



San Francisco International Airport

October 23, 2020

Budget and Finance Committee  
San Francisco Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689

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SUBJECT: File No. 201133, Administrative Code - Dependent Health Care Requirements for Certain Employers at San Francisco International Airport

Dear Chair Fewer, Vice Chair Walton, and Supervisor Mandelman:

I would like to take this opportunity to clarify some statements that were made at the October 21, 2020 Budget and Finance Committee hearing on the Healthy Airport Ordinance (File No. 201133).

All airlines and airline service providers are part of the San Francisco International Airport’s (SFO) Quality Standards Program (QSP), and all are required to provide the health care benefits as defined in the City’s Health Care Accountability Ordinance (HCAO). In some cases, such as with the catering service providers, we understand that the employers and the union have negotiated a waiver of the HCAO in their collective bargaining agreement. This waiver has apparently resulted in some QSP employees having health care coverage that may not meet the standards prescribed under the HCAO. The discussion of additional costs airlines may pass on to passengers as the result of the proposed legislation belies the greater financial impact of the ordinance – the increased cost of doing business at SFO. We estimate that implementing this proposal could double health care costs for airlines and their service providers. As you know, the pandemic has led to a substantial decline in passenger volumes. Fewer passengers means less non-airline revenue to SFO – from sources such as parking, concessions, and TNC trip fees – which results in a greater share of expenses the airlines must cover, based on SFO’s residual rate setting/“break-even” budgeting methodology. These increased costs, paired with reduced passenger demand and a doubling in health care costs at SFO, have the potential to slow SFO’s post-pandemic recovery relative to that of other airports.

Lastly, estimating the number of workers currently employed by the airlines and their service providers is challenging due to the dynamic nature of the pandemic. For the worker estimates we shared with the Budget and Legislative Analyst, we correlated projected passenger activity to the number of employees per category, based on our 2019 Economic Impact Report. Based on the 2019 Economic Impact Report, Airlines, Fixed Based Operators, General Aviation, and Service Providers employed 20,634 workers. Using these pre-pandemic worker numbers, the costs of offering qualifying family health plans under the proposed legislation (Option 1) would result in estimated additional annual costs ranging from approximately \$40.9 million to \$120 million, depending on the health plan. Under the proposed legislation, the costs of the \$9.50 per hour contribution (Option 2) would result in estimated additional annual costs of approximately \$163 million.

I hope this clarifies some of the context for the regional impacts that were referenced during the hearing. Please feel free to contact me if you need further background.

Very truly yours,

Ivar C. Satero  
Airport Director

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