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**TO:** The Honorable City Council

**FROM:** David Whitaker, Director   
Legislative Policy Division

**DATE:** July 31, 2023

**RE: Memorandum from Councilmember Scott Benson - Request For Report On  
City Investment In The Detroit Historical Society**

To evaluate and better understand the financial support and engagement of the City with cultural and historical institutions, Councilmember Benson has requested the Legislative Policy Division (LPD) work in conjunction with the administration to prepare a comprehensive report detailing the City's investment into the Detroit Historical Society over the past 20 years. Councilmember Benson feels this report would enable City Council to gain a clearer understanding of the City's historical and current commitment to this valuable institution and help inform potential future collaborations and support.

LPD worked with the Office of the Chief Financial Officer's Office of Budget to help meet this request. Councilmember Benson indicated that LPD's report should include, but not be limited to, the following requests. LPD's responses are also included in the following:

**Request #1:** The total amount of financial investment made by the City.

**Response to Request #1**

Attachment 1 is a spreadsheet outlining the City of Detroit's and State of Michigan's support for the Historical Museum for the period 1994 to 2024, or, over a 31-year period. The City of Detroit has contributed over \$48 million to the Historical Museum over this period. In addition, the State of Michigan has contributed approximately \$8.5 million to the museum over this period. The Detroit Historical

museum, prior to 2006 operated as a city department per City Charter. Chapter 6 Section 7-601 of the 2012 Detroit City Charter authorizes a thirteen (13) member commission to operate the museum<sup>1</sup>.

On April 6, 2006, the city executed an Operating Agreement with the Detroit Historical Society to operate the Historical museums<sup>2</sup>. The agreement with the Society supersedes the museum operations as a department under the current 2012 City Charter. The Society conducts all aspects of the museum's operations, including the day-to-day operations. The agreement provides that the Society is not responsible for the operation/maintenance of Historic Fort Wayne or any other historic monuments or facilities. The Society has full access and use to its collection center at Fort Wayne and other facilities for specific purposes. The 2006 Operating Agreement expired on June 30, 2020. It renews for ten-year periods subject to City Council approval.<sup>3</sup> Currently, the museum operates under the 2006 Operating Agreement until the renewal operating agreement is finalized.

The City's financial commitment to the Society under the agreement:

- Annual consideration of a subsidy to the Society for operation of the museums.
- A subsidy of \$500,000 specified to be paid in the first 3 years of the agreement: FY 2006, FY 2007, and FY 2008.
- Subsequent participation in the city's budget process to request annual operating funding.
- Support services (free of charge) for mowing, snow removal, other ground keeping services for pedestrian walkways and parking areas.
- Payment of annual property liability insurance (excluded from annual subsidy).
- Subsequent participation in the city's capital budget process to request annual capital funding.

**Request #2:** Breakdown of the investment by year.

### **Response to Request #2**

Attachment 1 provides this information. As indicated in the response to Request #1, the museum operated as a City General Fund department until April 2006. The city's net tax cost (revenues less expenditures) is the true cost to the City during this time. Prior to FY 2000, the State of MI cultural grants were a significant source of revenue for the museum, reducing the impact on the city's General Fund. Revenues from fees contributed a small percentage to museum operations. The museum's reliance on the City's General Fund increased during the 2000 decade just as the City's finances worsened. The City also contributed capital funds to the museum in furtherance of the museum's goals and missions.<sup>4</sup>

The City's General Fund contribution, under the museum's operating agreement has generally remained at \$500,000 annually. This amount was reduced during the time of the City's financial distress leading up to bankruptcy. The Society has the ability to request additional operating and capital funding during

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<sup>1</sup> Chapter 6 Section 7-601 of the 2012 Detroit City Charter - the Historical Department is headed by a thirteen (13) member commission, appointed by the mayor. 7 members appointed by City Council district, exclusive of the at-large district. The Historical Department shall maintain and operate the City's historical museums directly or pursuant to an operating agreement.

<sup>2</sup> The Operating Agreement executed on April 6, 2006, provides for 1 member appointed by Detroit City Council: "The members of the Detroit Historical Commission, and their successors, as appointed by the Mayor, as well as one individual appointed by the Detroit City Council, will become voting members of the Society's Board of Trustees so that the Commission and the Detroit City Council remain fully engaged in the Museums' and the Society's newly integrated operational structure."

