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Paying for Infrastructure Without Raising Rates

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Infrastructure Renewal: Funding Municipal Upgrades

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Shifting Areas of Focus for Municipalities

The biggest shift in municipal government is that city leaders are no longer focused only on roads, police, and budgets. They are now expected to simultaneously manage:



Cities are increasingly becoming “service businesses” competing for residents, employers, talent, and investment.

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New Trends Impacting All Municipalities

1. AI Moves from Experimentation to Operations

Local governments are moving AI beyond pilot projects into:

- Citizen chatbots
- Permit review
- Licensing workflows
- Budget analysis
- Public records management
- Service request processing
- 311 systems

The major challenge is not the technology itself but governance, data quality, transparency, and workforce adoption.



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New Trends Impacting All Municipalities

2. Doing More with Less

Cities face rising labor, utility, and infrastructure costs while revenues remain constrained. Leaders are increasingly focused on:

- Automation
- Operational efficiency
- Shared services
- Regional partnerships
- Outcome-based procurement
- Public-private partnerships (P3s)



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New Trends Impacting All Municipalities

3. Citizen Expectations Continue Rising

Residents increasingly expect:

- Amazon-like service
- Faster response times
- Digital interactions
- Mobile-first government
- Real-time information



Municipalities are under pressure to improve service while simultaneously reducing costs.

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Primary Challenges: Small Cities and Towns (<100,000 Population)



Staffing and Workforce

Small cities struggle to recruit:

- Engineers
- IT leaders
- Utility operators
- Finance professionals
- Planners

Many departments depend on a handful of people performing multiple functions.



Financial Constraints

Small communities face:

- Limited tax base
- Dependence on grants
- Aging infrastructure
- Limited borrowing capacity

As a result, before any innovation projects, they need to prioritize:

- Police
- Fire
- EMS
- Water/wastewater
- Roads



Technology Gap

Many small municipalities want:

- AI
- Smart city technology
- Data platforms
- Digital permitting

But lack:

- Staff expertise
- Capital
- Cybersecurity resources

This creates a growing digital divide between large & small communities.



New Pressure

Small cities increasingly worry about becoming irrelevant.

The question may not be "How do we grow?" but:

"How do we retain residents and employers?"

Remote work has increased competition among communities for talent and investment.

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Primary Challenges: Mid-Sized Cities (100,000-500,000 Population)



Housing Growth vs Infrastructure Capacity

Mid-sized cities are absorbing population growth from major metros but often lack:

- Water capacity
- Wastewater treatment
- Grid capacity
- Transportation capacity

Growth is creating infrastructure stress faster than systems can be expanded.



Affordability Pressures

City managers and mayors increasingly face public pressure regarding:

- Utility bills
- Housing costs
- Public safety
- Transportation costs

Affordability has become a political issue as much as an economic one.



Data and Service Modernization

Many mid-sized cities are trying to become "digital governments" but are struggling with:

- Legacy systems
- Cybersecurity
- Data silos
- Staffing shortages

Digital transformation remains a top priority.

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Utility Challenges Facing Cities

The biggest emerging issue may be energy. Your FY27 planning materials specifically identify as major public-sector issues:

- AI-driven electricity demand
- Data-center growth
- Grid reliability concerns
- Utility affordability concerns
- Water infrastructure stress



Electric Grid Pressure

Cities increasingly face:

- Rising power demand
- Grid constraints
- Aging transmission systems
- Reliability concerns during extreme weather



Water Challenges

Utilities are dealing with:

- Aging pipes
- Water-loss issues
- Treatment upgrades
- Increased cooling-water demand from industry and data centers



Utility Affordability

The political pressure on mayors and city managers is increasingly:

Keep rates low while making massive infrastructure investments.

This tension is creating greater interest in ESPCs, P3s, and alternative financing.

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Data Centers: The New Economic Development Battleground

One of the most important trends for municipal leaders in 2026. Your government strategy materials identify AI and hyperscale data centers as major drivers of power demand.

