SACRAMENTO INTERNATIONAL AIRPORT

Independent Accountant's Report,
Schedule of Forecasted Revenues and Costs of the
Consolidated Rental Car Facility and
Notes to the Forecasted Schedule

For the Period from July 1, 2021 through
June 30, 2058

Certified
Public
Accountants

SACRAMENTO INTERNATIONAL AIRPORT
Forecasted Revenues and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2021 through June 30, 2058

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MGO Certified Public Accountants

Independent Accountant's Report

Sacramento County Department of Airports
Sacramento, California

We have examined the accompanying Schedule of Forecasted Revenues and Costs of the planned consolidated rental car facility of the County of Sacramento – Sacramento International Airport (Airport), for the period from July 1, 2021 through June 30, 2058 (Forecasted Schedule), based on guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). The Airport's management is responsible for preparing and presenting the Forecasted Schedule in accordance with the guidelines for the presentation of a forecast established by the AICPA. The Forecasted Schedule was prepared by management for compliance with California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code (CFC Code) Section 50474.1 through Section 50474.3, related to Customer Facility Charges (CFC) and Consolidated Rental Car Facilities (ConRAC). Our responsibility is to express an opinion on the Forecasted Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forecasted Schedule is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the Forecasted Schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Forecasted Schedule, 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 Forecasted Schedule is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's Forecasted Schedule.

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.

The accompanying Forecasted Schedule and our report are intended solely for the information and use of the County of Sacramento and the Sacramento County Department of Airports and are not intended to be and should not be used by anyone other than these specific parties.

Macias Gini & O'Connell LLP

Sacramento, California
September 23, 2022

Macias Gini & O'Connell LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

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SACRAMENTO INTERNATIONAL AIRPORT
Schedule of Forecasted Revenues and Costs of the
Consolidated Rental Car Facility
For the Period from July1, 2021 through June 30, 2058

Revenues:		
Customer Facility Charge:		
At previous rate	$	5,066,535
At alternate rate ($8.00 per day max five days) *		864,512,246
Total Actual and Forecasted Revenues	**$**	**869,578,781**
Costs:		
Design/Construction Costs	$	119,220,820
Debt Service		667,391,132
Capital Reserve/Construction Transfers		82,966,829
Total Forecasted Costs	**$**	**869,578,781**

* Effective January 1, 2023

See accompanying Notes to Schedule of Forecasted Revenues and Costs of the Consolidated Rental Car Facility.

SACRAMENTO INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2021 through June 30, 2058

(1) Summary of Significant Forecast Assumptions

The accompanying Schedule of Forecasted Revenues and Costs of the Consolidated Rental Car Facility (Schedule) presents, to the best of management's knowledge and belief, the Sacramento International Airport (International Airport) estimated revenues generated for and reasonable costs of the Consolidated Rental Car Facility (ConRAC), for the period from July 1, 2021 through the year of the final payment of debt service on related debt obligations in 2058. Accordingly, the Schedule reflects management's judgment as of August 15, 2022 of the expected conditions and its expected course of action. This presentation is intended for the use by the International Airport in evaluating the revenue forecast, including the need to collect the alternative Customer Facility Charge (CFC) in accordance with §50474.1 through §50474.3 of the California Government Code (Code), in connection with the financing, design and construction of the ConRAC. The assumptions disclosed herein are those that management believes are significant to the forecasted schedule. 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.

Pursuant to the Code, the International Airport has determined the need for a ConRAC to provide for the safe, secure and efficient processing of rental car transactions for the traveling public, to enhance the choice afforded to rental car customers, and to mitigate the environmental impacts of the current rental car operations on the International Airport's neighbors.

The International Airport initially established collection of a CFC of $10.00 per rental contract, in accordance with the Code. Effective upon commencement of the design/planning phase of the ConRAC, the $10.00 CFC per rental transaction will be designated to help pay for the design/planning and construction of the ConRAC. The proposed CFC rate of $8.00 per day up to a maximum of five days for each rental contract and private debt and equity financing is forecasted to pay for 100% of the design and construction costs of the estimated $390 million ConRAC, as proposed. To the extent CFC resources prove insufficient, other sources of public and private debt and equity will be needed to supplement CFC resources. These considerations will be a part of the negotiation with an eventual construction and operating partner of the facility. In no case will the CFC be higher than $8.00 per day for a maximum of five days for each rental contract for purposes of financing construction of the Consolidated Rental Car Facility.

