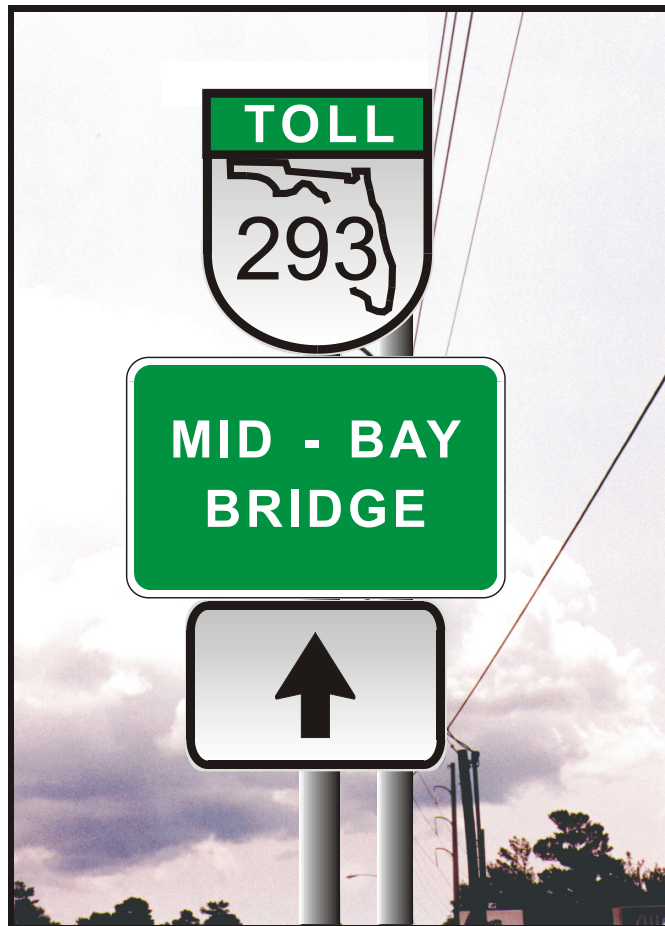


**TRAFFIC ENGINEERS’
ANNUAL REPORT**
FOR
FISCAL YEAR 2011



Prepared for
Mid-Bay Bridge Authority

by
URS



December 30, 2011

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 2011 (FY 2011). Covered in the report are the annual traffic and revenue results, together with a comparison of the forecast made by URS in the Series 2011 Official Statement.

As the seventeenth 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 2011 presented to the Authority on August 18, 2011, following the financial workshop on August 17.

FY 2011 was the eighteenth full year of bridge operation, during which time toll revenue collected amounted to \$15,702,572, the Authority earned investment income from the Revenue and Reserve Funds in the amount of \$941,136 and the Authority received a claim payment from BP in the amount of \$407,094 which, together with a year-end positive *SunPass* adjustment of \$39,739, raised the revenue total for FY 2011 to \$17,090,541. The report contains monthly breakdowns; FY 2011 versus FY 2010 comparisons; the way in which toll revenues have measured up to the 2011 forecast; and again this year, the impact of the economic slowdown. The report addresses the impact on bridge traffic and revenue of (1) the toll increase implemented by the Authority on June 1, 2010; and (2) the BP oil spill that occurred in April 2010, which appears to have had a lingering impact into 2011 (FY 2011).

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
Principal

Neal Cohen
Project Manager

AHG/NC/ns

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Introduction

URS has prepared this Annual Report for the Mid-Bay Bridge for the Authority's fiscal year ended September 2011 (FY 2011). It covers the annual traffic and revenue results for FY 2011 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 2011 toll revenue collected exceeded the forecast for FY 2011 made by URS in the Series 2011 Official Statement (Traffic and Earnings Report dated December 17, 2010 and addendum letter dated January 24, 2011) by \$226,572, or 1.5 percent, as follows:

**Table 1
Actual vs. Forecast Toll Revenue, FY 2011**

Actual vs. Forecast	Toll Revenue	Differential	
		Amount	Percent
Actual	\$15,702,572*	—	—
Forecast 2011 O.S.	15,476,000	\$226,572	1.5%

* Excludes *SunPass* adjustment and other income.

The revenue results in FY 2011 have been affected by the continuing (but gradually improving) economic slowdown. For the third consecutive year, the Mid-Bay Bridge and Okaloosa County did not experience major tropical storm activity during FY 2011.

A positive year-end *SunPass* adjustment of \$39,739 together with investment income of \$941,136 and a claim payment from BP of \$407,094 (following the 2010 Gulf oil spill) raises the total revenue earned by the Authority in FY 2011 to \$17,090,541.

The report that follows discusses the traffic and revenue results from bridge operation, the impact of the June 1 toll increase, the lingering effects from the 2010 BP oil spill, the 2011 bond issue for funding the completion of the Authority's Capital Improvement Program, and the related services provided by URS during FY 2011.

Traffic and Revenue Results

Toll revenues collected in FY 2011 amounted to \$15,702,572, up 16.6 percent from FY 2010, the first full fiscal year at the higher tolls implemented on June 1, 2010. The impact from the BP oil spill is also in the FY 2011 results, which, through May, are combined with the results of the toll increase. A breakdown of the monthly results is summarized in Table 2:

Table 2
Monthly Toll Revenue, FY 2011 vs. FY 2010

Month	Total Toll Revenue		Percent Change
	FY 2010	FY 2011	
October	\$979,333	\$1,224,823	+25.1%
November	892,072	1,107,809	+24.6
December	934,361	1,171,755	+25.4
January	851,590	1,028,331	+20.8
February	842,978	1,033,753	+22.6
March	1,095,829	1,380,631	+26.0
April	1,095,149	1,371,785	+25.3
May	1,179,627	1,486,471	+26.0
June*	1,539,005	1,617,783	+5.1
July	1,570,351	1,707,643	+8.7
August	1,290,825	1,373,018	+6.4
September	1,198,720	1,198,769	0.0
Total**	13,469,840	15,702,571	+16.6

* Toll increase June 1, 2010.

