

Statement

**Rosemarie S. Andolino
Commissioner
Chicago Department of Aviation**

**2013 Budget Hearing
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Committee on Budget and Government Operations**

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Introduction

We are pleased to present the proposed 2013 Budget for the Chicago Department of Aviation (CDA). This proposed budget provides for operations, maintenance and debt service of Chicago O'Hare and Midway International Airports.

2013 is going to be a very big and historic year for Chicago's airports.

- We will commission new Runway 10C/28C at O'Hare under the O'Hare Modernization Program.
- We will complete a \$26 million redevelopment of O'Hare's International Terminal 5 concessions program.
- Construction will begin on a \$200 million state-of-the-art cargo facility at O'Hare that will lead to the creation of thousands of new jobs.
- We will introduce several new, exciting retail and service concessions at O'Hare and new food and beverage options at Midway.
- A completely redesigned and more user-friendly FlyChicago website for O'Hare and Midway will be online for travelers and those interested in doing business at Chicago's airports.
- We will make significant progress towards offering free Wi-Fi service to airport passengers, while maintaining this important revenue stream for the airports.
- O'Hare will welcome three new international carriers -- Hainan Airlines to Beijing, airberlin to Berlin and Qatar Airways to Doha; and United Airlines will begin service to Shannon, Ireland and American Airlines will launch service to Dusseldorf, Germany. We expect to make many more air service announcements that create millions of dollars in economic activity for our region.

Chicago Department of Aviation Mission

The CDA independently manages both O'Hare and Midway International Airports as Enterprise Funds, segregated and separate from all other City funds. As Enterprise Funds, the airports' are independent self-supporting entities reliant upon the funds generated at each respective airport and do not receive any local taxes or revenues. Revenues consist of those from landing fees and terminal rents derived from the airlines, as well as revenue generated from car rental, parking, food and beverage, and retail. Combined, these revenues cover the full cost of airport operations, maintenance and debt service and the costs incurred by other City departments providing support to the CDA.

All major capital improvement projects at Chicago's airports are also financed without the use of city property tax and/or state tax revenues. Funding for these projects comes from airline-backed bonds, Passenger Facility Charges (PFCs) and Federal Airport Improvement Program (AIP) funds.

The CDA manages and accounts for airports in a manner similar to that of a business venture, with a premise of increasing value to “our shareholders” which include our airline partners, business community, traveling public and the City of Chicago.

The Chicago Department of Aviation’s core mission is the following:

- Ensure safe and efficient travel through O’Hare and Midway International Airports.
- Enhance economic activity and job creation within the City of Chicago and the region.
- Continue to grow Chicago’s airports’ competitive positions in the global aviation marketplace.
- Provide the very best services and amenities in an environment that reflects Chicago’s rich, diverse and unique character.
- Successfully implement the O’Hare Modernization Program (OMP).
- Continue to be the international leader in airport sustainability by integrating environmental best practices into all aspects of the airports.

State of the Industry

Historically, the financial performance of the aviation industry generally has correlated with the strength of the national economy. The recession and economic crises domestic and abroad caused a reduction in air travel demand of 13.5 percent in 2009, as measured by the number of revenue passengers. Volatility of jet fuel costs also continues to impact the ability of air carriers to be profitable. Some airlines have merged with financially solvent competitors in order to remain profitable, resulting in a much smaller marketplace. The 10 airlines that controlled more than 90 percent of capacity in the U.S. in 2000 have become five by 2012 through mergers. U.S. Airways, Delta, American, Southwest and United, the five major U.S. airlines post-merger, now control 85 percent of U.S. capacity. For 2011, scheduled passenger enplanements on U.S. carriers have increased 1.3 percent over 2010 levels, and according to the latest forecast from the Congressional Budget Office (CBO), U.S. Gross Domestic Product (GDP) is projected to grow by 2.2 percent in 2012. Although modest, the projected trend of GDP growth suggests the upward trend in nationwide air travel should continue.

Chicago’s Air Trade Area has a substantial population base with approximately 9.6 million residents in 2011 and is ranked as the third largest metropolitan area in the United States. Chicago has a diverse population with per capita personal incomes and median household incomes higher than the national and regional averages. Despite the recent recession, employers continue to be attracted to the Air Trade Area and its educated and dynamic labor pool. In 2011, 166 companies brought approximately 7,100 new jobs and \$2.4 billion in investment to the Air Trade Area and 28 companies in the Air Trade Area were listed among the top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue.¹ The Air Trade Area has the second highest number of Fortune 500 headquarters (after New York) for any region in the United States. Chicago also offers a

¹ “2012 Fortune 500”, May 21, 2012, *Fortune* magazine.

variety of cultural, recreational, and educational resources and activities. O’Hare and Midway serve as hubs for 3 of the 5 major airlines – United and American at O’Hare; and Southwest at Midway. These characteristics help bolster aviation demand to and from the Chicago region. The strength of the market results in projected aviation activity increases over time as airlines will continue to meet passenger demand.

Economic Power of Chicago’s Airports

Chicago’s airports continue to be powerful economic engines, generating nearly \$45 billion in economic activity and 540,000 jobs in our city, the region and state. In addition, the OMP will create up to 195,000 new jobs and add \$18 billion to the region’s economy. Approximately 45,000 badged employees work at Chicago’s airports.

