



COMMONWEALTH OF VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219

DAVID S. EKERN, P.E.
COMMISSIONER

August 28, 2009

MEMORANDUM

TO: The Consultant Community

FROM: Malcolm T. Kerley, P.E.
Chief Engineer (*Original with signature on file in the Innovative Project Delivery Division*)

SUBJECT: Suspension of the Rate Escalation for Professional Services Contracts

According to the latest revenue projections for the Commonwealth, revenues are continuing to decline and will further impact transportation funding. The Virginia Department of Transportation (VDOT) is focusing on programs and services budgets to find means to address the latest revenue reduction.

In reviewing VDOT programs and services, the rate escalation for the professional services contracts has been discussed. After careful review and consideration, VDOT has decided to indefinitely suspend the rate escalation provision on all professional engineering services contracts effective immediately. The suspension of the escalation will be implemented in the following manner:

LIMITED SERVICE TERM (ON-CALL) CONTRACTS:

1. The fixed billable rate tables on existing contracts will be frozen at the current year rate table. The consultant shall submit invoices and be paid using the current year rate table only. *The current year rate table is defined as the rate table effective as of the date of this memorandum.*
2. For the renewal of existing contracts, a renewal letter will be sent to the consultant with a condition of no rate escalation for the subsequent years (i.e., year 2, 3 and so forth). 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.
3. The escalation rate provision will be removed from fixed billable rate tables on all future contracts.

The Consultant Community

August 28, 2009

Page two

PROJECT SPECIFIC CONTRACTS:

1. The escalation rate provision will be removed from the contract agreement and fee proposal for all future contracts utilizing compensation types of Cost plus Fixed (Net) Fee and Fixed Billable Rate.

This memorandum supersedes VDOT policy for the procurement and management of professional services until further notice.

Cc: Division Administrators
District Administrators
District PE Managers