** Figures may not add due to rounding.

Tracing the percent changes shows substantial growth (in the range of approximately 21-26 percent) through May due primarily to the June 2010 toll increase. (A summary of the toll increase and the impact of toll elasticity is covered later in the report). Starting in June, with the impact of the toll increase no longer the primary factor, the year-over-year revenue increases range from five percent, just before the summer peak, to almost 9 percent in July (the summer peak) to zero in September. This mostly positive growth is an improvement from the declining revenues during the FY 2007-2009 period, a continuing sign that the economic slowdown, as represented by the Mid-Bay Bridge performance, appears to be receding.

In terms of Mid-Bay Bridge traffic and revenues as FY 2011 transitions into FY 2012, URS will continue to monitor the impact of the toll increase, the impact of economic conditions as the economy continues to improve and the lingering impact of the oil spill.

Figure 1 shows, graphically, the monthly revenue fluctuations for fiscal years 1997 through 2011, and Figure 2 shows, the monthly revenue fluctuations for fiscal years 1994 (the first full year of bridge operation) through 2011. (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 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 first flattened and then began slipping (downward) through May 2009, followed by a bottoming out beginning in June 2009 and continuing through May 2010 until the economy showed signs of improving. The impacts of the June 2010 toll increase and the BP oil spill (during the early summer of 2010) are clearly visible, as well as that of the Authority's first toll increase in October 2004 (FY 2005).