O’Hare and Midway provide significant tax revenue to the City’s Corporate Fund. In fact, Chicago’s airports were responsible for providing in excess of \$114.1 million in tax revenue to the City in 2012, compared with \$102.3 million in 2011.

In May 2012, Mayor Emanuel announced the development of the Chicago O’Hare International Airport Northeast Cargo Center. The \$200 million project is expected to create 1,200 construction jobs, 1,200 permanent on-site cargo jobs and 10,000 regional jobs.

The O’Hare Modernization Program (OMP) has been the region’s economic stimulus package for years—putting thousands of people to work, rebuilding and expanding infrastructure, and keeping businesses here in the City and the region. It is estimated that the Program has provided professional service and construction related jobs for approximately 1,600 people annually during the past several years. As of October 1, 2012, the OMP has awarded approximately \$1.752 billion in construction contracts. During the next 18 months, the OMP expects to award approximately \$233 million of construction contracts for Completion Phase 2A projects.

State of the Airports

Although these past years have been challenging for the aviation industry, Chicago’s airports continue to maintain their financial and operational strength. An airport’s operational strength is measured by its volume of passengers and operations.

<u>Passengers</u>	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Projected</u>	<u>2013</u> <u>Projected</u>	<u>Percent</u> <u>Change</u>
Midway				
Domestic	18,465,554	19,102,894	19,489,820	
International	<u>239,978</u>	<u>331,408</u>	<u>338,120</u>	
	18,705,532	19,434,302	19,827,940	2.03%
O’Hare				
Domestic	56,587,158	57,296,488	61,202,464	
International	<u>9,748,414</u>	<u>9,915,580</u>	<u>10,591,536</u>	
	66,335,572	67,212,068	71,794,000	6.82%

<u>Operations</u> ¹	<i>2011</i> <i>Actual</i>	<i>2012</i> <i>Projected</i>	<i>2013</i> <i>Projected</i>	<i>Percent</i> <i>Change</i>
Midway	255,227	251,326	255,898	1.8%
O'Hare	878,798	885,846	892,894	0.01

¹ An operation is considered either a landing or take-off, hence one landing and one take-off is considered two operations.

Cargo Operations at Chicago's Airports

The air cargo industry plays a major economic role in Chicago and the region. According to 2011 Airports Council International (ACI) rankings, O'Hare ranks 18th in the world and sixth in the U.S. in terms of air cargo tonnage.

O'Hare handled more than 1.5 million tons of air cargo in 2011, representing billions of dollars in trade. The airport currently serves more than 30 cargo airlines that fly to business centers around the globe.

In June 2012, the City Council approved the proposed development of the Chicago O'Hare International Airport Northeast Cargo Center, which was previously mentioned. It is an approximate \$200 million development project that will expand and enhance the efficiency of O'Hare's airport cargo operations.

This development is a win for Chicago and for O'Hare. It will keep O'Hare competitive with other major port cities in the U.S. It will improve airport infrastructure, handle growing capacity, enhance our global competitiveness, increase rent and tax revenue to both the airport and to the City, and create hundreds of construction jobs and new permanent jobs in the areas of logistics, handling, trucking, airlines, and real estate management.

With our developer partner Aeroterm, we will build a state-of-the-art facility at O'Hare with 820,000 square feet of building space that can handle up to 15 of the newest generation of Boeing 747-800 freighters. All aspects of the development will incorporate green planning, design and construction practices under the guidelines of the CDA Sustainable Airport Manual, including buildings planned to achieve LEED certification and feature green roof space. In fact, when all three phases of this project are built, it will be the largest airside cargo development built in the last decade at a U.S. international gateway airport. As previously mentioned, the project will create 1,200 construction jobs as well as 1,200 permanent on-site and 10,000 regional jobs.

Proposed 2013 Budget

The proposed 2013 operating budgets for the Chicago Department of Aviation at Midway and O'Hare are \$311.6 million and \$83.2 million, respectively. These budgets represent a 4.93 percent increase at Midway and 4.53 percent increase at O'Hare.

	<i>Midway International Airport</i>	
	<i>2012</i>	<i>2013</i>
	<i>Budget</i>	<i>Budget</i>
Personnel Svcs.	\$38,803,000	\$36,905,000
Contractual Svcs.	68,202,000	72,159,000
Travel	17,000	14,000
Commodities	10,507,000	10,638,000
Equipment	1,048,000	894,000
Debt Service	95,488,000	94,612,000
Specific Purpose	<u>15,312,000</u>	<u>14,761,000</u>
	\$229,377,000	\$229,983,000
CDA	\$ 79,340,000	\$ 83,251,000
Supporting Depts.	<u>150,036,000</u>	<u>146,732,000</u>
	\$229,377,000	\$229,983,000

	<i>O'Hare International Airport</i>	
	<i>2012</i>	<i>2013</i>
	<i>Budget</i>	<i>Budget</i>
Personnel Svcs.	\$181,170,000	\$182,318,000
Contractual Svcs.	210,469,000	219,500,000
Travel	126,000	122,000
Commodities	46,328,000	46,286,000
Equipment	10,313,000	10,453,000
Debt Service	452,995,000	458,115,000
Specific Purpose	<u>47,686,000</u>	<u>48,020,000</u>
	\$949,087,000	\$964,814,000
CDA	\$290,177,022	\$311,692,124
Supporting Depts.	<u>650,909,978</u>	<u>653,121,876</u>
	\$949,087,000	\$964,814,000

There was a \$15.727 million increase in the overall O'Hare budget which is mostly attributed to increases in new contracts, contractual price escalations and debt service.

