



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219 2000

Charles A. Kilpatrick, P.E.
Commissioner

August 11, 2014

MEMORANDUM

TO: The Consultant Community

FROM: Mohammad Mirshahi, PE
Deputy Chief Engineer

A handwritten signature in black ink, appearing to read 'Mohammad Mirshahi'.

SUBJECT: Increase of the Rate Escalation for Professional Services Contracts and Salary Caps for Construction Engineering Inspection Contracts

The Virginia Department of Transportation (VDOT) reinstated the suspended Rate Escalation for Professional Services contracts on April 23, 2012. At that time, VDOT decided to reinstate the Rate Escalation in the amount of one half percent ($\frac{1}{2}$ %) for the first year and one percent (1%) for the subsequent years on all professional engineering services contracts. VDOT recently received the request made by the Industry to consider an increase in the escalation rate. VDOT has reviewed various data and determined that escalation will be established based upon a specific economic index. The index identified is the Employment Cost Index, Table 9, Professional, Scientific and Technical Services. Escalation under this index will be implemented effective August 15, 2014 in the following manner:

CONTRACTS WITH FIXED BILLABLE RATE COMPENSATION:

1. The fixed billable rates on existing contracts will stay in effect as currently reflected in each contract. No change to the escalation rate will be applied to contracts executed prior to the implementation date of August 15, 2014.
2. On July 1 of each year the Department will review the published rate on the index and will set the contract escalation rate. This rate will be published and applied to all professional engineering contracts executed in that fiscal year.
3. The escalation rate will be based upon the index with a minimum rate of 1% and a maximum rate of 3%.
4. The contracts in year one (1) of a two year first term will be eligible for one half of the published escalation rate. Subsequent contract years will be allowed the full rate as published in the reference index, subject to the limits imposed by the Department.
5. 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.

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.

SALARY CAPS FOR CONSTRUCTION ENGINEERING INSPECTION:

The following inspection classification hourly pay rate limitations (VDOT capped rates) will be utilized on all CEI Contracts, both current and future. These new rates will be effective on all invoices submitted after September 1, 2014. The new rates shall not exceed the following:

CLASSIFICATION	RATE	
	STATEWIDE	NOVA
Construction Inspector Trainee	\$19.73	\$22.31
Construction Inspector	\$24.25	\$30.08
Senior Construction Inspector	\$30.70	\$37.97
Construction Inspection Coordinator	\$33.29	\$41.01

This memorandum supersedes Memo dated April 23, 2012 regarding the Reinstatement 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
District PE Engineers
Mr. Jeffrey L. Rodgers