

Statement

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**2015 Budget Hearing
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Committee on the Budget and Government Operations**

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Introduction

Good Morning, Chairman Austin and members of the City Council. We are pleased to present the proposed 2015 Budget for the Chicago Department of Aviation (CDA).

The proposed 2015 operating budgets for the CDA at O'Hare and Midway International Airports are \$1.048 billion and \$245.7 million, respectively. These budgets represent a 0.72 percent increase at O'Hare and a 1.55 percent decrease at Midway. This proposed budget provides for operations, maintenance and debt service of Chicago O'Hare and Midway International Airports. 2014 was another big and important year for the CDA. Here are just some of the many highlights from the past year.

O'Hare reclaimed the title of "World's Busiest Airport" for operations through the first nine months of the year. Midway experienced another record-breaking year with more than 20 million passengers.

With the leadership and support of the Chicago City Council, the CDA was able to partner with Westfield to transform O'Hare International Terminal 5 into a world-class experience for travelers, while increasing revenues and jobs. The \$26 million redevelopment was completed in April. Concessions sales are on track to double pre-development annual sales and the number of concession jobs has more than doubled. For the first time, concessions workers in Terminal 5 have union representation.

The CDA and Choose Chicago hosted the world's most prestigious business-to-business civil aviation conference, the World Route Development Forum. Chicago welcomed a record-breaking number of registered delegates in the forum's 20-year history from nearly 120 countries. The event showcased Chicago to more than 3,000 airline and tourism decision-makers from around the globe.

The CDA welcomed new international service at O'Hare by Emirates to Dubai. Southwest added service from Midway to Washington D.C. and Dallas Love Field. Since 2009, 40 new major routes have been added to the Chicago market. The economic activity generated by this new service is worth more than \$2.8 billion each year.

Chicago's airports benefited from new amenities rolled out this year including several new luxury retail shops, full service spas at O'Hare and Yoga Rooms and dozens of new power-charging stations at both airports. The concessions enhancements are paying off; total concessions sales at O'Hare and Midway have increased by an average of nearly 7% each year since 2009 to reach over \$470 million in 2013. Non-airline revenue generated at Chicago's airports increased by nearly 4% in 2013 to reach \$282.5 million.

The award-winning APC technology at O'Hare was expanded to Midway this year. Chicago's industry-leading technology and partnership with U.S. Customs and Border Protection was recognized by President Obama for contributing to the economic growth of the travel and tourism industries.

The O'Hare Modernization Program moved forward with construction on new Runway 10R-28L and the South Air Traffic Control Tower which are on schedule to open in October 2015.

Chicago's air cargo activity increased. O'Hare is projected to handle 1.5 million tons of air cargo in 2014, which is up nearly 10% compared with the same time period in 2013.

Chicago Department of Aviation Mission

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.

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 tax dollars. 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 concessionaires. Combined, these revenues cover the full cost of airport operations, personnel, 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 and/or state tax revenues. Funding for these projects comes from airline-backed bonds, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs) 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, the business community, the traveling public and the City of Chicago.

State of the Industry

Chicago's airports are fortunate to have a significant hub presence from three of the nation's largest airlines – United, American and Southwest – as well as a growing base of foreign-flag carriers. In 2014, the global airline industry has seen most of its passenger growth come from international traffic. Global air cargo traffic is also experiencing growth for the first time in several years. In 2014, O'Hare and Midway experienced significant growth in international passenger traffic. Through August 2014, compared with the same time period in 2013, international passenger volume was up more than 7% at O'Hare (7.4 million total international passengers carried year to date) and nearly 10% at Midway (396,000 total international passengers carried year to date). In addition to passenger service, a substantial portion of the jobs, economic activity and global competitiveness generated by Chicago's airports is attributable to air cargo activity. O'Hare is projected to handle 1.5 million tons of air cargo in 2014, with air cargo tonnage through August 2014 up nearly 10% compared with the same time period in 2013.

State of the Airports

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.

For the fiscal year ended December 31, 2013, O'Hare had 67.1 million passengers and 883,287 operations. Year to date through August, passenger activity increased approximately 4.6% and so far this year O'Hare regained its title as the world's busiest airport his year for operations. In fact, due to CDA's strong outreach and marketing efforts, international passenger activity at O'Hare through August 2014 has increased by 7% over 2013.

For the fiscal year ended December 31, 2013, Midway had 20.4 million passengers and 252,126 operations, an increase of approximately 4.9 and 1%, respectively. 2013 was another record breaking year for Midway resulting in the busiest year in the airport's 87-year history. Airlines at Midway are reporting higher load factors. For example, year to date through August, passenger numbers have increased approximately 3.3%. In fact, for June, July and August, Midway handled more than 2 million passengers – a new record for the airport. Through August 2014, year over year international passenger volume was up nearly 10% at Midway.

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 \$124.8 million in tax revenue to the City in 2013, compared with \$122.7 million in 2012.

Both airports had increases in concessions revenue (parking, food & beverage and retail) in 2013 (\$223.3 million at O'Hare and \$59.2 million at Midway) and the trend has continued in 2014. O'Hare concessions revenue, year to date through August 2014, is up approximately 6.4% over 2013. Midway concessions revenue, year to date through August 2014, is up approximately 8.3% over 2013.

CDA Key Focus Areas

The CDA budget primarily focuses on three key areas that are necessary to operate O'Hare and Midway International Airports: ensuring Safety and Security, maintaining efficient Airport Operations and Investing in Our Workforce.

Safety and Security

Ensuring safety and security for travelers and airport employees is the CDA's top priority. A full complement of Chicago Police Department officers, Aviation Security officers and private security guards, as well as more than 30 federal, state and local partner agencies, support the CDA's multi-layered safety and security mission.

