TRAFFIC ENGINEERS' ANNUAL REPORT

FOR

FISCAL YEAR 2008

Prepared for

Mid-Bay Bridge Authority

By

URS

URS

December 8, 2008

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 2008 (FY 2008). Covered in the report are the annual traffic and revenue results, together with a comparison of the forecast made by URS in the Series 2007 Official Statement. (Comparison of the forecast in the Series 2008 Official Statement will appear in the FY 2009 Annual Report, to be prepared in December 2009, and in the series of FY 2009 monthly reports.)

As the fourteenth 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 2008 presented to the Authority on August 14, 2008, following the financial workshop on August 13.

FY 2008 was the fifteenth full year of bridge operation, during which time toll revenue collected amounted to $13,068,488; and the Authority earned investment income from the Revenue and Reserve Funds in the amount of $2,513,734, which together with a year-end positive *SunPass* adjustment of $95,961 raised the revenue total for FY 2008 to $15,678,183. The report contains monthly breakdowns; FY 2008 versus FY 2007 comparisons; the way in which toll revenues have measured up to the 2007 forecast; and in particular this year (for the second straight year), the impact of the housing market/credit crunch, reduced construction activity, fluctuating fuel prices and the general economic slowdown (including the increasing level of unemployment).

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/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 2008 (FY 2008). It covers the annual traffic and revenue results for FY 2008 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 2008 toll revenue collected continued (for the second year) below the forecast for FY 2008 made by URS in the Series 2007 Official Statement, this year by $1,297,512, or 9.0 percent, as follows:

Table 1

Actual vs. Forecast Toll Revenue, FY 2008

Actual vs. Forecast	Toll Revenue	Differential	
		Amount	Percent
Actual	$13,068,488	—	—
Forecast 2007 O.S.	14,366,000	–$1,297,512	–9.0%

* Comparison of the forecast in the Series 2008 O.S. will appear in the FY 2009 Annual Report, to be prepared in December 2009.

The slippage this year, in particular, can be attributed principally to the impact of the housing market/credit crunch, reduced construction activity, increasing unemployment, diminished consumer spending, fluctuating fuel prices, and the general economic slowdown. While tropical storm activity in FY 2008 was relatively mild, tropical storm Fay and hurricane Ike did result in 24-hour toll suspensions in August-September 2009, even though Okaloosa County was not threatened directly. Further explanation is covered on the following pages.

A positive year-end *SunPass* adjustment of $95,961 together with investment income of $2,513,734 raises the total revenue earned by the Authority in FY 2008 to $15,678,183.

The report that follows discusses the traffic and revenue results from bridge operation, the Authority's Capital Improvement Program, and the related services provided by URS during FY 2008.

Traffic and Revenue Results

Toll revenues collected in FY 2008 amounted to $13,068,488, down, 7.2 percent from FY 2007. This is the fourth 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 2008 vs. FY 2007

Month	Total Toll Revenue		Percent Change
	FY 2007	FY 2008	
October	$1,124,354	$1,101,573	–2.0%
November	1,044,874	982,948	–5.9
December	1,101,518	1,016,277	–7.7
January	1,008,794	928,297	–8.0
February	980,883	943,061	–3.9
March	1,281,623	1,168,249	–8.8
April	1,163,552	1,059,711	–8.9
May	1,326,334	1,246,221	–6.0
June	1,380,840	1,264,774	–8.4
July	1,419,191	1,344,362	–5.3
August	1,238,080	1,106,793	–10.6*
September	1,008,673	906,222	–10.2*
Total	14,078,716	13,068,488	–7.2

* Refer to the following text regarding toll suspensions in August and September 2008 due to tropical storm activity.

This poor performance in FY 2008 can be attributed principally to the housing market/credit crunch, reduced construction activity, diminished consumer spending, fluctuating fuel prices, and the general economic slowdown (including increased unemployment) that started in FY 2007 with the failure of the secondary credit market. During the spring and early summer of 2008, fuel prices had soared to well over $4.00 per gallon and then, with the downturn in the economy, prices have dropped precipitatiously to under $2.00 nationally.

As of the end of FY 2008 on September 30, with the several bank failures, credit and liquidity in the financial system had “dried up” and bank bailouts (by other banks) were occurring. This affected the stock market, and, finally, the federal government stepped in to

rescue (invest in) the failed banks with the Senate vote on October 1st and the House vote on October 3rd.

In terms of Mid-Bay Bridge traffic and revenues in FY 2009, URS will continue to monitor the impact of economic conditions until and after the "dust settles". According to Dr. Henry Fishkind, working with URS on an economic study, the estimated economic recovery for the nation will not start until mid-2009, and Florida is estimated to follow some six months later.

