

System Replacement Plan (SRP) Overview

Leverett Historical Society: Moore's Corner School House



Presented by

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Leverett Historical Society

The Leverett Historical Society is a volunteer organization dedicated to preserving the rich history of Leverett, Massachusetts, with two homes at the center of its operations: the Field Museum in the heart of downtown Leverett and a schoolhouse in Moore's Corner, North Leverett.

The Leverett Historical Society's museum is the perfect place to visit if you have an interest in learning about the town of Leverett's unique heritage. The museum has an extensive library of information and documents, including a repository of records specific to family names and antique homes relevant to Leverett that many find useful with genealogical research.

In 2024, the town of Leverett will celebrate the 250th anniversary of its founding. The Society is preparing their buildings for events relating to the celebrations surrounding the milestone.



Consultants

Nonprofit Finance Fund (NFF) envisions a society where money and knowledge come together to support vibrant communities. A nonprofit lender and consultant with 40 years of national and hyperlocal experience, NFF helps mission-driven organizations achieve communities' aspirations through tailored capital, strategic advice, and accessible insights.

Olive Branch Consulting is a multifaceted construction consulting company offering a wide range of services to our clients. Olive Branch is committed to providing objective, timely, material, and actionable advice and reporting to its clients as they pursue their goals in real estate development. The Olive Branch team understands that clients come with many different needs and capabilities. Therefore, its services are tailored to put our recommendations into practice. From the initial conception to closeout and lease-up, Olive Branch helps organizations reach their goals in real estate development while simultaneously protecting them both operationally and financially.

NFF's Nonprofit Facility Experience

Since 1980, NFF has partnered with nonprofit organizations to navigate facility challenges and opportunities through:

Tailored Investments

- Acquisition loans
- Construction loans
- New Markets Tax Credits

Strategic Advice

- Systems Replacement Plans
- Facility trainings, technical assistance
- Integrating planning for facility operations and capital costs

Accessible Insights

- Facility-related reports and blogs
- Facility-planning national webinars

What is a Systems Replacement Plan?

An assessment of the 20-year repair and replacement needs and costs for a facility

- Provides a comprehensive facilities analysis by a construction consultant – in this case, Olive Branch Consulting
- Forecasts the necessary replacement of specific systems and equipment (presuming routine maintenance)
- Details a year-by-year breakdown of proposed costs and savings



More about the Systems Replacement Plan

Who can take advantage of an SRP?

- Nonprofit organizations that own their buildings
- Nonprofit organizations with long-term leases that are responsible for all repairs and replacements






How can an SRP be used in planning and decision-making?

- Build an in-depth understanding of the current state of the facility
- Learn how much is needed to meet current and future capital repairs and replacement needs
- Avoid facility emergencies and program interruption
- Demonstrate that rainy-day reserve funds are a necessity, not a luxury

Olive Branch Report: Replacement Recommendations

Olive Branch develops a list of recommended system replacements, including photos. Below is an excerpt:

Leverett Historical Society - Moore's Corner School House										
ROOF										
Pitched Metal Roof System	The building is provided with a pitched corrugated metal roof system which is in poor condition with rusting observed. Installation date is unknown but the roof is well beyond its useful life.		Unknown	40	Immediate	Recommend immediate replacement of the roof system. Cost estimate includes removal and replacement of the roof system with a new metal roof system.	Immediate	1,260	SF	\$ 20.00 \$ 25,600.00
Pitched Metal Awning	The front entrance is equipped with a wood framed awning with corrugated metal roofing. The installation date is unknown but the awning is in poor condition.		Unknown	40	Immediate	Recommend immediate replacement of the roof system. Cost estimate includes removal and replacement of the roof system with a new metal roof system.	Immediate	48	SF	\$ 20.00 \$ 960.00
Church Steeple & Tower	The pitched metal roof on the bell tower appears to be in similar condition as the main roof. The installation date is unknown but the awning is in poor condition.		Unknown	40	Immediate	Recommend immediate replacement of the roof system. Cost estimate includes removal and replacement of the roof system with a new metal roof system.	Immediate	1	Allow	\$1,000.00 \$ 1,000.00
Aluminum Gutter/Downspout System	The building does not have any system in place to accommodate for stormwater.		N/A	30	No Recommendation	No recommendation provided as the addition of a gutter/downspout system would change the historic look of the building.	N/A	0	LF	\$ - \$ -

NFF Incorporates Olive Consulting Data into the SRP Excel Model

Partial Input Spreadsheet

How long systems have been operating?

