



STAR ISLAND CORPORATION

Board of Directors

Business Model

September 29, 2009

Mission Statement

“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.”

PART ONE: INTRODUCTION

Why Think About Our Business Model

Those of us who love Star Island love it passionately. We love it for many different reasons – too varied to list, but we offer the following as touchstones for many; its physical beauty, its historical significance, the community it engenders, the unique social interactions we have there, the solitude and renewal we can find in the midst of that community. Your experience and the tenor of your connection is unique. But you share the depth and passion of that connection with many.

The community that emerges from that common connection is what binds us together and allows us to share in an ineffable satisfaction with the essence of Star Island. Star Island is extraordinary and priceless. Making changes sometimes is the only way to preserve the extraordinary and priceless and making changes can be crucial to preserving and strengthening the immutable essence of what we cherish. This is our goal as we confront the stark realities of Star Island’s financial and operational challenges and seek ways to lift Star Island above them.

Our efforts are contemplated by the three year Strategic Plan for Star Island Corporation, a copy of which is attached. The Plan includes as a goal the creation of a sustainable business model. Over the Summer and into this Fall, the Board has done an extensive examination and analysis of Star Island operations for purposes of furthering this goal. The following reflects the Board’s observations garnered from that work and establishes changes to Star Island’s business model in order to achieve a sustainable future while preserving the essential integrity of Star Island culture.

Recent History

Star Island has suffered a number of organizational and business-related shocks in recent years, culminating in the Island’s closure for part of the 2007 season. Our response to those shocks has been to greatly improve the quality with which we conduct the operations of the Island and the Corporation. The Board has reorganized the management of the SIC and under the new leadership of Chief Executive Officer Vicky Hardy and her team we have significantly improved relations with important constituencies (including regulators), improved the operations and maintenance of our physical plant, improved our understanding of our business, and improved our financial reporting.

Even with the advances made in the past years we continue to incur operating losses that are not sustainable. Our reliance on extraordinary distributions from the Permanent Trust have made it clear to the board that Star Island’s financial future is not viable if we merely continue doing what we have done for the last 50 years, even if we do it better and more efficiently (as we have been doing in recent years).

PART TWO: THE PROBLEM

There are structural limitations to the model within which we currently operate. The Board, in its work in the Summer and Fall of 2009, has identified those limitations. They include:

1. Lack of coordination between conferences and the Corporation (see below for a discussion of this topic);
2. Lack of deliberate and effective coordination with denominational and social interest organizations that share history or common mission with Star Island;
3. A cultural reticence to invite new people to share in Star Island;
4. Affordability for a significant portion of year to year conferees;
5. Reliance on volunteer work in areas that require more expertise and detachment;
6. A short season of operations;
7. The high cost in funds and management energy running an operation on an off-shore island in the modern age of regulation.

We must find constructive means to overcome these limitations in order to achieve the crucial goal of fiscal sustainability identified in the three-year Strategic Plan. While staff continues to find ways to improve expense management, we believe that the key to Star Island's sustainability is to increase the occupancy of the Conference Center.

This document describes the structural changes that the Board believes are necessary in order to increase revenue, in keeping with Star Island's mission, goals, and values of the Corporation.

PART THREE: THE SOLUTION

The Board has determined that in order to become financially viable we must approach our "full occupancy" rate of 25,000 bed-nights per season, an increase of approximately 6,000 over our average in recent years. See appendix B for a very basic breakdown of how this number was derived.

To achieve a sustainable future for Star Island, in a manner consistent with the mission and values of the Corporation, the Board has identified four "lines of business" which we must pursue. They are listed here in order of importance:

1. Nurture and strengthen the existing core conferences (see immediately below for a definition and discussion of "core conferences");
2. Develop one or more additional conferences to join the ranks of our "core conferences";
3. Continue to market the island to organizations with kindred purposes, such as our current Island guests, Granite State College, Southern New Hampshire University, StarHampshire Dance, and Dover Yoga ("Kindred Organizations"); and
4. Continue to market to personal retreaters (Personal Retreaters).

Why These Four "Lines of Business"?

