BY RANDALL REID

The Infrastructure Investment and Jobs Act—First Things First

Techniques for getting the most from this "once-in-a-generation" funding as even the most basic approaches can be transformational

The plight of America's aging and deteriorating physical infrastructure has been a topic of concern on the nightly news and at conference sessions for the entire careers of many ICMA members. Fortunately, this issue has begun to be addressed by the recent bipartisan passage of the Infrastructure Investment and Jobs Act (IIJA), which was signed into law in November 2021.

This new major influx of federal stimulus investments in the IIJA totals $1.2 trillion over 10 years, including $550 billion for new investments from FY 2022 to FY 2026 for all modes of transportation, water, power and energy, environmental remediation, public lands, broad band improvements, and community resilience. This act builds upon the themes of the American Rescue Plan Act (ARPA) Fiscal Recovery Funds (FRF) program, which provided $350 billion in aid for state and local government to stimulate post-pandemic economic recovery from the ongoing pandemic. With the potential of even more green energy investment proposed by the Biden Administration in the proposed Build Back Better legislation on the horizon, this is a historic moment to consider our obligations to provide critical community infrastructure.

The political rhetoric surrounding passage of multiple "once-in-a-generation" investment packages should be taken seriously by ICMA members due to the immense opportunities this presents for local communities. While there may be potential collateral impacts on the economy from this huge federal investment in infrastructure, it is money that communities can spend wisely. The mere scale of federal dollars being proposed is staggering as are the potential impacts on job creation, a shifting economy, the national debt, and inflationary trends. This article, however, focuses on the positive opportunities to be seized for our communities and leaves it to others to assess the economic impacts and enabled political agendas. In these divisive times, some of our residents may debate these collateral impacts potentially disrupting the local governing process with localized controversy or even diminished appreciation of successful outcomes from increased infrastructure expenditures. We are traversing a new fiscal terrain for most managers and still reassessing true north as the compass needle spins.

Dollars Dead Ahead

When the Titanic hit the partially concealed iceberg in a vast ocean, it was there on the horizon but unseen in the darkness due to its mass being underwater. Overconfidence of the owners, desire for speed by the captain, and an ill-selected route contributed to the disaster. This analogy is apropos for what to avoid in implementing stimulus projects. While managers are confident in handling most challenges, many managers admit as we begin the year that there are many local governments and community organizations that are ill prepared to receive and manage a massive influx of funds or question how to spend them despite the need for infrastructure maintenance and investment. The stress on managers to identify projects, partner with other governments, and expend funds expeditiously with public and elected official support will be a challenging route.

The amounts are historic. Billions of ARPA funds have begun flowing to local governments this year and even more funds are on their way from the IIJA. This infusion of federal funds over the next five or more years will permit major transformational capital improvements projects. The $1.2 trillion bipartisan IIJA legislation includes both competitive grants for local governments, as well as even larger funding that will flow through state governments for transportation-related projects, airports, and port improvements. And still on the horizon are the potentially transformational social funding and green energy programs of the Build Back Better (BBB) initiative, which is unlikely to achieve a bipartisan consensus. The BBB policy intent, programmatic goals, and expenditure guidelines may generate more local political tensions than traditional "not in my backyard" (NIMBY) concerns over construction schedules and infrastructure locational siting decisions. If adopted, the House version of the legislation has been estimated to increase funding for public health, social service, and safety net programming with expenditures of $2.4 trillion, with potential continuing entitlements in future years estimated as much as $4.9 trillion.[1]

The magnitude of such numbers is hard for even budgetary-oriented managers to comprehend, much less for most citizens. For example, an argument over a billion-dollar component program in a single trillion dollars of federal appropriation is equivalent to arguing over a more understandable $10 expenditure in a $10,000 local government budget line item, except we know local budgets must be balanced and the federal budget does not and can print money.[2]

