

**DEPARTMENT OF COMMERCE
FISCAL YEAR 2024 BUDGET TESTIMONY
APRIL 18, 2023**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Anne Nadol, Director of Commerce. Joining me today are Deputy Directors and Senior Leaders of the Commerce team. I am pleased to provide testimony on the Department of Commerce’s Fiscal Year 2024 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Commerce (“Commerce”) is the economic catalyst for the City of Philadelphia, working to help all businesses thrive. Commerce creates equitable wealth-building opportunities through strategic investments and ecosystem partnerships to grow quality jobs, build capacity in underserved communities, and make it easier to operate a successful business in Philadelphia.

Plans for Fiscal Year 2024: Commerce has long been a champion for Philadelphia’s economic development community. Detailed below are some of our key accomplishments and recent investments in Fiscal Year 2023:

The City continues to build a stronger, more inclusive economy with opportunities for all residents and businesses. We launched an innovative Incentive Grant for our Philadelphia Business Lending Network to increase access to capital for minority-owned microenterprises. Since launching the grant in October 2022, there has been an 828 percent increase in business inquiries to the Lending Network. To further build the capacity of minority-owned businesses, Commerce created Boost Your Business and provided \$50,000 in forgivable loans to 22 businesses seeking to scale by obtaining new contracts, increasing revenue, and creating jobs. Commerce also recently launched the PHL Made Grant, a pilot fund to grow manufacturing companies in Philadelphia and promote innovation in the industry. Commerce continues to deepen our commitment to supplier diversity and build capacity of M/W/DSBE firms in anticipation of economic opportunities created by the Bipartisan Infrastructure Law.

To drive economic vitality and safety in neighborhoods, the Taking Care of Business Clean Corridors Program (TCB) employs more than 200 cleaning ambassadors across 38 nonprofit organizations and Black-owned businesses serving 85 commercial corridors across the city. Approximately 80 percent of the TCB workforce are African American, 10 percent Hispanic, and 10 percent Asian American. More than 50 percent of our cleaning ambassadors are formerly incarcerated. Furthermore, we recently planted 117 trees within commercial areas and invested more than \$887,000 in neighborhood projects through the Corridor Safety Enhancement Grant Program. With support from the Neighborhood Preservation Initiative (NPI), Commerce enhanced the Business Security Camera Program for participants to receive up to 75 percent of the total eligible costs and businesses in targeted areas, selected by crime data, can receive up to 100 percent of the total costs. Commerce also utilized NPI to expand the Neighborhood Economic Development Grant program, tripling the number of awards in FY22 and FY23. In FY22, Commerce awarded \$4.8M to 15 commercial development projects, which are projected to create more than 600 local jobs.

Developing Philadelphia’s workforce and talent pipelines are crucial to our business growth and retention strategy. In FY23, Commerce launched the Quality Jobs Program to incentivize businesses to create new full-time employment opportunities that pay a living wage and provide health insurance. The city continues to attract and retain companies within world-class industries: life sciences, cell and gene therapy, technology,

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manufacturing, retail and hospitality, and the creative economy. Notably, in December 2022, the City and Pennsylvania Governor's Office announced plans for Chubb, the world's largest publicly traded property and casualty insurance company to open their new office building in Philadelphia. GLG, the world's insight network, also recently celebrated the opening of their new, renovated office in the historic Bourse at Independence Mall. Together, GLG and Chubb will create thousands of family-sustaining jobs in Philadelphia.

Business retention staff are being hired to strengthen relationships with new and existing businesses, identify their challenges, deepen connections with the city's business community, and increase the ease of doing business with interdepartmental efforts. We also hired the City's first Night Time Economy Director to lead public engagement efforts and develop a strategic governance plan for the nighttime economy.

We continue to collaborate with external partners and City departments to expand employer partnerships and resources that align to the City's workforce development priorities – including the Fair Chance Hiring Initiative, Philadelphia's Roadmap to Safer Communities, PHL Most Diverse Tech Hub, Workforce Solutions Grants and the Workforce Professional Alliance. In FY23, through the Workforce Solutions Grant Program, Commerce is investing \$450,000 in training programs at the Community College of Philadelphia and University City Science Center that will prepare Philadelphians for career pathways in the life sciences industry.

