



JEKYLL ISLAND STATE PARK AUTHORITY

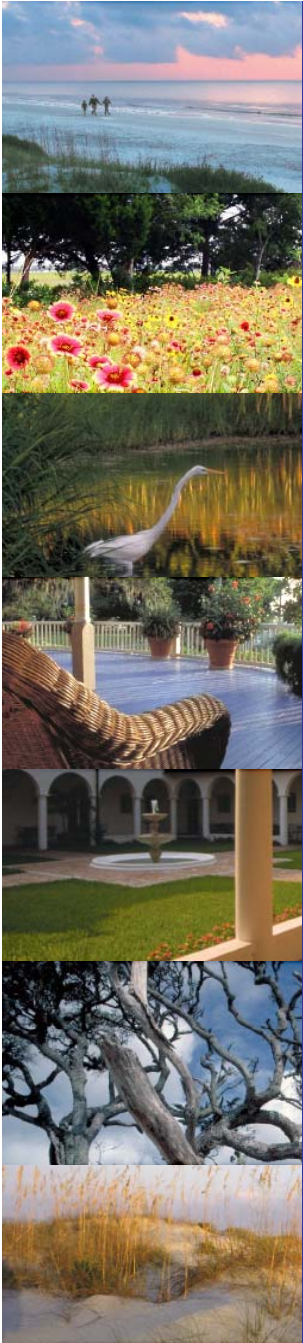
ANALYSIS OF LONG TERM IMPACTS OF DEVELOPMENT ON JEKYLL ISLAND:
PRELIMINARY REVITALIZATION & FISCAL FORECASTS

September 15, 2008

DRAFT

NOTE

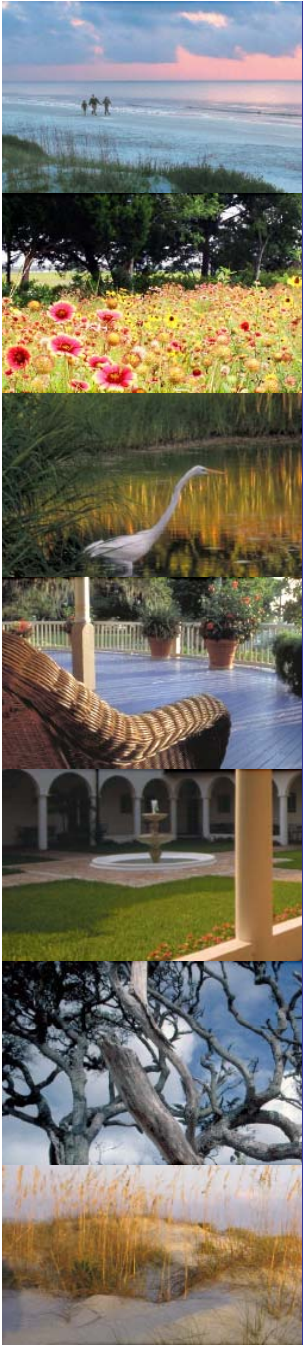
- The following slides have been specifically prepared to accompany an oral presentation by Bleakly Advisory Group, Inc. The oral presentation provides a more detailed explanation of the methodology, data sources, findings and conclusions. The oral presentation is integral to understanding the following information and the basis for the findings. The background analysis and data which this presentation relies upon will be included in the full report. That report will be completed shortly.



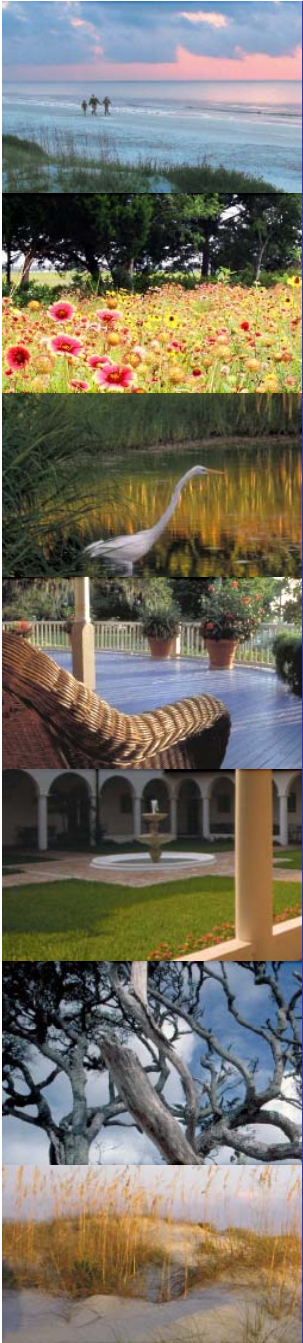


Presentation Outline

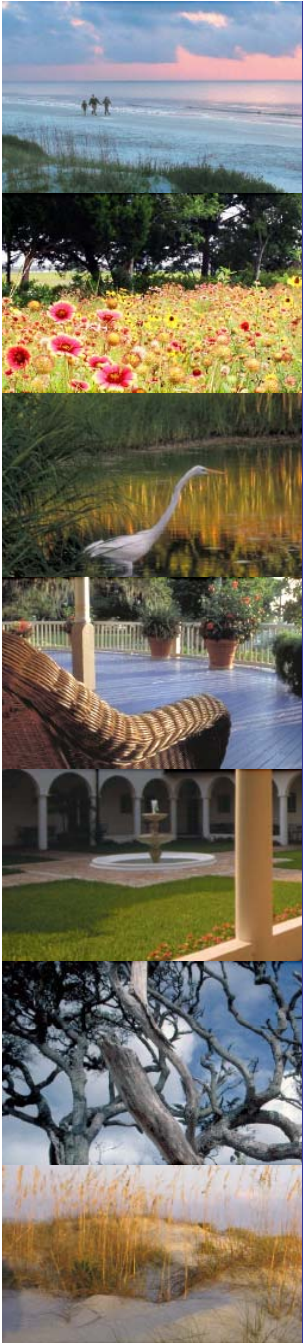
- Purpose
- Scope and Methodology
- Data Sources
- Baseline Forecast Assumptions
- Summary Findings
- Conclusion
- Next Steps



Purpose



- In the legislation creating Jekyll Island State Park the Georgia legislature mandated that the island, unlike other Georgia state parks, must be financially self-sustaining. This factor requires that the Jekyll Island Authority (JIA) take a business-like approach to assuring it has the financial resources necessary to protect and preserve the island's extensive public assets for the enjoyment of all Georgians.
- This analysis estimates the level of future visitation and related redevelopment necessary to both maintain the Authority's financial viability and finance investments in visitor amenities and public assets to secure the Island's future as Georgia's Jewel.
- As part of its stewardship of this unique resource, the Authority seeks to balance its financial needs while preserving the unique historic and natural assets of Jekyll Island, which are the centerpiece of its appeal.
- The presentation summarizes a detailed analysis of the financial implications of visitation on Jekyll Island and provides an important analytic framework for considering the appropriate level of future development on the island.



Scope and Methodology

- The scope of the visitation analysis/business plan is designed to address 9 issue areas:
 1. Understand historical visitation and usage of Jekyll Island from all sources--hotel guests, primary and seasonal residents, weekly cottage renters, family visitors/unpaid guests and infrequent day trippers.
 2. Analyze how historical visitation has impacted JIA operations in terms of revenues, expenses and infrastructure capacity.
 3. Analyze future JIA revenue requirements to maintain/improve visitor amenities, including curing deferred maintenance items and implementing identified long-range capital projects.



Scope & Methodology

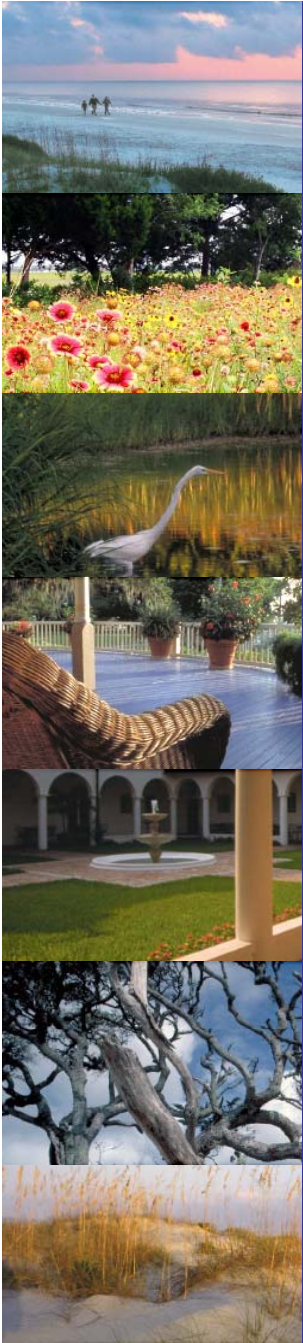
- (Continued):

4. Forecast future development levels and resulting visitation that may be possible over the next 15 years

- Cooper Carry estimated the upper limits of potential growth allowed by existing regulations and controls (using the Master Plan, Conservation Guidelines, etc.)
- Evaluate a range of development alternatives and their impacts on visitation
- Estimate the amount of growth actually needed to meet the JIA's financial objectives

5. Analyze the impacts of forecasted development and visitation on JIA revenues, operating expenses and existing infrastructure capacity

- (Assisted by Thomas & Hutton Engineering Co.)



