San Diego County Regional Airport Authority

Forecasted Schedule of Rental Car Center Sources and Uses of Cash

Modified Cash Basis

June 30, 2020 through 2022

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority

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Contents

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Independent Accountants' Report

Board of Directors
San Diego County Regional Airport Authority
San Diego, California

We have examined the accompanying forecasted schedule of Rental Car Center (RCC) sources and uses of cash – modified cash basis for each of the years ending June 30, 2020 through 2022. The management of San Diego County Regional Airport Authority (Authority) is responsible for the forecast in accordance with the modified cash basis of accounting described in the *Assumptions and Notes to Forecasted Financial Information*; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the forecast in the circumstances. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We also have examined the need for the $9.00 Customer Facility Charge (CFC). Based on our procedures, the CFC charge of $9.00 per day is necessary to meet the financial obligations of the RCC during the forecast period.

This partial presentation of financial information was prepared by management for the purpose of complying with the state of California's rules regarding assessment of a Customer Facility Charge in its Rental Car Center and should not be used for any other purpose.

The Forecast Schedule of Rental Car Center Sources and Uses of Cash presents only the activities of the RCC related to CFC inflows and eligible disbursements from CFC funds. It is not intended to be a forecast of the financial position, results of operations and changes in net position and cash flows of the Authority as a whole.

We draw attention to the basis of accounting used in the forecast, which is described in the *Assumptions and Notes to Forecasted Financial Information*. The forecast is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The accompanying forecast and this report are intended solely for the information and use of management and the state of California and are not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Dallas, Texas
November 27, 2019

San Diego County Regional Airport Authority

Forecasted Schedule of Rental Car Center Sources and Uses of Cash

Modified Cash Basis

Years Ending June 30, 2020 to 2022

	Historical			Forecast		
	2017	2018	2019	2020	2021	2022
Revenues and other cash receipts						
Revenue from Customer Facility Fee charges	$ 36,527,853	$ 41,036,526	$ 41,918,554	$ 41,819,171	$ 42,642,938	$ 43,495,797
Investment income	388,720	826,763	1,387,903	1,102,535	1,207,872	1,320,052
	36,916,573	41,863,289	43,306,457	42,921,706	43,850,810	44,815,849
Expenditures and other cash payments						
Operating expenses	6,563,713	9,439,573	11,408,556	12,274,753	12,623,795	12,996,219
Purchases of property and equipment	19,955,642	1,212,416	9,319,858	-	-	-
Net deposit to and withdrawals from Construction Fund	(13,545,723)	(35,075)	(28)	-	-	-
Interest expense	16,341,210	16,341,210	16,199,646	16,028,789	15,827,940	15,600,783
Principal payments on long-term debt	-	5,580,000	5,720,000	5,890,000	6,090,000	6,320,000
Deposit to Reserve Fund	9,450	167,411	21,171	-	-	-
Deposit to Rolling Coverage Fund	69,075	50,711	135,645	-	-	-
Deposit to Renewal and Replacement Fund	1,896,000	1,896,000	1,896,000	1,896,000	1,896,000	1,896,000
	31,289,367	34,652,246	44,700,848	36,089,542	36,437,735	36,813,002
Net Change in Available Cash and Accrued Receipts	5,627,206	7,211,043	(1,394,391)	6,832,164	7,413,075	8,002,847
Cash and Accrued Receipts, Beginning of Year	35,920,962	41,548,168	48,759,211	47,364,820	54,196,984	61,610,059
Cash and Accrued Receipts, End of Year	$ 41,548,168	$ 48,759,211	$ 47,364,820	$ 54,196,984	$ 61,610,059	$ 69,612,906

San Diego County Regional Airport Authority

Assumptions and Notes to Forecasted Financial Information

June 30, 2020 through 2022

Basis of Assumptions

The underlying assumptions described herein are based on historical data, management's assumptions and other related currently available information.

The accompanying financial forecast has been prepared in connection with San Diego Regional Airport Authority's (Authority) operation of the Rental Car Center (RCC). The forecast schedule of Rental Car Center Sources and Uses of Cash has been prepared to comply with California Government Code 50474.1 – 50474.3 (the Code).

The accompanying financial statement forecast represents, to the best of management's knowledge and belief, the RCC's expected sources and uses of cash during the forecast period. Accordingly, the forecast reflects management's judgment as of November 27, 2019, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast and are not all inclusive. Variances between the forecasted and actual results can be expected as events and circumstances frequently do not occur as expected and those variances may be material. Management does not intend to update the forecast.

Legislation and regulations at all levels of government affect, and may continue to affect the airline industry, and, in turn, the revenue and expenses of the RCC. This financial forecast is based on legislation and regulations currently in effect and those management believes will be enacted based on the current legislative status. If future legislation or regulations related to the airline industry or the RCC's operations are enacted or forecasted regulation changes do not occur, the outcome of such legislation or regulations could have a material effect on future cash flows.

