

**STAR ISLAND CORPORATION
BOARD OF DIRECTORS MEETING**

Tuesday, October 22, 2013
Federal Reserve Building
600 Atlantic Avenue, Boston

MINUTES

Members in attendance:

John Bush, Treasurer
Erik Cordes (by “Go To Meeting”)
Nick Dembsey
Sharon Kennedy, President
Gary Kunz, Vice President
Karen Mathiasen, Clerk
Suellen Peluso
Russell Peterson
Sally Russell
Tom Smurzynski (Pres., ISAUU)
Charlie Stauffacher (Pres., SIUCC)
Jordan Young

Absent:

Josh Davis

Others attending the meeting:

Joe Watts, CEO
Jack Farrell, Facilities Superintendent
Kristi Vazifdar, Director of Finance

For Opening Words, Tom Smurzynski read *The Guest House* by Jelalludin Rumi, translated by Coleman Barks.

THE GUEST HOUSE

This being human is a guest house.
Every morning a new arrival.

A joy, a depression, a meanness,
some momentary awareness comes
as an unexpected visitor.

Welcome and entertain them all!
Even if they are a crowd of sorrows,
who violently sweep your house
empty of its furniture,
still, treat each guest honorably.
He may be clearing you out
for some new delight.

The dark thought, the shame, the malice.
meet them at the door laughing and invite them in.

Be grateful for whatever comes.
because each has been sent
as a guide from beyond.

In the temporary absence of Sharon Kennedy, who was at the mercy of a delayed Amtrak train from New York, Vice President Gary Kunz called the meeting to order at 1:12 p.m.

Minutes. It was unanimously

VOTED: To approve the minutes of the September 24, 2013, meeting of Directors.

Reports

- **CEO Report.** Joe Watts, CEO of the Star Island Corporation, presented some highlights from the report, including some items pertaining to the Director of Development's report, which are included herein.
 - **Development Report.** Starry Night will be held on November 16, and will include hand-made crafts, catered supper, and entertainment. Joe invited everybody to attend and urged people to talk the event up with their friends. We had a successful Gosport Regatta on September 28 at which Gary represented the Board. The Board expressed their gratitude to Gary for flying up from Florida to do this. This was a good opportunity to reach out. Many people are still unaware that Star Island is now open and welcoming. We plan to move the regatta from June to September next year, which is a better date for all involved. The regatta attracts a number of people, but we would like to have more from the SIC community.
 - **Facilities Report.** Once we install sprinklers in the chapel and change the door so that it opens out, we will be able to expand out seating capacity from 50 to 91 people. Discussion regarding this issue has been ongoing since 2006, and we are delighted with the good result. Our anticipated FEMA (Federal Emergency Management Agency) funds are still in process. Since the FEMA funds have not been received yet, we have not put them in our financial reports at this time.
 - **Registration Report.** This year's registration came in at 18,170 bed nights against our goal of 18,630. While we are disappointed that we did not reach our goal, we did make up for the loss from Southern New Hampshire University's decision not to return this year. As of our September financial reports, there was a drop in both room and board income and staffing expenses. The main reason for the drop in room and board income was that we had more children than anticipated, and room and board fees for children are lower than those for

adults. We are looking at our procedures with an eye towards understanding such income trends sooner in the 2014 season and beyond.

- Staffing and Volunteers. We are pleased with the reduction in projected staffing expense from budget, which was accomplished without compromising our service. We are grateful for the tremendous number of hours that our volunteers give us each year. A report on the number of island volunteer hours is forthcoming.
 - Easements. We are looking into the topic of conservation easements on Star and Appledore that could bring income into, say, the Permanent Trust.
 - The Strategic Map. Joe held up a framed copy of the strategic map and asked any Board member who wants one to contact him. The map is, among other things, a promotional tool for Star, and we would like for it to have publicity.
 - Special CEO Anniversary. It is Joe's one-year anniversary as our CEO. He told us how much he is enjoying being CEO, and how grateful he is for the support he has received from everybody. The Board offered Joe warm and enthusiastic applause.
- **Treasurer's Report**. John Bush gave the report.
 - 2013 Operating Expenses. Our seasonal pay expense came in approximately \$46K below budget, which helps to offset the decrease in income discussed above under Registration Report.
 - Debt Service Coverage Ratio. In calculating the ratio, we take note that grants such as the FEMA grant would be accounted for by expensing the income but capitalizing the outgo (assuming the grant is in fact spent on capital projects). For debt ratio calculation purposes, capital grants are neutral. John walked us through the ratio calculation, as it will have a bearing on our 2014 budget conversation. In 2014, the operating gain will not be an issue but rather the ratio should be our point of focus.

