

**DEPARTMENT OF COMMERCE
FISCAL YEAR 2020 BUDGET TESTIMONY
APRIL 9, 2019**

INTRODUCTION

Good Morning, President Clarke and Members of City Council. I am Harold T. Epps, Director of Commerce. Joining me today are Sylvie Gallier Howard, First Deputy Commerce Director and Iola Harper, Deputy Commerce Director, Office of Economic Opportunity. I am pleased to provide testimony on the Commerce Department's Fiscal Year 2020 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Commerce helps businesses – large and small – thrive in Philadelphia. Reasonable office rents and cost of living, along with a ready workforce, make Philadelphia an ideal location for both established companies and for those looking to start a business. Because the city succeeds when business succeeds, Commerce has created a number of programs and special incentives to help companies prosper. Commerce works to attract and keep a diverse set of businesses; revitalize neighborhoods by building vibrant commercial districts; create a strong talent pipeline for Philadelphians to attain good, living-wage jobs; increase contracting opportunities for minority and women-owned businesses; support small businesses and improve access to funding.

Plans for Fiscal Year 2020:

INVESTMENTS IN CORRIDORS AND SMALL BUSINESSES: Commerce will continue to focus on increasing the support provided to small, primarily minority-owned, neighborhood-based businesses, through programs such as *Business Coach*, which provides one-on-one coaching for small businesses to help them complete the application process for Commerce-funded initiatives, and the Philadelphia Business Lending Network, which is a group of nonprofit and for-profit commercial lenders who work together with Commerce to improve access to capital for small businesses throughout the city. Commerce will bolster its support to neighborhood commercial corridors in FY20 by piloting a Community Development Corporation (CDC) Economic Development Support Grant program to provide operational funding to CDCs so that they can better carry out activities to create and retain neighborhood businesses and jobs. Commerce will also continue offering Commercial Corridor Enhancement grants, initiated in FY19, to support marketing, beautification and events on neighborhood corridors. Commerce will also continue providing InStore loans, which are forgivable loans for businesses opening a new location or making improvements to an existing location. In FY20, Commerce will also provide additional resources to selected providers to increase the frequency of commercial corridor sidewalk cleaning on corridors that continue to struggle with high litter indices.

BUSINESS ATTRACTION AND RETENTION: In addition to its existing programming to attract and retain businesses and build Philadelphia's workforce, Commerce is currently in the final stages of a review of the tools that it has at its disposal to incentivize business attraction and retention. The City has hired HR&A to review seven of the primary tools used, assess the return on investment, and provide recommendations regarding any revisions that should be made to better ensure Philadelphia's competitiveness. The study will be finalized and made public in early FY20.

DEPARTMENT OF COMMERCE

Additionally, Commerce, in collaboration with other departments and through over 100 interviews, identified three priorities for inclusive growth and anti-poverty efforts in Philadelphia. These include: pre-K through 12th grade education and workforce development; making it easier to open and operate a business in the city; and building an economic foundation for success of all residents. While Commerce will partner with other agencies on all of these priorities, Commerce will increase efforts to improve the City's processes for opening a business and continue co-leading the Special Committee of Review and Reform. One of the first improved processes coming out of this Committee is a pilot focused on making it easier to open a food business. Commerce has convened multiple city departments to oversee this pilot testing the effectiveness of using a Customer Services Management (CRM) tool to improve transparency, facilitate inter-departmental communication and technology, automate portions of the process, and better track data around each case.

OFFICE OF WORKFORCE DEVELOPMENT: The Office of Workforce Development continues to be a core priority under the shared leadership of the Department of Commerce and the Mayor's Office of Labor. In FY20, the Office of Workforce Development will continue important initiatives such as the development of industry partnerships, apprenticeships, and career pathways. A major priority will be the inauguration of an Office of Career Connected Education in partnership with the School District of Philadelphia. Commerce will play a lead role in conducting an inventory of current business involvement in Philadelphia's schools and youth career programming, as well as an in-depth survey of the types of opportunities that businesses would consider providing through the new office. This partnership, along with the Model Employer Campaign, are two efforts to strengthen the role of the private sector in influencing Philadelphia's current and future talent pipeline.