ICMA and Our Members' Initial Response

A recent ICMA survey of jurisdictions show as of last September initial appropriations of the FRF were most commonly intended for the key priorities of infrastructure investment, replacing lost public sector revenues, and addressing negative economic impacts of the pandemic. A significant majority reported prioritizing water and sewer infrastructure, over 50 percent planned to replace lost revenues, and some planned to invest in broadband or other capital projects.[3] The act also led to many local governments hiring, contracting, or assigning coordinators for planning and management of ARPA funds. These FRF dollars continue to be expended by local governments as many delayed their initial expenditures as regulations and reporting requirements were clarified. ICMA has provided vital information at each step of stimulus legislation and regulatory rulemaking to our members throughout 2021, and this information effort will continue in the coming year. In December 2021, ICMA began aiding these newly identified ARPA coordinators through a peer learning network and will offer specialized training and networking opportunities in the months ahead.

The physical and mental stress on local government managers has been high with our communities still fighting COVID strains with vaccination programs, adjusting to changes in major societal norms, managing service delivery in the lingering pandemic, and most recently dealing with supply chain delays or cost increases on public capital projects. These budgetary shocks will increase this stress and workload next year as managers deal with evolving workplace changes, staffing retention difficulties, and anxious elected officials advocating for specific stimulus project expenditures. This has resulted in an increased focus at ICMA conferences and for our affiliates on workforce mental health and personal resiliency.

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Ensuring Future Investment

It is now necessary that local government professionals turn their managerial focus and leadership skills toward how they will responsibly invest the additional ARPA and IIJA funds and whatever amounts flow from the potential BBB legislation in their communities. The multiple trillions of potential dollars of federal investment coursing through governments over the next five or more years and competition for these funds within communities and regions will create a modern tale of two cities: those that take the time to plan and use these funds for transformational investments that change the course of their communities; and those that simply fund additional government expenditures that temporarily abate community problems and inequities, or encourage entitlements and expenditures that cannot be sustainable for future generations of residents. ICMA members should reflect upon equity concerns and the intergenerational ethical considerations of their decisions as they plan for the years ahead.

Despite varying amounts of stimulus and other federal funds coming into different sized local jurisdictions, it will certainly be likely that this transfer of federal fiscal resources will be the largest in most managers' memory. So, whether a smaller community receives just tens of thousands of dollars, or a major city receives multiple millions in federal transfers, these funds present a unique opportunity requiring their best leadership skills to achieve the optimal outcomes from whatever resources they receive. There also needs to be a recognition that this influx of funding may still not be able to fund the entire reconstruction costs of some critical infrastructure projects nor will solve all of a community's capital needs so strategic planning is necessary. Likewise, even the proposed trillions in the Build Back Better legislation will not completely solve the multiple systemic, wicked problems some communities face, so wisdom and a sense of pragmatism is required to address causal issues.

Common Leadership Concerns

Three questions are likely keeping many ICMA managers increasingly awake at night with these funds on the horizon, regardless of the size of their communities:

- Where do I start?
- What are the most impactful expenditures or single projects that I can undertake to benefit current and future residents?
- How can I leverage my stimulus allocation to get more benefit for my residents in the future?

These are major questions requiring thought and reflection, as well as deliberation with our elected officials and input from the public, to responsibly answer. If managers hope to use these revenues for major transformation infrastructure investment projects, there is the likelihood of some elected officials, community constituent groups, or powerful staff members to advocate for narrower projects of special interest for them. Preparing for this community dynamic is important. Managers are further impacted by the often-inadequate resources of smaller and rural communities where members do not have staff capacity and the large scale of the massive infrastructure and systemic problems in our metropolitan areas. Can any common strategy be appropriate?

First Things First

The answer to this may lie in the long-standing time management phrase "first things first," popularized by Stephen Covey. Managers need to take the time to reflect and plan strategically to identify the urgent actions to take first with the most benefit or maximum utility achievable with stimulus proceeds distributed within their community.

In recent roundtable discussions around this ARPA stimulus topic at the 2021 ICMA Annual Conference in Portland and at state association gatherings, most managers now increasingly recognize there is time available within implementation processes to reflect and appropriately plan how to best expend these revenues. Many managers have indicated that their elected officials and organizations understand that unlike the initial perceived rush to expend Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars and some literal fear of accepting the funds due to reporting requirements. There is now more time to plan strategically on what specific capital investments are needed to be the focus of IIJA funds and for any Build Back Better social equity and human service program funding coming down the road.

