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**2020 Budget Hearing
Chicago City Council
Committee on Budget and Government Operations**

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Chairman Dowell, Vice-Chairman Silverstein, members of the Committee on Budget and Government Operations, thank you for this opportunity to be with you today. We stand here today at a time of great promise for our airports and the larger Chicago aviation community – but it will take continued strong leadership and clear vision to realize it. Despite all our historic achievements and the steady forward momentum of the past decade, we know that nothing is guaranteed in what is a very competitive industry. It's a competition for airlines and routes; for amenities and creature comforts of the modern traveler experience; and for talent and innovation. Fortunately, Mayor Lightfoot and this City Council have demonstrated both an appreciation for, and a commitment to, CDA's mission, and we are approaching this critical moment in time with great confidence.

Consider, we are managing one of the busiest airport systems in the world – one that accommodated more than 105 million passengers and 1.1 million aircraft operations last year – while at the same time embarking on nearly \$9 billion in transformative capital projects at both airports. We are moving people and goods in record numbers – and we are putting them to work.

Our reach is global. For the fourth year in a row, O'Hare was ranked the most-connected airport in North America – and number three worldwide. We have added nearly 30 new international routes in the past 22 months, and Chicago is one of only five cities in the world – and the only one in the U.S. – where someone can catch a direct flight to any of the six inhabited continents of the globe. Now, that's a cool bit of trivia, but there is nothing trivial about the economic impact of adding these routes: each new, daily, year-round, international wide-body service creates approximately \$200 million annually for the region.

Our reach is national: Our geographic advantage is undeniable, but it alone does not account for the unique role our airports play in this country's vast transportation network. Three of the four largest domestic airlines have a hub in Chicago, and our relationships with American and United at O'Hare, and Southwest at Midway, continue to be strong and mutually beneficial. We are also presiding over a significant increase in air cargo operations, and O'Hare ranks number one for all U.S. airports for cargo by value, and is third for all ports (land, sea, air). Last

year, Chicago moved 1.9 million metric tonnes of air cargo – a 44-percent increase from just six years ago – and we’ve discovered that we can’t build additional capacity fast enough.

Our reach is regional: in addition to connecting communities across the Midwest to the world, we take very seriously the role of being a good neighbor. Our Midway and O’Hare Noise Compatibility Commissions (ONCC) are pioneers when it comes to community engagement and transparency. In fact, earlier this year, the FAA approved a new interim Fly Quiet plan for O’Hare that was developed by CDA in close coordination with the ONCC. This plan will go into effect next week, and will utilize a new runway rotation to help mitigate the impacts of jet noise overnight. The FAA has called this degree of community input unprecedented. We are also taking a collaborative approach with CTA, IDOT, Metra, and other regional partners to ensure there are safe and efficient ways to get people and cargo to and from our airports.

And, perhaps most critically, our reach extends right into the neighborhoods of this great city that we all love. Our airports are an engine for economic activity and opportunity, directly employing more than 47,000 people, in fields as diverse as concessions and construction, project management and motor truck driving – and supporting Chicago’s ever-growing tourism industry. Chicagoans from every neighborhood can and do find meaningful employment at O’Hare and Midway – and we’re constantly on the lookout for new talent. Just last week, in fact, we completed our fourth Community Job Fair of 2019, where 145 residents were hired on the spot. These efforts will continue into 2020 and beyond. As O’Hare 21 begins in earnest, we are committed to ensuring that the opportunities and wealth it creates are shared across the city.

So that’s who we are, and how we understand our mission.

CDA independently manages both O’Hare and Midway International Airports as Enterprise Funds, segregated and separate from all other City funds – so no local or state tax dollars are part of our budget. All major capital improvement projects at Chicago’s airports are also financed without the use of city 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 proposed 2020 operating budgets for O'Hare and Midway International Airports are \$1.468 billion and \$335.1 million, respectively. Meanwhile, Chicago's airports are projected to generate \$182.5 million in tax revenue to the City in 2019, an increase of \$1.3 million over 2018.

Those are the dollars and cents of CDA. Let me now take a moment to discuss the values that undergird them.

When I addressed this committee a year ago, a commitment to inclusion, accessibility and transparency were critical themes. Under Mayor Lightfoot's leadership, these efforts have only accelerated, as has our commitment to greater utilization of services provided by small-, minority-, women-, Veteran- and people with disability-owned businesses from across our 77 community areas. As we embark on nearly \$9 billion in transformative capital programs at both of our airports, we know the expectations are high for delivering on our promises.

