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TO: Salvador Salort-Pons, President & Chief Executive Officer  
Detroit Institute of Arts

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: March 13, 2023

RE: 2023-2024 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2023-2024 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, March 16, 2023, at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council Members, the City Clerk's Office, and the Legislative Policy Division.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

DW:dh:ss

Attachments:  
Issues and Questions

cc: Councilmembers  
Auditor General's Office  
Jay Rising, Chief Financial Officer  
Tanya Stoudemire, Chief Deputy CFO-Policy & Administrative Director  
Steve Watson, Budget Director  
Brad Dick, Group Executive/COO  
James George, Agency CFO  
Justin Buss, Budget Analyst  
Malik Washington, Mayor's Office

## Detroit Institute of Arts

### FY 2023-2024 Budget Analysis by the Legislative Policy Division

The Detroit Institute of Arts (DIA) is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified as a publicly supported organization under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). The DIA's purpose is to:

- Serve the public through the collection, conservation, exhibition, and interpretation of art from a broad range of cultures and to expand understanding of these diverse visual forms of creative expression for the enjoyment and appreciation of the widest possible array of audiences
- Solicit, receive, and administer funds, works of art, and other property
- Engage in other activities not prohibited by the laws of the State of Michigan in accordance with all powers under the provisions of the Non-profit Corporation Act (Act 162 of the Public Acts of 1982)

#### DIA History<sup>1</sup>

The Detroit Museum of Art (DMA) was founded in 1885 as a private, nonprofit organization, after authorizing legislation was passed at the state level establishing the right to create a nonprofit corporation for art. The museum was an outgrowth of a period in which American cities aspired to European models of civic virtue and sophistication. To get the initiative off the ground, 30 individuals contributed \$1,000 each and \$10,000 came from lumber baron Thomas Palmer, who served as the museum's first board chairman. By March 1886, \$100,000 had been raised to acquire land and erect a building. The first DMA, a Richardsonian Romanesque design by Canadian James Balfour, opened at Jefferson Avenue and Hastings Street on Sept. 1, 1888. Important early gifts of art from newspaper magnate James Scripps included key European works such as Peter Paul Rubens' "The Meeting of David and Abigail" and Pieter de Hooch's "Mother Nursing her Child."

The new museum ran into funding problems almost right away, and in 1893 began receiving subsidies from the city. By the second decade of the 20th Century, private donations were not enough to keep the museum afloat or accommodate its burgeoning collection. (The museum's endowment in 1915 was only \$50,000, compared with \$1 million at the Art Institute of Chicago). In July 1919 the Detroit Museum of Art was rechristened the Detroit Institute of Arts and became a city department. It now drew operating funds from the same pool of money that supported parks, police and other services. Ownership of the collection and building were ceded to the city — the DIA's precise structure, ownership and relationship history with the city remain unique among leading American museums.

The new DIA was governed by a mayoral-appointed Arts Commission. Flush with city cash, the DIA embarked on a buying spree between 1922 and 1930 that landed some of its greatest treasures — Van Gogh's "Self-Portrait," Rembrandt's "The Visitation," Bruegel's "The Wedding Dance," Matisse's "The Window," Bellini's "Madonna and Child," Van Eyck's "Saint Jerome in His Study" and others. At the end of 1997, the city reached an agreement with the Founders Society to transfer all museum operations to the society, now simply known as the Detroit Institute of Arts. The 20-year agreement, which took effect in 1998, gave the museum its greatest autonomy since 1919. The city retained ownership of the art, building and contract details appeased workers' concerns.

On Aug. 7, 2012, a majority of voters in Wayne, Oakland and Macomb counties voted to approve an annual property tax millage — \$20 on a home worth \$200,000 — to fund the DIA for the next 10 years. The tax promises to funnel about \$22 million annually to museum operations — roughly 70% of its budget — and represents its first stable source of public funding since the 1991 state cuts. In exchange for passage, the DIA instituted free admission for tri-

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<sup>1</sup> Detroit Free Press Article, dated September 8, 2013, "**DIA in Peril**" The Detroit Institute of Arts has a long and tangled relationship with Detroit politics — and an extensive history of financial issues. An exhaustive look at the museum's past provides insight into its key role in Detroit's bankruptcy. Story By Mark Stryker, Web presentation by Brian Todd

county residents and expanded its education and outreach programs. Many credit the success of the millage drive to the DIA's strategy of creating a more accessible and relevant institution, dating to its 2007 renovation.

