

File No. 250210

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: October 16, 2025

Board of Supervisors Meeting:

Date: _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU - FY2022-2024 - Clean |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU - FY2022-2024 - Redline |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract / DRAFT Mills Act Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

- | | | |
|-------------------------------------|--------------------------|---------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>FYI Referral 031125</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>DHR Meet and Confer Det 031125</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: Monique Crayton

Date: October 10, 2025

Prepared by: _____

Date: _____

Prepared by: _____

Date: _____

[Labor and Employment Code - Health Care Expenditure Requirements for Certain Employers at the Airport]

Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings and Purpose.

(a) In 2020, the City enacted the Healthy Airport Ordinance (Ordinance No. 235-20), which amended the Health Care Accountability Ordinance, now codified as Article 121 of the Labor and Employment Code. The Healthy Airport Ordinance requires employers of workers at San Francisco International Airport ("Airport") who hold safety- or security-sensitive positions to either (1) offer full-family health insurance benefits in plans meeting specified requirements or (2) pay a set rate to the City to fund Medical Reimbursement Accounts for their Covered Employees.

(b) Since the Healthy Airport Ordinance became law, thousands of San Francisco Airport Service Employees have gained or improved their ability to provide for the health care needs of their families. The Healthy Airport Ordinance has thereby helped attract and retain high-quality employees whose work impacts safety and security, improved Airport safety and

1 security for travelers and the public by promoting a healthier workforce, and minimized the
2 potential for contagion to spread from the Airport (a major worldwide transportation hub) to
3 other environs.

4 (c) The purpose of this ordinance is to preserve the improvements to Airport safety
5 and security obtained through the Healthy Airport Ordinance, while providing Covered
6 Employers of San Francisco Airport Service Employees expanded flexibility to determine how
7 best to provide health care expenditures to their employees. Instead of choosing between
8 providing specific types of health plans or contributing to Medical Reimbursement Accounts,
9 under this ordinance Contracting Parties employing San Francisco Airport Service Employees
10 will have full discretion in determining how to meet minimum health expenditure requirements
11 for their employees.

12
13 Section 2. Article 121 of Division II of the Labor and Employment Code is hereby
14 amended by revising Sections 121.2, 121.3, and 121.10, to read as follows:

15
16 **SEC. 121.2. DEFINITIONS.**

17 As used in this Article 121, the following capitalized terms shall have the meanings
18 set forth in this Section 121.2:

19 * * * *

20 “Employee” shall mean any person who is employed by a Contracting Party, including
21 part-time and temporary employees.

22 “Health Care Dependent” shall mean: (1) a San Francisco Airport Service Employee’s spouse
23 or registered domestic partner, (2) a San Francisco Airport Service Employee’s child, which shall
24 include any legally adopted child, recognized natural child, stepchild, foster child, and minor legal
25 ward who is eligible for coverage in accordance with 42 U.S.C. § 300gg-14(a), as may be amended

1 from time to time; and (3) any other dependent entitled to be covered under employer-provided full-
2 family health care plans under federal law or the laws of the State of California.

3 “Health Care Expenditure” shall mean an amount paid by a Contracting Party to a trustee or
4 third party on behalf of a San Francisco Airport Service Employee for the purpose of providing or
5 reimbursing the cost of Health Care Services for San Francisco Airport Service Employees and their
6 Health Care Dependents. “Health Care Expenditure” also shall mean an amount paid by a
7 Contracting Party to a San Francisco Airport Service Employee for the purpose of reimbursing the cost
8 of Health Care Services for San Francisco Airport Service Employees and their Health Care
9 Dependents. “Health Care Expenditure” also shall mean an amount paid by a Contracting Party to the
10 City on behalf of a San Francisco Airport Service Employee to establish or to contribute to a Medical
11 Reimbursement Account administered in accordance with Section 21.2(g) of Article 21 of the Labor
12 and Employment Code. “Health Care Expenditure” shall not include, for example: (1) any amount
13 otherwise required to be paid by Federal, State, or local law, (2) any amount funded by deductions
14 from a San Francisco Airport Service Employee’s pay, or (3) any amount paid directly by a
15 Contracting Party to a San Francisco Airport Service Employee that is not related to a documented
16 expenditure for Health Care Services.

17 “Health Care Services” shall mean medical care, services, or goods that may qualify as tax
18 deductible medical care expenses under Section 213 of the Internal Revenue Code as may be amended
19 from time to time, or medical care, services, or goods having substantially the same purpose or effect
20 as such deductible expenses.