In Fiscal Year 2024 and beyond, Commerce will continue to focus on the following strategic priorities:

- Provide trusted guidance and a simplified process to establish, grow, and operate a business.
- Drive equitable neighborhood revitalization that contributes to vibrant commercial corridors.
- Attract and retain businesses through business resources and strategic investments.
- Connect talent to growth industries and to jobs that pay family-sustaining wages.
- Bolster equitable access to capital and contracts for people who have been historically underserved.
- Leverage partnerships and research to drive policy and strategy.

Thank you for the opportunity to testify on behalf of the Commerce Department. I am happy to answer any questions you may have at this time.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2022)				
	Total	Minority	White	Female
Number of Full-Time Staff	68	48	20	48
Number of Exempt Staff	55	39	16	39
Number of Executive Staff (deputy level and above)	7	4	3	6
Average Salary, Full-Time Staff	\$81,697	\$78,502	\$89,145	\$83,600
Average Salary, Exempt Staff	\$84,316	\$80,689	\$93,866	\$86,570
Average Salary, Executive Staff	\$143,050	\$134,750	\$154,117	\$144,558
Median Salary, Full-Time Staff	\$74,000	\$72,000	\$81,500	\$75,000
Median Salary, Exempt Staff	\$75,000	\$75,000	\$89,000	\$75,000
Median Salary, Executive Staff	\$134,000	\$134,000	\$142,500	\$135,500

Employment Levels (as of December 2022)		
	Budgeted	Filled
Number of Full-Time Positions	99	68
Number of Part-Time Positions	0	0

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Number of Exempt Positions	84	55
Number of Executive Positions (deputy level and above)	7	7
Average Salary of All Full-Time Positions	\$76,905	\$81,697
Median Salary of All Full-Time Positions	\$70,000	\$74,000

General Fund Financial Summary by Class (Commerce Core Budget Only)						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 100 - Employee Compensation	\$3,614,341	\$2,601,371	\$5,380,613	\$5,336,080	\$5,695,211	\$359,131
Class 200 - Purchase of Services	\$10,499,099	\$10,038,704	\$9,560,549	\$9,660,549	\$12,246,293	\$2,585,744
Class 300/400 - Materials, Supplies & Equipment	\$26,654	\$20,006	\$62,654	\$62,654	\$26,654	(\$36,000)
Class 500 - Contributions	\$500,000	\$500,000	\$505,000	\$505,000	\$505,000	\$0
	\$14,640,094	\$13,160,081	\$15,508,816	\$15,564,283	\$18,473,158	\$2,908,875

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General Fund Financial Summary by Class (Core Budget, Economic Stimulus, Convention Center Subsidy)						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 100 - Employee Compensation	\$3,614,341	\$2,601,371	\$5,380,613	\$5,336,080	\$5,695,211	\$359,131
Class 200 - Purchase of Services	\$31,514,099	\$30,873,254	\$37,895,099	\$39,995,099	\$40,580,843	\$585,744
Class 300/400 - Materials, Supplies & Equipment	\$26,654	\$20,006	\$62,654	\$62,654	\$26,654	(\$36,000)
Class 500 - Contributions	\$500,000	\$500,000	\$505,000	\$505,000	\$505,000	\$0
	\$35,655,094	\$33,994,631	\$43,843,366	\$45,898,833	\$46,807,708	\$908,875

Contracts Summary (Professional Services only)						
	FY20	FY21	FY22	FY23	FY24	FY23 YTD (Q1 & Q2)
Total amount of contracts	\$125,000	\$425,000	\$553,000	\$400,000	\$400,000	\$255,500
Total amount to M/W/DSBE	\$30,750	\$204,000	\$194,450	\$160,000	\$160,000	\$152,375
Participation Rate	25%	48%	35%	40%	40%	60%

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Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY23	FY24	FY24
M/W/DSBE Contract Participation Goal	35%	40%	40%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2024 General Fund budget totals \$46,807,708, an increase of \$908,875 over Fiscal Year 2023 estimated obligation levels. The increase is primarily due to additional funds to build capacity throughout the department for the Office of Economic Opportunity (OEO) and retain existing employees through a Citywide pay increase. In addition, Commerce will use the additional funding to offset an increase in labor and material costs due to inflation for the PHL Taking Care of Business program as well as creating new opportunities to help businesses thrive in Philadelphia through the Quality Jobs Program and diverse contracting opportunities to grow capacity among BIPOC contractors and businesses in infrastructure as part of the City's investment in projects related to the federal Bipartisan Infrastructure Law and the Inflation Reduction Act.