The O'Hare 21 program is expected to yield tens of thousands of new construction and construction-related jobs over the next decade – one of the biggest public works projects of our time. The Midway Modernization Program, meanwhile, has already created 3,600 new jobs, and will double the number of concessions jobs available at Midway when it's done.

So far in 2019, overall payments to Minority (MBE), Women-Owned (WBE), Disadvantaged (DBE), and Small Business Enterprise (SBE) enterprises for O'Hare and Midway have been \$167.4 million, or 29 percent of all contract payments. This is a slight decrease from 2018 (31 percent), which we attribute in large measure to the delayed start to construction season, owing to the weather. We are seeing and anticipate continuing to see an accelerated spend to close out the year.

We are an industry leader in Airport Concessions Disadvantage Business Enterprise (ACDBE) participation at both airports. As of August, Midway is on track to capture the highest ACDBE participation in the country with 52.2 percent, while O'Hare is on track to capture 34.5 percent. For context, the FAA requirement for ACDBE participation is 10 percent, while CDA maintains one of the highest aspirational goals at 30 percent.

This work has not gone unnoticed. CDA was awarded the 2019 FAA Civil Rights Advocate and Partner Award for the DBE/ACDBE Programs in July at the FAA's National Conference. To win the award, Airports must develop and implement innovative programs to

build DBE and/or ACDBE capacity, eliminate barriers to participation, significantly enhance outreach program, or develop an effective support system.

From the day I arrived at CDA, my team has looked at how we can make the procurement process for O'Hare 21 as open and inclusive as possible – indeed, as inclusive as any project in Chicago history. This effort is ongoing – in fact, over the next couple weeks I'll be meeting with the three Construction Managers At-Risk (CMAR's) for O'Hare 21 to discuss a unified procurement plan and to make sure expectations are crystal clear. Maximum diversity and inclusion are non-negotiable.

One such effort includes utilizing the Small Business and Mid-Size Business Initiatives to deliver packages that are of right size and scope for small and diverse firms and subcontractors. In our three-year buying plan, we will be bidding out 24 construction projects. Of those 24 projects, we have identified 19 projects eligible for Small Business and Mid-Size Business Initiatives. These are significant construction contracts, awarded early in the process and valued at roughly \$90 million – and will be directed exclusively toward small- and medium-sized businesses. This is only the start of our capacity building.

The CDA takes several approaches to drive greater participation from across our 77 communities. To put it succinctly: We get out there.

We are committed to outreach to ensure the community is informed and engaged on our projects and so that we can build capacity for local talent/firms to move our programs forward. We are committed to hosting four citywide vendor/career fairs each year. This number is informed by the feedback we are hearing from employers and is based on their hiring cycle for the calendar year.

We are committed to hitting every neighborhood—so in addition to CDA's citywide fairs you will see a CDA presence at other fairs throughout the City, including:

- CDA contractor fairs
- DPS vendor fairs and M/W/D/VBE and ACDBE certification work shops
- BACP Small Business workshops

To ensure we are bringing the latest information on airport projects to all communities throughout the city next year and every year as O'Hare 21 programs continue, we will work directly with the Aldermen and the Council Diversity Working Group to rotate fairs.

We also invite the community to us. In September, we hosted our first Small Business Symposium, bringing together 65 businesses and assist agencies who took a deep dive into every aspect of the process of working with the CDA. These kinds of activities have proven crucial to the successful fulfillment of our mission to be a significant driver of economic activity for the City of Chicago and its business community. Attendees were provided a draft guide on "How to do Business with the CDA," as well as a three-year buying guide. Additional guides providing resources and technical assistance to small M/W/DBE/Veterans and businesses owned by people with disabilities, as well as an outreach and special events calendar, will also soon be available.

The CDA will invite this group and additional participants back in December to build and expand on September's meeting, and further flesh out opportunities for small businesses to partner with us.

I also personally host a two-hour open house each month to connect with any and all potential outside partners and welcome all questions. These have not only proven highly beneficial to the goals of the City of Chicago and the CDA, but to the business community at-large. These events create opportunities for new collaborations, as our small business community connects and conceives of partnerships that are not at all related to the CDA and that serves to heighten the benefits.

We are always looking to find innovative approaches to diversity and inclusion, like creating educational programs to bring young people into the aviation industry. Among the CDA's most exciting endeavors will be a Chicago Public School (CPS) and City Colleges program designed to bring Chicago's youth into the world of aviation and create a pipeline of talent for the future of our airport system. In the coming months an RFP will be finalized and put out for bid.

