

SFO

FY 2022-23 & FY 2023-24 Budget Overview

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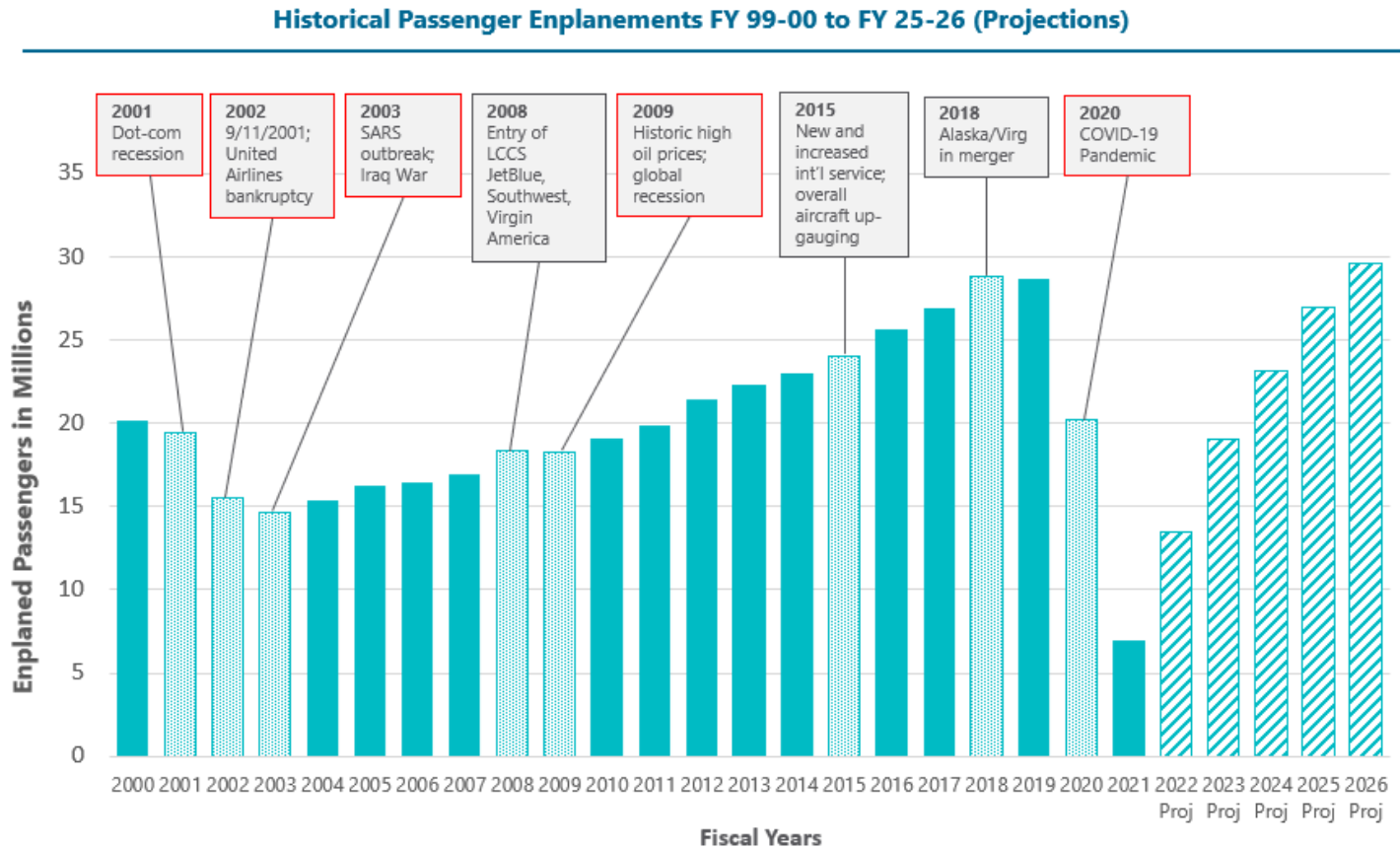


