

**COMMERCE DEPARTMENT
FISCAL YEAR 2022 BUDGET TESTIMONY
MAY 4, 2021**

INTRODUCTION

Good Afternoon, President Clarke and Members of City Council. I am Michael Rashid, Director of Commerce. I am pleased to provide testimony on the Department of Commerce’s Fiscal Year 2022 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Commerce helps businesses—large and small—thrive in Philadelphia. In order to foster inclusive growth in the city, Commerce has programs and services to help spur entrepreneurship, grow small businesses, and draw new companies to Philadelphia. Commerce contributes to equitable neighborhood revitalization by:

- Building vibrant commercial districts.
- Creating a strong talent pipeline for all Philadelphians to attain good, living-wage jobs.
- Increasing contracting opportunities for minority-, women-, and disabled-owned businesses.
- Supporting small businesses and improving their access to capital.

Commerce also works to attract and retain new businesses both domestically and internationally, elevating Philadelphia’s global competitiveness and positioning the Philadelphia’s economy for long-term growth.

Plans for Fiscal Year 2022:

The Department of Commerce (“Commerce”) has long been a champion for Philadelphia’s business community. Under the Kenney Administration, this has been especially true for neighborhood businesses, which are the backbone of the City’s economy. With the Administration’s new investment in the Business Response Team initiative, we will make meaningful shifts in longstanding City processes that have challenged our business community.

Next year Commerce will focus on building wealth for Philadelphia communities, with a focus on communities of color. The racial wealth gap, which leaves white-led households in the US with approximately 7 times more wealth than Black-led households, has only been exacerbated during the pandemic. This gap is not a result of income disparities alone. Commerce will ramp up strategies focused on attacking systemic barriers for BIPOC communities including capital, equity, profit sharing and property ownership. We will make investments in organizations that offer M/W/DSBE certification services to our communities. We will amplify the work of the growing CDFI network. We will help minority business incubators and accelerators expand. We will also partner with PIDC to offer a new Developers of Color Fund to grow capacity in the construction sector.

Major improvements are needed to combat long-term disinvestment, particularly on commercial corridors in majority-minority neighborhoods. Improvements and enhancements to storefronts, sidewalks, curbs, lighting creates safe, clean, and attractive commercial corridors. Only with these investments can we revitalize neighborhood destinations and attract shoppers, employees, and businesses. Our commitment to

Department of Commerce

corridor improvements will include investments in PHL Taking Care of Business. We will also expand the Storefront Improvement and Business Camera (BizCam) Programs. These are great investments and will contribute to the safety and economic vitality of our entire city.

Philadelphia remains a place where organizations seek to do business. We are national leaders in the healthcare, education, cultural arts and the financial services sectors. New and lucrative opportunities exist in life sciences, technology, cargo, and logistics and distribution. If cultivated with an eye towards equity, these growing industries can expand the City's tax base and create quality jobs for thousands of Philadelphians. We know that the benefits of our growth have not always been inclusive. Our commitment is that our recovery will be inclusive. We will deepen our commitment to supplier diversity and call for increased accountability, ensuring that public and private dollars flow to our City's qualified WM/DSBE firms.

We need a more intentional talent strategy. Our workforce development team will continue to seed and facilitate programs in key growth sectors. We will intensify our collaboration with Philadelphia Works. We will revisit the City's Model Employer Initiative, focused on improving internal processes and increasing access to employment with the City of Philadelphia.

In FY22 and beyond, Commerce will act as catalyst. We will be a catalyst for increased investment, innovative programming, creative incentives, and higher levels of accountability. But, most importantly, we will be the catalyst for the systemic change that this moment demands.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Please refer to attached FY22 Budget Hearing Summary Charts in section 1: Staff Demographics Summary, section 2: Employment Levels, section 3: Financial Summary by Class, section 6: Participation Rate and Goal.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2022 General Fund budget totals \$25,413,984 an increase of \$4,064,158 over Fiscal Year 2021 estimated obligation levels. This increase is primarily due to a \$3.8 million increase in our Class 200.

