

Star Island Corporation
Chief Executive Officer's Report
October 22, 2014

***Our Mission:** To own and maintain Star Island and such other property as the Corporation may hold or acquire, as a center for religious, educational, and kindred purposes consistent with the principles of the Unitarian Universalist Association and the United Church of Christ.*

***Our Vision:** To create on Star Island an environment that frees all who come to renew spiritually, explore matters of consequence, and gain knowledge about the world as it might ideally be.*

COMMUNITY

- There was a productive meeting of the Council of Conferences (CoC) on October 18, where a number of topics were discussed, including the 2016 conference calendar, conference music-related offerings and technology usage on Star Island. Attendance was higher than usual for the CoC's October meeting, and a spirit of collaboration and island citizenship was evident.
- The Unitarian Universalist Alliance of Camps and Conference Centers (UUACCC) has grown to include nine pledged member organizations, including all of the larger conference centers. The UUACCC is dedicated to fostering and promoting the success, growth and well-being of UU camps, retreat and conference centers.
- We continue to promote our UU and UCC heritage and values, while at the same time being welcoming to people of other faiths and those who are not members of a particular religion. One example is that we have modified our web site's home page to be more explicit about our values, including a banner that highlights UU and UCC principles, as well as links to the core values statements listed on www.uua.org and www.ucc.org.
- Working with Rev. Chris Jablonski and Rev. Lauren Smith of South Church UU in Portsmouth, we are looking carefully at the goals expressed in the Minister of Community and Hospitality job description, a position we established last season, with the intention to come up with an effective plan for 2015.
- We are in the process of planning the next phase of what might ultimately lead to the construction of a welcome center. At this point, our welcome center is a concept – ensure that the general public, including day visitors coming to Star aboard the ferry or by private vessel are made to feel welcomed and comfortable. Our experiment with the Island Grille in 2014 was successful, and we intend to expand this offering next year. Additionally, we are planning on purchasing a tender, assuming we raise the required funds without competing with other fundraising priorities. The tender would be used as a launch service, bringing boaters to and from the island, and from which we might sell items such as coffee and lobster rolls. If we experience continued success with these welcoming efforts, we may eventually construct a multi-purpose building at the base of the pier. Either way, the welcome center concept serves multiple purposes, as an income generator and perhaps more importantly as a positive introductory experience for newcomers to Star Island who, we hope, will be tomorrow's conferees.

ECONOMIC

- Our season-end bed night report is attached. We received 3,890 total registrations for 2014 conferences, representing 19,376 bed nights (101% of our 19,250 bed night goal). Last year, we had registrations for 18,160 bed nights (97% of our 2013 goal of 18,630). We have increased bed nights by 6.7% compared to 2013 actuals (18,160).
- As noted in the attached September financials, our conference and personal retreat room and board income is 2% under budget. Please see attached memo from Finance Director Kristi Vazifdar for more information.
- We are pleased to present three budget versions for discussion during our October Board and Finance Committee meetings, with the intent of gathering input prior to staff proposing a budget for 2015 (scheduled for next month). Please see Kristi Vazifdar's memo and 2015 budget versions for more details. All three budget versions project 19,550 bed nights, an increase of 0.9% over 2014 actuals and 7.6% over 2013 actuals, putting us ahead of schedule compared to the 7.0% two year increase (2014-2015) called for by our strategic plan.
- Over the last five years, we have made substantial progress in increasing income and reducing expense, while at the same time augmenting the quality of the Star Island experience. Disregarding our substantial 2014 grant income, our 2014 projected income is \$242K higher than our 2010 actuals, and our expenses have been reduced by \$273K over the same period. Please see the attached 2010-2014 income and expense comparison for more information.
- At its October 28 meeting, we expect the Board to act on a recommendation from the Audit Subcommittee to select an auditor for fiscal year 2014 and beyond.
- We have met with two banks, and have meetings with two other banks scheduled this week and next, in connection with exploring our renewal options in advance of our loans with Eastern Bank coming due in 2015.
- Our five-year conference ferry service contract with the Isles of Shoals Steamship Company covered the 2010-2014 seasons. We are in the process of negotiating a new multi-year contract, which we expect to be substantially similar to its predecessor, and to be in force well in advance of the 2015 season.
- We were pleased with the overall success of our 2014 discount program, and are working carefully on our 2015 program. Please find attached a summary of our 2014 discounts.
- The Star Island Permanent Trust met on October 2. Mike Charland of Wilkins Investment Council walked us through our portfolio which, as of September 30, was valued at \$3,642,194. The total account performance history since inception (9/94) is 10.1%/year (9.4%/year after fee). Please see the attached summary for more information. At the meeting, Trustees discussed the pros and cons of changing the Trust's investment policy to maintain divestment from fossil fuels, sparked by a resolution calling for divestment from fossil fuel companies in the Unitarian Universalist Association's Common Endowment Fund over the next five years. The Trust also voted to disburse \$152K to Star Island Corporation in accordance with their spending policy (4.5% of a 3 year moving average, disbursed annually).
- The Isles of Shoals Association Unitarian Universalist (ISAUU) has confirmed a \$10,000 fall gift to Star Island Corporation and has pledged an additional \$2,000 for 2015, for chair caning supplies and Adirondack chairs. The ISAUU Board has recently affirmed that one of its principal purposes is financially supporting Star Island, and I will offer gratitude on behalf of the Star Island Corporation at the ISAUU Annual Meeting on November 2.