SFO Has Successfully Managed Through Events That Changed the Aviation Industry

Track record of traffic recovery through financial and economic challenges

Historical passenger levels prior to the pandemic

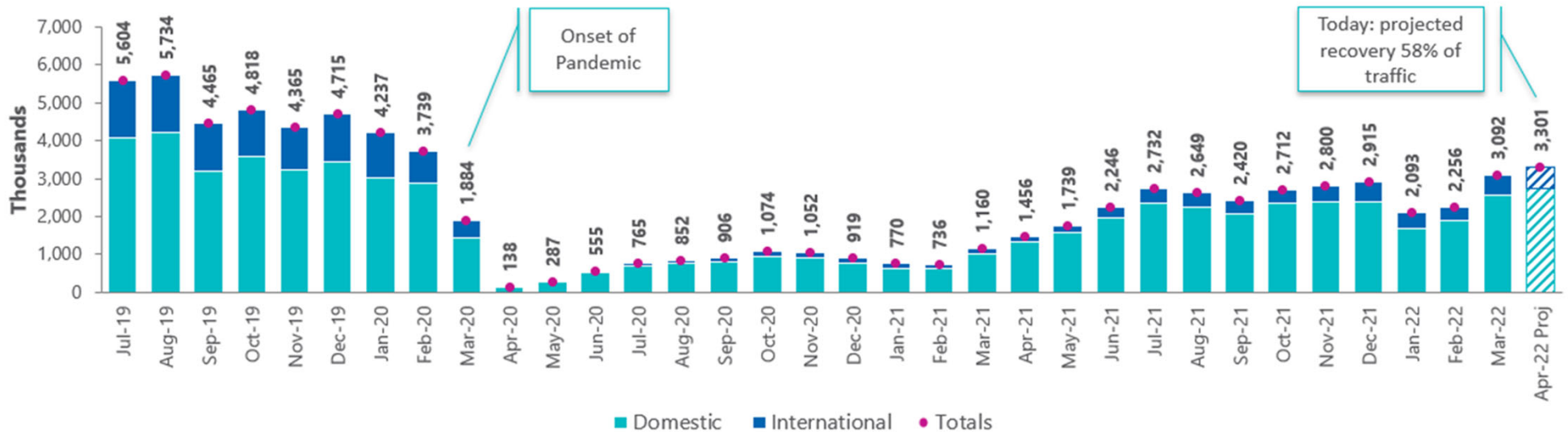
- 9 consecutive years of passenger growth from FY 2010 to FY 2018
- Leading Bay Area airport in international and domestic service
- SFO entered the pandemic from a position of strength - as of CY 2019, SFO was:
 - 7th in U.S. in enplanements (CY 2019)
 - 4th in U.S. in international enplanements (CY 2019)