The DIA committed to raising hundreds of millions of dollars in additional endowment funds over the next decade to build its nest egg to \$400 million — enough to finally sustain the museum in perpetuity. A \$400-million endowment would generate about \$20 million in annual income for operations, enough to replace tax dollars when the millage expires. In campaigning for the millage, the DIA had argued that the museum was a prime regional asset and the only way to prevent its closure was to reinstate public funding to provide the breathing room it needed to raise endowment dollars.

The City's bankruptcy in July 2013, put the DIA's art works at risk of being sold to meet creditor demands. The City's bankruptcy attorneys, bankruptcy court, State of Michigan, DIA, and certain charitable foundations collaborated to create the "Grand Bargain". The Bankruptcy Court described the groundbreaking Grand Bargain, in particular, as the "cornerstone" of the Plan [Plan of Adjustment]. The collection of settlements comprising the Grand Bargain provided for the contribution of \$816 million over the next 20 years by the State, certain charitable foundations and the DIA for the benefit of the City's pensioners while simultaneously protecting the City's irreplaceable art collection housed at the DIA.

Judge Rhodes wrote in his confirmation opinion of the City's plan of adjustment,<sup>2</sup> "The evidence unequivocally establishes that the DIA stands at the center of the City as an invaluable beacon of culture, education for both children and adults, personal journey, creative outlet, family experience, worldwide visitor attraction, civic pride and energy, neighborhood and community cohesion, regional cooperation, social service, and economic development. Every great City in the world actively pursues these values. They are the values that Detroit must pursue to uplift, inspire and enrich its residents and its visitors. They are also the values that Detroit must pursue to compete in the national and global economy to attract new residents, visitors and businesses. To sell the DIA art would only deepen Detroit's fiscal, economic and social problems. To sell the DIA art would be to forfeit Detroit's future. The City made the right decision."

On the Effective Date (December 10, 2014), pursuant to the DIA Settlement set forth in the Plan of Adjustment, the City irrevocably transferred all of its right, title and interest in the DIA Assets to a perpetual charitable trust, including: (a) the DIA Collection; and (b) the real property located at 5200 Woodward Avenue, Detroit, Michigan (the site of the DIA); and associated parking lots and garages. Pursuant to the DIA Settlement: (1) certain charitable foundations and funders of the non-profit corporation ("DIA") that operates the Detroit Institute of Arts (collectively with DIA, the "DIA Funding Parties") have committed to assist in the funding of the City's restructured legacy pension obligations; and (2) the City has agreed to enter into certain transactions that will cause the DIA assets to remain in the City in perpetuity, subject to dispositions in accordance with applicable national ethical standards for museums, and to otherwise make the DIA assets available for the benefit of the residents on the City and State of Michigan. The DIA Settlement will be funded over a 20-year period as follows: (1) an irrevocable commitment of \$366 million by the charitable foundations payable in equal annual installments over the 20-year period; and (2) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA to raise at least \$100 million from its donors, the payment of which \$100 million will be guaranteed by the DIA payable in equal annual installments over the 20-year period, which DIA payments are subject to a present value discount if paid in advance of the 20-year schedule of payments.

Upon the closing of the DIA Settlement transaction on December 10, 2014, the City irrevocably transferred the DIA assets, having a net book value of \$86.6 million, to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within the City limits, for the primary benefit of the residents of the City and citizens of the State.

