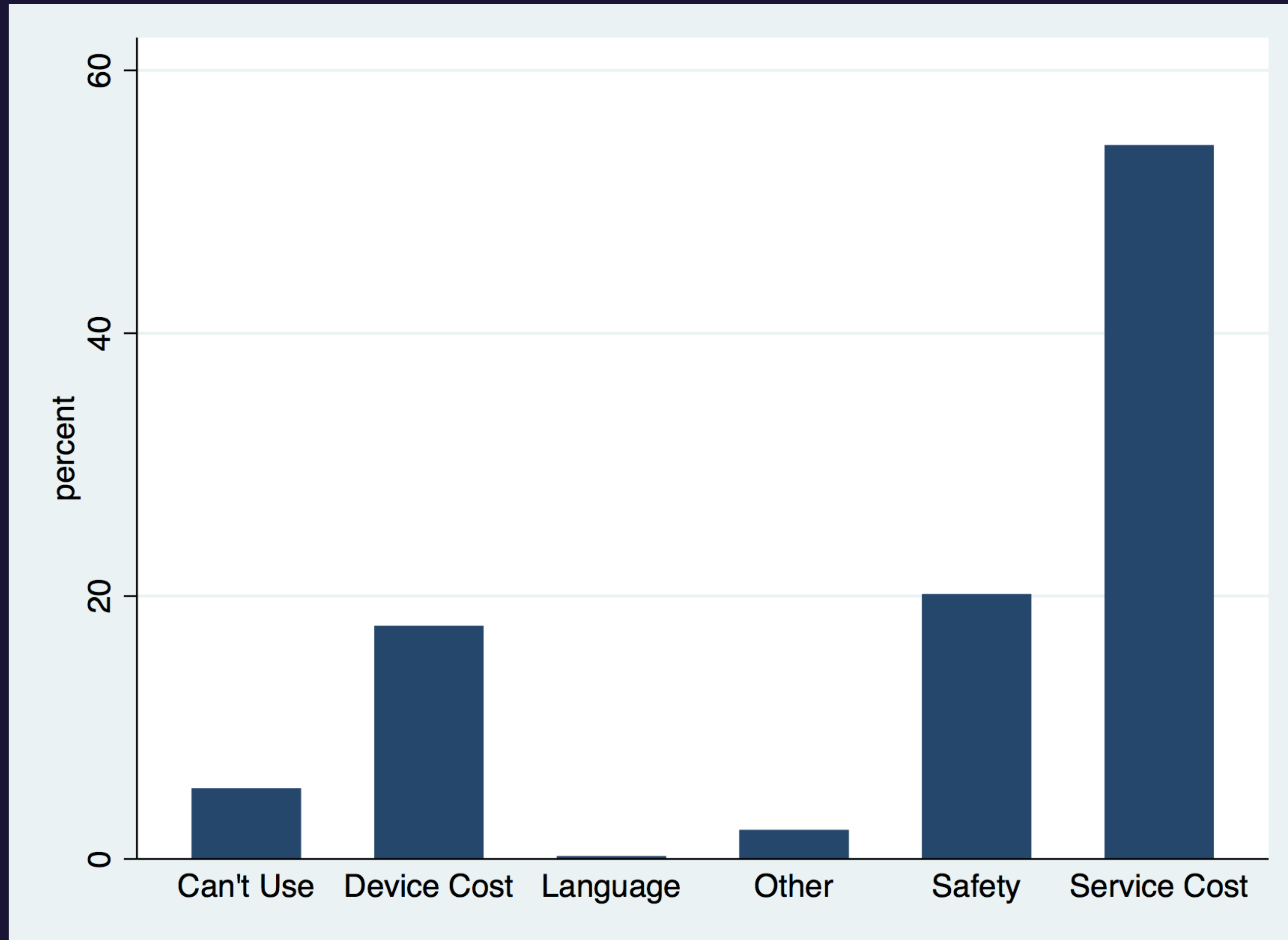
Questions and feedback

Appendix

Broadband Access At Home ?
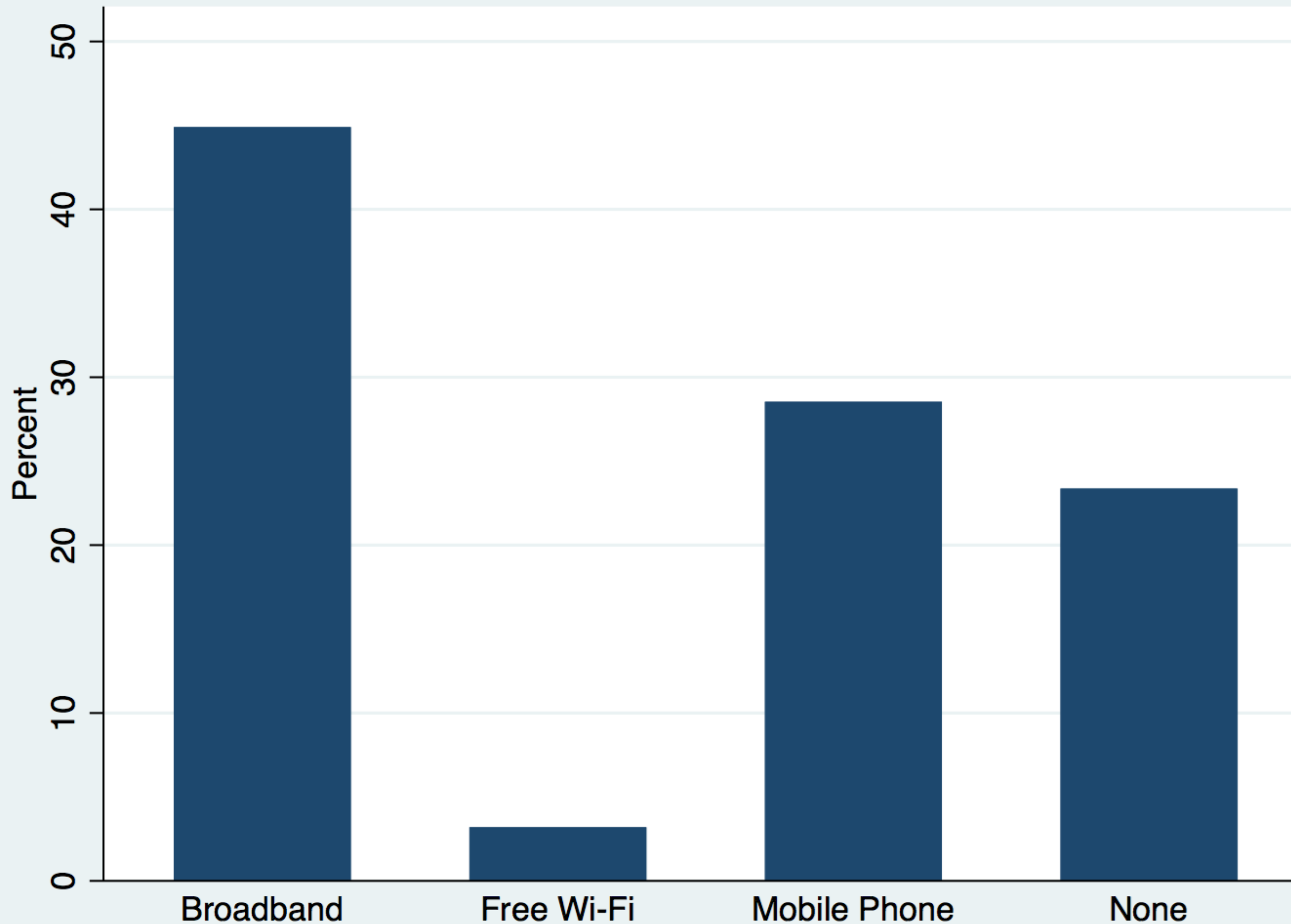
"Among San José low-income parents, only 45% have wired broadband connections while 29% rely on phone access and 23% report no access"

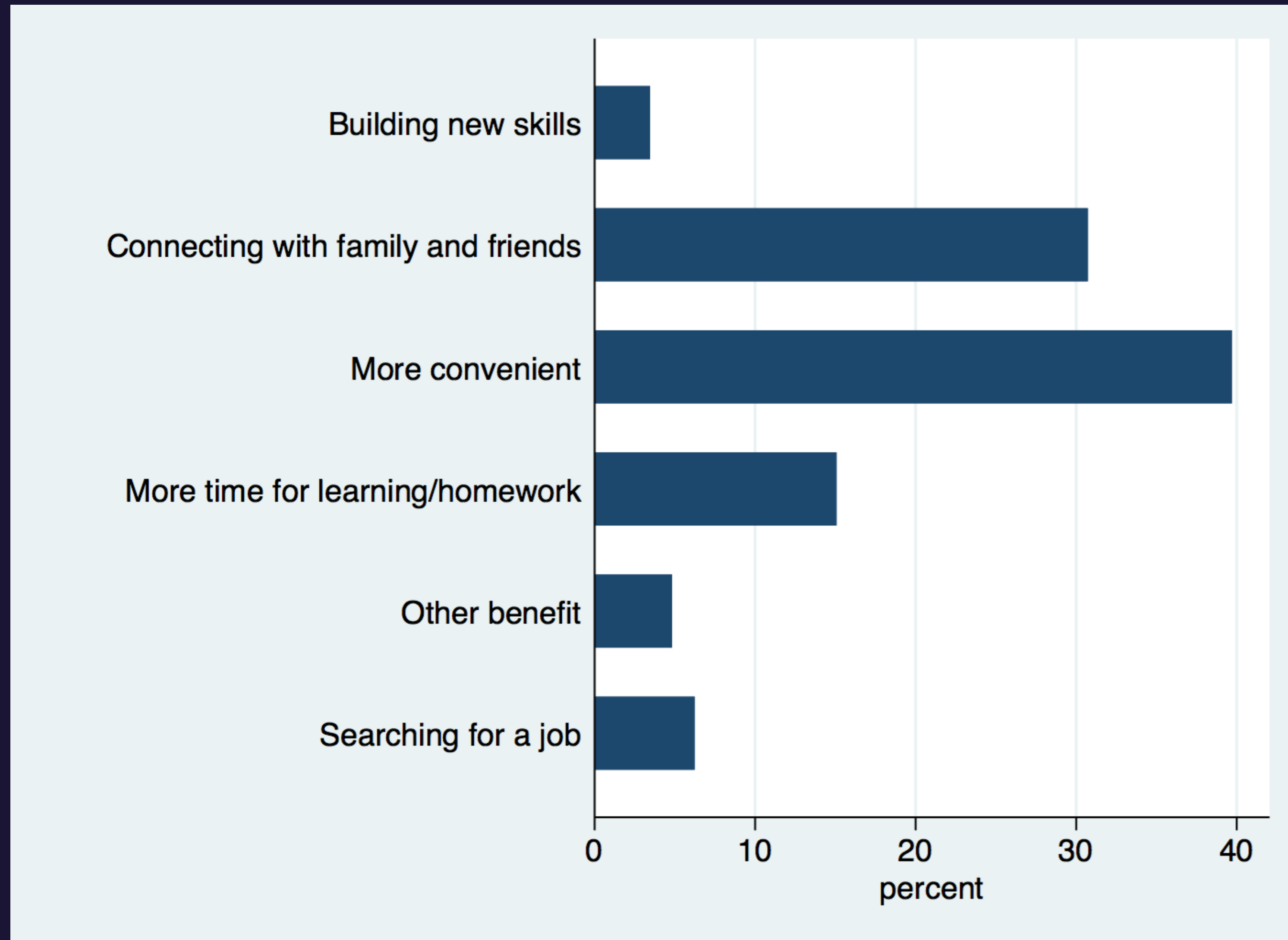– San Jose Street Survey August 2017

DIGITAL INCLUSION
STRATEGY REPORT

CITY OF SAN JOSE
NOVEMBER 2017

17

Barriers to Home Broadband ?

"Among San José low income parents, service cost is the leading barrier. Device cost and safety concerns are also common barriers."

– San Jose Street Survey August 2017

DIGITAL INCLUSION
STRATEGY REPORT

CITY OF SAN JOSE
NOVEMBER 2017

Perceived Benefits of Home Broadband ?

"Among the unconnected low income San José parents, there is a significant opportunity to reinforce the value proposition of home broadband and increase adoption."

– San Jose Street Survey August 2017

DIGITAL INCLUSION STRATEGY REPORT

CITY OF SAN JOSE
NOVEMBER 2017