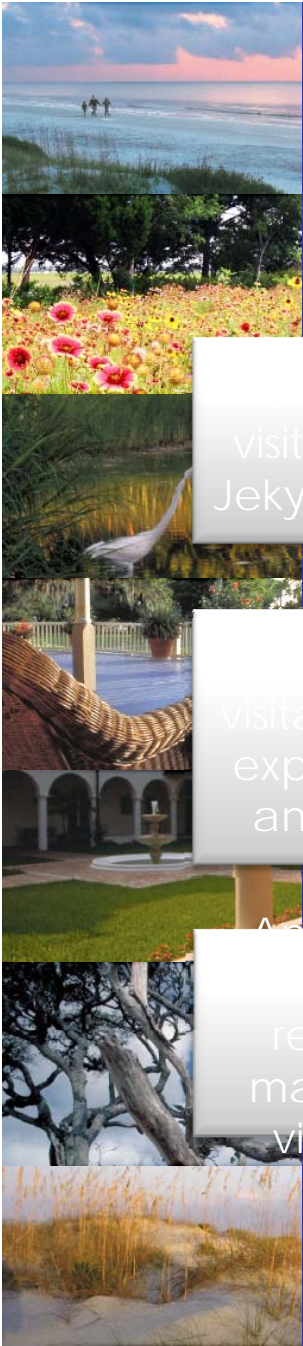
Scope & Methodology

- (Continued):
 6. Compare projected levels of revenues and expenses against identified investment needs to estimate the level of visitation and future development needed to maintain and enhance the island's public assets.
 7. Compare projected future development levels, population densities and annual visitation to Jekyll Island against existing conditions in comparable Southeastern U.S. coastal destinations today to provide a context for the island's future.



Scope & Methodology

- (Continued):
 8. Evaluate alternative strategies that might be considered in order to upgrade visitor amenities with lower levels of visitation and development.
 9. Provide the JIA with a flexible business planning tool that can assist in evaluating future development alternatives in light of its stewardship objectives.



Summary Methodology: Visitation Analysis

visitation patterns at Jekyll from all sources



visitation impacts JIA expenses, revenues and infrastructure



requirements to maintain/improve visitor amenities

potential and visitation over 15 years



development on JIA revenues, expenses and infrastructure



JIA revenues and expense to future capital needs

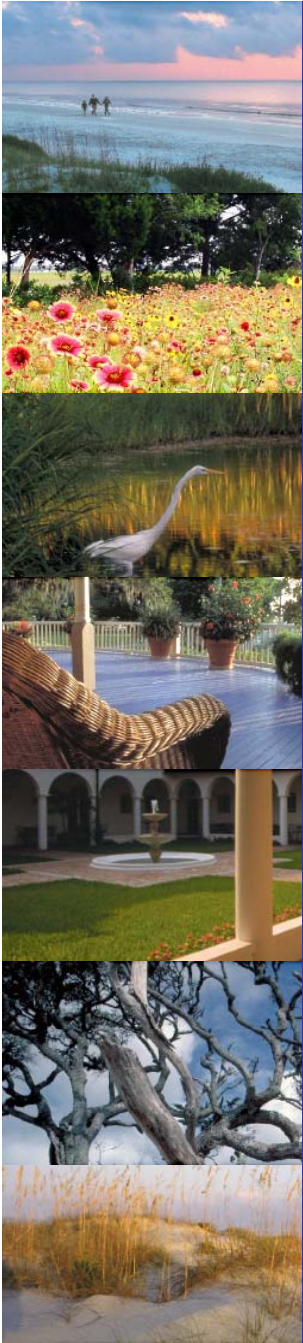
development levels to comparable SE coastal destinations



strategies for generating revenue for capital needs

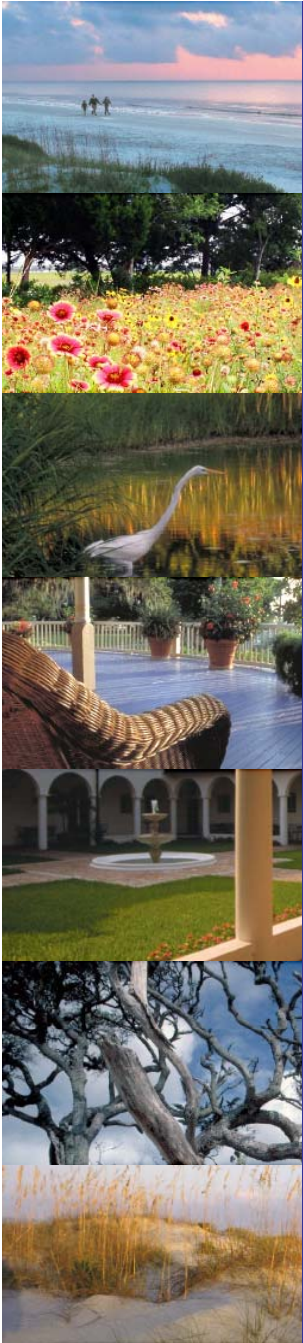


financial model for evaluating future conditions.



Definition of Financial Sustainability

- Jekyll Island generates a level of future visitation and related revenues that enable the JIA to:
 - Invest adequate funds to preserve/enhance public assets and replace capital equipment
 - Cover debt service payments necessary to implement desired long-range improvements
 - Minimize future cost increases on existing island residents, businesses and visitors
 - Not overburden existing transportation and utility infrastructure
 - Keep future development densities on Jekyll well within the range of comparable Southeastern coastal destinations



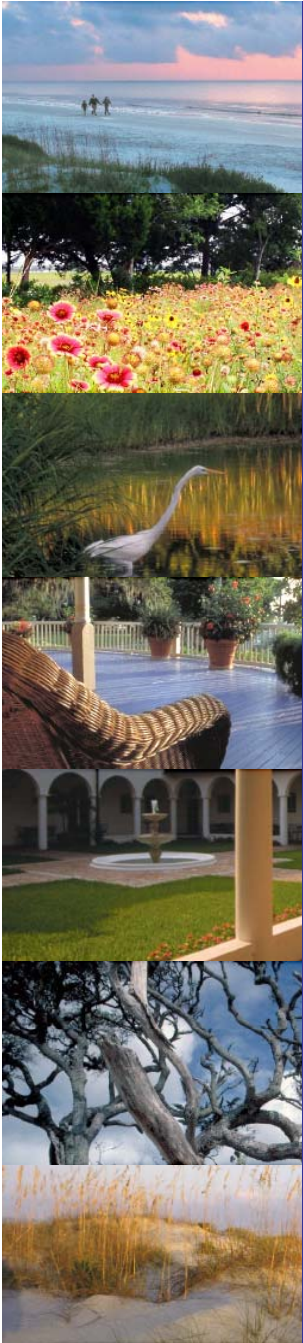
Data Sources

- Key source data the analysis are from:
 - Jekyll Island Authority Annual Reports, financial statements and internal records
 - US Census
 - Prior Island Master Plans and related studies
 - Brunswick & Golden Isles CVB Surveys
 - Glynn County assessment records
 - Georgia Department of Transportation
 - Thomas & Hutton Engineers/Cooper Carry
- The Preliminary Forecast have been developed by Bleakly Advisory Group, based on best available information.
- All forecasts are preliminary, subject to further refinement and may change



Baseline Forecast Assumptions

- The JIA will need to continue to be largely financially self-sustaining
- Island attractions, visitor amenities and public spaces will continue to be maintained at current or improved levels
- No new visitor attractions or closings of existing attractions are anticipated in the forecast
- Financial projections assume no change in JIA operational responsibilities over the forecast period
- Unless otherwise specified, future relationships between visitation and JIA revenues and expenses are assumed to be similar to those observed during the 1990 – 2008 period