In accordance with the Plan of Adjustment, on the closing of the DIA Settlement transaction on December 10, 2014, the City, the DIA, and the Foundation for Detroit's Future ("FDF") delivered the following agreements to effectuate the DIA Settlement: (1) the Omnibus Transaction Agreement (Exhibit I.A.127 of the Plan) by and among the City, the DIA and the FDF; (2) the Settlement Conveyance and Charitable Trust Agreement by and between the City and

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<sup>2</sup> Judge's Confirmation ORAL OPINION ON THE RECORD In re City of Detroit Bankruptcy Judge Steven Rhodes November 7, 2014

the DIA (the “Conveyance Agreement”); (3) the Quit Claim Deed from the City to the DIA granting the DIA the City’s interest in the cultural center garage (the “Garage Deed”); (4) the Quit Claim Deed from the City to the DIA granting the DIA the City’s interest in the real property of the Detroit Institute of Arts (the “DIA Deed”); (5) the Bill of Sale by and between the City and the DIA (the “Bill of Sale”); and (6) the Intellectual Property Transfer Agreement by and between the City and the DIA.

On December 10, 2014, the Foundation for Detroit’s Future made the first payments totaling \$23.3 million in accordance with the DIA Settlement Agreement to the GRS (\$5.0 million) and PFRS (\$18.3 million). The DIA’s board of directors passed a resolution in the year ended June 30, 2016, to extinguish the Grand Bargain obligation by electing to prepay a majority of the balance in lieu of paying over 20 years. As of June 30, 2020, the DIA owed \$5.3 million of the original \$100.0 million obligation to the City. The remaining \$5.3 million, at payments of \$375,000 per year, will be made through the Foundation for Detroit’s Future. As of the date of this analysis the City, DIA and the FDF have met all their obligations in accordance with the Plan of Adjustment.

In March 2020, voters in the Tri-County region approved renewal of the DIA millage for another years. The Plan is to increase the endowment to enable more funding for DIA operations.

### **Museum Collections**

The works of art are held in charitable trust for educational, research, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed annually. Sales of works of art are subject to a policy that requires proceeds from their sales be used to acquire other items for the collection.

### **Relationship with the Tri-Counties**

The counties of Macomb, Oakland, and Wayne, Michigan established Art Institute Authorities (the “Authorities”) pursuant to the Public Act 296 of 2010, which allows for the continuing support of art institute services for the students, residents, and visitors of these counties. The Authorities entered into separate service agreements with the DIA, which provides for the continued provision of art institute services to the residents of the respective counties upon receipt of tax monies levied by the respective Authorities.

In August 2012, the voters of the respective counties approved the levies of the tax on real and personal property for a period of ten years. The millage rate approved was .2 mill (20 cents per \$1,000 of taxable value). In March 2020, the millage was renewed for another 10 years through 2032 at the previously approved rate of 0.2 mills.

All agreements are based on providing services over a calendar year. Proceeds from the millage are forwarded to the DIA, as received by the counties. For the years ended June 30, 2021, and 2020, the DIA has recognized approximately \$29.5 million and \$34.6 million, respectively, in service agreement revenue. The DIA does not show the amounts contributed for each county on its financial statements, but only the combined total.

### **Questions:**

1. What initiatives are planned by the DIA to expand the cultural and educational experiences to the region?
2. How would you rate the current financial health of the DIA based on the latest financial statements for the DIA?
3. Please describe the cultural and educational benefits provided to the children and adults of the City of Detroit by the DIA.
4. Please describe the financial impact that COVID-19 Pandemic has had on DIA operations.
5. According to the Wayne County Art Institute Authority Service Agreement with the DIA, the DIA is required to provide unlimited, free museum admission for all residents of Wayne County, including self-guided field trips (Attachment I). Can you quantify the number of annual admissions for Detroit residents in fiscal year 2023 or the calendar year 2023? If so, can you quantify the number of Detroit children and schools served?

6. Does the DIA have partnerships or relationships with Detroit schools for cultural and educational benefits? Does the DIA have a department that specializes in providing educational and cultural opportunities to the residents of the City and State? Please provide details on outreach efforts.
7. What major capital projects does the DIA plan over the next four years? Please provide the benefits that any planned capital projects will bring to the community.
8. Please describe any major exhibits that the DIA will feature in 2023 and 2024.
9. How many full-time employees does the DIA have? How many part time employees does the DIA have? Can you provide the number of Detroit residents employed by the DIA?
10. Can you provide the total amount of millage tax revenue contributed just by Wayne County for FY 2023?
11. The Detroit Institute of Arts was just recently designated number one as the best art museum in the country in a USA Today's top 10 best choice online poll.<sup>3</sup> Is it projected that this new designation will have an impact on donations and visits?

