San Diego County Regional Airport Authority

Forecasted Schedule of Rental Car Center Sources and Uses of Cash

Modified Cash Basis

June 30, 2017 through 2019

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority
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Modified Cash Basis
June 30, 2017 through 2019

Contents

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, 2017 through 2019. 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 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 30, 2016

San Diego County Regional Airport Authority
Forecasted Schedule of Rental Car Center Sources and Uses of Cash
Modified Cash Basis
Years Ending June 30, 2017 to 2019

	Historical			Forecast		
	2014	2015	2016	2017	2018	2019
Revenues and other cash receipts						
Revenue from Customer Facility Fee charges	$ 27,545,001	$ 32,464,843	$ 33,207,946	$ 37,647,806	$ 41,612,627	$ 42,235,735
Investment income	220,275	606,871	723,569	780,587	574,896	592,672
Proceeds from 2014 Revenue Bonds	305,879,266	-	-	-	-	-
Proceeds from Authority loan	-	-	-	5,000,000	-	-
	333,644,542	33,071,714	33,931,515	43,428,393	42,187,523	42,828,407
Expenditures and other cash payments						
Operating expenses	-	-	4,675,180	9,882,472	9,736,338	10,015,200
Purchases of property and equipment	42,044,039	154,480,383	123,492,443	38,302,979	9,632,798	-
Net deposit to and withdrawals from Construction Fund	228,270,006	(122,016,650)	(92,670,589)	(13,582,767)	-	-
Net deposit to and withdrawals from Capitalized Interest Fund	24,508,223	(16,203,825)	(8,304,398)	-	-	-
Interest expense	5,991,777	16,341,210	16,341,210	16,390,460	16,440,680	16,301,076
Principal payments on long-term debt	-	-	-	-	5,580,000	10,720,000
Cost of issuance of long-term debt	2,299,444	-	-	-	-	-
Deposit to Reserve Fund	21,926,369	113,931	130,428	-	-	-
Deposit to Rolling Coverage Fund	6,556,757	43,798	49,086	-	-	-
Deposit to Renewal and Replacement Fund	-	-	-	1,896,000	1,896,000	1,896,000
	331,596,615	32,758,847	43,713,360	52,889,144	43,285,816	38,932,276
Net Change in Available Cash and Accrued Receipts	2,047,927	312,867	(9,781,845)	(9,460,751)	(1,098,293)	3,896,131
Cash and Accrued Receipts, Beginning of Year	43,342,013	45,389,940	45,702,807	35,920,962	26,460,211	25,361,918
Cash and Accrued Receipts, End of Year	$ 45,389,940	$ 45,702,807	$ 35,920,962	$ 26,460,211	$ 25,361,918	$ 29,258,049

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2017 through 2019

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 Civil Code § 1936 (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 30, 2016, 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 financial schedule forecast prior to the scheduled increase in the CFC.

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 imposing an increase in the RCC Customer Facility Charge (CFC). 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 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) to prepare a Regional Aviation Strategic Plan.

San Diego County Regional Airport Authority
Assumptions and Notes to Forecasted Financial Information
June 30, 2017 through 2019

The Authority is governed by an appointed Board of Directors (Board) of nine members representing all areas of San Diego County and three additional members serving as non-voting, ex-officio 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 Air Trade 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	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 10 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. 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.

Proceeds from the CFC were used to plan, design and obtain financing for the RCC located on the southeast 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 $344,184,000 through June 30, 2016. The forecasted schedule of RCC sources and uses of cash reflects RCC aggregate project payments of approximately $320,017,000 in 2014, 2015, and 2016. This difference is due to the timing of the draw of bond funds for 2016 purchases that will be paid in 2017 and the pre-2014 costs.

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 27th busiest airport in the United States as ranked by number of enplanements.

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.