Impact of COVID-19 on Passenger Traffic

Since April 2020, steady improvements along with seasonality

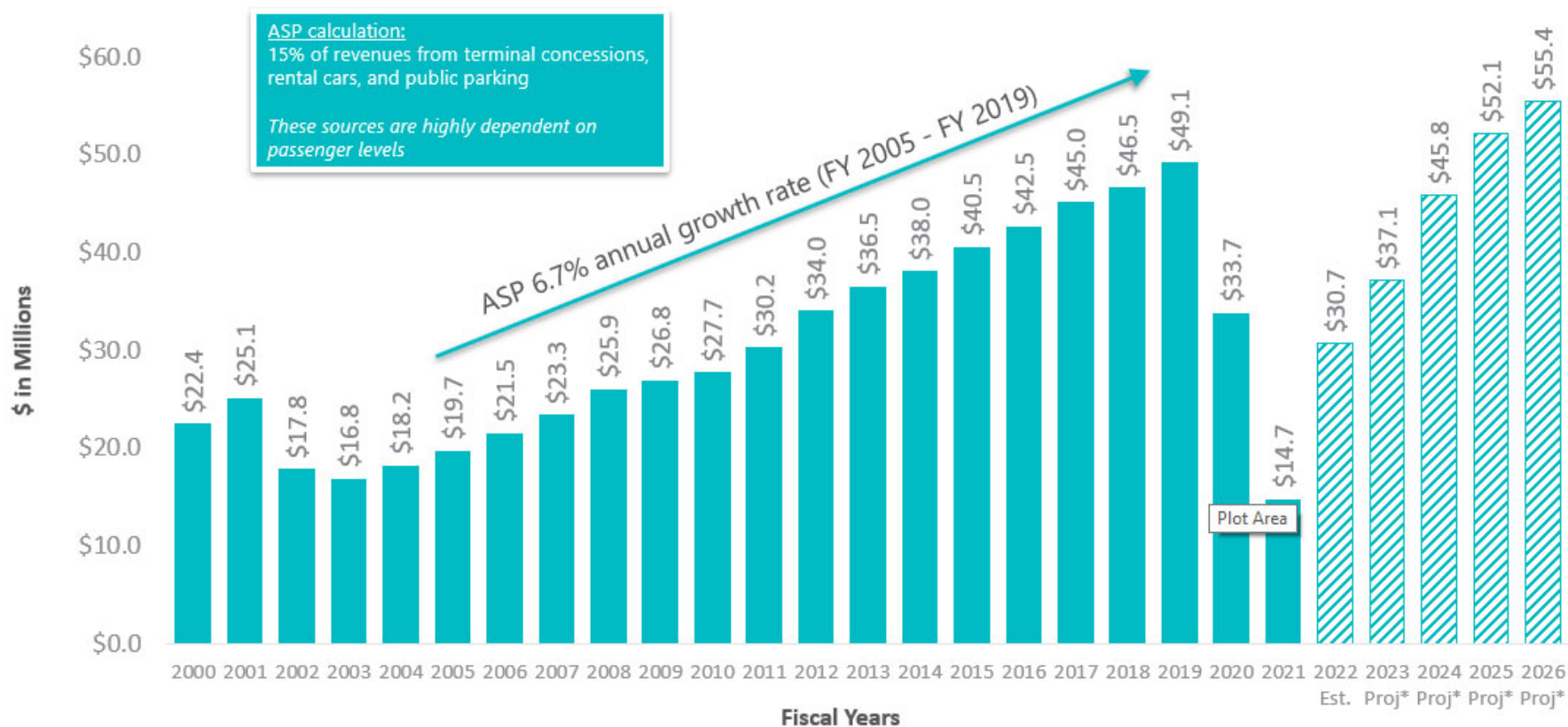
July 2019 – April 2022 Passengers



- FYTD 2021-22 passenger traffic (through April 2022) is estimated to be down 42% vs. FYTD 2018-19, with estimated domestic and international reductions of 35% and 65% respectively
- International travel continues to gradually improve at SFO

Annual Service Payment (ASP) Impacted by Concession Revenues

ASP parallels passenger traffic – following onset of pandemic was a dramatic decline in concession revenues



Note: *Projection reflects latest updated ASP as of 5/17/2022

Two-Year Operating Budget: Context & Priorities

Proposed Budget addresses impact of COVID-19 pandemic on airport revenues

- **Budget Context**

- Enplaned passenger level assumptions of slow growth recovery:
 - FY 2022-23 passenger traffic at 34% below FY 2018-19
 - FY 2023-24 passenger traffic at 19% below FY 2018-19

