

**STAR ISLAND CORPORATION
BOARD OF DIRECTORS MEETING**

Tuesday, November 19, 2013
Federal Reserve Building
600 Atlantic Avenue, Boston

MINUTES

Members in attendance:

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

Absent:

Josh Davis
Nick Dembsey

Others attending the meeting:

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

* part of meeting

For Opening Words, John Bush spoke of his new black Labrador retriever, appropriately named Smuttynose. John then read from a *New York Times* article on the virtues of Labrador Retrievers. The article was by Benjamin Cheever, entitled “One Dog Owner Who Loves Too Much.” It appeared in the *Times* on July 16, 1992.

Sharon Kennedy, President, called the meeting to order at 1:08 p.m. She welcomed to the Board Debbie Duval, newly elected President of SIUCC, succeeding Charlie Stauffacher.

Minutes. It was unanimously

VOTED: To approve the minutes of the October 22, 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. The annual fund is on track for 2013. It was agreed that this year’s Starry Night was “wonderful.” The check from FEMA (Federal Emergency Management Agency) in the amount of \$259.9K has arrived.

- Facilities Report. Jack Farrell, SIC Facilities Superintendent, gave the report.
 - Close Up. Our island close up has been on track, and the island is now, in fact, closed up.
 - Fire Pump. The fire pump has been installed, with final connections and testing scheduled to happen in the spring. The pump will be up and running for the 2014 season.
 - WWTP (Waste Water Treatment Plant). Our practice has been to transport the sludge from the WWTP off island, which is costly. With help from some outside experts, we may be able to start a composting project on island.
 - Dining Room. The dining room sound proofing is included in the 2014 proposed budget, and the project plan is still under development. The noise level has been an ongoing problem. Through the recent efforts of both volunteers and staff, we think we will have a better result this time than past attempts to address this issue. It was noted that LOAS is giving SIC \$5K for the sound proofing project, though official notification from the LOAS treasurer has yet to occur.

- Conference Transport. We have signed our annual contract addendum with ISSCo (the Isles of Shoals Steamship Company) for conference transport to Star Island for 2014, which is the last year of our current five-year agreement. We are already in discussion with ISSCo about our next agreement, for 2015 and beyond. We are hoping to arrange more frequent, perhaps daily, service with ISSCo.

- Internal Controls Review. Staff is documenting and reviewing our internal controls, with the goal of augmenting existing procedures in advance of the 2014 conference season. Having our new database in place to start next season will be a big improvement. Staff is getting good input from John Bush and Russ Peterson.

- Stewardship Installation. We are making some progress on a design for this project (formerly known as the “recognition wall”). We will be meeting with our ad hoc group in the near future, to discuss the design plans we intend to share with the Property Standards Committee and, ultimately, present to the Board for approval. The intent is to complete this project prior to the start of the 2014 conference season; the proposed 2014 budget includes funding for this project.

- Volunteerism Report. We are grateful for our Island Volunteers. Star was the beneficiary of over 10,000 hours (ca. 1,436 days) of on-island volunteer time. (This was aside from any committee/Board work or any off-island work.) We discussed the practicality of gathering data of this specificity for other forms of

volunteerism.

- **Treasurer's Report.** John Bush gave the report.
 - **2013 Income Statement.** We now have final numbers for most of our projected 2013 income, except for the annual fund, which seems to be on track. As noted at our October Board meeting, the room and board totals for children came in somewhat below expectations. This is because we had more children (and fewer adults) than anticipated, and children pay only about 60% of the adult rate. Now that we have received the \$260K check from FEMA, it is appropriate to amend our 2013 income statement to show an increase of \$47K. The remaining \$213K will be allocated to 2014, the bulk of which - \$200K - is for the pier.
 - **Balance Sheet.** We have paid off our line of credit with Eastern Bank earlier than last year. It was noted that decreasing our reliance on the line of credit is an indicator of financial strength.
 - **Capital Budget.** The 2014 capital budget is \$640K. This number is higher than for 2013, but this is balanced by our receipt of grant income. Grant income is most welcome, but we must not let it mask the real indices of our financial health, such as bed nights or operating income.
 - **Contingency Reserve.** It is good practice to have both contingency reserves and liquid assets. It is suggested that ideally the contingency reserves be 25% of the organization's operating expense budget. The contingency reserves can certainly start at less than 25%, and work up. A contingency reserve is one option among a few. We could start building a reserve while we still have a line of credit with Eastern Bank, or we could wait until the line of credit becomes a back up line of credit that we try to avoid using. It is noteworthy that typically we pay off our line of credit in December. This year we paid it off at the end of October. Staff and the Finance Committee will look at this issue over time and come back to the Board with a recommendation.
- **Pel Report.** In the absence of the Pel Liaison, there was no Pel Report. We briefly discussed some ways in which we might further encourage future meeting attendance by the Pel Liaison, emphasizing that it is important that the Pels have representation on the Board. It was suggested that next year the Pels elect both a liaison and an alternate.

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

Old Business

- **2014 Budget Presentation.** At our August Board meeting, we promulgated certain guidelines for the 2014 budget, one of which was asking for a non-solar and solar version of the budget. Right now there are too many unsettled variables on the energy system

project to present an accurate solar version of the 2014 budget, so this will be presented at a future meeting. Kristi Vazifdar presented the revised budget, comparing it to the three October 22 versions.