21 “Health Director” shall mean the Director of the Department of Public Health.

22 “Irrevocable Health Care Expenditure” or “Irrevocable Expenditure” shall mean any amount
23 of Health Care Expenditure that has not been retained by and cannot at any time be recovered by or
24 returned to the Contracting Party.

25 * * * *

1 **SEC. 121.3. HEALTH CARE ACCOUNTABILITY COMPONENTS.**

2 (a) Except as provided in subsection s (d) and (e), with respect to each Covered
3 Employee who either resides in San Francisco (regardless of where the Covered Employee
4 provides services) or provides services covered by this Article 121 in San Francisco, each
5 Contracting Party shall do one of the following, at the Contracting Party's option:

6 (1) Offer to the Covered Employee health plan benefits that meet minimum
7 standards prepared by the Health Director and approved by the Health Commission. The
8 minimum standards shall provide for a maximum period for each Covered Employee's health
9 benefits to become effective, no later than the first of the month that begins after 30 days from
10 the start of employment on a covered Contract, Subcontract, Lease, or Sublease. The Health
11 Commission shall review such standards at least once every two years to ensure that the
12 standards stay current with State and Federal regulations and existing health benefits
13 practices; or

14 (2) For each Week in which the Covered Employee works the applicable minimum
15 number of hours set forth in Section 121.2 (definition of "Covered Employee"), pay to the City
16 \$2.80 per hour for each hour the Covered Employee is employed by the Contracting Party on
17 the Contract or Subcontract or on property covered by a Lease, but not to exceed \$112 in any
18 Week. The City shall appropriate money received pursuant to this s subsection (a)(2) for the
19 use of the Department of Public Health. The Department of Public Health shall use the monies
20 appropriated for staffing and other resources to provide medical care for the uninsured.
21 Beginning with ~~f~~Fiscal ~~y~~Year 2009-2010, and each following year, the Health Director shall
22 propose adjustments to the hourly rate and weekly maximum fee provided in this s subsection
23 (a)(2), based on changes since the prior year in the Bureau of Labor Statistics Consumer
24 Price Index for Medical Care in the San Francisco Bay Area or average Health Maintenance
25 Organization (HMO) premiums in California. The Health Director shall submit the proposed

1 adjustments to the Controller by March 1. The Controller shall make appropriate adjustments
2 to the hourly rate and weekly maximum fee without further action by the Board of Supervisors.
3 The adjusted hourly rate and weekly maximum fee shall take effect on July 1.

4 (3) Participate in a health benefits program developed by the Health Director in
5 consultation with the Agency. The Health Director shall obtain Health Commission approval of
6 the program before implementing it. The Health Director shall seek such approval within ~~nine~~
7 {12} months after this Article 121 is finally approved. Prior to implementation of the health
8 benefits program provided in this § subsection (a)(3), each Contracting Party shall comply with
9 § subsection (a)(1) or (a)(2). After the Health Director implements the program, in addition to
10 the options provided in § subsections (a)(1) and (a)(2), Contracting Parties may satisfy their
11 obligations under this Article by complying with the requirements of the health benefits
12 program. In developing the program, the Health Director shall: (i) attempt to make health
13 coverage available for uninsured Covered Employees and, if feasible, any other person
14 employed by a Contracting Party who works less than 20 hours per week on a City contract,
15 or other uninsured City residents; (ii) use public health facilities to the maximum extent
16 practicable; (iii) make the program economically viable; and (iv) provide a mechanism for
17 funding which relies, as much as possible, on contributions by participating employers and
18 employees.

19 (b) Except as provided in subsection s (d) and (e), with respect to each Covered
20 Employee who does not reside in San Francisco, but who provides services covered by this
21 Article 121 at the San Francisco Airport or at the San Bruno Jail, each Contracting Party shall
22 do one of the options set forth in subsection (a), at the Contracting Party's option.

23 (c) With respect to each Covered Employee who does not reside in San Francisco,
24 and does not provide services covered by this Article 121 in San Francisco, at the San
25

1 Francisco Airport, or at the San Bruno Jail, each Contracting Party shall do one of the
2 following, at the Contracting Party's option:

3 (1) Offer to the Covered Employee health plan benefits that meet minimum
4 standards prepared by the Health Director and approved by the Health Commission pursuant
5 to ~~§~~subsection ~~121.3~~(a)(1) above; or

