



**STAFF REPORT**  
**6/4/2026**

**TO:** Honorable Mayor and City Council Members

**FROM:** Lincoln Bogard, Interim City Manager

**PREPARED BY:** Lincoln Bogard, Interim City Manager  
Ryan Guiboa, City Attorney

**SUBJECT:** Consideration and Possible Action Regarding Municipal Utility Development Agreement with Stronghold Power Systems

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**STAFF RECOMMENDATION:**

That the City Council: (1) receive a report from staff on the status of the Municipal Utility Development Agreement (“Agreement”) between the City of Coachella and Stronghold Power Systems, dated February 2026; (2) receive a report from the City Attorney on the legal terms, obligations, and termination provisions of the Agreement; and (3) provide direction to staff regarding one of the following courses of action: (a) initiate termination of the Agreement; (b) place the Agreement in abeyance pending completion of the data center moratorium study; (c) direct staff to engage Stronghold Power Systems in discussions regarding modification of the Agreement’s scope; or (d) take no action at this time.

**EXECUTIVE SUMMARY/BACKGROUND:**

The City formed the Coachella Municipal Utility (“CMU”) in 2019 to provide an alternative to Imperial Irrigation District for load service in the eastern greenfield and economic development zones of the City.

In February 2026, the City Council entered in a public-private partnership agreement with Stronghold Power Systems for the development of the CMU, including the development, construction and operation of the electrical infrastructure and load necessary to get the CMU off the drawing board. The Agreement provides for a two stage development process that lasts twelve months, with the option by Stronghold to extend for an additional six months. The first stage is referred to as the Design Stage and within six months of the effective date of the Agreement, Stronghold is required to (i) provide a 70% engineering design for the CMU infrastructure; (ii) provide all CEQA documentation for the electrical infrastructure to be built for the CMU; and (iii) commence the application process to interconnect the CMU with the transmission delivery systems of Imperial Irrigation District or Southern California Edison.

As of the date of this Staff Report, Stronghold has commenced the application process for interconnection with IID with City support. Our understanding is that Stronghold is working on the engineering design and the CEQA documentation, but these have not yet been provided to the City for review. The six month deadline for the first set of deliverables expires on August 11, 2026.

Stronghold is separately working on obtaining the entitlements for a data center development that is referred to in the Agreement as the “Coachella Valley Technology Campus” (Technology Campus). The Technology Campus is not governed by the Agreement, but there is an acknowledgement in the Agreement that the load represented by the Technology Campus is a condition precedent to the obligations of the City and Stronghold to move forward with the CMU as contemplated in the Agreement.

Stronghold submitted an initial application for the Technology Campus earlier in the year, however, this application was deemed deficient by the City and the City did not move forward with review. Stronghold has not yet submitted a revised application or the necessary documentation for the City to evaluate the development of the Technology Campus, including the data center components.

The Agreement does not have an express provision to terminate the Agreement without cause, however, the City ultimately has the right to make a determination not to proceed with the CMU whether or not the conditions precedent identified in the Agreement have been satisfied. Accordingly, the question is not if, but when, the City has the right to terminate.

Stronghold has asked the City in writing to confirm whether or not it remains committed to the development of the CMU as reflected in the Agreement, which would include data centers as the primary customers.

This staff report presents the background on the agreement, identifies the principal policy and legal considerations, and asks the City Council to provide direction to staff.

## **DISCUSSION/ANALYSIS:**

### **I. RELATIONSHIP BETWEEN THE MUNICIPAL UTILITY DEVELOPMENT AGREEMENT AND TONIGHT’S MORATORIUM**

The Agreement and the proposed moratorium ordinance are related but legally distinct matters. The moratorium ordinance, if adopted, prohibits the City from accepting or processing land use applications for data center development. This would impact the Agreement as the CMU infrastructure as currently contemplated is based on an assumption that the data centers will be developed to provide customer load and therefore utility revenue sufficient to cover the cost of the CMU electrical infrastructure. That said, there is no firm commitment or legal obligation of either the City or Stronghold to move forward with a data center development in connection with the CMU and each party has the option not to proceed with the CMU. Accordingly, the Agreement

and the CMU could proceed on the basis of an alternative development, whether that be commercial, industrial or residential, but the Agreement would need to be modified to reflect a different development path.

If the Council adopts the urgency moratorium tonight, staff will undertake a study of data center impacts and regulatory options. The outcomes of the study may be directly relevant to the question of whether, and on what terms, the City should continue any agreement with a data center component. Council may wish to defer a decision on the Agreement until the study is complete and permanent zoning standards have been established, allowing the City to evaluate a full regulatory framework regarding data centers.

## **II. OPTIONS FOR COUNCIL DIRECTION**

The following options are presented for Council consideration. These are not exhaustive, and the Council may direct staff to pursue a combination of approaches:

- Option A — Initiate Termination of the Agreement. The Council could direct the City Attorney to inform Stronghold of the City's intent to terminate the Agreement. The decision of the City to terminate would be predicated on the fact that it ultimately has the right under the Agreement not to proceed with the CMU, whether or not Stronghold achieves all of the conditions precedent. Although the City has a good faith obligation to cooperate in the development of the CMU under the Agreement, it would not be good faith to allow Stronghold as a contracting party to continue spending resources on the development of the CMU in connection with the Technology Campus if the Technology Campus is not likely to be a viable option.
- Option B — Place the Agreement in Abeyance. The Council could direct staff to notify Stronghold in writing that the City has imposed a moratorium on data center development and that no project-related activities or deliverables under the Agreement will be reviewed, accepted, or acted upon during the moratorium period. This option preserves the Council's flexibility to revisit the Agreement at the conclusion of the moratorium study.
- Option C — Direct Staff to Engage in Modification Discussions. The Council could direct staff, in coordination with the City Attorney, to engage Stronghold in discussions about whether the scope, scale, or terms of the agreement could be modified in a manner consistent with the zoning standards and community concerns that will be developed during the moratorium study, including pursuit of a development option for the CMU that does not include data center development. This option keeps dialogue open while the regulatory framework is being developed, but should not be used to circumvent the moratorium's prohibition on processing applications. One benefit of this option is that it preserves potential development of the CMU as a means of allowing growth in the eastern portion of the City.
- Option D — Take No Action at This Time. The Council could choose to provide no direction at this meeting and revisit the question of the Agreement at a future meeting.

**FISCAL IMPACT:**

The fiscal impact of Council direction and potential action on this item depends on the option selected and how it is implemented and it would be too speculative to include any estimates in this report.