Investing in Human Infrastructure

Maintaining safe and efficient airport operations requires continuous investment into our workforce.

To support the roll-out of Mayor Emanuel's "Chicago Lives Healthy" wellness program, the CDA conducted 28 training sessions to educate employees on the benefits of the wellness program and to encourage enrollment. The CDA also served as one of the locations where employees and spouses could complete their screening. A total of 17 sessions were held and 550 employees were screened.

In addition, the third annual CDA Safety, Health & Wellness Expo will be held November 15 and November 28, 2012 at O'Hare and Midway, respectively. These events are designed to increase employee safety awareness on the job, and to empower CDA employees to improve their health and well-being through a variety of health screenings, education and activities to support positive lifestyle changes.

The CDA has partnered with the American Association of Airport Executives (AAAE) to develop comprehensive online training for the Security (SIDA) and Airfield Operations (Part 139) divisions of O'Hare and Midway. Both trainings are required by the TSA and FAA and support the CDA's mission of bringing more online content training to its employees. This training will be web-based. It includes the development of a Learning Management System (LMS) that scores tests and tracks employee training. With this system, the CDA can train hundreds of employees without incurring additional personnel cost.

CDA Standard Operating Procedures (SOPs) in the areas of Human Resources, Contracts, Vehicles Services, Facilities, Security, Information Technology/Telecommunications, Midway/O'Hare Airfield Operations, ID Badging, Environment and Finance are available online, providing clear and consistent direction to current and future employees for greater productivity and efficiency.

Community Outreach, Transparency and MBE/WBE/DBE Participation

The CDA is committed to seeking any and all available opportunities for M/W/DBEs to participate in aviation related work.

We continue to engage in significant outreach efforts to ensure that any and all firms in Chicago are aware of upcoming CDA contracting opportunities. To that end, the CDA either hosted or participated in 20 outreach sessions all over the City, which equates to one outreach event every few weeks. For example, the CDA participated in the Black Contractors Business Summit on the south side of the City at 9501 South King Drive in August; we held a contractor networking event for the Northeast Cargo Center on the west side of the city at West Side Tech, 2800 S. Western Avenue in August; and we held a Terminal 5 Concessions Redevelopment Open House on the northwest side of the City at O'Hare in January.

Similarly, the CDA has already issued more than 230 web alerts in 2012 to over 8,000 subscribers. The CDA web alerts cover topics including announcements for bid package opportunities, job openings and upcoming events; as well as a wide variety of positive news stories about Chicago's two airports and the Department's current activities, special programs and accomplishments.

Our outreach efforts have proven to be successful. M/W/DBE participation in CDA contracts this past budget year is \$250 million or 35 percent of all contracts awarded. What is more, the CDA is seeing that several current or former M/WBEs are now winning contracts as prime contractors. Specifically, this past budget year the CDA awarded almost \$82 million in contracts to current or former M/WBEs as prime

contractors. Some of these firms used to participate in CDA work as subcontractors. For example, Reyes Group Ltd. participated significantly on north airfield OMP construction projects in a joint venture partnership; Ujamaa Construction Inc. was a joint venture partnership for the construction of the new FedEx cargo facility; Riteway formed a joint venture partnership for various OMP projects; and Terrell Materials Corporation recently teamed up with a large prime for several south airfield OMP construction projects.

The successes outlined above demonstrate the effectiveness of the CDA's continual outreach and communication with the Chicago vendor market regarding our contracting opportunities.

A Safe and Secure Airport Environment

As stated in our first core value ... "*Ensure safe and efficient travel through O'Hare and Midway International Airports* ... the CDA's highest priority is to ensure the safety, security and well-being of over 85 million visitors, employees, and neighbors that use Chicago's airports on a yearly basis.

Airport Safety and Security Highlights

NATO was hosted in Chicago in May 2012. This was designated by the Department of Homeland Security as a National Security Special Event. The CDA partnered with the United States Secret Service and various federal and local law enforcement agencies to design and implement a security operations plan. There was a tremendous amount of advance planning and coordination in preparation for this successful event. In the span of a few days, O'Hare and Midway combined handled 38 private and 68 commercial flight operations with heads of state and dignitaries arriving from over 50 countries. Thirty-two total aircraft were parked at O'Hare during NATO including those of international dignitaries, Air Force One and the military.

In April 2012, the CDA successfully conducted an Active Shooter Full-Scale Exercise which included the evaluation of multiple law enforcement agencies with a footprint on O'Hare. This exercise included the participation of over 300 people and 16 city, county, state and federal agencies from around the greater Chicago area.

In June 2012, the CDA successfully completed the FAA's required Tri-Annual Full Scale Response Exercise at Midway International Airport. This exercise included the participation of over 250 people and 28 city, state and federal agencies.

Occupational Safety and Health Administration (OSHA) safety training was conducted for all CDA employees, including implementation of an online training program.

