

Statement

**Ginger S. Evans
Commissioner
Chicago Department of Aviation**

**2016 Budget Hearing
Chicago City Council
Committee on Budget and Government Operations**

October 5, 2015

Introduction

Chairman Austin, Vice-Chairman Ervin and the honorable members of the City Council. As Commissioner of the Department of Aviation, I am pleased to present the proposed 2016 Budget for the Chicago Department of Aviation (CDA).

The proposed 2016 operating budgets for CDA at O'Hare and Midway International Airports are \$1.141 billion and \$258.8 million, respectively. These budgets represent an 8.34 percent increase at O'Hare and a 5.29 percent decrease at Midway. This proposed overall budget provides for operations, maintenance, employee benefits and debt service payments of Chicago O'Hare and Midway International Airports.

Chicago Department of Aviation Mission

The Chicago Department of Aviation's core mission is to:

- 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.
- Continue to be the international leader in airport sustainability by integrating environmental best practices into all aspects of the airports.

As you know, 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 are derived from landing fees and terminal rent payments 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 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.

State of the Airports

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, O'Hare reclaimed its title as the "World's Busiest Airport" for flight operations and passenger traffic grew by 4.5 percent to reach more than 70 million passengers. Through July 2015, passenger volume has increased by more than nine percent compared to the first seven months of 2014. Cargo volume at O'Hare, which increased in 2014 to reach well over 1.5 million tons, has continued to grow substantially in 2015 by more than 18 percent. At Midway, passenger volumes continue to surge. In 2014, passenger traffic grew by nearly 3.5 percent to reach a record-breaking 21.1 million

passengers, where we saw the busiest summer in the airports 88-year history. The trend has continued in 2015, with more than a five percent growth in passengers through July 2015. International passenger volume at Midway has grown substantially so far in 2015 with a 36 percent increase over the same period in 2014.

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 after it is completed. Approximately 45,000 badged employees work at Chicago's airports. There are 1,394 CDA City resident employees who work at O'Hare and Midway, the great majority of whom are front line staff and are responsible for keeping the airports operational and safe 24/7, 365 days a year.

O'Hare and Midway also provide significant tax revenue to the City's Corporate Fund. In fact, Chicago's airports were responsible for providing in excess of \$130 million in tax revenue to the City in 2014, compared with \$124.9 million in 2013.

Both airports experienced increases in concessions revenue (parking, food & beverage and retail) in 2014 (\$220 million at O'Hare and \$61.3 million at Midway) and the trend has continued in 2015. O'Hare concessions revenue through July 2015 is up 4.7 percent over 2014. Midway concessions revenue through July 2015 is up 9.1 percent over 2014.

Community Outreach, Transparency and MBE/WBE Participation

CDA is committed to seeking all available opportunities for M/WBEs to participate in aviation related work. We continue to engage in significant outreach efforts to ensure that all firms in Chicago are aware of upcoming CDA contracting opportunities.

CDA regularly hosts workshops and networking events for prospective businesses at the airports, including minority-owned, women-owned and disadvantaged businesses. In 2015 alone, CDA has hosted or participated in 17 outreach sessions throughout the City of Chicago. On October 6, CDA will host a Contractor Open House centrally located at the UIC Forum in Chicago.

Our outreach efforts have proven to be successful. M/WBE payments on CDA contracts this past budget year is \$113,359,510 or 35% of contract payments.

Being a Good Neighbor

CDA has one of the most comprehensive aircraft noise management programs in the world. It recognizes the need to balance the economic benefits of both of Chicago's airports with the 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, CDA has provided sound-insulation to more than 19,000 homes and 164 schools around O'Hare and Midway. CDA continually works with nearby communities, elected officials and the O'Hare and Midway Noise Compatibility Commissions.

Aircraft noise is a difficult issue that airports in major cities across the U.S. and other parts of the world are grappling with. In Chicago, residents, community groups and elected officials have expressed their concern with aircraft noise. Several aldermen have

invested significant time in understanding and addressing noise exposure, and their leadership and engagement with CDA has led to solutions to address aircraft noise that were announced this summer. Working closely with the O'Hare Noise Compatibility Commission (ONCC), FAA and our airline partners, CDA will seek to implement significant changes to flight departure traffic by balancing the use of O'Hare's runways at night, prioritize the building of additional runways to reduce noise concentrated over certain neighborhoods and explore steps necessary to provide more sound insulation to residents. I want to thank the aldermen for their leadership and strong voice on this issue, as well as my staff who have worked diligently to find solutions and work with stakeholders to implement these changes.

CDA Goals Moving Forward

With more than 30 years of aviation experience, I recognize what a rare opportunity this is for Chicago to improve our airport facilities and to implement the business framework for the next generation of air travel and the next wave of global connectivity for Chicago. Under the leadership of Mayor Emanuel, and with the support of the Chicago City Council, I see enormous potential to build on and enhance our aviation system, with actions we can take right now and by developing bold plans for the future.