Figure 1
Monthly Toll Revenue Fluctuations, FY 1997-2011

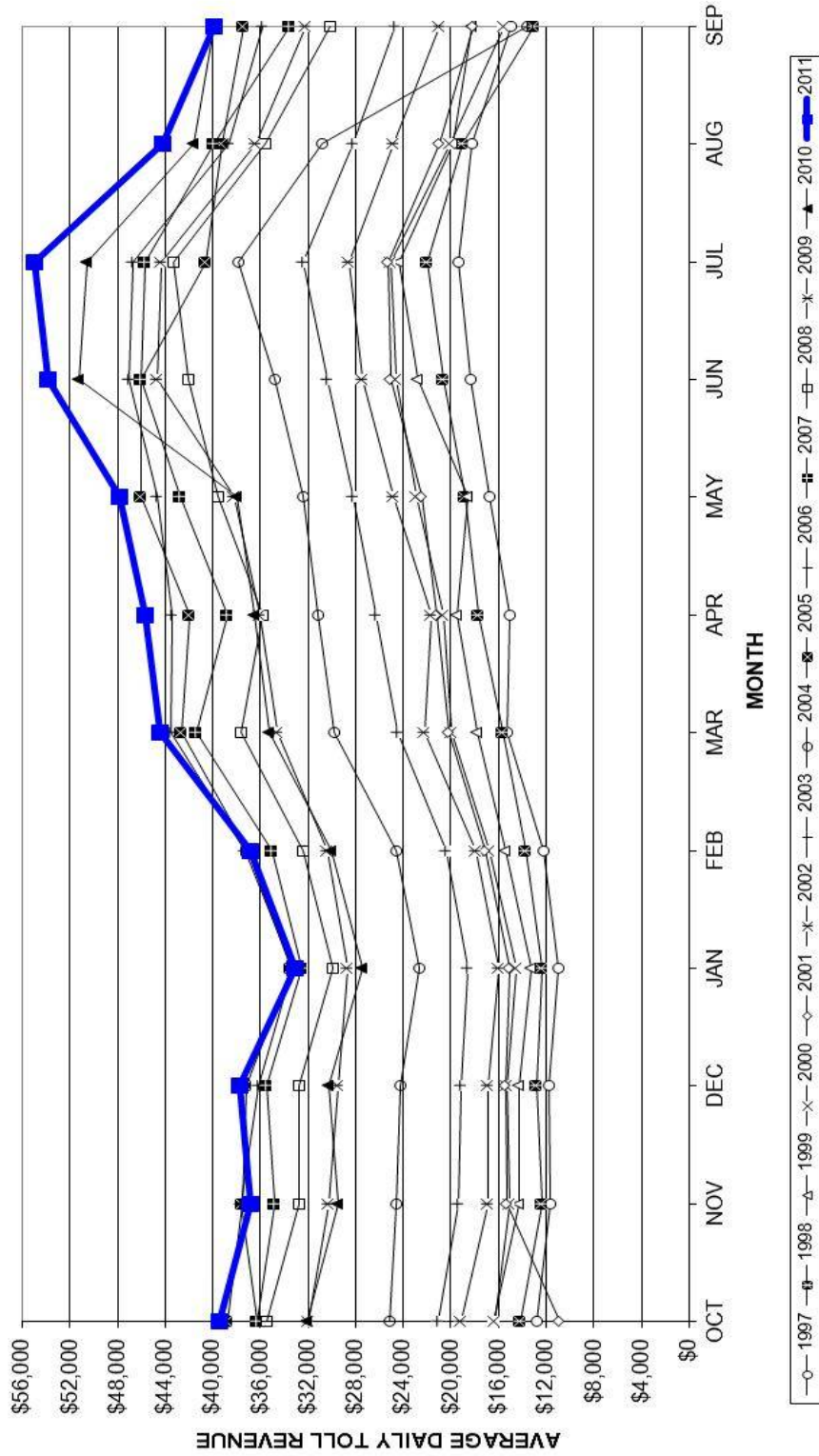


Figure 2
Toll Revenue Trend, 12-Month Moving Average, FY 1994-2011

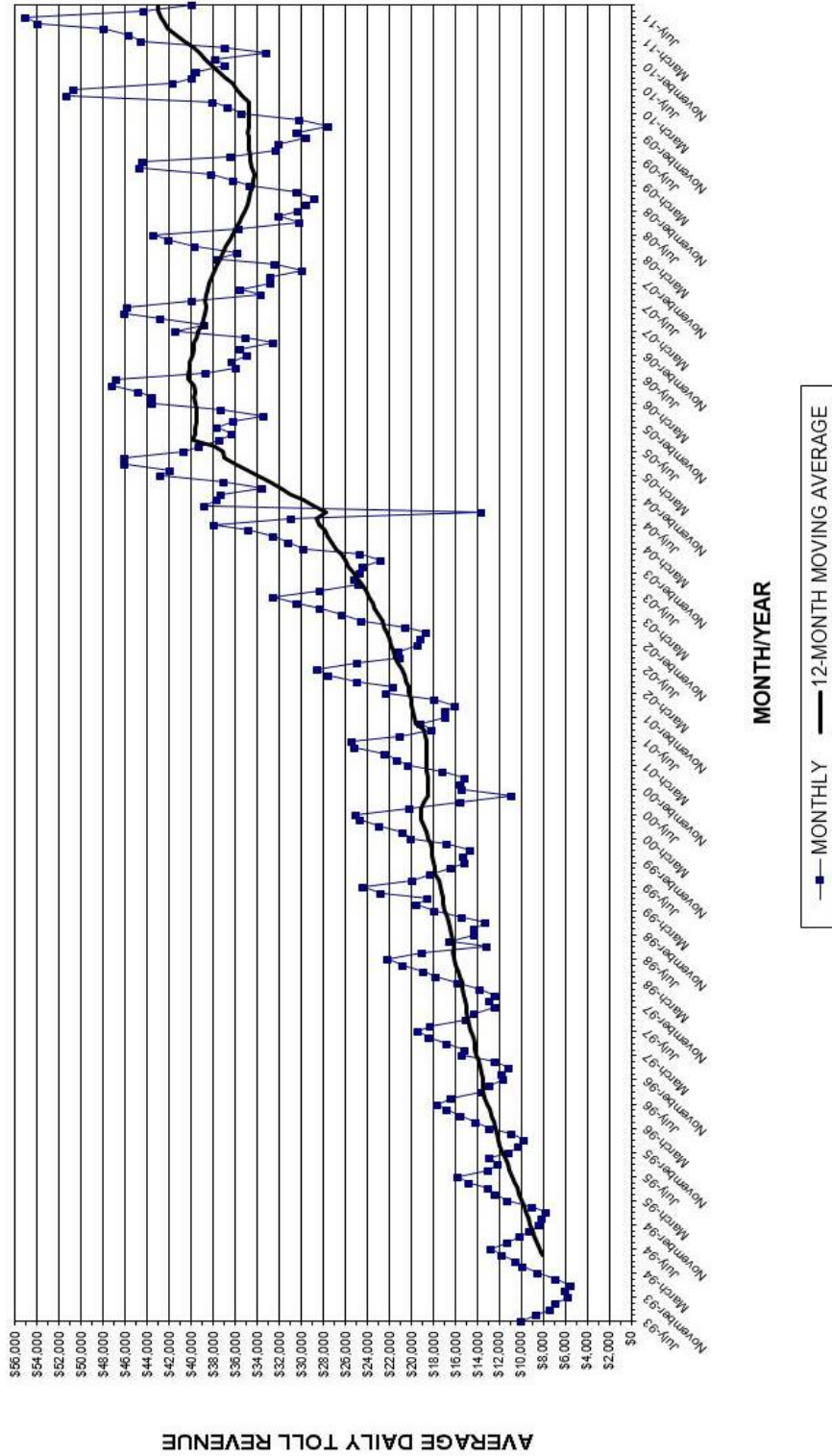


Table 3 lists the Mid-Bay Bridge annual traffic and revenue record starting in FY 1994, its first full year of operation:

Table 3
Traffic and Revenue, FY 1994-2011

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
2008	7,050,496	19,369 ^(F)	-5.3	1.854	13,068,488
2009	6,836,939	18,731	-3.3	1.864	12,741,472
2010	6,638,505	18,188	-2.9	2.029	13,469,839
2011	6,533,899	17,901	-1.6	2.403	15,702,572

(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).

(F) Based on 364 days: tolls suspended 2 days due to two tropical storms in August and September.

The negative performances in FY 2007, FY 2008 and FY 2009 are attributed to the residual impacts of the 2004 and 2005 hurricane seasons followed by the economic slowdown.

As stated previously, the economic slowdown was the principal contributor to the decline in traffic on the Mid-Bay Bridge during FY 2007-2009. With reduced construction activity and the general economic slowdown, this had affected trucks (3+ axles) in particular during the FY 2007-2009 period. The 2.9 percent decline in FY 2010 reflected the BP oil spill, the economic impact and the elasticity impact of four months at the higher tolls, and the 1.6 percent decline in

FY 2011 reflected the elasticity impact of eight months at the higher tolls along with the recovering economy and the residual impact of the oil spill.