The CDA recently upgraded the airport's Computer Aided Dispatch (CAD) system with a new technology platform that provides the foundation for substantial database performance improvements and client scalability.

The CDA is in the process of upgrading the Chicago Fire Department Regional Training Facility at O'Hare.

The CDA is in the process of installing a new Mass Notification System which will enable multiple divisions within the CDA to send notifications to individuals or groups using lists, locations, and visual intelligence. This comprehensive notification system keeps everyone informed before, during and after events whether emergency or non-emergency.

Airfield Operations Highlights

O'Hare and Midway combined handle about 3,100 flight operations each day. We continuously collaborate with the FAA and our airline partners to enhance safety and overall airport efficiency

This year, both O'Hare and Midway received perfect scores from the FAA during Federal Aviation Regulation Part 139 inspections, which addresses airfield operations including pavement, signage, lighting, markings, inspection reports, fueling operations and emergency response and preparedness.

The CDA's irregular operations plans for O'Hare and Midway were accepted by the U.S. Department of Transportation in June 2012. The irregular operations plan mandates airports to assist airlines during inclement conditions when aircraft are diverted and passengers are stranded on aircraft for more than three hours for domestic airlines and four hours for international airlines. We continue to test aircraft and vehicle surveillance software to support, assist and ensure the integrity of our irregular operations plan. We are now in the process of contracting a vendor to assist in the preparation of an FAA regulated Safety Management System (SMS) to be implemented in 2013.

We recently received a grant from the FAA to purchase vehicle surveillance transponders for CDA O'Hare vehicles which operate in the airport movement areas. This initiative enhances airfield visibility and protects against runway incursions. The CDA also received a grant from the FAA to complete taxiway renaming at O'Hare which will further assist pilots and air traffic controllers with airfield direction and orientation.

The CDA is partnering with the FAA to conduct Foreign Object Debris (FOD) radar testing on ramp area at O'Hare. The intent is to protect the movement area by containing FOD in the non-movement area, which can reduce potential damage to aircraft and property.

Effective snow management is a critical component of safe and efficient airport management. As another Chicago winter approaches, the CDA is well prepared and equipped to handle snow operations at both O'Hare and Midway. The CDA is recognized worldwide as an industry leader for airport snow removal. During the 2012-13 winter season, we look forward to continue our reputation for excellence and remain at the forefront of new technologies, products and best practices for snow operations.

The CDA coordinates operational, safety and security activities with federal, state and local agencies as well as tenant organizations to ensure that Chicago's airports are the most efficient, safest and most secure in the world. Through this coordination, utilization of the latest technology and the highest trained personnel, we strive to become a model airport system for the rest of the world.

Air Service Development

O'Hare and Midway are first-class global gateways to our City, and the strong demand for air service at Chicago's airports is the direct result of the Chicago region's strong and ethnically diverse economy. The CDA works continually to grow and enhance O'Hare and Midway airports' dominant positions in the global and national aviation marketplace.

The CDA's third core value ... *"Continue to grow Chicago's airports' competitive positions in the global aviation marketplace ...* is exemplified in its growth in air service to other parts of the world.

The CDA continues to aggressively pursue growth from existing domestic and international carriers and new service by those carriers not currently serving the Chicago market. According to ACI rankings for 2011 traffic movements, O'Hare was ranked second in the world with 878,798 total flight operations, representing a 2.7 percent increase over the previous year.

Chicago's two international airports currently provide nonstop service to more than 30 countries in addition to a robust domestic network. The Chicago market is served by every major domestic carrier in the U.S. except for one – Hawaiian Airlines.

Mayor Emanuel has set a goal for Chicago to have 50 million visitors annually by 2020. The direct economic benefit of 50 million visitors would be \$14.7 billion in direct spending, \$1.2 billion per year in tax revenue and 160,000 jobs. What we do at O'Hare and Midway is a critical part of achieving the Mayor's goal.

According to the U.S. Department of Commerce, travel and tourism exports accounted for more than \$134 billion in 2010, making this market the nation's largest services-sector export and an important source of income and employment for millions of Americans. Recognizing that the U.S. tourism and travel industry account for 2.7 percent of GDP and 7.5 million jobs in the U.S., President Obama announced several reforms this year to enhance this sector of our economy and increase our nation's share of the blossoming international travel market. Capturing a bigger piece of that worldwide growth is a high priority in Chicago.

The CDA has been very aggressive in marketing its airports to foreign passenger and cargo carriers to attract new service. We have had great success bringing in new carriers, and our existing carriers have been adding more service as well.

Since 2009, 17 different airlines have added, or have committed to add, new service to Chicago worth more than \$2.3 billion in annual economic impact.

Over the last year we have added a number of new domestic routes at both airports and have welcomed new international service from O'Hare to Hong Kong by Cathay Pacific, Panama by Copa Airlines, Calgary and Vancouver by low-cost international carrier Westjet and new service from Midway to Cancun by Southwest Airlines.

Spirit Airlines has more than doubled its service offerings from O'Hare over the last year. The super low-fare airline now offers nonstop service from O'Hare to 17 cities across the U.S. United Airlines will begin service to Sarasota, Florida in November.