All significant assumptions related to the forecasted revenues and costs are summarized in Note 5.

(2) Organization and Management of the Airport System

The Board of Supervisors (Board) of County of Sacramento (County) oversees the operation of the Airport System, which includes the International Airport. The County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, Sacramento, is the seat of government for the State of California and also serves as the County seat. The County has a charter form of government. The Board of Supervisors is composed of five members elected to serve staggered four-year terms. A County Executive, appointed by the Board of Supervisors, manages the day-to-day business of the County.

Department of Airports

Senior management is led by the Director of Airports (Director), who has the authority to administer the affairs of the Department of Airports (Department) as the chief executive officer thereof. The Director reports to the County Executive and serves at the pleasure of the Board.

(2) Organization and Management of the Airport System (Continued)

Description of the Airport

Sacramento International Airport was opened in 1967 and is owned by the County and operated by the Department. The International Airport serves residents of, and visitors to, the State's Capitol and is located 12 miles northwest of downtown Sacramento, just off U.S. Interstate 5 in Sacramento County, California.

Existing Facilities

Following is a description of the existing International Airport facilities. The International Airport occupies approximately 6,000 acres of land, which the County owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of the International Airport.

Airfield. The airfield consists of two 8,600- foot-long parallel runways, Runway 17L-35R (the east runway) and Runway 17R-35L (the west runway), together with interconnecting taxiways and aircraft parking aprons. The west runway was initially constructed 60 years ago and was subsequently reconstructed in 2019 with concrete. The project included replacement of 8,600 feet of asphalt sections, improvements to airfield drainage systems, as well as replacement of all runway and taxiway light systems. The reconstructed runway surface is expected to meet and/or exceed the requirements of forecasted air traffic for at least the remaining 17 years of design life as of 2022.

Due to a shift in the earth's magnetic field, the magnetic headings for both the east and west runways have shifted more than 3 feet, so re-designation of the runway magnetic headings was required by the FAA to ensure accurate instrument approach procedures. The re-designation of the runways at the International Airport from 16R-34L and 16L-34R to 17R-35L and 17L-35R became effective on May 21, 2020 when the Federal Aviation Administration's (FAA) flight procedures publication was issued. All applicable runway signage and markings have been redesigned in order to facilitate the runway designation change.

Runway 17R-35L is equipped with a Category III Instrument Landing System (ILS), a ground-based precision instrument approach system which provides properly-equipped aircraft with visual and electronic navigational aids to help a pilot safely land with minimal outside visibility. Runway 17L-35R is equipped with a Special Authorization (SA) Category II ILS.

Passenger Terminals. The International Airport has two terminals with a total of 31 gates. Terminal A, completed in 1998, provides 12 gates and serves operations by Air Canada, American, Delta and United. Terminal B, completed in 2011, provides 19 gates and serves operations by Aeroméxico, Alaska/Horizon, Boutique Air, Contour, Hawaiian, JetBlue, Southwest, Spirit, Sun Country and Volaris. Approximately 120,955 square feet, or 21.5% of the 561,476 rentable space in the passenger terminals has been developed for concessions.

Automated People Mover. Access between Terminal B landside and airside is provided via an automated people mover system on an above grade guideway structure.

(2) Organization and Management of the Airport System (Continued)

Parking. The International Airport currently has five public parking facilities, accommodating both short-and long-term parking. The terminal parking garage, constructed in 2004 with six floors and approximately 5,225 parking spaces, is conveniently located between the two terminals and is accessed via sky-bridge or roadside walkways. The County also provides parking at the International Airport in the Hourly B (618 parking spaces), Daily (3,045 parking spaces), East Economy (6,576 parking spaces) and West Economy (2,800) parking lots.

Rental Car Facility. An 848 space, full service rental car facility for all on-Airport rental car companies is located approximately one mile south of the terminal buildings. Passengers access both on-airport and off-airport rental car agencies from the Rental Car Facility by shuttle bus pickup and drop off service to passengers.