Unless otherwise stated, all dates used herein refer to the Authority's fiscal year, which ends on June 30.

Summary of Significant Accounting Policies

Management has prepared this forecast to comply with the Code's rules regarding an examination of the CFC every three years. As such, the significant accounting policies and assumptions disclosed herein relate to those necessary to forecast the RCC operations related to the CFC cash flows. The significant accounting policies used in this forecast are based on those historically used by the Authority and those expected to be used in the future.

Nature of Operations

The Authority was established pursuant to *California State Act AB 93* (the Act), which was signed into California state law in October 2001. The Act established the Authority effective January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego (the County). The Authority is vested with four principal responsibilities: (1) the operation of San Diego International Airport (SDIA or the Airport), (2) the planning and operation of any future airport that could be developed as a supplement to or replacement for SDIA, (3) the development of a comprehensive land use plan for the entire County, and (4) to serve as the region's Airport Land Use Commission.

San Diego County Regional Airport Authority

Assumptions and Notes to Forecasted Financial Information

June 30, 2020 through 2022

The Authority is governed by an appointed Board of Directors (Board) of nine members representing all areas of San Diego County and up to three additional members serving as non-voting, ex-official Board members. Three Board members serve as the Executive Committee consisting of one Board member from each of the following "defined jurisdictions": the City of San Diego, the County of San Diego, and one Board member from among the east county cities, south county cities or north county inland cities. The Board members serve three-year terms. The management and operations of the Authority are carried out by a staff headed by the President/Chief Executive Officer, who is appointed by and reports directly to the Authority Board of Directors.

The primary service area for the Airport consists of the County and portions of Orange and Riverside Counties, as well as a portion of the Baja of California del Norte, Mexico.

Basis of Accounting and Presentation

The financial statements of the Authority, which are not included within this report, are prepared to conform with accounting principles generally accepted in the United States of America. Its financial statements are presented using the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources, if any, from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Forecasted Schedule of Rental Car Center Sources and Uses of Cash has been prepared in accordance with the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Management has defined available cash to include revenues earned during the year, but not yet received at year-end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents, except those held by brokers as part of its investment program. Cash equivalents consist primarily of money market accounts and certificates of deposit.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than earthquake insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years, and are not expected to exceed such limits during the forecast period.

The Authority does not deem the cost of earthquake insurance cost beneficial, so has elected to self-insure against that risk and increase its reliance on laws designed to assist public entities through the Federal Emergency Management Agency and California Disaster Assistance Act. The Authority has historically designated a portion of its net position as a contingency for earthquake losses, and expects to continue to do so during the forecast period.

Investments and Investment Return

Investments in debt and equity securities are reported at fair value, along with all other investments. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	30 to 40 years
Buildings and improvements	3 to 50 years
Machinery and equipment	3 to 50 years
Vehicles	5 to 7 years
Works of art	15 to 30 years

Customer Facility Charge Revenues

The Authority received approval in May 2009 from the state of California under § 1936 of the California Civil Code to impose a $10 CFC per contract on rental cars at the Airport. In accordance with the Code, the proceeds of this fee were used to perform the analyses necessary to determine the general feasibility of developing a consolidated airport rental facility (RCC) and establishing a project scope.

In 2010, the Code was amended to allow the CFC fee to move from a per transaction fee to a per day fee of up to $9 per day (limited to 5 days per transaction) if the Authority completes appropriate hearings and studies to show that the fee is necessary to construct and finance the RCC and operate the common use transportation system.

On October 6, 2012, the Authority's Board approved a CFC fee of $6.00 per day. The Board also approved an increase in the fee to $7.50 per day effective January 1, 2014. The Board approved an increase in the fee to $9.00 per day effective January 1, 2017. In addition, starting in January 2016, a fee of $2.17 per day (for up to five days for each rental) is charged for rentals from operators whose customers utilize the central busing service but whose operations are not located in the RCC. The fee for the offsite operators increased to $3.41 per day effective July 1, 2019.

Proceeds from the CFC were used to plan, design and obtain financing for the RCC located on the northeast side of the Authority's property. The RCC was financed with revenue bonds totaling $305,285,000 which were issued in February 2014. The total amounts expended and obligated for the RCC and its enabling projects (primarily composed of infrastructure improvements) were approximately $361,622,000 through June 30, 2019. The RCC project was substantially completed and capitalized as of the year ended June 30, 2017.

CFC fees are collected by the rental car companies and are remitted to the Authority the following month. CFC proceeds may be expended for certain qualified costs related to the RCC, including:

- Debt service on the RCC related financing
- Capital costs related to the RCC, including enabling infrastructure improvements
- Costs related to operation of a common busing service to connect passengers to the RCC

Income Tax Status

The Authority is a governmental entity and is exempt from income taxes under Section 115 of the Internal Revenue Code.