Our robust array of carriers serving the Chicago market will also continue to grow next year. Three new international carriers have already announced new service from Chicago O'Hare in 2013, including Hainan Airlines to Beijing, airberlin to Berlin and Qatar Airways to Doha. In addition, United will begin seasonal service to Shannon, Ireland next year and American Airlines announced yesterday it will launch new service from O'Hare to Dusseldorf, Germany next year in April.

As a vital international destination, in 2012 the CDA has hosted delegations from London Heathrow Airport, Germany, and China. Also, England's Birmingham International Airport and O'Hare entered into sister airport agreements.

We must continue to compete and capitalize on new passenger and cargo carrier opportunities to attract new business and the potential for additional passengers as well as visitors to our city. The CDA has developed a strategic plan targeted towards obtaining new passenger and cargo airline service from national and international carriers. In 2013, we will continue to aggressively pursue new air service for our region.

World Routes 2014

The CDA and the Chicago Convention & Tourism Bureau (CCTB), working with the Chicagoland Chamber of Commerce and the Illinois Restaurant Association, secured Chicago's selection as the host city for the 20th World Routes Development Forum to be held in Chicago in September 2014. The World Route Development Forum is the largest global meeting of airline, airport and tourism authority stakeholders. The Forum will bring more than 3,000 leaders/decision makers, representing hundreds of airlines and airports, as well as the tourism industry, to Chicago. This event will provide tremendous tourism-related economic benefits to Chicago, along with the opportunity to showcase O'Hare and Midway International Airports to airline executives as they make decisions in the future on where to establish new routes and service.

The Chicago Experience

The CDA's fourth core value ...*"Provide the very best services and amenities in an environment that reflects Chicago's rich, diverse and unique character"* exemplifies the CDA's commitment to make our travelers' experience at O'Hare and Midway the best in the world.

In 2012 we introduced new concessions and concepts that have enhanced the travel experience for passengers. We opened two new wine bars, Bubbles and Beaudevin, at O'Hare, which both feature live piano music; as well as the sleek, contemporary ICE Dishes and Drinks lounge.

In addition, we've rebranded some existing concessions locations at O'Hare and Midway to increase sales. For example, we rebranded a grab and go beverage kiosk in Terminal 3 at O'Hare into a Farmers Market kiosk that offers fresh, healthy food options for travelers. The new offerings include fruit and vegetables from local company Testa Produce, and a variety of herbs grown upstairs in our O'Hare Urban Garden. Concessions sales at this location have increased seven-fold since this rebranded location opened in August.

We also continue to add more Chicago flair and flavor to our concessions program with the addition of Cubs Bar & Grill, Metropolis Coffee and a second Tortas Frontera by Rick Bayless restaurant location at O'Hare. Next year our concessions redevelopment program for International Terminal 5 will feature locally owned-and-operated Intelligentsia Coffee, Chicago-based Vosges Haut Chocolat, an I Love Chicago store and four restaurants by Chicago-based Lettuce Entertain You Enterprise. In addition to iconic Chicago establishments, Westfield's redevelopment program provides for a complete re-design of the terminal to include new food and beverage, news and gifts, specialty retail, and duty-free locations. The enhanced concessions program will feature local, national and international brands, providing a more expansive shopping experience for international travelers and potential for increased revenue generation.

One of our "sweetest" concessions success stories has been the CDA's partnership with Sweet Beginnings, LLC. The unique partnership with CEO Brenda Palms Barber has resulted in the nation's first on-airport apiary, or beehive farm, at O'Hare; Chicago-made honey products for purchase at shops in Chicago's airports; a revenue source for an outstanding organization called the North Lawndale Employment Network (NLEN); and providing a "second chance" for ex-offenders in Chicago's community with valuable job training experience. This initiative truly advances people, planet and profit. The apiary allows the CDA to do its part to help replenish the bee populations, which are in danger of dwindling throughout the world. It provides job training skills through collecting and processing honey; and producing and packaging products including candles, soaps and lotions sold under the Beelove name.

Our concessions enhancements, new product offerings and rebranding efforts are paying off. O'Hare concessions sales through August 2012 are up 5.3 percent compared to 2011. Midway concessions sales through August 2012 are up 5.5 percent compared to 2011.

As shown below, the new stores and the redevelopment program have had an exponential effect on concession sales. Consumer behavior has changed. More money is not being spent at our airport due to the growth in enplanements. Rather, more money is being spent because of the redevelopment of the concessions program as evidenced by the growth in the Sales per Enplanement at O'Hare from \$8.83 to \$11.15

	<i>Midway</i>		<i>O'Hare</i>	
	<i>Sales</i>	<i>Sales per Enplane.</i>	<i>Sales</i>	<i>Sales per Enplane.</i>
2007	\$71,056,000	\$7.58	\$333,724,000	\$8.83
2008	67,870,000	8.12	327,036,000	9.41
2009	65,304,000	7.62	298,311,000	9.31
2010	69,081,000	7.80	327,620,000	9.85
2011	74,738,000	7.90	356,357,000	10.73
2012 ⁽¹⁾	77,482,700	8.06	369,041,800	11.11

⁽¹⁾ 2012 annual projection based on sales through August 31

O'Hare Modernization Program (OMP)

We continue to make tremendous progress on the O'Hare Modernization Program (OMP) to reconfigure O'Hare's intersecting runway system into a modern parallel runway layout. The full build-out of the OMP will substantially reduce delays and increase capacity at O'Hare well into the future; and secure Chicago's leading position in the global aviation system.