ENVIRONMENT

- Close-up is going well. Jack Farrell, Island Manager and Director of Facilities, Justina Maji, Conference Center Director, and their exceptional crew of veterans have done a great job ensuring that our major facilities projects stay on track while at the same time routine close-up tasks are performed effectively. The island is in good shape and ready for the winter.
- It has been a very busy and exciting time on the island, with tugboats, barges, cranes and lots of activity. The contractors are working well with staff and with each other, sharing equipment and expertise – we have been fortunate to have a group of contractors who do good work and enjoy being on Star.

- Good progress has been made on the pier project. Staff and contractors have devised an effective way to place large amounts of concrete with just a few people in short order, and we anticipate adding over 75 cubic yards of concrete to the pier structure by the time the project is complete. The batter walls which protect the west side of the pier are complete (see photo, right), and we expect to place the new concrete deck as soon as the weather permits. Once the deck is complete, the rip rap and wooden curbing will be installed. We expect this project, with the exception of the railings (to be installed in the spring) to be completed prior to Thanksgiving.



- Another FEMA mitigation project, the supplemental wall protecting our wastewater treatment plant's main pump station, is complete. One of our contractors, HL Patten of Kittery, did the form work for us at no charge, and our staff placed the concrete with a typical Star bucket brigade.
- Our IT infrastructure upgrades are complete, and have been tested by former IT Manager Brian Winters. Though this project took longer than anticipated, we are pleased with the results.
- We expect to complete a repair/repainting project on Marshman in the near future. This project, originally scheduled for 2015, was accelerated as a result of a generous pledge to fully perform this work prior to this winter.
- Our "new" (1992) flatbed diesel truck was transported to the island last week. We accelerated this purchase, also originally planned for 2015, in order to capitalize on a good deal and maximize the use of the barge being used for the pier project.
- Last week, the design team for our new wastewater treatment system met with Jack on Star. We are narrowing in on Busse Green Technologies' membrane bioreactor technology. The system is modular with manufactured components, making it more efficient to install and use, and less costly. This energy-efficient technology uses a series of membrane filters upon which bacteria grow and treat and filter wastewater. The current plan is that the Busse components would be installed within our existing wastewater treatment facility's tanks, and the tanks would be covered by a building. The system requires annual membrane cleaning and must be

kept above freezing, otherwise there is little maintenance. The process can be allowed to go dormant in the winter, meaning that the system does not require annual decommissioning. Busse has received NSF approval for non-potable reuse of their treated wastewater, which in our case would be used to flush toilets while excess amounts would be introduced into the ground as irrigation. We expect this system to dramatically reduce power demand and greatly simplify our wastewater treatment requirements. Jack notes that re-use of effluent is as sustainable as one can get, and it fits nicely with our theme of turning a waste problem into an asset. We should expect a full proposal and design of the system by early next year.

