

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

**2018 Budget Hearing  
Chicago City Council  
Committee on Budget and Government Operations**

**October 30, 2017**

Chairman Austin, Vice-Chairman Ervin, members of City Council, ladies and gentleman; I want to thank you for giving me the opportunity to appear before you today to discuss the budget of the Chicago Department of Aviation. This budget represents a path forward to bring our airports in to the 21<sup>st</sup> century and to ensure the City of Chicago and residents benefit from the economic activity and jobs that will be created through airport modernization and expansion projects. It also ensures that we can continue to provide safe and efficient operations for more than 100 million passengers each year at one of the busiest aviation systems in the world.

The proposed 2018 operating budgets for O'Hare and Midway International Airports are \$1.251 billion and \$283.2 million, respectively. The CDA independently manages both O'Hare and Midway International Airports as Enterprise Funds, segregated and separate from all other City funds – no local or state taxpayer dollars are part of our budget. All major capital improvement projects at Chicago's airports are also financed without the use of taxpayer dollars. Funding for these projects comes from airline-backed bonds, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs) and Federal Airport Improvement Program (AIP) funds.

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 an expansive lineup of foreign-flag carriers. In 2016, total passenger traffic at O'Hare and Midway reached a new record of 100.6 million, and Chicago's airports are on track this year to surpass the 2016 total. Cargo volume at O'Hare also reached record levels in 2016 with more than 1.7 million tons handled. The record growth in passengers and cargo equates to more revenue for the airport and the City of Chicago than ever before. O'Hare and Midway provide significant tax revenue to the City's Corporate Fund. Chicago's airports generated \$135.9 million in tax revenue to the City in 2016, and we have steadily generated revenues of more than \$130 million over the last three years. We are on pace to continue this trend in 2017.

In the last year, the CDA has made significant progress on major capital projects to improve and expand our infrastructure at both airports. We've implemented a robust outreach and contracting plan to increase Minority (MBE), Women-Owned (WBE), Disadvantaged (DBE), and Small Business Enterprise (SBE) participation amongst all Contracts awarded by DPS, while also maximizing workforce employment for residents throughout the City of Chicago.

We have hosted six career fairs this year at Chicago community colleges in neighborhoods throughout the city. More than 60 companies that operate at O'Hare and Midway have participated, drawing more than 1,500 residents from every ward in the city. The operator of Midway's new concessions program, Midway Partnership, also held eight fairs for concessions jobs at the airport. The CDA continued its longstanding partnership with Skills for Chicagoland's Future (SCF) to match businesses at Chicago's airports that have current, unmet hiring needs with qualified, unemployed and underemployed job seekers. The CDA has directed an additional \$750,000 investment into SCF up to December 2017, to assist in the continued placement of the underemployed and unemployed into good paying airport jobs.

In addition to matching Chicago residents with good paying jobs at our airports, I am also committed to ensuring that we are doing everything we can to improve participation and bring more minority firms and small businesses to the table when it comes to all airport construction activities.

I fully expect that we will exceed these expectations in part by changing the type of contracts we utilize and the packaging of the contracts. We will utilize CM At Risk contracts which will allow for both professional and construction work service type requirements along with a robust selection process for MBE/ WBE. Additionally, for all new construction contracts, firms will be required to demonstrate a community hiring plan that will both ensure residents from socio-economically disadvantaged areas of the City have a chance at career opportunities.

In 2017, the CDA made substantial progress on multiple modernization and infrastructure projects at O'Hare and Midway.

Construction of a new Joint Use Facility, also known as the Multimodal Facility (MMF), at O'Hare is on schedule to be completed in 2018. Together the modernization and expansion of the Airport Transit System (ATS), the overall \$786 million project creates nearly 3,000 jobs during construction. The MMF and ATS extension will serve as a major access point to O'Hare and significantly enhance multi-modal transit connectivity between rental cars, public parking, public roadways, shuttle busses, CTA and Metra.

In 2017, construction continued on Runway 9C/27C and other work to finalize the O'Hare Modernization Program (OMP). Runway 9C/27C is scheduled to be commissioned in 2020 and creates more than 4,900 jobs during construction. The new runway will add capacity and provide increased flexibility for east and west flow operations, which will help to balance noise exposure among communities east and west of O'Hare. When OMP is completed, O'Hare will have the most modern and efficient airfield in the country.

American Airlines continued construction this year on five new gates at O'Hare Terminal 3—marking the first addition of new gates at O'Hare in more than two decades. The additional gates will increase capacity at the airport, provide significant economic benefit to the city of Chicago, and improve on-time performance at O'Hare. Passengers will see fewer delays, shorter taxi times and an overall improved experience when flying to or from Chicago. The project will be completed next year and it is funded entirely by American Airlines.

The CDA began design on the O'Hare International Terminal 5 expansion project this year that will add nine new wide-body gates and provide for a second A380 capable gate at O'Hare by 2020. The expansion addresses near-term demand and capacity of International Terminal gates and facilities and provides additional capacity for domestic flights. The Terminal 5 expansion will support approximately 1,400 jobs.