In addition to the economic impacts, tropical storm activity in the Gulf of Mexico also has to be considered. Regarding the year-to-year comparisons, tropical storm activity in FY 2007 was relatively mild, but in FY 2008 tropical storm Fay and hurricane Ike resulted in 24-hour toll suspensions (even though Okaloosa County was not threatened directly):

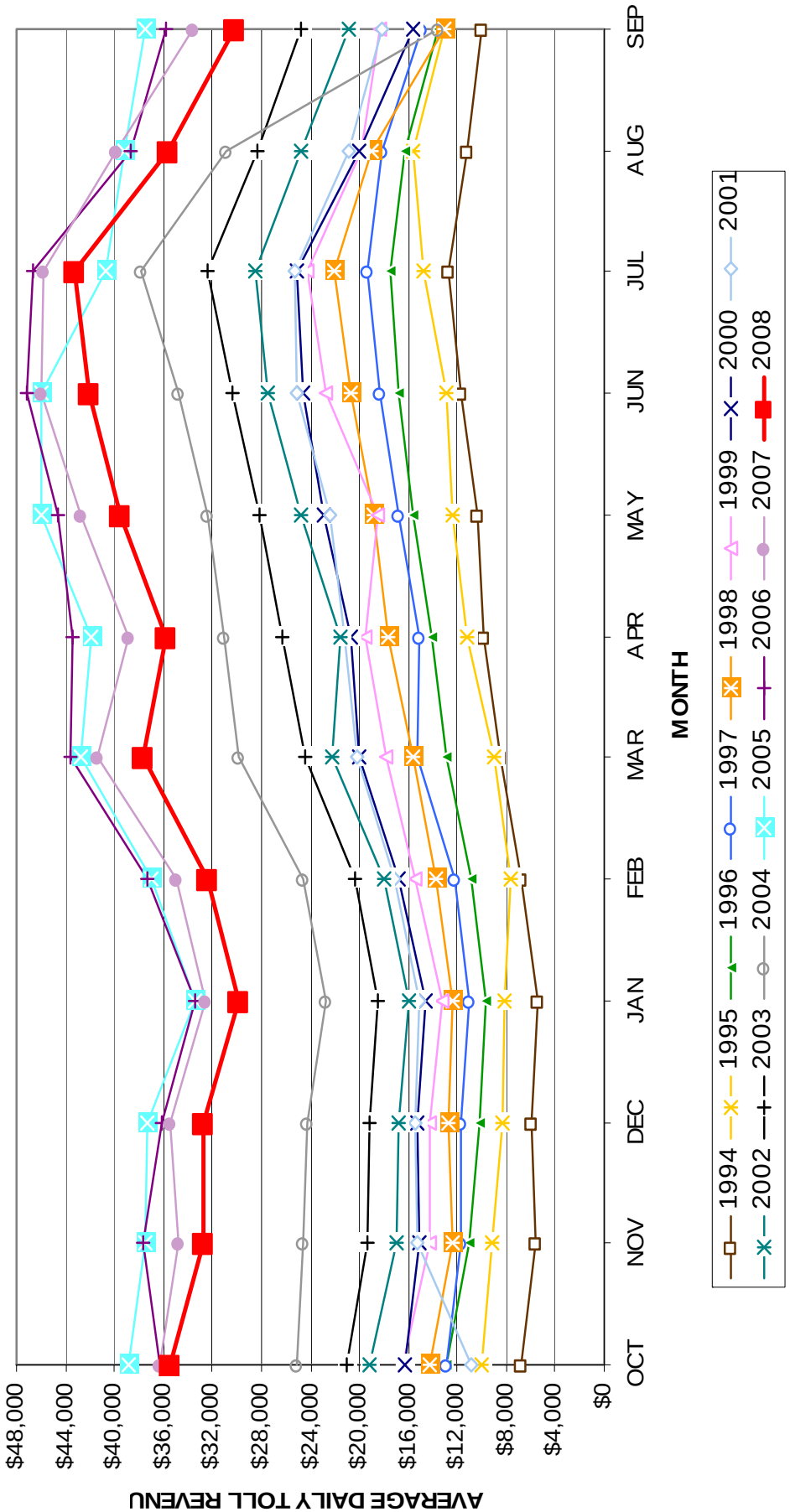
- *Tropical Storm Fay* hit the Florida panhandle in the vicinity of Tallahassee; tolls were suspended from 8:00 am on August 23 through 8:00 am on August 24.
- *Hurricane Ike* hit Galveston, Texas; highwater flooded US 98 on Okaloosa Island, and, while US 98 was not closed, bridge tolls were suspended from 9:40 am on September 11 through 10:00 am on September 12.