Safety and Security Remains Top Priority

At the CDA, the top priority will always be safety and security for passengers and employees. Both on the airfield and in the terminals – we continue to evaluate risks and proactively address them, in full compliance with Federal Aviation Administration (FAA) and Transportation Security Administration (TSA) requirements. The CDA's budget ensures that its safety and security personnel have the ongoing training, expertise, resources, and leading edge technology needed to fulfill this critical mission.

The CDA's approach to safety and security is comprehensive, and is demonstrated through a variety of initiatives. For example, new and improved Engineered Material Arrestor System (EMAS) beds are being installed on runway ends at Midway to slow and stop aircraft from going beyond a runway end which create hazards to safety and property. The CDA is further expanding and enhancing its ability to monitor and capture potential criminal activity and emergency situations with additional Closed-Circuit Television system at O'Hare funded through a grant from the TSA. Later this year, the CDA expects to procure an improved electronic mass notification/alert system to support coordination of public safety, security and airfield operations during emergencies and large-scale events. The CDA will also issue a Request for Proposals (RFP) for a company to advise and support the department in the areas of airport access control, ID badging, employee background checks and security compliance at both O'Hare and Midway. The airport access control system at O'Hare will be upgraded with advanced hardware equipped with biometric capabilities, which will optimize security access for employees and ensure O'Hare remains compliant with increasingly rigorous federal regulations related to airport security.

Modernizing O'Hare's Airfield

One of the CDA's top priorities is to continue to make airfield improvements at O'Hare that will reduce delays, allow airlines to maximize performance, address weather challenges and enhance overall system performance. On October 15, 2015, the CDA will commission a new parallel runway and south air traffic control tower that will

significantly enhance and improve arrival rates at O'Hare in all weather conditions. The opening of this runway will mark the completion of all O'Hare modernization projects on the south airfield. After the commissioning of Runway 10R, the CDA will focus on completing the infrastructure projects on the north airfield in order to create a modernized, balanced airfield at O'Hare that can accommodate growth and provide a high level of operational efficiency for decades to come.

In the more immediate future, the CDA is exploring ways to improve operations during the challenging winter season at O'Hare. To that end, we are currently developing a contract to replace one of our older snow equipment teams in order to provide faster and more efficient snow removal. The CDA will also decommission intersecting Runway 14L-32R in 2016 and begin conversion of runway into a taxiway system that will improve taxi operations for passenger and cargo aircraft on the north airfield.

O'Hare Facilities Improvements and Expansion

In addition to modernizing O'Hare's airfield, we recognize that improvements are needed to the airport's terminals and facilities. In the coming year, the CDA will continue to work closely with its airline partners to implement needed priority projects, such as gate expansion, balanced landside access capacity and the facilities and amenities needed for long-term international growth potential.

The CDA is currently moving forward with plans to upgrade gates at O'Hare International Terminal 5 in order to accommodate the A380 aircraft. The design will focus on providing dual passenger boarding bridges, modifying aircraft parking space layouts, and other facility improvements to allow air carriers to establish new international service to Chicago using this aircraft. This project is critical to ensure O'Hare can compete with other gateway hubs for international service.

As was announced in May 2015 by Mayor Emanuel, the CDA has started construction on a new Joint-Use Consolidated Rental Car/Parking Facility and extension to the people mover system at O'Hare. This state-of-the-art facility will consolidate operations of all the rental car companies operating at the airport and include new public parking spaces in a covered structure. This facility will significantly improve the experience of the traveling public by offering a spacious customer service center that includes concessions. The Airport Transit System (ATS) will be modernized and extended out to the facility, to connect several modes of transportation and significantly reduce roadway congestion in and around O'Hare.

Concessions

The CDA has an opportunity to enhance and expand concessions at both O'Hare and Midway. In the near term, Sarah's Candies, a new retail store owned by a Chicago native with ACDBE certification, will open at O'Hare and \$500,000 of capital will be invested to refurbish four McDonald's locations. Next year, two new food and beverage locations will be built-out in the arrivals level of O'Hare International Terminal 5. The CDA is preparing a Request for Proposals (RFP) in order to establish passenger lounges at O'Hare. We will also begin to explore the significant opportunity for additional hotel services at O'Hare. These key initiatives will improve customer experiences and maximize revenues to the airport system and the City of Chicago.

Midway Terminal Modernization Program

With record growth continuing at Midway, Mayor Emanuel and the CDA recently announced the largest investment plan for the airport in nearly a decade. The roughly \$248 million project, which will create 1,700 new jobs, will include an expansion of the concession facilities, the terminal parking garage, and security checkpoints. To begin the project, CDA has issued an RFP for concessions at Midway to include renovated and newly-added stores and restaurants, lounge facilities, spa services, family entertainment zones and other services. The tentative schedule for the program is to receive bids through the end of the year and conduct evaluation of those bids and advance the proposal in the City Council in 2016.

