

PUBLIC SUPPORT DOCUMENTATION

December 11, 2018



Introduction

The United States Marshals Museum (USMM) is a nationally-scoped museum currently under construction on the Arkansas River in downtown Fort Smith. Once open, the USMM will tell the story of our nation's oldest federal law enforcement agency from its establishment by President George Washington in 1789 through current day – and for generations to come.

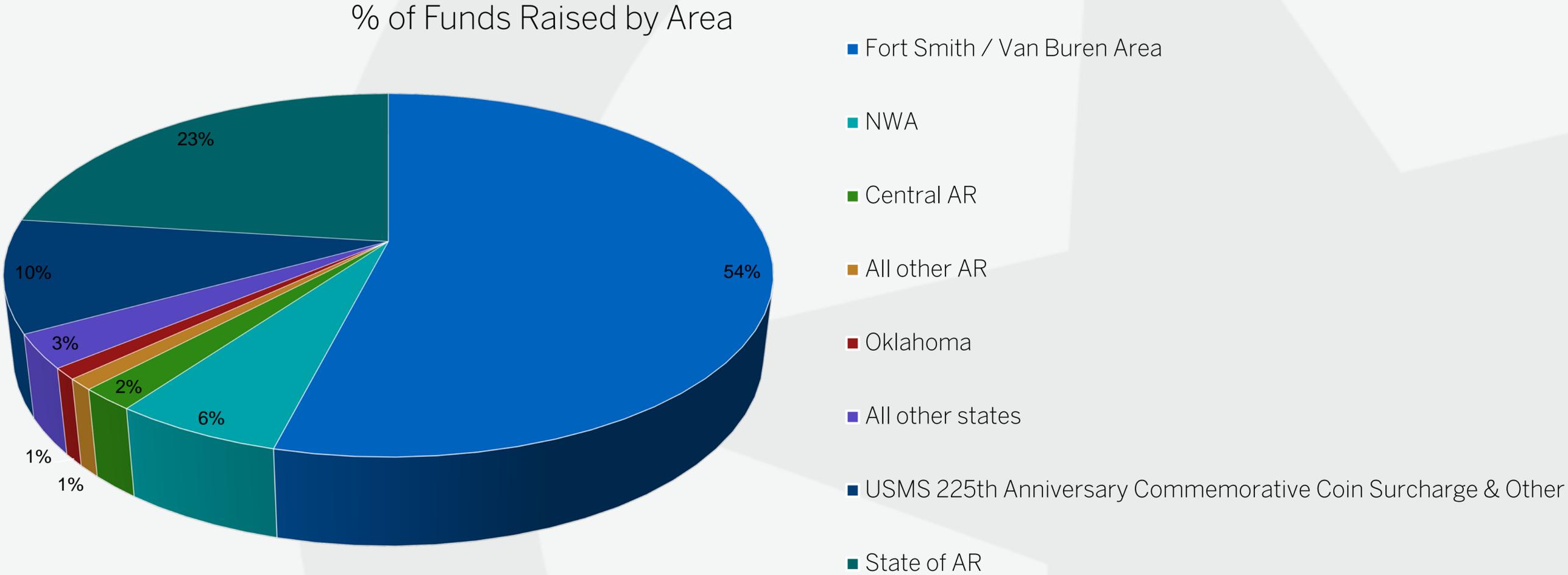
With a focus on the Constitution and the Rule of Law, the USMM provides educational programming across 24 states in just under 500 schools as well as local and regional programming impacting approximately 22,500 people annually. The national scope of the USMM has drawn dignitaries such as U.S. Supreme Court Associate Justice Antonin Scalia, Congressman Trey Gowdy, Governors Asa Hutchinson and Mike Beebe and many others. Imagine the impact the USMM will have once it is fully operational.

Fort Smith was awarded the honor of being the home of the USMM for three very specific reasons.

