

**DIVISION OF AVIATION
FISCAL YEAR 2020 BUDGET TESTIMONY
APRIL 17, 2019**

INTRODUCTION

Good morning, Council President Clarke and Members of City Council. I am Chellie Cameron, Chief Executive Officer of the Philadelphia International Airport. Joining me today are Tracy Borda, Chief Financial Officer, Soledad Alfaro, Chief Administrative Officer, as well as many other members of the Division of Aviation staff. I am pleased to provide testimony on the Division of Aviation's Fiscal Year 2020 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: Proudly Connecting Philadelphia with the World! The Division of Aviation (the Division) is comprised of the Philadelphia International Airport (PHL) and the Northeast Philadelphia Airport (PNE) (PHL and PNE, collectively "the Airport"). The Division is a self-sustaining entity operating without the use of local tax dollars while generating over \$15 billion of economic activity for the region. In its endeavor to be a world class global gateway of choice for the city and the region, the Division partners with its stakeholders to provide guests a safe, secure, clean, modern and convenient air travel experience. In addition to helping people get to where they need to go, travelers through our gateway have opportunities to experience a wide variety of products and services that in many cases are distinctly and uniquely Philadelphia.

Plans for Fiscal Year 2020: Air Service: The Airport will continue its efforts to satisfy customers by working with existing and new airline partners to expand air service offerings. PHL has service to 138 non-stop domestic and international destinations. Scheduled departing seats to domestic destinations are projected to increase by 5.6% in FY19. New destinations include: Asheville, North Carolina; Chattanooga, Tennessee; and the Florida cities of Key West, Melbourne, and Sarasota. Scheduled departing seats to international destinations are expected to increase 4.6% in FY19 as American Airlines plans to add Edinburgh (April 2019), Berlin (June 2019), Bologna (June 2019) and Dubrovnik (June 2019) in addition to realizing full year of American's reinstated year-round Zurich flight. American commences seasonal service to Halifax, Nova Scotia (June 2019). The data also reflects a full year of service for the Aer Lingus flight, which was launched late in FY18 as well as new service from Frontier to Montego Bay, Jamaica (February 2019). PHL's new air carrier, Sun Country, launches service to Minneapolis, Minnesota (April 2019). During the upcoming fiscal year, the Airport will continue to work with its current and future airline partners with the hopes of extending our reach to the Asian markets, as well as other international and domestic destinations.

Customer Experience: During the upcoming fiscal year, the Airport will continue to work to provide new amenities to enhance the overall customer experience. Recent new amenities at PHL include a 315-square foot Quiet Room located post-security in the D-E connector for passengers who desire a place for solitude or meditation, as well as a new United Service Organizations (USO) of Pennsylvania and Southern New Jersey center in Terminal E. The 4,600-square-foot USO center has an open layout, high ceilings and views of the airfield. The center is staffed by 250 volunteers and is open to all active duty service members, reservists, National Guard, dependent family members, and retirees. This new location has been visited by nearly 100,000 service men and woman since March 2018, which is an increase of nearly 15% from the

DIVISION OF AVIATION

previous year. Additionally, three Mamava Lactation Suites opened in terminals A-West, B, and F, providing a private, clean, and safe place to pump or breastfeed while traveling.

Recently, the Airport launched Mobile Passport Control, a smartphone and tablet app that speeds up the customs process for U.S. citizens returning from international travel. U.S. citizens and Canadian visitors can submit their passport information and answer any Customs and Border Patrol-related questions electronically prior to an agency inspection.

Capital Updates: In August 2018, PHL opened the 1500' extension of Runway 9R-27L, increasing the runway length to 12,000 feet, and adding a network of taxiway improvements. PHL is completing the final stage of the extension of taxiway work, which is expected to open in June 2019. Once completed, PHL will gain additional stage-length for departing aircraft on Runway 27L, and the additional taxiway network will allow for better management of aircraft movements on the airfield. In addition to the airfield work upcoming at PHL, the Airport is also proceeding with the reconstruction of Runway 6-24 at PNE, along with airfield signage upgrades. This project recently received Federal Aviation Administration (FAA) grant funding to help supplement Airport funding for the project.