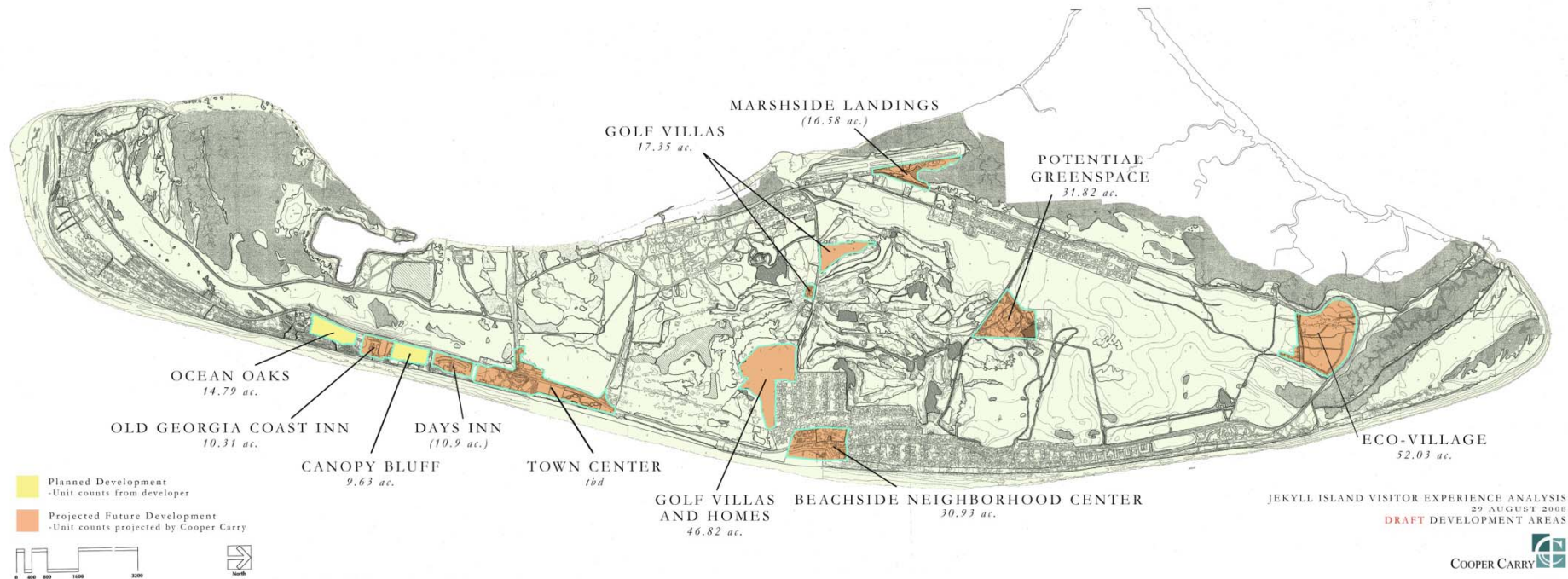
Baseline Forecast Assumptions

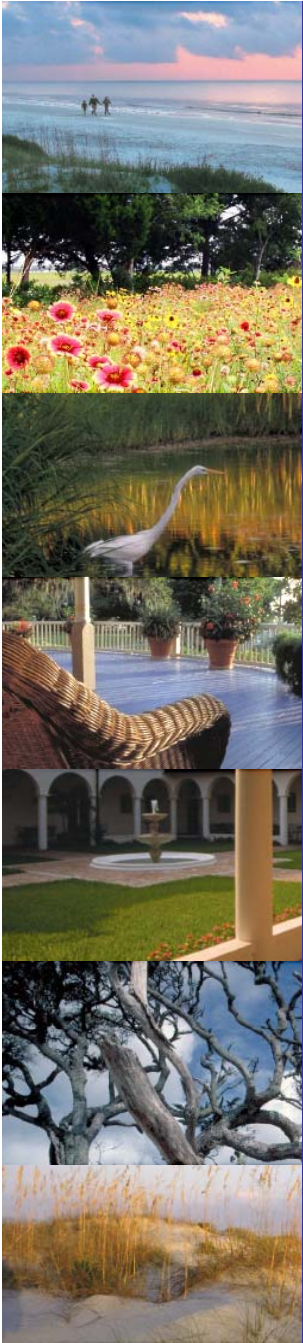
- No substantial changes to existing fee structures are assumed in the forecast
- Future fee increases are consistent with past appreciation rates
- The 1996 Jekyll Island Master Plan, the 2004 Master Plan Update, the Revitalization Plan (Cooper Carry) and proposed Conservation Guidelines served as the basis for identifying the locations and upper limits of future development scenarios
- There will be no changes to 65%/35% limit on “developable” acreage on the island
- Future development densities will be consistent with existing conditions and recent trends on the island



Baseline Forecast Assumptions: Potential Development Locations

- Cooper Carry estimated a range of possible growth scenarios on the 6.0% of the island's land area which could potentially change in the future (highlighted on the map below):





Characteristics of Jekyll Island's "developable" land area

- Of the Island's total land area that is potentially available for development or redevelopment based on existing regulations and controls:
 - 157 acres are already built on and could be redeveloped (3.7% of the island)
 - (Canopy Buff and Ocean Oaks represent 24.4 acres of this total)
 - 99 acres are currently undeveloped (2.3% of the island) and could be developed

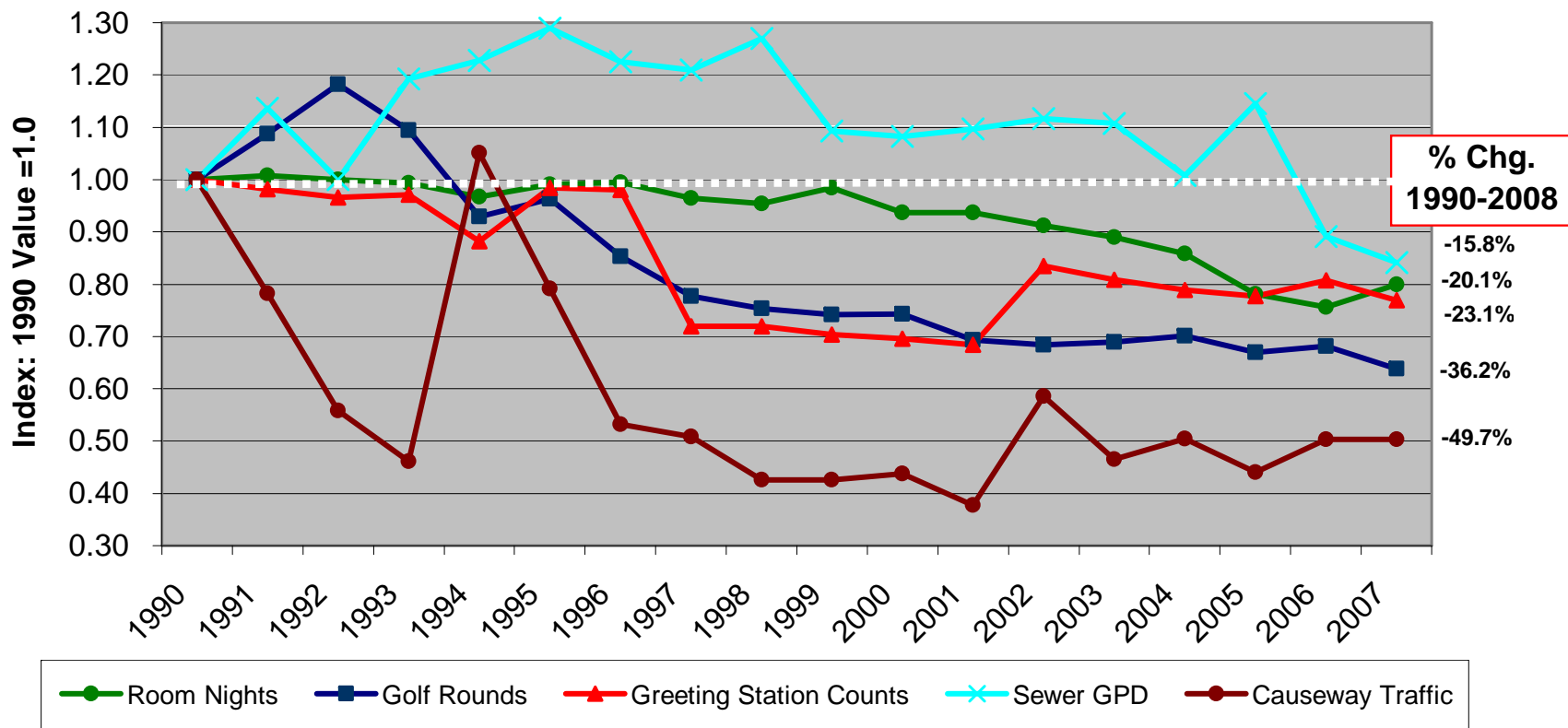


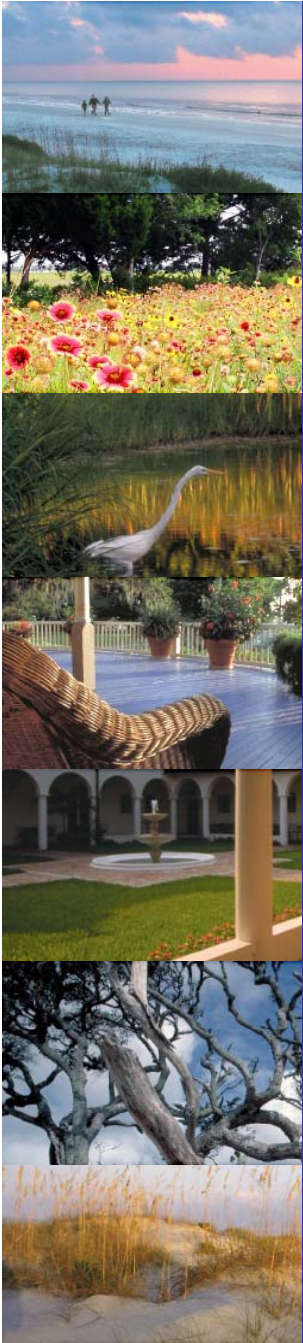
Summary of Findings

Visitation Trends
Historical JIA Revenues/Expenses
Impacts of Revitalization on
Projected Visitation and JIA Operations

Finding 1: Several objective measures indicate that visitation and utilization of Jekyll Island is down a minimum of 15% to 25% since the early 1990's. Historically the island has supported much higher activity than it does today.