1. The rich history of the U.S. Marshals in Fort Smith during the frontier period of our country's history.
2. More Marshals and Deputy Marshals died riding out of Fort Smith in the late 19th century than at any other time or place.
3. The citizens of Fort Smith were called to “Bring it Home” and did so with overwhelming support – winning the selection contest over multiple cities such as Staunton, VA, Cheyenne, WY, and Hollywood, CA.

#ItsTime

Nearly \$35.4 million in cash, pledges, and in-kind land donations have been raised to date. The majority of which is because of the vision of philanthropic individuals and organizations in this area who believe in what the USMM will mean for Fort Smith through its educational programming and economic impact.



#ItsTime

With only \$17 million left to raise, its time to ensure the USMM legacy is established as an anchor for economic development and impact in Fort Smith, as well as a hub for civic literacy across the city, the region, and the nation.

The Request:

Approval of the appropriate ordinances by the Fort Smith City Board of Directors to refer to the citizens of Fort Smith the following for their consideration:

- A one-time, non-renewable, nine-month only, one penny sales tax.
- Special election to be on March 12, 2019
- The United States Marshals Museum Foundation will pay for the city's cost of the special election.
- Tax levied beginning July 1, 2019
- Tax expires permanently March 31, 2020
- Approximately \$15-\$16 million in tax revenues to be used to finish the remainder of the USMM project.
- The City of Fort Smith Government will have no control over how these tax dollars are spent.

A Public Facilities Board comprised of community residents will own the USMM building and grounds, outside of the control of the City of Fort Smith Government.