General Description of the Authority

The Authority operates San Diego International Airport (the Airport). The primary service area of the Airport is San Diego County, portions of Orange and San Bernardino Counties and the northern portion of Baja California, Mexico. The Federal Aviation Administration (FAA) classifies the Airport as a "large-hub" airport, a category which means that at least 1% of United States domestic air travel is enplaned at the Airport. The Airport is currently the 24th busiest airport in the United States as ranked by number of enplaned and deplaned passengers.

The Airport is the busiest single-runway airport in the United States based on passenger levels. The Airport has a single 9,401-foot runway accompanied by two primary taxi-ways. The Airport has two passenger terminals (Terminal 1 and Terminal 2) which collectively have 51 gates.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

Description of the RCC

The Authority's Board adopted an Airport Master Plan in 2008 which included construction of the RCC. The purpose of the RCC was to consolidate all rental car operations at the Airport in order to improve customer service for passengers, while also expanding the space available for rental car company operations. The RCC was also anticipated to have a positive environmental impact by lowering the number of buses transporting passengers to rental car company locations. Because all rental car locations were offsite, each company operated its own transport service.

The RCC is located on an approximately 25-acre site at the northeast side of the Airport's property. It consists of a multi-level parking garage with space for rental car counters, office space, service bays, and fuel distribution and storage.

In addition to the RCC facility, a number of enabling projects were also necessary. These included:

- Construction of a limited access roadway for transporting passengers from the terminals to the RCC.
- An electrical distribution system to provide power to the RCC and other facilities on the north east side of the Airport.
- Landscaping, sidewalk, and other improvements.

As of June 30, 2019, the RCC project was complete and the following amounts had been spent on property and equipment related to the RCC:

RCC Facility	$	301,132,018
Enabling Projects		32,420,923
Transit Buses		15,587,549
Bus Staging and Implementation		8,005,053
RCC Way Finding		1,981,193
Bus Roadway Improvements		1,447,475
Installation of Car Wash Blowers		1,047,907
	$	361,622,118

Source: Management

The RCC was financed with the proceeds of a $305,285,000 issuance of 2014 Revenue Bonds (the Bonds) by the Authority. The financing included $29,390,000 of 2014A tax-exempt bonds and $275,895,000 of 2014B taxable bonds. The Bonds carry interest rates ranging from 2.537% to 5.594% and require annual payments of principal (including mandatory sinking fund redemptions) and interest through 2043. The Bond Indenture requires that certain funds be established to hold the Bond proceeds and the revenues generated by the CFC, and also imposes certain covenants on the Airport.

The sources and uses of the bond proceeds were as follows:

Sources		
Principal Amount	$	305,285,000
Original Issue Premium		594,266
	$	305,879,266
Uses		
Deposit to Construction Fund	$	244,577,757
Deposit to Debt Service Accounts		30,503,592
Deposit to Reserve Fund		21,921,902
Deposit to Rolling Coverage Fund		6,576,571
Costs of Issuance		2,299,444
	$	305,879,266

Source: Management

Management expects the balance in the Reserve Fund and Rolling Coverage Fund to be approximately $22,300,000 and $6,900,000, respectively, during the forecast period. The deposit to the Capitalized Interest Fund was to fund interest expense during the construction and no longer carries a balance.

At the time of the bond issue, the projected cost of the RCC plus all related projects was $354,824,000. However, actual project costs totaled approximately $361,622,000. These costs include the purchase of 14 additional transit buses in January 2019. These costs were funded as follows:

Proceeds from Series 2014 Bonds	$	244,578,000
Previously collected CFC fees and CFC fees collected during construction		117,044,118
	$	361,622,118

Source: Management

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

Assessment of Demand

An assessment of the expected future demand for rental cars at the RCC was conducted by management for the purpose of providing a basis for the financial forecast. The assessment of RCC utilization included the following:

- Assessment of historical demand for rental car services at the airport
- Historical enplanements at the airport and the relationship of those enplanements to rental car transactions
- Analysis of economic and demographic changes in the San Diego area
- Analysis of tourism and other significant events in the San Diego area that drive travel to the region
- Trends in the airline and travel industry
- Volume capacity for the Airport
- Impact of alternative transportation choices for Airport passengers

There are a number of factors that will impact the volume of travelers at the Airport, as well as the number of those travelers that will rent a car at the Airport's RCC. These include:

- Whether or not the origin or destination of the trip is near the Airport
- Quantity of flights and destinations offered by airlines
- Pricing of flights
- Duration of trip
- Proximity of destination to the Airport
- Relative value of cost to rent a car versus using a taxi or shared ride service

The demand assessment is designed to highlight, within the given parameters, management's basis for estimating future demand for rental car services at the Airport.

Competing Airports

The Airport is classified as a large-hub airport by the FAA and primarily serves San Diego County. There are no other significant airports that compete directly in the San Diego area. The nearest airports are shown in the table on the following page. Management does not expect the operations at these airports to have a material impact on the Airport's volume during the forecast period.

