

RELIANT FIRE APPARATUS, INC.

880 ENTERPRISE DRIVE • SLINGER, WISCONSIN 53086 • PHONE (262) 297-5020



August 20, 2018

Chief Steven Howard
City of Waukesha Fire Department
130 W. St. Paul Avenue
Waukesha, WI 53188

Dear Chief Howard,

This letter is accompanied by a proposal for one (1) Pierce Quantum PUC Pumper. This proposal is a unit similar in design to previous unit #31289 which was ordered in January of 2017 and delivered in March of 2018, along with changes made to the proposed unit requested by Assistant Chief Joe Hoffmann (Attachment A).

As you are aware the City of Waukesha has an agreement with Reliant Fire Apparatus, who have the same agreement with Pierce Manufacturing, to provide new vehicles at a price that utilizes the final price of a previous similar unit to be adjusted by the Producer Price Index (PPI) PCU33612033361202 for heavy duty truck manufacturers with a GVWR of 33,001 lbs. or more.

We have sent all of the information to Pierce to calculate this PPI change. What they found is that the PPI in effect in January of 2017 was 214.2. The most recent projected PPI is now at 213.4 or 0.8 points lower in January of 2017 than it is now. This equates to a price reduction in price of 0.37 percent over the last 20 months (Attachment B).

Since you placed your last order for unit #31289 Pierce has had two price increases. The first was on February 1, 2017 in the amount of 3% and the second was on February 1, 2018 in the amount of 3%.

Over the last 20 months Pierce has not realized a reduction in the cost of building fire apparatus. While the PPI dropped, Pierce's costs continued to grow due to wage increases, increasing material costs and dramatically increasing insurance rates. For these reasons Pierce has had the last two price increases.

When I submitted the information from Pierce to utilize the PPI agreement they told me that they could not honor that portion of the agreement. Since their costs had increase by more than 6% (compounded) over the time that the PPI had declined. Obviously if Pierce cannot offer this to Reliant, we also cannot offer it to the City of Waukesha.

I asked Pierce what could be done for the City of Waukesha to give you the best possible pricing. Pierce has agreed to offer to the City of Waukesha, through Reliant Fire Apparatus, an increase in the price of the unit being bid of 3% compared to previous job #31289 prior to the changes desired by Asst. Chief Hoffmann, and not include the 3% price increase that took effect on February 1, 2018.

With this information the following pricing is for a new unit similar to #31289 with the changes as requested by Assistant Chief Hollmann.

Contract Price of job #31289 dated signed January 18, 2017 before any discounts (Attached C)	\$669,195
Changes made to unit #31289 during design and production (Attached D)	\$ 7,978
Final Price to Waukesha before any discounts	\$677,173
3% price increase proposed by Pierce	\$ 20,315
Changes to new unit per Asst. Chief Hoffmann (Attached A)	\$ 5,841
Final proposed price prior to any discounts	\$703,329

To put this into perspective the price of this unit at current pricing is \$724,429 or 3% higher than that being offered to the City of Waukesha, a savings of \$21,100.

As you and I have been discussing the price of materials used in building fire apparatus (steel and aluminum) have been increasing dramatically due to tariffs being imposed by the federal government. Mike DuFrane, Vice President of Marketing and Sales for Pierce outlines this in the letter attached (Attachment E). Many customers with similar agreements have been including this with the agreement paragraph that states "Price driven by State, Federal or industry mandates will be added to the price of new units prior to the calculation of the PPI index change" since this is a direct result of the tariffs imposed by the federal government. In your case since we are not using the PPI index change the actual commodity charge is being utilized and not being multiplied by any factor.

In order to remain a viable manufacturer Pierce has had to address this significant increase in materials used by implementing a commodity surcharge. This surcharge is based on product type with those products requiring the most steel and aluminum having a higher surcharge percentage than those with lower content of those materials. The commodity surcharge for your proposed vehicle is \$19,363. Adding this to the price listed above make the final price, before any discounts \$722,692.

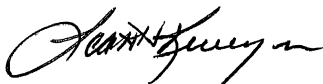
On behalf of Reliant and Pierce I apologize for not being able to comply with the original PPI Index agreement but Pierce nor Reliant have ever experienced a decline in the PPI as associated with fire apparatus and obviously cannot sell a piece of fire apparatus today for less than it did 20 months ago when all associated costs have increased.

In the past the City of Waukesha has taken advantage of any and all discounts that have been offered by Pierce and passed on through Reliant. Following are the discounts available for this unit:

Final vehicle price including performance bond, commodity surcharge and changes	\$722,692
Chassis payment discount	(\$ 11,993)
Full prepayment discount	(\$ 15,096)
Final price and amount due at time of contract signing	<u>\$695,603</u>

Thank you for the opportunity to propose this new Pierce Quantum PUC Pumper to you. We look forward to again be able to provide the City of Waukesha Fire Department and the citizens of Waukesha the finest fire apparatus in the world.