There is also time to fiscally plan to utilize all fund sources for their optimal and legal usage. The technique of allocating local discretionary funds or general bond proceeds legally toward project components ineligible for restricted stimulus funding may allow funding to accomplish a greater variety of needed projects or underfunded capital improvement plan (CIP) programs with these federally proscribed funds. This "bucket approach" provides for more local flexibility while meeting regulations. Optimizing the use of local discretionary funds and restricted stimulus revenues can better fund some programs addressing inequities among marginalized populations. It also allows more tailored attention on underserved geographically defined areas or "deserts" having long-term deficits or historic neglect of community facilities. For example, discretionary funding might be used for publicly subsidized groceries in public-private partnerships, community facilities that have partnered with religious facilities, or supplementary construction grants in non-blighted minority neighborhoods ineligible for community development block grants.

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Collaboration to Maximize Resources

There are also stimulus requirements that encourage the benefit of regional planning and collaboration on regional issues, which often cannot be addressed in a single jurisdiction. This is an opportunity to develop regional agreements and accords to solve problems by maximizing the leverage of available funding from multiple jurisdictions through combining stimulus to laser-focus a regional effort on a significant regional need, such as restoration of environmental bioregional systems, or for small jurisdictions, simply a joint-use park or athletic facilities between local entities. Four smaller municipalities in Texas are combining some of their ARPA resources to invest in a regional broadband initiative.[4] Similarly local governments can partner with economic development and private business entities for infrastructures that promote new developments in aging downtowns and industrial parks to expand jobs and job training.

Strategic Planning Is Key

Managers with existing strategic plans have expressed that they found the ARPA funds easier to expend on projects already within existing strategic plans approved by their local officials. Strategic planning will continue to aid expenditure decisions related to IIJA aligned with community vision. For managers without a strategic plan, this is an excellent opportunity with ARPA (FRF) funding to gain support for the use of consultants (or at least goal-setting sessions with department heads and local elected officials) designed to identify their prioritized projects and expenditures in new strategic planning efforts. A similar opportunity exists to develop a comprehensive plan for community growth or transportation mobility plan documents with funded capital improvements and financing elements. At a minimum, even managers in our smallest communities can use this opportunity to discuss and implement a more meaningful five-year capital improvement program in their upcoming annual budget as real funding is on the horizon.