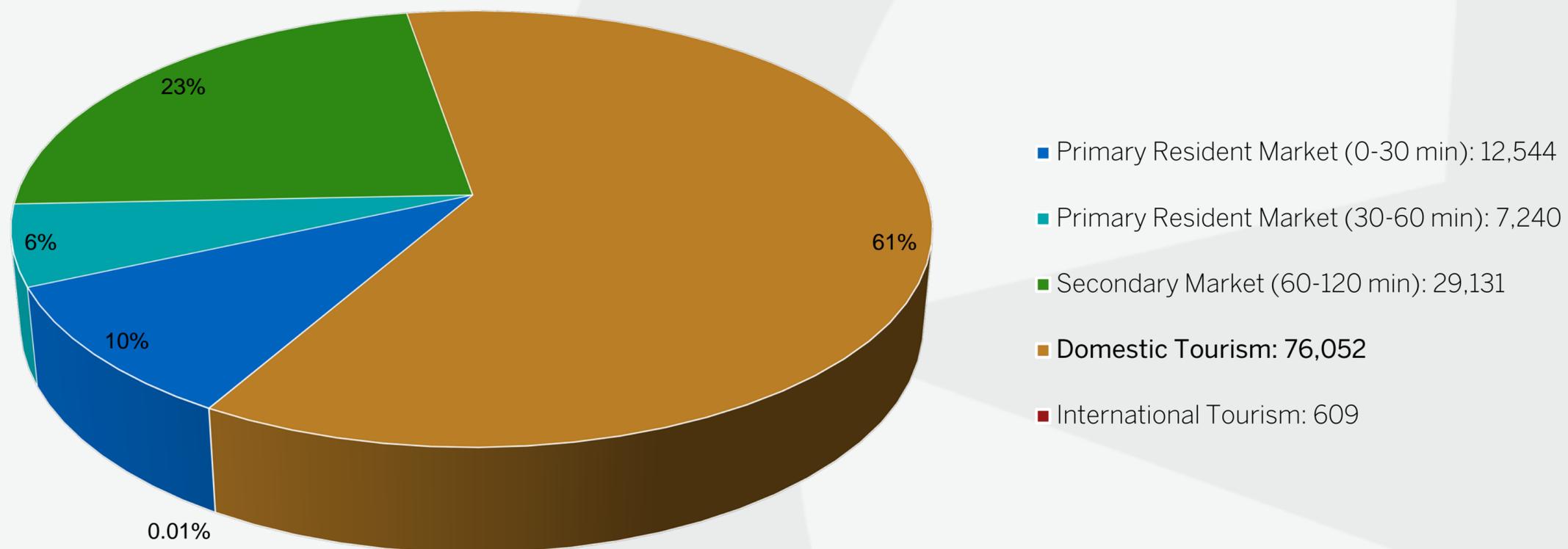
Public Facilities Board

- The Arkansas Constitution and law enacted by the Arkansas Legislature require that public funds (proceeds from a Gross Receipts or Sales Tax) be expended for public purposes. If expended for a facility, the property may be owned by a “Public Facilities Board” (PFB).
- A PFB is created by an ordinance passed by the Fort Smith Board of Directors. The PFB would purchase the USMM building and grounds from the U.S. Marshals Museum, Inc., for the amount derived from a one penny sales tax for nine months.
- The purchase price (sales tax proceeds) would be approximately \$15-\$16 million. The value of the USMM building and grounds will be approximately \$22 million.
- The PFB, as owner of the Museum building and grounds, would lease these to the USMM. It would hold the USMM accountable for the performance of its many public purposes in education, economic, downtown, and riverfront development, and more. The rights and obligations of the PFB and the USMM would be spelled out in legally enforceable contracts.
- The USMM Board of Directors would operate the Museum. The Fort Smith Board of Directors would exercise no controls over operations of the Museum.
- Neither the City of Fort Smith nor the PFB will be responsible for future operational expenses of the USMM.

USMM Attendance / Tourism

The USMM has engaged experts in the field of feasibility studies and attendance projection. These firms use detailed market analysis and the application of carefully chosen real world benchmarks from existing comparable projects. There have been three feasibility studies done to ensure an authentic data-driven approach in projecting attendance and revenue. The most recent was completed in the fall of 2018. The USMM references a “stabilized year” when discussing attendance to ensure focus on a conservative approach while establishing budgets and setting expectations. The first couple of years are expected to over-perform as compared to a stabilized year.

Projected Annual Attendance on a Stabilized Year = 125,576



Data provided by LDP. An internationally recognized expert in feasibility studies and attendance projections.

Economic Contribution

Arkansas Economic Development Institute has used the information provided in the LDP feasibility study and has determined the following Economic Contribution of the USMM to Sebastian County on an average year:

