



RE: Verizon Public-Private Partnership

September 21, 2018

Mayor Darrell Steinberg
City Hall
915 I St., 5th Floor
Sacramento, CA 95814

Dear Mayor Steinberg,

As you know, on June 6, 2017, Council voted unanimously to approve a \$100 million public-private partnership with Verizon to support the company's 5G next generation wireless network, giving Sacramento the opportunity to become one of the first 5G cities in the country. Verizon has announced that 5G services will be made available to *some* zip codes in the City on October 1.ⁱ

The Communications Workers of America (CWA) and the Sacramento Central Labor Council (CLC) have several concerns with the process by which the partnership was negotiated, and the terms of the final agreement, which we believe raise serious questions about whether Verizon is providing commensurate benefits to the community. We are particularly concerned that this no-bid deal with Verizon contains no requirement that the company build out its network to all Sacramento communities in an equitable manner, and does not include employment standards for workers building and maintaining the network.

Our concerns include:

1. Waiver of 10-day Public Notice

Council waived the requirement for 10 days public notice of the agreement. However, Verizon proposed a public private partnership as early as January 2017.ⁱⁱ The City signed an MOU with Verizon in February wherein both parties agreed to enter into discussion with the goal "to agree upon a Public/Private Partnership within 60-90 days..."ⁱⁱⁱ This was sufficient time to make the public aware of the negotiations and pending agreement, and allow for a public input process to ensure a fair deal.

2. Failure to Uphold Basic Provisions of the Contract

Statement of Work

It is our understanding, based on public records, that the City and Verizon have failed to produce a Statement of Work, detailing the actual costs to the City and the description of the work to be completed. The Agreement required this Statement of Work to have been completed within 60 days of execution.^{iv}

Monitoring and Evaluation Metrics

The City and Verizon have failed to establish required metrics that would have provided a basic level of accountability for the City to track progress of the network buildout. The Agreement required the City and Verizon to establish "measurable outcomes that deliver economic, social, and environmental benefit...to provide ongoing monitoring and evaluation to track progress, allow for new ideas, and inform the City's

efforts^v.” While there was no timeline for the two parties to establish these metrics, it has been more than a year since the Agreement was signed, far too long to allow Verizon to build its 5G network without accountability to Sacramento taxpayers.

WiFi Acceptable Use and Terms and Conditions Policy

It appears that Verizon has failed to complete the Wi-Fi Acceptable Use and Terms of Services policy, which was required within 60 days of execution.^{vi}

3. Questions about the value of fiber provision and acceptable uses of fiber

Verizon is providing access to some fiber to the City for public purposes, but has placed severe restrictions on how the City may use the fiber. Based on the written agreement, we know that the City may use the fiber to support Verizon’s own Internet of Things technology. It remains unclear how much value this fiber represents to the City, why the City agreed to limitations on use, and what constitute acceptable uses of the fiber under the agreement.

4. Questions about community benefit timelines vs. Verizon’s benefit timelines

The benefits Verizon is providing the City, like smart traffic management systems and kiosks, have short time frames - two and five years respectively. It is unclear whether the City will have to pay for those services after the contract terms expire, and what the financial terms would be at that point. Verizon was given 20 years of free access to city-owned conduit and a streamlined permitting process for ten years.

5. Quality of Jobs

To date, Verizon has been employing subcontractors, rather than direct employees, to lay fiber and install small cells to support the 5G network. There are no requirements regarding the quality of jobs these employers provide, and no obligation to support workers from Sacramento and the surrounding communities.^{vii}

6. Inequitable Network Buildout

Some cities are seeking to harness their infrastructure contracts with wireless carriers to promote equity by requiring that companies contribute to a fund dedicated to closing the digital divide, or by developing fee structures that incentivize network development in communities with greater network needs.

Verizon’s construction plans concentrate network development in the downtown area, with much less investment planned in other areas of Sacramento. There appears to be very little effort to address connectivity in the northeast, where some of the lowest income Sacramento residents live.^{viii} WiFi Kiosks that Verizon is providing as a community benefit are planned almost entirely on two streets between 5th and 15th streets near Capital Park. None appear to be located in low-income communities.^{ix} Based on a review of correspondence between Verizon and the City, it appears locations for WiFi placement were discussed without attention to the digital divide or community need.^x

Neither the City nor Verizon seem to have made an effort to reach out to underserved communities prior to developing network construction plans, and we know both parties failed to come together to establish metrics to monitor and evaluate the network buildout.

7. Questions about compliance with Demonstration Partnerships Policy (DPP)

Council adopted the DPP in the midst of negotiations with Verizon, providing the legal authority to enter into such a partnership agreement. We are concerned that several aspects of this agreement may not be in accordance with the policy.

In sum, with the impending 5G launch, we are deeply concerned about whether the broader Sacramento community is going to realize benefits from this partnership, even as Verizon reaps profits and publicity from its marquee launch of 5G in our city.

We ask that the City turn its attention to the terms of the Agreement, and implement a process that will provide greater transparency and accountability moving forward, such as, for example, establishing a public reporting system, committing to a public input process, and agreeing to a public audit of the project.

We look forward to further dialogue with you on this important issue.

Sincerely,



Thomas Runnion
Vice President, CWA, District 9



Fabrizio Sasso
Executive Director,
Sacramento Central Labor Council, AFL-CIO

ⁱ <https://www.theverge.com/2018/9/11/17847640/verizon-5g-first-home-broadband-internet-service-installations-october-1>

ⁱⁱ Letter to Mayor Steinberg from Lani Ingram, Verizon Vice President of Smart Cities and Venues sent January 10, 2017; Email between Maria MacGunigal and Crystal Strait titled “Kickoff PPP Discussion” sent February 8, 2017; received via information request June 14, 2018

ⁱⁱⁱ Letter to Mayor Steinberg from Lani Ingram, Verizon Vice President of Smart Cities and Venues sent January 10, 2017

^{iv} P3, Exhibit C, page 46

^v “Strategic Joint Development Agreement, Item H (page 2)

^{vi} P3, Exhibit B, page 45

^{vii} Found via information request for encroachment permits relating to the 5G network build

^{viii} VZ fiber deployment map; VZ small cell deployment map; Data from Statistical Atlas maps, which use Census data

<https://statisticalatlas.com/place/California/Sacramento/Household-Income#figure/neighborhood>

^{ix} Kiosk Location Site Map

^x Received 6/13/18 via information request submitted 11/16/17; Email date 4/10/17, subject ‘Wifi park coverage’