The proposed budget includes:

- \$5,695,211 in Class 100, a \$359,131 increase over FY23. This funding will increase capacity across the department and provide a pay increase to civil service and exempt employees as part of the City's collective bargaining agreements.
- \$40,580,843 in Class 200, a \$585,744 increase over FY23. This funding will support an increase for existing programs such as the Quality Jobs Program as well as the PHL TCB clean corridor program to offset an increase in labor and material costs due to the rise in inflation. As part of the City's investment in projects related to the federal Bi-partisan Infrastructure Law and the Inflation Reduction Act, we are invested in a new public private partnership to grow capacity among BIPOC contractors and businesses related to the federal Bi-partisan Infrastructure Law and the Inflation Reduction Act. Please Note: three one-time funded programs (SABER grants, Act 158 and Container Village) were deducted from Commerce's FY24 Budget which caused an offset in the appropriated budget. Without including the three program reductions, Class 200 will increase by \$3,773,110.
- \$26,654 in Class 300/400, a \$36,000 decrease from FY23. This decrease was due to the City's one-time investment of \$36,000 to purchase office supplies and technology equipment for the implementation of projects associated with the federal Bipartisan Infrastructure Law.
- \$505,000 in Class 500, level with FY23. This funding will remain the same as the previous fiscal year to provide grants to community development centers as well as funding for OEO MED Week.

STAFFING LEVELS

The department is requesting 99 budgeted positions for FY24, a decrease of 3 positions from FY23.

The decrease in the number of positions appropriated are attributed to salary adjustments for new and existing staff based on the changing labor market.










NEW HIRES

New Hires (from 7/1/2022 to December 2022)				
	Total Number of New Hires	English	Spanish	Mandarin
Black or African American	7	7	2	1
Hispanic or Latino	1	1	1	
White	2	2	1	
Total	10	10	4	1

Detail for new hires since December 2022: Seven new hires and four are bilingual.

PERFORMANCE, CHALLENGES, AND INITIATIVES

ECONOMIC DEVELOPMENT PROGRAM

Measure	 FY22 ACTUAL	 FY23 TARGET	 FY24 TARGET	 MAYORAL PRIORITY
Number of Businesses and Employers Engaged	906	1,000	1,000	
Number of Job Connections	5,189	6,000	6,000	
Business Attraction and Retention: Number of wins¹	36	54	54	
Neighborhood Business Services: Number of businesses supported²	6,057	7,500	7,500	
Number of Business Process Improvement Wins	13	10	10	







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 the average of the last three years.

² "Support" encompasses consultation with OBS (often businesses calling with questions on business regulations), workshops for businesses, referrals and assistance with access to capital, grants, technical assistance, etc.

FY24 STRATEGIC GOALS

- With an organizational structure and staffing in place, Commerce is poised in FY24 to continue its role as an advocate, policy leader, and strong partner for inclusive growth. Commerce will continue establishing transformational racial equity impact goals utilizing an interdivisional approach, planning, and implementation with racial equity principles and a capacity-building framework throughout the organization. This will ensure that anti-racist and equitable processes and operations are integral in the Department's creation of wealth-building opportunities for economic growth in our most vulnerable and under-resourced communities.

OFFICE OF ECONOMIC OPPORTUNITY (OEO)

Measure	 FY22 ACTUAL	 FY23 TARGET	 FY24 TARGET	 MAYORAL PRIORITY
M/W/DSBE participation rate on City contracts¹	33.1%	35.0%	35.0%	
Number of Businesses added to the OEO Registry²	228	200	200	

¹ This measure represents the percentage of dollars committed via contracts to M/W/DSBE firms divided by the total available dollars. This information is collected through the City’s various payments systems (SFAMIS, ACIS, etc.) and then confirmed with the OEO Officers from each department. Since contracts are conformed throughout the year, and the rate may vary across fiscal quarters, OEO has committed to providing this information on an annual basis.

² The number of businesses added to the OEO registry represents the total number businesses that applied for a new or renewal certification as a minority-, woman-, or disabled-owned business with the City of Philadelphia.