Aviation Support Facilities. Primary aviation support facilities include: equipment and parks maintenance facilities; a fuel farm located north of the terminal complex; FAA air traffic control facilities; aircraft rescue and firefighting; and airfield maintenance and support facilities located throughout the site.

Other Airports

Mather Airport. Mather Airport was originally a United States Air Force base. In March 1995, the County executed a 55-year lease with the U.S. Air Force authorizing the use of 2,875 acres of the former Air Force Base as a civilian airport. Mather Airport reopened to aviation uses on May 5, 1995 and is now operated as part of the Airport System, serving general aviation and cargo users. In November 2012, Mather Airport's ownership was transferred from the United States Air Force to the Department of Airports. Mather Airport is a reliever airport for the International Airport. Mather Airport has two runways (Runway 4R-22L, at 11,300 feet, and Runway 4L-22R, at 6,040 feet), a contract air traffic control tower, an aircraft parking apron, and various cargo and other buildings. Recently, Runway 4R-22L was equipped with an SA CAT II ILS to improve safety, provide precision instrument approach capabilities, and enhance airfield availability during reduced visibility conditions. The FAA published system SA CAT II procedures on December 5, 2019 that allow SA CAT II approaches onto Runway 4R-22L.

Mather Airport has regularly scheduled service by one all-cargo carrier – United Parcel Service (UPS). In fiscal year 2018-19, 99,339 general aviation, military and cargo operations were performed at Mather Airport. During the same time period approximately 40.3% of all cargo handled at the Airport System was handled at Mather Airport. Mather Airport offers cargo carriers a longer runway, while freeing up aircraft ramp space at the International Airport to accommodate passenger airlines. The County does not intend Mather Airport to be used for scheduled passenger airline service.

(2) Organization and Management of the Airport System (Continued)

Executive Airport. Executive Airport is a designated reliever airport for the International Airport and has two runways (Runway 2/20, at 5,503 feet and Runway 12/20, at 3,837 feet), and a contract air traffic control tower. Executive Airport also provides tie down and hangar facilities to accommodate 500 general aviation aircraft. In fiscal year 2018-19, 117,424 general aviation and military flight operations were performed at the Executive Airport. Executive Airport is leased by the County from the City of Sacramento. The term of the lease commenced in 1965 for a period of 25 years. The lease contains an “evergreen” clause, whereby the 25-year term is automatically extended each year by an additional year (subject to the right of either party to avoid such extension).

Franklin Field. Franklin Field is a general aviation airport that has two runways (Runway 9/27, at 3,031 feet, and Runway 18/36, at 3,123 feet) and leases land to tenants for portable hangar facilities. As of July 1, 2019, Franklin Field accommodated 19 based general aviation aircraft.

(3) Consolidated Rental Car Facility Program

Currently, the rental car facility is within the International Airport property and accessible to passengers via a shuttle bus from either Terminal A or Terminal B. The existing facility was built in the mid-1990s as a single-level passenger service terminal surrounded by various ground lots for ready return, Quick Turn Around (QTA) service sites, and overflow parking. There are nine different rental car brands currently being served from this facility.

The new consolidated rental car facility will be multi-level and within walking distance from both Terminal A and Terminal B. Additionally, it will include customer facing services, ready return, as well as the QTA operations with a similar footprint and layout as an airport parking garage. The new facility is planned to accommodate airport growth to Planning Activity Levels 3 which should equate to decades of service.

In addition to the nine brands that currently operate out of the legacy rental car facility, the new consolidated facility will have space for additional brands to operate at International Airport and better serve passengers’ rental car needs.

As currently proposed, design of the new Rental Car facility would begin in fiscal year 2022-23, with construction scheduled to begin in fiscal year 2026-27. Estimated completion would be the end of fiscal year 2027-28. Funding for the $390.2 million facility design and construction costs would come from an alternate Customer Facility Charge. Funds collected, beginning with the transition to a “transaction-day” CFC charge, would be transferred to a project fund to pay costs on a “pay as you go” (PAYGO) basis with the difference between revenues and funds available bridge financed by the Department’s interim lending facility. Near the end of the construction period, all outstanding interim lending balance associated with the construction of the rental car facility will be refinanced with long-term bonds backed by the alternate CFC collections.