Referring 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 \$1.854 in FY 2008, again reflecting the increasing proportion of commuters (then at the \$1.50 toll rate) in the traffic mix and the reduced level of 3+ axle vehicles relative to the two-axle group. The average toll increased slightly to \$1.864 in FY 2009; and then, with the toll increase in June (four months at the higher tolls), the average toll increased to \$2.029 in FY 2010. In FY 2011, the average toll increased to \$2.403, reflecting the full 12 months at the higher toll rates.

The FY 2011 monthly traffic fluctuations are shown in Table 4 along with the corresponding revenue results and average tolls:

Table 4
Monthly Traffic Fluctuations, FY 2011

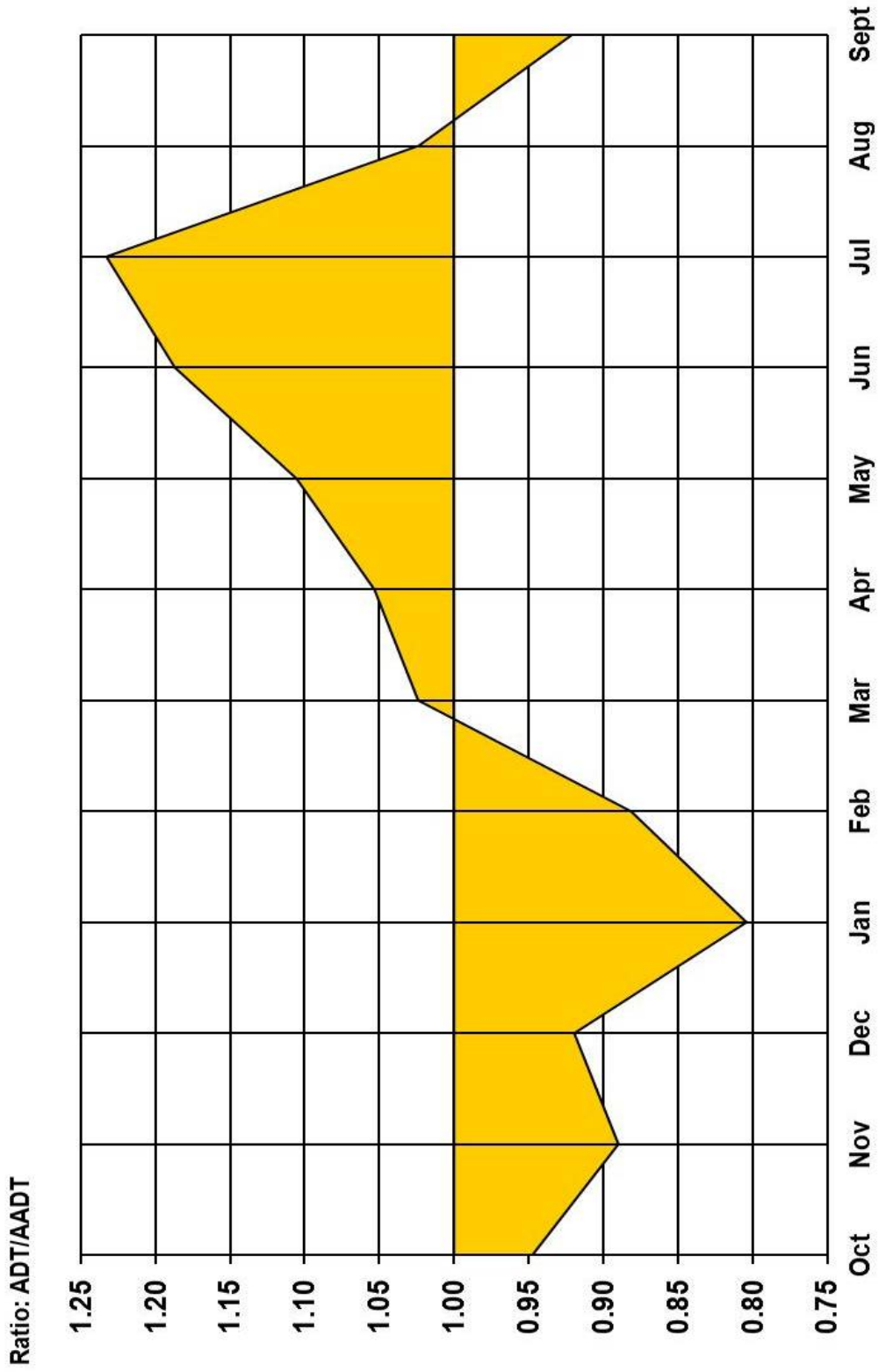
Month (FY 2011)	Traffic				Average Toll	Toll Revenue
	Monthly Volume*	Percent of Year	ADT	Ratio ADT÷ AADT		
October 2010	525,719	8.0%	16,959	0.95	\$2.330	\$1,224,823
November	478,297	7.3	15,943	0.89	2.316	1,107,809
December	510,014	7.8	16,452	0.92	2.297	1,171,755
January 2011	446,055	6.8	14,389	0.80	2.305	1,028,331
February	441,628	6.8	15,772	0.88	2.341	1,033,753
March	568,009	8.7	18,323	1.02	2.431	1,380,631
April	565,503	8.7	18,850	1.05	2.426	1,371,785
May	613,316	9.4	19,784	1.11	2.424	1,486,471
June	637,165	9.8	21,239	1.19	2.539	1,617,783
July	683,903	10.5	22,061	1.23	2.497	1,707,643
August	569,317	8.7	18,365	1.03	2.412	1,373,018
September	494,973	7.6	16,499	0.92	2.422	1,198,769
Total**	6,533,899	100.0	17,901	1.00	2.403	15,702,571

* Including non-revenue traffic
** Figures may not add due to rounding.

