



COMMONWEALTH of VIRGINIA

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

Charles A. Kilpatrick, P.E.
Commissioner

June 28, 2017

MEMORANDUM

TO: The Consultant Community

FROM: Mohammad Mirshahi, PE
Deputy Chief Engineer

A handwritten signature in black ink, reading "Mohammad Mirshahi".

SUBJECT: Escalation Rate for Professional Services Contracts

The Virginia Department of Transportation's (VDOT's) current policy is to use the published escalation rate at the time of the RFP advertisement for entire contract duration. The escalation rate is established using the Employment Cost Index, Table 9, Professional, Scientific and Technical Services on July 1st each year. The Department is changing its policy in terms of escalation rate adjustments from fixed to an annual adjustment as follows:

The escalation rate will continue to be established using the Employment Cost Index, Table 9, Professional, Scientific and Technical Services which will be effective on July 1st each year. The escalation rates will be limited to a range of 1% to 3% which will be applied to the direct salary (labor) rate.

For Limited Services Term (on-call) Contracts, the fixed billable rate table for the first term (two years) will be established in the contract at half (1/2) the established rate for year one (1) and full established rate for year two (2). Any additional terms will be renewed using the prevailing escalation rate at the time of renewal. Payment for work performed beyond the last term of the contract will remain at the rates of the most recent term renewal.

For other contracts with fixed billable rate, the escalation will be applied in the same manner as Limited Services Term (on-call) contracts for the first two (2) years. For each subsequent year, the escalation will be applied at the prevailing rate.

The escalation discussed in this memorandum does not apply to cost plus fixed fee contracts.

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Beginning July 1, 2017, the Department will implement the new escalation policy on all future contracts. This memorandum supersedes the memos issued on November 2, 2015 and August 11, 2014. Questions regarding this memo should be directed to Mr. Shailendra Patel, Alternative Project Delivery Division.

cc: District Administrators
CO Division Administrators
District Construction Engineers
District PE Engineers
Mr. Shailendra Patel, PE, DBIA