<sup>3</sup> The Agreement shall renew for successive ten (10) year terms unless notice of termination is provided by either party at least one hundred-eighty (180) days prior to the date of renewal. Renewal of the Agreement shall be approved by the City Council.

<sup>4</sup> The FY 2009 budget included a capital appropriation of \$17.2 million for Historical Museum expansion purposes. These funds were based on an anticipated successful Unlimited Tax General Obligation Bond sale; however, this sale did not occur due to a drop in the city's UTGO credit rating to junk- below investment grade status.

the annual budget process which it has done over the years. The worksheet shows where additional funding was appropriated over the \$500,000 subsidy. The city pays the annual property liability insurance for the buildings and collections of the museum per the operating agreement. This amount is paid in addition to the annual subsidy at a cost of less than \$100,000 annually (cost \$15,191 in FY 2007 and appx. \$50,000 in FY 2023).

**Request #3:** The types of programs or initiatives that these investments supported.

**Response to Request #3**

The annual General Fund contribution to the museum generally supports the operation and maintenance of the museum. As with the other City's operating agreements, the annual contribution usually help defray the cost of security, utilities, and/or maintenance.

The history of capital projects for the Detroit Historical Museum and the Dossin Great Lakes Museum included plans for major expansion of DHM, renovation projects and facility improvements at the Historical Museum and the Dossin Museum, new and expanded exhibits at both museums, plans for new construction of the Collection Resource Center (CRC), ADA improvements, security improvements, HVAC improvements, new pedestrian plaza (Woodward Plaza), roof replacements, parking improvements, artifacts acquisitions and improvements at the Historic Ft. Wayne (CRC). The chart below list capital projects and the amount identified for funding consideration in the recently approved Capital Agenda.

Project Name	Sum of Total
DGLM Museum Expansion	\$2,500,000
DGLM Outdoor Enhancement - Phase II	\$750,000
DHM Frontiers to Factories Permanent Exhibit Update	\$237,000
DHM - Motor City Music Redesign and Update	\$150,000
CRC Boiler Replacement	\$150,000
DHM - D67 Exhibit - Make it a Permanent Exhibit	\$120,000
DGLM Marcks Theater Upgrade	\$100,000
DHM - 3rd Floor Conversion to Exhibit Space	\$100,000
DHM - Gallery of Culture Refresh and Update	\$100,000
DHM - Streets of Old Detroit - Adding Guide by Cell Narration	\$60,000
DHM - Convert Gallery of Innovation to Detroit City of Champions Sports Themed Exhibit	\$40,000
DGLM Electric Upgrades + Generator	\$30,000
DHM Exterior Overhand Soffit Repair	\$28,000
DGLM Miss Pepsi Pavillion	\$25,000
DGLM Lighting Conversion to LED	\$20,000
DHM Third floor employee bathrooms	\$18,000
DHM Legends Plaza Additions	\$17,000
DGLM Museum Carpet	\$0
DGLM Painting	\$0
DHM Painting	\$0
DGLM Window Treatment for DeRoy Hall	\$0
DHM Entrance Door and Stairwell DoorSecurity	\$0
CRC Electrical Infrastructure	\$0
DGLM Water station upgrade	\$0
DGLM Bathroom refresh	\$0
CRC Drain Valve Replacement	\$0
DHM Parking Lot Resurfacing	\$0
CRC HVAC Controls	\$0
DHM Ceiling - Motor City Showcase - DeRoy Area	\$0
DHM - Doorway to Freedom Audio Upgrade	\$0
DHM EV Charging Stations in the Parking Lot	\$0
CRC - New Roof for Building 2B	\$0
DHM First floor guest bathrooms	\$0
CRC Water Filtration for HVAC System	\$0
DHM Kitchen Sink catering area	\$0
CRC Blower Motor Replacement	\$0
DHM Lower Level guest bathrooms	\$0
DHM Carpet - Booth Auditorium	\$0
DHM Parking Lot Lighting Replacement	\$0
DHM Water station upgrade	\$0
DHM Security System Replacement	\$0
DHM Sump Pump infrastructure	\$0
CRC Car Mover	\$0
DHM Water line connection	\$0
DHM Carpet - Motor City Showcase	\$0
DHM Carpet - Motor City Music	\$0
DHM Carpet - Frontiers	\$0
<b>Grand Total</b>	<b>\$4,445,000</b>

