



December 5, 2007

Mid-Bay Bridge Authority
P.O. Box 5037
Niceville, Florida 32578

Attn: Mr. Jim D. Vest
Executive Director

Dear Mr. Vest and Members of the Board:

As the Traffic Engineers for the Mid-Bay Bridge Authority under its Bond Resolution, URS has prepared this Annual Report for the Authority's fiscal year ended September 2007 (FY 2007). Covered in the report are the annual traffic and revenue results, together with a comparison of the forecast made by URS in the Series 2004 Official Statement. (Comparison of the forecast in the Series 2007 Official Statement will appear in the FY 2008 Annual Report, to be prepared in December 2008, and in the series of FY 2008 monthly reports.)

As the thirteenth Annual Report prepared for the Authority by URS, it contains data going back to July 1993, the first full month of bridge operation. It also updates the partial-year results for FY 2007 presented to the Authority on August 16, 2006, following the financial workshop on August 15.

FY 2007 was the fourteenth full year of bridge operation, during which time toll revenue collected amounted to \$14,078,716 and the Authority earned investment income in the amount of \$2,387,644, which together with a year-end positive *SunPass* adjustment of \$93,673 raised the revenue total for FY 2007 to \$16,560,033. The report contains monthly breakdowns; FY 2007 versus FY 2006 comparisons; the way in which toll revenues have measured up to the 2004 forecast; and in particular this year, the impact of the housing market/credit crunch, reduced construction activity, diminished consumer spending, and a general economic slowdown.

Our report, with appropriate graphics, follows. Concluding, we wish to acknowledge with thanks, once again, the assistance of the Authority staff, Jim Vest and Cathy Demoreski, during the course of the year, and for the opportunity to be of service as your Traffic Engineers.

Respectfully,

URS CORPORATION

Arthur H. Goldberg, P.E.
Vice President

Neal Cohen
Project Manager

AHG/NC/lah

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TRAFFIC ENGINEERS' ANNUAL REPORT

FOR
FISCAL YEAR 2007



Prepared for
Mid-Bay Bridge Authority

By

URS

CONTENTS

	<u>Page</u>
Introduction	1
Traffic and Revenue Results	2
Comparison with the Forecast in the Series 2004 Official Statement	14
Associated Traffic Engineers Services	16

TABLES

<u>Table</u>		<u>Page</u>
1	Actual vs. Forecast Toll Revenue, FY 2007	1
2	Monthly Toll Revenue, FY 2007 vs. FY 2006	2
3	Traffic and Revenue FY 1994-2007	6
4	Traffic Growth by Vehicle Group, FY 2001-2007	7
5	Monthly Traffic Fluctuations, FY 2007	8
6	Traffic and Toll Revenue, Cash vs. SunPass, FY 2007	10

FIGURES

<u>Figure</u>		<u>Page</u>
1	Monthly Toll Revenue Fluctuations, FY 1994-2007	4
2	Toll Revenue Trend, 12-Month Moving Average	5
3	Monthly Traffic Fluctuations, FY 2007	9
4	Traffic and Toll Revenue, Cash vs. SunPass, FY 2007	11
5	Traffic Flow Map, FY 2007 AADT	13
6	Monthly Revenue Results, Actual vs. Forecast, FY 2007	15

Introduction

URS has prepared this Annual Report for the Mid-Bay Bridge for the Authority's fiscal year ended September 2007 (FY 2007). It covers the annual traffic and revenue results for FY 2007 and contains data going back to July 1993, the first full month of bridge operation.

The Authority's revenue sources documented herein include toll revenues from bridge operation and investment income. Actual FY 2007 toll revenue collected continued (for the third year) below the forecast for FY 2007 made by URS in the Series 2004 Official Statement, this year by \$2,482,284, or 15.0 percent, as follows:

Table 1
Actual vs. Forecast Toll Revenue, FY 2007

Actual vs. Forecast	Toll Revenue	Differential	
		Amount	Percent
Actual	\$14,078,716	—	—
Forecast 2004 O.S.	16,561,000	-\$2,482,284	-15.0%

* Comparison of the forecast in the Series 2007 O.S. will appear in the FY 2008 Annual Report, to be prepared in December 2008.

The slippage this year, in particular, can be attributed (gradually to a declining degree) to the residual impacts of the 2004 and 2005 hurricane seasons; but now, more importantly, to the impact of the housing market/credit crunch, reduced construction activity, diminished consumer spending, and a general economic slowdown. Further explanation is covered on the following pages.

A positive year-end *SunPass* adjustment of \$93,673 together with investment income of \$2,387,644 raises the total revenue earned by the Authority in FY 2007 to \$16,560,033.

The report that follows discusses the traffic and revenue results from bridge operation and the related services provided by URS during FY 2007.