In October 2013, we will commission our next new runway, Runway 10C/28C, which will be Group VI capable. Runway 10C/28C represents the final component of OMP Phase 1 and will be the fourth completed major component of the OMP which includes new Runway 9L/27R, the extension to Runway 10/28 and North Air Traffic Control Tower.

The OMP continued to advance Phase 1 and Completion Phase 2A projects throughout 2012. Progress on the Runway 10C/28C projects has been highlighted by several major milestones to include the relocation of the United Airlines Cargo facility in March and relocation of the Union Pacific Railroad in May. The railroad realignment included the construction of 2.5 miles of double track and the construction of four new bridges. Abandonment of the interim railroad allowed the Runway 10C Center contractor to begin work on the completion of the FedEx site. In June the Program completed the relocation process of St. Johannes Cemetery. With this progress on the new runway, the City and FAA agreed to advance the commissioning date of Runway 10C/28C from December 2013 to October 2013.

Construction of the Completion Phase 2A North Airfield projects has been highlighted by the substantial completion of the Runway 9C/27C Northeast project, to include the relocation of the Fixed Base Operator (Signature Flight Support) and the rehabilitation of Taxiway WQ. The Program continued work on the Taxiway WK project and began work

on the installation of Storm Sewer System E. Both projects are scheduled for completion in mid 2013.

Completion Phase 2A construction work on the South Airfield has included the Irving Park Road and Bensenville Ditch relocations, the Runway 10R East Utilities project, and the Runway 10R Site Preparation work. The Program will switch traffic onto the new Irving Park alignment around November 1, 2012 and immediately complete work to relocate Bensenville Ditch before the end of the year. Both these milestones will support follow on projects for Runway 10R/28L.

A major element of the Runway 10R/28L Program component is the commissioning of a new South Airfield Air Traffic Control Tower. This tower must be in service in October 2015 when operations begin on Runway 10R/28L. The City and FAA have signed two Other Transaction Agreements whereby the FAA will provide \$34.6 million for the Program to design and construct the Tower. The tower design is completed and the project will begin construction next March.

Finally, the conceptual designs for the Consolidated Rental Car Facility/Public Parking Garage and the Airport Transit System (ATS) Extension projects are nearing completion. Currently, both projects are scheduled to be completed in 2016.

Sustainability at Chicago's Airports

Sustainability is part of the CDA's core mission statement and is a key component of the department's efforts to improve and enhance Chicago's airports for the traveling public, airport employees and neighboring communities. The CDA's commitment to going green at O'Hare and Midway, and during construction of the O'Hare Modernization Program, has brought Chicago's airports to the forefront of the industry for sustainability.

The CDA has proven that going green can save money, in addition to providing social and environmental benefits. We encourage every airport project to take sustainability into account and look to achieve the triple bottom line by being economically viable, socially responsible and environmentally sound. The department's green initiatives are guided by the CDA Sustainable Airport Manual (SAM) – a rating system for sustainable airport construction and operational activities, and a living document that continues to evolve and grow with new technologies, best practices and lessons learned.

The CDA has saved more than \$140 million since 2005 through the implementation of an environmentally friendly "Balanced Earthwork Plan" during construction of runways and associated infrastructure under the OMP. This initiative allows for millions of cubic yards of soil to be kept onsite, instead of being hauled away and dumped in area landfills. The plan has already saved more than 575,000 haul trips, thereby eliminating 44 million vehicle miles traveled, and saving 6.6 million gallons of diesel fuel, as well as approximately 72,000 tons less carbon dioxide produced. Cost savings and environmental benefits will continue to be realized as the OMP makes further progress.

During OMP construction, we've managed to recycle and re-use almost everything on the airfield. In fact, 98 percent of all construction-demolition materials on the OMP are reused on-site and diverted from landfills. To date, the CDA has realized more than \$4.5 million in savings by re-claiming and re-using crushed concrete and asphalt materials on-site. When new materials are needed, the CDA buys local to support the region's economy. Over 90 percent of construction materials obtained for the OMP come from local and regional sources.

In 2012, the CDA received nearly \$300,000 in grants and rebates from the State of Illinois Department of Commerce and Economic Opportunity (DCEO) for the replacement of thousands of light fixtures with energy efficient LED lighting on O'Hare's airfield and terminals. The CDA also participated in DCEO's Retro-Commissioning program to improve the performance of building systems in Terminal 5 and the Aviation Administration Building at O'Hare, which is expected to save up to \$600,000 per year in energy costs with an implementation cost of only \$80,000.

The CDA also received a grant of \$1.45 million from the FAA's Voluntary Airport Low Emissions (VALE) Program to install gate electrification equipment at six gates in Terminals 1 and 2 at O'Hare, in partnership with United Airlines. The CDA will continue to pursue grants and rebates through DCEO and the FAA to advance its energy efficiency and environmental efforts in 2013.

Later this year, the CDA will release its second annual Sustainability Report, which provides a summary of the department's industry-leading sustainability initiatives that have been incorporated since 2003. The CDA's accomplishments include the installation of more than 330,000-square-feet of vegetated green roof coverage on 14 airport buildings; providing nearly 450 acres of high quality wetlands in northeastern Illinois; partnering with a neighborhood jobs training program to install the first US airport apiary at O'Hare; installing electric vehicle charging stations; providing liquid disposal and filtered water bottle refill stations in the terminals for passengers; and supporting US Green Building Council LEED certified building development.