Airport Name	Classification	Approximate Enplanements [1]	Distance from Airport
John Wayne Airport	Medium Hub	5,201,642	89
Long Beach Airport	Small Hub	1,908,635	107
LA/Ontario International Airport	Medium Hub	2,498,993	115
Los Angeles International Airport	Large Hub	42,624,050	125
Bob Hope Airport	Medium Hub	2,680,240	134
McLellan-Palomar Airport	Non-hub	131 [2]	32

Source: (1): FAA Fiscal Year 2018

Source: (2): October 2018 McLellan-Palmor Master plan Update

Population and Demographics of San Diego County

The Airport's primary service area is San Diego County. Population and demographic information for the County is shown in the following tables:

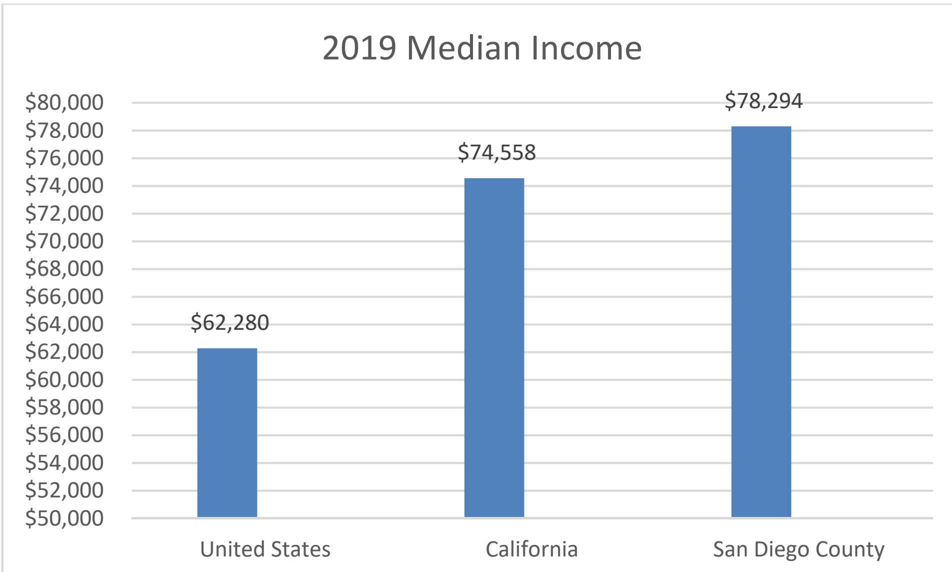
	2000	2010	2019	2024
San Diego County	2,813,833	3,095,313	3,371,481	3,522,777
Annual Change		1.00%	0.99%	0.90%
California	33,871,636	37,253,956	39,964,848	41,541,098
Annual Change		1.00%	0.81%	0.79%
United States	281,421,942	308,745,538	329,236,175	340,950,101
Annual Change		0.97%	0.74%	0.71%

Source: Nielsen

This table indicates the population of San Diego County has slowly increased since 2000 and is expected to continue to do so until 2024. Based on this, management does not expect changes in population to have a significant impact on overall Airport volume.

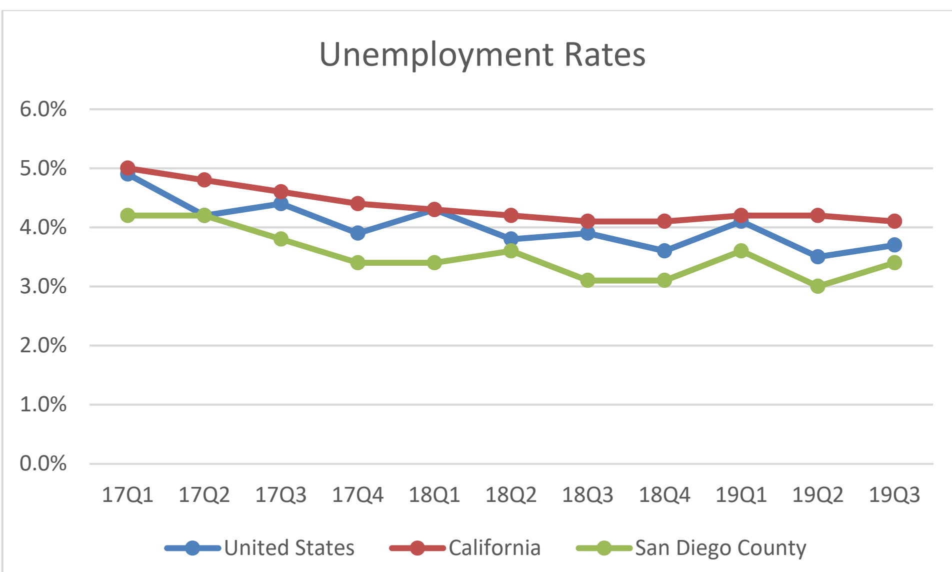
The following table shows the median income in San Diego County as compared to the state of California and the United States as a whole. The residents of San Diego have an overall higher average income than both of these peer groups.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022



Source: Claritas, LLC

This next table shows the average unemployment rate for San Diego County as compared to all of California and the United States. San Diego has generally had a lower unemployment rate than California and the overall United States rate.



