

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 16, 2026

CAO File No. 0220-06228-0002

Council File No. 22-0947-S1

Council District: All

To: The Mayor
The City Council

From:  for
Matthew W. Szabo, City Administrative Officer

Reference: Report from the Office of the City Administrative Officer dated March 19, 2025

Subject: **THIRD STATUS REPORT ON FEDERAL CLEAN ENERGY TAX CREDITS
FROM THE INFLATION REDUCTION ACT**

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Transfer \$200,571.25 within the Grants and Awards Fund No. 65W, Department 10, from Account No. 10A845, Recovered Costs – Clean Energy Tax Credits, to a new account entitled City Administrative Officer, and increase appropriations within City Administrative Officer Fund No. 100, Department 10, Account No. 003040, Contractual Services for costs associated with the development of the City's Climate Action and Adaptation Plan (CAAP);
2. Transfer \$60,000 from the Grants and Awards Fund No. 65W, Department 10, from Account No. 10A845, Recovered Costs – Clean Energy Tax Credits, to a new account within Capital and Technology Improvement Expenditure Program Fund No. 100, Department 54, entitled Low Carbon Concrete Pilot Projects for the implementation of a low carbon concrete pilot;
3. Instruct the City Administrative Officer (CAO) to report with recommendations for the use of the remaining clean energy tax credit funds and future reimbursements received for projects and activities that reduce greenhouse gas emissions following the receipt of the 2024 claim payment; and,
4. Authorize the CAO to prepare Controller instructions to make necessary technical adjustments to implement the intent of these transactions, and authorize the Controller to implement those instructions.

SUMMARY

On May 9, 2025, the Mayor and Council approved the recommendations of the Second Status Report on Federal Clean Energy Tax Credits from the Inflation Reduction Act, which instructed this Office to report annually on the status of reimbursements received from federal clean energy tax credits authorized in the Inflation Reduction Act of 2022 (IRA) (C.F. 22-0947-S1). This report provides an update on the current and prior clean energy tax credit claims, and recommends

that the Mayor and Council approve the use of a portion of reimbursements received to date for projects and activities that reduce greenhouse gas (GHG) emissions within City operations.

On November 15, 2025, this Office reported on the H.R. 1 – One Big Beautiful Bill Act (OBBBA) and its impacts to the City (C.F. 25-0885). One impact discussed in that report is the accelerated termination dates for two of the three federal clean energy tax credits applicable to the City: the Alternative Fuel Vehicle Refueling Property Credit (Section 30C) termination date was accelerated to June 30, 2026 and the Commercial Clean Vehicle Credit (Section 45W) termination date was accelerated to September 30, 2025. This Office will continue to coordinate the City's submissions for clean energy tax credits until the termination dates for federal clean energy tax credit programs. Attachment 1 provides an overview of the three IRA tax credits applicable to the City, including reimbursement percentages and eligibility criteria.

DISCUSSION

Status of Clean Energy Tax Credit Claims

The tax credit claim process involves soliciting data from City departments to determine the eligibility of expenses. Data is generally provided by the following departments:

- Department of Public Works,
 - Bureau of Street Lighting;
 - Bureau of Sanitation;
- General Services Department;
- Police Department; and,
- Los Angeles Zoo.

While a significant portion of the submitted projects qualify for reimbursement, certain investments have been identified as potentially ineligible due to factors such as project timing, insufficient documentation, or specific project characteristics not aligned with tax credit guidelines.

Calendar Year 2025

The calendar year 2025 reimbursement claim is currently being compiled and we are not yet able to determine the reimbursement request amount. The annual deadline for submission to the IRS is May 15th. The calendar year 2025 reimbursement claim is due on May 15, 2026.

Calendar Year 2024

In November 2025, this Office submitted the second tax credit reimbursement claim for calendar year 2024. The reimbursement amount submitted was \$1,628,897.00. This Office expects payment for this claim by the end of this calendar year.

Calendar Year 2023

In November 2024, this Office submitted the first tax credit reimbursement claim for calendar year 2023. The reimbursement amount submitted was \$575,554.37 and in November 2025, this Office received payment in the amount of \$635,678.06 as the payment was issued with interest.

Funding for Climate Mitigation and Adaptation Programs

In accordance with previous Council instruction to use tax credit reimbursement monies for climate mitigation activities, this Office recommends using a portion of the funds received to date to support two active climate mitigation programs: 1) this Office's Climate Action and Adaptation Plan (CAAP); and 2) the Department of Public Works, Bureau of Engineering's Low Carbon Concrete Pilot Project. These are active programs that would immediately provide climate mitigation and adaptation benefits to the City.

This Office is currently working with various departments on additional climate project proposals and recommends that this Office be instructed to report with climate project recommendations following the receipt of the calendar year 2024 claim payment. The following project/program criteria will be considered when recommending funding:

- Projects or programs that reduce or prevent greenhouse gas emissions within City operations or City boundaries; including embodied carbon;
- Projects or programs with adaptation co-benefits;
- Projects or programs that enable climate mitigation activities;
- Projects or programs to be implemented with community partners or interdepartmentally; and,
- Pilot projects, proof of concept, and projects with novel delivery methods.