Off the airfield, the Airport is anticipating forthcoming investment from the Commonwealth in our Southeastern Pennsylvania Transportation Authority (SEPTA) railway platforms, which serve SEPTA's Airport Line. This work, beginning in FY20, will be an important investment for the 2.5 million passengers and employees who use the Airport Line every year. The Airport is also working to improve the look and feel of our terminals by upgrading our HVAC units, continuing with restroom renovations, replacing passenger boarding bridges, replacing roofs, painting interior concrete, and modernizing checked baggage inspection systems and access control systems.

Moving forward, the Airport will continue to work closely with our stakeholders to identify new investment opportunities at both PHL and PNE.

DIVISION OF AVIATION

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of November 2018)				
	Total	Minority	White	Female
Number of Full-Time Staff	792	567	225	245
Number of Exempt Staff	15	5	10	7
Number of Executive Staff (deputy level and above)	10	4	6	4
Average Salary, Full-Time Staff	\$47,798	\$44,158	\$56,969	\$48,969
Average Salary, Exempt Staff	\$140,546	\$128,560	\$146,539	\$144,034
Average Salary, Executive Staff	\$163,430	\$138,200	\$180,250	\$172,825
Median Salary, Full-Time Staff	\$41,581	\$38,634	\$48,181	\$41,128
Median Salary, Exempt Staff	\$154,500	\$129,300	\$154,500	\$113,000
Median Salary, Executive Staff	\$157,250	\$141,900	\$164,800	\$162,400

Employment Levels (as of November 2018)		
	Budgeted in FY19	Filled as of the Increment Run (11/18)
Number of Full-Time Positions	900	792
Number of Exempt Positions	20	15
Number of Executive Positions (deputy level and above)	12	10
Average Salary of All Full-Time Positions	\$44,456	\$47,798
Median Salary of All Full-Time Positions	\$43,331	\$41,581

Aviation Fund Financial Summary by Class - Division of Aviation Only						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 100 - Employee Compensation	\$49,555,783	\$48,666,605	\$51,000,000	\$51,724,984	\$55,920,000	\$4,195,016
Class 200 - Purchase of Services	\$109,296,196	\$90,250,534	\$107,000,000	\$105,361,000	\$105,978,000	\$617,000
Class 300/400 - Materials, Supplies & Equipment	\$12,529,357	\$9,711,264	\$11,500,000	\$10,951,629	\$10,990,000	\$38,371
Class 500 - Contributions	\$6,002,500	\$1,966,974	\$6,300,000	\$6,300,000	\$6,300,000	\$0
Class 800 - Payment to Other Funds	\$14,625,000	\$7,679,206	\$24,000,000	\$24,000,000	\$20,000,000	(\$4,000,000)
	\$192,008,836	\$158,274,583	\$199,800,000	\$198,337,613	\$199,188,000	\$850,387

Aviation Fund Financial Summary by Class (inclusive of funding allocated to other City department budgets)						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 100 - Employee Compensation	\$139,031,335	\$133,614,366	\$144,155,575	\$145,467,061	\$152,737,010	\$7,269,949
Class 200 - Purchase of Services	\$142,155,785	\$113,817,847	\$139,902,089	\$138,263,089	\$139,114,089	\$851,000
Class 300/400 - Materials, Supplies & Equipment	\$19,071,257	\$16,322,403	\$18,119,400	\$17,571,029	\$17,609,400	\$38,371
Class 500 - Contributions	\$8,514,500	\$1,966,974	\$8,812,000	\$8,812,000	\$8,812,000	\$0
Class 700 - Debt Service	\$159,426,123	\$109,055,267	\$163,801,936	\$163,801,936	\$134,825,501	(\$28,976,435)
Class 800 - Payment to Other Funds	\$14,648,000	\$7,679,206	\$24,023,000	\$24,023,000	\$20,023,000	(\$4,000,000)
	\$482,847,000	\$382,456,063	\$498,814,000	\$497,938,115	\$473,121,000	(\$24,817,115)

DIVISION OF AVIATION

Contracts Summary (Professional Services only)						
	FY14	FY15	FY16	FY17	FY18	FY19 YTD (Q1 & Q2)
Total amount of contracts	\$51,447,924	\$67,074,967	\$67,064,751	\$54,101,186	\$108,804,191	\$41,171,916
Total amount to M/W/DSBE	\$15,257,663	\$20,736,510	\$20,773,512	\$18,723,194	\$23,223,379	\$14,507,243
Participation Rate	30%	31%	31%	35%	21% ¹	35%

