San Diego County Regional Airport Authority

Forecasted Schedule of Rental Car Center
Sources and Uses of Cash
Cash Basis

June 30, 2023 through 2025

San Diego County Regional Airport Authority
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Cash Basis
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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 –cash basis for each of the years ending June 30, 2023 through 2025, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. We have also examined management of San Diego County Regional Airport Authority's (Authority) assertion that the $9.00 Customer Facility Charge (CFC) is necessary to meet the financial obligations of the RCC for the years ending June 30, 2023 through 2025. The management of the Authority is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants and for its assertion. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitably supported and provide a reasonable basis for management's forecast. Additionally, in our opinion, management's assertion that the CFC charge of $9.00 per day is necessary to meet the financial obligations of the RCC during the forecast period is fairly stated, in all material respects.

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.

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 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.

FORVIS, LLP

Dallas, Texas
January 12, 2023

San Diego County Regional Airport Authority

Forecasted Schedule of Rental Car Center Sources and Uses of Cash

Cash Basis

Years Ending June 30, 2023 to 2025

	Historical			Forecast		
	2020	2021	2022	2023	2024	2025
Revenues and other cash receipts						
Revenue from Customer Facility Fee charges	$ 33,438,363	$ 14,455,749	$ 29,832,774	$ 30,619,243	$ 33,786,930	$ 36,138,488
Investment income	1,502,772	855,814	243,856	557,125	617,853	818,467
CFC Eligible Cost Refund from Authority	-	-	-	5,882,048	-	-
Proceeds from Authority loan	-	-	1,051,528	645,351	4,782,672	2,726,078
	34,941,135	15,311,563	31,128,158	37,703,767	39,187,455	39,683,033
Expenditures and other cash payments						
Operating expenses	11,286,026	7,574,002	9,042,298	13,774,074	15,271,093	15,775,279
Interest expense	16,114,217	15,928,365	15,714,362	15,424,013	15,060,682	14,677,074
Principal payments on long-term debt	5,720,000	5,890,000	6,090,000	6,320,000	6,670,000	7,045,000
Deposit to Renewal and Replacement Fund	1,896,000	1,972,860	2,185,680	2,185,680	2,185,680	2,185,680
	35,016,243	31,365,227	33,032,340	37,703,767	39,187,455	39,683,033
Net Change in Available Cash	(75,108)	(16,053,664)	(1,904,182)	-	-	-
Cash, Beginning of Year	43,032,954	42,957,846	26,904,182	25,000,000	25,000,000	25,000,000
Cash, End of Year	$ 42,957,846	$ 26,904,182	$ 25,000,000	$ 25,000,000	$ 25,000,000	$ 25,000,000

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2023 through 2025

Note 1: 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 (Schedule) has been prepared to comply with California Government Code 50474.1 – 50474.3 (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 January 12, 2023, 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.

Note 2: 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.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2023 through 2025

Nature of Operations

The Authority was established pursuant to *California State Act AB 93* (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 five 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, (4) to serve as the region's Airport Land Use Commission, and (5) preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

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 California, 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 Schedule has been prepared in accordance with the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2023 through 2025

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.

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.

Investment Income

Investment income includes dividend and interest income.

Capital Assets

Capital assets are recorded at historical cost. Contributed capital assets are reported at their estimated acquisition 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 structures	3 to 50 years
Machinery and equipment	3 to 20 years
Runways, roadways and parking lots	3 to 50 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 for the RCC and its enabling projects (primarily composed of infrastructure improvements) were approximately $361,622,000. The RCC project was substantially completed and capitalized as of the year ended June 30, 2016.

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.

Note 3: General Description of the Authority

The Authority operates San Diego International Airport (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 percent of United States domestic air travel is enplaned at the Airport. The Airport is currently the 25th 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 47 gates.

Note 4: 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.