Future capital plans over the next five-years include:

- Detroit Historical Museum- DHM Detroit Square Project
- Collection Resource Center- CRC Digitization
- Dossin Great Lakes Museum- DGLM Outdoor Enhancement Phase II
- Exhibits for DHM and DGLM

**Request #4:** The impact of these investments on the society's operations and programs.

Today, the museum is still feeling the effects of COVID closures and displacements. Revenues from fundraising initiatives, group tours and facility rentals are lagging due to patron concerns/ visitor hesitancy. Staffing challenges continues with the museum operating at minimum staffing levels in fiscal

years 2021 and 2022; vacant positions need to be filled in fiscal year 2023 to sustain operations. The Society requested funding in FY 2023 and FY 2024 to bridge financial gaps until a voter approved millage passes. The museum is still in process of developing millage ballot language to be placed before the voters in Oakland and Wayne County.

Attachment 2 is a chart showing a five-year history of revenues and expenditures for the museum for FY 2016 through FY 2023. It assumed that the city contributed General Fund dollars at the requested amount. The chart reflects the Society's critical financial needs, as expenditures exceeded revenues over the past five years.

On a positive note, in the State of Michigan's FY 2024 General Appropriations bill, the state has awarded a \$4 million line-item appropriation to both the Detroit Historical Society and the Charles Wright Museum of African American History. The Historical Society plans to use these funds for capital projects.

Please let us know if we can be of any more assistance.

#### Attachments

cc: Auditor General's Office  
Jay Rising, Chief Financial Officer  
John Naglick, Chief Deputy CFO/Finance Director  
Tanya Stoudemire, Chief Deputy CFO/Policy & Administrative Director  
Steven Watson, Deputy CFO/Budget Director  
Donnie Johnson, Associate Budget Director  
Malik Washington, Mayor's Office

**Attachment 1**  
**City of Detroit**  
**City of Detroit and State of Michigan Support for the Historical Museum**

Fiscal Year	City Annual Operating Contribution-General Fund <sup>1</sup>	Capital Funding appropriated <sup>4</sup>	Capital-Actual spend	Total City Support	Revenues-Other Support-State of MI <sup>3</sup>	Operating Revenues (fees)	Total City and State of Michigan Operating and Capital Support			
1	1994	\$ 596,067	\$ -	\$ -	\$ 596,067	\$ 1,950,700	\$ 47,000	\$ 2,593,767		
2	1995	633,848	-	-	\$ 633,848	1,950,700	32,000	\$ 2,616,548		
3	1996	641,780	-	-	\$ 641,780	1,950,700	230,800	\$ 2,823,280		
4	1997	1,624,275	-	-	\$ 1,624,275	1,103,940	235,200	\$ 2,963,415		
5	1998	1,577,320	-	-	\$ 1,577,320	935,000	269,584	\$ 2,781,904		
6	1999	2,138,123	1,300,000	4	1,300,000	\$ 3,438,123	600,000	195,200	\$ 4,233,323	State fundin
7	2000	2,629,493	300,000	4	300,000	\$ 2,929,493	-	522,800	\$ 3,452,293	
8	2001	3,039,234	400,000	4	400,000	\$ 3,439,234	-	525,062	\$ 3,964,296	
9	2002	2,894,346	70,000	5	70,000	\$ 2,964,346	-	476,200	\$ 3,440,546	
10	2003	2,704,457	2,250,000	4,6	2,265,000	\$ 4,969,457	-	549,550	\$ 5,519,007	
11	2004	2,563,686	235,440	5	235,440	\$ 2,799,126	-	607,265	\$ 3,406,391	
12	2005	2,841,731	1,650,000	4	1,650,000	\$ 4,491,731	-	414,134	\$ 4,905,865	
13	2006	1,612,197	281,000	5	281,000	\$ 1,893,197	-	423,984	\$ 2,317,181	Department
14	2007	500,000	2	500,000	4	500,000	\$ 1,000,000		\$ 1,000,000	
15	2008	500,000	2	2,800,000	4	2,800,000	\$ 3,300,000		\$ 3,300,000	
16	2009	500,000	2	17,200,000	4	-	\$ 500,000		\$ 500,000	
17	2010	450,000	2	-	-	\$ 450,000			\$ 450,000	
18	2011	450,000	2	-	-	\$ 450,000			\$ 450,000	
19	2012	337,500	2	-	-	\$ 337,500			\$ 337,500	
20	2013	198,246	2	-	-	\$ 198,246			\$ 198,246	
21	2014	198,246	2	-	-	\$ 198,246			\$ 198,246	
22	2015	500,000	2	-	-	\$ 500,000			\$ 500,000	
23	2016	500,000	2	-	-	\$ 500,000			\$ 500,000	
24	2017	500,000	2	-	7	500,000	\$ 1,000,000		\$ 1,000,000	
25	2018	500,000	2	-	7	85,501	\$ 585,501		\$ 585,501	
26	2019	500,000	2	-	7	429,837	\$ 929,837		\$ 929,837	
27	2020	500,000	2	-	7	181,222	\$ 681,222		\$ 681,222	
28	2021	500,000	2	-	7	434,525	\$ 934,525		\$ 934,525	
29	2022	500,000	2	-	7	260,564	\$ 760,564		\$ 760,564	
30	2023	1,000,000	2	1,000,000	8	\$ 2,000,000			\$ 2,000,000	
31	2024	1,000,000	2	1,000,000	8	\$ 2,000,000			\$ 2,000,000	
<b>Total</b>		<b>\$ 34,630,549</b>	<b>\$ 28,986,440</b>	<b>\$ 11,693,089</b>	<b>\$ 48,323,638</b>	<b>\$ 8,491,040</b>	<b>\$ 4,528,779</b>	<b>\$ 61,343,457</b>		