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<sup>3</sup> [Detroit Institute of Arts named best art museum nationwide - CBS Detroit \(cbsnews.com\)](https://www.cbsnews.com/news/detroit-institute-of-arts-named-best-art-museum-nationwide/)

ART INSTITUTE SERVICE AGREEMENT BETWEEN  
THE WAYNE COUNTY ART INSTITUTE AUTHORITY  
AND THE DETROIT INSTITUTE OF ARTS, INC.

**THIS ART INSTITUTE SERVICES AGREEMENT** (this "Agreement") is made between the **WAYNE COUNTY ART INSTITUTE AUTHORITY**, a Michigan public body corporate (the "Authority"), organized pursuant to Article s of Incorporation filed by the County of Wayne, a Michigan municipal corporation ("Wayne County"), and **THE DETROIT INSTITUTE OF ARTS, INC.**, which is a Michigan not-for-profit corporation (the "DIA").

**WHEREAS**, the DIA manages and operates the museum which is commonly referred to as "The Detroit Institute of Arts" (the "Museum") pursuant to the terms and conditions of an Operating Agreement between the City of Detroit, a Michigan municipal corporation (the "City of Detroit"), and the DIA, formerly known as the Founders Society Detroit Institute of Arts, dated December 12, 1997, (the "Operating Agreement");

**WHEREAS**, the DIA is seeking to establish a stable funding source from local government to provide for its long-term financial stability;

**WHEREAS**, it is commonplace for encyclopedic art institutions to receive public funding from local government or special tax;

**WHEREAS**, the Authority, if first approved by the electors of Wayne County, is authorized by Act 296 of Public Acts of Michigan 2010 (as may be amended from time to time, the "Art Institute Act") to provide funding to an art institute services provider to support the provision of art institute services to an encyclopedic art institution for the benefit of the residents of Wayne County by levying a special tax;

**WHEREAS**, the Authority deems it in the best interest of the residents of Wayne county to contract with the DIA, an art institute services provider operating an encyclopedic art museum whose primary art collection and facility are owned by a municipality located in this state, for art institute services pursuant to the terms and conditions of this Agreement as authorized by the Art Institute Act in order to provide revenue to the DIA to carry out its obligations under the Operating Agreement relating to the provisions of art institute services to the Museum.

**NOW THEREFORE**, it is agreed by the Authority and the DIA as follows:

**I. POWER AND AUTHORITY**

**1.1 DIA's Power and Authority.**

The DIA represents and warrants that it has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and that the execution, delivery and performance of this Agreement has been authorized by all necessary action.

**1.2 Authority's Power and Authority.**

The Authority represents and warrants that it has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement, have been authorized by all necessary action.

**II. ENGAGEMENT OF THE DIA FOR ART INSTITUTE SERVICES**

**2.1 Engagement.**

In exercise of the authority granted to the Authority by the Art Institute Act, the Authority hereby engages the DIA to perform Art Institute Services (as defined below), and the DIA hereby agrees to perform Art Institute Services in accordance with the terms and conditions of this Agreement. For purposes of this Agreement, "Art Institute Services" means the DIA's performance of its obligations under the Operating Agreement.

**2.2 Independent Contractor Relationship.**

The DIA is an independent contractor and as such shall have full authority and responsibility to discharge the duties imposed upon it hereunder without restrictions other than those imposed by or pursuant to this Agreement. Neither the DIA nor the Authority shall have the right or authority to bind the other party, without the express written authorization of such other party, to any obligation to a third party. Nothing contained in this Agreement shall constitute the parties as partners or joint venturers for any purpose, being the express intention of the parties that no such partnership or joint venture exist and that each party has only those duties to the other than are specified in this Agreement.

**2.3 Governance.**

During the term of this Agreement, the Authority shall have the right to appoint two (2) voting members to serve on the DIA's Board of Directors.