Traffic and Revenue Results

Toll revenues collected in FY 2007 amounted to \$14,078,716, down 3.9 percent from FY 2006. This is the third full fiscal year since Mid-Bay Bridge tolls were increased on October 1, 2004. A breakdown of the monthly results is summarized in Table 2:

Table 2
Monthly Toll Revenue, FY 2007 vs. FY 2006

Month	Total Toll Revenue		Percent Change
	FY 2006	FY 2007	
October	\$1,124,772	\$1,124,354	0.0%
November	1,127,726	1,044,874	-7.3
December	1,120,368	1,101,518	-1.7
January	1,033,661	1,008,794	-2.4
February	1,043,716	980,883	-6.0
March	1,349,315	1,281,623	-5.0
April	1,303,409	1,163,552	-10.7
May	1,385,511	1,326,334	-4.3
June	1,416,403	1,380,840	-2.5
July	1,447,390	1,419,191	-1.9
August	1,195,049	1,238,080	+3.6
September	1,100,988	1,008,673	-8.4
Total	14,648,308	14,078,716	-3.9

This lackluster performance in FY 2007 can be attributed (first and generally to a declining degree) to the residual impact of the severe hurricane seasons in 2004 and 2005. While the 2006 and 2007 hurricane seasons did not result in traffic disruptions on the Mid-Bay Bridge, the threat remained as a result of the 2004 and 2005 hurricane seasons. In fact, there weren't any tropical storms or hurricanes that hit the Florida panhandle in FY 2006 or FY 2007. Any perceived residual impact, however, has been referred to by some as "hurricane hangover."

Secondly, with the effect of hurricane hangover declining with the passage of time, the latest lackluster growth—in fact, a decline—is the impact of the housing market/credit crunch, reduced construction activity, diminished consumer spending, and a general economic slowdown.

Figures 1 and 2 show, graphically, these monthly revenue fluctuations for fiscal years 1994 (the first full year of bridge operation) through 2007. (The bridge was open for three months in FY 1993, July through September.) Superimposed on Figure 2 is a 12-month moving average beginning with the 12-month period ended June 1994. This average, which is derived by calculating the average daily toll revenue for the 12-month period ending in the respective month, shows the steady upward growth trend through the summer of 2005, while removing the monthly variations from the trend line. Note, in Figure 2, however, that the 12-month average line has flattened out during the past 2½ years due to the hurricane impact followed by the housing/credit crunch mentioned previously.