FY24 STRATEGIC GOALS

- OEO plans to continue increasing the number of businesses in its registry. In FY24, OEO intends to conduct a cost-benefit analysis to determine the success of businesses that were awarded City contracting opportunities as well as businesses that have not received any contracting opportunities. Additionally, OEO will continue its current outreach by hosting more virtual events to build stronger ties and promote contracting opportunities with the MWDBSE community.
- In FY24, OEO will continue to partner with local certifying partners, diverse chambers, and City departments to grow the OEO registry and make it easier for these companies to do business with the City so that more MWDBSE win public contracting opportunities. Capacity building is a critical function of OEO. With the support of the diverse chambers, we expect to connect with 100 new businesses each quarter.
- OEO also expects to expand the Mentor Protégé program by increasing the number of businesses selected to participate through outreach across all City departments and external partners. The expansion will include increased partnership engagement sessions throughout the year and pairing MWDBSE with similar businesses. These meetings will capture the progress towards the program's desired outcome, increase the skill set of the growth-seeking businesses, strengthen back-end operations, and increase networking opportunities. At the end of the engagement, OEO will publish a report with the findings gathered throughout the year with the hopes of these being a standard of best engagement practices between large and small businesses.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

Commerce will continue to utilize Community Development Block Grant (CDBG) federal funding to work with community organizations and businesses to provide one-on-one assistance, outreach, education, and support along neighborhood commercial corridors in FY24. In addition, Commerce received over \$2 million in grant funding from the Pennsylvania Department of Community and Economic Development (DCED) to further enhance existing programs such as the Business Security Camera Program and Neighborhood Commercial Center Projects.

CONTRACTING EXPERIENCE

Top Five Largest Contracts, FY23											
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 Businesses (principal place of business located within City limits) [yes / no]	Waiver for Living Wage Compliance? [yes / no]
JT Goldstein	Business Technical Assistance	\$150,000	1/29/2018	7/1/2022	MBE: Best Efforts	100%	\$150,000	100%	\$150,000		
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Kafi Hakim	Business Technical Assistance	\$118,000	1/29/2020	6/30/2022	MBE: Best Efforts	0%	\$0	100%	\$118,000		
					WBE: Best Efforts	100%	\$118,000				
					DSBE: Best Efforts	0%	\$0				

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EConsult Solutions, Inc.	OEO Availability Study	\$137,000	12/18/2020	4/1/2022	MBE: 25-30%	43%	\$58,910	43%	\$58,910	Yes	No
					WBE: 25-30%	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

Non-Profit Vendor Demographics		
Philadelphia Authority for Industrial Development	Minority %	Female %
Workforce	40%	72%
Executive	38%	62%
Board	36%	30%
Lancaster Ave 21st Century Business Association CDC	Minority %	Female %
Workforce	83%	50%
Executive	100%	0%
Board	81%	37%
Urban Affairs Coalition	Minority %	Female %
Workforce	93%	42%
Executive	66%	53%

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Board	58%	36%
New Kensington CDC	Minority %	Female %
Workforce	63%	71%
Executive	44%	78%
Board	44%	39%
ACANA	Minority %	Female %
Workforce	96%	52%
Executive	100%	40%
Board	86%	29%

EMPLOYEE DATA

Staff Demographics (as of December 2022)				
Full-Time Staff			Executive Staff	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	6	32	0	4
<i>% of Total</i>	9%	47%	0%	57%
<i>Average Salary</i>	\$75,000	\$82,705	\$0	\$134,750
<i>Median Salary</i>	\$74,000	\$73,810	\$0	\$134,000
	White	White	White	White
<i>Total</i>	10	10	1	2
<i>% of Total</i>	15%	15%	14%	29%
<i>Average Salary</i>	\$84,357	\$93,934	\$134,000	\$164,175
<i>Median Salary</i>	\$82,750	\$81,500	\$134,000	\$164,175
	Hispanic	Hispanic	Hispanic	Hispanic
<i>Total</i>	2	3	0	0
<i>% of Total</i>	3%	4%	0%	0%
<i>Average Salary</i>	\$74,000	\$70,633	\$0	\$0
<i>Median Salary</i>	\$74,000	\$67,000	\$0	\$0
	Asian	Asian	Asian	Asian
<i>Total</i>	2	3	0	0
<i>% of Total</i>	3%	4%	0%	0%
<i>Average Salary</i>	\$50,534	\$71,667	\$0	\$0
<i>Median Salary</i>	\$50,534	\$75,000	\$0	\$0