**2.4 Privileges To Wayne County Residents.**

While the parties acknowledge and agree that the primary benefit to be received by the residents of Wayne County under this Agreement is the DIA's continued performance of its obligations under the Operating Agreement in accordance with Section 2.1 above, the DIA agrees that it will also provide the residents of Wayne County with the following additional benefits and privileges.

**1. Free Admission.**

The DIA will provide unlimited, free museum admission for all residents of Wayne County, including self-guided field trips.

## 2. Student Curriculum Development.

Given that the most successful school programs are those crafted with the active participation of school districts, DIA educators will work with Wayne County schools to develop programs that support Michigan curriculum guidelines and promote student access.

DIA educators will offer to work with Wayne County Schools to develop a curriculum-based tour available to an entire grade (usually fourth or fifth graders) county-wide. The program will involve a number of learning methods utilizing in-museum and on-line techniques. Experience teaches that the most significant increase in student progress is fostered by consistent, multiple-visit programs (either in-museum or in-school) and in-school follow-up. To that end, in order to further develop the student/museum relationship, the DIA will work with the schools to develop an in-school program of multiple visits for an entire grade level. A two-year program – supplemented with suggestions for parents to expand the museum experience – will fully engage students with the art museum, stimulate critical thinking skills, promote verbal and written skills, and solidify a relationship between the students and the DIA that will create many life-long museum visitors.

Since high school requirements vary, the DIA will work with Wayne County high schools to develop a more individualized project designed to sharpen specific skills. For example, students will be introduced to Visual Thinking Strategies – a DIA teaching method that is used across the country in museums and schools – to engage in a facilitated conversation around art objects that could culminate in a writing project. The DIA has several examples of successful writing projects that can be shared with Wayne Schools to form the basis of a program tailored to Wayne's needs.

Because of the timing of the millage and the advanced planning utilized by schools planning their academic calendars, it is understood that it will be difficult to develop and fully implement this program in the 2012-13 academic year. Nevertheless, the DIA commits to use its best efforts to work with Wayne schools to launch at least a partial program in the 2012-13 academic year with a goal of full implementation in the 2013-14 academic year.

To address the goal of removing barriers to student attendance as quickly as possible, the DIA will provide transportation subsidies to Wayne schools during the 2012-13 academic year and shall extend transportation subsidies to the curriculum-based grade program participants throughout the entire term during which the millage is levied. Based on past attendance levels and DIA capacity (assuming additional open hours to better accommodate schools) the DIA is proposing an annual transportation set-aside of at least \$150,000.00. That amount will ensure free admission and transportation to more than 16,000 students and teachers, approximately 535 classrooms. The DIA will work with school districts to advise them of the availability of these funds, and encourage attendance. The museum will focus initially on under-served school districts, but all Wayne students shall be eligible for this subsidy.



### 3. Professional Development For Teachers.

The DIA will dedicate a portion of the Wayne County millage proceeds to revitalize the professional development program for teachers, a program that was almost completely eliminated when the DIA was forced to reduce its operating budget in 2009. Training on the use of the "Visual Thinking Strategies," a teaching method used by the DIA to engage students in a facilitated discussion about art, is an example of the type of training that will be offered on an annual basis to Wayne County teachers. Other teacher enrichment programming could include, but is not limited to:

- How to Engage or Students with the DIA Museum
- Support for the Social Studies curriculum Museum
- Support for the World Languages Curriculum
- Narrative and art-How to Use Visual Art to Expand Critical Thinking and Writing
- Science and art-How the Visual Arts Integrate with Science

In the past, the DIA has worked with Marygrove College to provide teachers with CEU credits for some programming and will continue to offer this type of option. Upon request, the DIA will work with Wayne Schools to create customized programs for Wayne teachers.

Finally, the DIA will expand its popular program of teacher open houses, which bring teachers into the museum to meet DIA educators and curators, sample tours and discuss issues with their peers. These events include informal reception and would be available to Wayne teachers without charge.

