

April 23, 2012

MEMORANDUM

TO: The Consultant Community

FROM: Malcolm T. Kerley, P.E. (signature on file)
Chief Engineer

SUBJECT: Reinstatement of the Rate Escalation for Professional Services Contracts

The Virginia Department of Transportation (VDOT) suspended Rate Escalation for Professional Services contracts on August 28, 2009. VDOT has reviewed this issue and decided to reinstate the Rate Escalation in the amount of one half percent (½%) for the first year and one percent (1%) for the subsequent years on all professional engineering services contracts as follow:

CONTRACTS WITH FIXED BILLABLE RATE COMPENSATION:

1. The fixed billable rates on existing contracts will stay in effect at the current year rate table until the end of a contract year. During this time, the consultant shall continue to submit invoices and be paid using the current year rate table only. *The current year rate table is defined as the rate table which is in effect as of the date of this memorandum.*
2. The existing contracts in year one (1) of two years first term will be eligible for one percent (1%) escalation once the contract year ends. A letter will be sent to the consultant with a notification of rate escalation allowance of one percent (1%).
3. For the renewal of existing contracts, a renewal letter will be sent to the consultant with a notification of rate escalation of one percent (1%) for each of the subsequent years. The consultant will have an option of accepting or denying VDOT's renewal request of the contract term. If the consultant wishes not to renew the contract term, the contract will expire in accordance with the terms and conditions of the contract agreement. This change will also apply to the renewals that are currently in progress but not yet executed as of the date of this memorandum.
4. For all future contracts, as well as those currently under negotiations, the escalation rate tables will be added in accordance with escalation rates noted above. All work performed in years beyond the last year of the contract term will be paid at the final year (i.e., fourth year) rate table included in the contract.

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CONTRACTS WITH COST PLUS FIXED (NET) FEE COMPENSATION:

1. There will be no change to the existing contracts using the cost plus fixed fee compensation method. However, the escalation rate provision noted above will be applicable to all future contracts, as well as those currently under negotiations.

This memorandum supersedes my Memo dated August 28, 2009 regarding a Suspension of the Rate Escalation on Professional Services Contracts as well as the 2009 Manual for the Procurement and Management of Professional Services until further notice.

Cc: District Administrators
Division Administrators
Shailendra G. Patel, P.E.
District PE Engineers