6 (2) For each Week in which the Covered Employee works the applicable minimum
7 number of hours set forth in Section 121.2 (definition of "Covered Employee"), pay to the
8 Covered Employee an additional \$2.80 per hour for each hour the Covered Employee is
9 employed by the Contracting Party on the Contract or Subcontract or on property covered by
10 a Lease, but not to exceed \$112 in any Week, to enable the employee to obtain health
11 insurance coverage. This represents the City's ~~current~~original estimate of the average cost of
12 obtaining individual health insurance benefits. Beginning with ~~f~~Fiscal ~~y~~Year 2009-2010, and
13 each following year, the Health Director shall propose adjustments to the hourly rate and
14 weekly maximum fee provided in this ~~§~~subsection ~~121.3(c)(2)~~, based on changes since the
15 prior year in the Bureau of Labor Statistics Consumer Price Index for Medical Care in the San
16 Francisco Bay Area or average Health Maintenance Organization (HMO) premiums in
17 California. The Health Director shall submit the proposed adjustments to the Controller by
18 March 1. The Controller shall make appropriate adjustments to the hourly rate and weekly
19 maximum fee without further action by the Board of Supervisors. The adjusted hourly rate and
20 weekly maximum fee shall take effect on July 1.

21 (d) Until January 1, 2026, ~~W~~with respect to each Covered Employee who is a San
22 Francisco Airport Service Employee, each Contracting Party shall comply with this Article 121
23 by providing health care benefits, making contributions to medical reimbursement accounts, or making
24 Irrevocable Health Care Expenditures, as set forth in subsections (d)(1)-(d)(3), ~~do one of the following,~~
25 at the Contracting Party's option. ~~As stated in subsection (e), starting on January 1, 2026, only the~~

1 option of making Irrevocable Health Care Expenditures, as set forth in subsection (d)(3), will constitute
2 compliance with this Article 121 by a Contracting Party with respect to each Covered Employee who is
3 a San Francisco Airport Service Employee.

4 (1) **Health Care Benefits.** Offer health plan benefits to the Covered Employee and
5 the Covered Employee's dependents, with the following features:

6 (A) The health benefits shall include at least one plan that: (i) is offered at no
7 cost to the Covered Employee, (ii) provides a level of coverage that is designed to provide
8 benefits that are actuarially equivalent to at least 90% of the full actuarial value of the benefits
9 provided under the plan, and (iii) provides coverage for all services described in the California
10 Essential Health Benefit Benchmark Plan.

11 (B) A Contracting Party may offer additional health benefit plans, provided that
12 each such health benefit plan offered shall provide a level of coverage that is designed to
13 provide benefits that are actuarially equivalent to at least 80% of the full actuarial value of the
14 benefits provided under the plan and to provide coverage for all services as described in the
15 California Essential Health Benefit Benchmark Plan. If the premium costs of such additional
16 health benefit plan are greater than the premium costs of a plan offered under subsection
17 (d)(1)(A), a Covered Employee electing such a health benefit plan may be required to pay a
18 portion of the premium costs. The Covered Employee's premium cost share shall be limited to
19 not more than the difference between the premium costs of the most expensive plan offered
20 under subsection (d)(1)(A) and the premium costs of the health benefit plan that the Covered
21 Employee elects under this subsection (d)(1)(B).

22 (C) The maximum period for each Covered Employee's health benefits to
23 become effective shall be no later than the first day of the first month after 30 days from the
24 start of employment as a San Francisco Airport Service Employee; provided, however, that if
25 a Contracting Party elects to make monthly contributions for a Covered Employee pursuant to

1 subsection (d)(2), health benefits shall become effective no later than the first day after the
2 Contracting Party ceases making such contributions.

3 (D) The Covered Employee's health benefits shall, at a minimum, cover the
4 Covered Employee, the Covered Employee's spouse or registered domestic partner, and the
5 Covered Employee's child, which shall include any legally adopted child, recognized natural
6 child, stepchild, foster child, and minor legal ward. Coverage for a child must be made
7 available until the child reaches the age of 26, in accordance with 42 U.S.C. § 300gg-14(a), as
8 may be amended from time to time.

9 (E) Notwithstanding the Operative Date of Ordinance No. 235-20, if a
10 Contracting Party elects to comply with this Subsection 121.3(d) by providing health benefits
11 under subsection (d)(1), such health benefits shall not be required to be in effect prior to April
12 1, 2021.

13 (2) Contributions to a Medical Reimbursement Account. For each Week in which the
14 Covered Employee works any hours as a San Francisco Airport Service Employee, make
15 contributions for that Employee as specified below into an account established under Section
16 21.2 of the Labor and Employment Code, as may be amended from time to time.