I would also like to thank the City Council for your support of our new Diversity Working Group, or DWG. Several Aldermen have agreed to dedicate their time to work side-by-side with the O'Hare 21 team, CDA leadership, DPS, and others. I am looking forward to this group convening in the near future so we can leverage everyone's expertise, experience and perspective to bear.

We have created a new team of Compliance Projects Administrators, Compliance Officers and Field Inspectors to be the last line of defense against waste and fraud by ensuring appropriate wages, small and certified business utilization, equal employment opportunities, and that Chicago residency and workforce utilization expectations are met. To do this, the Office of Business Diversity and Economic Inclusion will be performing field and project desk audits, contract reviews to ensure contractors are complying with agreement terms, regulations and city policies, grant documentation and subcontractor payment reviews.

We also take accessibility seriously, and expect everyone who does business in our airports to do the same. To this end, CDA has teamed with Commissioner Karen Tamley and the Mayor's Office for People with Disabilities in the creation of an Airport Accessibility Committee. The committee's goal is straightforward: to make Chicago's airports the most accessible in the nation. This committee has been meeting on a bi-monthly basis, and has mandated presentations on accessibility from Southwest, American and United Airlines. Already, CDA has improved concession menus for the blind, added a Changing Places facility – complete with showers and adult changing bed – and increased overall services and provided a more rigorous feedback process so our customers with disabilities feel heard and have an equitable travel experience.

Having said all that, we know that inclusion and accessibility don't mean a whole lot without accountability and transparency – and integrity. To that end, and to ensure success as we move forward, CDA is taking a four-pronged approach to ensure the highest ethical standards are met and accountability is built into everything we do. We call them The Four Pillars:

- Pillar One: Educating the Staff and Contractors of CDA
- Pillar Two: The Code of Conduct
- Pillar Three: Integrity Monitors
- Pillar Four: Compliance Staffing

I would be more than happy to walk any of you through these in greater detail, but taken together, it shows our systematic and process-driven approach to equipping and empowering our team with the tools needed to identify and rectify issues before it is too late.

To touch on the Code of Conduct briefly, our work began over a year ago with a clear vision of what we wanted to accomplish, but without an existing internal framework. In short order, we compiled and evaluated all applicable City of Chicago and State of Illinois published documents regarding the relevant topics/conduct (i.e., City laws, policies and regulations). Next, we evaluated and compiled publicly available documents regarding the same conduct from other jurisdictions, including the federal government, all 50 states and all U.S. Territories, and the largest cities and counties in the U.S. Altogether, we reviewed more than 150 documents that were published by more than 200 government entities, agencies and jurisdictions. Additionally, we reviewed the publicly available corporate Codes of Conduct from 20 of the largest corporations in the United States. We carefully evaluated all of these laws, policies and regulations to determine best practices, as well as the best ways to describe and illustrate certain kinds of conduct, with an eye toward the City of Chicago's laws, policies and regulations. The Code has been distributed to all CDA employees, and by the beginning of next year, every CDA employee and contractor will receive training on how to adhere to it.

Empowering a workforce that looks like Chicago, as well as one that upholds the public trust and operates transparently and with integrity, is part of CDA's core mission. Likewise, CDA is committed to investing in our airports to enhance the passenger experience and maintain our city's hard-earned competitive edge as a travel hub. We're also committed to being responsible stewards of airport funds – and these are not mutually exclusive.

Our Midway Modernization Program is already paying dividends, by boosting concession and parking revenue. Last year, net concession and parking revenues for Midway and O'Hare increased to a record high of \$260.6 million.

Meanwhile, the expanded Passenger Security Checkpoint project is continuing apace. The first phase of the project – a new, north bridge over Cicero Avenue – will open to travelers later today, while demolition of the existing structure to make way for the next phase of expansion will soon commence. When all is said and done, screening capacity at Midway will double, and new concessions opportunities will come online.

The most visible component of the Midway Modernization Program is our Concessions Redevelopment. This project will bring 70 new and dynamic offerings to Midway by the end of next year, 21 of which have begun operating. This redevelopment leveraged underutilized space

and when complete, the amount of full-time equivalent concessions jobs will double from 700 to 1,400 full-time jobs for our region's residents. Next, we will be developing pilot programs to increase diversity in the ACDBE space to include new, innovative approaches, such as pop-up stores and shared spaces.

The last element of MMP is ongoing infrastructure upgrades to the Terminal Parking Structure, which will improve traffic flow in and around the airport and ease congestion. We're also installing a new payment system to help motorists save time when entering and exiting the garage, as well as making efficiency upgrades within the garage to improve electrical, structural and operational systems.

Over at O'Hare, we are nearing the end one massive capital project and laying the groundwork for another.