As shown in Table 4 and graphically in Figure 3, July continued to be the high traffic month, and, as usual, January was the low traffic month in ADT terms (while February was the low month in total-month terms with its fewer days).

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.

Figure 3
Monthly Traffic Fluctuations, FY 2011



The breakdown by vehicle classification (vehicles of three or more axles have been grouped) indicates that 98.5 percent of the Mid-Bay Bridge traffic was comprised of two-axle vehicles (including non-revenue traffic that was predominantly two-axle) in FY 2011, and that these vehicles produced 95.4 percent of the Authority's toll revenue. Vehicles with three or more axles comprised only 1.5 percent of the total traffic, up from 1.3 percent in FY 2010.

Table 5
Traffic and Toll Revenue, Cash vs. *SunPass*, FY 2011

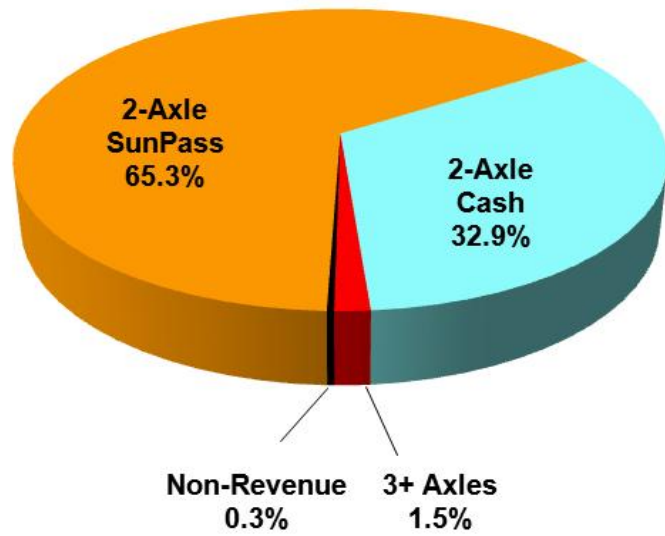
Vehicle Group	Traffic		Average Toll	Toll Revenue*	
	Volume	Percent		Amount	Percent
2-Axle/Cash	2,148,536	32.9%	\$3.00	\$6,445,608	41.0%
2-Axle/ <i>SunPass</i>	4,270,120	65.3	2.00	8,541,093	54.4
3+ Axles**	96,102	1.5	7.449	715,871	4.6
Non-revenue	19,141	0.3	—	—	—
Total	6,533,899	100.0	2.403	15,702,572	100.0

* Includes amounts collected from lane violation notices, including toll amounts and administrative fees and penalties. The magnitude of this revenue source may vary from year to year.

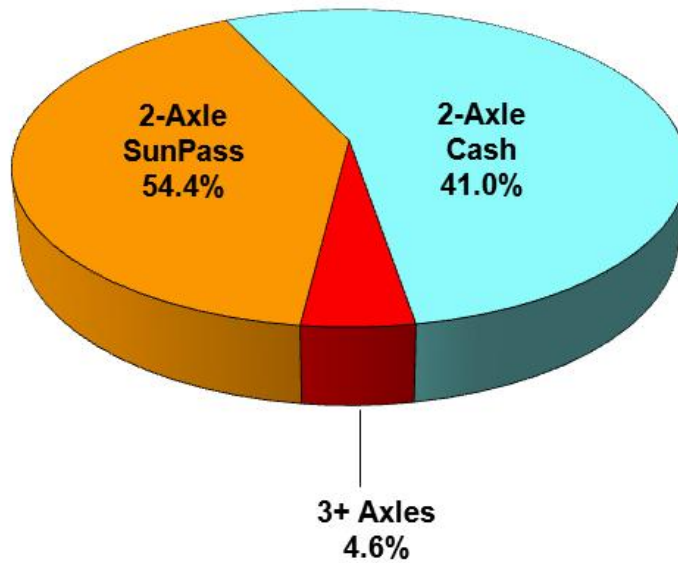
** Cash and *SunPass* combined. Vehicles of three or more axles do not receive a *SunPass* discount.

Narrowing in on the two-axle vehicles, while the two-axle/*SunPass* group in FY 2011 represented 65.3 percent of the traffic mix (down from 67.7 percent in FY 2010), they produced 54.4 percent of the toll revenues due to their lower toll. On the other hand, two-axle/cash-payers represented 32.9 percent of the traffic mix (up from 30.7 percent in FY 2010), producing 41.0 percent of toll revenues. This trend appears to indicate that businesses that closed as a result of the oil spill in 2010 may not yet have reopened and thus, while the tourist traffic (motorists who more than likely pay their toll in cash) came back in 2011, the local traffic (employees and local business patrons who more than likely use *SunPass*) has not yet recovered. The FY 2011 classification results are shown graphically in Figure 4.