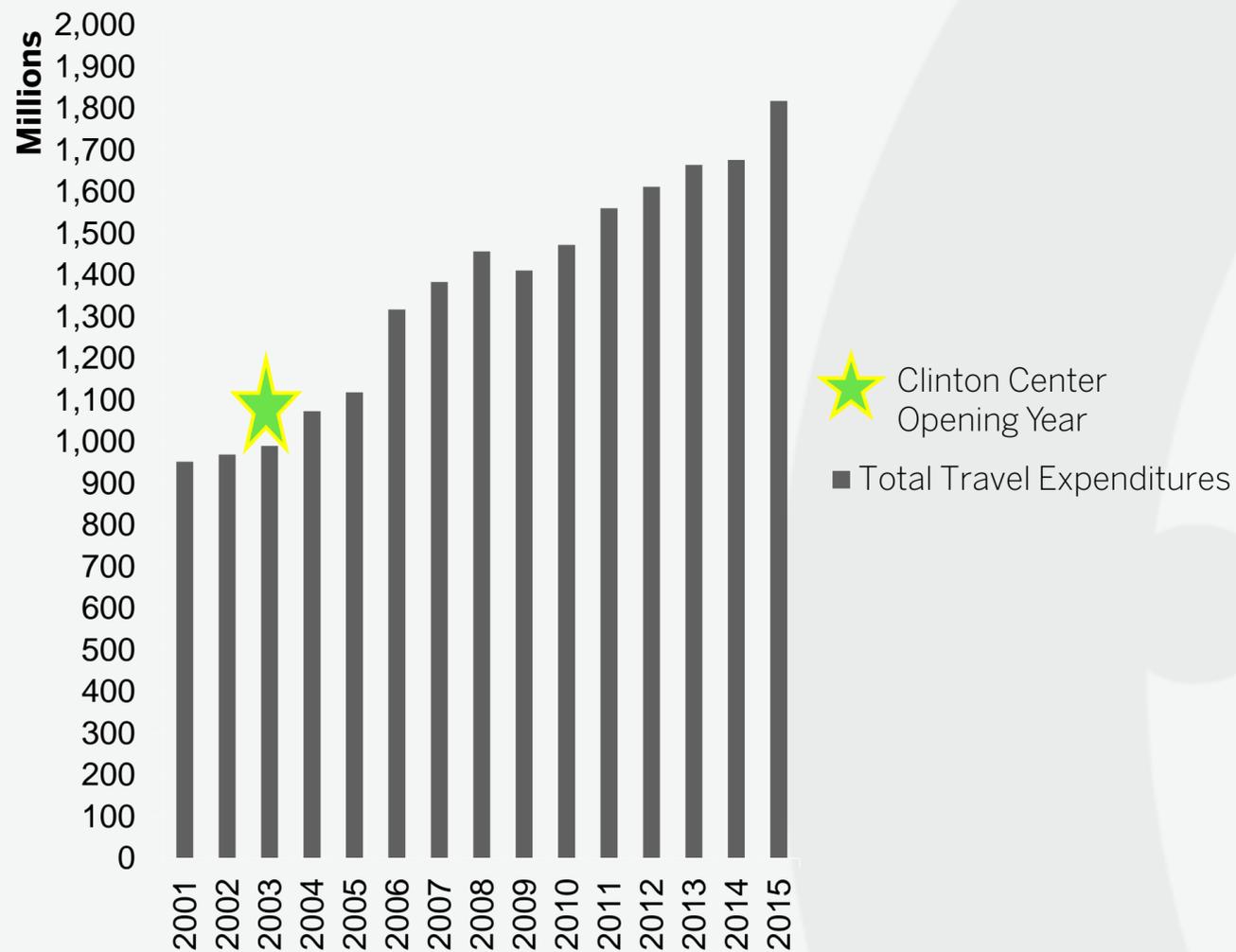
- Total Effect of the USMM and related tourist expenditures in Sebastian County:
 - \$13 million - \$22 million
- Total impact on Sebastian County GDP:
 - \$7 million - \$12 million

Economic Impact Case Studies

When considering the potential economic impact of the USMM on Sebastian County we can look at case studies in Arkansas where there has been a tangible impact on local economies resulting from world class cultural institutions being opened.