How long systems should last?

Building	Category	Item	Quantity	Cost per Unit	Total Cost (Today's Dollars)	Age	Useful Life	Year of 1st Repair/Replacement
Moore's Corner School	Roof	Pitched Metal Roof System	1280	\$20.00	\$25,600.00	214	40	2025
Moore's Corner School	Roof	Pitched Metal Awning	48	\$20.00	\$960.00	214	40	2025
Moore's Corner School	Roof	Church Steeple & Tower	1	\$1,000.00	\$1,000.00	214	40	2025
Moore's Corner School	Roof	Aluminum Gutter/Downspout System	0	\$0.00	\$0.00	0	30	2025
Moore's Corner School	Windows	Double Hung Windows	225	\$150.00	\$33,750.00	214	25	2025
Moore's Corner School	Doors	Exterior Wood Doors	1	\$2,000.00	\$2,000.00	214	25	2030
Moore's Corner School	Doors	Exterior Wood Doors	1	\$2,000.00	\$2,000.00	214	25	2030
Moore's Corner School	Doors	Interior Wood Doors	4	\$1,000.00	\$4,000.00	0	25	2029
Moore's Corner School	Structure	Foundation	1	\$8,000.00	\$8,000.00	214	75	2030
Moore's Corner School	Structure	Exterior Walls	1	\$55,000.00	\$55,000.00	214	50	2030
Moore's Corner School	Structure	First Floor Structure	1	\$35,000.00	\$35,000.00	214	50	2030

*Note that years of replacement were adjusted from original recommendations to meet the needs of Leverett Historical Society

The NFF SRP Model Illustrates the Timing of Needed Repairs and Replacements

Below is an excerpt of the Replacement Cost Schedule. The full tool is available separately.

Update Building to Include in Analysis Here			2024	2025	2026	2027	2028	2029	2030
Building	Category	Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Moore's Corner School House	Structure	Exterior Walls	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,924
Moore's Corner School House	Structure	First Floor Structure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,134
Moore's Corner School House	Structure	Second Floor Ceiling/Attic/ Roof Deck Structure	\$ -	\$ 29,400	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Structure	Structural Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Exterior Woodwork	Exterior Woodwork	\$ -	\$ 55,965	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Exterior Woodwork	Wood Clapboard Siding	\$ -	\$ 77,963	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	HVAC	Propane Fired Stove	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	HVAC	Propane Tank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	HVAC	Cabinet Unit Heaters	\$ -	\$ 2,100	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Electrical/Lighting	Electrical Panels (Incoming Electrical Service)	\$ -	\$ 5,250	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Electrical/Lighting	Electrical Distribution	\$ -	\$ 5,250	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Electrical/Lighting	Lighting	\$ -	\$ 2,625	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Electrical/Lighting	Fire Alarm System	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,390	\$ -
Moore's Corner School House	Plumbing		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Fire Suppression	Sprinkler System	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,949
Moore's Corner School House	Fire Suppression	Fire Pump	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Fire Suppression	Fire Extinguishers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 387
Moore's Corner School House	Accessibility	Restrooms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Accessibility	Building Entry	\$ -	\$ 10,500	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Accessibility	Chairlift	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,686
Moore's Corner School House	Construction Issues/Concerns	Fire Escape Staircase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,671
Moore's Corner School House	Construction Issues/Concerns	Concrete Steps	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,513
Moore's Corner School House	Environmental	Lead Based Paint (LBP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,448
Moore's Corner School House	Environmental	Asbestos Containing Material (ACM)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,869
Moore's Corner School House	General	Floor Finishes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,190
Moore's Corner School House	Energy Efficiency of Envelope	Exterior Walls (Blown-In)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Energy Efficiency of Envelope	Roof deck Insulation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Energy Efficiency of Envelope	Energy Consultant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	HVAC	Variable Refrigerant Flow (VRF) System	\$ -	\$ 18,375	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Energy Efficiency - HVAC	Energy Recovery Ventilator (ERV)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Energy Efficiency - HVAC	Mechanical Engineer Consultation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Moore's Corner School House	Out Buildings	Outhouse	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,895
Total:			\$0	\$271,803	\$0	\$0	\$0	\$14,398	\$247,719