Mid-Bay Bridge

MONTHLY TOLL REVENUE FLUCTUATIONS Fiscal Years 1994 through 2007

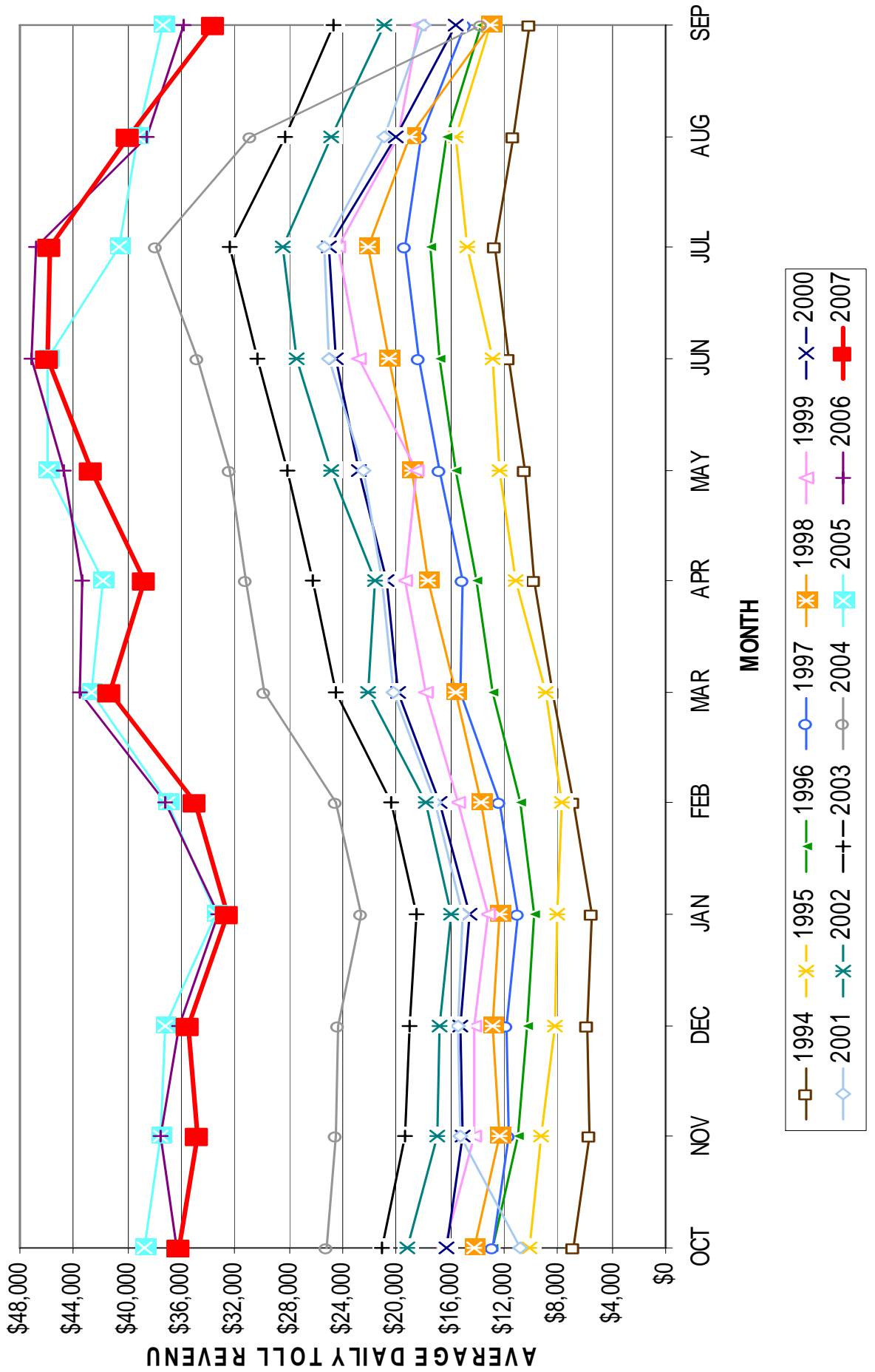


Figure 1

Mid-Bay Bridge

Toll Revenue Trend

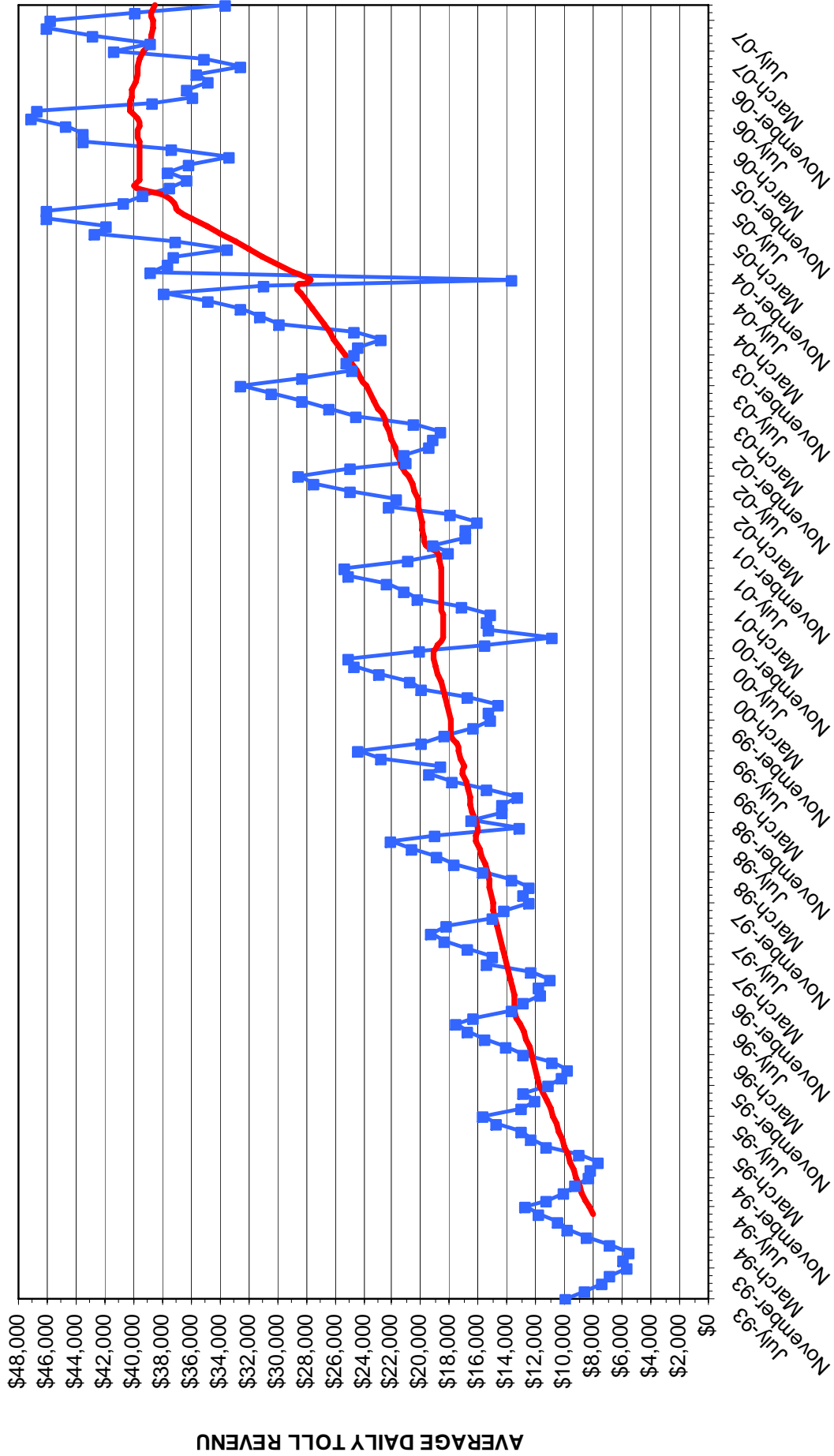


Figure 2

Table 3 lists the Mid-Bay Bridge annual traffic and revenue record starting in FY 1994, its first full year of operation:

**Table 3
Traffic and Revenue, FY 1994-2007**

Fiscal Year	Traffic			Average Toll ^(B)	Toll Revenue
	Annual Volume ^(A)	AADT	AADT Growth		
1994	1,896,661	5,196	—	\$1.689	\$3,204,321
1995	2,513,848	6,887	+32.5%	1.624	4,083,361
1996	3,043,997	8,317	+20.8	1.620	4,930,014
1997	3,402,779	9,323	+12.1	1.591	5,414,698
1998	3,695,064	10,123	+8.6	1.586	5,859,643
1999	4,056,689	11,114	+9.8	1.610	6,531,816
2000	4,463,449	12,195	+9.7	1.558	6,952,118
2001	4,518,228	12,379	+1.5	1.527	6,900,307
2002	5,161,898	14,142	+14.2	1.517	7,829,708
2003	5,945,318	16,289	+15.2	1.502	8,931,783
2004	6,918,521	19,711 ^(C)	+21.0	1.465	10,135,202
2005	7,491,342	21,108 ^(D)	+7.1	1.943	14,554,036
2006	7,627,382	20,897	-1.0 ^(E)	1.920	14,648,308
2007	7,462,543	20,445	-2.2	1.887	14,078,716

- (A) Including non-revenue traffic.
- (B) Toll revenue divided by annual volume.
- (C) Based on 351 days: toll collection suspended 15 days due to Hurricane Ivan.
- (D) Based on 354.9 days: tolls suspended 10.1 days due to the three tropical storms/hurricanes in June, July and August.
- (E) While the AADT declined 1.0 percent, the annual volume increased 1.8 percent. This is due to the 354.9 operational days in FY 2005; see footnote (C).