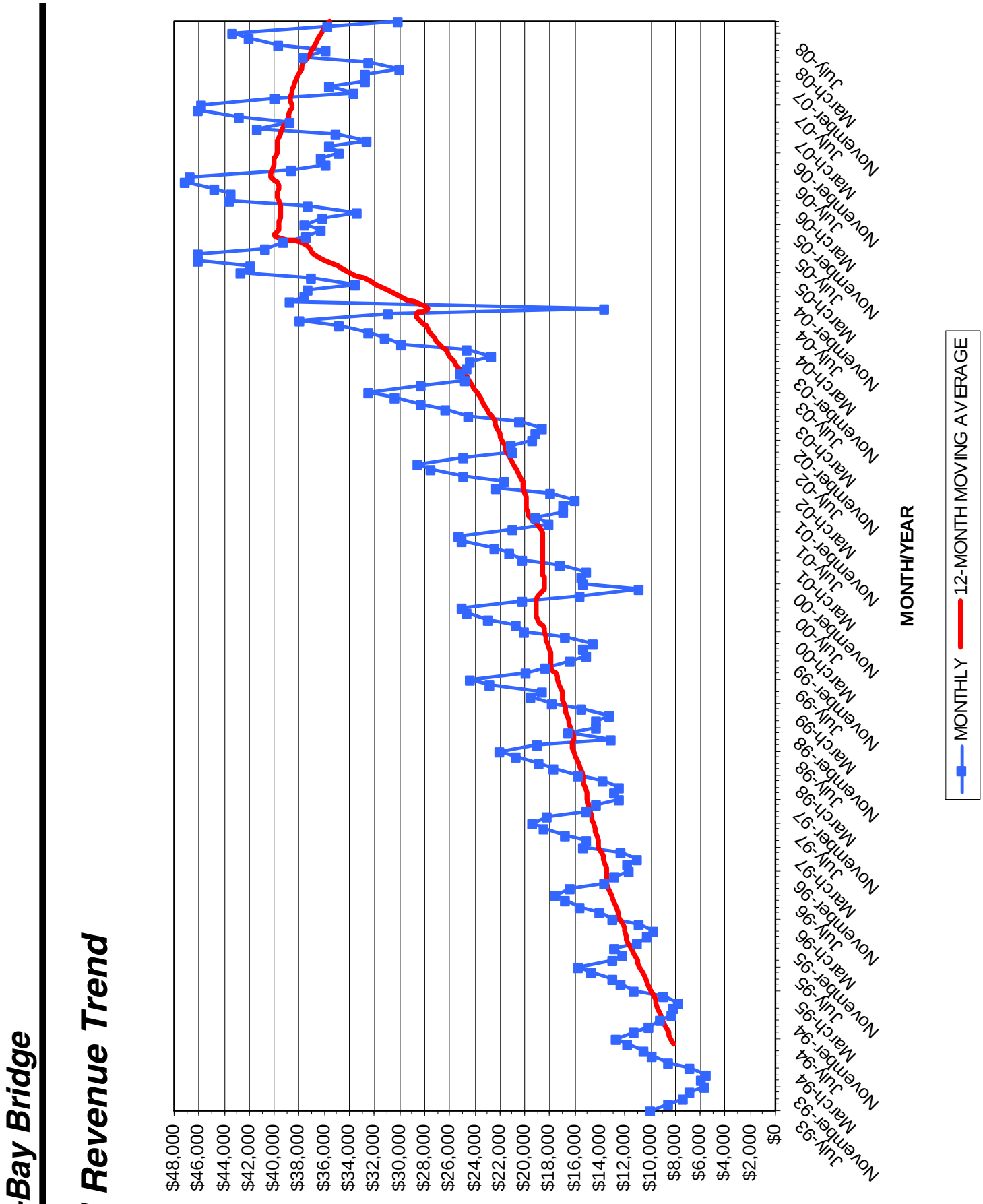
The Mid-Bay Bridge was not directly affected by hurricane Gustav, which hit New Orleans on September 3rd.

Figures 1 and 2 show, graphically, the monthly revenue fluctuations for fiscal years 1994 (the first full year of bridge operation) through 2008. (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 has been slipping (downward) during the past 3 ½ years due to the hurricane impacts of 2004-2005 followed by the housing/credit crunch mentioned previously.

Mid-Bay Bridge

MONTHLY TOLL REVENUE FLUCTUATIONS
Fiscal Years 1994 through 2008




Mid-Bay Bridge
Toll Revenue Trend
AVERAGE DAILY TOLL REVENU
$48,000
$46,000
$44,000
$42,000
$40,000
$38,000
$36,000
$34,000
$32,000
$30,000
$28,000
$26,000
$24,000
$22,000
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
July-93
November-93
March-94
July-94
November-94
March-95
July-95
November-95
March-96
July-96
November-96
March-97
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July-06
November-06
March-07
July-07
November-07
March-08
July-08
MONTH/YEAR
MONTHLY
12-MONTH MOVING AVERAGE

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 1994-2008

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

(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 and FY 2008 (explained previously in terms of revenue growth) are attributed, again, to the residual impacts of the 2004 and 2005 hurricane seasons followed by the housing/credit crunch and economic slowdown.