Why Cities Want Them

Data centers bring:

- Tax base growth
- Construction jobs
- Technology branding
- Economic development

Why Cities Fear Them

Data centers also create:

- Massive power consumption & grid reliability issues
- Water consumption concerns
- Citizen backlash
- Land use conflicts

Cities are balancing economic growth against utility affordability and grid reliability. This is becoming a major policy debate nationally. A growing number of local leaders are now asking:

"Should we pursue every data center project or do we need limits and infrastructure conditions first?"

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Political Pressures Facing City Leaders

Economic Growth vs Affordability

Leaders must simultaneously:

- Attract employers
- Create jobs
- Keep taxes low
- Control utility costs
- Expand services

Energy Politics

Increasing energy prices are becoming a voter issue. Your materials note growing concerns around:

- Utility affordability
- Rate stability
- Grid reliability
- Infrastructure investment

Housing and Quality of Life

City leaders face pressure on issues that increasingly dominate local elections:

- Housing supply
- Homelessness
- Public safety
- Economic development
- Downtown revitalization

Trust and Transparency

Public trust has become a strategic issue rather than merely a communications issue. Governments are increasingly expected to:

- Be transparent
- Use data visibly
- Explain AI decisions
- Protect privacy
- Demonstrate outcomes

What This Means for Local City & Town Leaders

The emerging municipal conversation is shifting from sustainability alone to:

- Energy reliability
- Utility affordability
- AI-readiness
- Data-center preparedness
- Operational efficiency
- Workforce shortages
- Infrastructure resilience
- Alternative financing



Bottom line: The mayor of a small or mid-sized city today is increasingly acting as part utility manager, part economic-development executive, part technology strategist, and part political risk manager. The intersection of AI, data centers, power demand, affordability, and aging infrastructure is becoming the defining municipal leadership challenge for 2026-2030. Seek out the appropriate partners to help You Achieve Your Goals

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Case Study: Sustainability

City of Milwaukee, WI

Milwaukee sought lower energy costs, reduced deferred maintenance and sustainability progress. Johnson Controls delivered HVAC, lighting, solar, OpenBlue monitoring and local workforce training through performance contracting.

Scope of Work:

- Lighting Upgrades
- RTU Replacements
- Solar PV Arrays
- OpenBlue Enterprise Manager

Project Size:

- $2.6 million

Project Benefits:

- $4.1 million



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Case Study: Smart City

City of Naugatuck, CT

Naugatuck sought budget-neutral facility upgrades and 5G readiness. Johnson Controls delivered a solar-funded performance contract combining renewables, smarter-city planning, and efficiency improvements.

Scope of Work:

- Solar PV & Roof Replacement
- Smarter City Survey & Design
- HVAC Replacements
- DDC Installation
- Water Conservation
- New Windows

Project Size:

- $27.3 million

Project Benefits:

- $35.7 million



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Case Study: Energy Efficiency

City of Lake Jackson, TX

The City sought to modernize aging HVAC and wastewater infrastructure. Johnson Controls delivered coordinated, turnkey equipment, controls, automation, training, verification, and warranty support services efficiently.

Scope of Work:

- Chiller Replacement
- Air Handler Replacements
- Energy Management Control System
- WWTP Aeration Blowers Replacement

Project Size:

- $5.1 million

Project Benefits:

- $2.1 million



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Case Study: DPW Renewal

City of Muskegon, MI

Muskegon sought to renovate its aging public works facility and replace water meters. Johnson Controls delivered performance contracting and comprehensive upgrades financed through guaranteed savings.

Scope of Work:

- Lighting & BAS Upgrades
- Water Conservation & Water Meter Upgrades
- Weatherization, Window Replacements & Film
- HVAC Replacements
- Public Works Building Improvements

Project Size:

- $42 million

Project Benefits:

- $21.2 million



Case Study: Smart Meters

City of Toledo, OH

Toledo sought to modernize water infrastructure, reduce costs, and improve service. Johnson Controls delivered smart meters, AMI, software, and a self-funding performance contract with guaranteed savings.