1) Core Conferences

Most of us have an intuitive sense of what the "core conferences" are that form the central part of the Star Island community. Nonetheless, we have found them hard to specifically define. We use the term Core Conferences to identify conferences that (a) regularly return to the Island, (b) have a large percentage of returning conferees, (c) have a legacy of leadership that develops the conference program targeted specifically to their on-going conference community, and (d) imbue in their conferees a generous spirit of community that is unique to Star Island.

The benefits of conferences that are closely identified with the Island is that they minimize our marketing expenses, decrease our uncertainty year-to-year as to who will be coming back, and build communities that support the Island in many ways beyond room-and-board revenues.

2) New Core Conferences

For all the reasons just described, "core conferences" are the single best "line of business" we have, in terms of achieving financial sustainability. Creating the equivalent of one or two new "core conferences" will increase the part

of our financial base that is most stable and most in keeping with Star Island’s mission, values, and goals of the Corporation.

3) Kindred Purposes

The stated mission of the Star Island Corporation includes operating Star Island for “religious, educational, and kindred purposes.” We use “kindred purposes” to describe conferences which, while broadly compatible with our mission and values, are not as closely identified with the island as the “core conferences.” Typically, their program is developed by off-island institutions and marketed to interested individuals. These conferences vary in the number of new people they bring to the Island every year, and those with significant numbers of returning conferees do develop a sense of identification with the island, but usually this identification is channeled through the organizing institution.

Organizations with kindred purposes integrate Star Island into the larger economic and institutional life of the Seacoast, introduce individuals to the island, provide revenue and provide continuity year-to-year. Use of the Island by organizations with kindred purposes should be looked upon as a marketing opportunity to the individuals attending those organizations’ events on the Island. While these are not hard-and-fast criteria for determining which organizations we will accommodate, they characterize the most desirable organizations. Our goal in accommodating organizations with kindred purposes is to increase our financial security in more ways than simply collecting each year’s payment from that organization.

4) Personal Retreaters

Personal retreaters provide a flexible way of selling additional bed-nights, as well as introducing people to the Island. Again, our goal should be to convert casual personal retreaters into conference attendees.

Why Not Other Solutions?

The Board considered a number of options before settling on these four “lines of business” as our path to financial sustainability. These options included attempting to dramatically reduce costs of operation sufficient to achieve sustainability (while attempting to maintain core conference culture and current levels of occupancy) and consolidating all activities on Star Island into a “resort” model enterprise in which “hotel management” designs and sells a vacation experience that nonetheless is hoped to remain true to Star Island’s mission.

Reducing expenses alone, even dramatically, will not lead to sustainability.

The Board concluded that departing from the traditional elements that define Star Island would weaken rather than strength Star Island. Thus the lines of business described above and the changes in approach describe below are predicated on keeping constant the fundamental aspects of the Star Island experience while increasing our revenue base without making Star Island more expensive.

PART FOUR: DOING THINGS DIFFERENTLY

In order to achieve the revenue that will lead us to financial sustainability, we must do a number of things differently from the way we have done them in the past. The changes we must make fall into several categories:

1. Lines of Business

1.1. Core Conferences

The Corporation’s relationship to the core conferences has traditionally been quite loose. Both the Corporation and the conferences have been changing this relationship in recent years. But we must define this relationship intentionally. If we are to survive, it must be clear to conference leadership that our interests are their interests, and vice versa. In the vernacular, “There is no ‘they’; there is only ‘us’.”

We are aware that this may be perceived by some as reducing the independence of the conferences. We do not believe that this needs to be the case, if both we as the Corporation, and the conferences themselves are intentional and clear about what is important to each of us, and why. That notwithstanding, we do not believe we can be successful unless we do the following things:

- a. Increase awareness of Corporation goals by conference leadership so that conference leadership understands that they share with all members of the Corporation the responsibility to its members and conferees to present a full and compelling season of conferences that will attract sufficient conferees to meet our financial needs.
- b. Achieve a new relationship with conferences where marketing, registration, recruiting, scholarship aid and subject-matter programming are coordinated and sustained efforts.
- c. Support conference leadership in developing new skills in planning and promoting conferences. The more effective conferences are at providing compelling programs and filling the island, the less involvement they need from the Corporation in order to do this.
- d. Convert to on-line registration in a manner sensitive to varied conference protocols for enrolling conferees.
- e. Increase communication with conference leadership regarding financial performance of conferences and Star Island as a whole. The efforts of conference leadership to have successful conferences are interdependent with the efforts of the Corporation to operate the Island at financially sustainable levels.
- f. Augment those services traditionally provided to conferences that will have a significant effect on revenue as a profit center and/or as an amenity (however modest) that attracts conferees. There has been enthusiastic discussion and implementation this year of services, such as the “Discreet Business Center” and massage services. The Corporation must continue to pursue these opportunities with conferences so they are receptive to making these services available to their conferees.
- g. Explore the Corporation providing services traditionally provided by conferences themselves where these can have a significant effect on revenue. Providing alcoholic refreshments for social hours is the highest profile of these activities. We must explore whether provision of this and other similar services by the Corporation would result in lower prices for conferees and provide an important source of revenue for the Corporation.
- h. Define primary services to conferences with additional service available. Conferences and the Corporation must be sensitive to “mission creep” whereby conferences expect, and the Corporation provides higher and higher levels of service. The Corporation must define levels of service for the conferences and should be willing to provide high levels of service for additional fees. This will help maintain the affordability of the Island by allowing conferences to the more or less expensive depending on the level of service they select.
- i. Provide standard levels of service for individuals with choice for discounted or premium service. Similarly to the previous point, the Corporation must determine where it is feasible to provide differing levels of service to individuals (chamber service is the most oft-cited example). This would provide individuals with more control over the affordability of their time on the Island and possibly provide additional sources of revenue for the Corporation.

1.2. Develop One or More New Core Conferences

Corporation promotion of a new recurring conference was last done so long ago that the event is lost in the mists of time. It may have been the creation of All Star II from All Star I in 1956. A full week conference contains approximately 1,800 bed-nights. For many reasons (including scheduling flexibility) creating one or more full week conferences presents challenges but doing so would open up other possibilities to create additional programming in the future that would increase Star Island’s financial stability.

In any case, we need to create a new conference to fill the slot in 2011 and onwards that was left by IRAS. Variations on the traditional “core conference” model may provide flexibility to meet changing needs of potential conferees and the Corporation. To that end, the Corporation will:

- a. Provide the Corporation staff with the necessary support and resources to pursue their year-long work on new conference development.
- b. Support the implementation of steps necessary for the creation and promotion of a new conference for the open 2011 week. In addition to the on-going work of the Corporation staff, this effort will benefit from a significant contribution from the leadership of existing core conferences of the knowledge and inherited expertise that has resulted from decades of Star Island conference activities.
- c. Examine the advisability of creating shorter “core conferences”, possibly in the “shoulder” season.

1.3. Kindred Organizations

Kindred Organizations will continue to be an important part of the Star Island conference season. Beyond our existing conferences and contacts, the Corporation will:

- a. Market ourselves to national Unitarian Universalist and UCC organizations so we are perceived as a resource and an asset to those organizations. Our goal is to become a partner with those (and possibly with similar organizations) so as to attract recurring conferences affiliated with them.
- b. Cultivate individual relationship within kindred organizations to build institutional identity between Star Island and the kindred organizations. Though we may not have access to the individual conferees for fundraising, we should aspire to have access to institutional funds from *and through* the kindred organizations when appropriate opportunities present themselves (probably in the form of specific projects).
- c. Seek out organizations who are apt to return year and after year and thus provide predictable source of revenue.
- d. Seek out organizations who are apt to become core conferences.
- e. To the extent possible, cultivate conferees at these conferences to increase their identification with the Island and cultivate them as active supporters and donors to Star Island.

1.4. Personal Retreaters

To date, personal retreaters have come largely (though not exclusively) from the shoaler community. Though a new addition to our business, the personal retreat program has proved to be flexible, and has not imposed an undue administrative burden on our operations, and has been a significant source of revenue. In order to continue and strengthen this program, the Corporation will:

- a. Implement on-line reservations for personal retreaters.
- b. Where feasible, and within reasonable cost constraints, put in place resources to welcome personal retreaters (and particularly Seacoast residents) to Star to demystify the Island. Seacoast residents can be valuable “ambassadors” to local organizations on our behalf.
- c. Find Personal Retreaters who are likely to spread the story about Star Island in their home communities, possibly by targeting UU and UCC congregational leaders.
- d. Coordinate Personal Retreater visits with core conference leaders in order to promote a hospitable and engaging experience for Personal Retreaters. Engaging personal retreaters in conference activities where appropriate can be a powerful vehicle by which to do this.