### 4. Senior Programs.

The DIA has existing relationships with senior citizens, organizations, and communities throughout Wayne County and is experienced at providing museum trips that meet seniors' requirements for a meaningful learning experience and superior hospitality. Building on this experience, the DIA shall initiate a subsidized tour program for Wayne County seniors. Based on past attendance, the museum will initially set aside \$100,000.00 annually for a subsidized senior program. This will fund 60 senior tours (approximately 35 individuals per tour) including transportation, a 30-minute lecture by a museum volunteer or staff member and access to the galleries. Initially, the DIA will market this program to all publicly supported senior programs in the county and, based on response and capacity, will extend the program to private programs, expanding the subsidy as needed.

The DIA will also use the tour program to expand its contacts with senior organizations, offering talks and art-making projects in communities. The DIA will track those contacts and include them in its annual report to the Authority and Wayne County Board of Commissioners.

5. Community Collaborations with Local Organizations and County Cities, Townships and Villages.

The DIA is committed to strengthening relationships with Wayne County's cities, villages and townships. To that end, the museum will set aside at least \$300,00 annually to support community partnership projects that assist in bringing DIA programming to communities. These collaborations will be developed cooperatively between the DIA and local organizations to respect and sustain the mission of the local organization and preserve the local character of each program.

2.5 Parity.

The DIA shall not provide additional or enhanced benefits and privileges to any other county's residents by agreement with a public body established and organized pursuant to the Art Institute Act as compared to those required by this Agreement unless the DIA also makes such additional or enhanced benefits and privileges available to the Wayne Authority under the same terms and conditions enjoyed by the other county's residents.

2.6 Duty to Submit to Audit.

Upon reasonable notification, the DIA shall submit to an annual financial and/or performance audit pursuant to reasonable parameters set from time to time by the Authority, at the DIA's expense.

2.7 Duty to Provide Other Information Requested by the Authority.

From time to time, the DIA shall provide the Authority, within a timely manner, with such other information as the Authority may reasonably request.

2.8 Duty to Provide Indemnification.

The DIA is liable for and will indemnify, defend and hold the Authority harmless of and from any and all liability from injuries, including disease and death, to a person or damage to property of third parties arising from or claimed to have arisen out of the DIA's performance of Art Institute Services, provided such injury or damage is alleged to have occurred during the term of this Agreement. The Authority hereby waives any claims of liability that it may have, now or in the future, against the DIA, its officers, directors, agents, representatives, heirs, and employees except as set forth in this Section. Nothing in this Section 2.8 is intended to limit the rights of the Authority to recover damages it shall have sustained as a result of acts of fraud or embezzlement by a DIA employee, agent or vendor, as evidenced by a final, non-appealable by right judgment of a court of competent jurisdiction or guilty plea.

### III. OBLIGATIONS OF THE AUTHORITY

#### 3.1 Authority Commitment Regarding Funding.

A. The Authority, except as provided in subsection 3.1(B) below, if first approved by the electors of Wayne County, will levy the approved .20 mil in each successive year for ten (10) years, starting with 2013.

B. Notwithstanding subsection 3.1(A), the Authority shall have no obligation to levy a tax in any year should the City of Detroit abrogate, cancel, revoke, suspend, terminate or substantially modify the operating agreement dated December 12, 1997 between the City and DIA, Inc. unless a successor agreement between the City and a qualified art institute services provider is first approved by the Authority.

#### 3.2 Transfer of Levy Proceeds.

Except as otherwise provide in 2010 PA 296 or in the Authority's Articles of Incorporation, all funds collected under the authority of the levy shall be reserved and transferred solely to the DIA, once per month, from any local property tax collecting unit.

### IV. JOINT COMMITMENTS OF THE AUTHORITY AND THE DIA

#### 4.1 Implementation.

The Authority and the DIA agree that they will execute and deliver any assignment agreements, consents or similar documents which may be necessary to implement this Agreement which the parties hereby stipulate sets forth all of the necessary principles of agreement.

#### 4.2 Notice.

All notices, consents, approvals, requests, reports and other communications required or permitted under this Agreement shall be in writing and set and addressed as follows:

**If to the Authority:**

Wayne County Art Institute Authority  
Attention: Wayne County Clerk

**If to the Detroit Institute of Arts:**

The Detroit Institute of Arts  
Attention: Chief Executive Officer  
5200 Woodward Avenue  
Detroit, MI 48202

Either party to this Agreement may change its address of notices at any time by giving notice thereof to the other as herein provided.

