



December 3, 2018

Commissioner James P. Redeker
Connecticut Department of Transportation
2800 Berlin Turnpike
Newington, CT 06131

Re: Consultant Wage Freeze

Dear Commissioner Redeker:

We want to thank you again for meeting with us on November 28, 2018 to discuss the consultant wage freeze and its resulting impacts on our member firms since its inception in September 2016. To inform the discussion, we queried several member firms who have multiple contracts with CTDOT to understand how each has been impacted by the freeze.

Our investigation revealed that all firms have experienced limited staff turnover associated with employees leaving to join other firms to obtain higher pay rates. Given the limited supply of personnel resources in Connecticut, most firms have opted to continue to provide wage rate increases during the freeze to retain staff so that contracted work can continue to be performed as efficiently as possible. However, they have done so to the detriment of profitability. As mentioned during our meeting, firms must be profitable. This is a key distinction that makes public sector and private sector compensation comparisons difficult.

Wage freezes enacted by CTDOT in the past have been typically limited to short (one year) durations. We have understood and reluctantly accepted that these were implemented so consultants shared the sacrifices being felt by CTDOT staff during statewide budget crises. However, this current freeze has been in effect for 27 months with no end in sight. While union CTDOT employees were provided additional compensation in 2018, the consultant community continues to see its rates frozen.

Firms have moved staff from one CTDOT project to another to mitigate the effect of the freeze on wage rates and profitability. This negates the purpose of the freeze which is to limit project costs. Such staff turnover also caused loss of continuity and



inefficiencies on CTDOT project, which were unintended consequences of the freeze. The extended duration of this current freeze has resulted in virtually all consultant staff being affected by the freeze thereby negating the effectiveness of this mitigation strategy. It has also put firms in the difficult position of determining the viability of providing services to CTDOT.

The result of firms absorbing wage rate increases at the expense of profit has been to reduce overall profitability by 30% to over 100%. Attached is data for eight projects which was obtained from four of our member firms. The data shows that projects negotiated at profit margins of approximately 9% are performing at actual rates between 6% and -1% because of the need to keep salaries competitive. The longer duration the project, the larger the impact on profitability.

To be clear, firms are either working at significantly lower than negotiated profit margins or are losing money in the performance of CTDOT projects because they are paying higher wage rates to retain staff and are foregoing profit in the process. This is not sustainable and member firms are evaluating the efficacy of working for CTDOT given this issue and the profound negative impact on profitability. If firms deem it in their best interest to not pursue work here, CTDOT will lose consultant capacity and the resources it needs to deliver its program.

We respectfully request that the wage freeze be lifted as soon as possible.

Thank you again for your willingness to discuss this important issue. We look forward to continuing to work with CTDOT to strengthen the partnership between our organizations and help effectively deliver your program. If you have any questions, please don't hesitate to contact us.

Sincerely,

A handwritten signature in blue ink that reads "Robert S. Yirigian".

Robert S. Yirigian
President, ACEC-CT

Cc: Mark Rolfe, CTDOT
Michael McCarthy, Anthony Moretti, Paul Schmidt, Scott Delesdernier

Enclosure