At 1:45 p.m., Sharon Kennedy arrived from New York, thanked Gary for running the meeting in her absence, and proceeded to chair the balance of the meeting.

- **Pel Report**. In the absence of the Pel Liaison, there was no Pel Report.

VOTED: To accept the CEO report, including the report of the Director of Development, and the Treasurer's report.

Old Business

- **2014 Draft Budget Presentation**

- Guidelines. Guidelines for the 2014 budget as promulgated by the Board include the following:
 - Adult room and board rates increase 2%.
 - Possible family-friendly changing rate structure rather than discounts
 - Operating gain of \$200K-\$250K, noting that the Board recently changed the capitalization policy from a \$5K threshold to \$10K, which moves \$15,000 from the capital to the operating budget.

- Draft in Three Different Versions. Versions B and C meet all guidelines provided by the Board. Version A meets all guidelines except for the proposed operating gain. After the staff has refined the three versions and combined them into one proposed version, staff will provide budgets with and without the proposed solar power project. Currently, the operating budget versions correspond to the capital budget versions, but the proposed staff budget could wind up being different (e.g., more like operating Version B and capital Version A).

- Discussion. It is important that we be affordable for families. This is a long-term effort. We might lower kids' rates. It was asked why we would want to lower kids' rates if in 2013 we already had more kids than expected. Looking at the interface between our rates, discounts, and financial aid is important. Room and board rates affect more people than discounts. It would be helpful to track income per bed night. There is a lot of data available. Jordan volunteered to work with others on data analysis.

- Other Particulars of the Budget. The 2014 bed night goal of 19,200 is based on 2013 actuals plus known changes (e.g., return of the IRAS Conference). Our longer term goal is to go over 20,000 bed nights. The budget calls for meeting our bank covenant with a comfortable margin. The size of the staff will be kept relatively constant. We might eventually assess a fee for credit card usage, but we will not in 2014. We would need to improve the Version A proposed operating budget by at least \$50K. A major question is whether we are keeping up with island needs and what can be sustained. It was pointed out that some of the decisions we are making reflect our values (e.g. comparing a \$10K drop in children's rates to a \$10K increase in marketing). Some budget decisions emanate from our new strategic map. This is the second year of having a budgeted operating closure reserve fund. The proposed annual fund goal is \$455K.

- **Energy System Project Update.** Joe Watts and Jack Farrell gave the update.
 - Letter of Understanding. The Letter of Understanding and four key items in the draft contract are set to expire on December 31, 2013, if no action is taken. The alternatives right now seem to be these: (i) Revolution Energy (RE)

carries out the needed work by December 31, (ii) RE performs close to our satisfaction, and we grant them additional time, or (iii) RE does not perform.

- Auditor's Advice. Our audit firm deems the contract to be a hybrid service agreement/operating lease, and not a capital lease. If the contract were considered to be a capital lease, we would need the consent of Eastern Bank in order for us to enter into the arrangement with RE. Even though the bank's consent is not needed, we very much value the relationship and will certainly keep the bank informed.
- Progress and Alternatives. Jack Farrell emphasized the importance of RE and our getting the technical parts of the contract right. In anticipation of contract signing, there has been some preliminary work done towards finding out the load profile hour by hour, the night time load being the concern. RE's senior management is calling for a team approach. Jack believes that RE and we are quite close regarding what is being provided and the cost, but this might not be settled by December 31. SIC Corporation member Tom Blum has agreed to help us with this. Some Board members expressed much concern over RE's seeming lack of attention to certain deadlines, and the possibility that RE might not make the December 31 deadline. We hope this does not happen, but in the unfortunate event that it does, we have figured out what our comprehensive alternative energy system should look like and would be able to proceed with the project in one way or another.
- **Financial Aid Program Report.** Sally Russell, Financial Aid Program chair, gave the report. The average size of an award was \$350, which was approximately 41% of Room and Board fees for the awardee. For 2014, the Financial Aid Program will be requesting \$25K. In determining the size of individual awards, it was asked if awards could be tailored to more factors than the applicant's financial need, such as favoring awards for applicants to undersubscribed conferences and the program's interaction with the conference scholarship programs. The Board was reminded that an award has positive financial impact if the applicant attends a conference that is not filled. The idea behind the financial aid program is to say "Help your fellow conferee." Sally concluded by sharing (without attribution) some of the wonderful emails she has received from financial aid recipients.