**4.3 Term.**

The initial term of this Agreement shall commence on the effective date as described in Section 4.12 below and shall run through December 31, 2023.

**4.4 Early Termination.**

This Agreement shall automatically terminate upon the termination of the Operating Agreement or any successor agreement between the City of Detroit and the DIA.

**4.5 Entire Agreement; Amendment; Waiver.**

This Agreement is and shall be deemed to be the complete and final expression of the agreement among the parties as to the matters contained in and related to this Agreement and supersedes any previous understandings, dealings and communications, including negotiations, discussions, representations, warranties, information, documents and agreements, among the parties pertaining to such matters. This Agreement shall not be modified or amended except pursuant to a written agreement signed by both parties. Any waiver of any party's rights or obligations under this Agreement must be in writing and must be signed by the party against which such a waiver is to be enforced. No party's failure to exercise a right or to invoke a remedy in any particular circumstance shall be construed as a waiver of such right or remedy, and no waiver by either party of any right or remedy in one situation shall constitute a waiver of such party's rights or remedies in any other subsequent situation, whether similar or not.

**4.6 Governing Law.**

This Agreement is governed by and will be construed in accordance with the laws of the State of Michigan.

**4.7. Headings.**

The headings of the provisions used in the Agreement are for convenience only and shall not be deemed to explain, limit or amplify the provisions of this Agreement.

**4.8. Severability.**

If any court, agency, commission, legislative body or other authority of competent jurisdiction declares invalid, illegal or unenforceable any portion of this Agreement (including, but not limited to, Section 2.3), or its application to any person, that decision shall not affect the validity of the remaining portion of this agreement.

**4.9 No Third Party Beneficiaries.**

Except to the extent expressly contemplated in this Agreement, the obligations undertaken by the Authority and the DIA in this Agreement are for the benefit of the Authority

DIA County Services Agreement as approved by the Wayne County Art Institute Authority

and the DIA only, and neither any creditor of the Authority or the DIA, nor any other party, shall have the right to rely on or enforce the provisions of this Agreement as a third-party beneficiary or otherwise.

**4.10 Successors and Assigns.**

This Agreement shall be binding on the DIA, its successors and assigns, by merger, sale, transfer, consolidation and lease of either party and it shall not be modified, altered or changed in any respect whatsoever by change of ownership.

**4.11 Condition to the Obligations of each Party to Effect This Agreement.**

The respective rights, duties and obligations of each party under this Agreement shall be subject to the occurrence of the following conditions precedent: (i) the passage by the electors of Wayne county of a .20 mill (ten-year) levy proposed by the Authority; and (ii) the passage by the members of the DIA of an amendment to the DIA's Bylaws that would allow the DIA to comply with its obligations set forth in Section 2.3 above.

**4.12 Effective Date of This Agreement.**

The effective date of this Agreement shall be the day after the conditions pursuant to Section 4.11 have occurred, and the respective parties have signed the Agreement.

**4.13 Authorization and Capacity.**

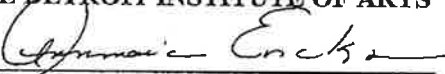
Each party warrants that the person signing this Agreement is authorized to do so on behalf of its principal and is empowered to bind its principal to this Agreement.

IN WITNESS WHEREOF, the Authority and the Society, by and through their duly authorized officers and representatives, have executed this contract as of the dates of their respective signatures:

WITNESSES:



Salina L. White-Bell  
Eugenia L. Hicks

THE DETROIT INSTITUTE OF ARTS

By: 

Its: EXEC. V. P., CHIEF OPERATING OFF.

WITNESSES:

WAYNE COUNTY ART INSTITUTE AUTHORITY

By: Elizabeth A. Mearns

Its: Chairperson

**AMENDMENT TO  
ART INSTITUTE SERVICE AGREEMENT BETWEEN  
THE WAYNE COUNTY ART INSTITUTE AUTHORITY  
AND DETROIT INSTITUTE OF ARTS, INC.**

This Amendment (this "Amendment") to Art Institute Service Agreement (the "Agreement") between the Wayne County Art Institute Authority, a Michigan public body corporate (the "Authority"), organized pursuant to Articles of Incorporation filed by the County of Wayne, a Michigan municipal corporation, and Detroit Institute of Arts, Inc., a Michigan not-for-profit corporation (the "DIA"), is adopted by the Authority and the DIA.