The negative performance in FY 2007 (explained previously in terms of revenue growth) is attributed, again, to the residual impacts of the 2004 and 2005 hurricane seasons followed by the housing/credit crunch.

As stated previously, the housing market/credit crunch is the principal contributor to the decline in traffic on the Mid-Bay Bridge in FY 2007. With reduced construction activity and the general economic slowdown, this has affected trucks (3+ axles) in particular (relative to the two-axle group), considering the historical trend since FY 2001:

Table 4
Traffic Growth by Vehicle Group, FY 2001-2007^(A)

Fiscal Year	2-Axle/Cash		2-Axle/SunPass		3+Axles ^(B)		Total ^(C)	
	Volume	Change	Volume	Change	Volume	Change	Volume	Change
2001	2,153,793	—	2,261,778	—	89,507	—	4,505,078	—
2002	2,353,809	+9.3%	2,688,848	+18.9%	103,528	+15.7%	5,146,185	+14.2%
2003	2,568,151	+9.1	3,227,359	+20.0	132,259	+27.8	5,927,769	+15.2
2004	2,725,061	+6.1	4,022,753	+24.6	152,438	+15.3	6,900,252	+16.4
2005 ^(D)	2,786,563	+2.3	4,506,098	+12.0	177,726	+16.6	7,470,387	+8.3
2006	2,681,935	-3.8	4,753,447	+5.5	167,062	-6.0	7,602,444	+1.8
2007	2,562,205	-4.5	4,754,827	0.0	123,441	-26.1	7,440,473	-2.1

- (A) The traffic data in the table are annual volumes. The growth calculations are somewhat different for FY 2004 through FY 2006 when considered on an AADT basis, resulting from the suspension of toll collection due to tropical storms in FY 2004 and FY 2005 (see Table 3).
- (B) Cash, prepaid and *SunPass* combined.
- (C) Total toll-paying traffic; excludes non-revenue traffic.
- (D) Toll increase October 1, 2004

Note that, starting in FY 2006 and continuing into FY 2007, 3+ axle traffic has declined to a far greater degree than the two-axle group, especially in FY 2007, which (with their higher tolls) translates into revenue reductions exceeding the corresponding negative traffic impacts. Again, this reflects the reduced construction activity in the housing industry.

Referring back to Table 3, the gradual reduction in the average toll from \$1.689 in FY 1994 to \$1.465 in FY 2004 reflects the increasing proportion of commuters (at the then lower \$1.00 toll rate) in the traffic mix, especially with the elimination of the trip “threshold” when the Authority switched from coupon books to *SunPass* in June 1999. The increase in the average toll to \$1.943 in FY 2005 (+32.6 percent) is the result of the October 2004 toll increase. Once having reached the \$1.943 level in FY 2005, the average toll then declined to \$1.887 in FY 2007, again reflecting the increasing proportion of commuters (now at the \$1.50 toll rate) in the traffic mix and now the reduced level of 3+ axle vehicles relative to the two-axle group.

In future years, any changes in the trend, while somewhat muted (on a monthly basis) by the moving-average technique, will be readily evident, but no single month will drastically affect the general trend. Normally, for a facility in its fourteenth year, traffic and toll revenue can be expected to begin to increase again, albeit at a lower rate, having “bottomed-out”, we believe, in FY 2007 but still subject to continuing housing/credit impacts.

The FY 2007 monthly traffic fluctuations are shown in Table 5 along with the corresponding revenue results and average tolls:

Table 5
Monthly Traffic Fluctuations, FY 2007

Month (FY 2007)	Traffic				Average Toll	Toll Revenue
	Monthly Volume*	Percent of Year	ADT	Ratio ADT) AADT		
October 2006	594,602	8.0%	19,181	.94	1.891	\$1,124,354
November	558,048	7.5	18,602	.91	1.872	1,044,874
December	596,391	8.0	19,238	.94	1.847	1,101,518
January 2007	541,107	7.3	17,455	.85	1.864	1,008,794
February	526,119	7.2	18,790	.92	1.864	980,883
March	671,609	9.0	21,665	1.06	1.908	1,281,623
April	623,978	8.4	20,799	1.02	1.865	1,163,552
May	698,675	9.1	22,538	1.10	1.898	1,326,334
June	708,475	9.5	23,616	1.16	1.949	1,380,840
July	729,045	9.8	23,518	1.15	1.947	1,419,191
August	652,829	8.7	21,059	1.03	1.896	1,238,080
September	561,665	7.5	18,722	.92	1.796	1,008,673
Total	7,462,543	100.0	20,445	1.00	1.892	14,078,716

*Including non-revenue traffic.