As stated previously, the housing market/credit crunch is the principal contributor to the decline in traffic on the Mid-Bay Bridge in FY 2007-2008, 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. Also note that the two-axle/cash group was down considerably in FY 2008 compared with the *SunPass* users:

Table 4

Traffic Growth by Vehicle Group, FY 2001-2008[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
2008	2,259,362	–11.8	4,662,029	–2.0	107,311	–13.1	7,028,702	–5.5

(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, FY 2005 and 2008 (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 through FY 2008, 3+ axle traffic has declined to a far greater degree than the two-axle group, especially in FY 2007-2008 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 $1.854 in FY 2008, 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.

The FY 2008 monthly traffic fluctuations are shown in Table 5 along with the corresponding revenue results and average tolls:

Table 5

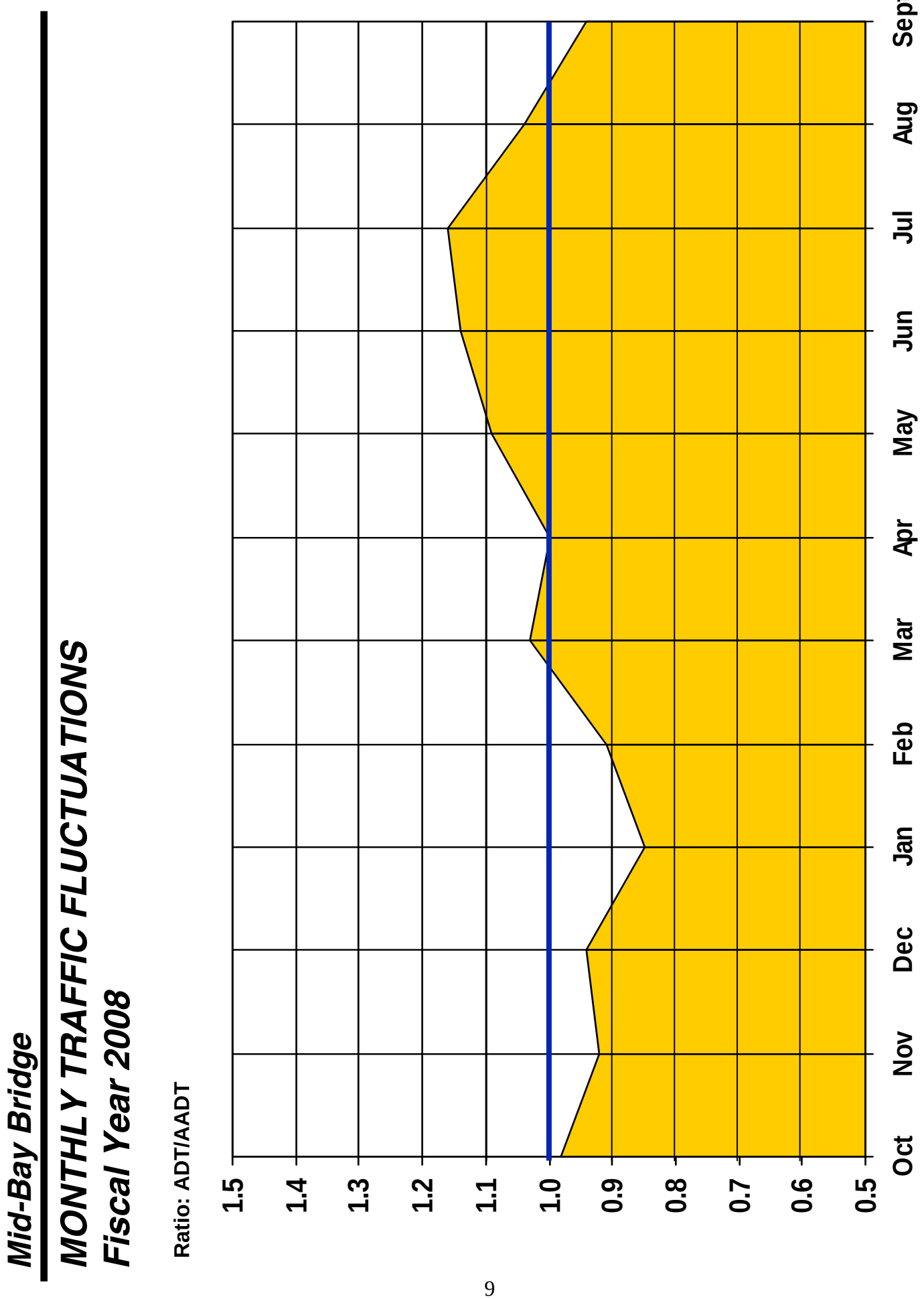
Monthly Traffic Fluctuations, FY 2008

Month (FY 2008)	Traffic				Average Toll	Toll Revenue
	Monthly Volume[A]	Percent of Year	ADT	Ratio ADT÷ AADT		
October 2007	588,570	8.3%	18,986	.98	$1.872	$1,101,573
November	535,738	7.6	17,858	.92	1.835	982,948
December	565,721	8.0	18,249	.94	1.796	1,016,277
January 2008	511,314	7.3	16,494	.85	1.816	928,297
February	511,444	7.3	17,636	.91	1.844	943,061
March	617,634	8.8	19,924	1.03	1.891	1,168,249
April	580,534	8.2	19,351	1.00	1.825	1,059,711
May	653,242	9.3	21,072	1.09	1.908	1,246,221
June	660,117	9.4	22,004	1.14	1.916	1,264,774
July	694,936	9.8	22,417	1.16	1.935	1,344,362
August	603,004	8.5	20,100[B]	1.04	1.835	1,106,793
September	528,242	7.5	18,215[C]	.94	1.716	906,222
Total	7,050,496	100.0	19,369[D]	1.00	1.854	13,068,488

