

Memorandum

REPORT TO: City Commission

FROM: Natalie Meyer - Sustainability Program Manager
Brian Heaston, Senior Water Resources Engineer
Shawn Kohtz, Director of Utilities

SUBJECT: Authorize the City Manager to Sign Task Order 3 of the Professional Services Master Task Order Agreement with HDR Engineering, Inc., Providing for Final Design of a Non-Export Solar Power Installation at the Water Reclamation Facility

MEETING DATE: July 22, 2025

AGENDA ITEM TYPE: Agreement - Vendor/Contract

RECOMMENDATION: Authorize the City Manager to Sign Task Order No. 3 of the Professional Services Master Task Order Agreement with HDR Engineering, Inc., Providing for Final Design of a Non-Export Solar Power Installation at the Water Reclamation Facility.

STRATEGIC PLAN: 2.2 Infrastructure Investments: Strategically invest in infrastructure as a mechanism to encourage economic development.

BACKGROUND: HDR Engineering provides professional engineering services on an on-call basis for the Water Reclamation Facility (WRF) under a [master task order professional services agreement](#) authorized by the City Commission on June 3, 2025. Task Order 3, attached, provides for engineering services to complete final design documents for a 553.4 kW non-export solar photovoltaic (PV) installation. The final design builds upon the preferred alternative selected by City staff through the prior solar feasibility study completed November 2024 by HDR.

The City intends on utilizing the final design work product delivered by HDR to prepare public bidding documents to procure a solar installation contractor to complete the work. Staff's goal is to issue the installation contract award prior to December 31, 2025. Contract award prior to year-end positions the City more favorably to seek full value of federal solar tax credits that are available under existing federal law. The tax credits will offset a portion of the capitalization costs for the solar installation project if the City satisfies eligibility criteria as determined by the IRS.

UNRESOLVED ISSUES: The availability of the federal clean energy investment tax credit (ITC) for solar projects sunsets in 2028 under the budget reconciliation bill passed by Congress and signed into law by the President on July 4, 2025. Local

governments, nonprofits, and other eligible entities will still be able to claim the value of the clean energy tax credits through elective pay provisions. To qualify for the full 30% clean energy tax credit available under the law in 2025, specific IRS guidelines must be met. These IRS guidelines state that commencement of physical work of a significant nature, binding under a written contract, must have commenced prior to December 31, 2025. Site grading or clearing is excluded as significant work under the guidelines.

Alternatively, 5% of the total cost of solar installation components must be procured, under a binding contract, prior to December 31, 2025. The Treasury is expected to issue updated IRS guidance on the rules related to “commencement of construction” within the next 45 days.

If this IRS denies eligibility to the City for full tax credits available under federal law for 2025, then the City will still be technically eligible for the full 30% tax credit, subject to supply chain rules that will be phased in starting in 2026, as well as new restrictions that disqualify projects that receive “material assistance” from foreign entities of concern (FEOC) connected to China, Iran, Russia, and North Korea. The determination of what qualifies as material assistance is broadly based on the countries from which components are sourced. The lack of clarity and definition in the budget reconciliation bill’s FEOC provisions make it difficult to ensure compliance. Treasury guidance on FEOC may not be issued until after December 31, 2025.

Assuming a solar project can comply with the FEOC rules, there is an accelerated phase-out for the ITC. There are two alternative deadlines. Entities can “commence construction” on a FEOC-compliant solar project before July 4, 2026 or ensure the FEOC-compliant solar project is placed in service before December 31, 2027. The budget reconciliation bill then fully eliminates tax credits for wind and solar starting in 2028 with a four-year window for projects to be placed in service.

ALTERNATIVES:

As suggested by the City Commission.

FISCAL EFFECTS:

Negotiated costs for Task Order 3 total \$90,000. The task order costs are funded by the wastewater fund through capital improvement plan project 'WW155 - WRF Solar Arrays'. WW155 has an available budget of \$1,239,600 entering FY26. Sufficient funding exists to cover Task Order 3 costs.

Attachments:

[Task Order No. 3 - WRF Solar Installation Design - Combined.pdf](#)

Report compiled on: July 10, 2025