- Operating Income. Changes include: increase bed nights by 50 nights (additional bed nights to come from augmented discount programs), increase adult rate by 2%, reduce rate for children ages 6-11 by 5%, and no change for teenagers.
- Operating Expenses. There is not much change from the October draft except to increase marketing to allow for additional professional services to review our 2014 marketing plan and to start planning for 2015 (Star Island's 100th birthday).
- Capital Income. Certain assets, especially for FEMA funds to repair the pier and funds for network infrastructure improvements, are to be released from restrictions placed on them in 2013. Funds have also been received for fire pump and sprinkler upgrades. It was noted that without these grants, our margin of error in balancing the capital budget would be quite small.
- Possible Gift from Permanent Trust. It has been suggested that we might request of the Permanent Trust a gift of up to \$7K to the SIC for marketing materials in support of the McGill Society and web-based planned giving, it being understood that the Permanent Trust has already voted to release these funds to SIC should we request them. (Sally Russell joined the meeting.) A motion to make such a request was made and seconded. Discussion followed with various opinions expressed. It was, with eight ayes, one nay, and two abstentions,

VOTED: To request of the Permanent Trust a gift of up to \$7K to be used for marketing materials for a McGill Society brochure and for web-based planned giving.

A motion to accept the 2014 budget was made and seconded. Following additional discussion, it was unanimously

VOTED: To approve the 2014 budget as presented to the meeting.

- **Nominating Committee Liaison Report.** Due to Suellen's need to leave the meeting early, she was asked to give her report now. Suellen reported that the Nominating Committee continues to work efficiently and collaboratively in review of current Board and Trust members and vetting of new candidates for Board and Trust positions. She did note, however, that the members of the committee remain concerned about the somewhat insular practice of asking standing Board and Trust members for their suggestions for new Board members - a practice that does not necessarily promote diversity to the extent that the Nominating Committee and the Board desire. It is important that the

Membership Committee remain active in reaching out to the larger Star Island Community for candidates for leadership positions including Board positions.

Suellen left the meeting.

- **Energy System Project Update.** Joe Watts and Jack Farrell gave the update.
 - **Data Gathering.** Jack has been meeting with Revolution Energy (RE). A major activity has been around project data gathering. We are now getting a refined handle on our energy needs, which includes data gathered this summer. We also are incorporating September data, which is useful to ensuring that we come to the right final design. Energy needs affect the size of our energy storage requirements. It appears that our storage (i.e., battery) needs are substantially increasing, but this means our solar field can be smaller. Also propane use is expected to go down. Jack and an RE senior manager will soon go out to Star to collect data for system installation design and permitting.
 - **Progress Since Last Board Meeting.** Joe reported on the efforts of staff plus several SIC internal groups associated with the energy project. The next month is critical. It is likely that RE will not have met all of the contingencies listed in the August contract draft by December 31, especially with the holidays coming up. Bank/investor commitments are key to success of the project, and they will take longer to secure. At our December 17 Board meeting, we anticipate that there will be sufficient progress so that we could consider either (i) an extension to the Letter of Understanding (LOU) in order for RE finish up securing financing or other pending tasks or (ii) termination of RE's participation on the grounds that RE has not done enough to support our granting an extension of the LOU. The point was made, however, that it is more important to do this project right than it is to meet the December 31 deadline.
- **Strategic Map Rollout.** Sharon reported on activities to publicize our strategic map. Sharon and others talked it up at Starry Night, and we will do the same at the SIC annual meeting in April. The map was shared at some of the conference fall planning meetings, and there will be a communication sent out before the end of the year.
- **Board and Staff Party/Winter Retreat.** The Winter Retreat is scheduled for Saturday, February 22, and Sunday morning, February 23, at the Portsmouth office. The annual Board and Staff Party is planned for Friday, February 21, at the home of Russ and Sue Peterson. Thank you to the Petersons for once again volunteering their home for this annual gathering, and arranging for the food. Typically for this event, Board members and their guests are asked to make a contribution towards the food cost. Thirty dollars per person is suggested. John and Irene Bush have kindly offered to host Board members for supper on Saturday evening after the Block party.

New Business

- **Nominating Committee Liaison Report.** [See above.]
- **Committee on Appointments (CoA) Report.** On behalf of the CoA, Sharon presented several CoA recommendations for committee memberships. Joe suggested that we try to work with the committee towards increasing nominations of people from under-enrolled and under-represented conferences. Upon motion duly made and seconded, following discussion, it was unanimously

VOTED: To accept the following nominations:

Strategic Facilities Planning Committee

Katie Weeks for a 1st three-year term beginning in 2014

Finance Committee

Robert Giles for a 1st three-year term beginning in 2014

Fund Development Committee

Carol Weisman for a 1st three-year term beginning in 2014

Suzanne May for a 1st three-year term beginning in 2014

Personnel Committee

Marc Spisto for a 1st three-year term beginning in 2014

Committee on Appointments

Laird Kelly and Tyne Allshouse as co-chairs beginning in 2014

Membership Committee

Tom Coleman as chair beginning in 2014

Executive Session. At 3:50 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 October 22, 2013, Executive Session and to discuss a potential conflict of interest issue.

The Board meeting was reconvened at 4:37 p.m. for the purposes of meeting evaluation and adjournment. We were pleased that Board members had been diligent about reading their Board packets in preparation for the meeting.

The next Board meeting is scheduled for Tuesday, December 17, by conference call/Go To Meeting app.

There being no further business, it was

VOTED: To adjourn the meeting.

The meeting was adjourned at 4:40 p.m.

Respectfully submitted,

Karen Mathiasen, Clerk