(4) Background and Overview - California Government Code

The Code permits an airport sponsor to require rental car companies to collect from a renter a CFC to finance, design and construct a consolidated airport rental car facility; to finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, acquire vehicles for use in that system; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The International Airport currently imposes a CFC rate of $10.00 per rental car contract on vehicles rented at the airport. The International Airport has determined an alternative CFC rate of $8.00 per day up to a maximum of five days per rental car contract will be sufficient to pay for the ConRAC design and construction costs until its planned operation in 2028 and debt service incurred to finance the design and construction costs.

Changing the rate from $10.00 per rental car contract to an alternative CFC requires an examination by an independent auditor under the Code (§50474.21(b)), which includes the following:

> The aggregate amount to be collected shall not exceed the reasonable costs, as determined by an audit by an independent auditor paid for by the airport, to finance, design, construct, operate, maintain, or otherwise improve, as applicable, those facilities, systems, and modifications. The auditor shall independently examine and substantiate the necessity for, and the amount of, the customer facility charge, including whether the airport's actual or projected costs are supported and justified, any steps the airport may take to limit costs, potential alternatives for meeting the airport's revenue needs other than the collection of the fee, and whether and to what extent rental companies or other businesses or individuals using the facility or common-use transportation system may pay for the costs associated with these facilities and systems apart from the fee from rental customers, or whether the airport did not comply with any provision of this section.

(5) Note on the Financing Plan

The total cost estimate for the design and construction of the ConRAC is $390.2 million. The transition to an alternate CFC is intended to fund this cost in its entirety. From the period of transition to the alternate CFC (assumed to be January 1, 2023), transfers will be made from the CFC revenue fund into the ConRAC project fund to pay design, development and construction costs on a PAYGO basis. The total amount of these advance transfers is forecasted to be $119.2 million over the period of time from fiscal year 2022-23 to fiscal year 2027-28. Any difference between the funds available in the project fund and actual costs incurred (excess advance costs) will eventually be paid from the proceeds of a long-term bond issuance to take place at such time as to ensure a reasonable knowledge of final funding required to complete the construction of the facility. The total forecasted principal amount of the long-term bonds to be sold is $271 million, or the difference between the forecasted PAYGO capacity and the total cost of the facility. In the time between the incurrence of excess advance costs and the sale of long-term bonds, the excess advance costs will be bridge financed by the Department's short-term interim lending facility.

(5) Note on the Financing Plan (Continued)

Long-term bonds issued by the County for the purposes of financing the construction of the ConRAC, as well as refinancing any outstanding excess advanced costs that are bridged with the interim lending facility will be secured by a pledge of CFC revenues for the term of the bonds issued. For the sake of the financial modeling included in these footnotes, a 30-year term and a 5% coupon are forecasted, with issuance taking place in fiscal year 2028-29 and debt service beginning in fiscal year 2028-29. Total debt service requirements include 115% coverage of assumed twice-annual debt service payments.

Development of Financial Model and Assumptions Used

The primary assumptions in the Schedule of Forecasted Revenues and Costs of the Consolidated Rental Car Facility are as follows:

1. The International Airport provided data on actual rental car transactions as reported by the car rental companies starting in fiscal year 2018-19. While the primary determinant of passenger Rental Car transactions is the number of deplaned passengers, the number of deplanements tracks very closely to the number of enplaned passengers, which are forecast on an ongoing basis to determine financial impacts and capacity needs. Further, the consistency in correlation between the number of enplaned passengers and the number of rental car transactions at the International Airport is sufficient to be predictive of the total number of forecasted rental car transactions.

2. Passenger rental car behaviors did undergo some changes as a result of the COVID-19 pandemic. The largest impact to rental car transactions came from fiscal year 2019-20 and fiscal year 2020-21 passenger counts being down 22% and 49%, respectively from fiscal year 2018-19 figures. In addition, actions taken by rental car companies at the height of the pandemic to preserve operating liquidity by downsizing their fleets has led to an inventory shortage that has depressed the average number of transactions per enplaned passenger. Prior to the pandemic, the number of transactions per enplaned passenger averaged more than 0.15, but supply shortages have lowered that average to 0.9 since the onset of the COVID-19 pandemic. The number of rental car transactions assumes a return to the long-term average of 0.11 transactions per enplaned passenger as inventory pressures ease due to fleet expansions.

