

**DEPARTMENT OF COMMERCE
FISCAL YEAR 2025 BUDGET TESTIMONY
APRIL 3, 2024**

INTRODUCTION

Good afternoon, President Johnson and Members of City Council. I am Alba Martinez, Commerce Director. Joining me today are the Deputy Directors of the Commerce team. I am pleased to provide testimony on the Department of Commerce’s Fiscal Year 2025 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Commerce is the economic catalyst for the City of Philadelphia. Commerce increases economic opportunity for all by helping businesses thrive and advancing workforce development strategies. We envision a globally competitive economy that benefits all people who live, work, and do business in Philadelphia.

Plans for Fiscal Year 2025:

The Department of 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 by investing in businesses, commercial corridors, and local organizations.
- Attract and retain businesses through customized support and incentives.
- Build workforce development strategies that connect talent to growth industries and to jobs that pay family-sustaining wages.
- Strengthen equitable access to capital and contracts for people who have been historically underserved.
- Leverage partnerships and research to drive policy, strategy, and ease of doing business.

In Fiscal Year 2025, Commerce will focus on implementing the following new investments:

1. PHL Taking Care of Business (TCB): Commerce will continue to expand PHL TCB, with an additional investment of \$13.5M, growing the program to almost \$24M. These investments will support growing the TCB workforce of Cleaning Ambassadors from 249 to approx. 465; providing more cleaning hours in heavy litter areas to cover evenings and weekends; cleaning new areas and corridor-adjacent blocks; a partnership with PHS for focused vacant lot cleaning around corridors; and ensuring expanded cleaning in every Council District.
2. PHL Open for Business: We aspire to create a best-in-class client service experience for Philadelphia businesses to help them start, grow, operate, relocate to, and remain in Philadelphia. This encompasses multiple strategies including simplifying processes, lowering cost and complexity to do business, and offering trusted guidance, advocacy, resources, and targeted investments that help businesses thrive.

Minority Business Support: In conjunction with the Office of Minority Business Success, we will monitor new investments in two innovative funds – the Innovate Capital Fund and Philadelphia Accelerator Fund – that support local minority businesses to scale. The Innovate Capital Fund makes timely investments of \$2M-5M into businesses to bridge capital for the diverse stages of their portfolio of companies to grow and

scale. The Philadelphia Accelerator Fund provides access to capital for expanding the supply of affordable housing in the City, with a particular focus on supporting the work done by Black and Brown developers who have historically lacked access to financing.

Commerce will continue its role as an advocate, champion, and partner for inclusive growth. Detailed below are some of our key accomplishments and recent investments in Fiscal Year 2024:

The City continues to coordinate efforts to attract, retain, and grow Philadelphia businesses – and invest in their success. We target world-class industries like life sciences, cell and gene therapy, technology, manufacturing, retail, hospitality, the nighttime economy, and the creative economy. We promote Philadelphia as a world-class destination where domestic and international businesses – and their employees – thrive. As part of our focus on the creative economy, Commerce piloted a new PHL Youth Creates Seed Fund Challenge to support and celebrate our youngest entrepreneurs. Commerce also piloted the PHL Made Grant program, providing almost \$125,000 to retain and grow manufacturing companies in Philadelphia. In support of the nighttime economy, Commerce will pilot an overnight food truck market, as well as launch the Liberty Bell Safe Certification Program by the end of FY24.

Notably, in 2023, Commerce assisted two companies (Dispatch BIO and Stateside Vodka) to expand their employment footprint and move into larger sites in Philadelphia. Stateside Vodka’s new location will serve as the company’s permanent HQ. Most recently, Adare Pharma Solutions also selected Philadelphia as their HQ. Together, these companies will create hundreds of new family-sustaining jobs in Philadelphia. Lastly, Commerce provided \$1 million in Emergency Grant funding to retain local businesses experiencing hardship, including almost \$200,000 to 19 businesses impacted by the I-95 collapse last summer.

We aspire to clean, green, and support Philly’s small business corridors as attractive neighborhood destinations. In FY24, the City expanded support for the PHL Taking Care of Business Clean Corridors Program (TCB) program from \$7 million to \$10 million. This enabled partner organizations to expand their cleaning areas, provide pay increases and promotions, and add tree care and maintenance to commercial areas. TCB now employs almost 250 cleaning ambassadors across 39 organizations.