Pulaski County

Total Travel Expenditures



Benton County

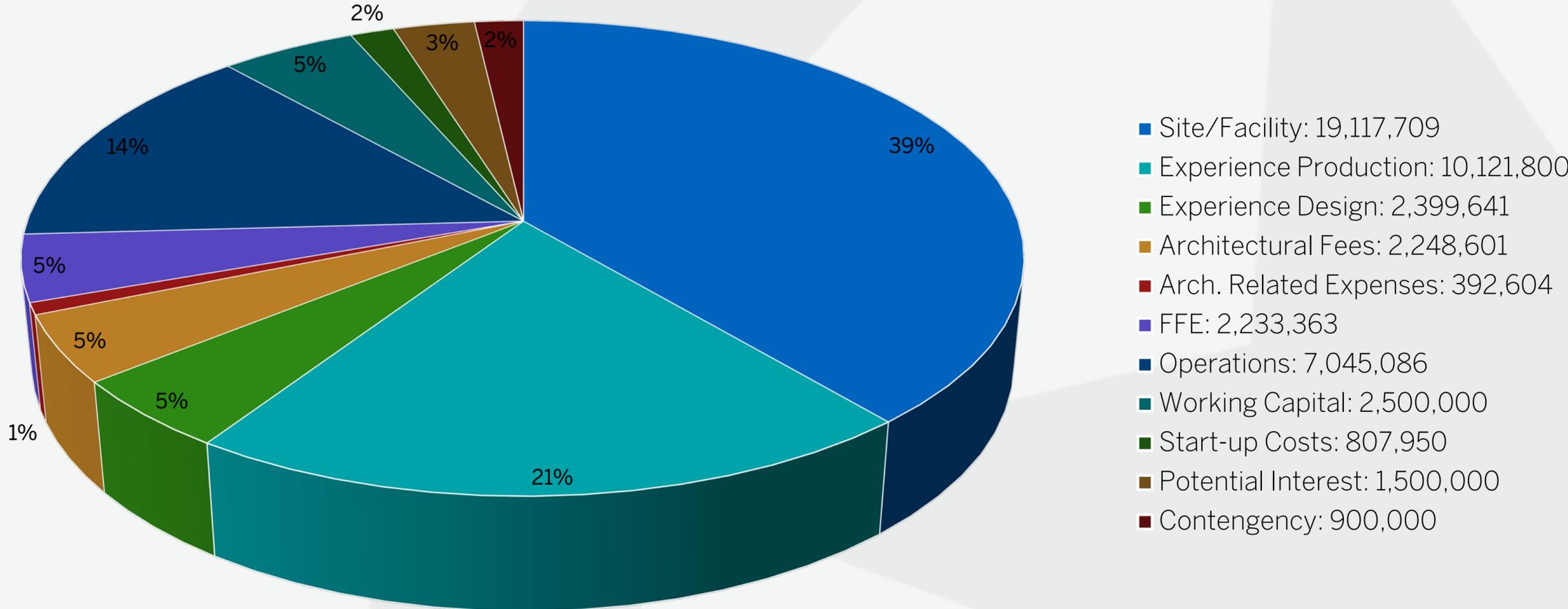
Total Travel Expenditures



Source: Arkansas Department of Parks and Tourism

Total Project Budget

Total Project Budget (cash): 49,266,754
(52.4 million including in-kind land donation)



