



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION

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Commissioner

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MEMORANDUM

TO: The Consultant Community
FROM: Mohammad Mirshahi, PE
Deputy Chief Engineer

SUBJECT: Escalation Rate for Professional Services Contracts

This memorandum (memo) provides additional clarity on the Virginia Department of Transportation's (VDOT's) escalation policy memorandum issued on June 28, 2017.

Consistent with the escalation policy memo issued on June 28, 2017, 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 fully established rate for year two (2). Any additional terms beyond the first 24 months period will be renewed using VDOT's published escalation rate effective on the date of renewal. Payment for work performed beyond the last term of the contract will remain at the rates of the most recent term renewal.

In case of early renewals of Limited Services Term contracts within the first 24 months the following applies:

- Second Term - The established rate table in the Contract effective on the date of renewal shall apply.
- Third Term - In the rare case, when the third term is also renewed within the first 24 months period, VDOT's published escalation rate on the date of renewal will be applied.

For other contracts with fixed billable rates, 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 VDOT's published escalation rate.

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

This memorandum supersedes the memo issued on June 28, 2017 and is effective immediately.

Questions regarding this memo should be directed to Mr. Shailendra Patel, Alternative Project Delivery Division.

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