The proposed budget includes:

- \$2,714,341 in Class 100, a \$215,000 increase over FY21. This funding will allow us to bring back a Business Development Director for Technology and Innovation, a Director for the Business Response Team, and an Analyst to support a data-driven approach to our work.
- \$22,672,989 in Class 200, an increase of \$3,849,148 over FY21. This funding will provide \$2.9 million to support an inclusive economic recovery and workforce strategies, \$452,000 towards the Taking Care of Business corridor cleaning and workforce development program, \$300,000 to partially restore small business grants, \$150,000 to partner with minority business certifying agencies and other partners, and \$100,000 for technology to support the Business Response Team.
- \$26,654 in Class 300/400, level with FY21. This funding supports our office supply needs.

STAFFING LEVELS

The department is requesting 62 budgeted positions for FY22, an increase of 3 positions over FY21.

The increase is attributed to our needs for a Business Development Director for Technology and Innovation to focus on this critical growth sector, a Director for the Business Response Team to make it easier to do business in and with the City, and an Analyst to support a data-driven approach to our work.

NEW HIRES

Please refer to attached FY22 Budget Hearing Summary Charts in section 8: New Hires Information.

PERFORMANCE, CHALLENGES, AND INITIATIVES

Economic Development Program

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Business Attraction and Retention: Number of businesses engaged	228	320	320
Business Attraction and Retention: Number of wins	47	24	24
Office of Neighborhood Business Services: Number of businesses supported	8,111	7,500	7,500
Business Attraction and Retention: Number of jobs created or retained	3,862	2,000	2,000
Office of Neighborhood Business Services: Number of jobs created	214	350	350
Fair Chance Hiring Initiative: Number of returning citizens connected to employment*	N/A	30	30
PHL Taking Care of Business: Percent of Cleaning Ambassadors enrolled in workforce training*	N/A	60%	60%

**The Fair Chance Hiring Initiative and PHL Taking Care of Business are newly created programs in FY21, data for FY20 does not exist.*

Program FY22 Strategic Goals

- Continue enhancements to make it easier to do business in Philadelphia.** Institute the Business Response Team to collaborate across City departments to prioritize systematic issues that business owners routinely report as problematic. By coordinating with relevant departments, the Business Response Team will be able to streamline and improve internal processes and escalate problems business owners frequently face. The Business Response Team will make it easier for businesses to open, operate, and grow in Philadelphia. This will be especially impactful for business owners that start out with less cash reserves, and it will result in an increase in new and sustainable businesses.
- Provide targeted support for entrepreneurs of color, women, and immigrants.** Through a partnership with United Way and Philadelphia’s economic development agency, PIDC, Commerce has engaged a national and local consultant team to perform an assessment of our entrepreneurship ecosystem and will make recommendations to create a continuum that will provide equitable

opportunities for business creation and growth. This will build on Commerce’s previous investments to establish a \$2 million loan fund for minority-, woman-, and immigrant-owned businesses, as well as providing grants of \$5,000 to \$25,000 to underrepresented tech startup founders. Implementing these recommendations, using Community Development Block Grant funds and other sources, will be a priority in the second half of FY21 and beyond.

Office of Economic Opportunity (OEO)

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
M/W/DSBE participation rate on City contracts	30%	35%	35%
Number of Businesses added to the OEO Registry	302	330	310

Program FY22 Strategic Goals

- Continue growth of the OEO registry. OEO made deliberate efforts over the past year to recruit Philadelphia-based businesses to become certified and join the OEO registry, which now contains more than 3,200 M/W/DSBE-owned businesses, representing a 2.7 percent year-over-year increase. The OEO registry is a primary source of qualifying companies, ensuring robust availability of eligible firms to meet the City’s participation goals.
- Collaborate with City departments to achieve an overall 35 percent participation rate for M/W/DSBEs on contracts. Begin the process of collecting formal compliance plans. OEO will work with departments to develop these plans, which will outline how the department will reach their goal and help departments reach success.
- Enhance support for the development and growth of minority-owned businesses. Launch an effective Mentor Protégé Program, which aims to connect large majority firms with smaller minority-owned firms for mentoring and guidance to bring them to scale. The program will allow small firms to hone skills, strengthen their back-end operations, network with key people in their industry, and potentially work with their mentor on a contract. The matches have been made and the program will officially launch in February 2021.
- Increase opportunities for small, local, minority owned businesses to access City contracts. Continue promotion, education, and outreach regarding the Local Business Procurement Initiative (LBPI), which raises the threshold requiring formal bids for City contracts from \$34,000 to \$75,000—and to \$100,000 for local businesses, lessening the burden on small and local firms to apply for contracts.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

Utilizing a portion of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Community Development Block Grant (CDBG) funding that the City received last year, Commerce will be able to continue a small increase in CDBG programming dollars for neighborhood commercial corridors in FY22. This includes funding for much needed technical assistance for small businesses.