Threefold Benefits of Civic Engagement

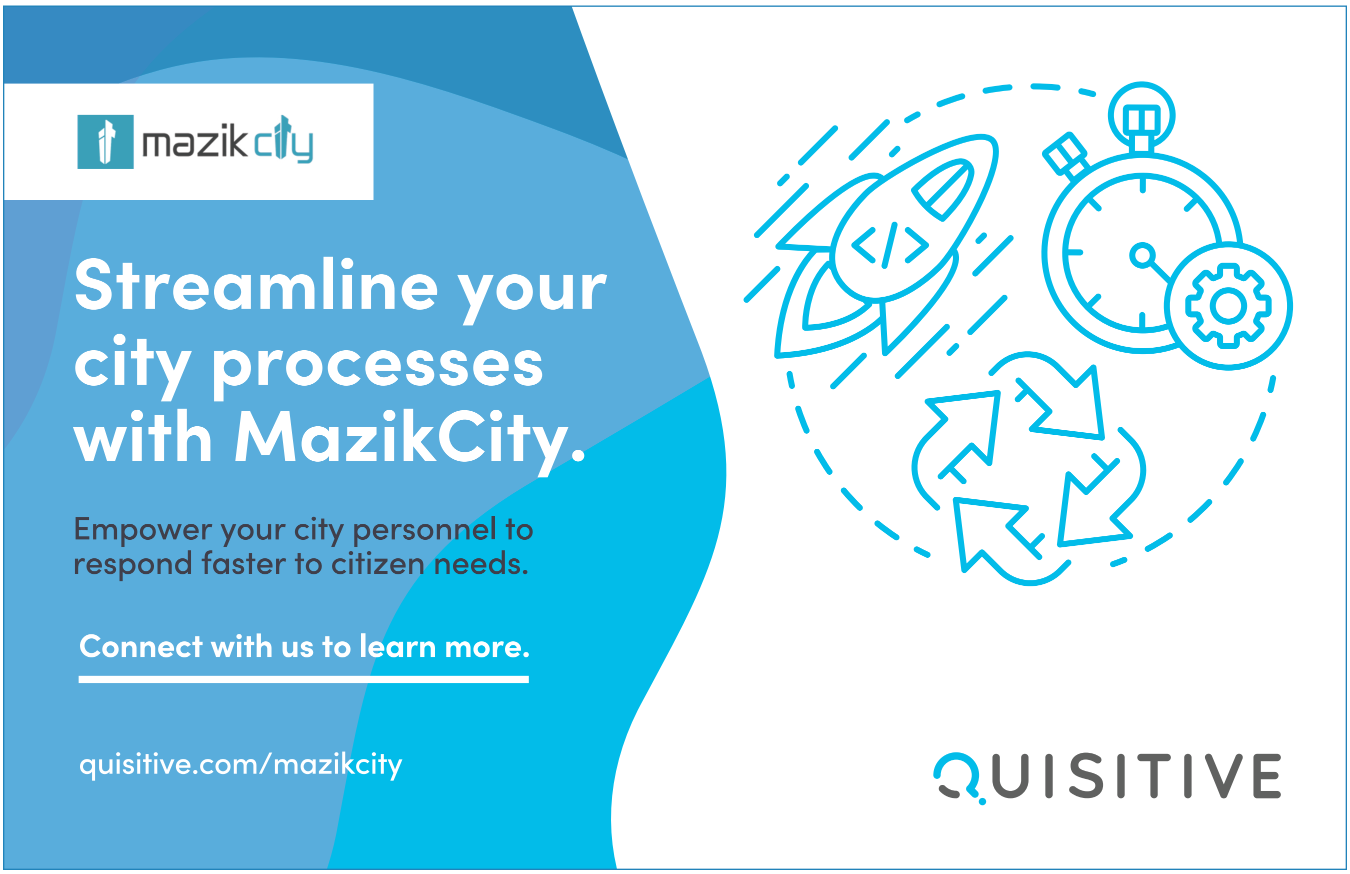
Meaningful opportunities for civic engagement encouraged by federal regulations have a three-fold benefit when it comes to problem solving with major investments. First, it may improve decision making and identification of alternative solutions acceptable to residents. Second, it can help legitimize the decision-making process by the edification of citizens on community issues and governance processes while incorporating their viewpoints in planned outcomes. Third, it provides resident support for the longer-term transformational undertakings and improvements that might go beyond the tenure of individual managers and councilmembers.

In conservative regions, the size of these investment packages, and particularly the Build Back Better social transformational programs or safety net programs, may be controversial within some communities, as could competition for funding even among progressive groups operating programs. Managers in some locales have already observed that new civic groups and issue-oriented community and union alliances are being formed with the expectation of getting a share of local stimulus funding from these same pieces of legislation or advocate for certain projects based on proximity, historic inequities, or neglect. These jurisdictions are suggesting that they are early on addressing formal policies on how to fund diverse service providers and nonprofits who will seek funding for service contracts. Reporting and performance metrics are also necessary to hold subordinate contractors accountable. This must be done before distribution of revenues if the BBB Act is implemented in early 2022.

Recognizing that the best laid plans need to have public support, it is important that inclusive civic engagement processes are engaged in the formulation of any plans on how these funds will be used—and upon which projects—before funds are committed. Early civic engagement is better than later in any processes, and transparent progress updates or dashboards of timelines and progress are advisable. Managers should consider that any mid-course changes of ill-advised plans in the face of political opposition after expenditures are committed (or after reporting to federal agencies has begun) can be cause for additional administrative headaches, fiscal audits, and lost opportunities or costly delays in completing projects. Likewise, equity concerns require intentional outreach and invitations to marginalized communities who systematically may not have been involved in historic decisions on infrastructure placement or previous community needs assessments or studies. In some places, this is a glaring condition resulting in systemic racism impacting neighborhoods and urban infrastructure or quality of facilities, while other deficits are caused due to insufficient funding and simply by benign neglect. ICMA managers have an obligation to give voice to those suffering from such inequities in public services.