Figure 4
Traffic and Toll Revenue, Cash vs. *SunPass*, FY 2011



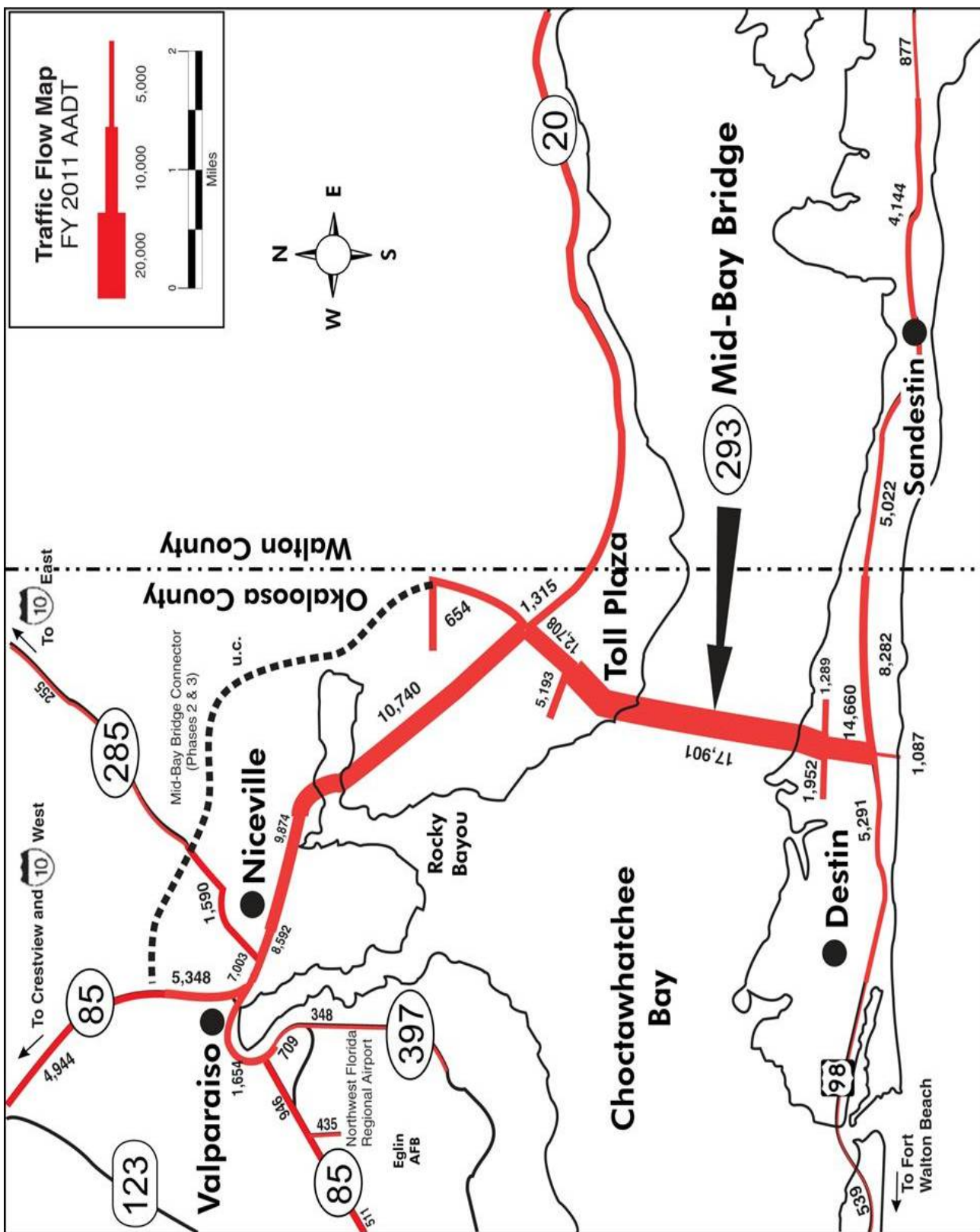
Total Volume = 6,533,899



Total Revenue = \$15,702,572

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 in connection with URS' bridge/Connector planning study at that time), to the FY 2011 AADT of 17,901. 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 2011 AADT, the annualized trip-end distribution should be considered an approximation. In addition, the Mid-Bay Bridge volumes on the north side of Choctawhatchee Bay and north of SR 20 are shown on the Connector to Range Road for schematic purposes. It is recognized, however, that some of this traffic will disperse westward on SR 20 to the vicinity of Merchant's Walk in Bluewater Bay.