- **Budget Priorities**

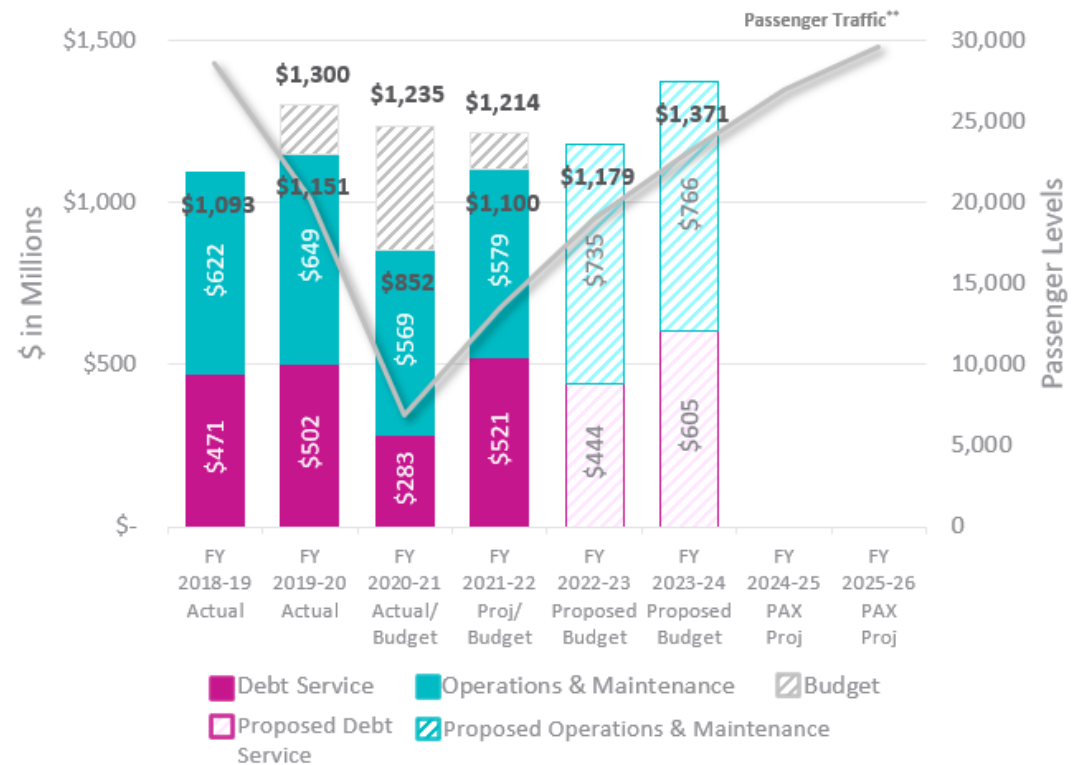
- Supporting the Airport's continued safety and security
- Implementing *Recovery to Resilience Strategic Plan* goals including *Racial Equity* initiatives
- Supporting the Commission's workforce
- Remaining cost competitive with other west coast international gateway airports
- Preserving the Commission's operating reserve funds

FY 2022-23 & 2023-24 Operating Budget

Forecasted slow growth recovery, inflationary increases and the effect of facilities coming online were considered in budget development

- **Debt Service savings**
 - Reprioritizing capital needs resulting in a \$6.3B "active" Capital Improvement Plan (CIP), down from approved \$7.8B to control future debt service costs
 - Significant one-time savings resulting from refunding and restructuring of general airport revenue bonds
- **Operations & Maintenance growth**
 - MOU negotiated increases
 - Internship and training programs to ensure equitable hiring and recruitment practices
 - Focus on building a pipeline of internal talent to meet the operational needs of the Airport
 - WorkOrder increases
 - Non-Personnel increases to support facilities going into service

Operating Budget* Pre-Pandemic through Proposed FY 22-23 & FY 23-24



Notes:

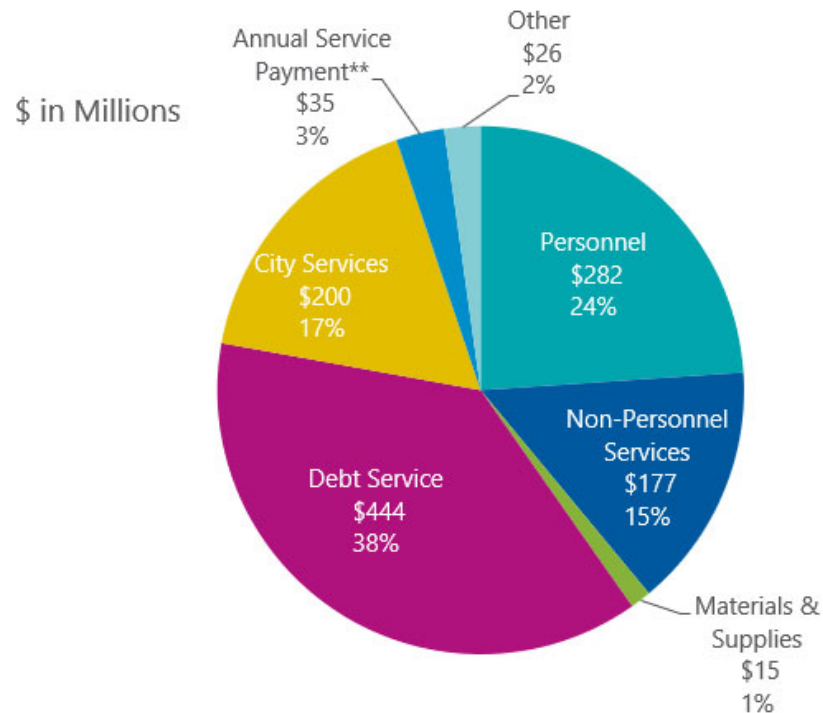
* Operating Budget as shown here excludes capital projects and grant funds, which are included in the Annual Appropriation Ordinance