The CDA conducted a full-scale emergency response exercise at O'Hare on September 13, 2014 to test the readiness of the teams responsible for keeping the airports safe and secure. This was a complex and resource-intensive exercise that involved multiple agencies and required many facets of interagency coordination beyond aircraft rescue and fire suppression. In fact, more than 35 agencies and organizations and 700 participants were involved with the exercise. Midway will conduct its full-scale exercise in 2015, and the airport continues to hold monthly tabletop exercises with first responders and stakeholders. As evidenced by the ongoing coverage and concerns about Ebola, this type of interagency coordination, communication and cooperation is critical to effectively handle any type of incident at the airport.

This year, the CDA opened a new Badging and Compliance Office that is responsible for the authorization of employees on secure airport properties, and offers dedicated space for fingerprinting, vehicle driver testing and required training for badged employees. The office creates an enhanced environment for the 50 employees who work at the office, including CDA staff and contracted personnel, as well as the over 40,000 badged airport employees who visit the facility.

The CDA also teamed up this year with the Chicago Police Department to offer the Law Enforcement Medical and Rescue Training course, which teaches police, fire and aviation security officers to identify and treat critical wounds encountered during active shooter incidents, terrorist attacks or natural disasters.

Airport Operations

Another mission critical area for the CDA to ensure safe and efficient travel through O'Hare and Midway airports is airport operations. The CDA's Operations Team works to ensure safe and efficient operations at O'Hare and Midway International Airports.

An airport must be compliant with Federal Aviation Administration (FAA) Part 139 in order to operate. Non-compliance can result in the FAA levying considerable fines or shutting down the airport. The FAA's required annual Part 139 inspection tests an airport's compliance with FAA regulations for airfield operations including pavement, signage, lighting, markings, inspection reports, fueling operations and emergency response and preparedness. Thanks to the dedication and hard work of the CDA each and every day, Chicago's airports continually meet FAA safety guidelines and standards monitored during compliance and airfield inspections. In fact, O'Hare and Midway received perfect scores this year on the annual Part 139 airport compliance certification.

This year, the CDA invested in new surface management technology to track all aircraft and vehicle movements on the airfields at both airports. The technology uses real-time information, allowing the CDA to closely monitor all vehicle movements to help minimize and reduce the risk of incursions and create a safer environment on the airfield. With this technology, the CDA can also monitor grounded aircraft filled with passengers during severe weather events. Operations personnel can alert airlines that are nearing the Department of Transportation's time limit rules for tarmac delays. The CDA also programmed its systems to automatically notify operations teams at other airports within the Great Lakes Region when flights diverted from Chicago are heading their way due to severe storms or other incidents.

Maintaining safe and efficient operations at the airports during the winter season requires months of preparation, highly-skilled and dedicated personnel, state-of-the-art equipment and close coordination with the FAA and airline partners. The CDA alone manages more than 200 pieces of snow removal equipment, thousands of tons of salt, and over a million gallons of liquid ice remover to clear runways, roadways and parking lots. Last year saw a winter season that was one of the coldest and snowiest on record. Midway plowed almost 90 inches of snow, the second highest total in airport history, while snow crews at O'Hare cleared more than 80 inches, the third highest total in airport history. At the end of the snow season, both airports were recognized by the Northeast Chapter of the American Association of Airport Executives (AAAE) with the Balchen/Post Award for excellence in snow and ice control.

Investing in Our Workforce

The CDA has partnered with the American Association of Airport Executives (AAAE) to develop comprehensive online training for the Security 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 training to its employees. Some of this training is web-based and includes a Learning Management System that scores tests and tracks employee training. With this system, the CDA can train hundreds of employees without incurring additional personnel cost. The CDA completed O'Hare and Midway Security Identification Display Area (SIDA) training last year. In 2015, Midway will complete full implementation of the AAEE Midway Part 139 Certification Online Training.

The CDA upgraded its Labor Management System (LMS) to include automation of disciplinary appeal and review forms; creation of auto send emails of pre-discipline notices to Union representatives; and automatic close out of untimely union responses to grievances. This upgrade increases efficiency and transparency of labor management. All 18 unions that the CDA works with now use the LMS.

In addition to the three key areas of safety and security, airport operations and the CDA's workforce, we are focused on enhancing all aspects of our airports to maximize the many benefits they provide to the traveling public, the business community, the City of Chicago and its residents. This is accomplished by increasing our connectivity, generating economic activity and creating jobs

Growing Travel and Tourism to Chicago and the U.S.

O'Hare and Midway play a key role in the travel and tourism industry for Chicago and for the United States. Travel and tourism is an important economic engine and job creator. International visitors spend an average of over \$4,000 per trip to the U.S. Every 33 visitors to the U.S. creates one American job.

Under the leadership of Mayor Emanuel, our focus on growing tourism to Chicago has never been greater. In 2013, Chicago's visitor industry was directly responsible for 133,000 jobs, \$13.3 billion in spending and \$836 million in tax revenue. The Mayor has set a goal of attracting 55 million visitors to the city per year by 2020. Achieving this will result in 30,000 additional jobs related to the tourism industry and hundreds of millions of dollars in additional revenue into the city of Chicago. O'Hare and Midway will play a key role in making that happen.

Air Service Development

Since 2009, 40 new major routes have been added to the Chicago market. The CDA was recognized last year by *anna.aero* with three U.S ANNIE Awards – one for increasing the number of long-haul international destinations from 50 to 57, another for adding the most new routes, as well as one for adding the most new airlines of any U.S. airport. The economic activity generated by this new service is worth more than \$2.8 billion each year.

In August 2014, the CDA welcomed award- winning Emirates' service between Chicago O'Hare and Dubai. The Chicago market is now served by Emirates, Etihad Airways and Qatar Airways, making it one of only three cities in the U.S. to have service from the top three carriers based in the Middle East. Many of O'Hare's existing carriers also expanded service, including Chicago's first-ever flight to Edinburgh, Scotland by United Airlines. Other examples include Cathay Pacific Airways increased service to Hong Kong, Iberia Airlines expanded service to Madrid, and Spirit Airlines now flies to four more U.S. cities and announced service to two more that will begin by the end of this year. Frontier Airlines, which also serves Midway, began nonstop service from O'Hare in fall 2014 to Washington Dulles, Atlanta, Cleveland, Denver, Phoenix, Orlando and Salt Lake City. Air Choice One now services Ironwood, Michigan. In December, United Airlines will begin international service from O'Hare to Belize City.