A little over a year from now, we'll commission new Runway 9C/27C – a billion dollar, two-mile long runway that will be able to accommodate any aircraft flying today. A week ago, we broke ground on its cousin, the Runway 9R/27L extension. This is the last piece of the newly configured airfield puzzle, and will be commissioned at the end of 2021 – creating more than 1,600 jobs in the process. Overall, OMP has brought balance and efficiency to the airfield, reducing system-impact delays by 63 percent. It has also enabled the growth in aircraft operations we're seeing today.

These critical enhancements have significantly increased our capacity, improved performance, and are the foundation needed to launch our terminal expansions.

Work on Phase 1 of the Terminal 5 (T5) expansion is moving forward with substantial demolition and site preparation to the east of the existing structure. When complete this expansion will bring a 25 percent increase in gate capacity and 75 percent increase in passenger amenity space.

Timely completion of T5 is essential for the sake of the larger Terminal Area Plan (TAP) program. As part of the TAP phasing plan, Delta Airlines – the primary tenant of Terminal 2 – will relocate to Terminal 5 to make way for construction of the O'Hare Global Terminal (OGT)

and O'Hare Global Concourse (OGT). Delta and its alliance partners are scheduled to move to Terminal 5 in 2021.

By 2022, an upgraded baggage handling system for T5 will be complete, as will the first phase of an expanded terminal parking garage. Additional roadway improvements are planned, as well.

The signature piece, of course, is the construction of the new O'Hare Global Terminal and Concourse, which received airline funding approval in the 2018 Airport Use and Lease Agreement (AULA). Studio ORD, a joint venture led by renowned Chicago architect Jeanne Gang, has been awarded the design contract and is currently hard at work with the visioning process.

This project will dramatically improve the first impressions and curb-to-gate travel experience for millions of travelers arriving at O'Hare each year. It will completely transform our 56-year-old Terminal 2, integrating both domestic and international terminal operations and expanding gate frontage and amenities both by 25 percent.

In order to maintain our level of service and a completely functioning airport, we must first construct and bring online two new satellite concourses. These concourses will be double the width of existing concourses, allowing for more breathing room for our passengers, for a total of 70 percent more passenger space, and will be configured and sized for a modern fleet. The satellite concourses, which will be built west of the existing terminal core, will be connected with an underground tunnel, maintaining one unified airport system.

In order to meet the challenge of maintaining a world-class travel experience today while building the airport of tomorrow, CDA has undergone a key reorganization that we believe better positions us to meet the challenges that lie ahead. An extensive inventory and analysis of the structures and staffing of peer airports helped inform our new structure to ensure we are utilizing best practices. As you will see, our budget does add positions to adequately resource O'Hare 21, a massive capital project that is unprecedented in our time.

The safety and security division is heading up a number of important changes to strengthen the team and our security posture at large. Aviation Security Officers (ASO) maintain

a critical role in our airport operations, and the multilayered security approach keeping our 105 million travelers safe each year. We have developed a new, comprehensive aviation security training program as a result of the Illinois Law Enforcement Training and Standards board decision to restrict ASOs from attending a Law Enforcement Academy. To date, 70 ASOs have participated in our new ASO training program.

We are always looking at new methods which can enhance the multi-layered safety and security approach we employ at O'Hare and Midway — including emerging technologies that can be employed by CDA and our partners to maintain effective security and safe conditions for passengers.

One of the ways we have enhanced security technologies protecting the airports in recent years is by working with our partners at the TSA. At O'Hare and Midway, TSA has supplemented their presence with innovation lanes and CT scanners. TSA has also significantly enhanced staffing resources at both airports since 2016, which provides both a boost to the overall security posture, as well as reduced screening times, adding to the traveler experience.

CDA, CBP and our airline partners also collaborated to address the need to use a new congressionally-mandated technology platform that brings to life a biometric entry/exit program. Required to be implemented in all U.S. international airports, this program will greatly expedite the processing time for arriving international passengers. While many airports pursued outside consultants at a high cost to implement this platform, we developed this platform in-house resulting in a substantial cost savings to the Chicago Department of Aviation. We will build upon this expertise to build an innovation team to use predictive modeling and analytics to deploy resources more effectively.

In closing, when complete, the Midway Modernization Program and O'Hare 21 will be transformative for our airports – and for Chicago. Our goal is to provide the kind of exceptional travel experience that sets the bar for the entire industry and makes Chicagoans proud. Our mission is to ensure that this growth and dynamism is felt all across Chicago, and we believe we are well-equipped to achieve it.

Respectfully submitted,

Jamie L. Rhee
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