



January 4, 2018

Darren Kettle
Executive Director
Ventura County Transportation Commission
950 County Square Drive, Suite 207
Ventura, California 93003

RE: RATP Dev Letter of Intent Presented to Ventura County Transportation Commission

Over the last few months, RATP Dev has been engaged in developing a plan for the acquisition of Roadrunner (RMS) with the goal of owning the company and the requisite contract with VCTC for the operation of the Intercity Service. Through a multifaceted approach, we have been working to complete customary due diligence of the RMS operation and specifically, the contract for VCTC Intercity Service.

The initial review of the VCTC Intercity Service agreement was conducted along with several site reviews to determine the nature and scope of operations related to the provision of service and whether or not the contract would be sustainable in current form. Unique to this review, was the fact that VCTC was concurrently running a solicitation for the service provision of the Intercity Service.

The findings from RATP Dev site review indicated several areas in need of improvement to provide for a sustainable operations contract. Primary areas of adjustment consisted of the following:

1. Livable Wage Adjustments

RATP Dev reviewed the current staffing levels and the associated pay rates for all position classifications assigned to the VCTC Intercity Service. Within the operator group, the average wage rate was slightly over \$15 per hour. We also found that Roadrunner has struggled to identify and recruit sufficient numbers of qualified operator candidates to fill open positions, similar to many other contract operators around the country. These two components coupled together have made it difficult to consistently attract and retain operators.

The average wage and benefit levels for coach operators in this type of service provision was identified as a major hurdle in operating a sustainable contract over the long-term by RATP Dev. Moreover, given the recent and upcoming modifications to California minimum wages and other improvements being planned to allow sick leave pay our proposal contains pricing to allow a "livable" wage for the largest group of employees.

Our proposal to VCTC contains pricing that will allow the average wage rate to be moved up to \$17.50 per hour. This increase will take the form of a new wage scale with a starting wage of

\$14.75 per hour up to a maximum of \$22.00 per hour as identified in the pricing section of this proposal. The distribution of the wage increase will take place upon the transition of the new agreement to RATP Dev and will be applicable for each employee depending on their seniority and current wage rates. Thereafter, a standard performance review program will be in place to determine future wage increases for all employees.

RATP Dev has also conducted a review of the remaining employee classifications and provided standard wage brackets for each classification for comparison to the existing operating staff in the pricing section as well.

2. Improved Maintenance Services

RATP Dev has reviewed the existing maintenance pricing contained in the current agreement and applied our industry leading experience to bear on a revised plan. Included in this plan is a longer horizon view of conducting routine and preventative maintenance on the fleet. Overall, we found the existing RMS and VCTC owned fleet to be fairly new. However, a new fleet will transition into mid-life within the duration of this contract. Indeed, the existing fleet will no longer be in a warranty capacity and the contract operator will bear full risk in keeping the units and all the components in operation. As such we have planned for mid-life overhauls of each unit in our pricing. Moreover, we have expensed out a robust maintenance program including the parts, materials, and supplies necessary to meet the specifications of the contract that will enable the fleet to run with a high degree of reliability and maintain the service levels projected within the scope of service.

These adjustments in pricing were built with experience from operating fleets of similar capacity and duty cycles as those planned for VCTC Intercity Service. Our pricing utilizes material cost on the basis of miles operated and allows for predictive component failures to be identified before they arise. This is accomplished through maintenance staff training on the various major components and systems, having the inventory necessary to complete repairs on hand before the failure, and testing the fluids (oil sample analysis) to determine the performance of the engines and diagnose issues early.

Benefits to this approach will pay dividends in the future to VCTC in a two-fold fashion. First, the overall reliability of service will improve with fewer roadcalls as parts identified for failure will be replaced at standard OEM intervals allowing for fewer service interruptions. Second, the durability and service life of the fleet will be extended beyond the standard FTA service life of 12 years allowing VCTC the benefit of a longer spread for replacement units. We have found that planning for a longer horizon for fleet maintenance programs has led to improved system performance in the out years and provided far less overall maintenance expense and exposure to safety related issues in the aggregate over time for our customers.

