



NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

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NECA RECOMMENDS POSTING PAYMENTS TO GENERAL CONTRACTORS

State law requires that General Contractors pay their sub-contractors within 10 days of receipt of payment from the owner. The law, however, does not require the General Contractor to tell the sub-contractor when they have been paid. Some General Contractors use this to their advantage and actually require their sub-contractors to play a cat-and-mouse game with the awarding authority to find out when the General Contractor has been paid.

If you are a school district trustee or a city employee, or are responsible for construction contracts for your municipality, one of your tasks is to find the very best contractors to perform your work. This includes both general contractors and sub-contractors for the individual trades. Not every contractor can bid every job, and as a result, contractors tend to focus on those customers where they have been treated favorably in the past. Therefore, it is important for any municipality to develop a contractor-friendly means of dealing with the construction industry. On the other side, the last thing you want to be labeled with is the moniker of being a “poor customer”.

If your Facilities Department is paying your general contractors in a timely manner, but your general contractors are in turn not paying their sub-contractors in a timely manner, you may be developing a reputation that you do not deserve. In addition, if you develop that reputation, the individual sub-contractors are smart enough to know that they need to increase the price of their bid on your projects to cover the cost of financing that project over the additional length of time it takes to be paid on progress payments and retention. Therefore, as a responsible party in the contracting procedure for your municipality, it is in your enlightened self-interest to be certain that your subcontractors are being paid in a timely manner. It is the law and not doing so may be costing you money.

A number of municipalities through the state have adopted a procedure where they post their payments to general contractors on their municipality website. It takes nothing more than a link to an Excel spreadsheet to convey the information that someone working for the municipality probably already performs. It also eliminates the need for the various sub-contractors to contact someone to see if a certain contractor has been paid, and if so, the date of that payment. The West Contra Costa Unified School District (See <http://www.wccusdbondprogram.com/index.php?name=Content&pid=28>) is a good example of how this procedure works to the benefit of the entire construction industry.

As the steward of public funds for the construction process, the concept of transparency in financial dealings is very important to you. Posting payments to General Contractors on your web site solidifies that aspect of transparency, it protects you from developing a bad reputation, and it conveys a message to the entire construction industry that you want to make sure that all contractors have been rightfully paid for the work they have performed.

Thank you for your consideration.