Legislation Text

File #: 26-1684, **Version:** 2

Resolution Regarding Proposal E
Reviewed by: Atleen Kaur, City Attorney
Whereas, Proposal E is a citizen-initiated petition to modify the Ann Arbor City Charter to create a Municipal Electric Utility Board and require the City to establish a municipal electric utility;

Whereas, Proposal E would vest in a nine-member Ann Arbor Municipal Electric Utility Board broad powers the City Charter now reserves to the City Council and the City Administrator, including independent authority to acquire property, enter contracts, borrow money, and hire and direct staff;

Whereas, Proposal E would let the City Council amend or void the Board's operational decisions only by eight affirmative votes, an extraordinary threshold that inverts ordinary majority control and strips residents of meaningful elected oversight of an enterprise able to obligate millions of dollars in City funds;

Whereas, Proposal E would create internal inconsistencies within the City Charter by conflicting with existing provisions that vest the creation of boards and departments, contracting authority, property acquisition, and staffing decisions in the City Council and the City Administrator;

Whereas, Proposal E identifies no tax, millage, or other funding source;

Whereas, To fund Board operations, the litigation certain to accompany the Board's creation and any acquisition of DTE's distribution assets, and create any resulting utility, the City would have to raise taxes, borrow without any identified means of repayment, divert other revenues, or cut existing services;

Whereas, Establishing a municipal electric utility would, as a practical matter, require the City to forcibly acquire DTE's local distribution system at a cost of hundreds of millions of dollars, possibly exceeding $1 billion;

Whereas, Acquiring that system would require condemnation proceedings that would be prolonged, uncertain, and costly, committing the City to millions of dollars in legal fees;

Whereas, The Uniform Condemnation Procedures Act could require the City to place the estimated value of DTE's distribution system in escrow years before collecting a dollar in rates, an obligation that would bankrupt the City of Ann Arbor, literally;

Whereas, Upon acquisition, the City would own an aging distribution system on an as-is basis, would bear the cost of upgrading and maintaining it, and, because that system generates no electricity, would have to purchase power on the wholesale market and demonstrate under state law, at least four years in advance, that it has secured supply sufficient to meet the City's needs;

Whereas, The City has no budgeted staff, billing systems, ratemaking capacity, vehicles, equipment, or facilities to run an electric utility and would have to build, buy, or lease every one of these functions from the ground up while delivering reliable, 24/7 service from its first day of operation;

Whereas, Even if the City were able to stand up an electric utility utilizing DTE's distribution system, the process of obtaining an additive supply of renewable energy that would meet the capacity needs of the whole of the City of Ann Arbor would take several years and cost hundreds of millions of dollars;

Whereas, Acquiring DTE's distribution system would remove that property from the tax rolls, eliminating $8.5 million in annual tax revenue, including $2.9 million to AAPS and $2 million to the City of Ann Arbor;

Whereas, The litigation, upgrade, operating, and start-up costs of acquisition fall outside any estimated purchase price and are absent from the proponents' claim that municipalization would cost taxpayers "almost nothing," and together they would place the City's general fund, its existing services, and its taxpayers at substantial and open-ended financial risk;

Whereas, Proponents failed to explicitly include in the ballot proposal the requirement for a second vote of the people before any "acquisition" of property;

Whereas, Ann Arbor voters authorized the Ann Arbor Sustainable Energy Utility (the "A2SEU") in November 2024 by nearly 80 percent;

Whereas, Today, in October 2026, the A2SEU is on track to serve approximately 100 homes in the City - mostly in the Bryant neighborhood - with 100% renewable energy by the end of the year, and plans to expand that service to up to 1,000 homes across Ann Arbor in 2027;

Whereas, The City can responsibly advance only a limited number of major priorities at once, has made clear commitments to climate action and affordable housing, and would see Proposal E divert substantial public resources and attention from those commitments and from the clean-energy progress already underway.

Whereas, Opposition to Proposal E does not change the City's longstanding concerns about DTE rates, service, outages, and the disproportionate impact these have on marginalized and under-resourced residents; and

Whereas, The City remains committed to intervening in DTE rate cases before the Michigan Public Service Commission to oppose unjustified rate increases, advocate for better service, and fight for outcomes that will further the City's climate goals, and to working with Ann Arbor's state legislative delegation to strengthen oversight and regulation of DTE;

RESOLVED, That the Ann Arbor City Council concludes that Proposal E is financially reckless, creates inconsistencies within and revises the City Charter, and would burden Ann Arbor taxpayers and ratepayers while jeopardizing progress on the voter-approved A2SEU already advancing the City's energy goals; and

RESOLVED, That the City Council directs the City Attorney, at the appropriate time, to challenge the

legality of Proposal E including but not limited to its revisionary effect on the City Charter.

Sponsored by: Mayor Taylor and Councilmembers Akmon, Briggs, Watson, and Disch

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