Figure 5
Traffic Flow Map, FY 2011 AADT

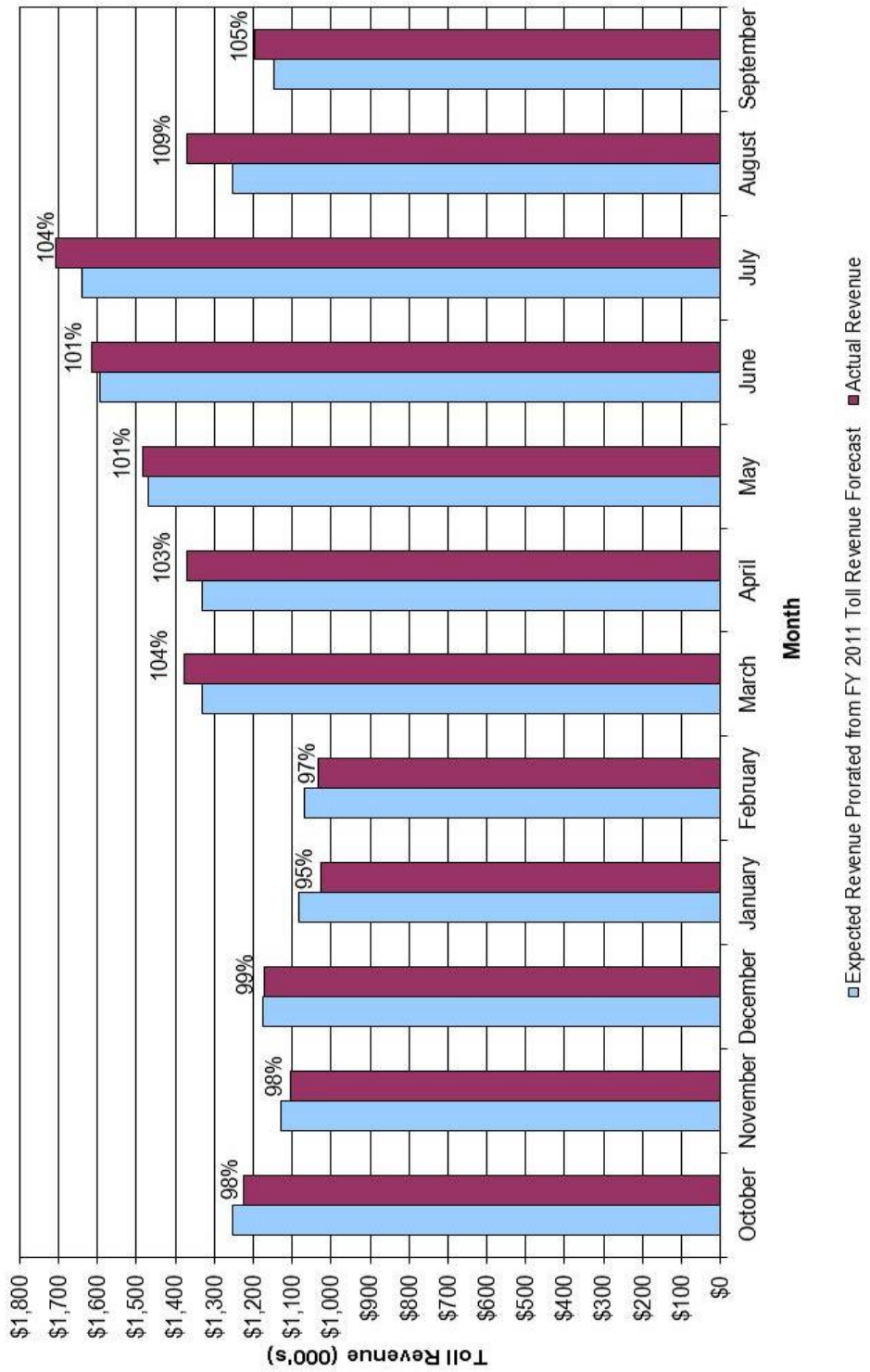


Comparison with the Forecast in the Series 2011 Official Statement

As indicated previously, the \$15,702,572 in toll revenue collected in FY 2011 exceeded the \$15,476,000 estimated by URS in the Series 2011 Official Statement by \$226,572 or 1.5 percent.

Figure 6 shows the actual revenue results alongside the expected amounts for each month of FY 2011. The expected amounts are based on a monthly proration of the annual toll revenue forecasts in the 2011 Official Statement. Note that from October through February, the actual/expected ratios were consistently in the range of 95-99 percent; but starting in March the ratios have exceeded 100 percent, resulting in an annual ratio of 101percent.

Figure 6
Monthly Revenue Results, Actual vs. Forecast, FY 2011



Impact of June 2010 Toll Increase

The most significant event, financially, during FY 2010, with the positive impact continuing into FY 2011, was the across-the-board toll increase on June 1, 2010, the second increase implemented by the Authority since the bridge opened in June 1993. (The first toll increase occurred in October 2004/FY 2005).

Table 6
June 1, 2010 Toll Increase

Vehicle Class	Tolls		Increase
	Through 5/31/10	Effective 6/1/10	
2 Axles/ <i>SunPass</i>	\$1.50	\$2.00	33%
2 Axles/Cash	2.50	3.00	20
3 Axles	5.00	6.00	20
4 Axles	7.50	9.00	20
5 Axles	10.00	12.00	20
6 Axles	12.50	15.00	20
Add'l Axle (per axle)	2.50	3.00	20

While the general toll rate was increased 20 percent, the *SunPass* toll was increased 33 percent in order to maintain the \$1.00 differential between it and the two-axle/cash toll. With this continuation of the \$1.00 discount, the *SunPass*/cash toll ratio increased from 60 to 67 percent.

The impact of the toll increase was discussed under *Traffic and Revenue Results* in connection with the annual and monthly traffic, average toll and revenue data in Tables 3 and 4:

The impact on traffic and the increase in the average tolls in FY 2010 and FY 2011 enabled URS to validate the impact of elasticity (e) on Mid-Bay Bridge traffic. This sensitivity, expressed in terms of the elasticity factor, (e), represents the relative decrease in traffic corresponding to the increase in toll rates. The higher the factor, which is a negative figure, the more likely a facility is to lose traffic when toll rates are increased. The traffic losses on the Mid-Bay Bridge (small as they are compared to the level that they would have been had there not been a toll increase) can be due to diversions to competing facilities, switches in travel modes, carpooling, consolidation of trips, and/or not making a trip at all. In the case of the Mid-Bay Bridge, the diversions would be to SR 85 through Fort Walton Beach or to the US 331 bridge 20 miles to the east.

For the Mid-Bay Bridge, this value of e , validated at -0.15 (based on the FY 2010 and FY 2011 revenue results), is at the lower end of the moderate range of elasticity, precisely where we would expect it to be. It means that for each 10 percent increase in toll, traffic would be expected to decline 1.5 percent from the level that would have resulted had there not been a toll increase. However, even with a relative decline in traffic, with an increase in the average toll, revenues increase, because the increase in the average toll more than compensates for the decrease in traffic. This has been the experience with elasticity on Mid-Bay Bridge traffic and revenue. URS will continue to monitor traffic and revenue results and, if warranted, adjust the estimated value of e .