Source: Bureau of Labor and Statistics

San Diego has long been a vacation and business convention destination. There were more than 36,200,000 visitors to San Diego in 2019, and this number is expected to increase over the next three years:

	Historical			Forecast		
	2017	2018	2019	2020	2021	2022
San Diego Visitors	35,400,000	35,800,000	36,200,000	37,000,000	37,700,000	38,300,000
% Change		1.1%	1.1%	2.2%	1.9%	1.6%
Overnight Visitors	17,800,000	18,000,000	18,100,000	18,500,000	18,800,000	19,100,000
Day Visitors	17,600,000	17,800,000	18,100,000	18,500,000	18,900,000	19,200,000

Source: Tourism Economics: San Diego Travel Forecast, August 2016 & August 2019

San Diego is also a popular designation for business conventions and trade shows.

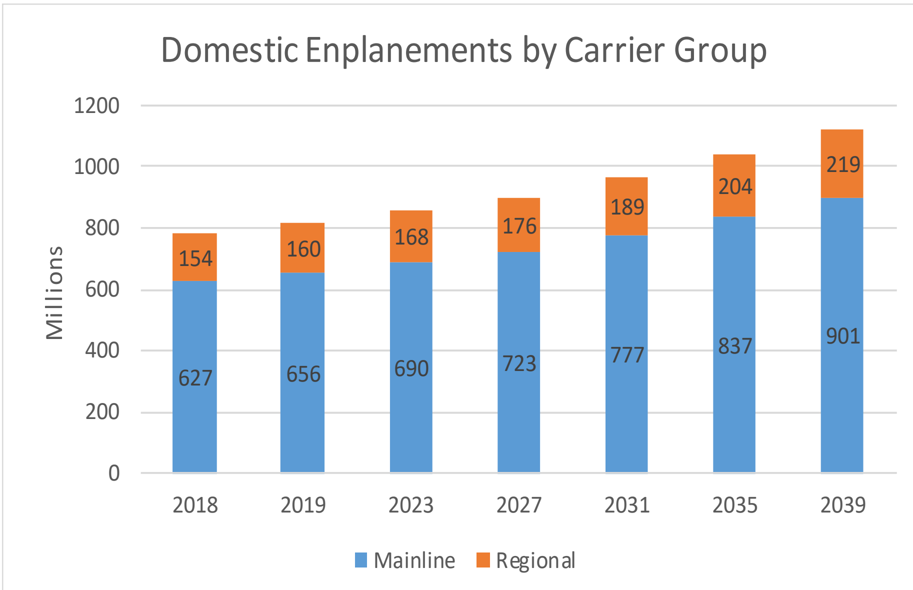
	2017	2018
Number of Conventions	109	108
Attendance	793,960	862,408

Source: San Diego Convention Center Corporation (2019 data not available)

Management expects the continued popularity of San Diego as a destination area to drive increases in enplanements during the forecast period, as discussed below.

Historical and Forecast Enplanements

Management has determined that a key driver of RCC transactions is the number of enplanements at the Airport. The FAA has forecast the total domestic enplanements for the airline industry. As shown on the next page, the FAA predicts that total U.S. enplanements will steadily increase through 2039.



Source: FAA

Consistent with the FAA forecast of the overall U.S. airline industry, the FAA has forecast that the total enplanements at the Airport will also increase, as shown below:

	Enplanements
Historical - FAA	
2017	10,889,000
2018	12,001,000
Forecast - FAA	
2022	13,859,000
2045	22,206,000

Source: FAA Terminal Area Forecast - 2018

This data, obtained for the FAA's most recent Terminal Area Forecast, projects a 2.58% average annual increase in enplanements at the Airport. Historical amounts differ slightly from those shown by management in the following table due to differing measurement periods. The FAA measurements are presented on a U.S. Government fiscal year basis of October through September. Management's forecast is presented on a basis of July through June.

Management has also prepared a forecast of enplanements, as shown below:

	Enplanements	Change %
Historical		
2017	10,596,483	
2018	11,731,833	10.71%
2019	12,356,286	5.32%
Forecast		
2020	12,557,000	1.62%
2021	12,808,000	2.00%
2022	13,064,000	2.00%

Source: Management

From 2017 to 2019, the Airport's enplanements increased approximately 8.02% per year. From 2020 to 2022, Management has forecast that enplanements will increase approximately 1.87% per year. Management considers this a particularly sensitive assumption. Management believes that the total enplanements will continue to increase, but at a slower rate than recent history, which is consistent with the FAA's forecast.