New Business

- **Council of Conferences (CoC)/CoC Liaison Report.** Phil Sears is heading the CoC. The October 12 meeting was described as vibrant, centering on the topics of governance and conference fiscal issues. In his report as the CoC Board Liaison, Gary noted that in 2014 the CoC is planning to work on a number of issues, including reinstating CoC dues. Star Island Corporation may offer to help with the collection of these dues.
- **Fund Development Committee Liaison Report.** Suellen Peluso, Committee Liaison, gave the report. The current number of participating members of the Committee is rather

low. There have been some recent resignations. Suellen recommends identifying several more individuals. Suellen would also like to take a look at the mission and goals of the committee; she believes this might help to secure new members. During the campaign, the FDC played an active role in assisting Angela in successful efforts to engage conference leadership and establish annual funds across the conferences. Fund raising events need to have a context for their fund raising. Now that the Campaign is over, we need to focus on matters that are strategic and long-term in addition to shorter term goals, i.e., annual fund solicitations and event participation. Charlie, as liaison to the Committee on Appointments, will let Edmund Jones, its chair, know that we are seeking two additional members, preferably with development and/or advancement experience.

- **Committee on Appointments (CoA) Update/Nominations**

- **Update.** Charlie Stauffacher, Committee Liaison, gave the update. Due to term limits, Edmund Jones is retiring from the CoA, which he also serves as chair. The CoA is a well organized committee, complete with spread sheets and other tools to sort and analyze data, and will need an active chair. The Committee has a roster for each Committee member indicating their background and interests and other information that will help the CoA to identify potential candidates for committee positions. Charlie's term as president of the Star Island United Church of Christ, Inc. (SIUCC) comes to an end in early November 2013. As a result, this is Charlie's last Board meeting as the SIUCC representative to the Board. Charlie was thanked for his good work.
- **Nominations.** In his role as Board liaison to the CoA, Charlie presented several CoA recommendations for committee memberships. Upon motion duly made and seconded, following discussion, it was unanimously

VOTED: To accept the following nominations:

Committee on Appointments

Tom Coleman for a 1st three-year term beginning in 2014

Finance Committee

John Pustell for a 2nd three-year term beginning in 2014

Louise Williams for a 1st three-year term beginning in 2014

Strategic Facilities Planning

Ron Cordes as chair beginning in 2014 (the 2nd year of his 1st term)

Dan Williams for a 1st three-year term beginning in 2014

Tom Mansfield as advisor (Licensed NH architect)

Nick Dembsey as advisor (Fire safety expert)

Property Standards

Rebecca Armstrong for a 1st three-year term beginning in 2014

Roger Kellman for a 1st three-year term beginning in 2014

The CoA also wished to inform the Board of the following CEO appointments to operating committees, and to request, for the record, that these appointments be reflected in the Board minutes:

Island Heritage and Artifacts

Irene Bush for a 2nd three-year term and chair beginning in 2014

Rutledge Marine Lab

Claire Ting for a 1st three-year term beginning in 2014

Health

Sean McCloy for a 2nd three-year term and co-chair beginning in 2014
John-Mark Blowen as co-chair in 2014, his sixth and last year on the committee

Outreach and Engagement

Ann Beattie for a 2nd three-year term and chair beginning in 2014
Irene Bush for a 2nd three-year term beginning in 2014
Charlie Stauffacher for a 2nd three-year term beginning in 2014

- Permanent Trust Meeting Recap. The autumn meeting of the Star Island Permanent Trust was held on October 8, 2013. It was reported that funds in the Permanent Trust are moving essentially with the market. At their October meeting, the Trustees voted to invest up to \$7K to the SIC for marketing materials in support of the McGill Society and web-based planned giving, should the SIC request this of the Trust at a future date. Just before the calling to order of today's Board meeting, Karen Mathiasen, a Trustee of the Permanent Trust, presented Joe Watts with a check for \$138,403 as the Trust's 2013 distribution to the SIC operating account. The Trustees were in complete agreement with the SIC Board's decision to leave open until the next SIC annual meeting (in April) the Trustee seat that had been held by George Brandenburg. George died in September after a brief illness. The Trust Agreement, now fifteen years old, needs some updating. The Trustees will provide a draft.

Executive Session. At 4:30 p.m., the Board voted to go into Executive Session, the minutes of which are kept separately. The purpose of the session was to approve the minutes of the September 24, 2013, Executive Session, to have a preliminary conversation about a potential conflict of interest issue, and to discuss certain employee benefit matters.

The Board meeting was reconvened at 5:09 p.m. for the purposes of adjournment.

The remaining 2013 Board meetings are as follows:

November 19, in person, 1:00-5:00 p.m. at the Federal Reserve Building in Boston
December 17, by conference call/Go To Meeting

There being no further business, it was

VOTED: To adjourn the meeting.

The meeting was adjourned at 5:10 p.m.

Respectfully submitted,

Karen Mathiasen, Clerk