** Passenger Forecast "Slow Growth Recovery" LeighFisher Nov 2021

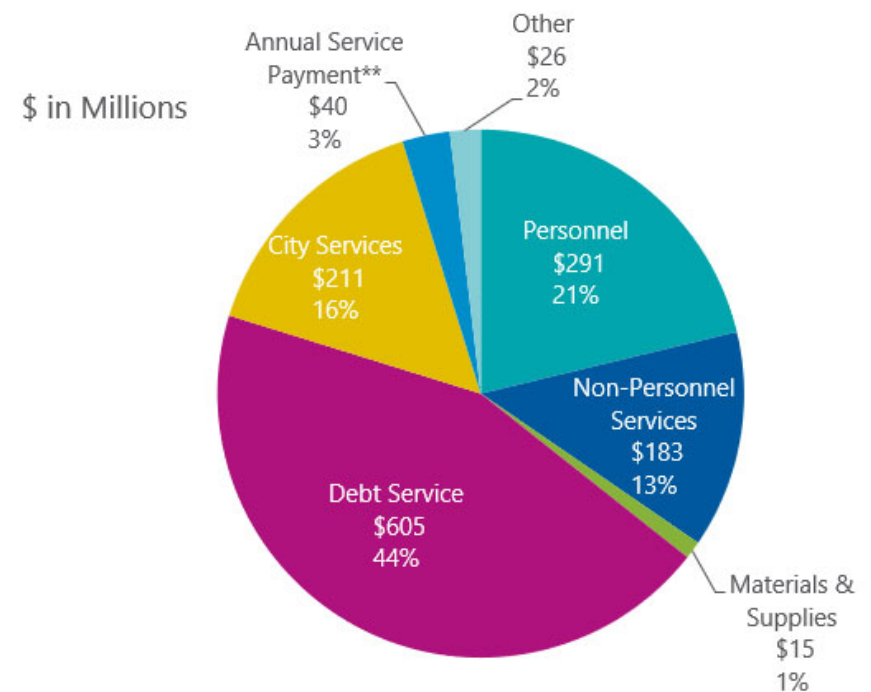
SFO

FY 2022-23 & 2023-24 Operating Budget Detail

Request reflects COVID-19 context of slow growth recovery while investing in areas needed to meet Airport priorities – largest component of Operating Budget is Debt Service



**Total FY 2022-23 Operating Budget* =
\$1.18 Billion**



**Total FY 2023-24 Operating Budget* =
\$1.37 Billion**

Notes:

* Operating Budget as shown here excludes capital projects and grant funds, which are included in the Annual Appropriation Ordinance

** Reflects estimated ASP submission prior to update on 5/17/2022

FY 2022-23 & FY 2023-24 Position Changes

Position changes support Airport's outreach strategy of internship and training programs to ensure equitable hiring and recruitment practices, and building a pipeline of internal talent to meet Airport's operational needs

\$ in Millions

	FY 2021-22 Adopted	FY 2022-23 Proposed	FY 2023-24 Proposed
Operating Budget¹			
Operations & Maintenance	\$693	\$735	\$766
Debt Service	\$521	\$444	\$605
Total Budget	\$1,214	\$1,179	\$1,371
% Change vs. Prior FY		-2.9%	16.3%
	FY 2021-22 Adopted	FY 2022-23 Proposed	FY 2023-24 Proposed
Position Overview			
Operating Positions ²	1,713	1,737	1,741
Project & Overhead Positions (support CIP)	247	247	247
Total Positions	1,960	1,984	1,988
Position Change vs. Prior FY (#)		24	4
Position Change vs. Prior FY (%)		1.2%	0.2%

Position changes:

- FY 2022-23 increase of ~24 internship and training program positions
 - 88 Total Internships
 - Building back *Career Pathway Programs* that is focused on recruiting and fostering a skilled and diverse employee base
 - SFO uses a variety of platforms to promote and recruit these opportunities
- FY 2023-24 increase of 4 positions to support facilities going into service, and environmental sustainability efforts
- Assumes 6% Attrition/Salary Savings
- There are 29.75 FTEs³ dedicated to Hiring & Diversity initiatives

Notes:

1. Figures may change due to Cost-of-Living Adjustment (COLA), Attrition/Salary Savings, Services of Other Departments balancing, and other adjustments

2. Includes Special Classes

3. Does not include additional partial positions such as Racial Equity Action Plan (REAP) Implementation Plan (IP) leads, Reaching for No. 1 RE Committee Members, RE Recruitment Committee Members, Employee Resource Group (ERG) Leads

SFO Staffing

As an enterprise department, expenditures reflect revenues and recovery

- **Current & Historical Operating Vacancies**

- FYTD 2021-22: 358 or 21%
- Past 5 years: Average 13% historically
- 136 or 38% positions have been vacant for less than 1 year

- **Budget savings from vacancies**

- FY 2020-21 18% vacancy equated to 5% of overall budgetary savings
- Personnel savings cannot be used for other expenditure needs

- **Impact to Department**

- Challenging as Airport continues to persevere through projected slow growth recovery
- External - Significant reduction of air travel and competitive labor market impacted hiring
- Internal - City hiring processes including launch of new applicant tracking system, delayed hiring as team adjusted

- **Plan going forward**

- Proactively backfill critical positions to meet operational needs
- Hiring timeline to trend with growth recovery
- Staffing in alignment with *Recovery to Resilience Strategic Plan*
- Expense Control Committee
- Hiring plan of 185 individuals, which would decrease vacancy to 15%

Anticipated Hiring	Number
FY 2021-22 – Q4	113
FY 2022-23 – Q1	59
FY 2022-23 – Q2	13
Total	185

SFO Communications

Communicating with the public, reaching non-English speaking communities and approaching with cultural competency

- **SFO Customer Care Program**
 - *Airport Travelers Information Program*
 - Bilingual/multilingual staffing at Customs Border and Protection and Information Desks at Arrivals Levels
- **SFO Info Booth Program**
 - Customs and Border Control area (international arrivals), and throughout terminals
- **Digital**
 - FlySFO.com offers pages with travel, terminal and COVID-related topics in simplified Chinese, Spanish and Tagalog

Community feedback is received, tracked, and incorporated into the Department's work

- **Contact Us at flysfo.com** and telephone calls are avenues where SFO Customer Care receives comments, suggestions, and complaints
 - SFO Customer Care conducts quarterly guest interviews, surveys and focus groups to better understand passenger needs and priorities

Dedicated staff to communicate with the public, advertise Airport's work and services, and incorporating resident feedback

- Airline and Route marketing
- *Noise Abatement Community Roundtable* and Noise Abatement office
- SFO has dedicated staff for workforce and concessionaires outreach
- SFO Customer Care program

SFO Contributes to the Regional Economic Recovery

Private Sector Workforce

- Pre-pandemic, 75% Black, Indigenous, and People of Color:
 - 9% Black or African American
 - 18% Hispanic or Latinx
 - 44% Asian/Pacific Islander
- Last Fall, estimated 35,000 private sector employees



Small Businesses

Concessions

- 72% of leases have owners headquartered in San Francisco and the Bay Area
- 47% of Airport's concession operated by Airport Concessions Disadvantaged Business Enterprises (ACDBEs)
 - Estimated 32% of all concessions sales by Black and Latinx owners
- Most concessions closed in March 2020, since then:
 - 85% concessions have returned with the average spending per passenger increasing by 5% compared to pre-pandemic levels
 - \$110M of concessions sales generated last year came from local owners
 - Linkages to grants, loans, and other resources

Construction

- Continued dedication to 40% small local business participation on construction projects
- Over \$950M of work has been performed by local businesses under the Ascent Program CIP since 2017
- \$70M in active construction opportunities for local businesses
- Addition of federally funded projects with Disadvantaged Business Enterprise opportunities

Thank you

