

ORDER

WHEREAS, delays in payment to subcontractors on city construction contracts continues to grow; and

WHEREAS, subcontractors are forced to take out costly lines of credit to pay employees and suppliers while waiting for the City of Chicago to issue payment; and

WHEREAS, the delay in payment takes several forms, including: a) time it takes for the City to process pay applications and issue payments; b) time it takes prime contractors to pay subcontractors after they have been paid by the City; and c) poor paper work either by prime contractors or subcontractors, and

WHEREAS, interest charges ranging from 7-9% are what subcontractors have to pay while waiting for payment on a city construction contracts; and

WHEREAS, these interest charges are included in bids submitted on city construction contracts; and

WHEREAS, the City of Chicago has to pay these interest charges, reducing funds available to complete projects; and

WHEREAS, the Chicago City Council adopted an ordinance on July 17, 2000 authorizing the Chief Procurement Officer to make direct payments to subcontractors for monies earned on contracts; and

WHEREAS, since adoption of this ordinance, no such direct pay program has been established; and

WHEREAS, if the City of Chicago paid subcontractors in a timely fashion, it would realize significant savings; and

WHEREAS, timely payment to subcontractors would also significantly reduce the time city officials, prime contractors and subcontractors spend on trying to get the City to pay on a construction contract, resulting in additional savings for all involved; and

WHEREAS, the City of Chicago could use these cost savings to fund additional capital projects across the City; and

WHEREAS, there are numerous departments involved in the payment process, including Aviation, Comptroller, Fleet & Facility Management, Procurement, Transportation and Water Management; now therefore

BE IT ORDERED BY THE CITY COUNCIL OF THE CITY OF CHICAGO

That the Chief Procurement Officer and the City Comptroller shall implement a direct pay program that utilizes a third-party administrator to administer a construction escrow to pay prime contractors and subcontractors for work performed on city construction contracts in accordance with the following schedule:

- A) No later than October 31, 2026 issue a request for proposal to retain a third-party administrator to administer the direct pay program with a response date no later than November 30, 2026; and
- B) No later than December 31, 2026, complete the review of all submissions for the third-party administrator and execute a contract with the winning submission; and
- C) No later than January 31, 2027 incorporate the following statement in all construction bids issued, "payment on this contract will be issued through a third-party vendor in an effort to speed up payment to prime contractors and subcontractors.

That city departments that administer construction contracts, including but not limited to Aviation, Fleet & Facility Management, Transportation and Water Management are ordered to provide all necessary information regarding its processing of pay applications no later than October 31, 2026 to the Chief Procurement Officer and the City Comptroller to facilitate establishment of this direct pay program.



Scott Waguespack
Alderman, 32nd Ward