

Client ALERT

Prompt Payment for Philadelphia Contracts

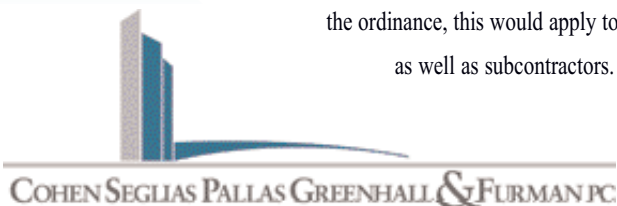
There is a new “prompt payment” ordinance that has been introduced to the Philadelphia City Council that could affect how quickly contractors and subcontractors get paid for doing work on projects for the City of Philadelphia. For those contractors who work directly for the City, the proposed ordinance would require the City to make payment within 30 days from the date that the contractor submits the invoice to the City. The City could extend this time period to a maximum of 60 days if it needs extra time to determine whether the goods were properly provided or services were properly performed. Failure to make payments on time would require the City to pay interest on the unpaid amounts at a rate of 1.5% per month.

This proposed ordinance would not only apply to the payments the City makes, but also to payments that contractors must make to their subcontractors on City jobs. Once a contractor is paid by the City for the work performed or materials provided by its subcontractors, the contractor would have to pay its subcontractors within the same time period within which the City was required to pay. This time period would be, at a minimum, 30 days and would be no longer than 60 days. If a contractor did not pay its subcontractors promptly it would be required to pay interest on the amount due at a rate of 1.5% per month. Based upon the current language of the ordinance, this would apply to contractors, as well as subcontractors.

The only excuses for failing to make prompt payments would be if:

- The form of the invoice submitted by the party seeking payment is defective. In this case, the City or contractor would have to notify the party seeking payment within 10 days. If the City or contractor fails to do so, the invoice would be automatically deemed correct as to form, and the City or contractor would not have this excuse.
- The City or contractor believes that the party doing work or providing goods failed to perform its obligations properly. The City or contractor would then have to provide written notice of the defect to the party seeking payment within the time period in which payment is required.

This ordinance has not yet been scheduled for a public hearing, but we will keep you up to date on its status. In the meantime, for further information, or if you would like a copy of this ordinance, please contact Ed DeLisle from Cohen Seglias at 215-564-1700 or EDelisle@cohenseglias.com.



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