3. The forecast assumes an average of 4.03 days per rental car transaction, and a deduction of 21.1% of the total number of forecasted transaction days as being over the statutory limit of 5 days for which a CFC can be charged. These assumptions are in line with actuals from the period of time prior to and during the pandemic.

4. The current CFC is $10.00 per contract**,** and the International Airport is assumed to change to $8.00 per transaction day (subject to a 5-day maximum charge) beginning January 1, 2023 and stay at that level throughout the forecast period**.**

5. The forecast period factors in forecasted enplanements through fiscal year 2031-32, and assumes zero traffic growth thereafter. This is due to the inherently unpredictable nature of macroeconomic factors that underlie the aviation industry. Such consideration was taken in an attempt to take a conservative approach to the CFC revenue forecast.

6. The final step in the financial model is to develop a plan to pay the design and construction costs and annual net debt service requirements. The International Airport expects to pay these costs with CFC revenues.

SACRAMENTO INTERNATIONAL AIRPORT

Notes to Schedule of Forecasted Revenues and Costs of the
Consolidated Rental Car Facility (Continued)
For the Period from July 1, 2021 through June 30, 2058

Annual CFC receipts during the forecast period are estimated by the International Airport to be $869.6 million. From fiscal years 2020-21 through June 30, 2058, the CFC revenue will be used towards funding the ConRAC design and construction costs. Upon the ConRAC's planned completion and operation, CFC revenue will be used towards debt service, with any surplus being used to fund a capital reserve, which will finance a portion of the ongoing capital maintenance needs of the ConRAC to the extent allowed by California Law. The summary of forecasted CFC revenues and costs are presented as follows:

CFC Revenues				CFC Requirements			
Year Ending	Transaction Days Subject to CFC*	CFC Rate**	Forecasted CFC Revenues	CFCs Used for Design/ Construction	Debt Service (Incl. Coverage)	Capital Reserve/ Construction Transfers	**Total CFC Requirement**
6/30/2022	Per Trans. CFC	10.00	$ 5,066,535	$ 5,066,535	$ -	$ -	**$ 5,066,535**
6/30/2023	$ 2,274,067	5.57	12,672,215	12,672,215	-	-	**12,672,215**
6/30/2024	2,349,338	8.00	18,794,708	18,794,708	-	-	**18,794,708**
6/30/2025	2,427,102	8.00	19,416,813	19,416,813	-	-	**19,416,813**
6/30/2026	2,507,439	8.00	20,059,509	20,059,509	-	-	**20,059,509**
6/30/2027	2,590,435	8.00	20,723,479	20,723,479	-	-	**20,723,479**
6/30/2028	2,676,178	8.00	21,409,426	21,409,426	-	-	**21,409,426**
6/30/2029	2,764,760	8.00	22,118,078	1,078,135	-	21,039,943	**22,118,078**
6/30/2030	2,856,273	8.00	22,850,186		22,246,371	603,815	**22,850,186**
6/30/2031	2,950,816	8.00	23,606,528		22,246,371	1,360,157	**23,606,528**
*** 6/30/2032	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2033	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2034	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2035	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2036	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2037	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2038	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2039	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2040	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2041	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2042	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2043	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2044	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2045	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2046	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2047	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2048	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2049	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2050	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2051	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2052	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2053	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2054	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2055	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2056	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2057	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
6/30/2058	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
7/1/2058	3,048,488	8.00	24,387,904		22,246,371	2,141,533	**24,387,904**
Total			**$ 869,578,781**	**$ 119,220,820**	**$ 667,391,132**	**$ 82,966,828**	**$ 869,578,781**

* Excludes Days Beyond the Statutory 5 day limit

** 2022 CFC Rate of $10 is per transaction

*** 2032 and beyond are assumed at a flat collection given uncertainty of forecasting 10+ years into the future