

**STAR ISLAND CORPORATION  
BOARD OF DIRECTORS MEETING**

Monday, August 25, 2014  
On Island

Members in attendance:

John Bush, Treasurer  
Erik Cordes  
Josh Davis  
Nick Dembsey  
Debbie Duval (President, SIUCC)  
Sharon Kennedy, President  
Gary Kunz, Vice President  
Karen Mathiasen, Clerk  
Suellen Peluso  
Russell Peterson  
Tom Smurzynski (President, ISAUU)

Absent:

Sally Russell  
Jordan Young

Others attending the meeting:

Joe Watts, CEO  
Miranda Chinman, President of Pel Club  
and the Conference Services  
Supervisor

For Opening Words, Erik Cordes read two short quotations:

“If you want to build a ship, don't drum up people to collect wood and don't assign them tasks and work, but rather teach them to long for the endless immensity of the sea.”  
- Antoine de Saint-Exupéry

“If the primary aim of a captain were to preserve his ship, he would keep it in port forever.”  
- Thomas Aquinas

Before calling the meeting to order, Sharon introduced Miranda Chinman, President of Pel Club and also the Conference Services Supervisor. She will give the Pel report, sitting in for Dash Davis, Pel Representative, who is in the throes of returning to school.

Sharon Kennedy, President, called the meeting to order at 9:01 a.m. The Clerk took the minutes.

**Minutes of April 22 and June 28 Meetings of Directors.** Karen Mathiasen, Clerk, pointed out an error in the April 22 minutes that she discovered after those minutes had been approved. She reminded the group that whenever the Directors hold an Executive Session (which is almost always in the context of a regular meeting of Directors), it is required that the regular minutes contain a brief notation of subjects covered and any votes taken in Executive Session. This was inadvertently left out of the April 22 minutes. Upon motion duly made and seconded, with opportunity for discussion, it was unanimously

**VOTED:** To approve the minutes of the April 22, 2014, Meeting of Directors as amended, and of the June 28, 2014, Meeting of Directors as presented to the meeting.

## **Reports**

- **CEO Report.** Joe Watts, CEO of the Star Island Corporation, noted that his report would be somewhat shorter than usual as matters relating to Development and Facilities had been addressed at yesterday's Board retreat. Joe then presented some topics to supplement the written CEO Report, including a registration update and brief comments regarding development.
  - **Registration Update.** Our original goal was 19,250 bed nights, later revised to 19,050. This revision is because we had a few conferences cancel (Photography with 50 bed nights and Conversations in Creativity with 120). There were also some individual cancellations due to the GI bug that had affected some people at Star. Personal Retreat nights were down because we had less space to house them. We have received a report on our latest bed nights, showing actual bed nights of 18,900 as of yesterday. People are still registering for late season conferences. Our current bed night projection is 19,151.
  - **Publicity.** We continue to receive excellent media coverage, with a message that is consistent with our Strategic Marketing and Communications Plan. Of particular note is WMUR-TV's New Hampshire Chronicle story on Star Island, which has been extremely well received. For 2014, in view of the 400<sup>th</sup> anniversary of Captain John Smith's mapping of the Isles of Shoals, we are particularly focused on the Shoals' – and especially Star's – heritage. We are also using this 400<sup>th</sup> anniversary to welcome people to Star and to show them the newly refurbished Smith Monument, which was funded by Samuel P. Hunt Foundation. Star hosted a delegation on August 22 for the rededication of the Smith Monument.
  - **Rye Fire.** Joe noted that there is a new fire chief for the Town of North Hampton, which for fire safety purposes encompasses the Town of Rye. The new chief will be visiting Star on Thursday. We look forward to building this new relationship.
  - **Development Report.** Joe gave the report on behalf of Angela Matthews. We are confident that we can meet our 2014 Annual Fund goal of \$455K. With our Director of Development's upcoming retirement, we will have an opportunity to do some reorganization.
  - **Facilities Report.** Jack Farrell gave the report yesterday as part of our on-island retreat.
- **Treasurer's Report**
  - **Income Statement/Cash Flow.** Our 2014 net operating gain is projected to be \$515K; however, we need to be aware that a lot of this is in grants that will not necessarily be