The NFF Model Illustrates the Timing of Annual Savings Requirements

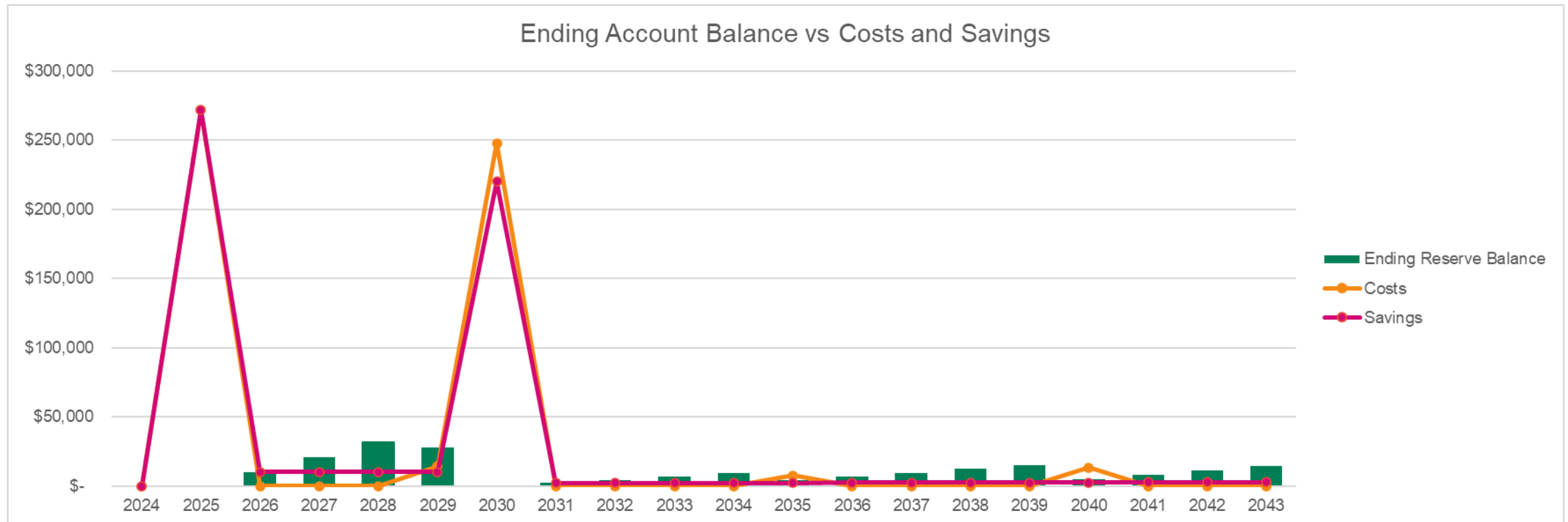
The initial assessment from Olive Branch Consulting showed that the vast majority of building components needed “immediate” repair or replacement, but offered suggestions for phasing projects over time should financial constraints prohibit all repairs and replacements at one time. Taking these suggestions into account, NFF supported the Leverett Historical Society to develop a phased budget for system replacements over time, prioritizing the projects they felt were more important to their goals for the space.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Beginning Reserve Balance	\$0	\$0	\$0	\$10,000	\$20,500	\$31,525	\$27,984	\$265	\$2,278	\$4,452
Costs	\$0	-\$271,803	\$0	\$0	\$0	-\$14,398	-\$247,719	\$0	\$0	\$0
Net	\$0	-\$271,803	\$0	\$10,000	\$20,500	\$17,127	-\$219,735	\$265	\$2,278	\$4,452
Interest earned on Acct Balance	\$0	\$0	\$0	\$500	\$1,025	\$856	\$0	\$13	\$114	\$223
Generated Savings Plan	\$311,921	\$40,118	\$40,118	\$40,118	\$40,118	\$37,512	\$1,093	\$1,093	\$1,093	\$1,093
Planned Savings	\$0	\$271,803	\$10,000	\$10,000	\$10,000	\$10,000	\$220,000	\$2,000	\$2,060	\$2,122
Ending Reserve Balance	\$0	\$0	\$10,000	\$20,500	\$31,525	\$27,984	\$265	\$2,278	\$4,452	\$6,796