17 (A) Contributions made pursuant to this subsection (d)(2) shall be \$9.50 per
18 hour, but not to exceed \$380 in any Week, as of the operative date of Ordinance No. 235-20~~the~~
19 ~~ordinance in Board File No. 201133, establishing this subsection.~~

20 (B) Beginning with ~~f~~Fiscal ~~y~~Year 2022-2023, and for each following fiscal year,
21 the ~~Director of~~ Health Director shall propose adjustments to the hourly rate and weekly
22 maximum fee provided in this subsection (d)(2), based on changes since the prior year in the
23 Bureau of Labor Statistics Consumer Price Index for Medical Care in the San Francisco Bay
24 Area or in average Health Maintenance Organization premiums in California. The Health
25 Director shall submit the proposed adjustments, together with proposed adjustments under

1 ~~Subsection 121.3(a)(2)~~, to the Controller by March 1. The Controller shall make appropriate
2 adjustments to the hourly rate and weekly maximum fee without further action by the Board of
3 Supervisors. The adjusted hourly rate and weekly maximum fee shall take effect on July 1.

4 (3) Irrevocable Health Care Expenditures. Make Irrevocable Health Care Expenditures
5 to or on behalf of each San Francisco Airport Service Employee.

6 (A) For purposes of this subsection (d)(3), the minimum Irrevocable Health Care
7 Expenditure rate is as follows:

8 (i) Before January 1, 2026:

9 a. For a San Francisco Airport Service Employee with no Health Care
10 Dependents, \$6.17 per hour worked, but not to exceed \$246.80 in any Week;

11 b. For a San Francisco Airport Service Employee with one Health Care
12 Dependent, \$12.33 per hour worked, but not to exceed \$493.20 in any Week;

13 c. For a San Francisco Airport Service Employee with two or more
14 Health Care Dependents, \$17.44 per hour worked, but not to exceed \$697.60 in any Week.

15 (ii) Each calendar year, the Health Director shall propose adjustments to the
16 hourly rate and weekly maximum Irrevocable Health Care Expenditure rate provided in this subsection
17 (d)(3)(A) for the next calendar year based on changes since the prior year in the Bureau of Labor
18 Statistics Consumer Price Index for Medical Care in the San Francisco Bay Area or in average Health
19 Maintenance Organization premiums in California. The Health Director shall submit the proposed
20 adjustments for the next calendar year, together with proposed adjustments under Section 121.3(a)(2),
21 to the Controller by June 1 of the year before the proposed change is to go into effect. The Controller
22 shall make appropriate adjustments to the hourly rate and weekly maximum fee without further action
23 by the Board of Supervisors. The adjusted hourly rate and weekly maximum Irrevocable Health Care
24 Expenditure rate shall take effect on the following January 1 each year.

1 (B) Where a Contracting Party complies with this subsection (d)(3) in full or in part by
2 making payments to the City to provide for a Medical Reimbursement Account, the payment to the City
3 shall be due no later than 30 days after the end of the quarter of the year in which the hours were
4 worked by the San Francisco Airport Service Employee.

5 (e) Beginning on January 1, 2026, Contracting Parties employing San Francisco Airport
6 Service Employees shall no longer have the option of complying with this Article 121 by providing
7 benefits or making contributions, as set forth in subsections (d)(1)-(d)(2), and shall comply with this
8 Article 121 only by making Irrevocable Health Care Expenditures, as set forth in subsection (d)(3).

9 (e~~f~~) A Covered Employee may voluntarily waive an offer of health plan benefits
10 under this Section 121.3 using a waiver form approved by the Agency upon providing the
11 Contracting Party proof of current health plan coverage. With respect to subsection (d)~~of this~~
12 ~~Section 121.3~~, such proof of current health plan coverage must include the Covered
13 Employee's Health Care Dependents~~dependent~~. The Contracting Party must retain voluntary
14 waiver forms and proof of health plan coverage for three years and must provide the Agency
15 access to them upon request. Where a Contracting Party is subject to the requirements in
16 subsection (d)(3) of this Section 121.3 and secures a voluntary waiver from a San Francisco Airport
17 Service Employee with respect to health plan coverage offered to the Contracting Party's similarly-
18 situated San Francisco Airport Service Employees, it may deduct the amount of the premiums that the
19 employer would have paid if the San Francisco Airport Service Employee accepted the coverage
20 offered from the applicable minimum Irrevocable Health Care Expenditure rate. The Contracting Party
21 remains responsible to make Irrevocable Health Care Expenditures for the remaining amounts that are
22 not covered by the waiver.