- repeated in subsequent years. We need to be concerned with our Debt Service Coverage Ratio (DSCR). The DSCR is a major factor in determining our ability to borrow. A ratio of 1.0 means the borrower has just enough cash to pay its debts and nothing more. Thus, our lender (Eastern Bank) wants to see a ratio of 1.25. We are currently at 1.33, which translates to a margin of \$8K, which is very slim. It is possible to get a waiver from our bank if we overstep the margin, but such a waiver does not look very good on a financial statement. We are counting on meeting our \$455K Annual Fund goal in order to maintain our current ratio.
- 2014 Reserve Fund. We are not in a position to add cash to the reserve fund this year. On the other hand, it is certainly correct to say that putting what would have been at least some of our 2014 reserve funds into our physical plant is a legitimate form of investment. We need to emphasize to the Star community that such a use of funds is appropriate to our mission and is responsible stewardship. We have done a remarkable amount of work on our many projects. Spending on capital improvements is at a historic level.
  - Possible Change of Audit Firm. We sent out RFPs to a half dozen firms (including our current firm), and four responded. We expect to make a decision by late autumn.
  - Banking Relationships. We currently have three outstanding loans, all with Eastern Bank: (i) A boat loan, expiring the end of March and requiring a \$100K balloon payment, (ii) our big term loan, and (iii) a \$650K revolving credit loan. It is time to assess our banking relationships as loans become due and need to be renegotiated. We plan to talk with several banks. Meanwhile, Joe will talk with Eastern Bank.
  - Capacity Limits on Star. The variable cost to the island for a bed night is minimal, say, \$10-\$15 per bed night, while revenue from a bed night would be considerably more. We might think, therefore, that if we were able to fill every bed every night we would substantially increase our operating income. The issue here is that the limiting factor on how many people we can accommodate on island is not the number of available beds, but space in the dining room. There are serious limits to how much we could – or would want to - increase the dining room/snack bar area. When determining available capacity of space or other resources, we need to be mindful that there are so-called step functions that prohibit us from simply multiplying everything by X%.
  - Other Items. We are planning to put more acoustic material in the dining room/snack bar area. We are also considering curtains or something in the way of wall hangings. When we are close to capacity in the dining room/snack bar, we will be unable to provide lunch to the *Uncle Oscar* day visitors in the snack bar, and we have so informed the owner of the *Uncle Oscar*.
  - Pel Report. Dash Davis, our Pel Representative, kindly provided a written report, which was given by Miranda Chinman, along with some of her own comments. There was concern among the Pels regarding the process around the next boating of Pels; meetings have helped. Miranda, in her fifth season, felt this was the best season she has

experienced. For the most part we were well staffed. Miranda, in her role as President of the Pel Club, is looking at future projects such as a healthier exercise area. Sharon asked Miranda to let the Pels know how much we appreciate their hard work and positive attitude. They have shown flexibility in dealing with guest needs and they were very helpful dealing with the viral bug. We have received many compliments from conferees and others regarding Pel service.

**VOTED:** To accept the CEO Report (including the Development and Registration Reports), the Treasurer's Report, and the Pel Report.

### **Old Business**

- **2014-2015 Master Board Calendar**. In order to avoid the Columbus Day weekend, the Council of Conferences meeting might be moved to October 18, if that turns out to be a better date. The June Board retreat could easily be held on island if we could be allowed to stay for a night before or after the meeting. Otherwise, many Board members are looking at a trip that is five or six hours in each direction solely for a four-hour meeting. Holding the meeting in Portsmouth has its own problems, as there are several Board members already on island for their conference. We will revisit this issue in the next month or two. The November Board meeting has been changed to November 22 to allow Board members to attend Starry Night and the Board meeting without making a second trip to Portsmouth. For the February retreat, attending the retreat, Board meeting, the South Church Block Party, Board dinner, and staff party may be too much for one weekend. Suellen and Tom are swapping their turns to do Opening Words. In general, the 2014-2015 calendar will remain as scheduled except for the June retreat and possibly the Annual Meeting (see below).
- **Other**
  - **Annual Meeting Date**. It was suggested that we move the date of the Annual Meeting to Saturday, May 2, 2015. This suggested change is so that we may avoid schedule clashes with the many organizations that hold events in April, particularly school vacations. We will take this up at our next meeting.
  - **Membership Committee**. From time to time the question has arisen as to whether it is appropriate for staff members to serve also as corporation members. Upon motion duly made and seconded, following discussion, and including a "friendly amendment" regarding the responsibility of corporation members to avoid conflict of interest, it was unanimously

**VOTED:** That the Board of Directors of the Star Island Corporation hereby rescinds any and all any recommendations to the membership regarding not allowing corporation employees to be or become members of the Star island Corporation, mindful of the responsibility of all members to observe best practices regarding conflict of interest.