WHEREAS, in accordance with the Agreement, the Authority engaged the DIA to perform Art institute services, as contemplated under the Art Institute Authorities Act (Act 296 of Public Acts of Michigan 2010), which the Agreement defines as the DIA's performance of its obligations under the Operating Agreement with the City of Detroit pursuant to which the DIA managed the museum commonly referred to as "The Detroit Institute of Arts" (the "Museum").

WHEREAS, pursuant to Article III of the Agreement, the Authority agreed to levy a millage for a ten (10) year period starting with 2013 and agreed to transfer solely to the DIA all funds collected under the authority of the levy.

WHEREAS, subsequent to the effective date of the Agreement, the City of Detroit filed a petition under chapter 9 of the Bankruptcy Code and in those bankruptcy proceedings has filed a proposed plan of adjustment that provides, among other things, that following confirmation of the plan of bankruptcy,

(1) all of the City of Detroit's right, title and interest in and to the Museum art collection, operating assets, buildings and other Museum related assets will be conveyed to the DIA to be held in perpetual charitable trust for the benefit of the people of the City of Detroit and the State of Michigan, including the citizens of Wayne County, permanently free and clear of all liens, encumbrances, claims and interests of the City of Detroit and its creditors (the "Conveyance"), and

(2) the DIA will have complete responsibility for and control over Museum operations, capital expenditures, collection management, purchase or sale of assets, and the DIA will continue to operate the Museum as an encyclopedic art museum in the City of Detroit.

WHEREAS, as a result of the foregoing, the Operating Agreement between the City of Detroit and the DIA will be terminated as of the closing of the Conveyance.

WHEREAS, because the Operating Agreement will be terminated as of the closing of the Conveyance, it is necessary to amend the Agreement as set forth in this Amendment.

WHEREAS, all capitalized terms used but not defined in this Amendment are defined in the Agreement.

NOW, THEREFORE, the parties agree as follows:

1. The DIA represents and warrants that it has the power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Agreement (as amended by this Amendment) and that the execution, delivery and performance of this Amendment have been authorized by all necessary action.

2. The Authority represents and warrants that it has the power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Agreement (as amended by this Amendment), and that the execution, delivery and performance of this Amendment have been authorized by all necessary action.

3. Section 2.1 of the Agreement is amended and replaced in its entirety by the following:

In exercise of the authority granted to the Authority by the Art Institute Act, the Authority hereby engages the DIA to perform "Art institute services" as defined in the Art Institute Act ("Art Institute Services"), and the DIA hereby agrees to perform Art Institute Services in accordance with the terms and conditions of this Agreement.

4. The first paragraph of Section 2.4 of the Agreement is amended and replaced in its entirety by the following:

While the parties acknowledge and agree that the primary benefit to be received by the residents of Wayne County under this Agreement is the DIA's continued delivery of Art Institute Services in accordance with Section 2.1 above, the DIA agrees that it will also provide the residents of Wayne County with the following additional benefits and privileges.

5. Sections 3.1(B) and 4.4 of the Agreement are deleted in their entirety.

6. This Amendment shall become effective immediately prior to the closing of the Conveyance; provided, however, if the Conveyance does not close, this Amendment shall have no effect.

7. Other than as is set forth in this Amendment, the Agreement shall remain in full force and effect.

8. This Amendment constitutes the entire agreement and understanding among the parties with respect to the subject matter hereof and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

9. This Amendment is governed by and will be construed in accordance with the laws of the State of Michigan.

WITNESSES

DETROIT INSTITUTE OF ARTS, INC.

[Signature]  
Exec. Asst. to the Director

By: [Signature]  
Its: COO, VP

WITNESSES

WAYNE COUNTY ART INSTITUTE AUTHORITY

[Signature]  
21 July 2014

By: [Signature]  
Its: Chairman