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	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	15	<i>Total</i>	0	1
<i>% of Total</i>	12%	22%	<i>% of Total</i>	0%	14%
<i>Average Salary</i>	\$74,008	\$86,162	<i>Average Salary</i>	\$0	\$134,000
<i>Median Salary</i>	\$76,500	\$80,000	<i>Median Salary</i>	\$0	\$134,000
	Male	Female		Male	Female
<i>Total</i>	20	48	<i>Total</i>	1	6
<i>% of Total</i>	29%	71%	<i>% of Total</i>	14%	86%
<i>Average Salary</i>	\$77,132	\$83,600	<i>Average Salary</i>	\$134,000	\$144,558
<i>Median Salary</i>	\$72,810	\$75,000	<i>Median Salary</i>	\$134,000	\$135,500

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.**

Karen Fegely, Deputy Commerce Director, is the language access coordinator on behalf of the Commerce Department, in addition to a diverse Commerce employee committee that focuses on providing language access services.

<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.**

The Commerce Department has a diverse group of full-time employees. Nearly 40 percent of our staff are bi-lingual and trained to provide language access services. In addition, Commerce has a language access committee consisting of six representatives across each unit within the department to lead, educate and support the staff, businesses and communities we serve.

Below you will find a breakdown of new hires and existing staff by race and language.

Existing Staff (as of December 2022)					
	English	Spanish	French	Chinese	Other
Black or African American	38	2	1	1	4
Asian	5			1	4
Hispanic or Latino	5	4			1
White	20	2	2		4
Total	68	8	3	2	13

New Staff (from 1/1/23 to March 2023)			
	English	Spanish	Chinese
Black or African American	1		
Asian	4		3
Hispanic or Latino	1		
White	1	1	
Total	7	1	3

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.

Commerce has a linguistically diverse team and leadership with representation of Arabic-Maghrebi, Arabic-Levantine, Belizean Creole, Cantonese, Dari, Farsi, French, Ga, Gujarati, Igbo, Indonesian, Haitian Creole, Igbo, Indonesian, Khmer, Mandarin, Pashto, Shona, Spanish, Turkish, Twi, Vietnamese. These staff are all available to assist business owners as needed.

Our Business Service Managers conduct business daily in the following languages: Spanish, Vietnamese, Khmer and both Cantonese and Mandarin Chinese.

In FY22, our use of contracted services was low: 4 translated documents (2 Spanish, 2 Mandarin) and 1 use of language interpretation line due to a low number of new programs and in-person events. Our FY23 translations will be significantly higher as we've been producing new programs and have communications staff in place to create regular materials. The language interpretation line will likely continue to be low as we rely on our bilingual staff. However, we have promoted the service so that staff are confident to use it if needed.

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

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The Commerce Department has worked to improve language access services over the past year adding bilingual staff: 12 of 23 recent hires are bilingual. Additionally, we continue partnerships and contracts with cultural/ethnic organizations to provide trusted guidance to entrepreneurs. This improves our outreach and communication regarding Commerce's programs and services.

Our Business Service Managers regularly do outreach and staff our business hotline and include staff fluent in the following languages: Spanish, Vietnamese, Khmer and both Cantonese and Mandarin Chinese.

In FY23, Commerce and the Office of Immigrant Affairs launched a project to create videos in multiple languages about the benefits of Commerce programs for small storefront businesses.

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?

In FY23, Commerce launched a new Business Emergency Grant Relief Fund to support small businesses adversely impacted by unforeseen events. This was created to enhance the \$300,000 in relief grants to Philadelphia businesses impacted by Hurricane Ida. In addition, Commerce is investing in projects that support the resilience of local communities as they contend with warmer weather. In FY22, Commerce funded 117 street trees on three commercial corridors that were identified by Philadelphia Parks and Recreation as areas with low tree canopy and extreme summertime temperatures. As we continue to monitor climate change and its economic impact, we will listen to businesses and experts in order to adapt our approach as climate change occurs and create policies and programs that address current and future needs.