The following amounts were 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 (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 percent to 5.594 percent and require annual payments of principal (including mandatory sinking fund redemptions) and interest through 2043. The Bond Indenture requires that funds be established to hold debt service, a reserve fund, a rolling reserve fund and the revenues generated by the CFC and also imposes certain covenants on the Airport. The debt service fund, reserve fund, and rolling reserve fund cash balances are restricted for use and are therefore not included in the Schedule's beginning or ending cash balances.

As discussed in the Busing Staging and Office Facility Land Rent footnote on page 20, the Authority is in process of constructing a replacement busing staging and office facility offsite of Authority property. The total project costs associated with the original bus staging and implementation was approximately $8,005,000 as reflected in the above table of project costs. Management forecasts the unamortized cost of the facility will be repaid from the Authority to the CFC stabilization fund in forecast year 2023. The unamortized cost as of the expected completion date of the new facility, January 2023, is approximately $5,882,000 and is included as a cash inflow in the accompanying Schedule.

San Diego County Regional Airport Authority
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The original project 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 $7,200,000, respectively, during the forecast period. As noted above, these cash balances are not available for general RCC use, thus are not included in the accompanying Schedule's beginning or ending cash balances.

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
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Note 5: 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:

- Impact and recovery from the COVID-19 pandemic
- 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:

- Recovery from the COVID-19 pandemic, including potential future waves of high-levels of transmission
- Record-high levels of inflation
- 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.

San Diego County Regional Airport Authority
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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	3,807,205		89
Long Beach Airport	Small Hub	1,039,432		107
LA/Ontario International Airport	Medium Hub	2,201,528		115
Los Angeles International Airport	Large Hub	23,663,410		125
Bob Hope Airport	Medium Hub	1,942,417		134
McLellan-Palomar Airport	Non-hub	141	(2)	32
Tijuana Airport	Foreign	4,800,000	(3)	24

Source: (1): FAA Fiscal Year 2021

Source: (2): October 2021 McLellan-Palmor Master plan Update

Source: (3): December 2021 Grupo Aeroportuario del Pacífico Report

Population and Demographics of San Diego County

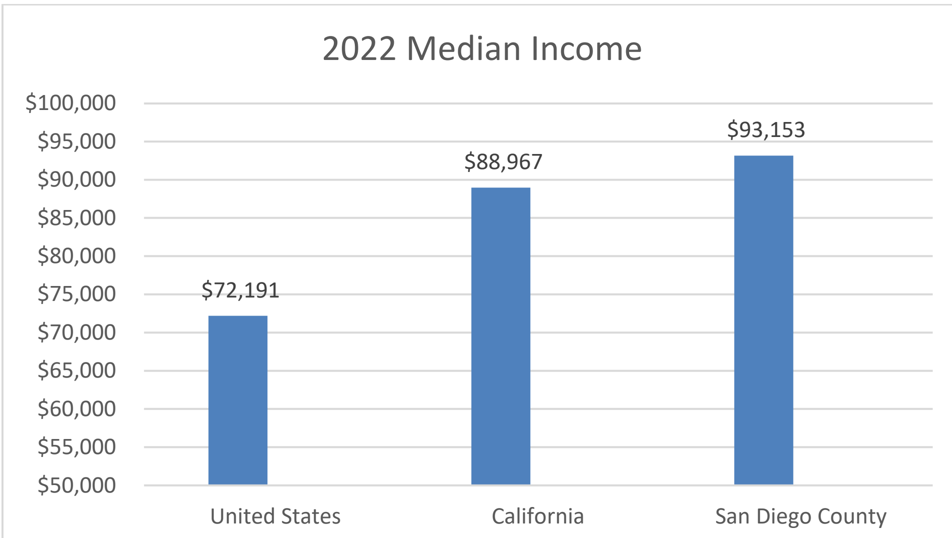
The Airport's primary service area is San Diego County. Population and demographic information for the County is shown in the following tables:

	2000	2010	2022	2027
San Diego County	2,813,833	3,095,313	3,362,964	3,446,059
annual change		1.00%	0.72%	0.49%
California	33,871,636	37,253,956	39,725,146	40,499,252
annual change		1.00%	0.55%	0.39%
United States	281,421,942	308,745,538	334,279,739	344,999,336
annual change		0.97%	0.69%	0.64%

Source: Environics Analytics

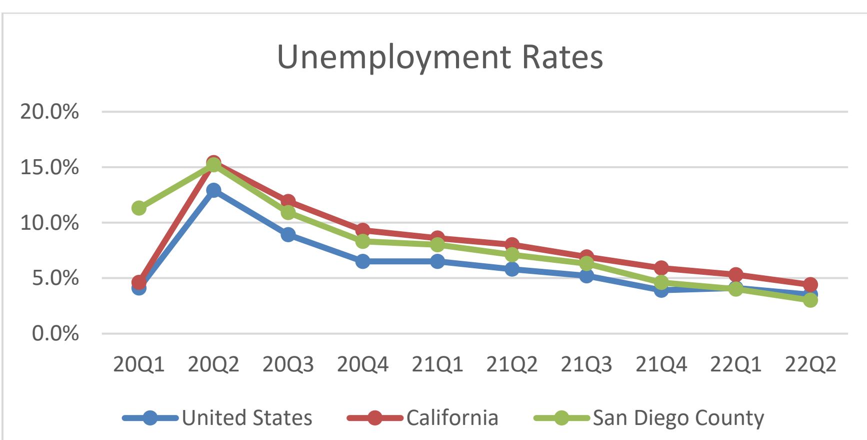
This table indicates the population of San Diego County has slowly increased since 2000 and is expected to continue to do so until 2027. Based on this, management does not expect changes in population to have a significant impact on overall Airport volume.

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.



Source: Environics Analytics

This next table shows the average unemployment rate for San Diego County as compared to all of California and the United States. The increase in unemployment in the second quarter of 2020 experienced in San Diego, California and the overall United States was due to the COVID-19 pandemic. Prior to the COVID-19 pandemic, San Diego has generally had a lower unemployment rate than California and the overall United States rate. San Diego's' unemployment recovered at a better rate than the rest of the state of California, but lagged the overall United States rate.



Source: Bureau of Labor and Statistics

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San Diego has long been a vacation and business convention destination. There were more than 36,200,000 visitors to San Diego in 2019. As reflected in the below table, there was an approximately 61 percent decrease in visitors to San Diego in 2020 due to the COVID-19 pandemic. The state of California issued its first stay-at-home order on March 19, 2020, which closed nonessential businesses and restaurant dining. While visitors have steadily increased since record lows in 2020, the total visitors in 2022 were still less than total visitors in 2011. In the last year of the forecast period, total visitors are expected to recover to 2019, pre-pandemic levels.

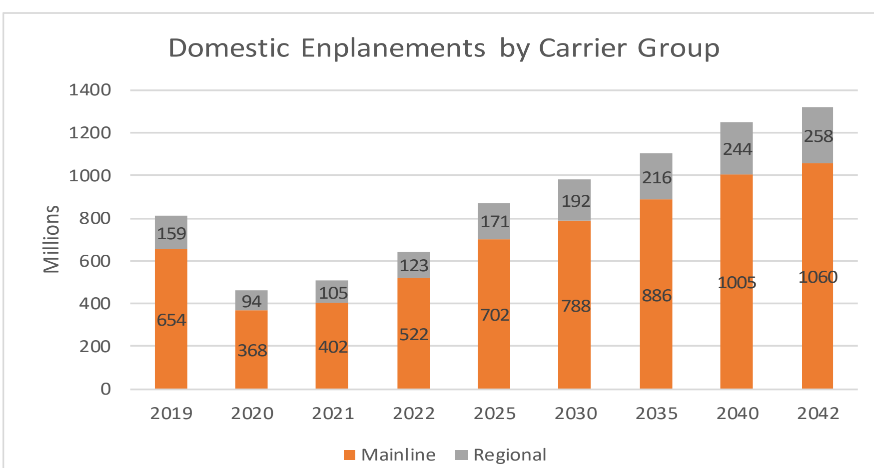
	Historical			Forecast		
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
San Diego Visitors	14,300,000	22,500,000	30,700,000	33,400,000	35,000,000	36,200,000
% Change		57.3%	36.4%	8.8%	4.8%	3.4%
Overnight Visitors	8,720,000	13,190,000	16,170,000	17,850,000	19,330,000	19,330,000
Day Visitors	5,580,000	9,310,000	14,530,000	15,550,000	15,670,000	16,870,000