## New Business

- **Budget Planning Guidelines and Timetable for 2015.** Staff is in the process of drafting the 2015 budget in accordance with the Board guidelines and timeline. The Board approved the 2015 guidelines as recommended by the Finance Committee. Room rates and staff salaries were discussed.
- **Conference Services Committee Liaison Report.** Karen Mathiasen, current Board liaison to the Conference Services Committee (CSC), invited Debbie Duval, incoming liaison beginning with the 2015 Annual Meeting, to join her in giving the report. The CSC is going through a major transition, as several members will be leaving soon due to term limits. Mark Woolley will be chairing the committee in the year to come. Debbie spoke about two surveys recently conducted by the CSC and the staff: one regarding food services in the dining room, and one concerning bathrooms and showers. A third survey is being considered, and might address a number of smaller issues plus the on-going topic of room décor and amenities. There were also conversations around birthday cakes (too many of them? uses too much Pel time?), restrictions on smoking, and dining room A-V.
- **Island Heritage & Artifacts Committee Liaison Report.** Nick Dembsey gave the report. Star Island recently received three grants in connection with island heritage and artifacts: (i) a CAP Assessment Grant for \$7,000 to lead to better preservation and care for our holdings, (ii) \$1,000 to restore and convert our films to digital, and (iii) a grant from the Furthermore Foundation to create a book to profit Vaughn. Other books are in the works. The Committee has made many new pages for the Memorial Books. We have had a controversy about a jar lent to us, and soon to be gifted to us, that has taught us a great deal about proper lending procedures.
- **Health Committee Liaison Report.** Tom Smurzynski noted that the Committee was previously made up of health care professionals who concentrated on staffing issues. There is now a new staff person, and the Committee is showing greater concern for the health of the island beyond the infirmary. It would be helpful if the Committee were to meet more often and also had some non-volunteers.
- **Rutledge Marine Lab Committee Liaison Report.** Erik Cordes gave the report. The Lab gets about 100 visitors per day, and has had 150 on weekends. Internet conductivity has been very helpful. The Lab has some structural issues, including rot, of which staff is aware. There will be actual studies for youth to participate in, some of which might last all summer. Grants can help with this. The Committee has spoken about possible internships for high school and college age students.
- **Strategic Facilities Planning Committee Liaison Report.** Nick Dembsey gave the report. Ron Cordes is now Chair. The Committee is planning a joint meeting with Property Standards. They will be meeting on island over Labor Day weekend. Telecom works well for this group when they cannot meet in person. The Committee could use some younger people; some of the more senior people could become advisors. This

Committee can be particularly helpful as a sounding board and doing some professional work for the island. Given the expanding nature of IT in our daily lives and on Star Island, an opportunity exists for an IT task force. Different ideas were discussed, including forming an IT Committee, setting up a task force, and having an IT group as a subcommittee of an existing committee.

- **Other.** It is important for us to recommend good candidates to the Committee on Appointments. It could be very helpful to have the various committees talking to one another. Our Clerk's term expires at the next annual meeting. Karen did not think it was necessary for the SIC clerk to be a lawyer, but the clerk needs to be prepared to take minutes in a meeting that can move along rather swiftly with interesting conversation. As the SIC is a Massachusetts corporation, the SIC has been using Karen's Massachusetts address for the SIC's address of record. Josh Davis volunteered his law firm's Massachusetts address when Karen's term ends.

**Executive Session.** At 1:45 p.m., the Board unanimously voted to go into Executive Session, the minutes of which are kept separately. The purpose of the session was to review certain corporate compliance issues and to approve the minutes of the June 28, 2014, Executive Session.

The Board meeting was reconvened at 11:55 a.m.

It was suggested that the incoming President of ISAUU be invited to our Board meetings as a guest until such time as the ISAUU President takes office and automatically becomes an SIC Board member.

The next regular Board meeting is scheduled for Tuesday, September 23, 2014, from 7:00 p.m. – 8:30 p.m. by conference call/GoToMeeting.

There being no further business, it was

**VOTED:** To adjourn the meeting.

The meeting was adjourned at 2:00 p.m.

Respectfully submitted,

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Karen Mathiasen, Clerk

[Clerk's Note: There was no July Board meeting.]