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 south east 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.
- Purchase of shuttle buses.
- 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, 2016, the following amounts had been spent on property and equipment related to the RCC:

Land improvements	$	28,395,132
Buildings and improvements		283,951,323
Machinery and equipment		21,713,925
Transit buses		8,580,728
Art		1,542,564
	$	344,183,672

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 $21.9 million and $6.6 million, respectively, during the forecast period. The deposit to the Capitalized Interest Fund is to fund interest expense during the construction period and will have a zero balance beginning in 2017.

At the time of the bond issue, the projected cost of the RCC plus all related projects was $407,180,000. These costs were expected to be funded as follows:

Proceeds from Series 2014 Bonds	$	244,578,000
Previously collected CFC fees and CFC fees collected during construction		110,205,000
Federal grants		7,826,000
Proceeds from previously issued bonds		33,411,000
Airport funds		11,160,000
	$	407,180,000

Source: Management

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 its services.

Competing Airports

The Airport is classified as a large-hub airport by the FAA and primarily serves San Diego County. There are no other 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	4,556,000	89
Long Beach Airport	Small Hub	1,385,000	107
LA/Ontario International Airport	Medium Hub	2,013,000	115
Los Angeles International Airport	Large Hub	33,920,000	125
Bob Hope Airport	Medium Hub	1,917,000	134
McLellan-Palomar Airport	Non-hub	54,000 [2]	32

Source: (1): FAA

Source: (2): August 2013 Feasibility Study for Potential Improvements to McLellan-Palmor Airport 2016 Forecast

Population and Demographics of San Diego County

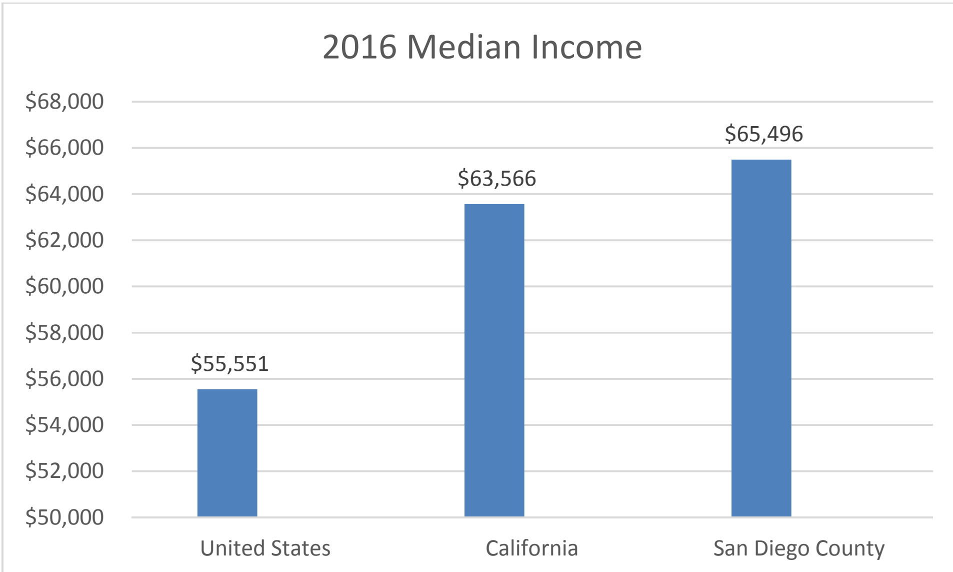
The Airport's primary service area is San Diego County. Population and demographic information for the County is shown in the following tables:

	2000	2010	2016	2021
San Diego County	2,813,833	3,095,313	3,311,903	3,494,839
Annual Change		1.00%	1.17%	1.10%
California	33,871,636	37,253,956	39,356,473	41,248,721
Annual Change		1.00%	0.94%	0.96%
United States	281,421,942	308,745,538	322,431,073	334,341,965
Annual Change		0.97%	0.74%	0.74%