23 (f~~g~~) When preparing proposed budgets and requests for supplemental
24 appropriations for contract services, City departments that regularly enter into agreements for
25 the provision of services by nonprofit corporations shall transmit with their proposal a written

confirmation that the department has considered in its calculation the costs that the nonprofit corporations calculate that they will incur in complying with the Health Care Accountability Ordinance.

(~~gh~~) Notwithstanding the above subsections in this section 121.3, if, at the time a Contract, Subcontract, Lease, or Sublease is executed, the Contracting Party has 20 or fewer employees (or, in the case of a Nonprofit Corporation, 50 or fewer employees), including any employees the Contracting Party plans to hire to implement the Contract, Subcontract, Lease, or Sublease, the Contracting Party shall not be obligated to provide the Health Care Accountability Components set forth in ~~this Ssubsections~~ 121.3(a), 121.3(b), or 121.3(c) to its Covered Employees. In determining the number of employees had by a Contracting Party, all employees of all entities that own or control the Contracting Party and that the Contracting Party owns or controls, shall be included.

SEC. 121.10. WAIVER THROUGH COLLECTIVE BARGAINING.

~~Except for the requirements provided in subsection 121.3(d), a~~All or any portion of the applicable requirements of this Article 121 may be waived in a bona fide collective bargaining agreement, provided that such waiver is explicitly set forth in such agreement in clear and unambiguous terms.

* * * *

Section 3. Effective Date; Operative Date.

(a) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

1 (b) This ordinance shall become operative 60 days after its effective date.

2
3 Section 4. Severability. If any section, subsection, sentence, clause, phrase, or word
4 of this ordinance, or any application thereof to any person or circumstance, is held to be
5 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
6 shall not affect the validity of the remaining portions or applications of the ordinance. The
7 Board of Supervisors hereby declares that it would have passed this ordinance and each and
8 every section, subsection, sentence, clause, phrase, and word not declared invalid or
9 unconstitutional without regard to whether any other portion of this ordinance or application
10 thereof would be subsequently declared invalid or unconstitutional.

11
12 Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
13 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
14 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
15 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
16 additions, and Board amendment deletions in accordance with the "Note" that appears under
17 the official title of the ordinance.

18
19
20 APPROVED AS TO FORM:
DAVID CHIU, City Attorney

21
22 By: /s/ Ian H. Eliasoph
IAN H. ELIASOPH
23 Deputy City Attorney

24 n:\legana\as2024\2500065\01814994.docx
25

LEGISLATIVE DIGEST

[Labor and Employment Code - Health Care Expenditure Requirements for Certain Employers at the Airport]

Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size.

Existing Law

In 2020, the City enacted the Healthy Airport Ordinance (HAO) (Ordinance No. 235-20), which amended the Health Care Accountability Ordinance (HCAO), now codified as Article 121 of the Labor and Employment Code. The HAO requires employers of workers at San Francisco International Airport ("Airport") who hold safety- or security-sensitive positions to either (1) offer full-family health insurance benefits in plans meeting specified requirements or (2) pay a set rate to the City to fund Medical Reimbursement Accounts for their Covered Employees. The HAO does not allow for a collective bargaining waiver of these requirements.

Amendments to Current Law

If enacted, under the proposed ordinance Contracting Parties employing San Francisco Airport Service Employees will no longer be limited to choosing between providing specific types of health plans or contributing to Medical Reimbursement Accounts to comply with the HAO. Instead, the proposed ordinance would amend the HAO to set minimum health care expenditure requirements that covered employers have flexibility to meet in any manner they deem appropriate, including through contributions to Medical Reimbursement Accounts. The rates for the minimum health care expenditures would be tiered to reflect the lower or enhanced health care needs that an employee may have depending on the number of their health care dependents. The amended ordinance would allow for a collective bargaining waiver.

Background Information

Since the HAO became law, thousands of San Francisco Airport Service Employees have gained or improved their ability to provide for the health care needs of their families. The Healthy Airport Ordinance has thereby helped attract and retain high-quality employees whose work impacts safety and security, improved Airport safety and security for travelers and the public by promoting a healthier workforce, and minimized the potential for contagion to spread from the Airport (a major worldwide transportation hub) to other environs.