Impact of the BP Oil Spill

The fundamental point to understanding the impact of the BP oil spill on Mid-Bay Bridge traffic is that it was considered to be a short-term issue, and did not affect the tourist industry of Okaloosa and Walton counties in the long term. In understanding the impact, it was necessary to analyze the before-and-after traffic results during the spring-summer months of 2010. This was covered in the FY 2010 Annual Report. The complication was that there were three components to the traffic results had to be disaggregated to understand the impact of the oil spill: The Mid-Bay Bridge toll increase on June 1; the tapering off of the recessionary impact on bridge traffic; and, lastly, the impact of the oil spill itself.

The direct short-term impact of the oil spill was felt through the tourist months of June–August 2010, with a negligible impact in September 2010. However, as stated previously, it

appears that the impact of the oil spill on local businesses has continued, with some businesses not reopening after having closed in 2010 at the height of the oil spill impact.

Capital Improvement Program

The Authority's Capital Improvement Program was described in URS' Traffic and Earnings Report contained in the Series 2011 Official Statement. The section of the T&E Report describing the Mid-Bay Bridge Connector (along with the widening of SR 20), repeated below, was also contained in URS' FY 2010 Annual Report to the Authority. It is updated herein with progress through FY 2011.

SR 293, including the new Mid-Bay Bridge Connector when fully completed, will be 15.5 miles in length, with the new Connector expressway being 11 miles in length and running from the toll plaza (at the north end of the bridge), north and west around Niceville, to SR 85.

At present SR 293, including the first 4 miles of the Connector, is 7.5 miles in length, as follows:

- 1.0 miles – US 98 to the Mid-Bay Bridge (Danny Wuerffel Way);
- 3.5 miles – Mid-Bay Bridge over Choctawhatchee Bay; and
- 3.0 miles – Toll plaza (north end of the bridge) to Range Road (Connector Phase 1).

The currently open section of the new Connector expressway has grade separated interchanges at Lakeshore Drive (for the Bluewater Bay Community) and SR 20. When fully constructed, there will be grade-separated interchanges at SR 285 and SR 85, as well as Range Road, along with an at-grade intersection with the Forrest Road Extension.

As part of the Authority's Capital Improvement Program, the Connector is being developed as a cooperative effort among the Mid-Bay Bridge Authority, the U.S. Air Force, the Florida Department of Transportation, and the local county and city governments and communities. It will traverse the edge of Eglin Air Force Base and the 1,100-acre Ruckel property along the northeast corner of the project.

Following are the Connector components of the program, sections opened for traffic, presently under construction and looking forward, with scheduled timelines:

Mid-Bay Bridge Connector – 3 Phases

Phase 1: Mid-Bay Bridge to Range Road:

This section was completed and opened to traffic northward from the toll plaza in two segments, as follows:

- To SR 20 in May 2011; and
- To Range Road in September 2011.

Phase 2 and Phase 3: Range Road to State Road 85:

- Construction began in February 2011.
- Completion scheduled by January 2014.

As noted above, the Authority has combined Phases 2 and 3 of the Connector (Range Road to SR 85) to run concurrently, with full completion of both phases to SR 85 scheduled for January 2014.

The Connector presently consists of four lanes from the bridge to Range Road and, when Phases 2/3 are initially opened to traffic, will taper down to two lanes north of Range Road and will continue as a two lane expressway to SR 85. As traffic warrants, the two-lane section will be expanded to four lanes throughout. (The present right-of-way, including the bridge structures, will accommodate the four lanes).

State Road 20 Widening

The second component of the Capital Improvement Program is the now-complete widening of SR 20 from White Point Road to the Connector:

- The widening to four lanes was completed in May 2011.

Mid-Bay Bridge Expansion

Finally, the third component, looking forward, is the expansion of the Mid-Bay Bridge itself:

- Need not projected until after 2020, most likely by mid-2020s.

In November 2007 a planning study, conducted by URS, updated the Authority's 2003 Traffic Demand and Needs report, which, among the various components of the Capital Improvement Program, addressed the timing of the bridge expansion. With the continuing slowdown in bridge traffic growth during the 2007-2010 period and anticipated modest recovery, the need for the bridge expansion is not projected now to be needed until beyond 2020, most likely by the mid-2020s.

Associated Traffic Engineers Services

In addition to URS' collaboration with the Authority on the Capital Improvement Program, URS worked closely with the Authority on the Series 2011 bond issue, culminating with the Traffic and Earnings Report dated December 17, 2010 and addendum letter dated January 24, 2011, both contained in the Series 2011 Official Statement.

Our routine activities in FY 2011 which, essentially, are repeated in each fiscal year, included:

1. Preparation of the FY 2010 Annual Report, completed in December 2010;
2. Preparation of FY 2011 monthly traffic and revenue summaries, with graphics;
3. Preparation of the monthly proration of expected revenues for FY 2011 from the 2011 Official Statement;
4. Preparation of a letter-report, dated August 18, 2011, entitled *Preliminary Traffic and Toll Revenue Review, Fiscal Year 2011*, in connection with the financial workshop on August 17 and the Authority meeting on August 18. The report contained the usual statement, based on the projected revenues for FY 2011, that it is expected that sufficient revenues will be produced in FY 2011 to fulfill the requirements under Section 3.04, paragraph B of Authority Resolution No. 2004-13; and
5. Presentations at the aforementioned August 17 financial workshop and the August 18 Authority meeting.

This concludes the Traffic Engineers' Annual Report for FY 2011. 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.