



Legislation Details (With Text)

File #:	19-167	Version:	2	Name:	Staff Report for a Discussion about Residential Broadband Service in San Leandro, Including a Presentation from Common Networks
Type:	Staff Report	Status:		In control:	Facilities & Transportation Committee
On agenda:	5/8/2019	Final action:		Enactment #:	5/8/2019
Enactment date:					
Title:	Staff Report for Presentation from Common Networks and Discussion about Residential Broadband Service in San Leandro				
Indexes:					
Code sections:					
Attachments:	1. Presentation - FT Committee (Common Networks)				

Date	Ver.	Action By	Action	Result
5/8/2019	2	Facilities & Transportation Committee	Received and Filed	

Staff Report for Presentation from Common Networks and Discussion about Residential Broadband Service in San Leandro

SUMMARY AND RECOMMENDATIONS

In September 2018, the City Council unanimously adopted the Fiber Optic Master Plan and Smart City Strategy. As part of this comprehensive report, the City conducted a survey of residents on their broadband usage and desires. Over 1,800 residents responded to the broadband survey, with responses coming from all neighborhoods and districts within the City. Staff recommends discussing fiber optic and infrastructure plans related to future residential Internet service in the City, including hearing a proposal from Common Networks (“Common”), a wireless Internet Service Provider (“ISP”), interested in expanding its service to San Leandro.

BACKGROUND

The City of San Leandro has established a robust broadband infrastructure through its conduit system and public-private partnership with San Leandro Dark Fiber (known as “Lit San Leandro”). The internet services delivered through this broadband network have served as a competitive tool for economic development, connecting over 350 businesses to gigabit-class high-speed internet service, providing an advantage for businesses that need such service. The City has also invested in public Wi-Fi, which now serves all City facilities and many parks and outdoor spaces.

However, generally speaking, those internet services have not been available to residential homes. This is understandable given that the high cost of constructing a fiber-to-the-home network has historically made it economically infeasible to serve the residential market. Nonetheless, there is strong support among San Leandro residents for more broadband service alternatives.

The City has infrastructure, including fiber-optic cables, conduit, and rooftop space that are well suited to support the construction of broadband networks. Thus, a discussion about future plans to utilize this infrastructure is warranted.

Meanwhile, Common, a technology company based in San Francisco with operations in neighboring Alameda, has expressed an interest in utilizing City infrastructure to expand its service to San Leandro. Common has developed an innovative solution to deliver high-speed internet service to homes via wireless connections. The network relies on rooftops, preferably on buildings connected to fiber, which can be used to create a high-speed broadband network.

Analysis

The adopted Fiber Optic Master Plan includes the following findings:

“Having internet access was deemed to be critical or very important by 93% of the respondents, with 96% indicating reliability as being critical or very important. A high percentage also considered performance (90%) and price (84%) to be critical/very important.”

“In regards to customer satisfaction, only a small percentage of the respondents reported being very satisfied with any of the five variables. This ranged from just 13% being very satisfied with tech support and customer service to 21% being very satisfied with internet access. Overall, the level of satisfaction is on the low side with all five variables. Price is where customers are most dissatisfied, with over 50% indicating they were either “somewhat dissatisfied” or “very dissatisfied.”

“Of those expressing low overall satisfaction, 61% indicated that there were no other (internet) service options in their area and 62% were dissatisfied because the connection was slow or unreliable. These results suggest an opportunity for a provider with high-speed, reliable broadband to capture significant market share with the residential sector.”

A discussion regarding these findings may help guide future City plans to address these findings, such as the preparation and issuance of a request for proposals (RFP) to use City infrastructure to deliver broadband and related smart city services.

At the same time, an agreement with Common could benefit the City by enabling it to earn immediate revenue on its broadband infrastructure, which is directly aligned with the goals of the Fiber Optics Master Plan. Common would provide a competitive alternative to the incumbent ISPs, which is something the community desires according to the survey. The non-exclusive nature would in no way preclude the City from pursuing additional partnerships and projects, such as an RFP process and/or future study.

Fiscal Impacts

The estimated combined revenue from a proposal from Common agreement would be approximately \$110,000 per year. The City’s fees, which represent fair market value for the City’s assets, as determined by internal review, would automatically increase by 3% every year. Over a potential five-year term, the project would generate nearly \$600,000.

Current Agency Policies

- Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation
- Maintain and enhance San Leandro's infrastructure

Previous Council Actions

- At the September 17, 2018 City Council meeting, the Council unanimously adopted the Fiber Optic Master Plan & Smart City Strategy.

Committee Review and Actions

- Staff provided information on preliminary discussions with Common Networks at the January 9, 2019, Facilities and Transportation Committee meeting.

Applicable General Plan Policies

- Policy CSF-4.1 Telecommunications. Collaborate with telecommunication service providers, the business community, and investors to foster access to emerging information and communication technology.

Attachments to Staff Report

- Common Presentation

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