OFFICE OF ECONOMIC OPPORTUNITY: Each year, the City pays a substantial percentage of its contract dollars to nonprofit organizations. While these nonprofits cannot be categorized using the same M/W/DSBE classification that is used for for-profit entities, there are alternative ways of evaluating the diversity of their leadership and staff and tier two (subcontractor) spend with diverse businesses. OEO will develop a way of tracking and reporting this information to ensure that these contracted dollars are spent in a way that is consistent with the diversity goals of the Kenney Administration.

OEO will develop a strategy to support the growth and health of established mid-level minority-owned business enterprises (MBEs) and women-owned business enterprises (WBEs). The range of these firms, especially those in public works, is sparse, and growth of established minority-owned firms has remained flat over the past decade. Initial steps will include working with the Office of the Chief Administrative Officer to further improve turnaround time on payment to vendors; partnering with several public and nonprofit agencies to provide a Bonding Education Program; and coordinating with City departments and offices to forecast when major opportunities for M/W/DSBE participation will be available and working with those agencies on targeted outreach to the vendor community.

OEO plans to continue increasing the number of businesses in its registry by 10-15% per year, with the majority of this increase coming from businesses located within the City limits. In FY20, OEO will design a Mentor-Protégé program to support the growth and success of M/W/DSBEs. Additionally, OEO will market and grow the recently launched Emerging Vendors Program (EVP), and OEO Hotline.

DEPARTMENT OF COMMERCE

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of November 2018)¹				
	Total	Minority	White	Female
Number of Full-Time Staff	67	44	23	43
Number of Exempt Staff	55	37	18	36
Number of Executive Staff (deputy level and above)	6	3	3	3
Average Salary, Full-Time Staff	\$71,953	\$70,906	\$73,958	\$71,567
Average Salary, Exempt Staff	\$72,552	\$70,489	\$76,792	\$72,432
Average Salary, Executive Staff	\$139,093	\$141,497	\$136,688	\$131,926
Median Salary, Full-Time Staff	\$67,274	\$67,899	\$68,099	\$64,585
Median Salary, Exempt Staff	\$63,377	\$63,377	\$70,040	\$66,025
Median Salary, Executive Staff	\$134,605	\$126,175	\$140,461	\$128,750

Employment Levels (as of November 2018)¹		
	Budgeted in FY19	Filled as of the Increment Run
Number of Full-Time Positions	42	67
Number of Exempt Positions	29	55
Number of Executive Positions (deputy level and above)	6	6
Average Salary of All Full-Time Positions	\$75,389	\$71,953
Median Salary of All Full-Time Positions	\$62,8460	\$67,274

¹Tables reflect 29 employees moved from PIDC payroll to City payroll as well as one civil service position hired since the increment run in November.

General Fund Financial Summary by Class						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 100 - Employee Compensation	\$2,340,461	\$2,114,325	\$2,120,079	\$3,044,944	\$3,517,381	\$472,437
Class 200 - Purchase of Services	\$5,594,929	\$5,804,997	\$5,763,929	\$5,087,068	\$7,126,450	\$2,039,382
Class 300/400 - Materials, Supplies & Equipment	\$26,654	\$16,568	\$26,654	\$26,654	\$26,654	\$0
Class 500 - Contributions	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$0
	\$8,462,044	\$8,435,890	\$8,410,662	\$8,658,666	\$11,170,485	\$2,511,819

General Fund Financial Summary: Convention Center Subsidy						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 200 - Purchase of Services	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0
	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0

Contracts Summary (Professional Services only)²						
	FY14	FY15	FY16	FY17	FY18	FY19 YTD (Q1 & Q2)
Total amount of contracts	\$75,000	\$95,000	\$84,399	\$451,000	\$75,000	\$196,000
Total amount to M/W/DSBE	\$31,875	\$40,375	\$40,833	\$331,250	\$22,950	\$20,000
Participation Rate	43%	43%	48%	73%	31%	10%

²The department has several un-conformed contracts that are not included in these numbers. Once these are finalized, we project we will achieve our yearly participation 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	65%	35%	40%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2020 General Fund budget totals \$26,170,485, an increase of \$2,511,819 over Fiscal Year 2019 estimated obligation levels. This increase is primarily due to an increase in class 100 funds to account for staff that moved from PIDC payroll as well as an increase in the allocation for the Commerce Economic Stimulus Fund.