The Airport's traffic consists largely of "origin and destination" (O&D) passengers, which indicates that most passengers are beginning or ending their trip in San Diego. Historically, approximately 96% of the Airport's passengers have been O&D. Management expects this trend to continue during the forecast period. A high O&D passenger load results in a larger percentage of passengers requiring rental cars as compared to airports whose enplanements primarily represent connecting passengers. The following table shows the percentage of O&D and connecting passengers at the airport from 2017 to 2019.

	O&D Passengers	Total Connecting Passengers	O&D %
2017	10,172,624	423,859	96.0%
2018	11,227,364	504,469	95.7%
2019	11,862,035	494,251	96.0%

Source: Management

The Airport is the busiest single-runway airport in the United States and is limited in its ability to physically expand runway capacity. The Airport also is subject to curfew restrictions that prohibit departures between 11:30 p.m. and 6:30 a.m. each day. Management has assessed the current capacity of the Airport considering these restrictions and has determined that the additional flights necessary to reach its enplanement forecast are within the Airport's capacity. Average daily aircraft operations (which include passenger, cargo, general aviation and military operations) during 2019 were 634. Management has computed that the capacity for the airport is approximately between 710-820 operations per day. To achieve the forecast enplanement volume, management expects total flights will not exceed the capacity per day.

RCC Center Operations and Forecast Transactions

The RCC has been open since January 2016. Current rental car companies (Companies) based in the RCC include:

Rental Car Center Tenants
Avis Car Rental
Budget Car Rental
Enterprise Rent-a-Car
Fox Rent A Car
The Hertz Corporation
Advantage
EZ Rent A Car, Inc.
SIXT
Green Motion SAN, LLC

The Companies have all entered lease agreements with the Airport related to their space in the RCC. Pursuant to these agreements, the Companies make monthly payments ranging from approximately \$5,000 to \$184,000 to the Airport for the lease of the space, and also have agreed to assume all operating expenses of maintaining the RCC building. The lease payments are based on the Companies' pro rata share of the land lease. These agreements expire on June 30, 2046. Lease payments are considered general revenues of the Airport and not used to pay RCC-related expenditures.

These lease agreements also require the Companies to collect the CFC fee from their customer and remit the fees to the Airport. In addition, there are 5 Companies located outside the RCC that utilize the busing service that transports passengers from the terminal to the RCC. These Companies then incur the expense of transporting the passengers to their offsite location and remit a CFC to the Airport to offset the cost of the bus transportation. The CFC rate charged to Companies outside the RCC was \$2.42 during the historic period. Average total revenue from these offsite services was approximately \$170,000 per year during the historic period. Management forecasts the rate will increase to \$3.41 beginning July 1, 2019 and remain at that rate throughout the forecast period. Management does not expect these revenues to vary materially during the forecast period.

Management's forecast of RCC transactions is based on the historical number of rental car transactions per enplanement, as well as the number of rental car days per transaction. As is shown in the following table, between 2017 and 2019 there was an average of 0.12 rental car transactions per enplanement. This is considered a sensitive assumption. Management has assumed this level of transactions will continue in the forecast period.

The average duration of each rental car transaction was 4.57 days in 2017, 4.45 days in 2018 and 4.57 days in 2019. Management has forecast an average duration of 4.58 days during the forecast period, which is slightly above the combined average of 2017 through 2019. Management considers this a sensitive assumption.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

	Enplanements	Rental Car Transactions	Transactions Per Enplanement	Rental Car Days	Average Days Per Rental
Historical (Fiscal Years)					
2017	10,596,483	1,314,746	0.12	6,005,562	4.57
2018	11,731,833	1,359,152	0.12	6,047,590	4.45
2019	12,356,286	1,360,659	0.11	6,221,884	4.57
Forecast					
2020	12,557,000	1,356,989	0.11	6,219,623	4.58
2021	12,808,000	1,383,731	0.11	6,342,191	4.58
2022	13,064,000	1,411,406	0.11	6,469,034	4.58

Source: Management

The CFC only applies to the first five days of each rental car transaction. As such, management has forecast the percentage of total rental car days that are subject to the CFC based on historical information. As shown below, the ratio of days subject to the CFC to total rental car days has ranged from 74.7% to 76.1% between 2017 and 2019. Management has assumed this rate will be 75.3% during the forecast period.

	Rental Car Days	Rental Days < 5 Day Duration	Percentage Subject to CFC
Historical (Fiscal Years)			
2017	6,005,562	4,470,154	74.4%
2018	6,047,590	4,600,260	76.1%
2019	6,221,884	4,691,392	75.4%
Forecast			
2020	6,219,623	4,686,094	75.3%
2021	6,342,191	4,778,404	75.3%
2022	6,469,034	4,873,972	75.3%

Source: Management

Management has assessed the impact of ride sharing services such as Uber and Lyft on the historical and forecast rental car transactions. Management believes that the bulk of the anticipated impact from the growth of ride sharing services was recognized in the historical period and does not expect these services to have a significant additional impact on future rental car transaction volume. Management's assumption is supported by various news articles that suggest the most significant disruption caused by ride sharing services is on traditional taxi services as opposed to rental car agencies.