¹ During FY 2018, the shuttle bus contract was awarded, which was a third of our contract dollars (\$52.5 million) awarded under the OEO program. This contract has a four-year base contract with three one-year options to renew. The opportunity for subcontracting on this contract was limited to fueling and fluids, which resulted in an 8-10% goal being placed on this contract and the selected vendor met that goal.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY18	FY19	FY20
M/W/DSBE Contract Participation Goal	32%	32%	30%

DIVISION OF AVIATION

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The Aviation Fund is an enterprise fund of the City. The Aviation Fund is self-supporting, using aircraft landing fees, terminal building rentals, concession revenue and other facility charges to fund annual expenses. The FY20 proposed budget for the Division of Aviation (Aviation) is \$199,188,000, which increases Aviation's budget by \$850,387 (0.43%) over the current projection for FY19. This increase is primarily due to increases in salaries and benefits with District Council 33, District Council 47 and Non-Represented employees; technology-related services; ongoing engineering costs related to our capital development program; and greater maintenance requirements. Requested FY20 appropriations will provide sufficient resources to operate and maintain the 3.3-million-square-foot terminal complex and 2,584-acre PHL site, as well as the 1,126-acre PNE.

The proposed budget includes:

- \$55,920,000 in Class 100, a \$4,195,016 increase over FY19 current projected expenditures. This funding is requested to cover a wage increase of 3% for District Council 33, District Council 47 and Non-Represented employees.
- \$105,978,000 in Class 200, a \$617,000 increase over FY19 current projected expenditures. This funding is requested for an increase to engineering and design contracts.
- \$7,708,000 in Class 300, a \$370,857 increase over FY19 current projected expenditures. This funding is requested for an increase to purchases of building materials, general hardware and tools related to ongoing maintenance.
- \$3,282,000 in Class 400, a \$332,486 decrease from FY19 current projected expenditures due to fewer purchases of major equipment.
- \$6,300,000 in Class 500, level with FY19 funding.
- \$20,000,000 in Class 800, a \$4,000,000 decrease from FY19 current projected expenditures due to fewer transfers required to reimburse the capital fund.

Overall, the total FY20 Aviation Fund request is \$473.1 million, a (4.98%) decrease from the FY19 operating budget estimated obligations of \$497.9 million. The \$473.1 million request includes the \$199.2 million in appropriations for the Division of Aviation noted above and also includes \$134.8 million for debt service and \$139.1 million for appropriations directly related to the Police, Fire, Fleet Management, Technology, Public Property, Sustainability, Law, Risk Management and Finance Departments. The \$24.8 million decrease in the Aviation Fund stems primarily from a \$28.9 million decrease in debt service due to the Airport's new money needs being less than anticipated. This decrease is offset by a \$3.1 million increase in class 100 to cover wage increases from various labor settlements.

DIVISION OF AVIATION

STAFFING LEVELS

The Division of Aviation (Aviation) is requesting 900 positions in FY20, level with FY19 budgeted positions. As of November 2018, Aviation had 792 filled positions.

NEW HIRES

New Hires (from 7/1/2018 to 11/25/18)									
	Total Number of New Hires	Spanish	Italian	Russian	Albanian	Arabic	French	Berber	Vietnamese
Black or African American	15								
Asian	2								1
Hispanic or Latino	1	1							
White	10		2	1		1	1	1	
Other	2				1				
Total	30	1	2	1	1	1	1	1	1

Since the increment run, the Division has hired 14 new employees: seven White, four Black or African American, one Asian, and two Hispanic of Latino. Of these 14 new employees, two speak Spanish, one speaks Malayalam, and two speak Arabic.

DIVISION OF AVIATION

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY20 Strategic Goals				
<ul style="list-style-type: none"> • Add four Dreamliner-capable gates by the end of FY20. • Achieve a 5% year-over-year reduction in reactive maintenance work orders. • Decrease vacancy rate. 				
FY20 Performance Measures				
Measure ¹	FY18 Actual	FY19 YTD (Q1 only)	FY19 Target	FY20 Target
Enplaned passengers (million)	15.25	4.28	15.36	16.36
Operations (# arrivals and departures)	371,397	100,119	368,000	395,000
Freight and mail cargo (tons)	510,431	137,243	515,000	651,000
Non-airline revenue (\$ million)	\$137.20	\$37.36	\$136.00	\$147.00
Retail/beverage sales (\$ million)	\$208.67	\$62.00	\$212.00	\$224.00

¹ All measures are reported on a lagging basis (one quarter behind the current quarter being reported).