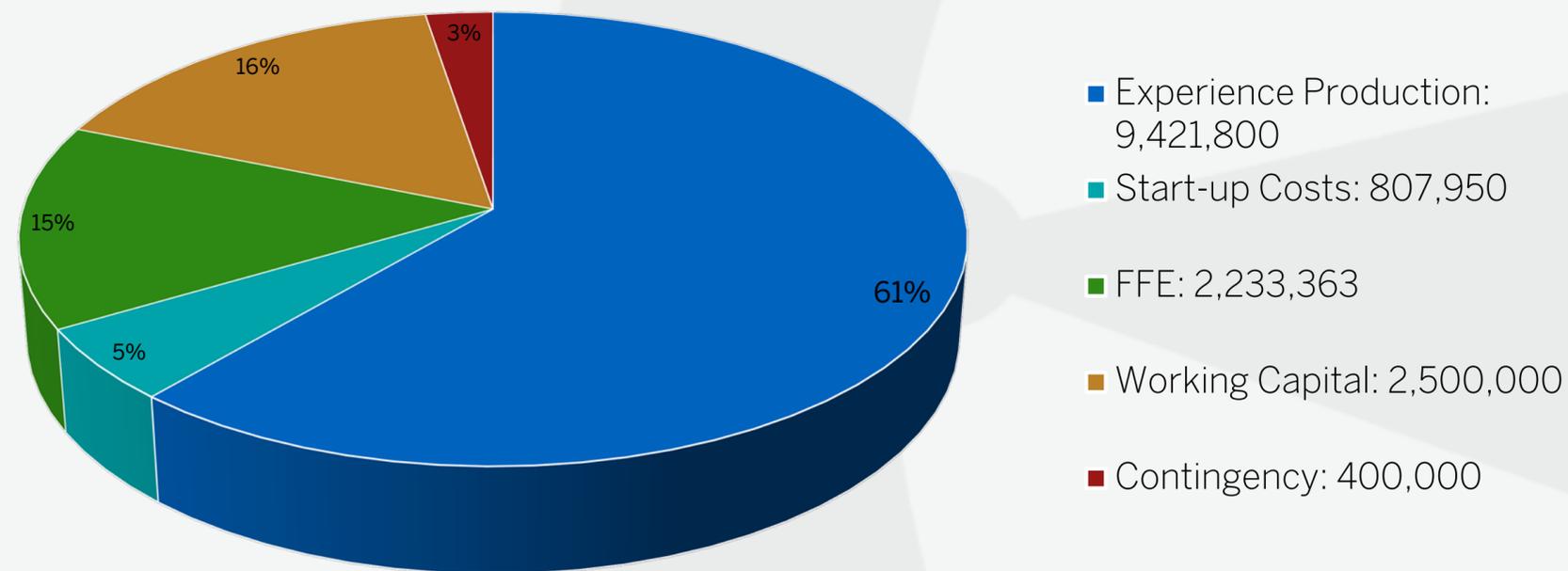
Use of Public Support Funding

The USMM building currently under construction, including the USMM campus and Hall of Honor has been funded through cash and pledges receivable currently in play.

There is \$17 million left to raise *including an allocation for interest on potential loans that will not be necessary with public support.*

The revenue from the requested sunset tax will be used to fund the production of the museum experience (exhibits), FFE (Fixtures, Furniture & Equipment), start up costs, working capital/cash reserves, and remaining contingency.

Total Allocations: 15,363,113



Sustainability of the USMM

The USMM will operate on a \$2.5 million annual budget. The business model for a cultural institution such as the USMM requires a combination of earned and contributed revenue. Current projections cap annual fundraising needs at \$600,000 with the remainder of the required revenue being earned through:

- General Admission (Resident Markets, Tourism, Local Festivals and Events)
- Retail
- Food and Beverage
- Facility rentals
- Programs and events
- Spring / Summer Camps
- Temporary exhibitions

Once the USMM has completed raising money for the capital project and has established operations, the USMM Foundation will focus efforts on creating an endowment fund that will be used to off-set annual contributed revenue needs.

Fiscal responsibility is a top priority for the USMM staff and board of directors. The financial health of the organization will be reviewed:

- Daily by staff through the use of forecasting tools.
- Monthly by the USMM Board of Directors finance committee through the use of monthly financial statements, and forecasting tools.
- Annually by a 3rd party auditing firm.

All financial statements and audits will continue to be available to the public and will be presented at quarterly USMM board meetings.

Why Now?

- Fundraising began in earnest for the \$52.4 million project (including land value) in late 2009. To date, the U.S. Marshals Museum Foundation (USMMF) has raised almost \$35.4 million in cash, pledges and land (in-kind). Despite economic and geographic headwinds, the vision and generosity of donors giving over 2,000 individual gifts has allowed the USMM to begin construction of the \$19.1 Museum building.
- Construction of the Museum building began in July. With sufficient money to pay for the Museum, starting construction avoided escalating construction costs, especially steel and labor. A delay in construction threatened to place completion of the Museum further down an unpredictable path for a community whose passionate support brought the Museum “home” to Fort Smith, where it belongs.
- Even with outstanding fundraising asks, it is uncertain when and how many of those will be successful, if any. If the USMMF is fortunate enough to receive capital gifts in excess of public support, those funds will be used to help build an endowment to help provide for the long-term financial stability of the USMM.
- The people of Fort Smith value their historic downtown, their connectivity to their Marshals Service past, and see the value of preserving their culture for future generations. Economic benefits to downtown revitalization, riverfront development, and the national recognition flowing from having the United States Marshals Museum in Fort Smith are powerful reasons why we need to fully fund the Museum without further delay.