Pragmatic Transformation Practices

Communities of any size may have several significant infrastructure needs in competition for federal funding, and the costs for infrastructure construction (and future social programs) are substantial and rising. It's important to recognize that even with these massive injections into local economies, revenues may not be enough to complete revitalization of some communities as global trends,



First Things First: **Pragmatic Ideas for Transformative Investments**

- Conduct a community visioning or strategic planning process to develop stimulus project priorities through meaningful and inclusive civic engagement.
- Develop master park and trail plans to preserve open space, protect natural systems, and rectify inequities in quality of facilities.
- Acquire properties for economic development and installation of public infrastructure for industrial parks and downtown revitalization projects.
- Conduct utility system assessments for leakage, equipment and pump/lift station replacement, and capacity/pressurization assessments.
- Conduct neighborhood improvements such as replacing lead pipes in waterlines or replacing dangerous sidewalks.
- Improve efficiency of sanitary sewer systems through infiltration studies, reducing septic systems, or increasing plant treatment levels.
- Develop broadband community availability and cable networks for electronic data transfer for economic development, smart community systems, and reducing the digital divide.
- Acquire innovative temporary structures or older hotels for housing facilities for those experiencing homelessness.
- Implement energy conservation assessments or alternative green energy technology for structures and residents.
- Create training for the unemployed in construction skills to refurbish community deteriorated housing.
- Fund infrastructure for affordable housing projects and co-generational housing.
- Promote multimodal transportation, bike lanes, and safe street improvements.
- Conduct response time studies to expand or locate new fire/rescue facilities and enlarge the living space at those facilities.
- Implement stormwater management programs, retrofit wet and dry retention areas, or create natural swales or artificial wetlands.
- Address deficiencies, officer/citizen safety, and alternative service delivery in public safety/ criminal justice and enhance technology utilization.
- Improve transportation systems with electronic monitoring, road and bridge repair, traffic flow, and calming infrastructure.
- Expand facilities or construct libraries, indoor recreation facilities, senior centers, public health/social service centers to provide better service delivery, community well-being, and multiuse utilizations for job training, economic development, or incubators for small business.
- Plan and implement downtown renovation and development studies for public improvements and parking.
- Modernize the interoperational connectivity of public communication systems and broadband capacity in underserved areas in your jurisdictions, particularly to allow transition to online services and virtual meetings.
- Assemble property for future projects or right-away acquisition for infrastructure and land assembly for economic development.
- Share revenue with other public recipients, such as counties or school districts, to expand or build joint-use athletic facilities, fairgrounds, performing arts centers, or parking complexes.
- Acquire environmentally sensitive lands or wildlife corridors, install coastal protection, or conduct dune restoration.

political policies, and new technologies negatively impact local jobs and economies. Some key pragmatic considerations may be necessary to determine the best steps that can be accomplished with funds available that fall short of complete replacement of critical infrastructure. Managers must determine the best use of limited stimulus funding to leverage future government grants, build public confidence to support referendums for additional local resources, or establish the governance structures to pool funding with other local governments on collaborative regional solutions.

Here are eight "first things first" principles for identifying and sustaining transformational efforts that are scalable for all communities:

1. Create strategic plans with civic engagement that can be used to unify communities around a community vision and develop incremental action plans to solve community problems and encourage additional funding partners.
2. Create master plans for future investments, such as parks and open space, or industrial parks that are transformational for the community wellbeing. Rectify historic inequities or create employment centers and identify incremental components.
3. Use funding insufficient to solve problems to inventory the conditions or locations of community assets needing maintenance or replacement to document actual needs to leverage and obtain additional funding.
4. Plan for major projects to be accomplished in phase-able capital investments or geographic-based improvements. Implement pilot programs to begin solutions to complex problems.
5. Investigate innovative capital improvements with technologies that have lower "lifetime" operational costs and finance with them with realized savings.
6. Build organizational capacity by using consultants for complex or one-time projects, and build staff capacity for ongoing transformational programming efforts.