Sincerely,
RELIANT FIRE APPARATUS, INC.



Scott H. Krueger
President

ATTACHMENT A

City of Waukesha Fire Department	
FY2019 New Engine Change Summary	
The following are the changes from previous unit 31289 at time of shipment:	
Item Changed	Cost Impact
Add poly isolators between rear wheels.	\$173.00
Add vinyl cover for front bumper soft suction tray.	\$152.00
Change battery charger and display to Progressive Dynamics PD9280 with Kussmaul Model 091-189-12-PP display that monitors battery status and chassis air pressure.	(\$27.00)
Change body handrails to formed stainless steel handrails without end stanchions. Cab handrails are to remain lighted with end stanchions.	\$929.00
Delete trough for the piercing nozzle in the right side upper rear long tool compartment.	(\$323.00)
Add trough for drywall hook to the crosslay area.	\$323.00
Pierce to provide front bell in place of customer provided.	\$1,360.00
Delete upper left side rear long tool compartment behind the rear access ladder. Move items to right side upper compartment.	(\$464.00)
Update Akron valve discharge controllers from 9323 to newer model of 9333.	\$0.00
Change side pump intake adapters to 30 degree 6" FNST x 5" Storz adapters with cap.	\$198.00
Delete front inlet storz adapter - fire department to furnish.	(\$349.00)
Add support floor to upper 2.50" crosslay opening for sliding of poly trays.	\$142.00
Change lower right drain handle on pump panel (foam drain) from swing handle to a round quarter turn handle.	\$0.00
Change cab side water level gauges so top light is blue in place of green.	\$0.00
Change front bumper M9 warning lights from split color red/white to single color white flashing lights.	(\$64.00)
Change compartment interior paint to NightSpots black/dark gray colored paint. To include all shelves, trays, toolboards, etc.	\$2,155.00
Remove keypad electronic lock and replace with unlabeled switch on the officer's side pump panel to unlock the P3 compartment door.	(\$191.00)
Interior cab door ground lights to be Whelen PELCC lights in place of OnScene LED strip lights.	\$954.00
Secondary fuel filter to have remote mount filter kit from Cummins with filter located to rear of engine/transmission area.	\$873.00
TOTAL COST CHANGES FROM JOB 31289	\$5,841.00

ATTACHMENT B

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.8	169.6	169.6	169.6
2009	172.9	172.9	172.9	172.9	174.4	174.4	174.4	174.4	174.4	174.4	173.4	173.4
2010	173.4	173.4	173.4	173.4	173.4	180.8	180.8	180.8	180.8	180.8	180.8	180.8
2011	180.8	180.8	180.8	180.8	180.8	180.8	182.3	182.3	182.3	184.9	184.9	184.9
2012	186.7	187.1	187.1	187.1	187.8	187.6	187.3	187.3	187.0	187.0	188.3	190.1
2013	190.7	190.7	190.7	190.7	192.2	193.6	194.0	193.8	193.9	196.8	197.1	196.8
2014	196.7	197.6	197.7	197.3	197.2	197.0	197.0	197.7	197.6	197.8	198.1	198.1
2015	200.4	201.1	203.2	203.3	203.1	203.3	204.4	204.6	204.5	204.8	205.4	205.3
2016	208.4	208.3	208.4	208.5	209.3	209.5	209.4	209.5	209.8	209.5	210.6	210.5
2017	214.2	213.4	213.5	214.5	214.6	213.0	213.2	213.4	213.4	213.4	213.4	213.4
2018	213.4	213.4	213.4(P)	213.4(P)	213.4(P)							

P : Preliminary. All indexes are subject to revision four months after original publication.

214.2 - 213.4 = decline of 0.8 or 0.37%

EXHIBIT A

PURCHASE DETAIL FORM

Pierce Manufacturing, Inc.
 Director of Order Management
 2600 American Drive
 Appleton WI 54912
 Fax (920) 832-3080

Date: 1/18/17Customer Name: City of Waukesha

Quantity	Chassis Type	Body Type	Price per Unit
1	Quantum	P.U.C. Pumper	\$667,393.00
			\$
			\$
			\$
			\$

Price per Unit is for One (1) Pierce P.U.C. Pumper mounted on a Quantum chassis per Pierce Proposal #407. Purchase Price of \$640,686.00 is derived from Price per Unit of \$667,393.00 less advanced payment discount of (\$28,509.00) plus 100% Performance Bond amount of \$1,802.00. Advanced payment discount in the amount of (\$28,509.00) is outlined in Payment Terms below.

$$667,393 + 1,802 = 669,195$$

Warranty Period: Warranty includes one (1) year bumper to bumper warranty. Warranty certificates of coverage are provided in full detail in proposal package #407 dated January 11, 2017.