The proposed ordinance is designed to preserve the improvements to Airport safety and security obtained through the HAO, while providing Covered Employers of San Francisco

FILE NO. 250210

Airport Service Employees expanded flexibility to determine how best to provide health care expenditures to their employees.

n:\legana\as2025\2500065\01815115.docx

CITY AND COUNTY OF SAN FRANCISCO


BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

October 10, 2025

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: October 16, 2025 Government Audit and Oversight Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	25-0210 Labor and Employment Code - Health Care Expenditure Requirements for Certain Employers at the Airport	1

Item 1
File 25-0210

Department:
Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Labor and Employment Code to require QSP employers to make “Irrevocable Health Care Expenditures” on behalf of their employees at tiered rates reflecting the employee’s household size, beginning January 1, 2026.
- Further, the legislation allows employers to waive the requirement for an irrevocable health care expenditure through a collective bargaining agreement.

Key Points

- In December 1999, the Airport Commission adopted the Quality Standards Program (QSP), which now includes a set of minimum standards for hiring, training, performance management, and compensation and benefits of employees covered by the QSP. The QSP applies to any firm, including airlines and service providers, which employs personnel involved in performing services which directly impact safety and/or security at the Airport.
- In 2020, the City enacted the Healthy Airport Ordinance (File 20-1133), which amended the Health Care Accountability Ordinance to require employees covered by the QSP to provide family health insurance to such employees, or to make contributions on the employees’ behalf to a medical reimbursement account.
- The irrevocable health care expenditure is proposed to replace the option of providing health insurance or making contributions to medical reimbursement accounts. It would still allow for QSP employers to meet the spending requirement in those ways but also allow for any other type of irrevocable healthcare spending, such as direct payments to employees to reimburse their health care spending.

Fiscal Impact

- The new spending requirements would increase healthcare costs to three Airport contractors by approximately \$270,000 per year.
- In addition, the proposed changes in health care spending requirements could impact businesses that operate at the Airport and have QSP employees but that do not have a contract with the Airport, however we are unable to estimate those impacts.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

According to City Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

BACKGROUND

The Health Care Accountability Ordinance (HCAO), Article 121 of the Labor and Employment Code, requires employers to offer individual health plan benefits to their covered employees or to make payments to the Department of Public Health (DPH). The HCAO applies to most City contractors and tenants, including those at San Francisco International Airport (Airport), as well as certain Airport permittees.

In December 1999, the Airport Commission adopted the Quality Standards Program (QSP), which now includes a set of minimum standards for hiring, training, performance management, and compensation and benefits of employees covered by the QSP. The QSP applies to any firm, including airlines and service providers, which employs personnel involved in performing services which directly impact safety and/or security at the Airport. According to Airport management, the QSP has been successful in helping to recruit high-quality employees and reducing turnover.

In 2020, the City enacted the Healthy Airport Ordinance (File 20-1133), which amended the Health Care Accountability Ordinance to require employees covered by the QSP to provide family health insurance to such employees, or to make contributions on the employees' behalf to a medical reimbursement account established under the Health Care Security Ordinance (now Article 21 of the Labor and Employment Code). Prior to the enactment of the Healthy Airport Ordinance, Airport management reports that some collective bargaining agreements waived the health benefit requirement, resulting in some QSP employees having only minimal health care coverage.

Exhibit 1 below summarizes the current regulations for San Francisco-based businesses and contractors that the City has imposed related to health care spending.

Exhibit 1: Health Care Spending Requirements for San Francisco Businesses, City Contractors, and Businesses Operating at the Airport

Authority	Applies to	Employer Health Care Options	2025 Rate
Health Care Security Ordinance (HCSO), Labor & Employment Code 21	SF employers with 20+ employees	Payments for health, dental, and/or vision insurance Payments to the SF City Option, a medical reimbursement account Contributions to programs that reimburse employees for out-of-pocket health care costs	20-99 emps: \$2.56/hour 100+ emps: \$3.85/hour
Health Care Accountability Ordinance (HCAO), Labor & Employment Code 121	Most City contractors and tenants (including at the Airport and the Port)	Offer health plan benefits to their covered employees Make payments to the City for use by the Department of Public Health, or Make payments directly to their covered employees	\$7.50 per hour, capped at \$300 per work week
Healthy Airport Ordinance (BOS File 20-1133), part of Health Care Accountability Ordinance	Airport Quality Standards Program (QSP) Employers (select employees operating at the Airport subject to the QSP)	Provide family health insurance at no cost, or Pay into medical reimbursement accounts, administered by DPH	\$12.15 per hour, capped at \$486 per week