Indexed Trends in Hotel Occupancy, Golf Rounds, Parking, Traffic and Wastewater Treatment Demand: FY1990-2008 (FY90 = 1.0)

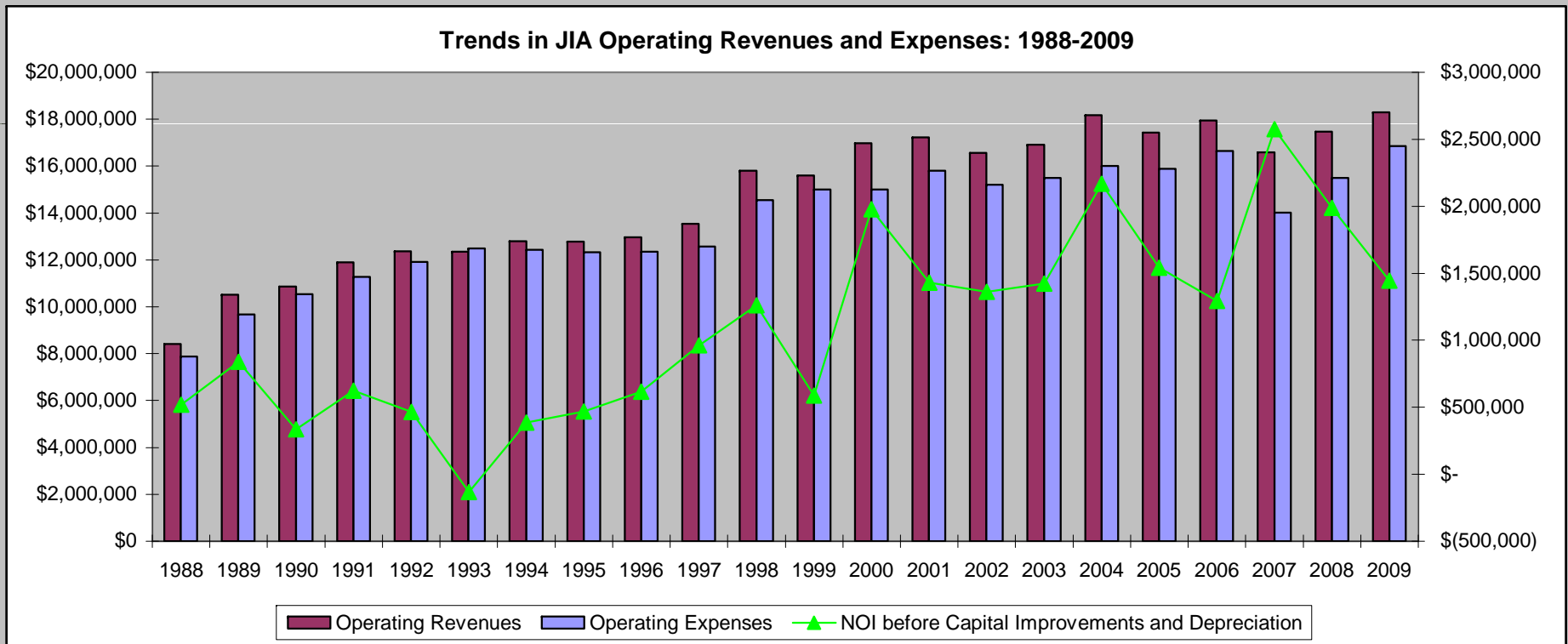




Finding 1(continued)

- BAG estimates that Jekyll Island visitation peaked at approximately 2.1 million in 1988-89
 - 346,000 occupied hotel room nights
- BAG estimates visitation at 1.49 million in FY 2008 (down 23%) from the historical peak
 - 213,000 occupied hotel room nights in FY 2008 (down 39% from historical peak)
- GDOT traffic estimates indicate that the causeway carried roughly 4,100 vehicles/day (1.5 million trips) during 2007
 - Annual traffic is down 51% from a 1990 peak of nearly 3.1 million trips

Finding 2: JIA annual operating revenue and expense growth in recent years have been slower and more volatile than the prior decade, not keeping pace with inflation. Available net income for reinvestment in capital improvements and depreciable assets has also not changed significantly, even though the JIA has kept growth in operating costs to a minimum. When adjusted for inflation, JIA revenues have actually **declined** at a 2.3% annual rate since 2002.



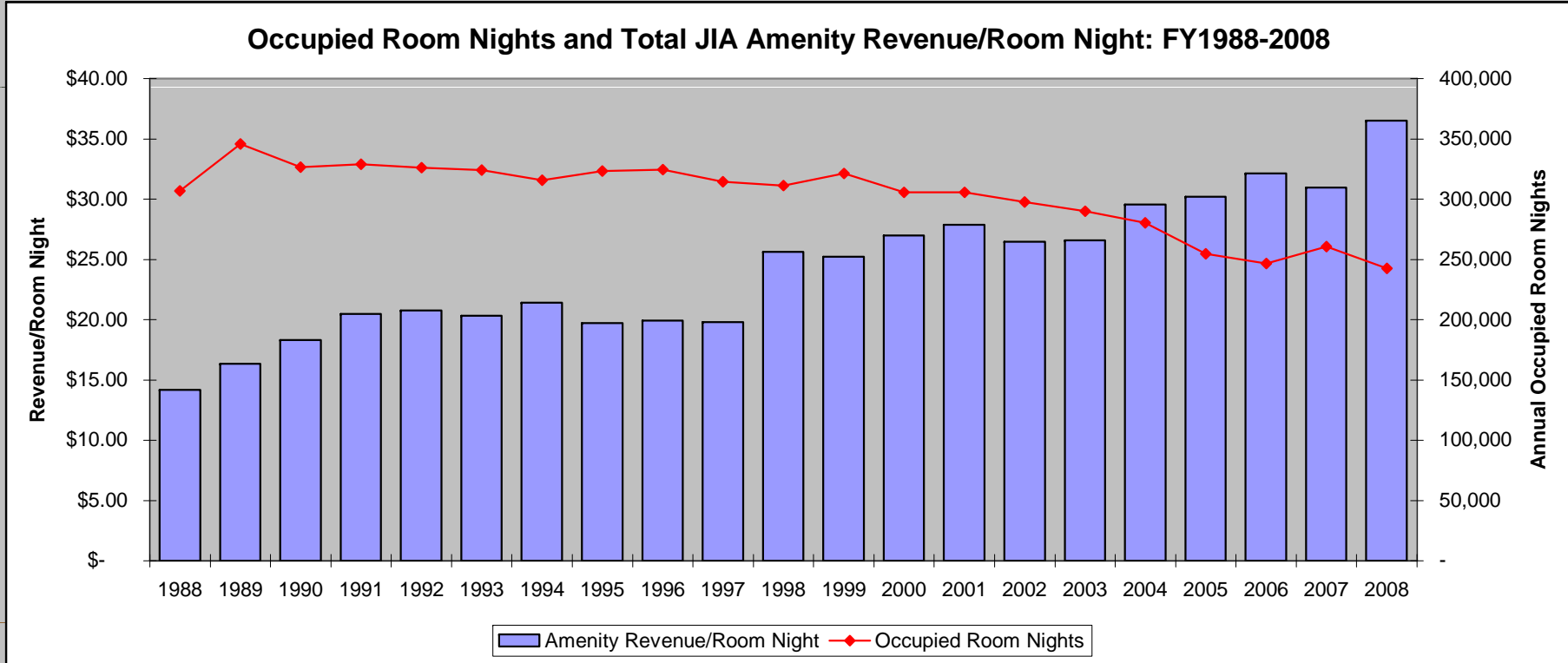
Revenue totals include administrative, amenity, municipal and other revenues. NOI available for capital improvements and depreciation has averaged \$1.7 million per year since 2000. JIA operating expenses have increased at less than 0.5% per year since 2000.

Finding 3: Despite making significant capital improvements in recent years, the depreciation of Jekyll Island's fixed public assets has occurred at double the rate of reinvestment by the JIA. This is one indicator of deferred maintenance. The JIA will need to substantially increase its annual capital spending in the future in order to maintain high quality visitor amenities.