Climate Action and Adaptation Plan Contract Amendment

On May 19, 2025, this Office entered into an agreement to receive Climate Action and Adaptation Plan (CAAP) services with Buro Happold Consulting Engineers under contract number C-201445 (Contract) in response to a Council instruction relative to the development of a CAAP (C.F. 22-1566). The CAAP will identify long-term and intermediate climate goals and will include an implementation plan for mitigating and adapting to the negative impacts of GHG emissions while providing secondary pollution, health, energy, and economic benefits to communities and residents in the City. The CAAP shall provide a framework for the City to plan, implement, and monitor progress towards climate goals to achieve carbon neutrality by no later than 2045.

The Contract scope includes six consecutive tasks as follows; Task 1 - Project Plan/Mobilization, Task 2 – Baseline Assessment and Emissions Modeling and Projections, Task 3 - Action Identification, Task 4 - Action Prioritization, Task 5 - Implementation, and Task 6 - Finalization of CAAP and Outreach Planning. Due to unforeseen challenges with GHG inventory data collection, the need to add translation services for stakeholder outreach, and as-needed mobilization services, this Office now intends to amend the Contract to extend the term by six months and increase the ceiling by \$200,000. The amended CAAP contract will be effective May 19, 2025 through March 18, 2027 with a not-to-exceed amount of \$857,334.

Additionally, in February 2026, in response to a stakeholder request, this Office obtained interpretation services for a CAAP stakeholder outreach event. This scope of service was not included in the original Contract and this Office covered the cost of \$571.25 with existing Contractual Services Account funds. This Office recommends a transfer of \$200,571.25 from the Recovered Costs – Clean Energy Tax Credits Account within the Grants and Awards Fund to this Office's Contractual Services Account to address the additional costs for the development

of the CAAP.

Low Carbon Concrete Pilot Projects

On October 2, 2025, this Office released a report identifying approximately 1.07 million metric tons of carbon dioxide equivalent (MTCO_{2e}), a commonly used and scientifically-accepted unit of measurement for the collective impact of various greenhouse gases on global warming, from City purchased goods and services in calendar year 2023 (C.F. 22-1402-S1). Of the four high-impact procurement areas, the construction of buildings and infrastructure ranks second and accounts for 246,753 MTCO_{2e} or 23.16% of all GHG emissions from City purchased goods and services. In the construction of buildings and infrastructure, high-emissions are a result of the production and use of carbon-intensive materials such as concrete, steel, aluminum, glass, and insulation.

Low carbon concrete is a direct mechanism the City can implement to reduce GHG emissions in construction activities and address the second highest source of GHG emissions from City procurement activities. Therefore, this Office recommends a transfer of \$60,000 in Direct Pay reimbursement monies to the Capital and Technology Improvement Expenditure Program (CTIEP) for low carbon concrete pilot projects to be implemented by the Department of Public Works, Bureau of Street Lighting and General Services Department.

FISCAL IMPACT STATEMENT

The recommendations of this report include transfers totaling \$260,571.25 using existing special funds and will have no impact on the General Fund.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that one-time funds are used for one-time expenditures.

Attachment 1 – Federal Clean Energy Tax Credits

ATTACHMENT 1 – Federal Clean Energy Tax Credits

The IRA created new provisions for tax-exempt entities, such as local governments, to receive direct reimbursement for clean energy infrastructure costs through a refundable tax credit program administered by the Internal Revenue Service (IRS). A refundable tax credit allows an entity whose tax burden is zero to receive reimbursements up to the limit of the tax credit. The IRS clean energy tax credits for tax-exempt entities is also known as Direct Pay.

ELIGIBLE IRA TAX CREDIT SECTIONS

Section No.	Eligible Expenses for Reimbursement	Reimbursement	Potential Bonus	
Section 30C <i>Termination Date:</i> 9/30/2025	Installation of Electric Vehicle Chargers	6%	Prevailing Wage & Apprenticeship	24%
Section 45W <i>Termination Date:</i> 6/30/2026	Acquisition of Zero-Emission Vehicles	\$7,500 per vehicle <14,000 lbs. \$40,000 per vehicle >14,000 lbs.	N/A	
Section 48	Renewable Energy Projects	Projects Over 1 Megawatt		
		6%	Prevailing Wage & Apprenticeship	24%
			Buy America	10%
			Energy Communities Criteria	10%
			Low Income Communities Criteria Applicable through Section 48(e)	10%
		Projects Under 1 Megawatt		
		30%	Prevailing Wage & Apprenticeship	N/A
			Buy America	10%
Energy Communities Criteria	10%			
Low Income Communities Criteria Applicable through Section 48(e)	10%			

To maximize the value of the tax credit reimbursement, investments or projects must meet specific criteria outlined in federal program guidance such as, but not limited to, the following:

- Ownership of the asset or project site by the City;
- The asset or project must be placed in service;
- The City must provide payment records for the asset or project;
- Reimbursement is limited to the local share of a grant-funded asset or project; and,
- Ensuring each asset or project is pre-registered with the IRS prior to filing the claim.

Additional eligibility considerations specific to each tax credit section are as follows:

- Section 30C – Installation of Electric Vehicle Chargers, charging units must be installed in low-income or non-urban population census tracts in accordance with national environmental justice initiatives;
- Section 45W – Acquisition of Zero-Emission Vehicles, vehicles must be made by a qualified manufacturer and used for business purposes only; and,
- Section 48 – Renewable Energy Projects, eligible project costs must be for qualified energy or electricity equipment.