(A) Including non-revenue traffic
(B) Based on 30 days; tolls suspended for 24 hours due to tropical storm Fay.
(C) Based on 29 days; tolls suspended for 24 hours due to Hurricane Ike.
(D) Based on 364 days.

As shown graphically in Figure 3, this year July was the high traffic month on an average daily traffic (ADT) basis, with an ADT volume exceeding the annual average daily traffic (AADT) volume by 16 percent; and as usual, January was the low month at 15 percent below the average (in ADT terms). Further, the monthly spread has been narrowing over the years, as is expected with a maturing facility and the area it serves (Destin and the Mid-Bay Bride are no exception), subject to specific events such as the state of the economy and the weather that affect individual months.

Figure 3


Mid-Bay Bridge
MONTHLY TRAFFIC FLUCTUATIONS
Fiscal Year 2008
Ratio: ADT/AADT
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept

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 98.5 percent of the Mid-Bay Bridge traffic was comprised of two-axle vehicles (including non-revenue traffic that was predominantly two-axle) in FY 2008, and that these vehicles produced 94.6 percent of the Authority's toll revenue. Vehicles with three or more axles comprised only 1.5 percent of the total traffic, down from 1.7 percent in FY 2007, due to the economic meltdown and reduced construction activity brought about by the housing slowdown.

Table 6

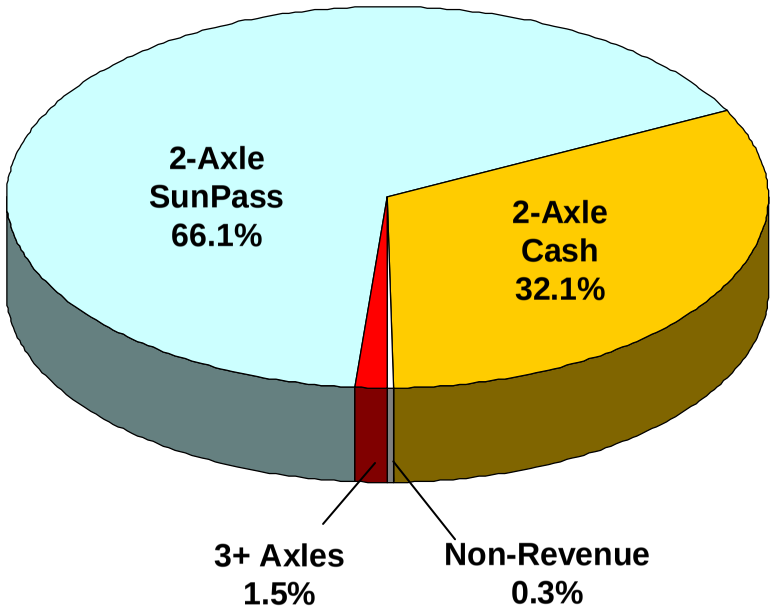
Traffic and Toll Revenue, Cash vs. SunPass, FY 2008

Vehicle Group	Traffic		Average Toll	Toll Revenue	
	Volume	Percent		Amount	Percent
2-Axle/Cash	2,259,362	32.1%	$2.50	$5,648,405	43.2%
2-Axle/*SunPass*	4,662,029	66.1	1.440	6,713,322	51.4
3+ Axles[(A)]	107,311	1.5	6.586	706,761	5.4
Non-revenue	21,794	0.3	—		—
Total	7,050,496	100.0	1.854	13,068,488	100.0