Source: Nielsen

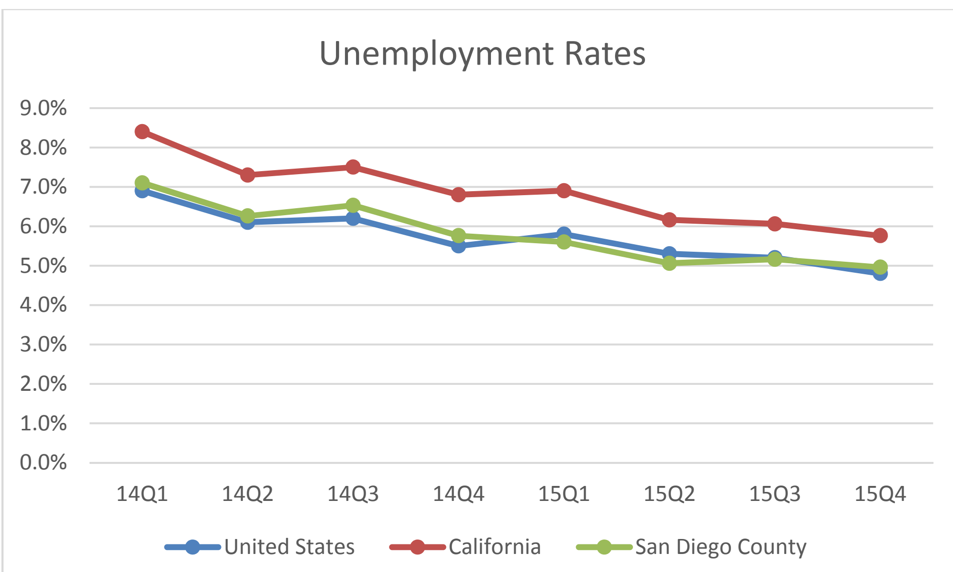
This table indicates the population of San Diego County has slowly increased since 2000, and is expected to continue to do so until 2021. Based on this, management does not expect changes in population to have a significant impact on overall Airport volume.

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: Nielsen

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 has been very consistent with the overall United States rate.



Source: Bureau of Labor and Statistics

San Diego has long been a vacation and business convention destination. It was recently ranked the 9th best place to visit in the United States by U.S. News and World Report. There were more than 34,500,000 visitors to San Diego in 2016, and this number is expected to increase over the next three years:

	Historical			Forecast		
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
San Diego Visitors	33,800,000	34,300,000	34,700,000	35,400,000	35,900,000	36,400,000
% Change		1.5%	1.2%	2.0%	1.4%	1.4%
Overnight Visitors	16,900,000	17,200,000	17,400,000	17,800,000	18,200,000	18,400,000
Day Visitors	16,900,000	17,100,000	17,300,000	17,600,000	17,700,000	18,000,000

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

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

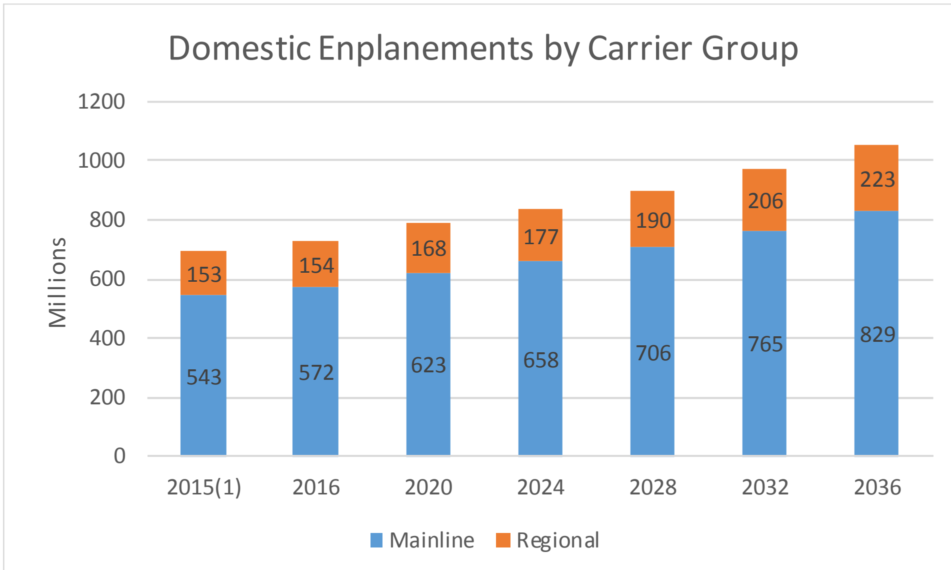
	2014	**2015**	**2016**
Number of Conventions	76	66	66
Attendance	519,846	544,074	673,814

Source: San Diego Convention Center Corporation

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 2036.