Notes:

1 The Historical Museum operated as a department within the city's General Fund prior to 2007 when the museum entered into an operating agreement with the city. The amount shown as General Fund support in the years the museum operated as a city department represent the net tax cost to the city.

2 Museum operates under an Operating Agreement; the city pays for property liability insurance (not included in this amount) as a separate appropriation. LPD is in the process of obtaining how much the City has paid in property liability insurance yearly over the 1994-2023 period. The museum's General Fund contribution is reported as a line item expenditure in the Non-departmental agency.

3 In the 1990's and prior years, the museum received Cultural support from the state of MI which lessen its net tax cost to the city.

4 Capital projects funded with proceeds from the sale of Unlimited Tax General Obligation Bonds. In FY 2009, the adopted budget included \$17.2 million for Historical UTGO bonds for Facility Improvements; however, this project was not funded. The UTGO bonds were not sold due to city's credit rating dropping to below investment grade.

5 Capital funds appropriated from Interest Earnings on proceeds of UTGO Bonds; a total of \$1,086,440 in interest earnings were appropriated: FY 2002 (\$70,000); FY 2004 (\$235,440); FY 2006 (\$281,000); FY 2007 (\$500,000).

6 Capital funding from UTGO bonds sold at a premium. Historical received \$65,000 in premium funds (August 2002 bond sale) allocated for capital projects.

7 Funding from reprogrammed bonds from previous bond sales (Fund 45-series pre-bankruptcy remainder bond proceeds); no budget- previously appropriated.

8 Capital funding from City Council adopted budget /General Fund Surplus (fund balance).

\* Other Technical Support include facility-building assessment and energy audits provided by GSD. Dollar value difficult to determine as of this date.

**Detroit Historical Society**

	FY16	FY17	FY18	FY19	FY20	FY21	Projected FY22 (Projected)	Projected FY23 (Projected)
<b>Contributed Revenue</b>	3,912,737	4,673,532	2,165,832	2,469,146	1,955,736	1,930,744	3,012,398	3,250,000
<b>Earned Revenue</b>	693,754	704,665	835,109	692,028	548,845	323,741	562,186	675,000
<b>TOTAL</b>	4,606,491	5,378,197	3,000,941	3,161,174	2,504,581	2,254,485	3,574,584	3,925,000

	FY16	FY17	FY18	FY19	FY20	FY21	Projected FY22 (Projected)	Projected FY23 (Projected)
<b>Operating Expense</b>	(3,564,745)	5,977,744	3,899,492	3,655,485	3,794,108	3,677,823	3,858,118	3,975,000