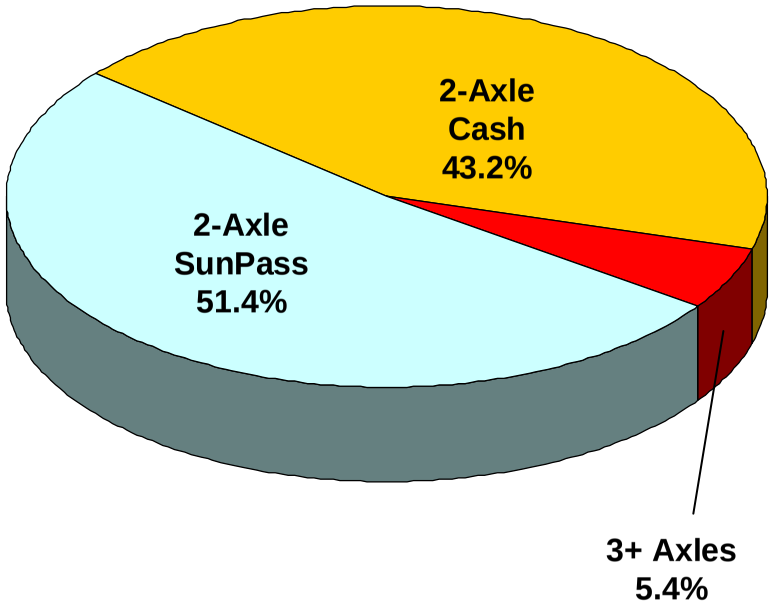
(A) Cash and *SunPass* combined. Vehicles of three or more axles do not receive a *SunPass* discount.
(B) The average *SunPass* toll is less than the posted $1.50 *SunPass* toll because it includes 186,481 vehicles (4.0 percent) that were *SunPass* violators (unreadable transponders, zero account balances, toll evaders, etc.).

Narrowing in on the two-axle vehicles, while the two-axle/*SunPass* group in FY 2008 represented 66.1 percent of the traffic mix (up from 63.7 percent in FY 2007), they produced 51.4 percent of the toll revenues due to their lower toll. On the other hand, two-axle/cash-payers represented 32.1 percent of the traffic mix (down from 34.3 percent in FY 2007), producing 43.2 percent of toll revenues. This means that cash-payers (e.g., tourists) have been affected to a greater extent that the local *SunPass* users by the economic downturn. The FY 2008 classification results are shown graphically in Figure 4.