Jekyll Island Asset Value	2004	2005	2006	2007	Annual % Change
Fixed Public Assets					
Land & Improvements	\$ 146,663	\$ 146,663	\$ 146,663	\$ 146,663	0.0%
Furniture & Equipment	\$ 3,494,947	\$ 3,429,507	\$ 3,614,135	\$ 4,222,995	6.5%
Buildings	\$ 40,294,399	\$ 40,294,400	\$ 40,396,812	\$ 41,025,410	0.6%
Water/Wastewater	\$ 10,888,319	\$ 10,888,319	\$ 10,888,319	\$ 10,888,319	0.0%
Non-Building Improvements	\$ 9,736,865	\$ 9,736,865	\$ 10,874,705	\$ 11,282,483	5.0%
Infrastructure	\$ 1,219,068	\$ 1,219,068	\$ 1,219,068	\$ 4,300,465	52.2%
Art & Historical Treasures			\$ -	\$ 70,898	
Construction Work In Progress	\$ 1,272,608	\$ 2,774,917	\$ 4,250,552	\$ 2,973,075	32.7%
Subtotal: Fixed Assets	\$ 67,052,869	\$ 68,489,739	\$ 71,390,254	\$ 74,910,308	3.8%
Accrued Depreciation					
Land & Improvements	\$ -	\$ -	\$ -	\$ -	
Furniture & Equipment	\$ (2,594,702)	\$ (2,661,029)	\$ (2,846,786)	\$ (3,186,691)	7.1%
Buildings	\$ (4,598,541)	\$ (4,912,245)	\$ (5,229,021)	\$ (5,564,655)	6.6%
Water/Wastewater	\$ (5,882,494)	\$ (6,073,337)	\$ (6,257,296)	\$ (6,437,526)	3.1%
Non-Building Improvements	\$ (4,042,371)	\$ (4,555,334)	\$ (5,182,081)	\$ (5,836,013)	13.0%
Infrastructure	\$ (180,396)	\$ (297,375)	\$ (414,353)	\$ (744,486)	60.4%
Art & Historical Treasures			\$ -	\$ (1,772)	
Less Accrued Appreciation:	\$ (17,298,504)	\$ (18,499,320)	\$ (19,929,537)	\$ (21,771,143)	8.0%
Depreciation as a % of Asset Value	-26%	-27%	-28%	-29%	4.1%
Equity in Fixed Assets	\$ 49,754,365	\$ 49,990,419	\$ 51,460,717	\$ 53,139,165	2.2%

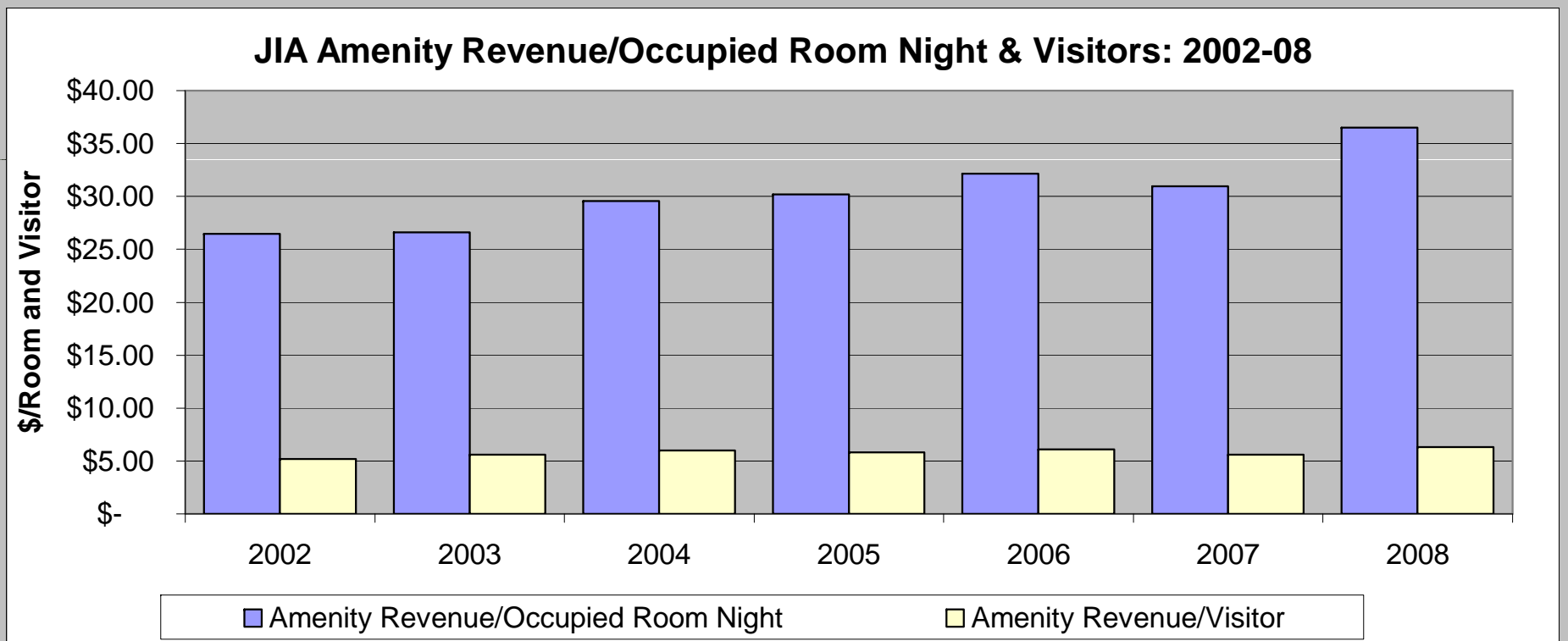
(The JIA has invested the equivalent of roughly 3% of the value of its public assets toward capital improvements and equipment replacement over the fast few years.)

Finding 4: Historically, there has been a strong correlation between the number of overnight visitors to Jekyll Island and total revenues earned by JIA amenities. Spending per visitor has continued to rise despite declining numbers of overnight visitors. The ability to raise income per visitor (and minimize operating cost) has sustained JIA operations throughout a prolonged period of declining economic activity.



Totals include net revenues from golf & tennis, food & beverage, Summer Waves, campground, museum, GA Sea Turtle Center and miniature golf/bike rentals, divided by the number of occupied room nights as monitored by the JIA. The 2008 jump in revenue/occupied room is due in part to the opening of the Sea Turtle Center.

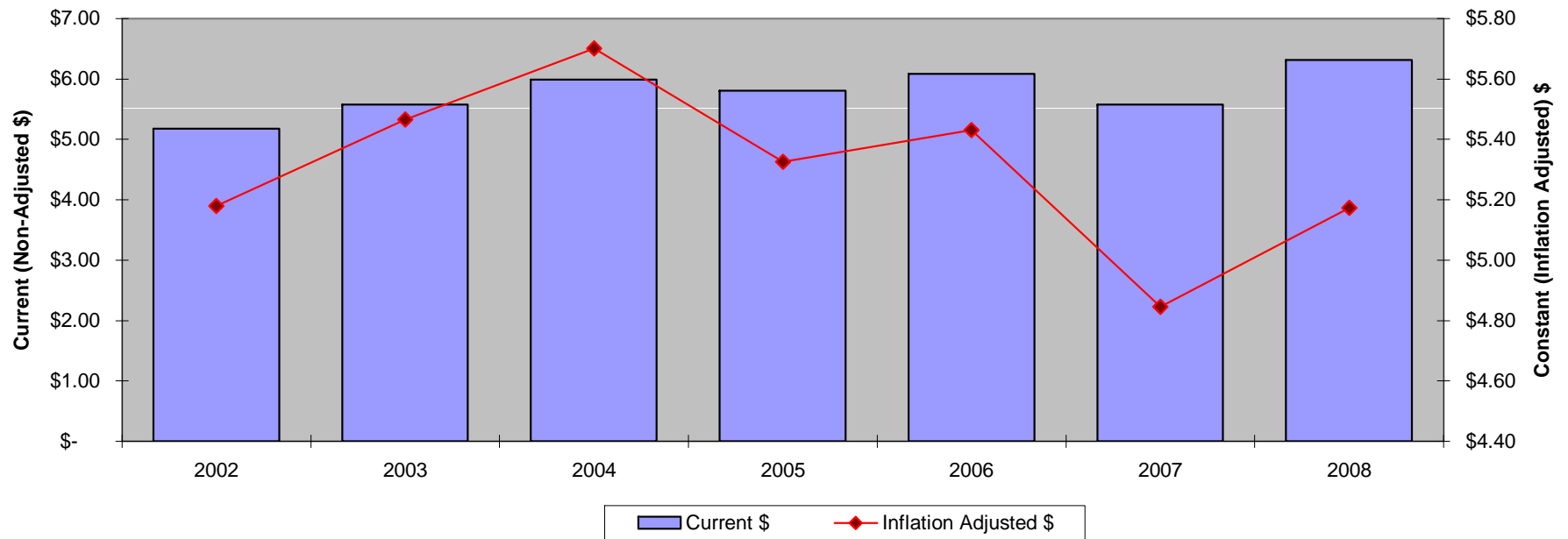
Finding 5: Amenity revenue per visitor, including overnight guests and day trippers, has remained consistent between \$5 and \$6 per person since 2002. Overall visitation to the island, including day trippers, is a strong predictor of future amenity revenues to the JIA.



Totals include net revenues from golf & tennis, food & beverage, Summer Waves, campground, museum, GA Sea Turtle Center and miniature golf/bike rentals, divided by the number of occupied room nights as monitored by the JIA. Revenue/visitor has been more stable because increased day trip activity has partially offset declining hotel stays.