Seven new destinations were added at Midway in 2014, including Southwest Airlines' service to Boise, Idaho, Portland, Maine, Washington D.C. and Dallas Love Field; and Frontier Airline's service to Harrisburg, Pennsylvania and Knoxville, Tennessee.

Air Cargo Operations

The air cargo industry plays a major economic role in Chicago and the region. According to Airports Council International (ACI) rankings, O'Hare ranks 6th in the U.S. and 17th in North America in terms of air cargo tonnage with more than 1.4 million tons of air cargo handled in 2013. With about \$115 billion worth of freight handled annually, O'Hare ranks second among all U.S. airports for the monetary value of its cargo. The airport currently serves more than 30 cargo airlines that fly to business centers around the globe. Chicago continues to be the number one gateway for air imports from China.

Mayor Emanuel is focused on creating a growing workforce in Chicago to succeed in the fast growing field of transportation, distribution and logistics (TDL). In fact, there is expected to be 110,000 job openings in this sector over the next decade in our area. The CDA's focus on growing O'Hare's cargo activity will help to support more jobs in this sector. For example, the DHL Global Forwarding Center at O'Hare brings 500 permanent jobs to Chicago.

World Routes 2014

In September 2011, Chicago was selected to host the world's most prestigious business-to-business civil aviation conference, the World Route Development Forum. Chicago was selected as a result of a successful bid led by the CDA with help from Choose Chicago, the Chicagoland Chamber of Commerce, World Business Chicago and the Illinois Restaurant Association. Chicago's distinguished leadership in the aviation industry and

excellent location with global and domestic flight accessibility were cited among the top reasons the city was chosen to host the event.

After years of planning and preparation, the CDA and Choose Chicago hosted World Routes in September 2014. This was only the second time in World Routes history that the Forum was held in the United States. Chicago welcomed a record-breaking number of registered delegates in the forum's 20-year history. More than 3,000 airline, airport and tourism decision makers from nearly 120 countries converged on the city to participate in the 20th World Route Development Forum, where airlines and airports come together to negotiate new air service and decide where to fly in the future. More than 80% of delegates traveled from countries overseas. All top 10 global carriers and 40 of the 50 top airlines attended the Forum. This Forum was an excellent opportunity for the CDA and Choose Chicago to shine a spotlight on Chicago for decision-makers and showcase its many world-class attributes.

Enhancing the Travel Experience

From offering award-winning concessions to helping passengers travel smarter and quicker through technological advances, the CDA is continually evaluating and improving the passenger experience at O'Hare and Midway.

U.S. Entry Process at O'Hare

In the summer of 2013, the CDA, Customs and Border Protection (CBP) and our airline partners worked collaboratively to implement Automated Passport Control (APC) and 1-Stop at O'Hare Terminal 5 to expedite processing of arriving international passengers. 1-Stop offers international passengers arriving without checked baggage, with proper documentation expedited processing through CBP's primary inspection area.

The APC system at O'Hare offers U.S. and Canadian passport-holding passengers, as well as travelers from 38 countries that do not require U.S. entry visas, an automated process through CBP's Primary Inspection area. APC has already significantly increased the flow of passengers through primary inspection, reduced CBP wait times and "misconnects". In fact, average wait times at O'Hare have been cut in half to 15 minutes. Chicago was the first city in the country to utilize the APC technology and was recognized by President Obama for contributing to the economic growth of the travel and tourism industries. There are 32 automated kiosks that scan passport information and customs declaration forms. This number will increase to 68 kiosks by summer 2015. The CDA is also partnering with CBP to make O'Hare one of the test airports for a mobile version of APC, whereby passengers would be able to begin to enter passport and customs declaration information on their smartphones before arriving to the CBP inspection area.

In March 2014, the CDA installed six APC kiosks at Midway. There are three carriers serving eight international destinations out of Midway, which together offer more than 75 weekly flights to cities in Canada, Mexico, Dominican Republic and Jamaica.

Concessions

Making enhancements to our concessions programs at O'Hare and Midway are important to our core mission to bolster economic activity and job creation, grow our competitive position in the global aviation marketplace and provide the very best services and

amenities to our customers. The CDA’s award-winning Concessions Program offers travelers high-quality products and services, provides opportunities for local businesses and promotes sustainability. Featuring a wide range of options, passengers will find something for everyone within the terminals of each airport. We have raised the bar for airport dining and diversified our offerings. We’ve introduced fresh, healthy options, unique Chicago flavor, more sit-down restaurants and food that rivals some of the best you can find anywhere in town.

Total concessions sales and sales per enplanement (SPE) have grown steadily between 2009-2013 at both airports. Total concessions sales (excluding Duty-Free) at O’Hare from 2009-2013 grew at a higher rate (7.8%) than any other peer airport in the U.S. Midway ranks second for concessions sales growth (6.1%) as compared to other peer airports. Concessions SPE is used in the aviation industry to show the performance of an airport’s concession program. It shows the average amount each passenger who departs from the airport spends on concessions. O’Hare’s SPE compound annual growth rate from 2009-2013 was an impressive 5.72%, making it second when ranked against peer airports including.

	<i>Midway</i>		<i>O’Hare</i>	
	<i>Sales</i>	<i>Sales per Enplane.</i>	<i>Sales</i>	<i>Sales per Enplane.</i>
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	78,555,400	8.05	373,281,445	11.11
2013	82,741,906	8.06	389,239,186	11.63

Increased concessions sales translate to reduced costs for airlines, which makes Chicago’s airports more competitive and attractive places for airlines to operate. In addition, by enhancing and expanding our concessions program with new shops, restaurants and services, we are creating more jobs and more revenue for the City.

