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FOR INFORMATION CALL

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Ald. Joe Davis, Sr.
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Common Council Approves New Payment Terms for Contractors

Alderman says change “a solid initial move” to streamline, remove key participatory barrier for women- and minority-owned businesses

The Common Council on Wednesday approved legislation changing the way prime contractors and subcontractors on city-awarded contracts are paid – a move that will ultimately help women- and minority-owned businesses looking to garner city-awarded contracts, according to Alderman Joe Davis, Sr., the author of the legislation.

The measure, a recommendation of the City of Milwaukee Disparity Study of the city Emerging Business Enterprise Program, will reduce the city’s prime contractor payment schedule from 60 to 30 days, and require prime contractors to pay subcontractors within seven days (instead of 10 days) of receiving payment by the city.

Alderman Davis said the changes equate to “a solid initial move” in an effort to streamline the city’s contractor payment system and to direct more city contract money toward women- and minority owned businesses. “Women- and minority-owned businesses typically do not have capital and cash reserves on hand to fall back on if they don’t get paid in a timely manner, and therefore suffer cash flow problems that many prime contractors don’t experience,” he said.

“The speeding up of the city’s payment system means this discriminatory barrier for smaller firms owned by women and minorities will hopefully be neutralized, so they can be participants in projects rather than observers left on the outside. It’s a long-term win-win for our entire city,” Alderman Davis said.

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Contractor Payments/ADD ONE

The city now has a gender- and race-neutral program that requires a portion of contracts be given to disadvantaged business enterprises, but a consultant's study determined that the city money was not reaching women and minority contractors. The study also found that late payment to subcontractors was a major impediment to minority- and women-owned businesses doing work for the city.

The disparity study was approved by the Common Council on December 21, 2010.

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