As shown graphically in Figure 3, June again was the high traffic month on an AADT basis, with an average daily traffic (ADT) volume exceeding the annual average daily traffic (AADT) volume by 16 percent, even though in absolute terms July was the high month; and as usual, January was the low month at 14 percent below the average (in ADT terms). Further, the monthly spread, which had been narrowing, as is expected with a maturing facility and the area it serves (Destin and the Mid-Bay Bridge are no exception), appears to have stabilized in FY 2007; that is, the FY 2007 spread is, more or less, the same as that in FY 2006.

Mid-Bay Bridge

**MONTHLY TRAFFIC FLUCTUATIONS
Fiscal Year 2007**

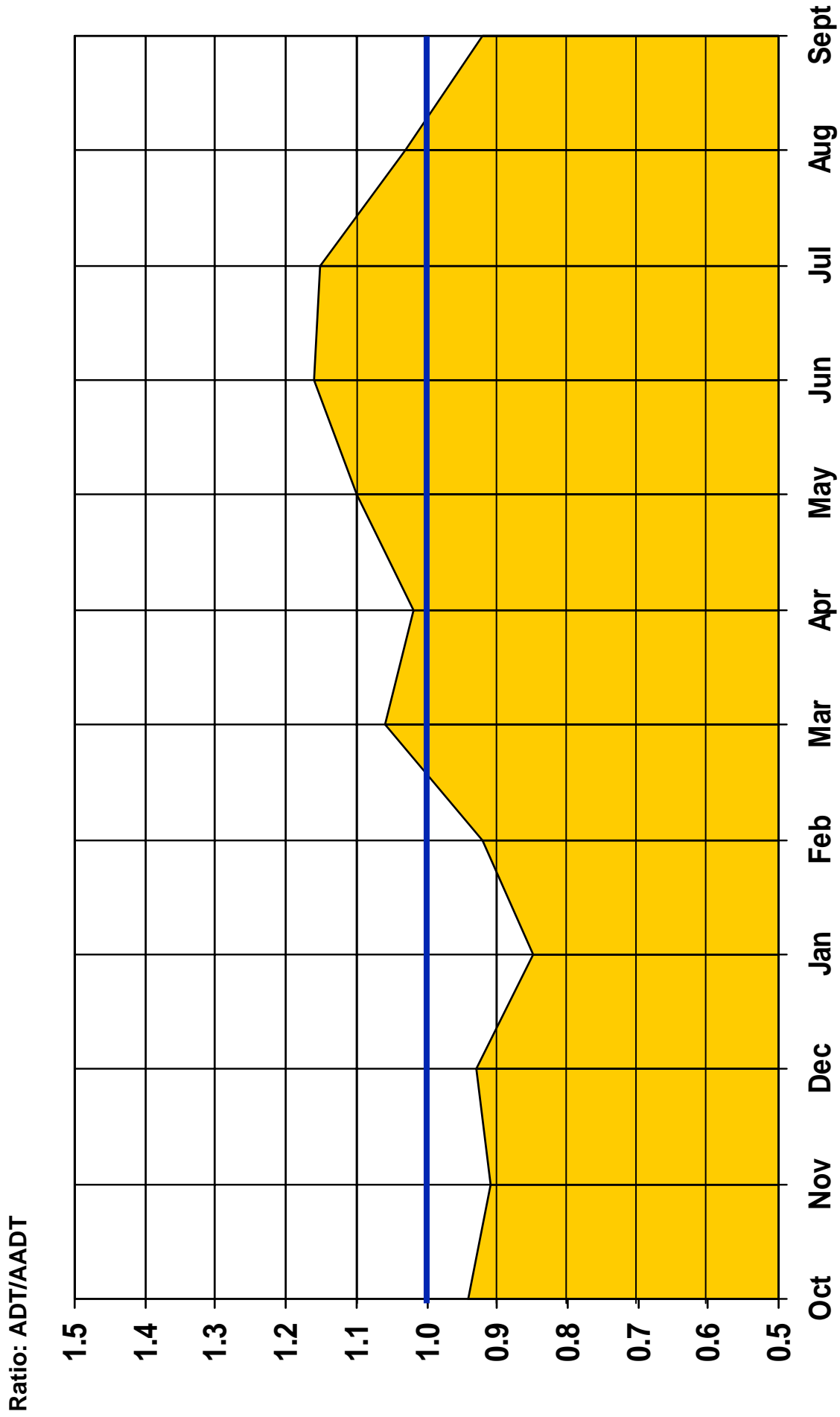


Figure 3

As stated in previous annual reports, this pattern is quite unlike that in south Florida, where the winter season generates the highest traffic levels and March is normally the highest month.

The breakdown by vehicle classification (vehicles of three or more axles have been grouped) indicates that 98.3 percent of the Mid-Bay Bridge traffic was comprised of two-axle vehicles (including non-revenue traffic that was predominantly two-axle) in FY 2007, and that these vehicles produced 94.1 percent of the Authority’s toll revenue. Vehicles with three or more axles comprised only 1.7 percent of the total traffic, down from 2.2 percent in FY 2006, due to the reduced construction activity brought about by the housing slowdown.