Earlier this year, O’Hare welcomed its first set of spas in the domestic terminals. The full-service spas offer massages, manicures, pedicures, facials, hot shaves, and luxury bath and body care products. Since fall 2013, several new retail shops opened in O’Hare’s domestic terminals including Brooks Brothers, Johnston & Murphy menswear; Erwin Pearl, Brighton and Montblanc jewelry stores; Brookstone electronics and accessories and InMotion Entertainment electronics and accessories. The opening of these new stores has created new job opportunities.

O’Hare International Terminal 5 Transformation

The CDA, in partnership with Westfield, transformed O’Hare’s International Terminal 5, revolutionizing the traveler experience and providing economic opportunity for years to come. The \$26 million redevelopment, the first since the terminal’s construction in 1993, was unveiled in April by Mayor Emanuel, U.S. Senator Dick Durbin, the CDA, Westfield and all of our airline and airport partners. Thanks to the leadership and support of the Chicago City Council, which approved the agreement with Westfield in 2011, O’Hare Terminal 5 is generating more revenue for the City, creating more jobs, and is better

positioned to compete with other international gateways. In addition, for the first time, concessions workers in Terminal 5 have union representation.

This gateway for international travelers features a re-engineered layout and cutting edge design. It includes 25 new dining and luxury shopping destinations, including 11 local Chicago brands, and new customs technology (APC) that has resulted in reduced wait times for arriving passengers. The CDA also created a new space and process with CBP that helps to enhance the customs process for dignitaries arriving from abroad.

Award-winning Chicago Chef Rick Bayless opened Tortas Frontera – the highly-acclaimed contemporary Mexican establishment – in the terminal. Chicago’s own Tocco, a modern Italian eatery with roots in the Wicker Park neighborhood, also opened in the terminal and was recognized by Forbes Travel Guide in a roundup of “delicious airport food.” Travelers can also dine at Big Bowl, Wow Bao and Hub 51, or enjoy a cup of locally-roasted coffee at Kofe powered by Intelligentsia. A new Dining Lounge features state-of-the-art design with performance kitchens to showcase chefs’ techniques and seating with outlets and USB ports for passengers to charge their devices. In the ticketing area (pre-security), Terminal 5 now offers The Goddess & Grocer – the locally owned and operated gourmet deli.

With retail shops from international fashion houses, the luxurious Boutique Row – with brands like Michael Kors, Salvatore Ferragamo and Emporio Armani – provides exclusive access to runway trends. Dufry, the first walk-through style duty-free store in North America, at 10,000 square feet, exposes travelers who have cleared security to world-class brands. In addition to award-winning dining and retail, passengers can now indulge in spa treatments for the first time in Chicago airport history at XpresSpa. The success of the new Terminal 5 is evident in its skyrocketing sales. In the first half of 2014, sales were up 42.6%, from more than \$13 million to more than \$19 million. Terminal 5 also recorded its highest sales per passenger, who spent an average of more than \$22 each time they visited the terminal. By comparison, sales per enplanement in Terminal 5 averaged just over \$16 under the previous concessions operator in Terminal 5. Total sales are on track to reach \$50 million annually, which is double the amount achieved by the previous concessions operator.

Yoga Rooms Open at O’Hare and Midway

Travelers looking to meditate or practice yoga can experience a tranquil Yoga Room at both O’Hare and Midway. The rooms feature a sustainable bamboo wood floor, floor to ceiling mirrors, exercise mats and frosted windows that let in natural light while providing privacy from adjacent public spaces. A wall-mounted video monitor in each yoga room displays yoga exercise techniques and imagery of nature, and plays soothing sounds.

Mother’s Room at Midway

In September 2014, the CDA opened the first Mother’s room at Chicago’s airports. This peaceful and tranquil room, conveniently located on Concourse C, provides a private, quiet area for mothers to nurse or pump. The CDA will be opening similar rooms at O’Hare in 2015.

Technology

The CDA strives to integrate the latest technology and communications systems at O'Hare and Midway to better serve the millions of passengers who travel to, from and through the airports.

At O'Hare, hundreds of power outlets were installed in all terminals by Clear Channel, Westfield and several airline partners. Clear Channel's new interactive charging stations are ADA compliant and use embedded LED touchscreens. In O'Hare's Terminal 1, Spring-Hill Suites by Marriott transformed Security Checkpoint 3 into a unique hotel-style lobby with sleek seating, music, messages, and a video wall to soothe and entertain passengers waiting to clear security. SpringHill teamed up with the CDA, the Transportation Security Administration, SecurityPoint Media and Clear Channel to renovate the space.

A visual paging system at Midway alerts travelers who are hearing impaired to important public announcements or messages on flight boards and monitors. Also at Midway, an electronic device charging station – dubbed “Get Plugged In” – opened this year near the concessions area with two additional “Get Plugged In” stations opening in November 2014 – one on Concourse A and one on Concourse B. Clear Channel is also installing three additional charging kiosk locations at Midway. In addition, passenger processing times through TSA checkpoints will be measured at the airport using new technology.

No other airport in the nation offers travelers a magazine, radio station and smartphone app to keep them informed of airport and city news. The CDA and Clear Channel launched “AIR Chicago” in 2013, the first 24-hour-a-day smooth jazz station dedicated to keeping travelers in tune with airport information, airport traffic, weather and business news. The quarterly magazine features articles on airport developments, new air service, Chicago neighborhoods, entertainment, restaurants and more. Clear Channel also released an enhanced version of O'Hare and Midway's FlySmart app, which provides information about flight status, weather conditions, gate locations, parking and ground transportation.

Community Outreach, Transparency and MBE/WBE Participation

The CDA is committed to seeking any and all available opportunities for M/WBEs 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.

The CDA regularly hosts workshops for prospective businesses at the airports, including minority-owned, women-owned and disadvantaged businesses. In 2014, the CDA has hosted or participated in 22 outreach sessions throughout the City of Chicago. One such workshop was “How to Open a Concession at O'Hare or Midway Airport,” where the CDA's concessions team provided an overview of the Request for Proposals (RFP) process, how to operate a business at the airports and a summary of the Airport Concessions Disadvantaged Business Enterprise (ACDBE) program. On October 16, 2014, the CDA hosted its 12th Annual Contractor Open House that brought together contractors, suppliers, trade organizations and city departments to improve communication about the bid process and upcoming bid packages. More than 325 people registered for the event.