Training Requirements: Training is to be provided by Reliant Fire Apparatus, Inc.

Other Matters: Includes 100% Performance Bond to be provided within fifteen (15) days of contract execution.

This contract is available for inter-local and other municipal corporations to utilize with the option of adding or deleting any Pierce available options, including chassis models. Any addition or deletion may affect the unit price.

Payment Terms: Payment in the amount of \$640,686.00 is to be paid in full at the time of contract entry to Pierce Manufacturing. Payment is to be made to Pierce Manufacturing, Inc. If payment in the amount of \$640,686.00 is not made the advanced payment discount in the amount of (\$28,509.00) will not be earned.

[NOTE: If deferred payment arrangements are required, the Customer must make such financial arrangements through a financial institution acceptable to Pierce.] All taxes, excises and levies that Pierce may be required to pay or collect by reason of any present or future law or by any governmental authority based upon the sale, purchase, delivery, storage, processing, use, consumption, or transportation of the Product sold by Pierce to the Customer shall be for the account of the Customer and shall be added to the Purchase Price. All delivery prices or prices with freight allowance are based upon prevailing freight rates and, in the event of any increase or decrease in such rates, the prices on all unshipped Product will be increased or decreased accordingly. Delinquent payments shall be subject to a carrying charge of 1.5 percent per month or such lesser amount permitted by law. Pierce will not be required to accept payment other than as set forth in this Agreement. However, to avoid a late charge assessment in the event of a dispute caused by a substantial nonconformance with material Specifications (other than freight), the Customer may withhold up to five percent (5%) of the Purchase Price until such time that Pierce substantially remedies the nonconformance with material Specifications, but no longer than sixty (60) days after Delivery. If the disputed amount is the freight charge, the Customer may withhold only the amount of the freight charge until the dispute is settled, but no longer than sixty (60) days after Delivery. Pierce shall have and retain a purchase money security interest in all goods and products now or hereafter sold to the Customer by Pierce or any of its affiliated companies to secure payment of the Purchase Price for all such goods and products. In the event of nonpayment by the Customer of any debt, obligation or liability now or hereafter incurred or owing by the Customer to Pierce, Pierce shall have and may exercise all rights and remedies of a secured party under Article 9 of the Uniform Commercial Code (UCC) as adopted by the state of Wisconsin.

THIS PURCHASE DETAIL FORM IS EXPRESSLY SUBJECT TO THE PURCHASE AGREEMENT TERMS AND CONDITIONS DATED AS OF 1/18, 2017 BETWEEN PIERCE MANUFACTURING INC. AND THE CITY OF WAUKESHA WHICH TERMS AND CONDITIONS ARE HEREBY INCORPORATED IN, AND MADE PART OF, THIS