Table 6
Traffic and Toll Revenue, Cash vs. SunPass, FY 2007

Vehicle Group	Traffic		Average Toll	Toll Revenue	
	Volume	Percent		Amount	Percent
2-Axle/Cash	2,562,205	34.3%	\$ 2.50	\$6,405,513	45.5%
2-Axle/SunPass	4,754,827	63.7	1.439 ^(B)	6,840,608	48.6
3+ Axles ^(A)	123,441	1.7	6.745	832,595	5.9
Non-revenue	22,070	0.3	—	—	—
Total	7,462,543	100.0	1.887	14,078,716	100.0

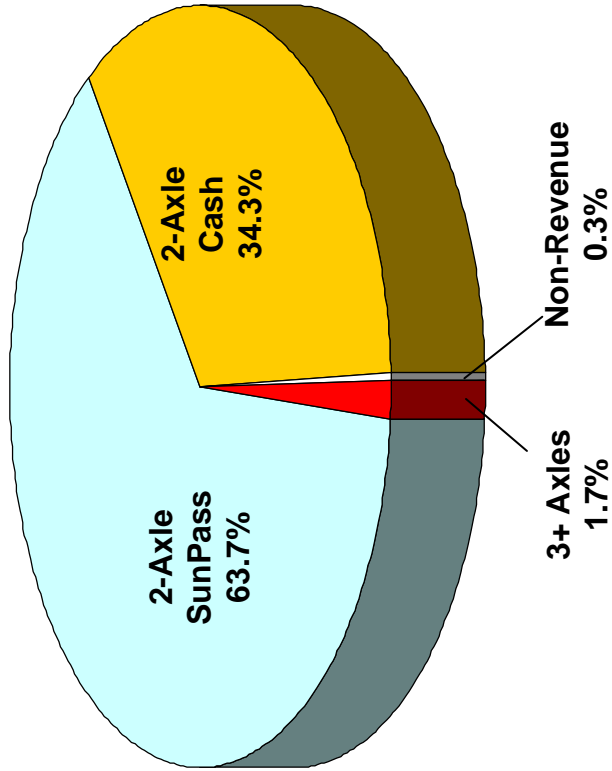
(A) Cash and *SunPass* combined. Vehicles of three or more axles do not receive a *SunPass* discount.

(B) The average *SunPass* toll is less than the posted \$1.50 *SunPass* toll because it includes 194,422 vehicles (4.1 percent) that were *SunPass* violators (unreadable transponders, zero account balances, toll evaders, etc.)

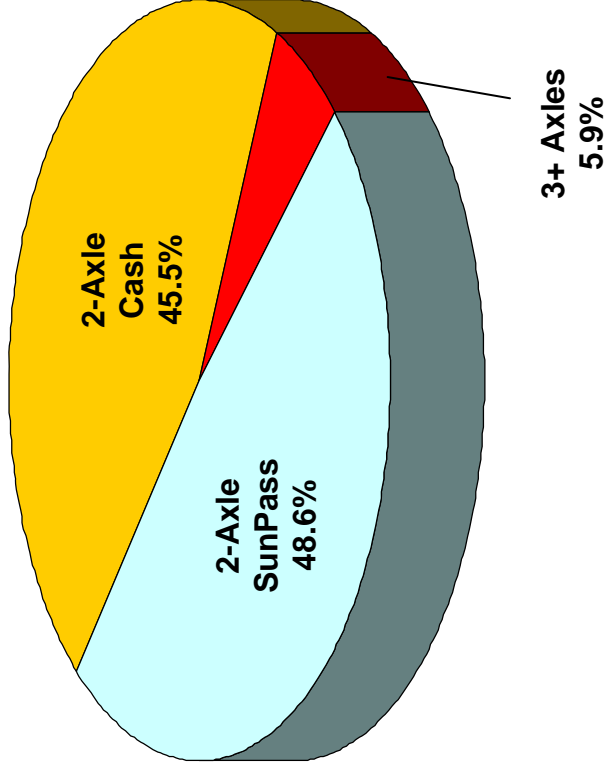
Narrowing in on the two-axle vehicles, while the two-axle/*SunPass* group in FY 2007 represented 63.7 percent of the traffic mix (up from 62.3 percent in FY 2006), they produced 48.6 percent of the toll revenues due to their lower toll. The FY 2007 classification results are shown graphically in Figure 4.