Department of Commerce

CONTRACTING EXPERIENCE

Please refer to attached FY22 Budget Hearing Summary Charts in section 4: Contracts Summary.

Department of Commerce

EMPLOYEE DATA

Please refer to attached FY22 Budget Hearing Summary Charts in section 7: Staff Demographics.

LANGUAGE ACCESS

1. Provide the name of your language access coordinator, the date of your last department training, and a link to the posting of your language access plan.

The Commerce Department is currently backfilling the position of Communications Director, who will serve at the department's language access coordinator. In addition, Commerce has an employee committee that focuses on language access.

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

2. Breakdown new hires and existing staff by race and language. Breakdown how many front-line personnel are trained to provide language access services.

- 1 African American Male, English
- 1 African American Woman, English
- 1 White Woman, English

3. How many requests for language access services did your department receive in the past year? How many language access services were delivered by staff? Breakdown language access services provided, by language, including but not limited to the language line, translation of public notices and documents, website language services, and advertisement/publication services.

Since April 1, 2020, Commerce has published approximately 30 blog posts, including 6 that were translated into 5 different languages, and many more posts that were translated into Spanish.

The Department provide 89 language access services in Spanish which includes the following:

- 2 Translation Services
- 3 Presentations in Spanish
- 84 Business Assistance in Spanish

Arabic and French: We have provided 24 language access services in the past year, 3 in French and 21 in Arabic. Of the 24 language access services, 4 were translation services and the 20 were business assistance.

Mandarin: We received 224 Chinese applications, in addition to 200-300 phone calls and emails to follow up with Chinese grant applications.

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

The Commerce Department has worked to improve language access services over the past year by translating materials and web content into different languages that are spoken within our business community, including Spanish, Mandarin, Korean, French, Arabic, and other languages. We have also focused on strengthening our partnership with community-based organizations that serve non-English speaking communities to improve outreach and communication regarding Commerce's

Department of Commerce

programs and services. We also have business service managers on staff who are fluent in the following languages and assist the public with language access needs: Spanish, Mandarin, Arabic, Turkish, and French.

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

Climate change is not currently affecting our provision of services.

2. How might worsening climate change increase costs and demands for your department?

Worsening climate change might affect the need for business assistance and support if flooding or storms were to disrupt businesses. Early research projects that Philadelphia's economic productivity will increase due to climate migration. As businesses relocate to the City or new businesses open to meet new demands, the request for business support services could increase. Sea level rise and flooding due to climate change may also lead to restrictions on the development of some parcels of land, which would impact economic development opportunities, particularly along our waterfronts.

3. How does your department intend to mitigate and adapt to climate change?

We will listen to businesses and experts in order to adapt our approach as climate change occurs and create policies and programs that address the current and future needs.

1. Staff Demographics Summary

Staff Demographics Summary (as of December 2020)*				
	Total	Minority	White	Female
Number of Full-Time Staff	58	37	21	38
Number of Exempt Staff	49	32	17	33
Number of Executive Staff (deputy level and above)	8	4	4	6
Average Salary, Full-Time Staff	\$77,560	\$74,823	\$82,382	\$79,026
Average Salary, Exempt Staff	\$79,222	\$75,341	\$86,527	\$80,445
Average Salary, Executive Staff	\$136,514	\$135,441	\$137,586	\$131,300
Median Salary, Full-Time Staff	\$68,619	\$67,320	\$69,340	\$68,707
Median Salary, Exempt Staff	\$68,794	\$63,256	\$69,449	\$68,794
Median Salary, Executive Staff	\$128,387	\$125,421	\$129,710	\$123,016

*These numbers reflect the 58 positions filled as of December 2020, including 13 positions paid for by the federal Community Development Block Grant (CDBG) Program, 3 positions paid for by Philaworks, and 1 position paid for out of Water's budget.