Source: FAA
(1): 2015 figures are estimated

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	
2014	9,190,000
2015	9,720,000
Forecast - FAA	
2019	10,648,000
2040	15,955,000

Source: FAA Terminal Area Forecast - 2015

This data, obtained for the FAA's most recent Terminal Area Forecast, projects a 2.14% 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		
2014	9,082,000	
2015	9,713,000	6.95%
2016	10,206,000	5.08%
Forecast		
2017	10,611,000	3.97%
2018	10,823,000	2.00%
2019	10,985,000	1.50%

Source: Management

From 2013 to 2016, the Airport's enplanements increased approximately 5.3% per year. From 2017 to 2019, Management has forecast that enplanements will increase approximately 2.5% 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 94% 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 2014 to 2016.

	O&D Passengers	Total Connecting Passengers	O&D %
2014	17,165,293	979,837	95%
2015	18,070,415	1,339,268	93%
2016	18,948,971	1,448,199	93%

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 2016 were 530. Management has computed that the capacity for the airport is approximately 783 flights per day. To achieve the forecast enplanement volume, management expects total flights will not exceed 570 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:

Avis Car Rental
Budget Car Rental
Enterprise Rent-a-Car
Fox Rent A Car
The Hertz Corporation
Midway Car Rental, Inc.
Payless Car Rental
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 $5,000 to $173,000 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 6 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 of $2.17 to the Airport to offset the cost of the bus transportation. Management forecasts the rate will increase to $2.50 during the forecast period. In 2016, total revenue from these offsite services was $31,548 for the six months from January 2016 to June 2016. 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 2014 and 2016 there was an average of 0.13 rental car transactions for 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 3.88 days in 2014, 4.52 days in 2015 and 4.50 days in 2016. Management attributes the increase from 2014 to many passengers that previously utilized very short duration car rentals now opting for ride share services like Uber and Lyft. This trend also caused a reduction in total transactions during 2015. However, total rental car transactions have increased in 2016 as total enplaned passengers have increased. Management has forecast an average duration of 4.52 days during the forecast period, which is slightly above the combined average of 2015 and 2016. Management considers this a sensitive assumption.

	Enplanements	Rental Car Transactions	Transactions Per Enplanement	Rental Car Days	Average Days Per Rental
Historical (Fiscal Years)					
2014	9,082,000	1,290,813	0.14	5,009,593	3.88
2015	9,713,000	1,252,984	0.13	5,666,178	4.52
2016	10,206,000	1,299,410	0.13	5,846,481	4.50
Forecast					
2017	10,611,000	1,331,445	0.13	6,018,133	4.52
2018	10,823,000	1,358,047	0.13	6,138,371	4.52
2019	10,985,000	1,378,882	0.13	6,230,288	4.52

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 75.6% to 81.1% between 2014 and 2016. Management has assumed this rate will be 75.1% during the forecast period.

	Rental Car Days	Rental Days < 5 Day Duration	Percentage Subject to CFC
Historical (Fiscal Years)			
2014	5,009,593	4,061,763	81.1%
2015	5,666,178	4,334,276	76.5%
2016	5,846,481	4,422,844	75.6%
Forecast			
2017	6,018,133	4,519,618	75.1%
2018	6,138,371	4,609,917	75.1%
2019	6,230,288	4,678,946	75.1%

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 attributes a portion of the drop in average transactions per enplanement to the growing popularity of these services. However, management also believes that the bulk of the anticipated impact from the growth of ride sharing services has been recognized by 2016, 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 increase to $9.00 per CFC eligible day effective January 1, 2017. Based on these assumptions, management has forecast the CFC fee revenue as follows:

	Days subject to CFC		CFC Rate/Day		On-site CFC Revenue		Other		Total CFC Revenue
Historical (Fiscal Years)									
2014	4,061,763	$	6.75	$	27,416,900	$	128,101	$	27,545,001
2015	4,334,276		7.50		32,507,070		(42,227)		32,464,843
2016	4,422,844		7.50		33,171,330		36,616		33,207,946
Forecast									
2017 (1)	4,519,618		8.25		37,286,849		360,957		37,647,806
2018	4,609,917		9.00		41,489,253		123,374		41,612,627
2019	4,678,946		9.00		42,110,514		125,221		42,235,735

Source: Management

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

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
- Temporary lease costs for additional buses

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 has determined 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, and the annual charge for lease. The annual rent charge during the forecast period ranges from $1,172,445 to $1,247,030.

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 16-bus fleet. Should the fleet need to expand beyond 16, the agreement allows for additional costs to be charged by the vendor. The agreement allows for annual inflation of approximately 4.2% for per mile charges, and 3% annually for the management fee.

From February 2016 through September 2016, passenger coach buses were used to improve customer service levels. During this period 9 former Avis buses were purchased by the authority and reconditioned by the third-party operator. These buses were brought into service alleviating the need for the coach buses and will be used for the next 18-24 months.

Management has evaluated the need to procure between 9 and 14 additional buses, for a total fleet between 25 and 30 by 2019. The Board has previously approved the capital budget for the forecast period which included $5,000,000 for the purchase of buses, which management estimated would allow for the purchase of 9 buses. Based on demand and the condition of the former Avis buses, management will ask the Board to approve additional capital funding for the purchase of an additional 5 buses, which is estimated to cost approximately $2,800,000. For purposes of the forecast, management has assumed 14 buses will be purchased in 2018 for a total of approximately $7,800,000. Included in the sensitivity tables on page 22, the impact of the purchase of only nine additional buses in 2018 is presented. As these buses are purchased, nine of the former Avis buses will be released. Management does not expect the purchase of these additional buses to materially impact operating costs because some of these additional buses will create capacity for when other buses are offline for maintenance or other reasons.

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

	Historical	Forecast		
	2016	2017	2018	2019
Management fee and implementation costs	$ 1,071,385	$ 1,206,498	$ 1,243,314	$ 1,293,047
Busing costs	2,439,490	5,725,750	6,966,063	7,416,130
Bus leases	195,000	1,707,857	253,165	-
	$ 3,705,875	$ 8,640,105	$ 8,462,542	$ 8,709,177
Total Miles	750,000	1,632,000	1,632,000	1,632,000
Cost per Mile	4.94	5.29	5.19	5.34

Other Operating Costs

The RCC incurs other miscellaneous operating costs during each year. Management has forecast approximately $75,000 annually for these costs.

Investment Income

Most RCC funds are held in cash accounts. Management has forecast these funds will earn approximately 0.74% annual interest income throughout the forecast period.

Long-term Debt and Financing Cash Flows

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

	Principal	Interest	Total
2017	$ -	$ 16,341,210	$ 16,341,210
2018	5,580,000	16,341,210	21,921,210
2019	5,720,000	16,199,646	21,919,646

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 $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 fall below $25 million during the forecast period, and has assumed the Airport will lend the Fund $5 million in 2017. Management expects to charge interest on this amount at a rate equal to the 10-year treasury rate plus 250 basis points. Management also expects that the Surplus Fund will repay this loan during fiscal year 2019, when proceeds from the CFC become sufficient to create excess cash flows.

Capital Expenditures

Management has forecast capital expenditures during the forecast period as follows.