Management has assumed the CFC will remain at $9.00 per CFC eligible day throughout the forecast period. Based on these assumptions, management has forecast the CFC fee revenue as follows:

	On-Site Days Subject to CFC	CFC Rate/Day	On-Site CFC Revenue	Off-Site CFC Revenue	Total CFC Revenue
Historical (Fiscal Years)					
2017 (1)	4,419,168	$ 8.24	$ 36,435,480	$ 92,373	$ 36,527,853
2018	4,542,032	9.00	40,878,288	158,238	41,036,526
2019	4,628,834	9.00	41,659,506	259,048	41,918,554
Forecast					
2020	4,622,467	9.00	41,602,203	216,968	41,819,171
2021	4,713,521	9.00	42,421,689	221,249	42,642,938
2022	4,807,791	9.00	43,270,119	225,678	43,495,797

Source: Management

(1) The CFC Rate/Day in fiscal year 2017 was $7.50 from July 1, 2016 through December 31, 2016 and $9.00 effective January 1, 2017.

Management believes the $9.00 per CFC eligible day rate is necessary in order to maintain cash reserves for reasonable costs expected to be incurred outside of the forecast period and to account for uncertainty in future operations as summarized below.

- The Bonds are eligible for early refunding beginning in fiscal year 2024, at which point the remaining outstanding principal is forecasted to be approximately $269,000,000. Management plans to evaluate the economic benefit of repaying some portion of the Bonds at that time and will need funds available for the refunding.
- Additional buses and other capital costs are expected by management to be required outside of the forecast period for which cash reserves will be needed. The age of the buses and overall RCC facility will approach 10 years soon after outside of the forecast period.
- Any potential future economic downturn would have a negative impact on the Airport's enplanements, which would decrease the amount of CFC revenue available to pay future debt service. Management believes cash reserves of up to two years is prudent to allow for this contingency.

Operating Expenses

The California statutes related to the CFC fee limit the costs that may be considered for purposes of establishing the CFC amount. The Airport has included the following costs in its forecast:

- Land rent for the bus maintenance facility
- Direct cost of busing, including personnel and operating/maintenance costs of the bus fleet

Busing Staging and Office Facility Land Rent

The RCC's busing staging area and office facility is located on approximately 116,000 square feet of land on the Airport's property. There is no formal lease agreement with the RCC, but management determined in fiscal year 2017 that an annual lease fee of $9.87 per square foot should be allocated for the space occupied by the maintenance facility. A 3% inflation rate has been applied to this rate annually since 2017, and the annual charge for lease. The annual rent charge during the forecast period ranges from $1,227,245 to $1,289,374.

Direct Busing Cost

The Airport conducted a competitive bid process for a third-party to operate the bus shuttle service for the RCC. The agreement entered by the Airport allows for a base management fee charge plus a per-mile charge based on a 30-bus fleet. The agreement allows for annual inflation of approximately 2.5% for per mile charges annually for the management fee.

The Airport purchased fourteen buses totaling approximately $7,000,000 in January 2019. Management does not expect the purchase of these additional buses to materially impact operating costs because these additional buses will replace other buses coming offline for maintenance or other reasons.

The total costs of this agreement over the forecast period are as follows:

	Historic			Forecast		
	2017	2018	2019	2020	2021	2022
Management fee and implementation costs	$ 1,225,000	$ 1,243,506	$ 1,658,478	$ 2,080,626	$ 2,137,908	$ 2,202,048
Busing costs	3,773,602	4,041,073	7,942,787	8,966,882	9,227,961	9,504,797
Bus leases	1,565,111	1,777,767	609,979	-	-	-
	$ 6,563,713	$ 7,062,346	$ 10,211,244	$ 11,047,508	$ 11,365,869	$ 11,706,845
Total Miles	1,173,957	1,240,737	1,531,461	1,572,108	1,587,829	1,603,707
Cost per Mile	5.59	5.69	6.67	7.03	7.16	7.30

Source: Management

Other Operating Costs

The RCC incurs other miscellaneous operating costs during each year. Management has forecast approximately $80,000 annually for these costs, which are included in busing costs in the above table.