TRAFFIC AND TOLL REVENUE - Cash vs. SunPass
Fiscal Year 2008



Total Volume = 7,050,496

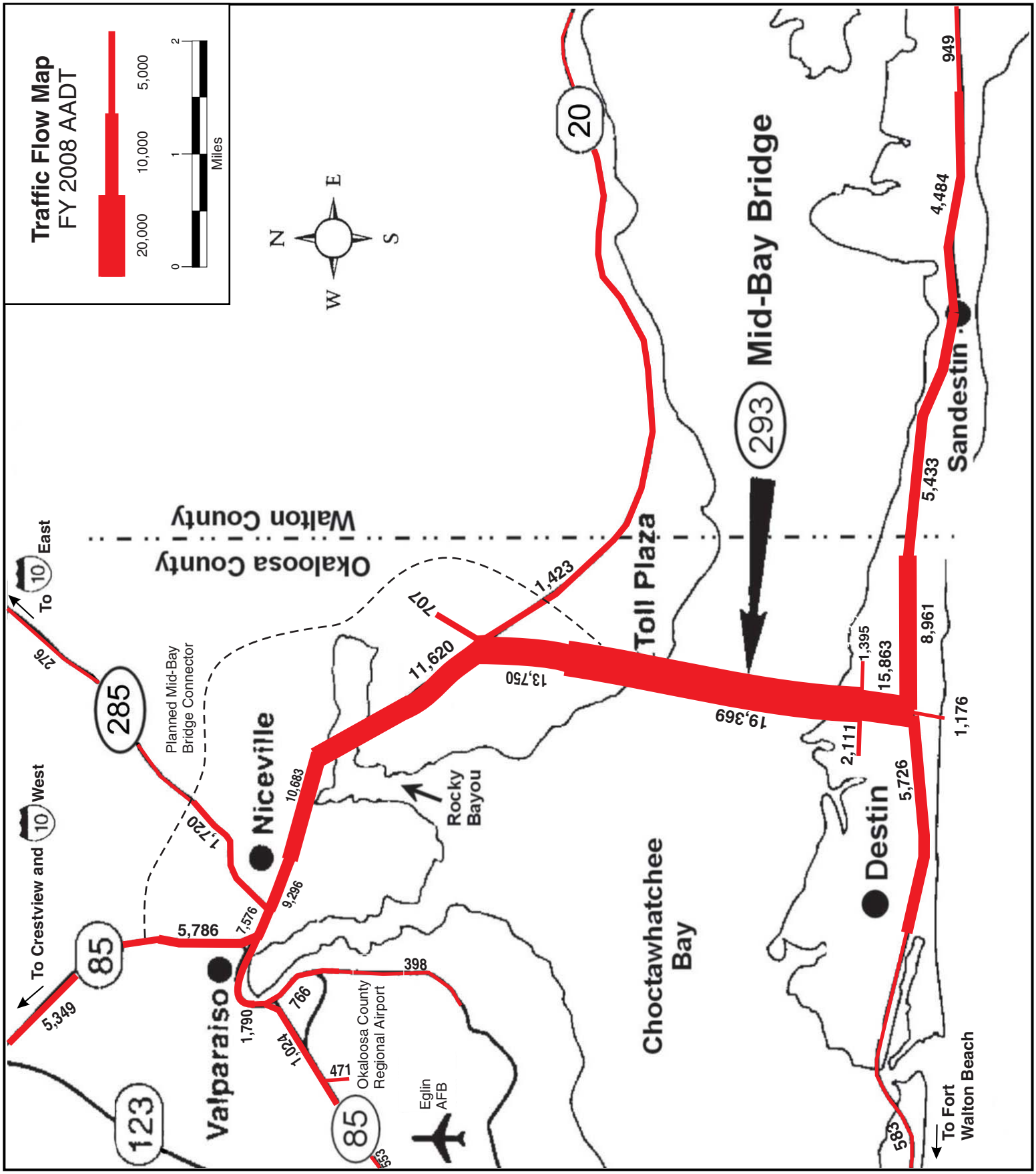


Total Revenue = $13,068,488

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 mentioned on page 16), to the FY 2008 AADT of 19,369. 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 2008 AADT, the annualized trip-end distribution should be considered an approximation.

Figure 5


Traffic Flow Map
FY 2008 AADT
20,000
10,000
5,000
0
1
2
Miles
N
E
S
W
20
293
Mid-Bay Bridge
Toll Plaza
Walton County
Okaloosa County
To 10 East
To Crestview and 10 West
285
85
123
Planned Mid-Bay Bridge Connector
Niceville
Valparaiso
Rocky Bayou
Choctawhatchee Bay
Destin
Sandestin
Okaloosa County Regional Airport
Eglin AFB
To Fort Walton Beach
276
5,349
5,786
7,576
9,296
10,683
1,720
1,790
766
398
1,204
471
553
707
11,620
1,423
13,750
19,369
1,395
15,863
8,961
2,111
5,726
1,176
5,433
4,484
949
583

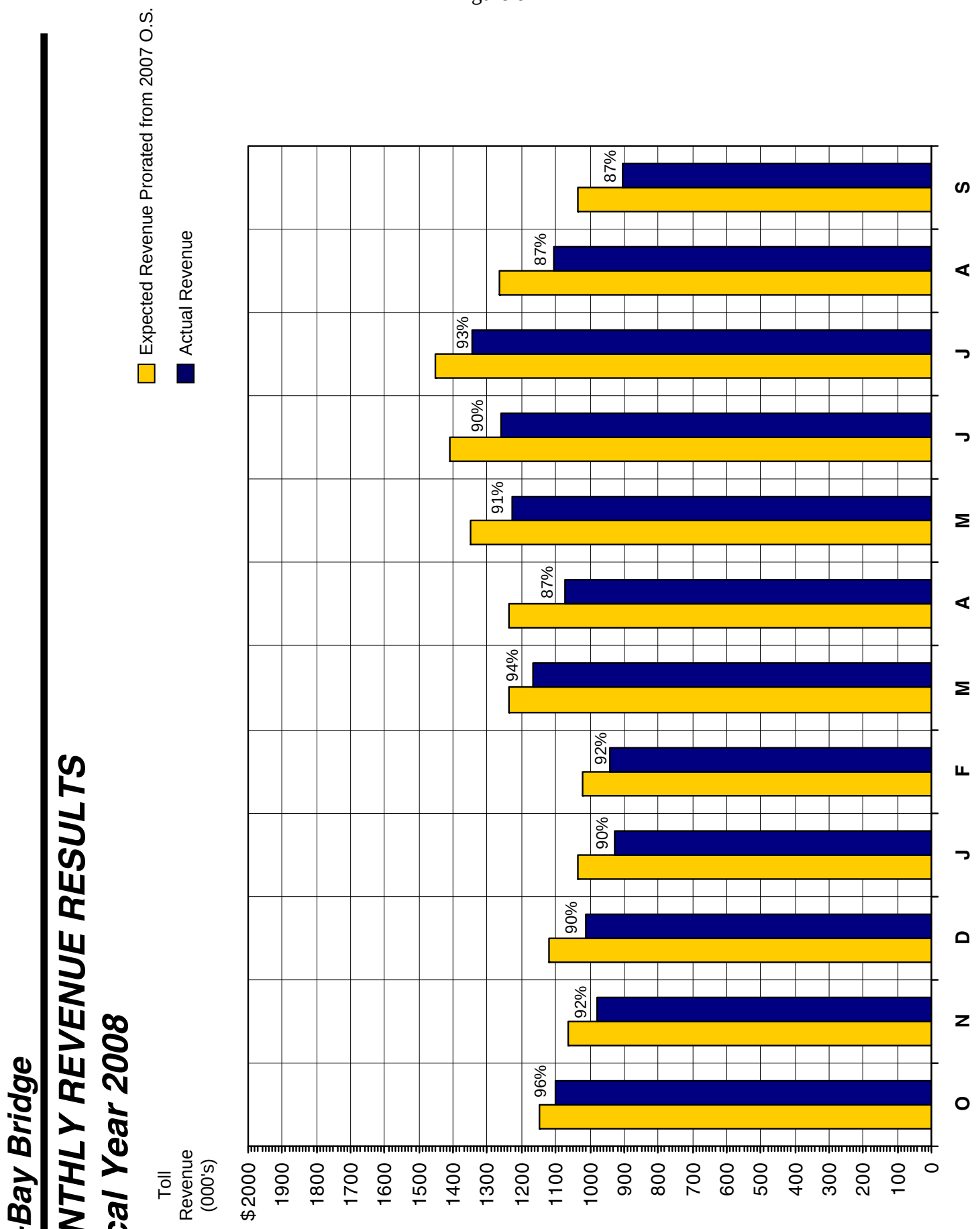
Comparison with the Forecast in the Series 2007 Official Statement