Mid-Bay Bridge

**TRAFFIC AND TOLL REVENUE - Cash vs. SunPass
Fiscal Year 2007**



Total Volume = 7,462,543

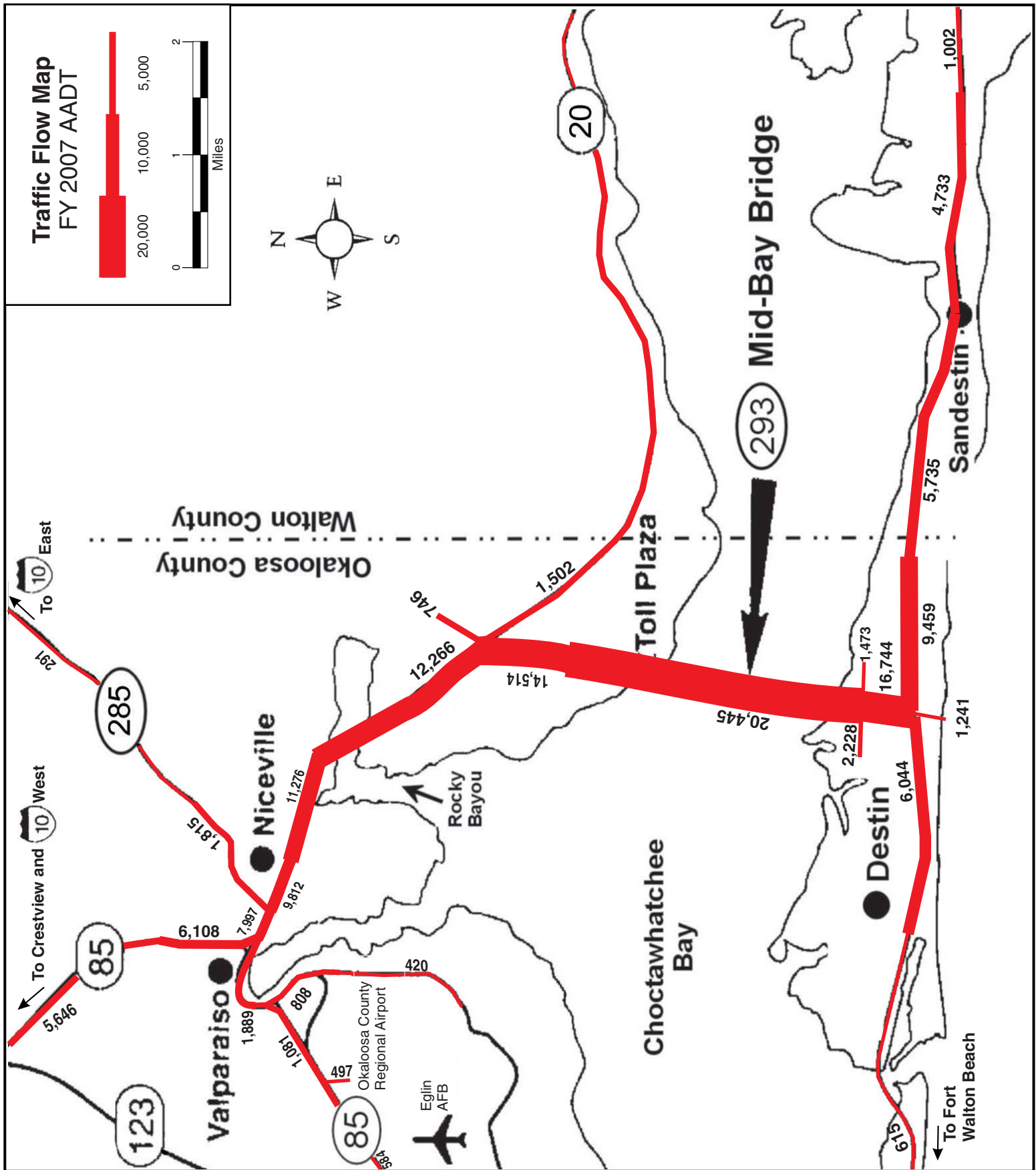


Total Revenue = \$14,078,716

Figure 4

Another portrayal of Mid-Bay Bridge traffic is the Traffic Flow Map depicted in Figure 5, representing the way in which bridge traffic disperses on both sides of Choctawhatchee Bay. The numbers have been scaled down from the July 2007 ADT map (developed from the July 2007 ADT in connection with the bridge/Connector planning study described on pages 16-17) to the FY 2007 AADT of 20,445. Note that on the north side, as expected, most of the trip-ends are in the Niceville area; while on the south side, more traffic is oriented eastward on US 98 toward Sandestin rather than westward toward Destin. It should be pointed out, however, that in scaling down the July 2007 ADT volumes to represent the FY 2007 AADT, the annualized trip-end distribution should be considered an approximation.

Figure 5



Comparison with the Forecast in the Series 2004 Official Statement

As indicated previously, the \$14,078,716 in toll revenue collected in FY 2007 fell short of the \$16,561,000 estimated by URS in the Series 2004 Official Statement by \$2,482,284 or 15.0 percent, due to the residual impacts (now to a declining degree) of the 2005 and 2006 hurricane seasons; but now, more importantly, to the impact of the housing market/credit crunch, reduced construction activity, diminished consumer spending, and a general economic slowdown).

Figure 6 shows the actual revenue results alongside the expected amounts for each month of FY 2007. The expected amounts are based on a monthly proration of the annual toll revenue forecasts in the 2004 Official Statement.

(When URS prepares the FY 2008 Annual Report in December 2008, the monthly and annual comparisons will be made relative to the FY 2008 forecast in the Series 2007 Official Statement.)

**Mid-Bay Bridge
MONTHLY REVENUE RESULTS
Fiscal Year 2007**

Expected Revenue Prorated from 2004 O.S.