Finding 5 (Continued): When adjusted for inflation, JIA amenity revenue/visitor has fallen 9.3% since 2004.

Comparison of JIA Amenity Revenue Per Visitor in Constant (Inflation Adjusted) and Current (Non-Adjusted) \$: FY 2002-08



Totals include net revenues from golf & tennis, food & beverage, Summer Waves, campground, museum, GA Sea Turtle Center and miniature golf/bike rentals, divided by the number of annual visitors as estimated by Bleakly Advisory Group. Measured in real (inflation adjusted) dollars, 2008 revenue/visitor was essentially the same as 2002.

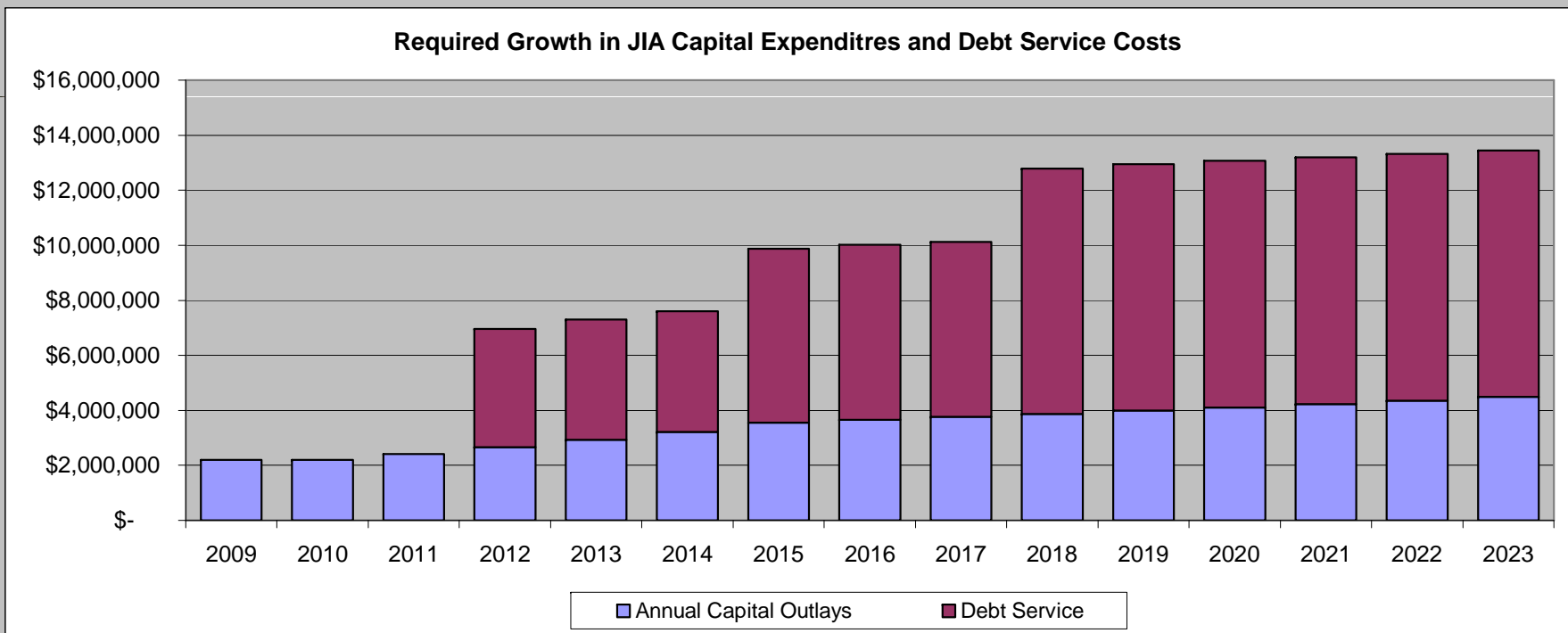
Finding 6: The JIA has identified \$102 million in major maintenance items and capital improvements (in 2008 \$) that are needed within the next 10 to 15 years. Nearly \$99 million of these costs must be funded from JIA resources. This estimate is considered to be the minimal necessary to keep amenities in marketable condition over the long term. The JIA will need to fund these improvements from revenues generated by increased visitation.

Program Areas	2008 Cost Estimate
Convention Center & "Town Center" Infrastructure	\$ 25,000,000
JIA Amenity Improvements	\$ 23,410,000
Transportation and Infrastructure Improvements	\$ 23,490,000
Historic District Improvements	\$ 30,000,000
TOTAL CAPITAL PROGRAM	\$ 101,900,000
Less Anticipated Revenues from Other Sources	\$ (3,000,000)
Net JIA Financing Requirement	\$ 98,900,000

[1] Other revenue sources include \$3.0 million in County SPLOST funds for road and infrastructure improvements over 5 years.

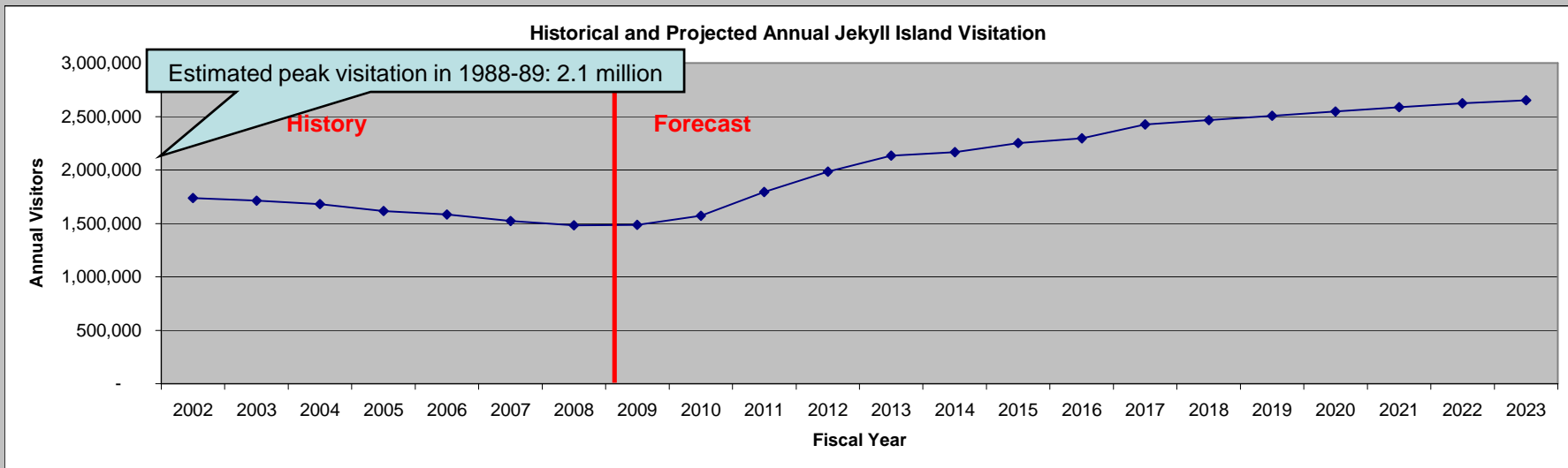


Finding 7: BAG estimates that the JIA will need to raise \$13 million/year by 2020 to finance identified major capital improvements, adequately maintain existing assets, replace/add equipment, improve visitor amenities and accommodate increased tourism visits to the island.

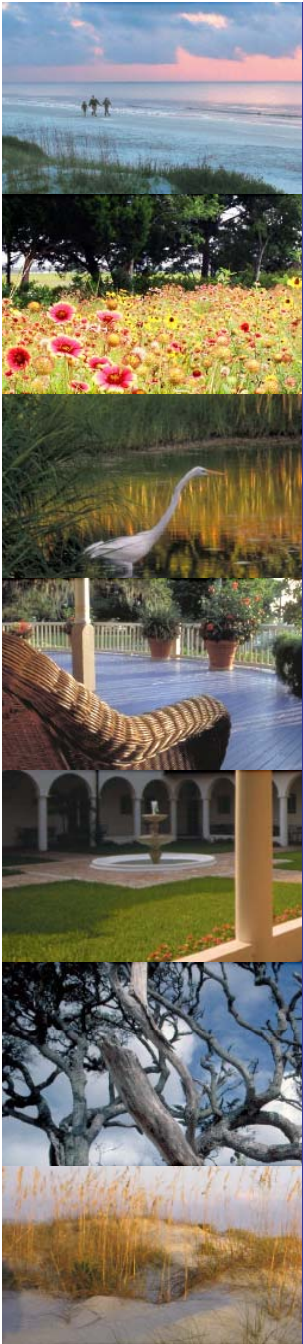


Finding 8: Jekyll Island will need to attract 2.6 to 2.7 million visitors per year to raise sufficient income to fund operations and required capital improvements. Current annual visitation is estimated at just below 1.5 million. The island attracted an estimated 2.1 million visitors in 1988-89.