CHANGE ORDER RECORD

CUSTOMER:		WAUKESHA FIRE DEPARTMENT	JOB 31289
DATE	ADD/DEL.	DESCRIPTION	PRICE
06/19/17	Change	Change from mechanical primer to Trident AirPrime.	(\$147)
06/19/17	Add	Add electric cab door locks, with switch at pump panel, with (4) key fobs.	\$1,438
06/19/17	Delete	Delete center rear facing cabinet in the crew cab (heater location change).	(\$750)
06/19/17	Change	Relocate heater from under forward facing seat risers to on top of rear facing engine tunnel.	(\$530)
06/19/17	Add	Add mounting plate on top of the rear facing heater.	\$294
06/19/17	Change	Both rollup door EMS cabinets to go full height to ceiling and change doors to silver/unpainted.	\$1,446
06/19/17	Change	Delete outboard overhead CC compts and change center cabinet to solid lift up door in place of Plexiglass.	(\$654)
06/19/17	Delete	Delete vertical crew cab extinguisher compts with tilt out storage racks.	(\$2,766)
06/19/17	Change	Change center crew cab seats to standard spacing between seats to allow horizontal extinguisher compartments.	(\$173)
06/19/17	Change	Add horizontal extinguisher compartments behind the crew cab doors with lift up double pan doors.	\$2,311
06/19/17	Add	Change air inlet to auto eject, with weatherproof cover, recess mounted into the side of the cab near shoreline.	\$597
06/19/17	Change	Rear wall 2.50" discharge to terminate through rear wall rather than in hosebed below poly tray.	(\$182)
06/19/17	Add	Add 2.50" discharge to front of the hosebed, on the officer's side.	\$1,968
06/19/17	Delete	Delete daytime running light connection for headlights.	(\$10)
06/19/17	Change	Update air bottle doors to be painted finish in place of polished S/S with flanged doors.	\$341
06/19/17	Change	Update air pack compartment in fender panel to be flanged door and painted finish.	\$170
06/19/17	Change	Update wheel chocks to Checkers Industries AT3514 poly blocks with horizontal brackets.	(\$143)
06/19/17	Change	Cab door panels are to be all stainless and remove the ABS plastic panels. To be Line-X covered panels.	\$1,929
06/19/17	Delete	Delete front cab handrails below windshield.	(\$360)
06/19/17	Change	Cab interior paint is to be black in place of gray.	\$0
06/19/17	Change	Hosebed lights to activate with parking brake set only (no switch on the doors).	(\$105)
06/19/17	Change	Hosebed cover to be red with black "4" in place of "E4".	(\$49)
06/19/17	Change	All rollup doors are to be silver/unpainted finish.	(\$1,512)
06/19/17	Add	Add 8' NY roof hook with storage tube to the PS upper pike pole compt.	\$217
06/19/17	Delete	Waukesha to provide front bumper reel nozzle and mount.	(\$452)
06/19/17	Change	Pump panel in D3 to be textured black paint in place of brushed stainless steel.	(\$15)
06/19/17	Delete	No small foam level gauge required in cab (match previous unit with water gauge only).	(\$137)
06/19/17	Change	Pump panel lights on back of cab to be (2) Whelen in place of (4) Grote to allow mounting of recessed warning light.	(\$169)
06/19/17	Add	Add Clear/White light cutout switch for all forward facing white lights.	\$258
06/19/17	No Change	Compartment paint is to remain spatter gray painted.	\$0
06/19/17	Delete	Delete chevron of ladder rack arm.	(\$162)
06/19/17	Change	Update lightbar per WeCad drawing provided by Rob.	\$597
06/19/17	Add	Change traffic light to mounted in a 4-way box, mounted on the hosebed crosstube, aluminum treadplate finished.	\$1,086
06/19/17	Delete	Delete (1) driver's side 2.50" discharge and change the (1) remaining discharge to electric controlled.	\$39
06/19/17	Change	Driver not have redundant window controls on door panel as well as dash panel.	(\$485)
06/19/17	Delete	Delete angled handrails inside crew cab doors due to axe mounting obstructions.	(\$362)
06/19/17	Delete	Delete 4-bin map box.	(\$451)
06/19/17	Change	AM/FM radio to be Jensen in place of Panasonic.	(\$170)
06/19/17	Add	Add foam to 6th discharge - to be lower (2) crosslays, upper forward crosslay, booster reel, turret, and right side front hosebed.	\$341
06/19/17	Change	Graphics Approval - Stripe Design Change	\$3,500
01/08/18	Change	Change rear tailboard to 16" deep tailboard per construction review.	\$1,230
	LESS	ADDITIONAL INTEREST EARNED FOR LATE DELIVERY BEYOND QUOTED LEAD TIME	(\$5,627)
		CURRENT AMOUNT OVER OR (UNDER) ORIGINAL CONTRACT	\$2,351

5,672 + 2,351 = 7,978
Credit Invoice DATE

APPROVAL SIGNATURE _____

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POST OFFICE BOX 2017
APPLETON, WISCONSIN 54912-2017
920-832-3000 • FAX 920-832-3208
www.piercemfg.com



March 20, 2018

Pierce Customers:

President Trump imposed tariffs of 25% on steel and 10% on aluminum, imported from countries outside North America. While Pierce procures all aluminum and steel from North America and Europe, the tariffs have impacted prices on all steel and aluminum, regardless of origin, resulting in significant cost headwinds for United States specialty vehicle and heavy equipment manufacturers.

Over the last few months, prior to the communication of the tariffs, steel and aluminum prices have risen 25-35% and 15-20% over 2017 prices, respectively. Pierce has absorbed these escalating raw material costs to date. Now amplified by the tariffs, this additional sharp acceleration in commodities pricing has required Pierce to implement a surcharge on all purchase orders placed on, or after, May 1, 2018, for new fire apparatus and aftermarket parts. The surcharge will also apply to stock trucks completed on or after May 1, 2018. Stock trucks completed before May 1, 2018 will not include a surcharge. As an indication of the pervasive nature of these tariffs, component suppliers have already begun contacting Pierce to discuss their own surcharges. You may recall, Pierce faced a similar situation in the early 2000's when President Bush levied tariffs on steel, and was forced to implement a surcharge at that time.

The commodity surcharges are product specific (applied as a percentage of the apparatus price), varying in proportion to the steel and aluminum content for each specific product type.

Pierce will continue to monitor and evaluate the cost of steel and aluminum and re-assess the surcharge as market conditions dictate.

Please feel free to reach out to your sales representative with any additional questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Dufrane".

Mike Dufrane
VP of Sales & Marketing