



Nebraska Intergovernmental Risk Management Association

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Serving County Government

Craig L. Nelson, Executive Director

Agenda Item # 25.b.
Date 2-12-2020

2020 JAN 25 AM 11:12
RECEIVED
Dodge Co Highway Dept

COPY

Jean Andrews
Planning & Zoning Administrator
Dodge County
435 N. Park, Rm 204
Fremont, NE 68025-4967

RE: **Property Value Update**

Dear Jean,

At NIRMA's request, HCA Asset Management, LLC recently visited Dodge County to conduct an onsite inspection and appraisal of the recently added Salt Shed building located in Scribner. Your assistance in that undertaking and that of other county employees was greatly appreciated and significantly aided the process. The purpose of the visit was to assure NIRMA and Dodge County, as well as our property excess and reinsurers, that we have an accurate and complete understanding of the insurable values of all member property which is an essential part of any property insurance program.

We now share with you the results of the recent HCA inspection. The enclosed binder reflects the end product of this process. You will find a letter of explanation addressing the process HCA took in conducting the inspection and valuation service. The Insurance Summary Report shows the one-line total value for the location. Finally, the Insurance Detail Report lists the specifics used to appraise the particular site and includes a picture of the inspected and appraised structure.

Buildings and Contents continue to be valued and insured at replacement cost. Construction type and square footage remain significant factors in determining building value.

The property was initially added to your property schedule with the reported value pending appraisal. We will now remove the pending appraisal status and update the County's Building and Contents Schedule accordingly. Please let me know if you have any questions in regard to this process.

Sincerely,

Larry G. Pelan, CPCU
Underwriting & Risk Manager

Enclosure

c: Dodge County Board of Commissioners wo/enclosure

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December 19, 2019



Mr. Larry G. Pelan, CPCU
Underwriting and Risk Manager
Nebraska Intergovernmental Risk Management
Association
8040 Eiger Drive
Lincoln, NE 68516

Dear Mr. Pelan:

Our firm has performed onsite inspections and valuation services for **Dodge County**, one of your program's insured entities. We are pleased to submit our restricted appraisal report for certain property of interest to Nebraska Intergovernmental Risk Management Association (hereafter "NIRMA"), a municipal risk pool operating in the state of Nebraska.

I. Purpose/Intended Use:

The sole purpose of our appraisal was to express our opinion of the replacement cost for insurance purposes. This report and the opinions of value expressed herein should be utilized for no other purpose. The intended use of the appraisal is to provide value conclusions that will assist NIRMA in its effort to maintain proper and supportable insurance to value, insurance placement, proof of loss documentation, and collection of important underwriting data as it relates to their property insurance reporting requirements. Neither this report nor its contents are to be referenced in any public documentation or redistributed to any third party without the express written consent of HCA Asset Management, LLC. The information contained in the reports are specific to your needs as the intended user and HCA is not responsible for any unauthorized use.

The submitted reports have been understood as "restricted appraisal reports" and are prepared under USPAP Standards Rule 8-2b-i through xii and Advisory Opinion 11 (updated as of the 2014-2015 edition). The criterion for this type of report has been achieved in the certificate letter of the report. Individualized detailed valuation backup will be provided upon request of the client or in the event of any future judicial proceedings.

Cost of Reproduction New (CRN) is the current estimated cost in terms of money, as of a specific date, incurred in reproducing a new replica of the property being appraised using the same, or closely similar materials.

Replacement Cost (RC) is the cost to construct or replace, at one time, an entire building of equal quality and utility. Modern materials and current methods, designs, and layouts are used for replacement. Replacement Cost does not take into consideration improvements necessary to conform to changes in building codes, demolition, debris removal, site accessibility or site work, reuse of building components or services, overtime, bonuses for labor, soft costs, extraordinary fees, premiums for materials, or other contingencies. For insurance purposes, the prices used for labor, materials, overhead, profit and fees are those in effect as of the date of our appraisal.

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It is important to review these definitions as stated in the current insurance policy language for accuracy and consistency. In the event of a partial loss, the amount of loss may be based on repair and renovation costs that are proportionately higher than the provided values for entire property, as defined herein.

Exclusion is a provision in an insurance contract describing property or types of property not covered by the contract. Typical exclusions segregated from our valuation conclusions are as follows: 1) Site Preparation; 2) Footings and Foundations (below the lowest occupied level); and, 3) Underground Portions of Plumbing.

II. Scope and Methodology:

HCA has conducted a field inventory of certain property owned by the insured, as designated by NIRMA. For each building, HCA has provided a detail Building Report. A complete listing of properties appraised by our staff is included with the Summary & Detail Report formats accompanying this letter.