Investment Income

Most RCC funds are held in cash accounts. Management has forecast these funds will earn approximately 2.09% annual interest income throughout the forecast period.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

Long-term Debt and Financing Cash Flows

The RCC was initially financed by the Bonds and CFC revenue. Scheduled debt service on the Bonds during the forecast period is:

	Principal	Interest	Total
2020	$ 5,890,000	$ 16,028,789	$ 21,918,789
2021	6,090,000	15,827,940	21,917,940
2022	6,320,000	15,600,783	21,920,783

Source: Management

The Bond Indenture requires that the Airport establish a CFC Surplus Fund (which includes any unexpended funds in the Project Account and the CFC stabilization account) to hold funds related to the RCC. This Fund was initially established with proceeds of the CFC collected by the Companies before the RCC was operational. The minimum targeted balance of this fund is $25 million. If the Fund falls below $25 million through fiscal year 2020, the Airport may loan up to $5 million to the Surplus Fund to achieve the minimum balance. If this Airport loan is not sufficient the meet the minimum Surplus Fund balance, then the Companies will be required to make contributions to the Surplus Fund as required by the Bond Indenture and lease agreements.

Management has forecast that the Surplus Fund will not fall below $25 million during the forecast period.

Capital Expenditures

Management has forecast there will not be any capital expenditures during the forecast period.

Working Capital Assumptions

Management has assumed that all CFC fees will be remitted to the Airport by the Companies within 30 days of being collected. The forecast schedule of rental car center sources and uses of cash includes approximately one month of unremitted CFC payments in “Cash and Accrued Receipts” and the end of each year.

Management has also assumed that payments to its shuttle bus contract will be paid in the month following services.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

Sensitivity Analysis

Enplanements

Initial enplanements for the forecast period are assumed to be approximately 12,557,000, 12,808,000 and 13,064,000 for the years ending June 30, 2020, 2021, and 2022, respectively. Enplanements are used to forecast the rental days for which the CFC is applicable. If enplanements were increased by 5% during each year, the change in cash flow and ending cash balances would be:

	Forecast		
	2020	**2021**	**2022**
Net Change in Available Cash and Accrued Receipts	$ 8,911,866	$ 9,534,123	$ 10,166,312
Cash and Accrued Receipts, Beginning of Year	47,364,820	56,276,686	65,810,809
Cash and Accrued Receipts, End of Year	$ 56,276,686	$ 65,810,809	$ 75,977,121

If enplanements were reduced by 5% during each year:

	Forecast		
	2020	**2021**	**2022**
Net Change in Available Cash and Accrued Receipts	$ 4,751,688	$ 5,291,946	$ 5,839,301
Cash and Accrued Receipts, Beginning of Year	47,364,820	52,116,508	57,408,454
Cash and Accrued Receipts, End of Year	$ 52,116,508	$ 57,408,454	$ 63,247,755

Management has assumed that approximately 74.32% of rental car transactions will be for five days or less. If the percentage of transactions with five or less rental days increases 2.5% during each year of the forecast, the cash flows would be:

	Forecast		
	2020	2021	2022
Net Change in Available Cash and Accrued Receipts	$ 8,231,187	$ 8,840,025	$ 9,458,336
Cash and Accrued Receipts, Beginning of Year	47,364,820	55,596,007	64,436,032
Cash and Accrued Receipts, End of Year	$ 55,596,007	$ 64,436,032	$ 73,894,368

If the percentage of transactions with five or less rental days decreased by 2.5%, the cash flows would be:

	Forecast		
	2020	2021	2022
Net Change in Available Cash and Accrued Receipts	$ 5,432,358	$ 5,986,044	$ 6,547,268
Cash and Accrued Receipts, Beginning of Year	47,364,820	52,797,178	58,783,222
Cash and Accrued Receipts, End of Year	$ 52,797,178	$ 58,783,222	$ 65,330,490

Operating Expenses

Management has assumed operating expenses will be based primarily on historical busing costs adjusted for volume and routine inflation. If the operating expenses were increased by an additional 5%, the presented cash flows would be:

	Forecast		
	2020	2021	2022
Net Change in Available Cash and Accrued Receipts	$ 6,218,426	$ 6,781,885	$ 7,353,036
Cash and Accrued Receipts, Beginning of Year	47,364,820	53,583,246	60,365,131
Cash and Accrued Receipts, End of Year	$ 53,583,246	$ 60,365,131	$ 67,718,167

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2020 through 2022

If operating expenses were decreased by 5% below management's forecast, the change in cash and ending cash balance would be:

	Forecast 2020	Forecast 2021	Forecast 2022
Net Change in Available Cash and Accrued Receipts	$ 7,445,902	$ 8,044,265	$ 8,652,658
Cash and Accrued Receipts, Beginning of Year	47,364,820	54,810,722	62,854,987
Cash and Accrued Receipts, End of Year	$ 54,810,722	$ 62,854,987	$ 71,507,645

The forecast assumes that the CFC will be $9.00 throughout the forecast period. If the rate was decreased by $1.00, the change in cash and ending cash balances would be:

	Forecast 2020	Forecast 2021	Forecast 2022
Net Change in Available Cash and Accrued Receipts	$ 2,209,697	$ 2,699,554	$ 3,195,056
Cash and Accrued Receipts, Beginning of Year	47,364,820	49,574,517	52,274,071
Cash and Accrued Receipts, End of Year	$ 49,574,517	$ 52,274,071	$ 55,469,127