Source: Labor and Employment Code, OLSE

Airlines for America, an airline trade association, sued the City and County of San Francisco in 2021 over the Healthy Airport Ordinance, arguing that it conflicts with federal law and contracts clauses of the state and federal constitutions. The Healthy Airport Ordinance is currently in effect, and the litigation is ongoing as of this writing.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Labor and Employment Code to require QSP employers to make “Irrevocable Health Care Expenditures” on behalf of their employees at tiered rates reflecting the employee’s household size, beginning January 1, 2026. For each tier, the proposed ordinance sets minimum expenditure levels—similar to the City’s Health Care Security Ordinance, which applies to all San Francisco employers with 20 or more employees. An “irrevocable expenditure” is defined as any amount of health care expenditure that has not been

retained by and cannot be recovered or returned to the employer. This may include health insurance, medical reimbursement accounts, or other health care related spending. The legislation specifies the following tiered rate structure for a San Francisco airport service employee subject to the QSP:

- Airport employee with no health care dependents should receive \$6.17 per hour worked up to a maximum of \$246.80 per week;
- Airport employee with one health care dependent should receive \$12.33 per hour worked up to a maximum of \$493.20 per week; and
- Airport employee with two or more health care dependents should receive \$17.44 per hour worked up to a maximum of \$697.60 per week.

The proposed ordinance gives the Health Director the authority to annually increase the hourly rate and weekly maximum irrevocable health care expenditure rate based on changes since the prior year in the Bureau of Labor Statistics Consumer Price Index for Medical Care in the San Francisco Bay Area or in average Health Maintenance Organization premiums in California. The irrevocable health care expenditure is proposed to replace the option of providing health insurance or making contributions to medical reimbursement accounts. It would still allow for QSP employers to meet the spending requirement through providing insurance or medical reimbursement accounts but also allow for any other type of irrevocable healthcare spending, such as direct payments to employees to reimburse their health care spending.

Further, the legislation allows employers to waive the requirement for an irrevocable health care expenditure through a collective bargaining agreement, similar to the Health Care Accountability Ordinance.

FISCAL IMPACT

The proposed ordinance would result in direct cost increases to Airport service contracts. The Airport provided healthcare spending data for three contracts the Airport has with Covenant Airport Security for general airport security services, Hallmark Aviation Services (Hallmark) for guest assistance services, and SITA for passenger processing and information displays, which each have QSP employees. For each of these three contracts, we show the current and proposed costs for health care in Exhibit 2 below.

Exhibit 2: Change in Airport Contractor Spending

Employer	Current Health Care Spending¹	Proposed Health Care Spending	Change
Covenant	\$724,459	\$835,598	\$111,139
Hallmark	\$311,458	\$470,288	\$158,830
SITA	\$25,054	\$25,646	\$592
Total	\$1,060,970	\$1,331,532	\$270,562

¹ Health care spending data for the three pass-through contracts was provided by the airport, and the BLA has added 10 percent to those figures to account for health care inflation by the time the ordinance is proposed to go into effect on January 1, 2026. Not all employees of each vendor are QSP employees.

Source: BLA estimates of impact, based on data from Airport.

As shown above, the proposed ordinance would increase required health care spending for three Airport contractors by approximately \$270,561, or by \$3,811 per employee. These costs would likely be passed through to the Airport by the contractors over time.

In addition, the proposed changes in health care spending requirements could impact businesses that operate at the Airport and have QSP employees but that do not have a contract with the Airport. The Airport reports that there were 16,203 QSP employees in 2024. It is not known how many of these employees have no health care dependents, one dependent, or two or more dependents. In addition, because a portion of these employees are less than full-time and may already be provided with health care spending in excess of the proposed ordinance's requirements, we cannot estimate the financial impact to all QSP employees.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

TO: Daniel Tsai, Director, SF Department of Public Health
Carol Isen, Director, SF Department of Human Resources

FROM: Monique Crayton, Assistant Clerk, Government Audit and Oversight Committee

DATE: March 11, 2025

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following Ordinance request, introduced by Supervisor Rafael Mandelman on March 4, 2025:

File No. 250210

Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: monique.crayton@sfgov.org.

CC:
Office of Supervisor Mandelman
Dr. Naveena Bobba, Department of Public Health
Sneha Patil, Department of Public Health
Ana Validzic, Department of Public Health
Aliya Chisti, Department of Human Resources
Kate Howard, Department of Human Resources

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

TO: Carol Isen, Director, Department of Human Resources

FROM: Monique Crayton, Assistant Clerk, Government Audit and Oversight
Committee
Board of Supervisors

DATE: March 11, 2025

SUBJECT: LEGISLATION INTRODUCED – MEET AND CONFER DETERMINATION

The Board of Supervisors' Government Audit and Oversight Committee has received the following Ordinance. This matter is being **referred** to you as it may require the Department of Human Resources to fulfill "**Meet and Confer**" requirements. Please review, assess the impact and provide proper noticing as required and report back to on the status of the "Meet and Confer" requirement.