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The Airport continues to work diligently to pursue all avenues of funding and keeps a watchful eye on any potential federal budget cuts that may have an impact on our operations. Per passenger-based funding levels have not been increased in nearly two decades leading to a decrease in buying power and capital development. Any alteration to this revenue source used for capital development (the Passenger Facility Charge) would need to be authorized by Congress.

Grant Funding for Operating Requirements: The Transportation Security Administration (TSA) awards grants on an annual basis to help offset the Airport's cost of providing explosive detection through canine teams, and law enforcement officer support at security checkpoints. The current TSA explosive detection canine contract allocates \$555,500 per year to PHL for a total of four years ending in 12/31/2020. The TSA Law Enforcement Officer (LEO) Program involves the reimbursement of expenses incurred by airport operators for the provision of law enforcement officers to support airport checkpoint screening. The Airport was awarded almost \$1.2 million in CY 2018 and over \$1.1 million in CY 2019. In 2017, TSA awarded PHL \$12.3 million for technology upgrades to A West Sector 3 Explosive Detection System (EDS) and the Checked Baggage Reconciliation Area (CBIS). We continue to engage the TSA on both operational and capital needs.

Grant Funding for Capital Projects: In FFY2018, the Airport received \$18.2 million in federal funding along with \$800,000 from the Pennsylvania Department of Transportation (PennDOT) Bureau of Aviation Development Program for the East Airfield Rehabilitation project. PHL also received a \$100,000 grant from the FAA for the purchase and installation of eight Noise Monitors, and \$32,000 for the purchase and installation of six Automatic Dependent Surveillance Squitter units for airfield ground vehicles. For Philadelphia Northeast Airport (PNE), we received a FFY18 FAA grant award of \$1.7 million as well as \$94,000 from PennDOT Bureau of Aviation for the first phase of the Runway 6-24 Rehabilitation project.

The Airport recently secured a \$500,000 grant from the Pennsylvania Department of Community and Economic Development (DCED) for the renovations of the Southeastern Pennsylvania Transportation Authority's (SEPTA) on-site platforms to continue to provide a safe and welcoming environment for the nearly 2.5 million passengers and employees that utilize this mode of transportation - an integral part of Philadelphia's "front door".

PHL anticipates receiving FFY2019 FAA funding of \$21.0 million and \$800,000 from PennDOT Bureau of Aviation for the Taxiway K Reconstruction project. For PNE, we expect to receive \$9 million in FAA funding and \$500,000 from the PennDOT Bureau of Aviation for phase 2 construction of Runway 6-24 Rehabilitation. These expected grants will exceed previous years as the FAA is committed to PNE as a reliever Airport.

DIVISION OF AVIATION

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts with For-Profit Vendors											
Top Five Largest Contracts over \$34,000 for FY19											
Vendor Name	Brief Description of Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % Participation - All DSBEs	Total \$ Value Participation - All DSBEs	Is This a Local Business ? (principal place of business located within City limits) [yes / no]	Does the Vendor Have a Waiver for Living Wage Compliance ? [yes / no]
First Transit	Provide shuttle bus services	\$52,500,000	5/18/2017	6/1/2018	MBE: 8-10 &/or	8%	\$3,979,500	8%	\$4,003,020	yes	no
					WBE: 8-10	0%	\$23,520				
					DSBE: Best Efforts	0%	\$0				
Elliott-Lewis Corporation	Computer Info Systems	\$6,833,942	6/5/2017	10/1/2017	MBE: 25-30% &/or	31%	\$2,136,695	31%	\$2,136,695	yes	no
					WBE: 25-30%	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Parkway Garage, Inc.	Ground Transportation	\$5,701,430	9/1/2015	11/1/2015	MBE: 20-30% &/or	5%	\$302,052	17%	\$1,004,106	yes	no
					WBE: 20-30%	12%	\$702,054				
					DSBE: Best Efforts	0%	\$0				
Hill International, Inc.	Capital Program Admin.	\$5,237,928	10/26/2016	7/1/2017	MBE: 20-25% &	8%	\$442,995	35%	\$1,882,863	yes	no
					WBE: 15-20%	27%	\$1,439,868				
					DSBE: Best Efforts	0%	\$0				
Parkway Garage, Inc.	Public Info & Passenger Amenity Program	\$3,939,433	4/12/2017	9/1/2017	MBE: 10-15% &	5%	\$182,091	23%	\$861,013	yes	no
					WBE: 5-20%	15%	\$597,855				
					DSBE: Best Efforts	0%	\$0				