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Beginning Reserve Balance	\$6,796	\$9,322	\$4,034	\$6,554	\$9,270	\$12,193	\$15,336	\$4,883	\$7,815	\$10,974
Costs	\$0	-\$7,624	\$0	\$0	\$0	\$0	-\$13,171	\$0	\$0	\$0
Net	\$6,796	\$1,698	\$4,034	\$6,554	\$9,270	\$12,193	\$2,165	\$4,883	\$7,815	\$10,974
Interest earned on Acct Balance	\$340	\$85	\$202	\$328	\$463	\$610	\$108	\$244	\$391	\$549
Generated Savings Plan	\$1,093	\$557	\$557	\$557	\$557	\$557	\$0	\$0	\$0	\$0
Planned Savings	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610	\$2,688	\$2,768	\$2,852
Ending Reserve Balance	\$9,322	\$4,034	\$6,554	\$9,270	\$12,193	\$15,336	\$4,883	\$7,815	\$10,974	\$14,374

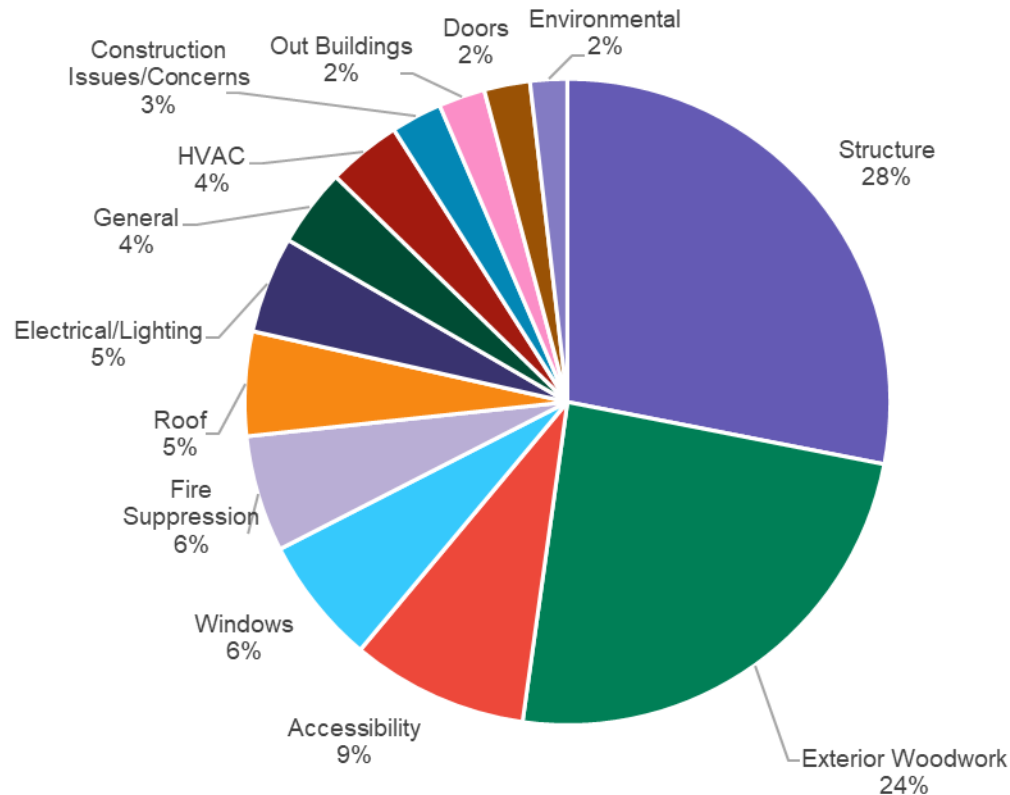
System Replacement Costs and Savings

This plan requires an initial phase of major rehabilitation work in 2025 based on fundraising primarily taking place in that year. This would be followed by a second major phase in 2029/2030 supported by smaller fundraising in the interim years and ballooning project-based funding in the project years. After those two phases, minimal yearly savings throughout the remainder of the 20-year period will support small ongoing repairs/replacements as well as a develop small reserve fund.