Similarly, the CDA has already issued more than 150 web alerts in 2014 to over 15,800 subscribers. The number of web alert subscribers has increased by 30% over last year. 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/WBE payments on CDA contracts this past budget year is \$119,618,970 or 35% of contract payments.

The CDA is providing up to \$1.6 million in funding over three years to Skills for Chicagoland's Future (SCF), which is a direct placement and worker training program to successfully connect unemployed Chicagoans with jobs at companies that contract with O'Hare. As of August 2014, the SCF had placed over 70 job seekers into airport related employment including jobs in concessions, retail and airline support. The CDA looks forward to having more opportunities in the future to support this program.

In 2014, the CDA increased its presence across all social media platforms by regularly promoting new airline services and amenities, airport news and events and many other campaigns to engage the online community. O'Hare's and Midway's Facebook pages have reached nearly 154,000 fans, a 50% increase from 2013 and its Twitter accounts have more than 17,000 followers. Social media has become the preferred way for many of our customers to communicate with us. We will continue to focus on increasing our social media presence and utilize it as a tool to provide information, monitor customer comments and feedback, and respond to inquiries.

Capital Improvement Program

The CDA is committed to reinvesting in its facilities in order to remain competitive, and keep up with the demand of passenger travel and cargo operations. The airports' ongoing Capital Improvement Program (CIP) includes maintenance projects as well as enhancements to terminals, runways, roadways, security, airport services and amenities.

In 2014, O'Hare started or completed \$165 million worth of CIP projects. The highlights include upgrades and replacement of equipment within the airport's Heating and Refrigeration (H&R) Plant, painting the structures, stations, and bridges of the Airport Transit System (ATS), Parking Access Revenue Control Technology (PARCT), American Airlines baggage room HVAC upgrade, airfield apron pavement replacement, Butch O'Hare plane relocation, restroom modernization in Terminals 1 and 3, Runway 9R-27L and Runway 4L-22R maintenance and Terminal 5 roof replacement.

The CDA is moving forward with plans to improve gates at O'Hare Terminal 5 to accommodate the A380 (passenger loading and unloading). Earlier this year, the airlines approved a request from the CDA for 30% concept design funding for \$1 million. Our plan to make enhancements at Terminal 5 to accommodate the A380 aircraft is an important and necessary action to ensure O'Hare maintains its leading position in the global aviation system. This action is consistent with the City's approach to plan airport facilities to accommodate market needs and implement those plans when demand warrants it.

In the last year, Midway started or completed more than \$170 million worth of CIP projects including Runway 13C-31C rehabilitation, Taxiways Y&K reconstruction and South Ramp enhancement, Runway 22L-4R centerline lighting, airfield lighting control vault, Residential Sound Insulation Program, parcel acquisition and green space development.

O'Hare Modernization Program

The \$8 billion O'Hare Modernization Program (OMP) is the nation's largest airport construction project and serves as a model for how to build a massive airport project on schedule, under budget and in the most sustainable manner possible. The OMP has been repeatedly supported by the Chicago City Council since 2002. The OMP has reduced delays and increased capacity at O'Hare and across the national airspace system.

Before the commissioning of the first OMP runway, O'Hare had gone 37 years without airfield improvements to expand capacity. The CDA commissioned Runway 9L-27R and the first LEED Silver-certified FAA air traffic control tower in November 2008, and extended O'Hare's busiest runway by 3,000 feet. All projects were completed on or ahead of schedule and nearly \$40 million under budget.

In October 2013, a \$1.2 billion runway at O'Hare completed Phase 1 of the OMP and transformed the intersecting airfield into a modern parallel configuration. The Group VI Runway 10C-28C is equipped to handle the largest aircraft flying today. The runway can reduce delays by up to 50%, especially in poor weather conditions, and allow for nearly 90,000 additional flights each year. In the six months following the runway opening, the airport operated with a maximum Airport Arrival Rate (AAR) of 114 arrivals per hour approximately 65% of the time. During the same period in 2012 and 2013, an AAR of 114 was achieved only 32% of the time. The CDA accomplished the first phase of the project while maintaining operations at one of the world's busiest airfields with no negative impacts.

With Phase 1 completed, construction is underway on Runway 10R-28L and the South Airport Traffic Control Tower. Using the CDA's Sustainable Airport Manual as a guide, the new tower is designed to achieve LEED Gold certification and four green airplanes for incorporating many unique sustainability initiatives, including the use of geothermal energy. Both the runway and tower will be commissioned on October 15, 2015. In addition, construction on parallel Taxiways Kilo and Lima is underway. These taxiways are instrumental in facilitating operations on the south airfield, specifically for Runways 10L-28R and 10C-28C. The remaining two major OMP airfield projects, new Runway 9C-27C and the extension of Runway 9R-27L, are in design.

When the OMP is completed, O'Hare will have eight runways: six east-west parallel runways and two crosswind runways. The OMP will create up to 195,000 new jobs and \$18 billion in annual economic activity.

Airport Development

The Chicago Department of Aviation has positioned itself to meet the future demands of the aviation industry by investing in airport and cargo facilities in partnership with leading airport developers.

The CDA's commitment to cargo is evident in the development of two facilities at O'Hare Airport – a DHL Global Forwarding Center and the Northeast Cargo Center. The \$35 million DHL Global Forwarding Center will be commissioned in early 2015 at O'Hare. The facility includes 53,000 square feet of office space and 423,030 square feet of warehouse space. DHL's move created hundreds of construction jobs and brings 500 permanent jobs to Chicago. Funded and developed by Aeroterm, the facility is the largest DHL Global Forwarding building in the United States, covering 33 acres. In line with our green building practices at Chicago's airports, the center is slated to be LEED certified and will include features such as electric handling equipment, natural lighting and state of the art lighting systems to maximize energy efficiency.