DIVISION OF AVIATION

EMPLOYEE DATA

Staff Demographics (as of November 2018)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	318	181	<i>Total</i>	1	1
<i>% of Total</i>	40%	23%	<i>% of Total</i>	10%	10%
<i>Average Salary</i>	\$41,513	\$44,508	<i>Average Salary</i>	\$129,300	\$109,000
<i>Median Salary</i>	\$37,413	\$38,839	<i>Median Salary</i>	\$129,300	\$109,000
	White	White		White	White
<i>Total</i>	183	42	<i>Total</i>	4	2
<i>% of Total</i>	23%	5%	<i>% of Total</i>	40%	20%
<i>Average Salary</i>	\$55,352	\$64,014	<i>Average Salary</i>	\$164,800	\$211,150
<i>Median Salary</i>	\$48,181	\$46,277	<i>Median Salary</i>	\$159,650	\$211,150
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	19	11	<i>Total</i>	0	1
<i>% of Total</i>	2%	1%	<i>% of Total</i>	0%	10%
<i>Average Salary</i>	\$45,618	\$56,819	<i>Average Salary</i>	N/A	\$160,000
<i>Median Salary</i>	\$41,633	\$45,688	<i>Median Salary</i>	N/A	\$160,000
	Asian	Asian		Asian	Asian
<i>Total</i>	22	8	<i>Total</i>	1	0
<i>% of Total</i>	3%	1%	<i>% of Total</i>	10%	0%
<i>Average Salary</i>	\$65,113	\$60,843	<i>Average Salary</i>	\$154,500	N/A
<i>Median Salary</i>	\$52,688	\$61,862	<i>Median Salary</i>	\$154,500	N/A
	Other	Other		Other	Other
<i>Total</i>	5	3	<i>Total</i>	0	0
<i>% of Total</i>	1%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$46,978	\$47,455	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$50,960	\$48,648	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	52	26	<i>Total</i>	1	1
<i>% of Total</i>	7%	3%	<i>% of Total</i>	10%	10%
<i>Average Salary</i>	\$55,770	\$54,350	<i>Average Salary</i>	\$154,500	\$160,000
<i>Median Salary</i>	\$52,234	\$45,023	<i>Median Salary</i>	\$154,500	\$160,000
	Male	Female		Male	Female
<i>Total</i>	547	245	<i>Total</i>	6	4
<i>% of Total</i>	69%	31%	<i>% of Total</i>	60%	40%
<i>Average Salary</i>	\$47,273	\$48,969	<i>Average Salary</i>	\$157,167	\$172,825
<i>Median Salary</i>	\$42,674	\$41,128	<i>Median Salary</i>	\$154,500	\$162,400

LANGUAGE ACCESS

1. Has your leadership received language access training?

The Chief Executive Officer has previously received language access training and has scheduled training for the entire leadership team for May 30, 2019. The Airport prioritizes bilingual status when recruiting candidates as evidenced by our new hires chart, which is provided on page 6.

2. Do you currently have a language access coordinator?

The Airport's Chief Administrative Officer is our language access coordinator for the Philadelphia International Airport.

3. Has your department written a language access plan and is it posted online?

Yes, and it is available here: <https://beta.phila.gov/documents/language-access-plans/>

4. Explain what your department has done to improve language access services over the past year.

Over the past year, the Airport has added additional bilingual and multilingual employees - now over 100 employees in total - in an effort to better serve our diverse passenger base, which includes 39 international destinations. To attract bilingual candidates, the Airport takes a targeted approach, which includes incorporating the preference of a bilingual candidate directly into many of our job postings and posting these opportunities on our job portal website. In addition, the Airport incorporates bilingual signage into our Customs area and we have multilingual features on our website.