The proposed budget includes:

- \$3,517,381 in Class 100, a \$472,437 increase over FY19. This funding will be used for Commerce staff that transferred over from PIDC payroll.
- \$22,126,450 in Class 200, a \$2,039,382 increase over FY19. This funding will be used to support economic development activities and commercial corridors.
- \$26,654 in Class 300/400, level with FY19.
- \$500,000 in Class 500, level with FY19. This funding will be used to support the Delaware Waterfront.

DEPARTMENT OF COMMERCE

STAFFING LEVELS

The department is requesting 72 (All Funds) budgeted positions for FY20, an increase of 30 positions over FY19.

The increase is attributed to positions that came over from PIDC payroll in November as part of a move to improve equity, transparency as well as to save on future benefits costs. We had one additional civil service hire that came after the November increment run.

NEW HIRES

New Hires (from 7/1/2018 to 3/1/19)									
	Total Number of New Hires	Arabic	Spanish	Mandarin	French	Turkish	Cambodian	Cantonese	Taiwanese
Black or African American	14		1		1				
Asian	3			2			1	1	1
Hispanic or Latino	4		3						
White	10	2			2	1			
Other									
Total	31	2	4	2	3	1	1	1	1

PERFORMANCE, CHALLENGES, AND INITIATIVES

ECONOMIC DEVELOPMENT PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> • Improve the efficiency and effectiveness of City processes for opening and growing a business. • Pilot a CDC Economic Development Support grant program to provide operational funding to CDCs as an alternative to the CDC Tax Credit program. • Increase the frequency of sidewalk cleaning on neighborhood commercial corridors to improve the litter index rate. • Develop a public-private strategy to increase the availability of lab space to meet the demand of life sciences companies in Philadelphia. • Develop additional messaging and strategies to enhance the City’s profile, thereby attracting and retaining more talent, businesses, and investment. • Implement a focused recruitment strategy targeting financial services firms. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Business Attraction & Retention: Number of businesses engaged	408	264	429	449
Business Attraction & Retention: Number of wins ¹	36	28	47	46
Office of Neighborhood Business Services: Number of businesses supported ²	7,952	<i>FY19 Q1 only: 1,544</i>	7,500	7,500
Average litter index for corridors with city-supported cleaning programs ³	N/A	2.1	2.1	2.1
Business Attraction & Retention: Number of jobs created or retained ⁴	2,070	2,879	4,639	4,261
Office of Neighborhood Business Services: Number of jobs created ⁵	307	N/A	350	350

¹ A “win” is when a company that Commerce has identified as a business attraction or retention opportunity accepts an offer of public incentive(s) or Commerce otherwise learns that the company has selected a Philadelphia location. The target for this measure is established by taking average of the last three years and adding 10%.

² “Support” encompasses grants, technical assistance, consultation with OBS (often businesses calling with questions and needing help with a city process), workshops for businesses, access to capital referrals, etc. This is a lagging measure, so FY19 data is for FY19 Q1 only.

³ The index is digitized using cloud-based surveys taken on tablets using GPS coordinates to ensure accuracy. Surveyors give a 1-4 litter rating: Rating of 1 = little to no litter, 2 = litter in the amount that can be picked up by one person, 3 = litter in the amount that would need a team to clean up, and 4 = litter that would require a large cleanup effort and/or heavy machinery to remove debris.

⁴ This measure represents the sum of full-time jobs created (through business attraction efforts) or retained (through business retention efforts) in Philadelphia. The target for this measure is an average of the preceding three years.

⁵ This is an annual measure, which represents new jobs created within a commercial corridor.

OFFICE OF ECONOMIC OPPORTUNITY (OEO) PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> • Launch Mentor-Protégé Program. • Expand the Emerging Vendors Program. • Expand use of the OEO hotline. • Expand the number of businesses in the OEO Registry by 10-15%. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
M/W/DSBE participation rate on City contracts ¹	33.2%	N/A	35.0%	35.0%

¹ This is an annual measure, and FY19 data will be available at year-end. Contracts are conformed throughout the year, and the rate may vary across quarters, depending on the value of contracts conformed to date. This is the percentage of dollars committed (contracted) to M/W/DSBE firms divided by the total available dollars. This is collected through the City’s various payments systems (SPEED, ACIS, etc.) and then confirmed with the OEO Officers from each department. In FY18, the year-end actual for total dollar amount of awarded M/W/DSBE contracts was \$279M.