Actual Revenue

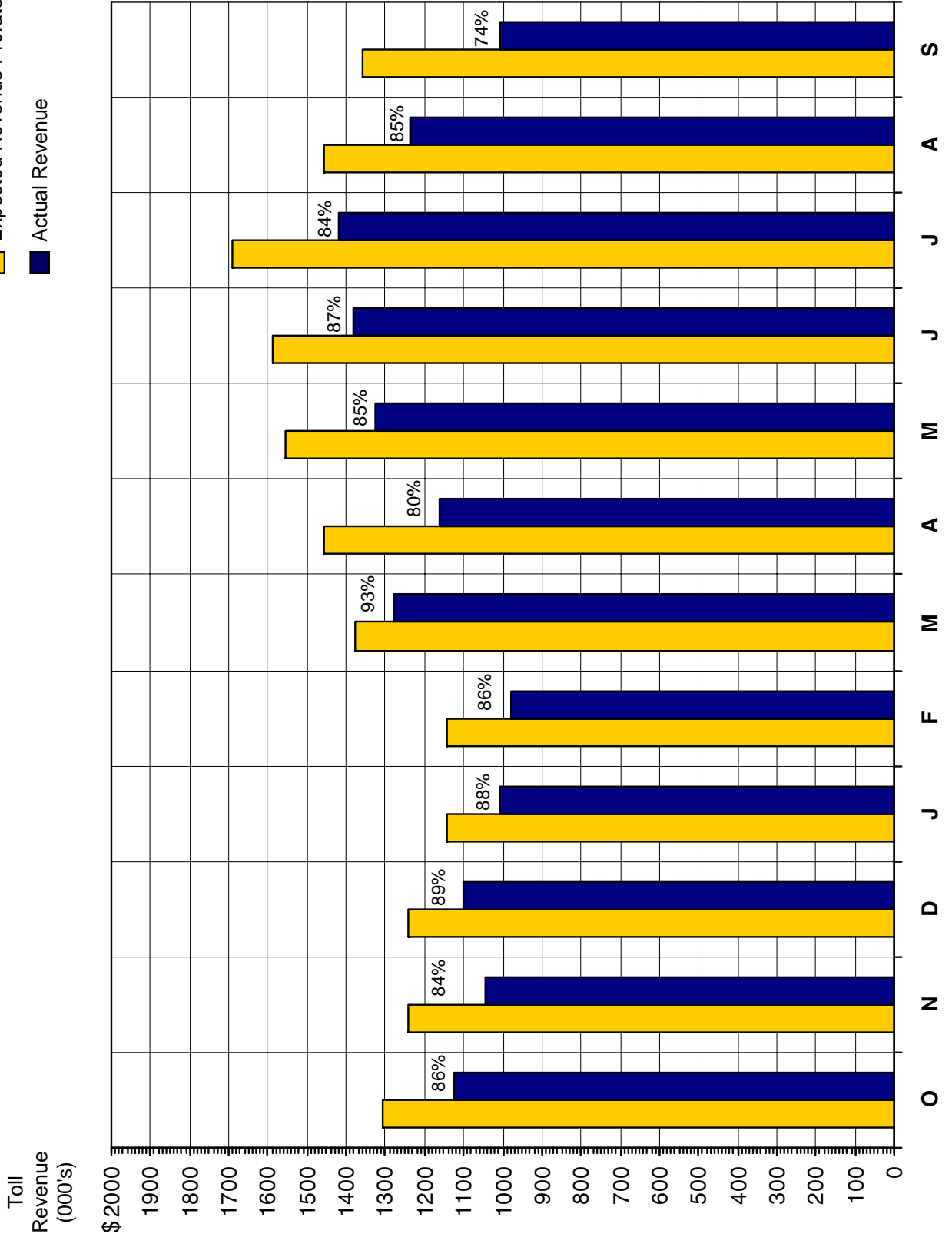


Figure 6

Associated Traffic Engineers Services

URS has worked closely with the Authority on a number of issues related directly to bridge traffic and revenue during FY 2007. Our routine activities in FY 2007 which, essentially, are repeated in each fiscal year, included:

1. Preparation of the FY 2006 Annual Report, completed in December 2006.
2. Preparation of monthly traffic and revenue summaries, with graphics.
3. Preparation of the monthly proration of expected revenues for FY 2007 from the 2004 Official Statement.
4. Preparation of a letter-report, entitled *Preliminary Traffic and Toll Revenue Review, Fiscal Year 2007*, in connection with the financial workshop on August 15 and the Authority meeting on August 16. The report contained the usual statement, based on the projected revenues for FY 2007, that, although FY 2007 revenues were expected to come in below forecast, the present toll schedule (implemented on October 1, 2004) could be expected to produce sufficient revenues to fulfill the requirements under Section 3.04, paragraph B of Authority Resolution No. 2005-13 (amending and restating Resolution 98-16).
5. Presentations at the August 15 financial workshop and the August 16 Authority meeting.

Our special assignments during FY 2007 included:

1. Preparation of the July 2007 Update-Letter (to the June 2004 Traffic and Earnings Report) for the Official Statement in connection with the Authority's Series 2007 Bonds.
2. Traffic Demand and Revenue Potential of the Mid-Bay Bridge and the planned Connector to SR 85. In addition to the bond report, URS recently completed a planning study to update the 2003 Traffic Demand and Needs report, which addressed the toll plaza and approach improvements, the need for an expanded bridge, and the Mid-Bay Bridge Connector to SR 85. In connection with the current study, URS conducted an origin-destination survey at the toll plaza in July 2007, geocoded the survey responses and factored the data to be representative of the July ADT on the bridge. A trip table report, included as an appendix to the Connector report, was first submitted in October in a separate document.

The results, documented in the URS report submitted under date of November 30, 2007, indicate that there will be some slippage in the target year for the bridge expansion of, perhaps, two to three years, due to the most recent (lower) growth trend, which was not predicted back in 2003. In any event, the toll plaza and approach improvements are the critical path items, and these have been and are currently being addressed.

With regard to the Connector, the projected volumes indicate a likelihood that, as a two-lane, limited-access expressway from SR 20 to SR 85, a widening to four lanes will not be needed through the forecast year of 2030.

This concludes the Traffic Engineers' Annual Report for FY 2007. URS looks forward to the continuation of its role as the Authority's traffic engineers, by providing the services that will support and improve customer satisfaction with the Mid-Bay Bridge, while helping the Authority maintain its investment-grade credit rating and financial obligations to its bondholders.