With support from the Neighborhood Preservation Initiative (NPI), Commerce continued to enhance the Business Security Camera Program for participants to receive up to 75 percent of the total eligible costs; businesses in targeted areas, selected by crime data, can receive up to 100 percent of the total costs. In FY24, Commerce expanded the target areas eligible for this enhancement. Commerce also NPI to expand the Community Opportunity Real Estate grant program (formerly Neighborhood Economic Development grants) to increase the typical individual grant amount from \$500,000 to \$950,000.

Commerce continues to make it easier for businesses to access licenses, permits, knowledge, networks, and capital. We continue to develop and expand the Permit Navigator, which helps businesses and residents alike identify what permits they need before committing to a project. Commerce recently managed an RFP process to select a firm to build out a new Business Resource Hub that will help entrepreneurs connect with citywide resources. Furthermore, Commerce funded the Supply PHL initiative, a collaborative effort among partner organizations to build capacity of local minority contractors and other firms in preparation for opportunities created by the Bipartisan Infrastructure Law.

The City aims to create a performance-driven workforce system where businesses, training providers, and talent efficiently connect to each other. We continue to collaborate with internal and external partners to expand employer partnerships and resources that align to the City’s workforce priorities – including the Fair Chance Hiring Initiative, PHL Most Diverse Tech Hub, Workforce Solutions Grants, and the Workforce Professional Alliance. In FY24, through the Workforce Solutions Grant Program, Commerce

invested \$1.15 million in local training organizations, including programs that build pathways into City careers and our learnings will help inform the City’s ongoing and upcoming workforce development efforts. Since launching the Quality Jobs Program in March 2023, Commerce has disbursed \$270,000 in grants to fund 54 local, quality jobs.

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.

PROPOSED BUDGET OVERVIEW

General Fund Financial Summary by Class						
	FY23 Original Appropriations	FY23 Actual Obligations	FY24 Original Appropriations	FY24 Estimated Obligations	FY25 Proposed Appropriations	Difference: FY25-FY24
Class 100 - Employee Compensation	\$5,380,613	\$3,614,784	\$5,767,611	\$5,767,611	\$6,921,861	\$1,154,250
Class 200 - Purchase of Services	\$37,895,099	\$39,937,614	\$43,580,843	\$48,193,843	\$54,334,007	\$6,140,164
Class 300/400 - Materials, Supplies & Equipment	\$62,654	\$62,619	\$26,654	\$26,654	\$176,654	\$150,000
Class 500 - Contributions	\$505,000	\$505,000	\$505,000	\$805,000	\$505,000	(\$300,000)
Total	\$43,843,366	\$44,120,017	\$49,880,108	\$54,793,108	\$61,937,522	\$7,144,414

Proposed Funding Request:

The proposed Fiscal Year 2025 General Fund budget totals \$61,937,522 and includes the Commerce core budget, economic stimulus, and the Convention Subsidy. Setting aside the \$15M Convention Subsidy, Commerce FY25 General Fund budget totals \$46,937,522. It is an increase of \$7,144,414 over Fiscal Year 2024 estimated obligation levels. This net increase is due to Commerce’s PHL Taking Care of Business Corridor Cleaning expansion request, to support the PHL Open for Business initiative, and to enhance support for businesses via targeted cleaning initiatives.

The proposed budget includes:

- \$6,921,861 in Class 100, a \$1,154,250 increase over FY24. This funding will increase the number of staff for the PHL TCB Corridor Cleaning Expansion and add staff to support the PHL Open for Business initiative.
- \$54,334,007 in Class 200, a \$6,140,164 increase from FY24. This funding increase is to support the PHL Taking Care of Business Corridor Cleaning program which will allow Commerce to expand the areas and hours of cleaning services. There are also new investments for the PHL Open for Business initiative to improve the ease of doing business in Philadelphia and enhanced targeted cleaning support for businesses in the Kensington area to leverage the City’s efforts to protect that neighborhood. These proposed increases are offset to some extent by the end of one-time funding for certain FY24 initiatives.
- \$176,654 in Class 300/400, a \$150,000 increase from FY24. This funding will support the purchase of materials, supplies, and equipment for the PHL Open for Business Initiative.
- \$505,000 in Class 500, a \$300,000 decrease from FY24. This decrease is due to a one-time contribution in FY24 that does not recur in FY25.