As indicated previously, the $13,068,488 in toll revenue collected in FY 2008 fell short of the $14,366,000 estimated by URS in the Series 2007 Official Statement by $1,297,512 or 9.0 percent, due principally to the impact of the housing market/credit crunch, reduced construction activity, higher fuel prices, diminished consumer spending, and the general economic slowdown (covered on pages 2-3).

Figure 7 shows the actual revenue results alongside the expected amounts for each month of FY 2008. The expected amounts are based on a monthly proration of the annual toll revenue forecasts in the 2007 Official Statement.

(When URS prepares the FY 2009 Annual Report in December 2009, the monthly and annual comparisons will be made relative to the FY 2009 forecast in the Series 2008 Official Statement.)

Figure 6


Mid-Bay Bridge
MONTHLY REVENUE RESULTS
Fiscal Year 2008
Expected Revenue Prorated from 2007 O.S.
Actual Revenue
Toll Revenue (000's)
$2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0
96%
92%
90%
90%
92%
94%
87%
91%
90%
93%
87%
87%
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Capital Improvement Program

During FY 2008 the Authority made progress on its Capital Improvement Program, based on its March 2007 report. In summary, the program includes new and expanded approach roads and a second, parallel span to the existing two-lane bridge over Choctawhatchee Bay. The two approach road elements, essentially, are the Connector (see the map on page 13) from the Mid-Bay Bridge toll plaza (expended to eight lanes in May 2007) to SR 85; and the widening of SR 20 from White Point Road (which has served as the bridge's north approach since its opening in 1993) to the Connector (the new north approach).

The Environmental Assessment for the entire Connector is anticipated to be complete by the end of November 2008. The right-of-way for Phase 1 of the Connector (four lanes from the toll plaza to SR 20 and Range Road) is expected to be secured from the Air Force in mid-January 2009. The Authority has advertised for bids for Phase 1 with a bid opening scheduled for January 15, 2009. Construction will commence on Phase 1 as soon as the right-of-way easement is executed. Phase 1 is scheduled for completion in the spring of 2011.

The Authority is now considering combining Phases 2 and 3 of the Connector (Range Road to SR 85) to run concurrently. The design of Phases 2 and 3 as a four-lane limited-access facility will commence in the spring of 2009 and be complete by the end of the construction of Phase 1. Construction of Phases 2 and 3 is scheduled to begin by the summer of 2011 with the Connector completed to SR 85 by the summer of 2014.

The widening of SR 20 will be completed concurrently with the construction for Phase 1 of the Connector.

The current projection for the second span of the bridge indicates the need for completion by 2016. This was made in 2007 before the current economic downturn. If this projection holds in the long term, construction would need to start in 2013.

Associated Traffic Engineers Services

In addition to URS' collaboration with the Authority on the Capital Improvement Program, URS has worked closely with the Authority on a number of issues related directly to bridge traffic and revenue during FY 2008. Our routine activities in FY 2008 which, essentially, are repeated in each fiscal year, included:

1. Preparation of the FY 2007 Annual Report, completed in December 2007.

2. Preparation of monthly traffic and revenue summaries, with graphics.

3. Preparation of the monthly proration of expected revenues for FY 2008 from the 2007 Official Statement.

4. Preparation of a letter-report, dated August 1, 2008, entitled *Preliminary Traffic and Toll Revenue Review, Fiscal Year 2008*, in connection with the financial workshop on August 13 and the Authority meeting on August 14. The report contained the usual statement, based on the projected revenues for FY 2008, that, although FY 2008 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 13 financial workshop and the August 14 Authority meeting.

One special assignment was conducted by URS during FY 2008: preparation of the March 2008 Update-Letter (updating the June 2004 Traffic and Earnings Report as amended by the July 2007 Update-Letter), for the Official Statement in connection with the Authority's Series 2008 Bonds.

This concludes the Traffic Engineers' Annual Report for FY 2008. As arranged, FY 2008 was the last year under URS' direct year-to-year contract with the Authority. Having started on July 1, 2008, our services for the Authority going forward will come under the FDOT/ Enterprise contract. 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.