As previously mentioned, O'Hare is home to the nation's first and largest on-airport apiary. The apiary is comprised of 50 beehives located on the east side of O'Hare on land that was previously undeveloped. The bees are tended to by ex-offenders from the North Lawndale Employment Network. The honey obtained from the apiary is processed and packaged by Sweet Beginnings LLC and the products are now sold at both O'Hare and Midway.

One of our more recent endeavors involves sustainability ratings for the restaurants and shops that operate at O'Hare and Midway. The CDA Sustainable Airport Manual (SAM) Concessions & Tenants Chapter guides the incorporation of sustainability into the planning, design, construction, and operation of all terminal concessionaire, landside, and airside tenant facilities. It covers energy efficiency, water conservation, waste reduction, and green purchasing. With the new SAM rating system, concessions at O'Hare and Midway are able to show the public their commitment to sustainability and get

recognition for their sustainability efforts. To date, seven airport restaurants have achieved SAM ratings and we expect many more to get on board.

The current and future green initiatives of Chicago's airports will be among the many topics of discussion at the upcoming "Airports Going Green" conference hosted by the CDA and the American Association of Airport Executives (AAAE) on November 4-7, 2012 in Chicago. This conference is the industry's premier event for the development, communication, and active discussion of aviation sustainability initiatives.

Honoring and Serving Our Military

The CDA's partnership with the United Service Organization (USO) of Illinois continues to grow and we are constantly working to honor former and current military members at Chicago's Airports. This year, CDA included Military Appreciation Month in May 2012 and active Military personnel were offered special discounts at food, beverage and retail outlets at both O'Hare and Midway. Special entertainment was held in the terminals throughout the month of May in honor of those who serve our country. We continue to build our relationship with the USO and plan to add more special events in 2013 at both O'Hare and Midway. We also support the Honor Flight Illinois program, which allows World War II veterans to make a day trip from Midway to Washington, D. C. to visit the National War Memorials.

On October 20, 2012 the CDA and United Airlines partnered to host a 5K on the Runway and Community Day event at O'Hare to benefit and raise awareness of the Wounded Warrior Project. The mission of the Wounded War Project is to raise awareness and enlist the public's aid for the needs of injured service members; help injured service members aid and assist each other; and provide unique, direct programs and services to meet the needs of injured service members.

Awards

We are pleased to share that our airports and our leadership have received several awards over the last year:

- Midway was recognized as the "Fastest-Growing U.S. Airport" by airline network news and analysis publication *anna.aero*.
- O'Hare was named "Best Airport in North America" by *Global Traveler* magazine for the eighth straight year.
- The CDA received the "Innovative Transportation Solutions Award" from the Women's Transportation Seminar (WTS) Greater Chicago Chapter for the Sustainable Airport Manual.
- Commissioner Andolino received a "Creating a Community That Works" award for the O'Hare apiary project at the 7th Annual Sweet Beginnings Tea fundraising event.
- Commissioner Andolino received a "Distinction in Leadership" award from the Illinois Hispanic Chamber of Commerce.
- Commissioner Andolino accepted the "Leader in Joy" award from Make-A-Wish Illinois for the CDA's role in granting kids' wishes at Chicago's airports.
- Public artwork at Midway won the Bronze Quill Award.

- O'Hare's Tortas Frontera restaurant won the "Best Fast Food/Quick Service Restaurant" award at the Moodie Food & Beverage conference.
- O'Hare's Bubbles wine bar was chosen as "Best Airport Wine Bar" by *Chicago* magazine.
- O'Hare received an "Environmental Achievement Award" from Airports Council International - North America (ACI-NA) for the O'Hare apiary project.
- Amy Malick, Deputy Commissioner of Sustainability, was named to *Airport Business* magazine's "Top 40 Under 40".
- Commissioner Rosemarie S. Andolino received a "Distinguished Leadership Award" from SOS Children's Villages Illinois.

Preparing for the Future

O'Hare and Midway airports are first-class global gateways to our City, and are premier aviation facilities focusing on safety, efficiency, service, amenities and environmental sustainability.

2013 promises to be a historic year for Chicago's airports as we open a new runway at O'Hare, transform O'Hare's International Terminal into a world-class experience, break ground on a \$200 million air cargo campus, introduce several new and exciting concessions at both airports and be able to better promote all of our activities and projects with a completely redesigned FlyChicago website.

As the aviation industry continues to evolve, the City of Chicago and the Chicago Department of Aviation is committed to meeting the needs of the industry, now and well into the future, to ensure our airports remain the economic engines for the City and the region.