STAFFING LEVELS

The department is requesting 114 budgeted positions for FY25 in All Funds, an increase of 12 positions from FY24.

The increase is attributed to the staffing needed to support the PHL TCB expansion and PHL Open for Business Initiative.

Employment Levels (as of December 2023)		
	FY25 Budgeted	Filled as of December 2023
Number of Full-Time Positions	114	83
Number of Exempt Positions	86	75
Number of Executive Positions (deputy level and above)	7	7
Average Salary of All Full-Time Positions	\$81,451	\$81,451
Median Salary of All Full-Time Positions	\$72,275	\$72,275

NEW HIRES

New Hires (from 7/1/2023 to December 2023)			
	Total Number of New Hires	Spanish	Mandarin
Black or African American	7	2	1
Hispanic or Latino	1	1	
White	2	1	
Total	10	4	1

PROGRAM BASED BUDGETING:

Program Name: Economic Development

Program Number: 03

FY25 Proposed General Fund: \$60,284,698 (less \$15M for Convention Subsidy = \$45,284,698)

Program Description:

Commerce's economic development activities are carried out by four offices that together aim to build a robust business environment in Philadelphia, increasing family-sustaining job opportunities.

Office of Neighborhood Economic Development: Provides assistance and grants to businesses and community-based organizations, focusing on neighborhood commercial corridors. The goal is to increase economic growth for historically marginalized communities by dismantling barriers, investing in quality jobs, elevating access to capital, providing technical assistance, and generating real estate and equitable wealth-building opportunities.

Office of Corridor Improvements and Business Services: Offers direct support and guidance to Philadelphia businesses and manages programs and activities that improve the environment for neighborhood businesses. The Business Services team within OCIBS is the one-stop shop for Philadelphia business owners and entrepreneurs. Business Services Managers are assigned by area and act as the first point of contact for Philadelphia businesses, helping them navigate City processes and access resources to grow and thrive. OCIBS also manages neighborhood streetscape projects, the PHL Taking Care of Business Commercial corridor cleaning program, and grants to make business areas safer and more inviting through the Storefront Improvement and Business Security Camera Programs. OCIBS staff provide technical support and advice to Philadelphia's Business Improvement District (BID) organizations

and work with businesses and property owners in neighborhoods interested in exploring whether to create a BID.

Office of Business Development and Workforce Solutions: Attracts international and domestic businesses across all sectors through marketing, outreach, and financial incentives for companies looking to start, expand, or relocate to the Philadelphia market. The Business Development and Workforce Solutions team fosters relationships with existing businesses, encouraging them to remain in Philadelphia and grow employment. The team also serves as an intermediary to connect employers to workforce training, education providers, and other resources to provide Philadelphia's talent pool with opportunities to foster a fair and equitable workforce that is representative for all Philadelphia residents.

Office of Policy and Strategic Initiatives: Supports Commerce and its partners by leveraging economic research to drive policy and strategy. This work includes engaging the business community on pending legislation and City process improvements, implementing inclusive communication strategies and educational materials, and improving the ease of doing business in Philadelphia. This unit also centralizes internal evaluation, data analysis, and reporting.

FY25 Strategic Goals:

Commerce is poised to continue its role as an advocate, policy leader, and strong partner for inclusive growth. Commerce works to ensure that anti-racist and equitable processes and operations are integral in the Department's creation of wealth-building and economic growth opportunities that include the city's most vulnerable and historically under-served communities.

Commerce aims to build interdepartmental cooperation for the “PHL Open for Business” initiative and align with Governor Shapiro’s initiatives for shared efficiencies and marketing through ease of doing business improvements including regulatory reform, enhancement of permit navigator, elimination and consolidation of permit and license processes, and increased enforcement.

A significant expansion of the PHL TCB program, headed by the Office of Clean and Green Initiatives and involving other City departments and community partners, will provide cleaner sidewalks and more career opportunities for Philadelphians.

Commerce will build capacity to deliver more workforce development opportunities and more support for Philadelphia’s night-time economy.

