



STAFF REPORT

May 27, 2026

TO: Honorable Mayor and City Council Members

FROM: Gabriel A. Gonzalez, Interim City Manager

PREPARED BY: Ryan Guiboa, City Attorney

SUBJECT: Third-Party Legal Review of Municipal Utility Development Agreement with Stronghold Power Systems, Inc.

RECOMMENDED ACTION:

This item is for City Council discussion and potential action to retain outside legal counsel to provide a third-party peer review of the City's Municipal Utility Development Agreement with Stronghold Power Systems, Inc. ("SPSI")

BACKGROUND:

On February 11, 2026, the City entered into a Municipal Utility Development Agreement with SPSI. The Development Agreement covers four distinct areas of responsibility for SPSI as the turnkey provider for the Coachella Municipal Utility ("CMU"): (i) an initial design, development, and permitting stage during which a number of conditions precedent must be met for the Agreement to move forward; (ii) construction of electrical infrastructure for the Economic Development Zones or "EDZ"; (iii) the acquisition and management of energy to serve customers in the EDZ; (iii) the operation and maintenance of the electrical infrastructure; and (iv) the financing of the foregoing activities at the expense of SPSI. The City is responsible for oversight, customer billing and setting the rate structure for the CMU. The Development Agreement was entered into with a wholly owned subsidiary of SPSI, Coachella Valley Power Services, LLC.

A third-party peer review of the City's Municipal Utility Development Agreement with SPSI will provide a second opinion of the contractual terms, conditions, and obligations of the parties.

FISCAL IMPACTS

The cost of a third-party review is estimated at \$10,000 to \$25,000.

CONCLUSIONS AND RECOMMENDATIONS

Staff seeks Council direction and potential action to retain outside legal counsel to provide a third-party peer review of the City's Municipal Utility Development Agreement with Stronghold Power Systems, Inc.