Design work will begin in 2015 for the Passenger Security Checkpoint Expansion and Terminal Garage Expansion Project. Both projects will improve the customer's experience at Midway and grow non-airline revenues.

Passenger Service Initiatives

In the year ahead, CDA will introduce several new projects and initiatives to improve the customer experience from the time passengers arrive at the airport to when they board their flight.

CDA recently announced \$3 million in new technology, concessions amenities and services to improve the customer experience at O'Hare. The upgrades include a new charging wall for electronic devices, additional seating, a digital art wall, self-serve "Craft Your Draft" beer taps, multiple liquor carts, and technology to expedite service for customers at food and beverage concessions. There also is a reconfiguration of seating in gate areas for more amenities and an improvement of traffic flow. Amenity kits for passengers who remain overnight at the airport will also be refreshed and enhanced.

New equipment is being installed throughout the parking lots at O'Hare to improve service for customers including expanded payment options and services to expedite the location of parking spaces and the exit from the lots. At Midway, CDA will soon implement a new premium and reserve parking program that will offer customers more convenience, reduced travel time and a guaranteed a parking space.

CDA is also expanding its services at O'Hare for passengers with disabilities by creating an indoor animal relief area, updating signage in the terminals and installing new curb cuts. These new services will be celebrated this fall with the Mayor's Office for People with Disabilities to commemorate the 25th anniversary of the Americans with Disabilities Act.

Growing Air Service

Another top priority for CDA is to increase Chicago's connectivity through new air service – with both existing regions served and in emerging high growth routes and markets. New air service expands Chicago's connectivity to the world, increases tourism and business opportunities and directly supports Mayor Emanuel's goal for Chicago to have 55 million annual visitors by 2020. Growing Chicago's air service offerings also

benefits travelers with more choices and options, and benefits the region with an influx of new economic activity. This year alone, the estimated annual economic impact for United Airline's service to Rome and Dublin was \$45 million; Copa Airlines' expanded service to Panama City was \$30 million and Finnair's new route to Helsinki was \$35 million. In 2016, two new carriers, Iceland Air and EVA Airlines, will launch service from Chicago O'Hare to Iceland and Taiwan respectively. Looking ahead, CDA will continue to aggressively market Chicago and its airports to expand air service to destinations around the globe, including Latin America, Asia and the Middle East.

Chicago's Aviation Future is Bright

In 2015, CDA took significant steps towards making Chicago's airport system the world's best by making the investments and decisions necessary to enhance its status as a global transportation center. The future looks even brighter.

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

We look forward to continue working 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. I look forward to answering any questions you may have.

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Aviation

2016 Budget Hearing

MBE/WBE Contracting Data

Period: 9/1/2014 to 8/31/2015

Total Purchases: \$328,167,080

<u>MBE/WBE Spend</u>	
WBE:	\$24,985,023 (8%)
Asian MBE:	\$21,722,212 (7%)
African-American MBE:	\$32,296,670 (10%)
Hispanic MBE:	\$34,355,606 (10%)
Total Purchases:	\$113,359,510 (35%)

Staffing Data

(As of 8/31/15)

<u>Department Ethnicity and Gender</u>				
	Male	Female	Total	%
Amer. Indian	1	1	2	0%
Asian	29	3	32	2%
Black	313	142	455	33%
Hispanic	197	59	256	18%
White	563	86	649	47%
Total	1,103	291	1,394	100%
	79%	21%		

(10/1/14 – 8/31/15)

<u>New Hires Ethnicity and Gender</u>				
	Male	Female	Total	%
Asian	6	0	6	2%
Black	134	36	170	49%
Hispanic	56	15	71	20%
White	91	10	101	29%
Total	287	61	348	100%
	82%	18%		

<u>Department Managers Ethnicity and Gender</u>				
	Male	Female	Total	%
Asian	2	1	3	6%
Black	8	3	11	21%
Hispanic	6	0	6	12%
White	26	6	32	60%
Total	42	10	52	100%
	81%	19%		

Interns

<u>School</u>	<u>Gender</u>	<u>Race</u>
<u>University of Phoenix</u>	<u>Female</u>	<u>African American</u>
<u>Dillard University</u>	<u>Female</u>	<u>African American</u>
<u>Columbia College</u>	<u>Female</u>	<u>African American</u>
<u>Penn State University</u>	<u>Female</u>	<u>African American</u>
<u>Chicago Vocational High School</u>	<u>Male</u>	<u>African American</u>
<u>Aspira Early College</u>	<u>Female</u>	<u>African American</u>
<u>Unknown</u>	<u>Female</u>	<u>African American</u>