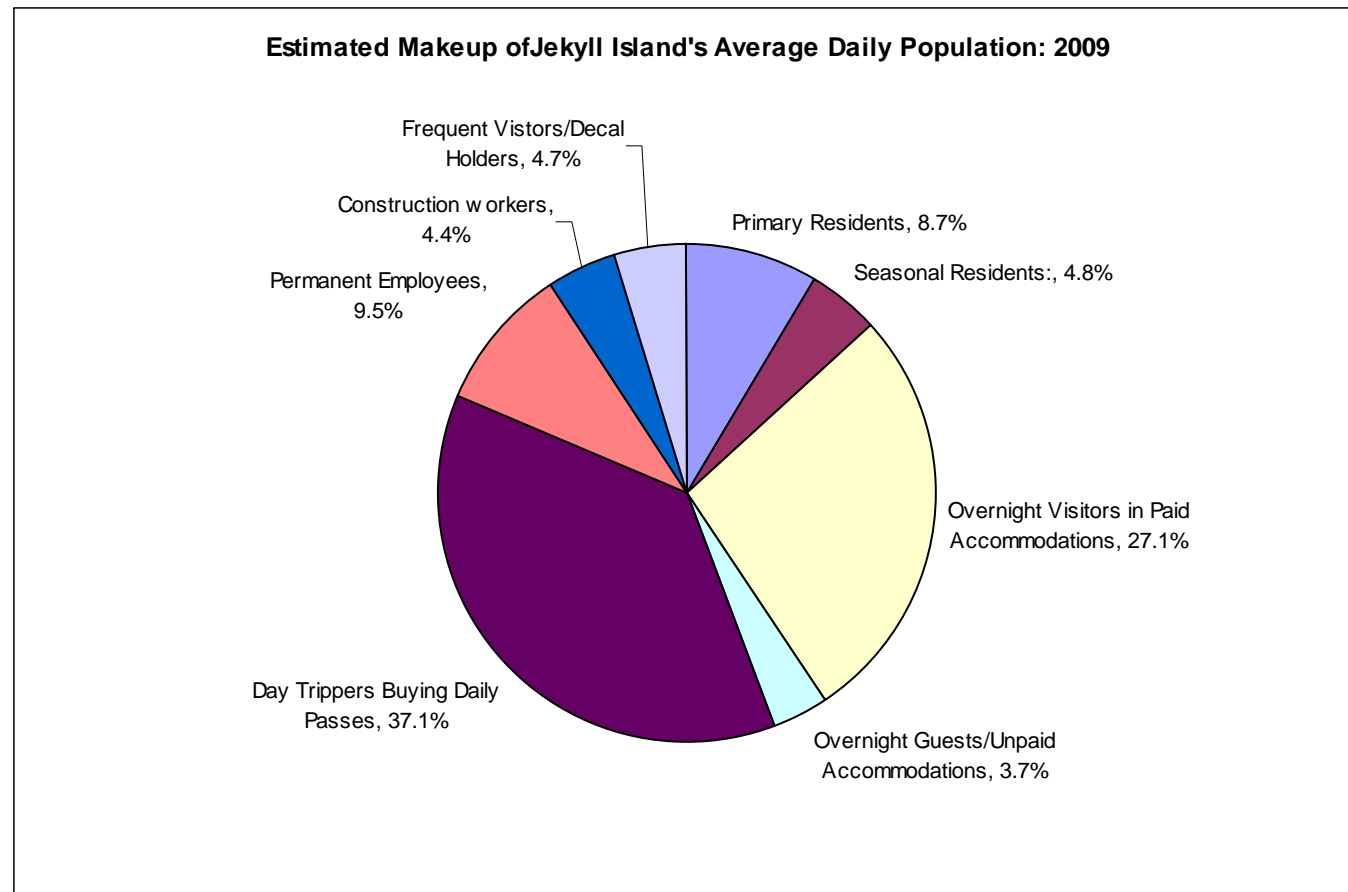
- Annual visitation to the island has been declining at a -2.6% annual rate since 2002 and is down roughly 23% since 1988-89. Visitation would need to grow by 3.9% per year over the forecast period to generate sufficient income needed to finance operations and public improvements



Annual Visitors includes persons staying in paid accommodations, family members and guests of permanent/seasonal residents and "infrequent" day trippers purchasing daily parking passes.



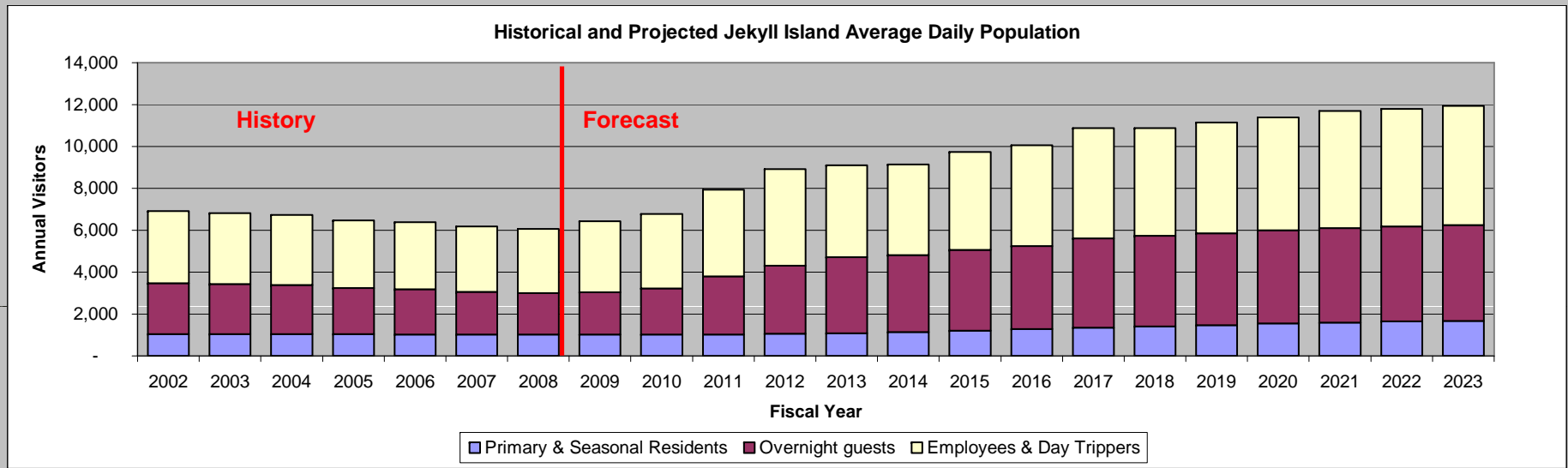
Finding 8 (Continued)



- Approximately 68% of the island's typical daily population are "visitors". The balance includes residents, workers and nearby Glynn County residents who use the park on a frequent basis.



Finding 8 (Continued)



Average daily population includes persons staying in paid accommodations, family members and guests of permanent/seasonal residents, day trippers and employees.



- BAG estimates that the daily population on Jekyll Island (including visitors, residents and employees) averages just over 6,000
- Average population is expected to increase to 11,900 per day by 2023
- Daily population increases approximately 30% during peak periods

Finding 9: Based on Cooper Carry’s research, the 6% of the Island’s developable land area could support a total of 2,500 to 2,900 lodging rooms, 1,340 to 1,440 cottages, townhomes and condos and 594,000 to 668,000 SF of commercial and civic space (including existing development). ***BAG’s findings indicate that the amount of development actually needed to support JIA operations falls below the low end of this range,***

Annual Development Projections	Existing Conditions	Potential Development Levels by Year 15		
		Low	Medium	High
Lodging Accommodations	Rooms ----->			
Hotel Rooms[1]	805	1,854	1,955	2,072
Cottages/Condo Hotel Units [1]	23	522	580	733
Vacation Ownership/Timeshare Units	-	160	160	160
TOTALS	828	2,536	2,695	2,965
Campsites	206	226	246	266
Privately Owned/Leased Residential Properties	Dwelling Units ----->			
Cottages, Townhomes, Condos & Apartments	801	1,344	1,381	1,446
Non-residential Buildings	Building SF ----->			
Commercial/Retail, Restaurant Other Uses	87,310	112,310	139,310	177,310
Tourism Facilities and Attractions	253,442	274,442	274,442	283,442
JIA Operations Buildings	187,727	187,727	187,727	187,727
Churches	19,620	19,620	19,620	19,620
TOTALS	548,099	594,099	621,099	668,099

Finding 10: Based on initial forecasts, the JIA could operate with appropriate levels of reserves after debt service by 2019 with the following levels of total future development. (Future totals include existing development.)