System Replacement Costs

The itemized list of system repairs and replacements includes a possible total cost of **\$554,715** over the next 20 years. **Structural work** could entail the most expensive replacements during this period and would account for **28%** of total facilities expenses.



Major Cost Breakdown by Category		
Category	Total Cost	Percentage
Structure	\$ 155,774	28%
Exterior Woodwork	\$ 133,928	24%
Accessibility	\$ 49,186	9%
Windows	\$ 35,438	6%
Fire Suppression	\$ 32,304	6%
Roof	\$ 28,938	5%
Electrical/Lighting	\$ 26,847	5%
General	\$ 21,684	4%
HVAC	\$ 20,475	4%
Construction Issues/Concerns	\$ 14,185	3%
Out Buildings	\$ 12,895	2%
Doors	\$ 12,745	2%
Environmental	\$ 10,316	2%
Total	\$ 554,715	

Systems Replacement Cost Considerations

Total cost of **\$554,715** over the next 20 years – *major project years include:*

Projects in Year 2025 – Totaling \$271,803 (adjusted for inflation)

- Roof
 - Pitched Metal Roof System- \$26,880
 - Pitched Metal Awning- \$1,008
 - Church Steeple & Tower-\$1,050
- Windows
 - Double Hung Windows- \$35,438
- Structure
 - Second Floor Ceiling/Attic/Roof Deck Structure- \$29,400
- Exterior Woodwork
 - Exterior Woodwork- \$55,956
 - Wood Clapboard Siding- \$77,963
- HVAC
 - Cabinet Unit Heaters- \$2,100
 - Variable Refrigerant Flow (VRF) System- \$18,375
- Electrical/Lighting
 - Electrical Panels- \$5,250
 - Electrical Distribution- \$5,250
 - Lighting- \$2,625
- Accessibility
 - Building Entry- \$10,500

Systems Replacement Cost Considerations

Total cost of **\$554,715** over the next 20 years – *major project years include:*

Projects in Years 2029/2030- totaling \$262,116 (adjusted for inflation)

- Doors
 - Exterior Wood Doors- \$2,579
 - Exterior Wood Doors 2- \$5,158
 - Interior Wood Doors- \$5,008
- Structure
 - Foundation- \$10,316
 - Exterior Walls- \$70,924
 - First Floor Structure- \$45,134
- Electrical/Lighting
 - Fire Alarm System- \$9,390
- Fire Suppression
 - Sprinkler System- \$30,949
 - Fire Extinguishers- \$387
- Accessibility
 - Chairlift- \$38,686
- Construction Issues/Concerns
 - Fire Escape Stairs- \$9,671
 - Concrete Steps- \$4,513
- Environmental
 - Lead Based Paint- \$6,448
 - Asbestos Containing Material (ACM)- \$3,869
- General
 - Floor Finishes- \$6,190
- Out Buildings
 - Outhouse- \$12,895

Next Steps

- ✓ 1. Brief introductory call with NFF to describe the process, review logistical details, discuss needs and goals, and set expectations
- ✓ 2. On-site assessment by Olive Branch Consulting (3-4 hours)
- ✓ 3. Olive Branch Consulting will compile and issue a comprehensive facility survey and report to NFF
- ✓ 4. NFF will translate the report into easy-to-follow formats, creating an Excel tool and PowerPoint summary report
- ✓ 5. Briefing call with NFF and the Leverett team to discuss initial findings
6. *Final presentation to Leverett's board to discuss and review the full report (pending Leverett decision regarding next steps)*

Thank You!