In 2013, Mayor Emanuel, the CDA and Aeroterm LLC broke ground on the largest airside cargo development to be built in the last decade at a U.S. international gateway airport. The new \$200 million Northeast Cargo Center will be leased to the industry's leading airlines, cargo handling organizations and airport stakeholders. The 65-acre, 820,000 square foot facility will accommodate up to 15 of the newest generation of Boeing 747-8 freighters. The center is expected to generate \$600 million for the airport, including \$400 million in rental income throughout the life of the lease and create thousands of new jobs during construction and after it opens. Aeroterm has also committed to several sustainable and LEED building initiatives.

To better serve travelers renting cars, driving to the airport or connecting to the airport via shuttle bus or commuter train, the CDA is constructing a new \$765 million Joint-Use Consolidated Rental Car Facility (CRCF). The multi-level structure will welcome 30,000 visitors each day and transform O'Hare by consolidating the rental car operations into a modern, customer-friendly facility. It will provide nearly 4,100 rental car parking spaces, a customer lobby with concessions and passenger amenities, and approximately 2,000 public parking spaces. The rental car quick turn-around building will feature green elements such as rainwater harvesting for irrigation and car washing. The CRCF will be a multimodal facility connecting the terminals and the CTA Blue Line via an extension to the Airport Transit System (ATS) and enhancing Metra's connectivity to the terminals. To serve the new transit CRCF, a fleet of 30 rail cars and an operating system for the ATS will be designed and built, thus eliminating all rental car bus traffic on O'Hare's terminal roadways. The facility will eliminate an estimated 1.3 million shuttle bus trips and more than 2,500 tons of carbon dioxide per year.

Sustainability at Chicago's Airports

The CDA has a distinguished history as a leader in airport sustainability. Beginning with the creation of the OMP Sustainable Design Manual (SDM) in 2003 which has evolved into the Sustainable Airport Manual (SAM), the CDA continues to advance industry-leading sustainability initiatives into airport planning, administration, design and construction, operations and maintenance, and concessions and tenants. SAM includes metrics to evaluate compliance, standards and specifications, project checklists, and a Green Airplane rating system. SAM compliance is required in all airport contracts. SAM helps O'Hare, Midway, and airports around the world reduce emissions, conserve water and energy, minimize waste, increase demand for renewable resources and alternative energy, benefit the local economy, and facilitate environmental approvals. More than 150 projects at Chicago's airports have been evaluated and rated under SAM.

Savings from the OMP balanced earthwork plan, implemented in 2005, exceeded the \$150 million mark in 2014 by keeping over 25 million cubic yards of dirt out of landfills. The plan already eliminated the need for 720,000 haul trips and 82,000 tons of carbon dioxide emissions.

The CDA has five U.S. Green Building Council (USGBC) LEED buildings that provide financial savings in our energy and water bill, improve indoor air quality, support better building material choices, and drive innovation. The O'Hare South Airport Traffic Control Tower (under construction) is anticipated to achieve LEED Gold and four SAM green airplanes. Sustainable features include a green roof and geothermal energy.

Since 2007, we have sponsored the Airports Going Green conference, the industry's leading sustainability forum. The 2014 conference will be held in Chicago on November 2-5 and is on pace to attract 400 attendees, including leaders from South Korea, Ireland, Norway, Amsterdam and Canada. The conference will feature more than 20 sessions and 70 speakers, a sustainable fabrics fashion show, a sustainable foods happy hour, an electric vehicle ride-n-drive, a keynote by the Founding Chairman and CEO of the USGBC, and will be the industry's first zero waste conference. The CDA continues to collaborate with the Mayor's Office and other local and regional partners to make new sustainability initiatives possible, including MWRD, the Prairie Research Institute/University of Illinois, and Columbia College.

Since 2010, the CDA has received over \$880,000 in Illinois Department of Commerce and Economic Opportunity (DCEO) rebates for energy-efficient improvements at O'Hare and Midway. Projects include terminal and airfield lighting retrofits, motor and variable frequency drive improvements, and upgrades to Flight Information Display systems. The CDA anticipates receiving nearly \$2.2 million in rebates for projects in the 2014/2015 DCEO Program Year. Annual CDA energy savings for the improvements made from 2010-2013 are estimated at \$453,868. This equates to over 5.4 million annual kilowatt hours saved or enough energy to power roughly 583 homes each year. Other energy saving projects in 2014 included the installation of electrical power and heated/cooled air systems at six new regional jet aircraft positions at O'Hare with assistance from a \$1.4 million FAA grant. The improvements will save more than 4.8 million gallons of jet fuel, \$13 million in fuel costs, and 50,000 tons of carbon dioxide emissions.

In 2014, the CDA continued to implement the Green Concessions Policy, one of the first of its kind in the airport industry; it requires all concessionaires operating at O'Hare and Midway to minimize waste, enhance recycling, procure eco-friendly products, donate surplus food, and provide healthier foods for passengers and employees. In alignment with the Policy, concessions at O'Hare and Midway feature local entrepreneurs that support the local economy, create jobs, lessen the environmental impact of product shipping, and which showcase Chicago's robust assortment of healthy, sustainable food offerings.

The successful grazing herd of 42 rescued goats, sheep, llamas and burros at O'Hare was brought back in 2014. The animals provide herbicide-free and low-emission vegetation management in areas difficult to maintain with mowers. O'Hare's beehive farm is the largest at any airport in the world. In 2014, the apiary grew to 75 hives and is expected to annually produce more than 2,200 pounds of Certified Naturally Grown honey. The

apiary provides job experience and income to citizens returning from incarceration in beekeeping and the processing and sale of honey-based products sold at O'Hare and Midway. Sustainable food production also thrives at the O'Hare urban aeroponic garden, the first such garden at any airport terminal in the world. In 2014, the CDA also released a healthy eating guide that highlights healthy choices at both airports.