2. Employment Levels

Employment Levels (as of December 2020)*		
	Budgeted	Filled
Number of Full-Time Positions	58	58
Number of Part-Time Positions	0	0
Number of Exempt Positions	49	49
Number of Executive Positions (deputy level and above)	8	8
Average Salary of All Full-Time Positions	\$77,560	\$77,560
Median Salary of All Full-Time Positions	\$68,619	\$68,619

*These numbers reflect the 58 positions filled as of December 2020, including 13 positions paid for by the federal Community Development Block Grant (CDBG) Program, 3 positions paid for by Philaworks, and 1 position paid for out of Water's budget.

FY22 Budget Hearings Charts - Commerce

3. Financial Summary by Class

Some departments may also want to provide financial summary tables for other funds, such as the Grants Fund. Departments should delete any budget lines that have \$0 in every year (i.e. if a department has no Class 500 appropriations, actuals, or proposed appropriations, the Class 500 row should be deleted).

General Fund Financial Summary by Class (Core Budget)						
	FY20 Original Appropriations	FY20 Actual Obligations	FY21 Original Appropriations	FY21 Estimated Obligations	FY22 Proposed Appropriations	Difference: FY22-FY21
Class 100 - Employee Compensation	\$3,469,881	\$3,453,180	\$2,394,341	\$2,499,341	\$2,714,341	\$215,000
Class 200 - Purchase of Services	\$5,854,826	\$6,252,079	\$1,216,153	\$808,831	\$4,657,989	\$3,849,158
Class 300/400 - Materials, Supplies & Equipment	\$26,654	\$21,871	\$26,654	\$26,654	\$26,654	\$0
Class 500 - Contributions	\$500,000	\$500,000	\$0	\$0	\$0	\$0
	\$9,851,361	\$10,227,130	\$3,637,148	\$3,334,826	\$7,398,984	\$4,064,158

General Fund Financial Summary by Class (Core Budget, Economic Stimulus, Convention Center Subsidy)						
	FY20 Original Appropriations	FY20 Actual Obligations	FY21 Original Appropriations	FY21 Estimated Obligations	FY22 Proposed Appropriations	Difference: FY22-FY21
Class 100 - Employee Compensation	\$3,469,881	\$3,453,180	\$2,394,341	\$2,499,341	\$2,714,341	\$215,000
Class 200 - Purchase of Services	\$28,526,450	\$26,906,745	\$19,231,153	\$18,823,831	\$22,672,989	\$3,849,158
Class 300/400 - Materials, Supplies & Equipment	\$26,654	\$21,871	\$26,654	\$26,654	\$26,654	\$0
Class 500 - Contributions	\$500,000	\$500,000	\$0	\$0	\$0	\$0
	\$32,522,985	\$30,881,796	\$21,652,148	\$21,349,826	\$25,413,984	\$4,064,158

4. Contracts Summary

This table focuses on large professional services contracts with for-profit vendors.
 "Large" is defined as meaning that an RFP was required.
 Departments should focus on contracts that have been conformed to date.
 Any departments that have large contracts with non-profit providers are encouraged to provide board makeup information in the optional "Non-Profit Vendor Demographics" table below.

M/W/DSBE Participation on Large Professional Services Contracts

Top Five Largest Contracts, FY21											
Vendor Name	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	Local Business (principal place of business located within City limits) [yes / no]	Waiver for Living Wage Compliance ? [yes / no]
EConsult Solutions, Inc. (working w/ Milligan & Co.)	Availability Study	\$125,000	12/1/2020	4/1/2021	MBE: 25-30%	43.2%	\$54,000	43.2%	\$54,000		
					WBE: 25-30%	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
JT Goldstein	Business Technical Assistance	\$150,000	1/25/2018	7/1/2020	MBE: Best Efforts	100%	\$150,000	100%	\$150,000	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Little Giant*	Business Technical Assistance	\$150,000	1/25/2018	7/1/2020	MBE: Best Efforts	0%	\$0	0%	\$0	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

Please note: Majority of the Commerce Department's contracts are with Non-Profit organizations.
 * Little Giant is a women and minority led firm, however, they are not registered with the City of Philadelphia.

FY22 Budget Hearings Charts - Commerce

Non-Profit Vendor Demographics		
Philadelphia Industrial Development Corp.	Minority %	Female %
Workforce	40%	72%
Executive	35%	60%
Board	37%	30%
VestedIn (formerly West Philadelphia Financial Services Institution)	Minority %	Female %
Workforce	100%	60%
Executive	100%	N/A
Board	100%	30%
ACANA	Minority %	Female %
Workforce	100%	50%
Executive	100%	100%
Board	85%	70%
New Kensington CDC	Minority %	Female %
Workforce	24%	59%
Executive	50%	50%
Board	14%	43%
Frankford CDC	Minority %	Female %
Workforce	60%	60%
Executive	100%	100%
Board	71%	43%

5. Performance Measures Table

Please refer to the FY22 Budget Testimony narrative for Performance Measure data.