This fall CDA will begin construction on the first new capital program in more than a decade to modernize and expand key passenger amenities at Midway. The Midway Modernization Program includes an expansion of the concession facilities, the terminal parking garage, and security checkpoint. It will improve the customer's experience, while helping to grow Midway's competitive edge and create more than 1,700 construction and concessions jobs for residents. The checkpoint and parking garage projects are expected to be completed by winter 2019 and the concessions renovation will be completed in summer 2020. The Midway Modernization Program has already contributed towards a seven percent increase in concessions revenue over last year, demonstrating that the project is on track to meet the revenue goals we outlined in 2015.

Work continues on the development of a multi-billion dollar capital program, called O'Hare 21, which will deliver O'Hare's first significant capital upgrade in its history. O'Hare 21 will modernize terminals and expand gate capacity and passenger amenities, including expanded concessions and hotel operations—both of which deliver more revenue for airport improvement projects. Upgrades to terminals will address long-term gate area and gate expansion needs, accomplished through a new centralized global terminal. These investments will provide for increased connectivity for both travelers and residents, more modern and efficient operations, expanded air service for cargo and passengers, and, in sum, will elevate Chicago's profile as a global hub for travel and commerce. These capital investments will contribute to tens of thousands of new construction jobs over the next decade, not to mention the economic impact to stimulate Chicago's local economy.

In 2017, CDA welcomed another strong year of air service expansion, to include new routes and destinations to suit passengers here and around the world. Increasing connectivity through new air service – with both existing regions served and in emerging high growth routes and markets—is essential to the economic health and vitality of major international aviation systems like ours.

In May, American Airlines began service to Barcelona, Spain that is estimated to generate \$50 million each year. In July, WOW air started new service between Chicago O'Hare and Reykjavik, Iceland that is estimated to bring in \$80 million in annual economic activity. In 2018, Norwegian will begin daily service to London-Gatwick, UK; LOT Polish Airlines will launch service to Budapest, Hungary; and American Airlines will start daily service to Venice, Italy. These three new international routes are expected to generate \$275 million of annual economic impact in the Chicago area. Next year British Airways will also initiate the first-ever A380 service between Chicago and London-Heathrow.

Looking ahead, the CDA will continue to aggressively market Chicago and its airports to expand air service to in-demand global destinations for business and leisure travel alike, including Mexico, as well as countries in Latin America, Asia and the Middle East.

In 2017, CDA continued to expand cargo operations to meet the voracious demands of air cargo on an international scale, and this growth has put O'Hare on pace to handle more than 1.8 million tons—a record year for cargo imports and exports. The first and second phases of the O'Hare Northeast Cargo Center opened ahead of schedule in December and August, respectively, creating 600 jobs to date. This development improves O'Hare's cargo handling capacity and efficiency and creates thousands of construction and permanent jobs, and revenue for the City and surrounding region. Completed at no cost to Chicago taxpayers, the Northeast Cargo Center was funded by a \$160 million investment by Aeroterm and \$62 million of airport funds. The CDA's agreement with Aeroterm will provide \$600 million of economic benefit and will add ten thousand jobs to benefit the city.

In 2017, the CDA continued its strong commitment to be a good neighbor to residents who live near the airports and are impacted by jet noise. The CDA has worked closely with the Federal Aviation Administration, airlines and the O'Hare Noise Compatibility Commission to implement solutions that reduce the impact of jet noise, including the implementation of three

runway rotation tests with a goal to balance nighttime noise. Work continues on our 23-point action plan to mitigate noise, and with our runway rotation test concept that is the first of its kind to be initiated at a major airport. We are working with surrounding communities to assess the feedback received from residents, air traffic controllers, pilots and airfield crews during the three runway rotation tests. The results from the three tests will help to inform the next steps taken by the CDA, FAA and ONCC to develop a new interim Fly Quiet Program that will be in place until Runway 9C/27C opens in fall 2020. The goal is to implement a Fly Quiet Program that will achieve a more balanced distribution of noise exposure for Chicago and suburban communities surrounding O'Hare during overnight hours. Several aldermen have invested significant time in understanding and addressing noise exposure, and their leadership and engagement with the CDA has led to solutions to address aircraft noise.

The Residential Sound Insulation Program for residents who live near Chicago's airports is an important part of our comprehensive aircraft noise management program. It is our commitment that all homeowners participating in this program can enjoy quality products that minimize noise and provide a quieter interior, while preserving their home environment. Earlier this year some homeowners raised an issue with apparent odors caused by RSIP products in their homes. We take this issue very seriously, and our actions to replace odorous windows as we conduct testing are aimed at addressing the concerns of the homeowners as thoroughly as possible. A testing program conducted by environmental experts and aligned with environmental industry standards is now underway to help us identify the root cause of the issue. We will work to keep residents informed of our progress.

And of course, the top priority of the CDA 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 technology needed to fulfill this critical mission.

Under the Mayor's leadership, the 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 must ensure that businesses and residents in neighborhoods throughout the city have an opportunity to benefit from the tremendous economic activity and job creation that are generated by our airports.

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 have and to working together to build a bright future for all Chicago residents and businesses.