In the summer of 2014, the CDA became the first U.S. airport to use Recycled Asphalt Shingles (RAS); RAS were used to pave future Runway 10R-28L and associated taxiways. About eight million rooftop shingles were kept out of landfills, saving the CDA approximately \$665,000. The CDA is also utilizing warm-mix asphalt (WMA) on OMP runway and taxiway projects. WMA produces and mixes asphalt at lower temperatures, reducing fuel consumption, emissions, and improving working conditions.

Being a Good Neighbor: Reducing Noise

The CDA has one of the most comprehensive aircraft noise management programs in the world. It recognizes the need to balance the economic benefits of Chicago's airports with quality of life issues of its neighbors, and as a result has made substantial investments in sound-insulating homes and schools around its airports. To date, the CDA has sound-insulated over 18,000 homes and 120 schools around O'Hare and Midway, and continually works with nearby communities, elected officials and the O'Hare and Midway Noise Compatibility Commissions.

In July, Mayor Emanuel announced that the CDA will work with the O'Hare Noise Compatibility Commission (ONCC) to acquire and install eight additional permanent airport noise monitors in City neighborhoods and suburban communities near O'Hare. The CDA currently has 33 permanent noise monitors surrounding O'Hare to capture noise from aircraft arrivals and departures, which is one of the largest monitor totals among airports worldwide. The monitors will be funded with approved airport funds, and no local taxpayer dollars will be used for the project.

At O'Hare, over 10,000 homes have received sound insulation since the City of Chicago and the CDA introduced the program in 1995. In 2013, 600 homes in Bensenville, Chicago, Des Plaines, Park Ridge, Rosemont, Schiller Park and unincorporated Cook and DuPage counties were sound-insulated in advance of the opening of Runway 10C-28C. In Phase 2 of the OMP, nearly 2,000 homes will be insulated as part of the Residential Sound Insulation Program.

O'Hare has one of the largest School Sound Insulation Programs in the world. It has allocated more than \$350 million in federal and airport funding to sound-insulate more than 120 schools.

Last year, the CDA completed its FAA Part 150 Noise Compatibility Study for Midway, which formally updated a noise contour and allowed the Program to be eligible for federal grants. Subsequently, the Midway Noise Compatibility Commission passed a resolution approving sound insulation of 1,800 homes. With another 900 homes already approved for sound insulation in the fall of 2013, the 2,700 total represents the most approved since the commission was founded in 1996. In addition, condominiums and apartments of any size became eligible for sound insulation as long as they meet the noise contour decibel requirements. Since 1996, Midway has invested nearly \$325 million in

noise mitigation projects including 41 schools and more than 8,000 homes in the community.

The CDA will continue to work closely with the airport noise commissions, FAA and elected officials to reduce the impact of aircraft noise on surrounding communities.

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.

In May, the CDA celebrated Military Appreciation Month in partnership with the United Service Organizations (USO). The CDA sponsored a series of events and programs to honor the men and women who serve and have served our country. Military personnel were offered concession discounts and airport employees made donations to the USO for food and personal care items.

On April 9, 2014, Honor Flight Chicago took off from Midway Airport to Washington DC with 91 WWII Veterans. The mission of Honor Flight Chicago (HFC) is to give these heroes the thank you and homecoming they never received. The day is built around a visit to the WWII Memorial – which many of them have never seen. Honor Flight Chicago is in a race against time to locate every remaining WWII Veteran in Chicago and give them their special day. The CDA has been a steadfast partner with Honor Flight since the first flight took off 7 years ago. Today, Honor Flight Chicago has flown over 5,000 Chicago WWII Veterans to see their Memorial in Washington DC – free of charge. Media exposure is a key component of the support CDA provides HFC. Inviting media to Midway to witness firsthand the entire Honor Flight experience allows them to capture, and share with the general public, the awe and excitement of the day from the very first moment the vets arrive. News releases and web alerts greatly assist HFC in calling attention to their search for any and all remaining WWII Heroes in the Chicagoland area.

In September, the CDA and USO Illinois hosted a formal ceremony in Terminal 2 at O'Hare to re-dedicate the replica F4F-3 Grumman Wildcat plane that was flown by the airport's namesake -- World War II Lt. Commander Edward H. "Butch" O'Hare. The plane was moved to a new location in Terminal 2 this summer and is now visible to travelers in the ticketing area and is accessible to passengers on the secure side of the airport. The CDA re-built the base for the aircraft to give it a sleeker and museum-like quality and re-worked all the information panels, as well as the display cases that hold Lt. O'Hare's artifacts. The popular exhibit serves as an important reminder to all travelers of the heroic actions and valiant service of our active service members and veterans of the U.S. Armed Forces.

Connecting to the Community

In March 2014, a group of nearly 50 high school students from Chicago's Urban Prep Academy visited O'Hare in March 2014 to learn about concessions operations at the airport. The staff outlined the numerous career opportunities available in the aviation industry. The event was part of Urban Prep Academy's "Discover Our City Day" in

which the school's students visited different areas of Chicago and neighboring suburbs to see excellence in action.

On September 21, 2014, more than 700 runners, walkers and aviation enthusiasts participated in Midway's second annual run on the airfield. The Midway Fly Away 5K was presented by Southwest Airlines and the CDA, with proceeds from the run benefiting Special Olympics Chicago.

O'Hare hosted the sixth annual Law Enforcement Torch Run Plane Pull on September 27, 2014. Twenty-person teams comprised of law enforcement and safety personnel, as well as the general public, faced off with a 90-ton UPS Airbus A300 aircraft. The event raised more than \$150,000 for Special Olympics Illinois.

The CDA and United Airlines partnered on a 5K "Run on the Runway" and Community Day event at O'Hare on October 5, 2014 to benefit and raise awareness of the Wounded Warrior Project.

Through Mayor Emanuel's One Summer Chicago initiative, the CDA hired over 30 Chicago area high school and college students to provide customer assistance and information to passengers at O'Hare and Midway. The students received real work experience, earned money, gained awareness to the multitude of careers in aviation, and some even secured part-time employment with airport service provider Prospect. Representatives from the CDA and assist agencies offered professional development assistance such as writing resumes, dressing for success, preparing for job interviews and financial planning. The program also provided a safe haven for students who may have otherwise been exposed to risks of crime this summer in their neighborhoods.