DEPARTMENT OF COMMERCE

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

DEPARTMENT OF COMMERCE

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]
HR & A Advisors Inc.	Consulting-Incentive Study	\$196,000	8/10/2017	12/18/2018	MBE: 10-15%	0%	\$0	10%	\$20,000	yes	no
					WBE: 10-15%	10%	\$20,000				
					DSBE: 0%	0%	\$0				

DEPARTMENT OF COMMERCE

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>	9	26	<i>Total</i>	1	1
<i>% of Total</i>	13%	39%	<i>% of Total</i>	17%	17%
<i>Average Salary</i>	\$68,341	\$72,805	<i>Average Salary</i>	\$179,867	\$126,175
<i>Median Salary</i>	\$56,650	\$68,753	<i>Median Salary</i>	\$179,867	\$126,175
	White	White		White	White
<i>Total</i>	10	13	<i>Total</i>	1	2
<i>% of Total</i>	15%	19%	<i>% of Total</i>	17%	33%
<i>Average Salary</i>	\$73,234	\$74,515	<i>Average Salary</i>	\$140,461	\$134,802
<i>Median Salary</i>	\$67,999	\$70,040	<i>Median Salary</i>	\$140,461	\$134,802
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	4	2	<i>Total</i>	1	0
<i>% of Total</i>	6%	3%	<i>% of Total</i>	17%	0%
<i>Average Salary</i>	\$81,507	\$51,243	<i>Average Salary</i>	\$118,450	\$0
<i>Median Salary</i>	\$72,100	\$51,243	<i>Median Salary</i>	\$118,450	\$0
	Asian	Asian		Asian	Asian
<i>Total</i>	1	2	<i>Total</i>	0	0
<i>% of Total</i>	1%	3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$70,040	\$56,650	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$70,040	\$56,650	<i>Median Salary</i>	\$0	\$0
	Other	Other		Other	Other
<i>Total</i>	0	0	<i>Total</i>	0	0
<i>% of Total</i>	0%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$0	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$0	<i>Median Salary</i>	\$0	\$0
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	8	12	<i>Total</i>	1	1
<i>% of Total</i>	12%	18%	<i>% of Total</i>	17%	17%
<i>Average Salary</i>	\$71,694	\$72,910	<i>Average Salary</i>	\$118,450	\$140,853
<i>Median Salary</i>	\$68,657	\$56,650	<i>Median Salary</i>	\$118,450	\$140,853
	Male	Female		Male	Female
<i>Total</i>	24	43	<i>Total</i>	3	3
<i>% of Total</i>	36%	64%	<i>% of Total</i>	50%	50%
<i>Average Salary</i>	\$72,645	\$71,567	<i>Average Salary</i>	\$146,259	\$131,926
<i>Median Salary</i>	\$67,587	\$64,585	<i>Median Salary</i>	\$140,461	\$128,750

DEPARTMENT OF COMMERCE

LANGUAGE ACCESS

1. Has your leadership received language access training?

Yes, Commerce leadership received training in 2017.

2. Do you currently have a language access coordinator?

Yes, our Deputy Commerce Director for Finance and Administration, Edward Garcia, is the language access coordinator.

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

Yes: <https://www.phila.gov/media/20170331090951/Commerce-Department-Language-Access-Plan-Final.pdf>

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

The department meets quarterly to select and translate relevant documents for the public as well as discuss language access strategies in order to best serve the current needs. Commerce translated six important program documents into Spanish, Chinese, Korean, Vietnamese and Arabic. These documents included a program services flyer, business safety tips, the security camera program and the store front improvement flyer, as well as a flyer for the business lending network. Commerce has added more bilingual staff, which now number 20 in Commerce. Five of eight Business Services Managers are bilingual and the popular *Coffee + Commerce* program is now also offered in Spanish.