3. Operational Efficiencies/Fuel Pass-Through Provision

We have also included in our pricing an array of operational efficiencies within the staffing plan for the VCTC service. Specific to this adjustment was the “right-sizing” of the Supervisors and Dispatchers. The current agreement specified minimum levels for these two classifications. Our review of the system operation indicated a potential savings in these areas. Our pricing

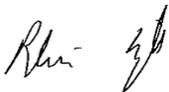
assumption maintains road supervision and dispatching personnel on duty while any VCTC Intercity service is in operation. This will allow the necessary communication with customers and employees as necessary in the course of operating the service. Our program also implements a cross-training platform to allow flexibility and career development paths for employees to advance within the organization. The minimum staffing within our proposal contains three (3) dispatch positions and three (3) road supervisors. This is a reduction from the existing agreement but our review indicates the service can be sufficiently supervised and dispatched at these levels and provides VCTC some cost savings over the existing agreement. RATP Dev has also provided as part of our pricing the provision of a Fuel Pass-Through component which will allow an initial direct benefit to VCTC. The existing agreement contained an at-risk fuel provision from the contractor. The pricing under the existing at-risk agreement was based on an assumption of \$3.90 per gallon. The RATP Dev pricing assumption for fuel is based on current market conditions within the Ventura County area and is set at \$3.00 per gallon. This provision would allow any savings realized for fuel prices below \$3.90 to accumulate to VCTC.

Our standard protocol is not to profit from the fuel within an operating contract. Likewise, we do not wish to take the risk for the fuel as well. Our proposal, will allow VCTC to take an immediate reduction in the expense of the contract and allow for current fuel cost savings that are currently below the \$3.90 per gallon.

As an example of how this will work, RATP Dev purchase the fuel directly at market rates for our clients. This figure will then be invoiced to the client (in this case VCTC) but would allow the fuel expenses to be passed through over the duration of the contract removing the risk of price escalations but eliminating the current \$3.90 per gallon rate within the existing agreement. In this capacity, the fuel expense risk will be transferred over to VCTC and the benefits of price decreases below \$3.90 will accumulate to VCTC.

The RATP Dev proposal will implement the aforementioned improvements to wages and benefits, implement a robust maintenance program, and allow operational efficiencies to be made that will stabilize the existing service agreement. RATP Dev will work closely with VCTC staff to continue improving the service and looking for additional efficiencies once we are on-site and running the Intercity Service. A brief summary of the proposal with staffing recommendations, our corporate support team, and our operational approach is included below along with our pricing for the remainder of the contract duration.

Sincerely,



Blaine Rigler
President RATP Dev North America

VENTURA COUNTY TRANSPORTATION COMMISSION PROPOSAL

RATP Dev looks forward to providing superior service to VCTC throughout the term of our contract. You will receive expertise from RATP Dev corporate to guide the local management team with a focus on continuous improvement in meeting the scope of services.

The basis of our proposal is outlined in the following paragraphs and will provide VCTC a synopsis of our approach and pricing assumptions for the operation of the VCTC Intercity Service.

RATP Dev has completed an initial operation review and pricing for the VCTC Intercity Service and proposes the anticipated staffing levels.

OPERATIONS	Year 3
Variable - Operators	
Drivers - Full-time	42
Drivers - Part-time	17
TOTAL	59
Fixed - Dispatchers	
Dispatchers - Full-time	3
Fixed - Operation Supervisors	
Road Supervisor	3
MAINTENANCE	Year 3
Variable - Full-time Mechanics	
Mechanic A	1
Mechanic B	1
Mechanic C	2
Lead/Foreman	1
TOTAL	5
Full-time Service/Utility	
Utility	7
Fixed - Maintenance Staff - Full-time Hourly	
Parts Clerk	1
Fixed - Maintenance Staff - Part-time Hourly	
Farebox Clerks	2

ADMINISTRATIVE	Year 3
Fixed Administration - Safety & Training	
Asst. Training Manager	1
Fixed Full-Time Administration - Hourly	
Admin. Asst	2
RATP Management Team	
General Manager	1
Maintenace Manager	1
Safety/Training Manager	1
Operations Manager	1
SVP Operation	1
RATP Dev Staff Total	5
GRAND TOTAL	88

RESIDENT MANAGEMENT TEAM SUPPORT

You will receive expertise from RATP Dev corporate personnel from our Fort Worth headquarters and on-site as needed. Their support will also be available throughout the Contract term.

Additional Executive Support Available Throughout Contract Term

Blaine Rigler, President, RATP Dev

With over 25 years of experience in leadership and operations management roles, Mr. Rigler's expertise encompasses marketing leadership, international business acumen, operations, and technology systems innovation. Before joining RATP Dev in December 2016, Mr. Rigler served as Senior Vice President-Global Solutions at Iron Mountain, Inc., an S&P 500 company employing almost 17,000 professionals in over 1,000 facilities across 36 countries.

Sandy Freeman, VP - Innovation & Product Delivery, RATP Dev

Sandy Freeman, our Vice President of Innovation and Product Delivery, brings 23 years of experience as a Senior Innovation Delivery Leader. She has an established history for developing and delivering forward thinking strategies, and building strong partnerships to advance the right products and technologies for complex environments. She is a seasoned product development professional skilled in Business Development, Competitive Analysis, Marketing Requirements, and Product Strategy. She works closely with the General Management staff and our business partners to uncover ways to optimize and provide distinguishable value to our customers.