Our valuation report includes:

- Buildings / Structures
- Moveable Machinery & Equipment/Contents (based on modeling/tally techniques)
- Fixed Equipment/Process Equipment – these items have been valued and included with Building values.
- Insurable Property in the Open

Excluded from the scope of our service were the following:

- Land/Landscaping
- Licensed Vehicles
- Mobile Property (unlicensed rolling stock)
- Infrastructure assets
- Intangible assets
- Property in the open not typically covered by insurance
- Consumable supplies and spare parts; inventory items not included in project scope
- Leased property and personal property of others
- Architectural drawings and records

Buildings/Structures:

Each building subject to our appraisal (refer to proposal) has been physically inspected. Square footage for each building was generated based on a review blueprints, by physically measuring each building or by using existing documentation (i.e. CAD information; as-built plans, facilities information) and then verifying the data provided. Major construction components and building elements were identified and valued as part of the overall structure. Building plans/notes and photographs were prepared for each site to become part of our proof of loss documentation, in addition to assisting with the valuation efforts.

Furniture, Machinery and Moveable Equipment:

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This category is often referred to as “Personal Property” or “Contents” in the insurance industry. HCA did not perform a detailed physical inventory of machinery and equipment assets. For insurance purposes, contents were either tallied and grouped by building to develop reasonable estimates of Replacement Cost, or the costs have been “modeled” based on similar properties previously appraised by our staff (estimated based on a standard cost per square foot). For larger, newly constructed locations, contents may also have been estimated based on a combination of original cost documentation provided by the Entity. Based on the accepted scope of our engagement, these results should not be used for more detailed proof-of-loss documentation.

Insurable Property In The Open:

At the locations appraised, our staff recorded and valued all insurable property in the open. Items such as lighting and fencing were valued, and the resulting values have been reported separately.

III. Three Approaches to Value:

The appraisal industry supports three recognized approaches to value (Cost, Sales Comparison and Income Approaches). As stated under USPAP Standards Rule 7.4, the appraiser has considered each approach to value and has decided which were applicable to the current project scope and intended use. The three approaches, as defined by the American Society of Appraisers are:

Cost Approach – This approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When the subject asset is not new, the current cost new for the subject must be adjusted for all forms of depreciation and obsolescence as of the effective date of the appraisal. **For Insurance Appraisal purposes, this is the most appropriate approach to valuing assets, and the one utilized by our staff for this engagement.**

Sales Comparison Approach – This approach involves the comparison of comparable recent sales (or offerings) of similar assets to the subject. If the comparable sales are not exactly like the subject, adjustments must be made to the price of the comparable sales (or offerings). The adjustments may be either up or down in order to estimate what the comparable would have sold for if it had the same characteristics as the subject. This approach leads to an indication of the most probable selling price for the assets being appraised.

Income Approach – This approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income.



The most reliable data available for the type of assets included in the scope of our appraisal includes historical cost and replacement cost information. Sources for this information include, but are not limited to client historical costs, purchase orders, recent contracts, files, databases, past inventories, manufacturers' suggested retail price lists, manufacturers price quotes, bluebooks, industry price guides and retail equipment catalogs. It has been established that the Cost Approach is the most relative and appropriate for insurance purposes. For this reason, we decided to employ the Cost Approach.

IV. Additional Risk Modeling Data

As part of our inspection and report our staff has prepared our estimates for the following: a) Flood Zone and b) Elevation. To provide this information we have utilized subscription-based resources for specific location data based on GPS coordinate readings obtained by our staff while in the field. We have not performed a detailed engineering mapping service, and cannot certify the data provided; however, we feel confident that the data provided by the mapping service is a reasonable determination of these risks which may allow the intended user to identify specific property characteristics/locations that may warrant further research.



V. Summary

The appraisal report includes the following documents:

- This letter and attached Certification, summarizing our procedures and methodology;
- Tables indicating the coding and physical addresses for the locations inspected and valued;
- The attached appraisal reports (summary and detail) outlining our findings;
- A statement outlining our appraisal assumptions and conditions that limit use of the appraisal.

Exclusions have been calculated according to our experience with property that is typically excluded for insurance purposes. We accept no responsibility of liability for the excluded property. It is our recommendation that you consult with your insurance representatives so that these figures may be compared to those in your current coverage. It is recommended that a new inspection be conducted every five to seven years to meet current insurance appraisal standards.

For insurance purposes it is our opinion that the effective date as of November 01, 2019, the estimates of value are as follows:

	Replacement Cost (net of exclusions)
Buildings:	\$57,500
Contents:	\$0
Property in the Open:	n/a
Total for Locations Appraised:	<u>\$57,500</u>



VI. Appraisal Certification

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct. I have not knowingly misrepresented any facts or information that would have an impact on my calculations or conclusions of value.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within a three year period immediately preceding acceptance of this assignment.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have made a personal inspection of the properties that are the subject of this report (where applicable under the scope of services).
- Analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (updated as of 2014-2015 edition).
- No one provided significant property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated).

Respectfully Submitted,
HCA Asset Management, LLC

A handwritten signature in dark ink, appearing to read "Philip Cruz", is written over a light blue circular stamp.

Philip Cruz
Responsible Appraiser