Source: Tourism Economics: San Diego Travel Forecast, March 2022

San Diego is also a popular designation for business conventions and trade shows. The number of conventions and attendees also reached historic lows throughout 2020, 2021, and 2022. Management expects the continued popularity of San Diego as a destination area to drive increases in enplanements during the forecast period as tourism globally continues to recover, 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 below, the FAA predicts that total U.S. enplanements will steadily increase through 2042. Additionally, the FAA predicts that total enplanements will surpass 2019, pre-pandemic levels by 2025.



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 to pre-pandemic levels by 2024 and steadily increase thereafter, as shown below:

	Enplanements
Historical – FAA	
2019	12,545,600
2020	6,770,700
Forecast – FAA	
2024 (1)	12,545,600
2045	23,671,000

Source: FAA Terminal Area Forecast - 2020
(1) Estimated year to recovery to 2019 enplanement volumes

This data, obtained for the FAA's most recent Terminal Area Forecast, projects a 5.5 percent average annual increase in enplanements at the Airport from 2021 through 2045. 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		
2020	9,235,459	
2021	4,860,931	-47.37%
2022	9,953,162	104.76%
Forecast		
2023	10,138,263	1.86%
2024	11,110,957	9.59%
2025	11,852,000	6.67%

Source: Management

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As discussed previously, the travel industry globally was significantly impacted by the COVID-19 pandemic. From 2017 to 2019, the Airport's enplanements increased approximately 8.02 percent per year. Fiscal year 2020 enplanement growth was also strong until the pandemic drastically reduced activity beginning in March 2020. 2020 enplanements decreased approximately 26 percent from 2019 enplanements of 12,356,600. 2022 enplanements slowly recovered from all-time low experienced in 2021. From 2023 to 2025, Management has forecast that enplanements will increase steadily nearing pre-pandemic levels by 2025. 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 percent 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 2020 to 2022.

	O&D Passengers	Total Connecting Passengers	O&D %
2020	8,847,570	387,889	95.8%
2021	4,792,878	68,053	98.6%
2022	9,724,239	228,923	97.7%

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 2022 were 521. 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.

San Diego County Regional Airport Authority
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Note 6: 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
Enterprise Rent-a-Car
Fox Rent A Car
The Hertz Corporation
Payless Rent A Car
SIXT

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 $35,000 to $213,000 to the Airport for the lease of the space, and also have agreed to assume all operating expenses of maintaining the RCC building. Due to the COVID-19 pandemic, the Authority provided certain rent forbearance and abatement during the historic period. 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 3 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 $3.41 during the historic period. Average total revenue from these offsite services was approximately $229,000 per year during the historic 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 2020 and 2022 there was an average of 0.11 rental car transactions per enplanement, which was consistent with 2019, pre-COVID-19. 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 5.21 days in 2020, 5.31 days in 2021, and 4.61 days in 2022. Management has forecast an average duration of 4.56 days during the forecast period, which is lower than the combined average of 2020 through 2022. Management considers this a sensitive assumption.