The CDA participated in the Chicago Community Trust's On the Table 2014, a citywide conversation to generate solutions to help build and maintain strong, vibrant, safe and dynamic neighborhoods in Chicago. The CDA hosted a lunch event at the Aviation Administration Building and employees were able to share their ideas and solutions to some of the city's most pressing issues: crime, food deserts, schools, employment and issues facing our youth.

Awards

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

- Commissioner Rosemarie S. Andolino received the 2013 "Excellence in Public Service" Award from the Civic Federation and the Motorola Solutions Foundation.
- Commissioner Andolino was selected as one of the "Most Compelling Women in the Travel Industry" by *Premier Traveler* magazine.
- O'Hare was named Best Airport in North America for the 10th straight year by Global Traveler magazine
- O'Hare was named "Airport With The Most New International Routes," "Airport With The Most New Routes" and "Airport With The Most New Airlines" by the 3rd anna.aero US ANNIE Awards

- Runway 10C-28C at O'Hare received the Infrastructure Project of the Year award by the Construction Industry Service Corporation (CISCO)
- Runway 10C-28C at O'Hare received a 2014 Honor Award from the American Council of Engineering Companies of Illinois and the 2014 Engineering Excellence Award from American Council of Engineering Companies (National)
- O'Hare's Automated Passport Control was awarded "Best Immigration Initiative" by Future Travel Experience
- O'Hare received the First Place Balchen/ Post for Excellence in Snow and Ice Control award by the American Association of Airport Executives, Northeast Chapter
- Midway received an Honorable Mention Balchen/Post for Excellence in Snow and Ice Control by the American Association of Airport Executives, Northeast Chapter
- O'Hare's Art and Exhibits Program was recognized by USA Today's 10Best Readers' Choice Travel Award
- The CDA at O'Hare was named Best Large Airport Concessions Management Team by Airport Revenue News
- Wicker Park Seafood & Sushi was awarded Best Restaurant Design Large Operator by Airport Revenue News
- Tortas Frontera by Rick Bayless was named 1st in GQ Magazine's list of 10 Best Airport Restaurants in America
- Tortas Frontera by Rick Bayless was named 2nd in USA Today's 10Best Reader's Choice Award
- ICE Dishes & Drinks won Best New Food & Beverage Concept from Airports Council International
- Vosges Haut-Chocolat Owner Katrina Markoff was recognized as a "Smart Cookie" leader by Girl Scouts
- Outside Magazine named O'Hare a vegan-friendly airport
- McDonald's Terminal 2 Manager Eric Weathersby received McDonald's Ray Kroc Award
- USA Today's best airports for stranded travelers cited Terminal Getaway Spa, XpresSpa and the Yoga Room

Chicago's Aviation Future is Bright

In 2014, 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. The future looks even brighter.

We continue to invest in all aspects of our airports. Our cargo facilities are expanding and will include parking for the largest freighter aircraft such as the B747-8. The concessions program will continue to be enhanced with RFPs for food, beverage and retail at both airports. We are continuing to improve our passenger amenities and services with cutting-edge technology. A new consolidated rental car/public parking facility at O'Hare will provide enhanced connectivity to our terminals. And we are strengthening our connectivity to the world by pursuing new air service and carriers.

Under Mayor Emanuel's leadership, the CDA will continue to strive to make Chicago's airports not only the busiest, but most importantly, the best; and ensure our airports continue to be the economic engines for Chicago and the region.

We look forward to continuing to work closely with the Chicago City Council to make our airports “best-in-class” destinations that are truly representative of our world-class city.

Thank you.

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Chicago Department of Aviation – CDA (085)

2015 Budget Hearing

MBE/WBE Contracting Data

Period: 10/1/13 to 9/30/14

Total Purchases: \$334,044,737

<u>MBE/WBE Spend</u>	
WBE:	\$30,647,553 (9%)
Asian MBE:	\$21,203,376 (6%)
African-American MBE:	\$34,162,354 (10%)
Hispanic MBE:	\$33,605,687 (10%)
Total Purchases:	\$119,618,970 (35%)

Staffing Data

(10/1/13 – 9/30/14)

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	29	3	32	3%
Black	286	141	427	34%
Hispanic	188	47	235	18%
White	537	84	621	47%
Total	1,040	275	1,315	100%
	79%	21%		

(10/1/13 – 9/30/14)

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	9	0	9	2%
Black	150	50	200	48%
Hispanic	76	14	90	22%
White	108	7	115	28%
Total	343	71	414	100%
	83%	17%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	2	1	3	6%
Black	9	4	13	25%
Hispanic	5	0	5	9%
White	26	6	32	60%
Total	42	11	53	100%
	79%	21%		

Chicago Department of Aviation - CDA (085)

2015 Budget Hearing

Interns

<u>School</u>	<u>Gender</u>	<u>Race</u>
Fredrick Douglas High School	Male	African American
Leo Catholic High School	Male	African American
Al Raby	Male	African American
Marshall Metro High School	Male	African American
George Washington School	Female	White
Thornton Fractional North	Male	African American
Career Academy Carver Military Academy	Male	African American
Dunbar Vocational	Male	African American
Young Women Leadership Charter School	Female	African American
Percy L Julian High School	Male	African American
Morgan Park High School	Female	African American
University of Phoenix	Female	African American
Northeastern University	Female	Asian
Virginia State University	Male	African American
Malcom X College	Male	African American
Wilbur Wright College	Female	African American
Western Illinois University	Female	African American
Barry University	Male	African American
Grand Valley State University	Female	African American
Robert Morris College	Female	African American
Purdue University	Female	African American

Commissioner
Rosemarie S. Andolino

Deputy Commissioner
Chief of Staff

Deputy Commissioner
Media

First Deputy
Commissioner