7. Incorporate job creation goals into publicly financed projects and public-private partnerships for residents and investments toward job training and apprentice programs.
8. Make the optimal use of restricted and unrestricted—and reoccurring and non-reoccurring—revenues sources to maximize impacts and flexibility on design and construction projects.

As a young Wyoming city manager working in an oil and mineral boomtown during the 1980s energy crisis, I often saw a humorous yet poignant bumper sticker that said, "God grant me another oil boom and I swear I won't waste this one." As ICMA professionals, regardless of opinions on the appropriateness or size of the federal stimulus, let's not ever look back on our actions over the next few years with the perspective of that bumper sticker. Let's recognize the circumstances of the era we govern in as nonpartisan professionals and deal with this once-in-a-generation opportunity for the well-being of both our current and future residents. We are guided in this by our historic values of effectiveness, efficiency, and equity, and with an ethical sense of accountability for the whole community at the forefront of our thoughts.

ICMA members, particularly city and county managers in local government, have a unique privilege of occasionally guiding communities through locally unique responses to historical and increasingly worldwide events. The recent global pandemic and this historic series of federal legislation intended to secure economic recovery and reinvestment in America's public infrastructure is an example of such an event unlikely to reoccur again at this scale during our careers. Anything less than a making a conscious commitment to a significant transformational community effort with this historic stimulus funding is an unconscious commitment to being professionally insignificant at a historical moment for our communities.

ENDNOTES AND RESOURCES

[1] "Build Back Better Costs Would Double with Extensions" Committee for A Responsible Federal Budget, Newsletter Analysis, November 15, 2021.

[2] "Millions, Billions, Trillions: How to Make Sense of Numbers in the News", PBS News Hour Website, Andrew Hwang, The Conversation, November 17, 2017.

[3] "ICMA Survey Research: American Rescue Plan Act Local Fiscal Recovery Fund Spending Priorities," https://icma.org/documents/icma-survey-research-american-rescue-plan-act-local-fiscal-recovery-fund-spending-priorities.

[4] "Local Leaders Identify Top Priorities and Processes for Rescue Plan Funds," https://icma.org/articles/article/local-leaders-identify-top-priorities-and-processes-rescue-plan-funds.

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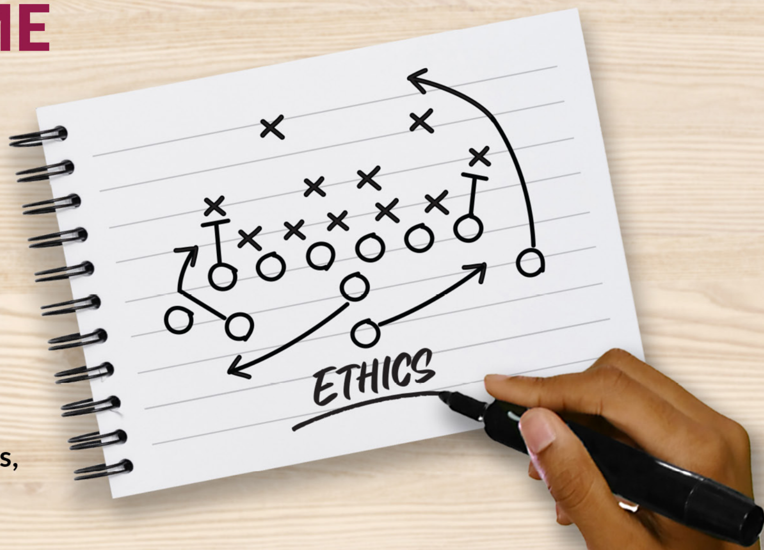
IS EVERYONE AT YOUR ORGANIZATION USING THE SAME PLAYBOOK?

The ICMA Ethics Center provides training and technical assistance services for creating and maintaining an ethical work environment for staff, leadership, elected officials, boards and commissions.

Contact Martha Perego, Director of Member Services and Ethics, at mperego@icma.org, 202.962.3668.



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