Commerce will seek to conduct up to six international business missions, ranging from mayoral business missions to targeted exploratory visits, to support business attraction of critical industries and developing air routes and tourism. Commerce will continue to promote Commerce programs and impact and highlight more good news stories to improve civic pride and Philadelphia’s reputation as a place to live, visit, and do business.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Number of Businesses and Employers Engaged*	1,061	862	862
Number of Job Connections**	6,177	6,007	6,007

Business Attraction and Retention: Number of wins***	16	36	36
Neighborhood Business Services: Number of businesses supported****	6,357	6,207	6,207
Number of Business Process Improvement Wins*****	12	13	13

*In FY23, Business Development participated in a steady stream of business interest ranging from Life Sciences, Professional Services and Advanced Manufacturing. In spite of a slow recovery across the business landscape, companies continue to grapple with a return to office policy and the impact of the demand for hybrid work. Commerce closed on a significant headquarter win for the city with global insurance company Chubb selecting to remain in Philadelphia and build their Northeast regional headquarters, providing 3,000+ jobs in the city. Commerce's international team has hired additional staff to address interest from abroad as foreign investors explore the Philadelphia market for opportunities; mainly in life sciences and tech. Business Development has over 200+ projects in the pipeline representing various companies with interest in Philadelphia. The FY24 and FY25 targets are averages of the past 3 fiscal year actuals.

**Commerce uses its budget to create programs and initiatives to promote a thriving economy that benefits all people who live and work in the city. Job connections represent the number of full-time positions created or retained as a result of a company or employer receiving funding from Commerce. Job Connections include (1) Business Development: Jobs created or retained in Philadelphia through business development efforts; (2) Workforce Development: The number of job seekers connected to employment through workforce development activities, such as the Fair Chance Hiring Initiative (FCHI), Call for ideas: Workforce Solutions, and Most Diverse Tech Hub. (3) Neighborhood Economic Development (NED): Jobs created or retained through business grants, including Neighborhood Funding Stream grants, NED grants, Business Technical Assistance Program (BTAP), In-Store forgivable loan program, Targeted Corridor Management Program (TCMP) new corridor jobs and Taking Care of Business. The FY24 and FY25 targets are averages of the past 3 fiscal year actuals.

***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.

**** Support is defined as a consultation with OBS (often businesses calling with questions on business regulations), workshops for businesses, referrals, and assistance with access to capital, grants, technical assistance (BTAP, Security Camera Program, BizCoach, Lending Network, and TCMP). The FY24 and FY25 targets are averages of the past 3 fiscal year actuals.

*****The business advocacy team works to make it easier to do business and increase access to information through improved internal coordination. A win is a completed successful project. FY23 wins include the launch of the permit navigator pilot and the passage of amendments to nuisance business law. The FY24 and FY25 targets are averages of the past 3 fiscal year actuals.

Program Name: Office of Economic Opportunity

Program Number: 14

FY25 Proposed General Fund: \$1,652,824

Program Description:

The Office of Economic Opportunity (OEO) is committed to ensuring that Minority, Women, and Disabled owned Businesses (MWDSBE) receive an equitable share of contract opportunities with the City. In collaboration with the Office of Minority Business Success, OEO will continue to increase opportunities to achieve participation and create new models that support "scaling up" to increase the capacity of these businesses to become prime contractors, providing a pathway to generational wealth in the City's communities of color.

FY25 Strategic Goals:

Continue to expand the OEO Registry: In FY25, OEO remains committed to expanding its business registry. A key initiative for the fiscal year includes focusing on areas where there were few or no MWDSBE vendors available to solicit and targeting vendors that can complete this work to become a part of the OEO registry. In tandem, OEO will intensify outreach efforts by hosting more virtual events to foster stronger connections within the MWDSBE community.

Collaborate with City Departments: A central focus for the year involves working closely with City Departments to provide targeted policy training sessions. These sessions are designed to enhance efficiency and elevate the quality of the data used in the Department's programs. By ensuring that each department is well-versed in Commerce's policies, Commerce aims to create a streamlined and collaborative environment that optimizes collective performance, fostering improved data accuracy and quality across all initiatives. This initiative aligns with the goal of achieving operational excellence and reinforcing the foundations for impactful, data-driven decision-making.

Increase access to Capital: MWDSBE’s face well documented barriers in accessing capital from financial institutions. In the absence of alternative capital choices, businesses face the prospect of either scaling back operational capacity or ceasing operations altogether. OEO will collaborate with the newly formed Minority Business Success team to focus on business growth and advancement and direct investment support to Philadelphia businesses.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
M/W/DSBE participation rate on City contracts*	31.96%	35%	35%
Number of Businesses added to the OEO registry**	229	230	230

*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 (SPEED, 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.

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

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 FY25.