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What Makes a Good Facility Reserve Policy?

A good facility reserve policy will address the following:

- Where the account will be held
- Target amount of funds to be kept in the reserve
- How the goal will be reached (e.g., surpluses, capital campaign)
- Appropriate purposes for withdrawing funds (e.g., does the Executive Director have discretion up to a certain amount?)
- Schedule on which funds will be repaid to the account, or how the balance will be maintained
- Contingency clauses (i.e., funds must be used for facility repairs or replacements, UNLESS...)

To learn more about reserves, visit the National Center for Charitable Statistics' (NCCS) "Operating Reserve Policy Toolkit for Nonprofit Organizations," available at https://www.gjarts.org/sites/default/files/Operating-Reserve-Policy-Toolkit_1stEd_2010-09-16.pdf

The Kresge Foundation also has a useful guide on facilities reserves available at https://kresge.org/sites/default/files/A_Guide_to_Building_Reserves.pdf

Steps for Building a Facilities Reserve

1. Identify **key team** for reserves policy development (e.g. board committee, working group)
2. Calculate savings **goals** for facilities reserve
3. Determine **sources** of capital
 - Unrestricted operating surplus
 - Unrestricted non-operating revenue (e.g. investment income)
 - Fundraising campaign
4. Identify **timeline and milestones** for establishing and growing the reserve
 - May include an initial transfer from an existing account, if applicable
 - May also include targets for future deposits (e.g. flat amount or percentage of surplus/endowment revenue)
5. Discuss **protocols for management** and usage of funds
 - What level of withdrawals require committee or board authorization?
 - Where should the funds be held?
6. Draft the **policy** in consultation with auditor and legal counsel
7. Board **approval**
8. Establish the reserve account and monitor **progress**
 - Track reserves balance, deposit schedule, and withdrawals with the organization's regular financial reporting

Sample Board Designated Reserve Policy #1

ABC Organization will build and maintain a reserve fund equal to a minimum of three months of operating expenses. ABC proposes a reserve fund goal of **\$amount** anticipating a **\$amount** operating budget when the organization increases its service to **X** or more clients annually.

This reserve fund will serve the organization in many ways as a line of credit from a financial institution. It differs, however, in that the fund will be a tangible asset for the organization and earn interest income on the principal balance. In establishing the reserve fund, **ABC** affirms that the organization will continue to act in a fiscally responsible manner and not take any false comfort in knowing that a reserve fund exists. Operating budgets will continue to be realistically prepared and managed and every effort will be made to achieve projected revenue goals. The Management Oversight Committee will continue to review all details of the financial operation on a monthly basis.

Reserve funds can be used for the following purposes:

- Temporary shortfalls in the operating budget
- Interim funding of new programs and/or services
- Emergency repairs
- Capital purchases

ABC is committed to never depleting the reserve fund more than fifty-percent (50%) of its balance except in the case of most extreme need and only after the organization takes any and all cost savings measures possible without sacrificing the integrity of direct client services. **ABC** is further committed to replenishing the fund to a minimum of three months operating expenses before incurring any substantial increase in operating expenses. Funds will be held in a safe, secure, competitive interest-bearing account(s) in institutions that financially support the **ABC** mission.

Sample Board Designated Reserve Policy #2

*On **Date**, **XYZ Organization**'s Board of Trustees voted to transfer **\$amount** into an interest-bearing account at **name of bank** which is to function as a line of credit for the organization. The Executive Director may draw up to a total of **\$amount**, at any one time, from the fund to meet periodic cash shortfalls due to the timing of the receipt of fees for the **names of programs**.*

*For amounts over **\$amount**, approval of the President of the Board of Trustees and Chairperson of the Finance Committee is needed. The President and Chairperson must be counter signatories on the transfer.*

*It is the policy that this fund must be immediately replenished upon receipt of **names of programs** fees.*

*Interest from the fund is to be applied to General Account as it is naturally disbursed by **name of bank**.*

*The Executive Director is required to report on the use of the Line of Credit at each Board meeting. Changes to this policy are subject to **XYZ**'s Finance and Investment Policy procedures.*