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	Enplanements	Rental Car Transactions	Transactions Per Enplanement	Rental Car Days	Average Days Per Rental
Historical (Fiscal Years)					
2020	9,235,459	1,005,350	0.11	5,238,688	5.21
2021	4,860,931	516,043	0.11	2,742,406	5.31
2022	9,953,162	976,245	0.10	4,499,879	4.61
Forecast					
2023	10,138,263	1,029,379	0.10	4,694,102	4.56
2024	11,110,957	1,114,961	0.10	5,084,370	4.56
2025	11,852,000	1,189,323	0.10	5,423,331	4.56

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 65.3 percent to 75.8 percent between 2020 and 2022. Management has assumed this rate will be 76.7 percent throughout the forecast period. The increase in percentage in 2025 is consistent with the decrease in average days per rental in the above table.

	Rental Car Days	Rental Days < 5 Day Duration	Percentage Subject to CFC
Historical (Fiscal Years)			
2020	5,238,688	3,421,439	65.3%
2021	2,742,406	1,789,935	65.3%
2022	4,499,879	3,409,801	75.8%
Forecast			
2023	4,694,102	3,599,454	76.7%
2024	5,084,370	3,896,785	76.6%
2025	5,423,331	4,156,680	76.6%

Source: Management

Management has assessed the impact of ride sharing services such as Uber and Lyft on the historical and forecast rental car transactions. The Airport charges a pick-up and drop-off fee to third-party transportation services. The fees charged to Transportation Network Companies (TNC) allows management to track and monitor the number of TNC pick-up trips. As shown below, the percentage of TNC pick-up trips per enplanement have increased over the previous six historical years. The increase in TNC volumes is a factor in management's decrease in rental car days in the forecast period discussed above.

	TNC Pick-Up Trips	Enplanements	Percentage per Enplanement
2017	2,253,883	10,596,483	21.3%
2018	2,708,322	11,728,880	23.1%
2019	3,144,086	12,356,286	25.4%
2020	4,086,702	9,235,459	44.3%
2021	1,473,880	4,860,931	30.3%
2022	3,615,236	9,953,162	36.3%

Source: Management

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 Accrued Revenue	Change in CFC Receivable	Total CFC Cash Revenue
Historical (Fiscal Years)							
2020	3,330,836	$ 9.00	$ 29,977,524	$ 262,174	$ 30,239,698	$ 3,198,665	$ 33,438,363
2021	1,727,462	9.00	15,547,158	208,096	15,755,254	(1,299,505)	14,455,749
2022	3,346,320	9.00	30,116,880	216,470	30,333,350	(500,576)	29,832,774
Forecast							
2023	3,535,288	9.00	31,817,592	218,808	32,036,400	(1,417,157)	30,619,243
2024	3,826,885	9.00	34,441,965	238,360	34,680,325	(893,395)	33,786,930
2025	4,082,118	9.00	36,739,062	254,258	36,993,320	(854,832)	36,138,488

Source: Management

Management believes the $9.00 per CFC eligible day rate is necessary to restore required cash reserves as discussed below in the Long-Term Debt and Financing Cash Flows footnote.

Note 7: 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

During the historic period and through December 31, 2022, the RCC's busing staging area and office facility was located on approximately 116,000 square feet of land on the Airport's property. A new facility is in process of being constructed offsite of the Airport's property, which management forecasts to be complete January 1, 2023. The project costs will be paid by the Airport with the use of the facility split between RCC and the Airport's other transportation services. The RCC will pay the Airport for the RCC's 50 percent of the facility's annual amortization expense. Management has forecast the annual amortization due from the RCC to the Airport to be $310,000 in the forecast year ended June 30, 2023, and $624,213 for the forecast years ended June 30, 2024 and 2025, respectively.

The Airport will own the facility and rent the land and facilities to the RCC. The Airport will use CFCs to pay for the RCC's use of the land and facilities. Management has forecast an estimate of market rates to calculate the forecast CFC land and facility rental charge, with a 2.5 percent inflation rate. The annual rent charge during the forecast period at the new facility is approximately $240,000 per year. The forecast rent is significantly less than historical annual charge of approximately $1,330,000 due to market rates offsite of Airport property being significantly lower.