Patty Fritz, VP - Human Resources, RATP Dev

Patty Fritz, our Vice President of Human Resources, brings 25 years of multi-unit and cross-industry HR leadership experience from distribution and manufacturing to service and retail. She drives excellence in service delivery for RATP Dev through strong business relationships built on trust, integrity, and respect.

Mike Anderson, VP - Safety & Security, RATP Dev

Mike Anderson is leading RATP Dev's bus and rail safety and security initiatives, continuing to bring standardized models of excellence to the organization's locations of operation. Based in Fort Worth, TX, Anderson will be working with RATP Dev's clients. Mr. Anderson brings years of safety and security management experience. He will use his extensive experience in designing, developing, and implementing Safety Management Systems (SMS) at our transit systems. He is responsible for directing the safety and security protocols for RATP Dev's operations across the country, continuing to evolve the company's safety and security programs. Additionally, he will explore new safety and security protocols to help with the implementation of innovative, modern technologies that are expected to enter the public transit industry in the near future.

John Roslansky, Labor & Employment Attorney, RATP Dev

Mr. Roslansky has extensive experience in developing and overseeing labor and employment compliance programs, investigations and litigation while acting as in-house and external counsel, and as senior human resources executive. Develops and manages departments and functions that achieve business objectives on multi-state and international scope. Skilled in turnaround situations and managing organizational change. Expertise includes Domestic and International Compliance; Risk Assessment and Mitigation; Employment Litigation; Labor Relations; and Contracts.

OPERATIONAL APPROACH

Seamless Transition and On-Boarding Process

The RATP Dev approach to transition is to maintain a seamless operation where service to customers remains unaffected. Our goal would be to initiate the transition phase immediately after notice to proceed. A full transition plan will be designed and followed to ensure a smooth and effective transition.

Upon notice to proceed, RATP Dev supported through our corporate team will conduct an on-boarding process for all employees. This process will include signing up everyone for the RATP Dev benefits structure as well as an introduction to our company. This is usually done in groups so as not to interfere with normal operations and covers all employees.

RATP Benefits Summary

The existing employee group will be transferred over to the RATP Dev benefits program. This program is a comprehensive package of standard benefits with options to buy up in certain areas to match employee needs. Our standard package includes:

- Medical Benefits from Aetna (Employee and Family Options)
- Dental
- Vision
- 401K Program
- Life Insurance Plans
- Long and Short-Term Disability Plans
- Flexible Spending Accounts (FSA)

Operating Facility and Fleet

Our plan is to continue running VCTC Intercity Service from the current operating facility location at 240 S. Glenn. We will work closely with VCTC to review and construct long-term plans for continued operation from this facility matching the needs and program growth of the system. This location will be primary to the operation of the VCTC Intercity service.

Our current pricing includes the provision of fleets as identified in the existing agreement. Likewise, we will also store and maintain the VCTC fleet at this location as well. The fleet will be dedicated to the VCTC Intercity Service.

PRICING

RATP Dev is pleased to submit our pricing for the delivery of operational services to the Ventura County Transportation Commission.

Our proposal contains the following wage improvements as well as cost control measures that are reflected within the pricing sheets.

- Improved livable wages
- Fuel pass-through provision
- Staffing revisions to Street Supervisors and Dispatch
- Efficiencies related to material, parts, and supplies

RATP Dev Proposed Pricing	RATP Proposed						
VCTC Intercity Service							
Service Hour Baseline	84,000	84,000	84,000	84,000	84,000	84,000	28,000
	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>
VARIABLE HOURLY RATE	\$55.77	\$56.96	\$58.17	\$59.41	\$60.68	\$61.97	\$63.29
GATE-TO-GATE MONTHLY SERVICE FEE	342,615	351,810	361,360	366,860	377,868	386,032	389,781

TOTAL	8,796,056	9,006,187	9,222,698	9,392,771	9,631,167	9,837,695	3,331,187
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Anticipated Employee Pay Ranges

	Min	Max
Operators FT	\$14.75	\$22.00
Operators PT	\$13.00	\$17.00
Lead Mechanic	\$25.33	\$34.27
Mechanics	\$23.00	\$30.00
Road Supervisor	\$17.50	\$24.00
Dispatcher	\$15.00	\$20.00
Utility	\$12.00	\$16.00
Admin/Clerical	\$13.00	\$17.00
Farebox Clerks	\$13.00	\$17.00
Parts Manager	\$17.00	\$23.00
Asst. Training Mgr	\$18.00	\$25.00