6. Participation Rate and Goal

The Contracts Summary table is for professional services contracts only.

The Contract Participation Goal table is for all contracts (Public Works, SS&E, and Professional Services, combined).

Contracts Summary (Professional Services only)						
	FY18	FY19	FY20	FY21*	FY22	FY21 YTD* (Q1 & Q2)
Total amount of contracts	\$550,000	\$356,235	\$125,000	\$425,000	\$553,000	\$145,849
Total amount to M/W/DSBE	\$214,250	\$76,915	\$30,750	\$204,000	\$194,450	\$145,849
Participation Rate	39%	22%	25%	48%	35%	100%

*If Little Giant, a women and minority led firm, were registered with the City of Philadelphia, Commerce total M/W/DSBE spend would be \$354,000 at 83% participation rate.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY20	FY21	FY22
M/W/DSBE Contract Participation Goal	40%	35%	35%

FY22 Budget Hearings Charts - Commerce

7. Staff Demographics

Biracial employees should be included under "Other."
 The number of employees who identify as non-binary (i.e. employees who do not identify as either female or male) should be included in the text box below the table, along with salary detail.

Staff Demographics (as of December 2020)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	7	24	<i>Total</i>	1	3
<i>% of Total</i>	12%	41%	<i>% of Total</i>	13%	38%
<i>Average Salary</i>	\$73,876	\$78,450	<i>Average Salary</i>	\$170,874	\$123,630
<i>Median Salary</i>	\$59,788	\$70,799	<i>Median Salary</i>	\$170,874	\$120,050
	White	White		White	White
<i>Total</i>	10	11	<i>Total</i>	1	3
<i>% of Total</i>	17%	19%	<i>% of Total</i>	13%	38%
<i>Average Salary</i>	\$78,014	\$86,352	<i>Average Salary</i>	\$133,438	\$138,969
<i>Median Salary</i>	\$69,340	\$69,449	<i>Median Salary</i>	\$133,438	\$125,982
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	2	1	<i>Total</i>	0	0
<i>% of Total</i>	3%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$64,433	\$49,889	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$64,433	\$49,889	<i>Median Salary</i>	\$0	\$0
	Asian	Asian		Asian	Asian
<i>Total</i>	1	2	<i>Total</i>	0	0
<i>% of Total</i>	2%	3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$69,340	\$60,212	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$69,340	\$60,212	<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>	3	8	<i>Total</i>	0	1
<i>% of Total</i>	5%	14%	<i>% of Total</i>	0%	13%
<i>Average Salary</i>	\$64,432	\$67,587	<i>Average Salary</i>	\$0	\$170,874
<i>Median Salary</i>	\$69,340	\$58,333	<i>Median Salary</i>	\$0	\$170,874
	Male	Female		Male	Female
<i>Total</i>	20	38	<i>Total</i>	2	6
<i>% of Total</i>	34%	66%	<i>% of Total</i>	25%	75%
<i>Average Salary</i>	\$74,774	\$79,026	<i>Average Salary</i>	\$152,156	\$131,300
<i>Median Salary</i>	\$68,619	\$68,707	<i>Median Salary</i>	\$152,156	\$123,016

Detail for non-binary employees, if applicable: N/A

8. New Hire Information

Date range is 7/1/20 to December 2020 increment run. Detail for any hires since then can be added in the text box below the table.

New Hires (from 7/1/2020 to December 2020)	
	Total Number of New Hires
Black or African American	1
Asian	0
Hispanic or Latino	0
White	0
Other	0
Total	1

New Hires since December 2020	
	Total Number of New Hires
Black or African American	1
Asian	0
Hispanic or Latino	0
White	1
Other	0
Total	2

All Staff					
	English	Spanish	French	Chinese	Other
Black or African American	31	0	1	0	2
Asian	3	0	0	2	0
Hispanic or Latino	3	2	0	0	0
White	21	0	1	0	3
Other	0	0	0	0	0
Total	58	2	2	2	5

Frontline Staff: N/A