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 and effective through September 30, 2022, allowed for a base management fee charge plus a per-mile charge based on a 30-bus fleet. The agreement allowed for annual inflation of approximately 2.5 percent for per mile charges annually for the management fee. Effective October 1, 2022, a new agreement was executed between the Airport and its' third-party operator. In accordance with the new agreement, the fees include compensation for service and reimbursable expenses. Compensation for services is based on an hourly rate per shuttle bus operation hours. The reimbursable expenses include such items as fueling, cleaning, and fees.

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

	Historic			Forecast		
	2020	2021	2022	2023	2024	2025
Management fee and implementation costs	$ 2,080,626	$ 1,798,917	$ 1,867,467	$ 2,156,393	$ 2,979,010	$ 3,091,889
Busing costs	7,817,912	4,572,514	5,844,991	10,409,122	11,427,936	11,819,387
	$ 9,898,538	$ 6,371,431	$ 7,712,458	$ 12,565,515	$ 14,406,946	$ 14,911,276
Total Rental Days	5,238,688	2,742,406	4,499,879	4,694,102	5,084,370	5,423,331
Cost per Rental Day	$ 1.89	$ 2.32	$ 1.71	$ 2.68	$ 2.83	$ 2.75

Source: Management

Note 8: Investment Income

Most RCC funds are held in cash accounts. Management has forecast these funds will earn approximately 2.66 percent annual interest income throughout the forecast period.

Note 9: 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
2023	$ 6,320,000	$ 15,424,013	$ 21,744,013
2024	6,670,000	15,060,682	21,730,682
2025	7,045,000	14,677,074	21,722,074

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, the Airport may loan up to $10 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.

Due to the significant decrease in CFC fees in the historic period as a result of the COVID-19 pandemic and increase in bus operation expenses, the Airport loaned approximately $1,051,000 to the CFC Surplus Fund in fiscal year ended June 30, 2022. Management has forecast additional loans from the Airport will be necessary to maintain the required $25 million balance in forecast years ended June 30, 2023, 2024 and 2025. To the extent the required $25 million balance is exceeded, interest shall be due semi-annually on each January 1 and July 1 at a rate equal to the 10-year Treasury Rate plus 350 basis points. As loans are expected to be required for each forecast year, management has not forecast any interest payments during the forecast period for the Authority loans.

Note 10: Capital Expenditures

Management has forecast there will not be any direct capital expenditure cash outflows for the RCC during the forecast period. As discussed in the Busing Staging and Office Facility Land Rent section above, CFCs will be applied toward the RCC's use of the new busing facility.

Note 11: Working Capital Assumptions

Management has assumed that all CFC fees will be remitted to the Airport by the Companies within approximately 45 days of being collected. The forecast schedule of rental car center sources and uses of cash forecast total CFC fees on the cash basis.

Management has also assumed that payments to its shuttle bus contract will be paid in the month following services. Expenses included the Schedule are on the cash basis.

Note 12: Sensitivity Analysis

As disclosed within the Basis of Assumptions section of this report, the underlying assumptions described herein are based on historical data, management's assumptions, and other related currently available information and variances between the forecasted and actual results can be expected as events and circumstances frequently do not occur as forecasted and those variances may be material.

If variances in management's assumptions result in higher operating expenses and/or lower revenue from the CFC, the total cash available in the CFC Surplus Fund will decrease. As described in the Long-Term Debt and Financing Cash Flow section of this report, the Airport may loan the CFC up to $10 million (balance is $1,051,528 at June 30, 2022). The Companies will be required to contribute cash to the CFC Surplus Fund if the Airport Loan is not sufficient to maintain the required $25 million balance.

If variances in management's assumptions result in lower operating expenses and/or higher revenue from the CFC, the total cash available in the CFC Surplus Fund will increase. If the CFC Surplus Fund exceeds the minimum $25 million balance, the CFC would pay down the balance of the Airport Loan in accordance with loan terms and rebuild cash reserves to pre-COVID balances for future reasonable cash outflows such as bus purchases or other capital costs or repayment of bonds eligible for early refunding and to account for uncertainty in future operations.