File No. 250210

Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size.

If you have any questions or concerns, please call me at (415) 554-7750 or email: monique.crayton@sfgov.org. To submit documentation, please email or forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM THE DEPARTMENT OF HUMAN RESOURCES - Date: 03/11/25

- ☐ Meet and Confer requirement has been fulfilled.
- ☒ Meet and Confer requirement not applicable.
- ☐ Additional information attached.

Kate Howard

Department of Human Resources

c: Aliya Chisti, Department of Human Resources
Kate Howard, Department of Human Resources

From: [Board of Supervisors \(BOS\)](#)
To: [BOS-Supervisors](#); [BOS-Legislative Aides](#)
Cc: [Calvillo, Angela \(BOS\)](#); [Somera, Alisa \(BOS\)](#); [Ng, Wilson \(BOS\)](#); [De Asis, Edward \(BOS\)](#); [Mchugh, Eileen \(BOS\)](#); [BOS-Operations](#); [BOS Legislation, \(BOS\)](#); [Crayton, Monique \(BOS\)](#)
Subject: FW: Inequality of HAO that needs to be Addressed and Amended
Date: Wednesday, May 28, 2025 9:38:01 AM

Hello,

Please see below for communication from Chris Wong regarding File No. 250210.

File No. 250210: Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size. (Mandelman, Walton, Chan)

Sincerely,

Joe Adkins
Office of the Clerk of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
Phone: (415) 554-5184 | Fax: (415) 554-5163
board.of.supervisors@sfgov.org | www.sfbos.org

From: wy Y <dragonflysfo@gmail.com>
Sent: Thursday, May 22, 2025 3:14 PM
To: ChenStaff <ChenStaff@sfgov.org>; Lurie, Daniel (MYR) <daniel.lurie@sfgov.org>; Board of Supervisors (BOS) <board.of.supervisors@sfgov.org>
Subject: Inequality of HAO that needs to be Addressed and Amended

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Supervisor Chen,district 11
Mayor Daniel Lurie
Board of Supervisors SF

Healthy Airport Ordinance (HOA) passed in 4/6/21
has been controversial to Flight Attendants Crews, Living and Working at SFO,
that previously employer (United Airlines had paid our HMO Premiums)
That since HOA was enacted (Unfairly) United Airlines has Stopped paying for this
crucial "Health Benefits Premiums" but gave other SFO Employees (Family/Spouse)
All the Health Care Premium Benefits!....NOT FAIR to Flight Attendants, Based and
Primary Resident of San Francisco!

This is "Discriminatory and UNFAIR" and Needs to be Addressed and Amended!
I have been resident of San Francisco along with my Spouse since 2005 and had my HMO Health Premiums paid by United Airlines....till HOA was passed, and United Airlines STOP Paying our HMO Health Premium Benefits!

Living and Working in HIGH COST City of San Francisco is Difficult Enough, adding this Once Included Health Premium Benefits HELPED Greatly to SFO Based Flight Attendants!

To give BS Excuses of Flight Crews Not Qualified as Airport Employees is Nonsense, as our Work Starts and Ends in SFO!

We contributed to the work force that makes SFO World Class Airline Hub, including all the Ground Staff...Should not "Discriminate of Who gets their Health Insurance Paid for by Employer at SFO"!!

Please Lobby for Amending this Ordinance Change and include all Airline Crews that is Based and Live in San Francisco to Health Insurance Paid Benefits!

Thank you,
Chris Wong
SFOSW

P.S. Google HOA (Healthy Airport Ordinance) to review its history and implementations!

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

I hereby submit the following item for introduction (select only one):

- ☒ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)
(Routine, non-controversial and/or commendatory matters only)
- ☐ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor _____ inquires..."
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. _____ from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No. _____
- ☐ 9. Reactivate File No. _____
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on _____

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- ☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
- ☐ Planning Commission ☐ Building Inspection Commission ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- ☐ Yes ☐ No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Mandelman, Walton, Chan

Subject:

[Labor and Employment Code - Health Care Expenditure Requirements for Certain Employers at the Airport]

Long Title or text listed:

Ordinance amending the Labor and Employment Code to revise the Healthy Airport Ordinance to require, beginning on January 1, 2026, that Contracting Parties employing certain airport workers make Irrevocable Health Care Expenditures on behalf of their employees at tiered rates reflecting the employee's household size.

Signature of Sponsoring Supervisor:

