



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jill Bourne

**SUBJECT:** SEE BELOW

**DATE:** August 25, 2021

Approved

Date

8/25/2021

**SUBJECT: THIRD AMENDMENT TO THE HOTSPOT AGREEMENT WITH AT&T FOR CONNECTED DEVICES DURING COVID-19 RESPONSE**

## **RECOMMENDATION**

- (a) Accept the staff report.
- (b) Adopt a resolution authorizing the City Manager to negotiate and execute an amendment to the AT&T Hotspot Agreement to purchase up to 7,860 hotspot devices, 1,500 Chromebooks, and 16,360 lines of service for students and members of the public impacted by COVID-19 for a one-year term not to exceed \$4,600,000, subject to award of federal Emergency Connectivity Funding.

## **REASON FOR ADDENDUM**

This action should be added to the August 31, 2021 City Council agenda to advance the City's Digital Equity response to COVID-19. This action allows for timely action on multiple sources of new information, specifically, new information on local school need for hotspot connectivity, a new funding stream from the Federal government for connectivity, and the offer of a new and lower rate for connectivity services. Consideration at the August 31, 2021 meeting will reduce the administrative time to order and receive hotspot devices into the SJ Access program and distribute them to families in need.

## **OUTCOME**

The recommended action enables the City of San José (City) to invest available resources and leverage the investment of a pending federal award from the Emergency Connectivity Fund to provide broadband services to unconnected and under-connected students and members of the public experiencing hardship and significant barriers to access for distance learning and critical services due to the impacts of the COVID-19 emergency. The allocation of new devices and ongoing connectivity recognizes cost-savings to existing hotspots, allows for greater leverage of outside funds to support the program, expands the type and number of devices available to the

general public, and meets the requests for support that local education agencies have made to the City to date.

## **BACKGROUND**

In response to the COVID-19 pandemic, in June and August 2020 the City Council authorized the purchase of 15,800 AT&T Unite Express 2 hotspots for use by San Jose students and members of the public. Through the San Jose Public Library and the Emergency Operations Center (EOC) Digital Inclusion branch, in partnership with the Santa Clara County Office of Education (SCCOE), the City distributed 12,800 hotspot devices to student households enrolled in San Jose schools. The San Jose Public Library circulated 3,000 hotspots through 24 library branches. The City's one-time investment in the purchase of devices and connectivity plans was \$4.8 million in the General Fund and a \$400,000 investment from SCCOE.

A preliminary analysis of the student hotspot program showed that students who received a hotspot attended 93% of their classes. A comparison group is not yet available. The full impact study will be released in mid-September.

To ensure that families in need continued to have access to connectivity over the summer months while ensuring proper financial management for devices, staff coordinated with each participating Local Education Agency (LEA) to determine which devices needed to stay connected through the summer months. As a result, service to 10,140 hotspots was suspended on July 30, 2021. Suspended devices can be reactivated quickly, and do not create an ongoing cost to the City while not in use. LEAs have estimated a need for the City to provide 6,160 hotspots for the 2021-2022 school year. As hotspots are returned to schools for routine diagnostics and redistribution, devices are being reactivated and issued to students.

In early 2021 the American Rescue Plan Act (ARPA) authorized the creation of the Emergency Connectivity Fund (ECF) which allocated \$7.1 billion to schools and libraries to fund connectivity and devices for education and learning purposes. The Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) released regulations that authorized funding for schools and libraries to seek funding for purchases and contracts of 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 (CIPA). 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.

The ECF application window opened on June 29, 2021 and closed on August 13, 2021. A timeline for award announcements has not been made available.

## **ANALYSIS**

The 2020 response to shelter-in-place and stay-at-home orders required an immediate shift to distance learning, telehealth, and remote work – each of which rely heavily on video and streaming services which require significant bandwidth to successfully operate. As the 2021-2022 school year starts and students return to school full-time, the need for internet access for households that were under-connected for distance learning has decreased. However, the spotlight remains on those households who do not have internet access at home. The total recommended allocation of lines of service and devices to be made available in the 2021-2022 year continues a similar number of lines of service as in 2020-2021, but changes the distribution model for reaching households in need.

As the response to COVID-19 continues to evolve, staff will return to City Council with updated recommendations for additional devices or lines of service, as necessary.

### **Ongoing Need for Student Connectivity**

In 2020-2021, the City provided 12,800 hotspots to student households, distributed through 32 LEAs. Prior to the start of the 2021-2022 school year, staff worked closely with LEA partners to understand what the needs of their students may be in 2021-2022. School leaders estimate that the student population will require approximately 6,160 hotspots to ensure connectivity. This number may change or increase as the school year progresses and schools respond to potential COVID-19 infections or interruptions in instruction at varying scales.

Staff is working with LEAs to understand how many hotspots are damaged and inoperable, and how many are operable but not being used and are no longer needed by the schools. Whenever possible, staff is seeking to have those operable devices returned to the Library for reuse and circulation through the Library. The staff recommendation to purchase up to 2,160 new hotspots for schools using ECF funding is an estimate based on the rate of device attrition.

### **Expanded Need for General Public**

Since hotspots began circulating to the general public in late September 2020, the 3,000 devices available at the City's branch libraries have been checked-out 9,858 times. The hotspot devices have been in high demand throughout the service period and have either met or exceeded a 97% check-out rate (3% or less availability rate) since January 2021. A voluntary survey submitted by customers upon the return of the hotspot showed that 69% of the devices were reportedly used for distance learning or education, 41% were used for remote work, 26% were used to connect to a health care appointment, and 24% were used for job searching.

The Library also made 600 Chromebooks and 120 iPads available, made possible through two gifts from the San Jose Public Library Foundation. These devices are also in high demand, with iPads routinely being 100% checked out, and Chromebooks increasing to a 57% checkout rate. These devices do not have an embedded data plan and must be checked out with a corresponding hotspot if the customer lacks internet connectivity at home.

The Year 2 Connectivity Plan outlined below addresses the need for additional devices for the general public which are proposed to be funded from existing ARPA funding. The plan also addresses the need for additional filtered devices for youth to be distributed by the Library. Filtered devices used for educational and learning purposes are eligible for ECF funding.

### Year 2 Connectivity Plan

To meet the ongoing need for connectivity in our community, staff recommends the following distribution of devices:

- Meet the existing request of schools to maintain 6,160 devices. This would be accomplished by reactivating a portion of the previously allocated 12,800 devices for school distribution and purchasing up to 2,160 new devices; all funded through the ECF;
- Add 4,500 filtered hotspots and lines of service to the Library's collection, prioritized for students, to serve as a failsafe if devices are not available through schools and/or in-person instruction is interrupted, funded through the ECF;
- Add 1,500 connected Chromebooks to the Library's collection targeted to single person households and/or young adults, with a majority of funding from the ECF, and the balance funded through ARPA; and
- Add 1,200 new hotspots to the Library's collection for the general public to meet the existing demand, with a total of 4,200 devices, funded through the existing Digital Equity allocation of ARPA funding.

### Proposed Amendment to the AT&T Hotspot Agreement & Funding Sources

The proposed amendment to the existing AT&T Hotspot Agreement recognizes a significant reduction in the monthly recurring service costs for each connected device, from \$25.24 per device per month to \$14.24. The agreement terms are for one 12-month period beginning in September 2021. The proposed agreement provides the City with the reduced rate for up to 45,000 devices/lines of service. This Council action requests approval to fund 16,360 lines of service, or nearly 36% of the total lines of service available to the City.

The Adopted 2021-2022 Operating Budget included one-time funding of \$2.1 million in ARPA funding allocated to Digital Equity efforts, including the continued service to a reduced number of student devices, and an expansion of the number of hotspots available through the Library. Under the proposed structure, the Library's general hotspots will expand to 4,200 devices and will utilize approximately \$989,000 of the existing ARPA allocation. This expense may be reduced if additional unused devices are returned by San Jose schools and fewer new devices need to be purchased.

The remainder of the devices authorized through this Council action are proposed to be paid for by the Emergency Connectivity Fund. The Library submitted an application for \$3,812,748 in products and services to be paid directly to AT&T on behalf of the City. Based on the nature of the application, past history with similar eRate applications, and documented need for

connectivity services in San Jose, staff anticipates a substantial or full award early in the Fall. Staff will not order ECF-funded devices or services until the city has been notified of the grant award nor order additional devices and services above what is outlined in this memo unless the City Council approves allocating more funding to purchase devices and service or to determine if Library needs additional staff for distribution of the devices.

If the City does not receive a substantial or full award from the ECF, staff will seek additional direction from the City Council prior to recommending a reduced allocation of devices.

Distribution	New Device Purchase	Total Lines	Subtotal Service Cost	Subtotal Retail Cost	Total Cost	Funding Source
Schools - Hotspots	2,160	6,160	\$990,881	\$342,533	\$1,333,414	ECF
Library – Youth Hotspots	4,500	4,500	\$576,720	\$816,570	\$1,393,290	ECF
Library - Chromebooks	1,500	1,500	\$192,240	\$633,270	\$825,510	96% ECF and 4% ARPA
Library – General Hotspots	1,200	4,200	\$765,432	\$190,296	\$955,728	ARPA
<b>Total</b>	<b>9,360</b>	<b>16,360</b>	<b>\$2,525,273</b>	<b>\$1,982,669</b>	<b>\$4,507,942</b>	

Providing Residents with a Variety of Telecommunications Options

The current action authorizes purchase of only AT&T connected devices for several reasons: retaining service with AT&T avoids a significant interruption of service for existing users as well as the expense of purchasing a new inventory of devices under a different carrier, and the ECF application required the City to either use an existing contract or explain why a new contract was required to provide a lower cost or better network coverage. However, there is significant value to providing San Jose residents with multiple carrier options to enable access to the best cellular network service where they live. Staff expects to leverage savings realized by a successful ECF application to open a second opportunity for other major carriers to propose device and contract rates for hotspot and connected device services. This process will be developed after the ECF award and will be brought forward to Council for review and approval.

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## **CONCLUSION**

The proposed device distribution plan meets the known need for connectivity. The proposed agreement with AT&T provides for highly competitive pricing, high performing devices, and provides the City with flexibility to expand the devices and lines of service, as needed.

## **EVALUATION AND FOLLOW-UP**

Staff will return to City Council with updates on any connectivity agreements that were executed, the distribution of devices, status of digital inclusion efforts, and an update on the estimated need of students in partnership with the SCCOE.

## **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 Council Agenda website for the August 31, 2021 Council Meeting.

## **COORDINATION**

This memorandum has been coordinated with the City Manager's Office and the City Attorney's Office.

## **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

## **FISCAL/POLICY ALIGNMENT**

This action aligns with the City's existing Broadband and Digital Literacy Strategy, which identifies the 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**

The total cost to purchase 7,860 hotspots, 1,500 Chromebooks, and 16,360 lines of services through June 30, 2022 is \$4,507,942, with \$3,519,193 from ECF and \$988,748 from the American Rescue Plan Fund. Although the estimate is \$4,507,942, staff is requesting approval to negotiate with AT&T up to \$4.6 million to account for potential changes in device costs and availability due to supply chain shortages, and the variable rate of mobile service taxes and fees. This action leverages unprecedented funding from the federal government to fund connectivity solutions for educational purposes, and in doing so, reduces the costs borne by the City to provide these services for this fiscal year, unless additional funding to the ECF is included in the Federal budget. The cost savings created by an ECF award will allow existing funds to be repurposed immediately or rebudgeted to pay for future connectivity services. Funding from an ECF award will be directly transmitted to AT&T on behalf of the City by the USAC. It is not necessary for the city to recognize and appropriate the ECF funds nor is it necessary to use city funds to front the grant and then seek reimbursement at a later date.

The City has budgeted this year \$3.8 million in the American Rescue Plan Fund for Digital Equity of which \$2.12 million is allocated for Device Access. The Adopted Budget did not anticipate an ECF award. If a reduced award is made, staff will reduce the number of devices to be purchased and the lines of service to match the reduced award. If no substantial ECF award is made available, staff will return to Council with an updated recommendation for lines of service and device purchases.

Staff will determine through the annual budget process the number of lines of service that may be continued next fiscal year and the funding source.

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Library – General Hotspots	1,200	4,200	\$765,432	\$190,296	\$955,728	0	\$955,728
<b>Total</b>	<b>9,360</b>	<b>16,360</b>	<b>\$2,525,273</b>	<b>\$1,982,669</b>	<b>\$4,507,942</b>	<b>\$3,519,193</b>	<b>\$988,749</b>

**CEQA**

Not a Project, PP 17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/  
JILL BOURNE  
Director, Library Department

For questions, please contact Ann Grabowski, Division Manager – Digital Equity at [ann.grabowski@sjlibrary.org](mailto:ann.grabowski@sjlibrary.org)