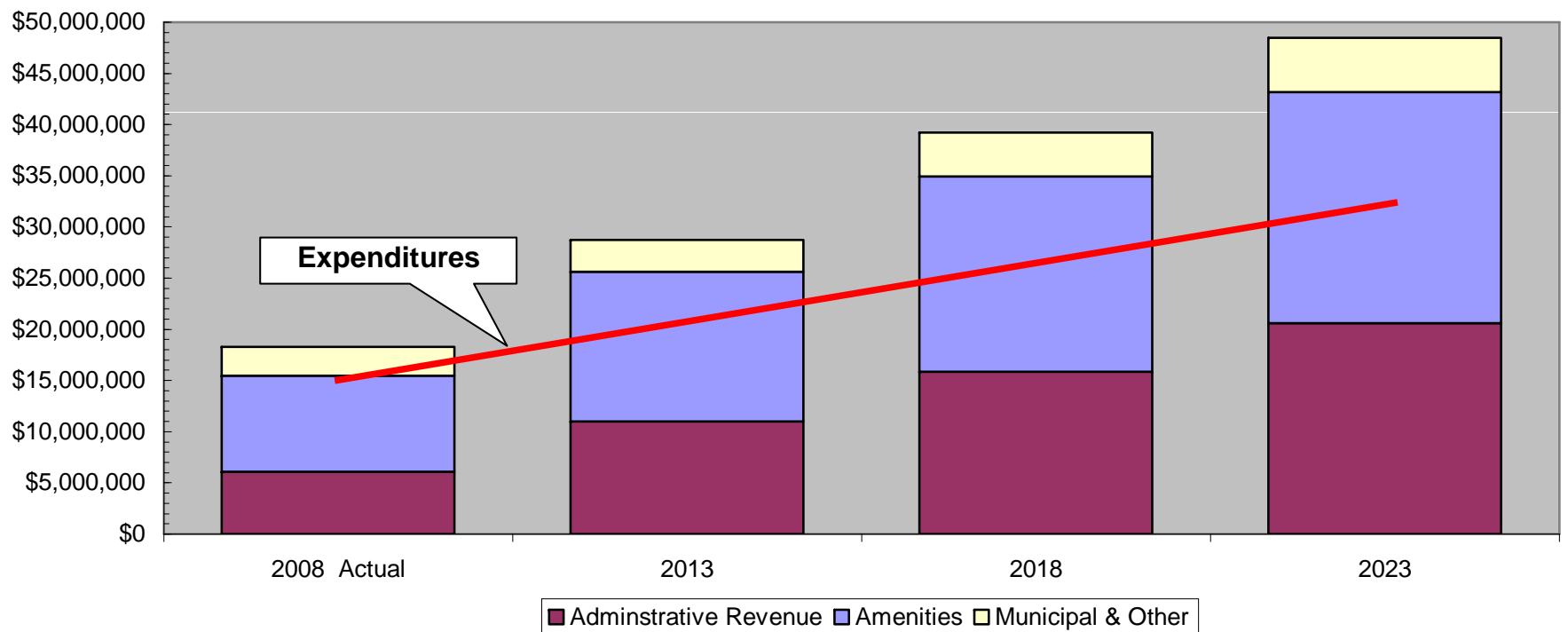
- The amount of total development needed to support visitation and income projections **totals** approximately
 - 2,500 lodging rooms
 - 1,200 housing units
 - 112,000 SF of retail development

Development Type	History		Forecast		
	1990's Peak Totals	2008 Existing	Canopy Bluff & Ocean Oaks	Other Future Proposals	Total
Lodging Units/Rooms	1,500	823	675	1,002	2,500
Residential Cottages, Duplexes & Condos	801	801	-	399	1,200
Commercial, Retail & Restaurant SF	87,300	87,300	-	25,000	112,300

- These totals represent a net addition of roughly 1,000 lodging units, 400 dwelling units and 25,000 commercial SF over levels that existed 20 years ago

Finding 11: IF the projects in the previous slide are implemented, JIA revenues are projected to grow by 6.7% and operating expenses by 4.2% per year over the 15-year forecast.

Projected JIA Revenues & Expenditures: 2008 Actual - 2023





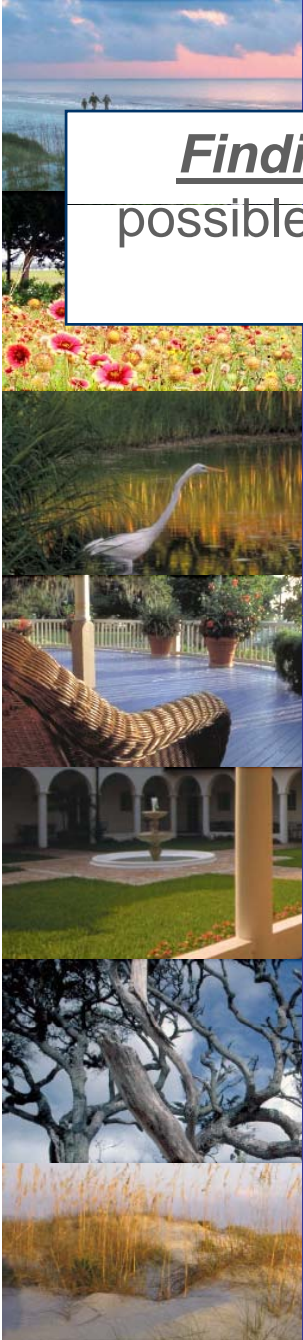
- By Year 10:

- \$9.8 million in new annual direct administrative revenues over current levels
- \$9.7 million in indirect amenity revenues as a result of increased visitation
- \$1.5 million in added municipal revenues due to increased development/utility usage
- \$9.4 million in additional annual expenses due to increased operations
- \$12.9 million available for capital improvements & debt service

Summary Findings

Finding 12: Based on forecasted revenues and net operating income, the JIA could finance required capital improvements through 4 bond issues over 10 years. The first bond assumes the State of Georgia defers repayment for 5 years. The remaining bonds could be financed by the JIA without State participation.

Potential Bond Terms/ Issue Date	2009	2012	2015	2018	TOTALS
Bond Principal & Issuance Costs	\$ 25,000,000	\$ 28,240,000	\$ 25,000,000	\$ 25,000,000	\$ 103,240,000
Term (Years)	20	25	25	20	
Interest Rate	5.5%	6.0%	6.0%	5.5%	
Annual Debt Service Costs	\$ 2,135,832	\$ 2,240,006	\$ 1,983,008	\$ 2,600,329	\$ 8,959,175

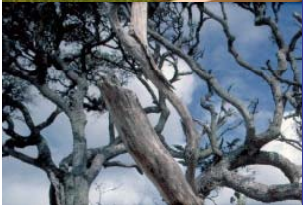


Finding 13: Securing financing for planned improvements may be possible with lower visitation by evaluating policies toward existing/new development such as....

- Existing residential ground leases (long term effect)
- Utility and municipal service fees
- Collection of hotel/motel taxes from all rental accommodations
- County taxes/generate other revenue sources from existing development



Finding 14: Several key forecast variables are sensitive to changing assumptions and should be monitored closely in the future as part of the JIA's ongoing business planning. Among these include...

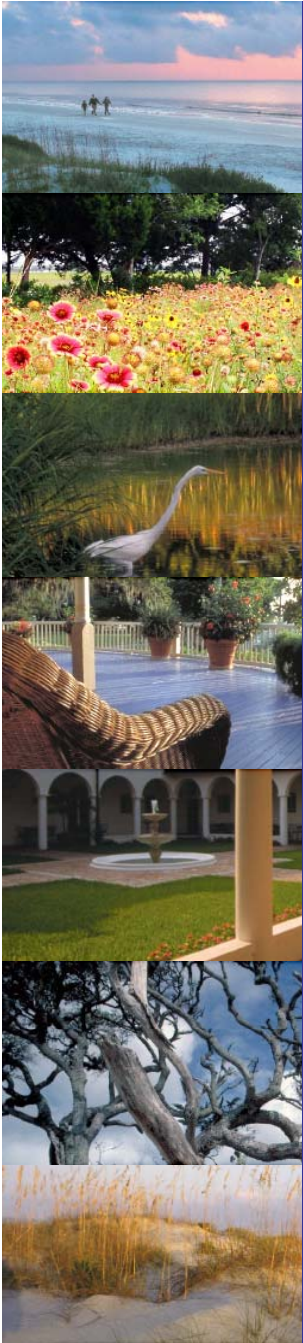


- The impact of new development on occupancy of existing accommodations
- Absorption, stabilized occupancy rates and ADRs for new accommodations
- Percentage of existing/future private dwellings placed in the rental pool
- Future JIA service fee structures



Conclusion

- Jekyll Island can be financially sustained by reaching approximately 2.65 million annual visitors. Achieving this level of visitation:
 - Supports operating costs and corrects deferred maintenance;
 - Pays for needed long range capital improvements and enhances visitor amenities;
 - Represents an approximate 21% increase (by 2023) over historical peak visitation during 1988-89
 - Only 6% of the Island's land area is directly impacted by revitalization
- Total existing and future development required to support needed visitation falls below the "low" end of the range that is possible for the 35% of the island where development is permitted.



Next Steps

- T&H is completing their analysis of infrastructure and traffic impacts based on the development/visitation forecasts
 - Adjustments will be made to the forecast as necessary to incorporate the findings
- BAG is collecting analyzing existing conditions data in comparable Southeastern US coastal destinations
 - Year 15 development & visitation levels for Jekyll Island will be compared to existing conditions in those locations. Results will be reported as soon as the comparisons are completed.
- BAG will update development and revenue projections pending receipt of a specific development plan and financial terms for the Town Center Project
- Draft reports will be delivered in October