- The most challenging parts of the solar project are nearly behind us. About 95% of the controls and switches in the Power House are installed, and all of the batteries and solar panels are on island. As previously reported, there is considerably less ledge at the array site than anticipated, so concrete slabs for panel anchoring have been transported to the island, and over 75% of them are in place (the concrete slab ballast system exceeds the minimum wind load specifications for this project). A large portion of the racking for the panels is also in place, and solar panels and batteries are in the process of being installed (see photo, right). Ayer Electric has provided a competent team of union electricians with experience in solar and wind projects, as well as industrial and power plant work, and we have been impressed with the quantity and quality of their work (the foreman is especially talented and conscientious). We expect that the system will be ready to operate some time next month, and we are preparing the EMB to utilize solar electricity for space heating, hot water and cooking this winter. To date, we have secured gifts and pledges totaling \$18K toward the solar project, have applied for a \$25K grant from the McNinch Foundation, and are researching other opportunities to kick start our 2015 targeted solar power fundraising effort.
- In short, we are pleased with the progress we are making during what is shaping up to be a historic close-up period.
- On October 30, we are meeting with Gregg Caporossi of the Trust for Public Lands and Jennifer Seavey, Executive Director of the Shoals Marine Lab, for a preliminary discussion about easement opportunities on Star and Appledore Islands.



STEWARDSHIP

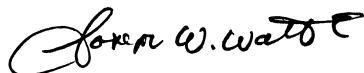
- Please see Director of Development Angela Matthews' attached report, including the September Annual Fund Comparison Report, which indicates that as of September 30, we were at \$269K in gifts and pledges. We have identified an additional \$136K in non-Combined Appeal funds resulting from our expectation that eight of our larger conferences will match their 2013 giving levels. Combined with \$34K in Combined Appeal gifts and pledges, we are projecting \$439K prior to additional giving we are anticipating as a result of several factors,

including a wider target audience and increased enthusiasm stemming from our progress with capital projects and the installation of the solar power system. Our fall appeal is set to go out by the end of this month, and this year we are sending it to a wider audience, including those who have already donated to the 2014 Annual Fund. We continue to believe that we are on track to reach our Annual Fund budgeted goal of \$455K.

- We conducted first round interviews for our Director of Development position earlier this month, and we are planning on conducting final round interviews with our search committee by early November. Our goal remains hiring a qualified candidate by December.
- Our centennial task force met again on October 9, to brainstorm ways in which we can celebrate Star Island Corporation's centennial. We are in the process of identifying working groups to focus on specific activities, and we have refined a timeline that capitalizes on our centennial in both 2015 and 2016.
- A well attended Gosport Regatta took place on September 20-21, closing out our 2014 season on a high note. A stiff wind made for exciting racing, and guests enjoyed many festivities on the island. We have invited Star Island United Church of Christ (SIUCC) to assume a central role in planning next year's regatta, along with staff and the Piscataqua Sailing Association (PSA). We are meeting with the PSA next week to debrief the 2014 regatta and begin planning for 2015.
- We are gearing up for Starry Night, which will take place in the Discover Portsmouth Center on November 22. This year's First Star speaker will be Steve Skrovan, who will be presenting on humor in our lives, using excerpts from his television productions to elaborate. More information on Steve and the rest of our Starry Night festivities can be found at www.starisland.org/events/starry-night.

I have served as the CEO of the Star Island Corporation for two years this month. It is a privilege and an honor to work with so many dedicated and talented people who, together, are accomplishing so much to honor our past, find joy and meaning in the present and ensure that we are on solid footing for our future.

Sincerely,



Joe Watts
Chief Executive Officer