Scope of Work:

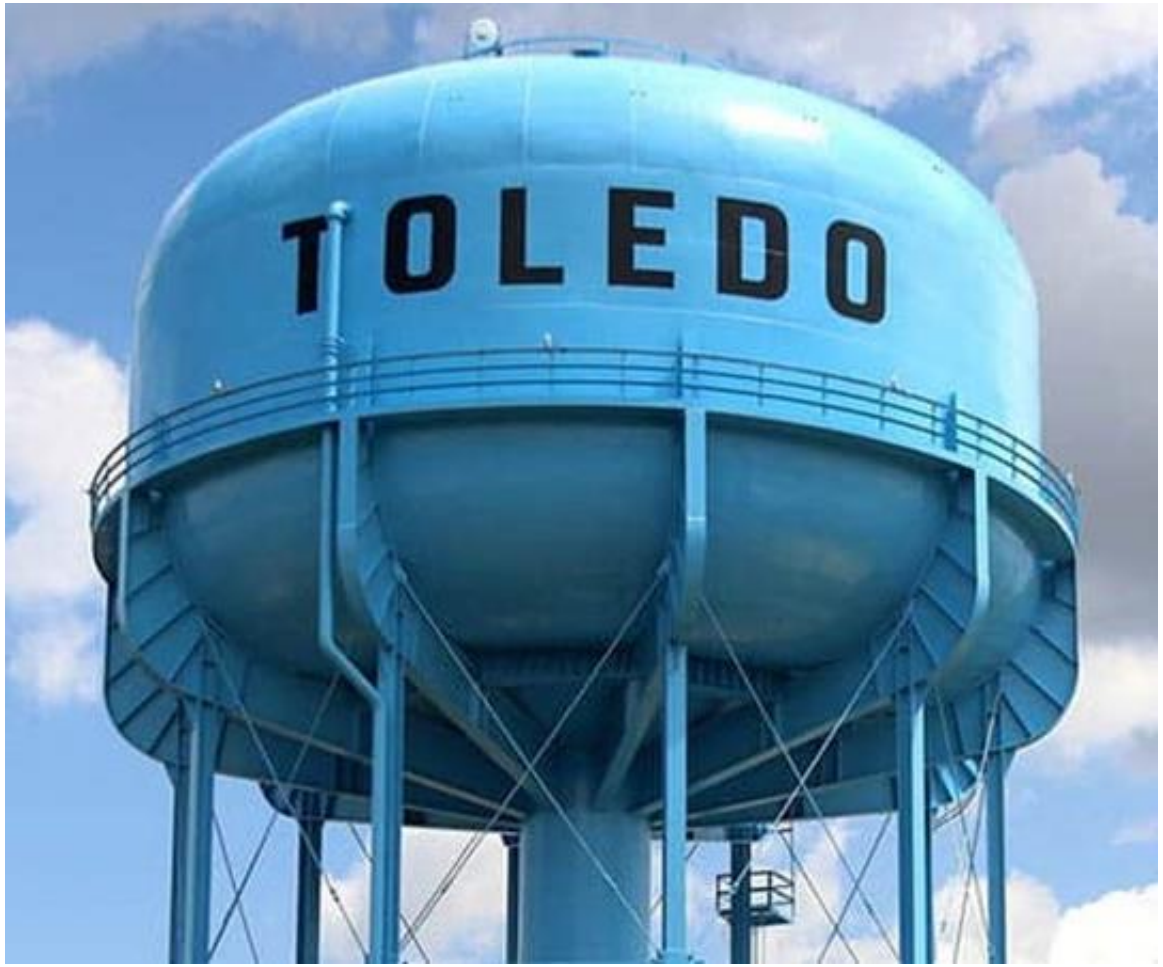
- Water Meter Replacements
- AMI System Endpoint Installation
- Large Water Meter Setting Improvements

Project Size:

- $75.4 million

Project Benefits:

- $173.2 million



Case Study: Safety & Resilience

Town of Cheshire, CT

Cheshire sought budget-neutral infrastructure modernization, energy efficiency and sustainability improvements. Johnson Controls delivered a two-phase ESPC with 16 ECMs and guaranteed savings.

Scope of Work:

- Windows, Weatherization & Roof Replacement
- Energy Management System Upgrades
- HVAC Upgrades
- Water Conservation
- Computer Management System
- Fuel Cell & Solar PV Arrays

Project Size:

- $34 million

Project Benefits:

- $24.5 million



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Thank you.

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