- RCC Build-Out costs – These costs related to remaining costs for the rental car center construction, including various retention payments and miscellaneous close-out projects
- RCC Buses – Management expects to purchase 14 additional buses
- Enabling Projects – These costs represent management's estimate of costs for various projects to improve operation of the RCC, such as security gates, road widening and access improvements

	2017	2018	2019
RCC Build Out	$ 31,084,289	$ -	$ -
RCC Buses	-	7,777,778	-
Enabling Projects	7,218,690	1,855,020	-
	$ 38,302,979	$ 9,632,798	$ -

Source: Management

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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.

Sensitivity Analysis

Enplanements

Initial enplanements for the forecast period are assumed to be approximately 10,611,000, 10,823,000 and 10,985,000 for the years ending June 30, 2017, 2018, and 2019, 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	
	2017	**2018**	**2019**
Net Change in Available Cash and Accrued Receipts	$ (7,572,040)	$ 1,002,720	$ 6,028,614
Cash and Accrued Receipts, Beginning of Year	35,920,962	28,348,922	29,351,642
Cash and Accrued Receipts, End of Year	$ 28,348,922	$ 29,351,642	$ 35,380,256

If enplanements were reduced by 5% during each year:

		Forecast	
	2017	**2018**	**2019**
Net Change in Available Cash and Accrued Receipts	$ (11,314,566)	$ (3,160,483)	$ 1,803,070
Cash and Accrued Receipts, Beginning of Year	35,920,962	24,606,396	21,445,913
Cash and Accrued Receipts, End of Year	$ 24,606,396	$ 21,445,913	$ 23,248,983

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Management has assumed that there will be 1.76 enplanements for each rental day. If the number of rental days per enplanement increases 5% during each year of the forecast, the cash flows would be:

	Forecast 2017	Forecast 2018	Forecast 2019
Net Change in Available Cash and Accrued Receipts	$ (7,479,919)	$ 1,105,785	$ 6,133,222
Cash and Accrued Receipts, Beginning of Year	35,920,962	28,441,043	29,546,828
Cash and Accrued Receipts, End of Year	$ 28,441,043	$ 29,546,828	$ 35,680,050

If the rental days per enplanement decreased by 5%, the cash flows would be:

	Forecast 2017	Forecast 2018	Forecast 2019
Net Change in Available Cash and Accrued Receipts	$ (11,219,698)	$ (3,055,485)	$ 1,909,641
Cash and Accrued Receipts, Beginning of Year	35,920,962	24,701,264	21,645,779
Cash and Accrued Receipts, End of Year	$ 24,701,264	$ 21,645,779	$ 23,555,420

Operating Expenses

Management has assumed operating expenses will be based primarily on forecasted busing costs. If the operating expenses were increased by 5%, the presented cash flows would be:

	Forecast 2017	Forecast 2018	Forecast 2019
Net Change in Available Cash and Accrued Receipts	$ (9,954,875)	$ (1,585,110)	$ 3,395,371
Cash and Accrued Receipts, Beginning of Year	35,920,962	25,966,087	24,380,977
Cash and Accrued Receipts, End of Year	$ 25,966,087	$ 24,380,977	$ 27,776,348

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If operating expenses were decreased by 5%, the change in cash and ending cash balance would be:

	Forecast		
	2017	**2018**	**2019**
Net Change in Available Cash and Accrued Receipts	$ (8,966,627)	$ (611,476)	$ 4,396,891
Cash and Accrued Receipts, Beginning of Year	35,920,962	26,954,335	26,342,859
Cash and Accrued Receipts, End of Year	$ 26,954,335	$ 26,342,859	$ 30,739,750

The forecast assumes that 14 additional buses will be purchased to meet passenger demand, which represents management's high-end estimate of buses needed during the forecast period. The low estimate of the buses needed is nine. If only nine buses are purchased, the change in cash and ending cash balances would be:

	Forecast		
	2017	**2018**	**2019**
Net Change in Available Cash and Accrued Receipts	$ (9,460,751)	$ 1,679,485	$ 3,896,131
Cash and Accrued Receipts, Beginning of Year	35,920,962	26,460,211	28,139,696
Cash and Accrued Receipts, End of Year	$ 26,460,211	$ 28,139,696	$ 32,035,827