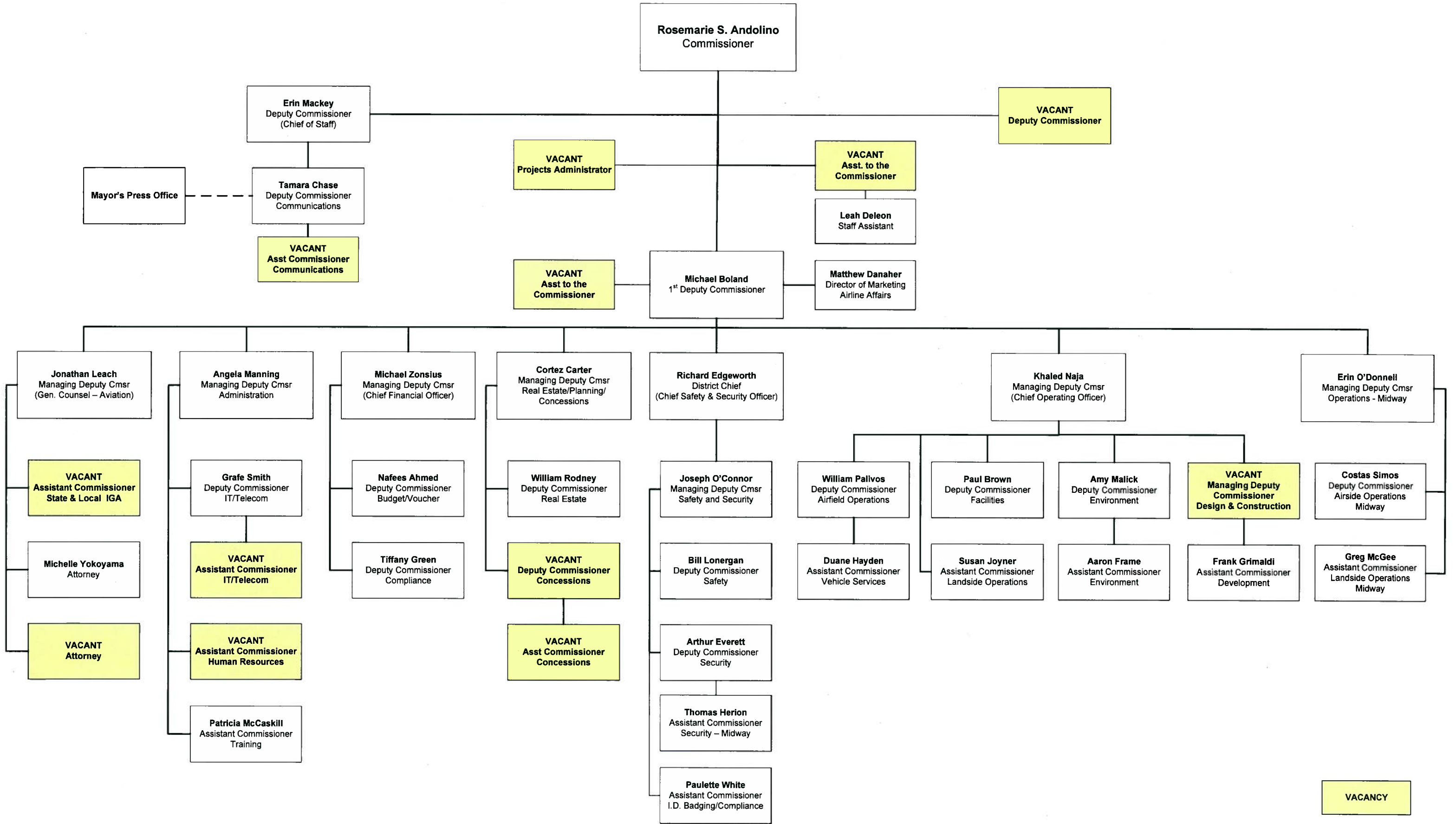
In 2012, the CDA took significant steps towards making Chicago's airport system the world's best by making the investments and decisions necessary to enhance our status as a global transportation center.

We look forward to continuing to share with you new developments in the future and for your support.

Thank you.

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DEPARTMENT OF AVIATION - MASTER



Chicago Department of Aviation

2013 Budget Hearing

MBE/WBE/DBE Data

Period: 10/11/2011 – 9/30/2012

Total Purchases: \$707,966,039 (Total) / \$545,245,308 (M/WBE Non-Federal) / 162,720,731 (Federal DBE)

\$161,432,006 (30%)

\$45,801,464 (8%)

\$42,219,497 (26%)

\$249,452,967 (35%)

MBE	WBE	DBE	Total MBE/WBE/DBE Purchases
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Ethnicity – MBE/WBE/DBE

Asian	\$19,904,607 (3%)
African-American	\$91,075,309 (13%)
Hispanic	\$100,428,212 (14%)
Total Spending	\$211,408,128 (30%)

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	27	4	31	2%
African American	271	135	406	32%
Hispanic	169	43	212	17%
Native American	0	1	1	0%
White	548	88	636	49%
Total	1015	271	1286	100%
	79%	21%		

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	4	1	5	2%
African American	127	22	149	52%
Hispanic	55	3	58	20%
Native American	0	0	0	0%
Undeclared	1	0	1	0%
White	62	11	73	26%
Total	249	37	286	100%
	87%	13%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	2	1	3	5%
African American	9	5	14	25%
Hispanic	4	0	4	7%
Native American	0	0	0	0%
White	27	8	35	63%
Total	42	14	56	100%
	75%	25%		

Interns

School	Gender	Race
Clark Atlanta University	Male	African American
Chicago State University	Female	African American
DeVry University	Female	African American
Lewis University	Male	African American