2. Marketing

Marketing has traditionally been the purview of the conferences, with limited support from the Corporation. In order to support the conferences and attract organizations and personal retreaters, we must:

- a. Budget and deploy significant funds for marketing.
- b. Empower staff to engage and work with a professional marketing firm to develop and launch immediately an aggressive marketing plan.
- c. Seek greater integration with UUA/UCC denominational affairs. Apart from promoting ourselves as a venue for conferences from affiliates of these “kindred organizations,” the UU and UUC populations represent our “target market.” We expect that raising our conferences’ profiles as places to take a UU/UCC “values-oriented” vacation should attract conferees.
- d. Increase marketing support to conferences. This reflects the change in our relationship to conferences described above under “Core Conferences.”
- e. Continue to develop incentives for new conferee recruiting.

3. Finance

We must balance the need to increase our revenue, with the awareness that a week on the Island represents a significant expense for many conferees. We know that we must fund our operations in predictable and stable ways. In order to balance these factors, our goal must be to:

- a. Establish Corporation-level scholarship program and coordinate with conference level scholarship programs in order to incentivize scholarship and annual fund giving.
- b. Address affordability by differentiating services by offering them on an *a la carte* basis (increasing revenue somewhat through introduction of premium services). This reflects the change in what we offer to conferences, described above under “Core Conferences.”

- c. Enlarge efforts to increase giving to the Permanent Trust.
- d. Preserve Appledore Island's value to the Corporation as an income-producing asset in a manner consistent with Star Island's historic relationship with it.
- e. Limit reliance on Permanent Trust to planned distributions.
- f. Restore the Corporation's Permanent Trust principal. The Permanent Trust has been the lifeline that has maintained the viability of the Corporation through the shocks of recent years. We must replace this resource for future generations.
- g. Engage in capital campaign fundraising for extra-ordinary renovations, upgrades and updating of facilities and to increase the Permanent Trust.
- h. Keep our pricing competitive and employ variable pricing when appropriate.
- i. Fully fund depreciation and maintenance reserves and engage in capital campaigns commensurate with best estimates of what it will take to meet our strategic plan goal of maintaining our facilities.
- j. Explore methods to manage weather related short falls in revenues by building our own reserves, including these contingencies in our annual budgets, acquiring business interruption insurance, or other means.

4. Operations

We have made great strides in improving our operations. Nonetheless, there are some changes in our fundamental model which are necessary in order for us to be viable. They include:

- a. Improving operational efficiencies with variable staffing.
- b. Implementing means of reducing energy cost.
- c. Identifying and acting on opportunities to reduce transportation costs through partnerships with other Seacoast institutions.
- d. Continue to support the successful efforts recently underway by staff in the areas of facilities planning, repair and maintenance.

PART FIVE: CONCLUSION

Many things make Star Island special, but one of them is the "intentionality" we bring to the Star community, an intention to act from the best values we can aspire to, grounded in our Unitarian Universalist and UCC traditions. None of the changes we have described above (or others that might evolve as we work to assure the Island's future) will be successful unless all of us engage in this effort with a sense of common purpose. We come to Star Island with many different perspectives: conferee, youth, corporation member, Pelican, staff, permanent trust board member, Corporation board member, benefactor, neighbor, and others. Many of us wear several of these hats.

With these roles come different reactions to each of the changes we have proposed. We must honor those perspectives and reactions. But we cannot let disagreements about the parts lead us to fail to work together towards the whole. A great deal of hard work, hard thinking and group deliberation went into creating this map for the on-going viability of "the island that is our home" but more will be needed from more of us to succeed in making Star Island sustainable.

Fred McGill often quoted the phrase that Star Island "asks of us a certain height." It asks that height of all of us now.

Appendix A – Three Year Strategic Plan

Three-Year Strategic Plan January 1, 2008 – December 31, 2010

This document is the official three-year plan for work slated to begin January 1, 2008. It provides strategic direction for the Star Island Corporation in order to advance the work of its mission. It also supports pragmatic decision-making by the Board in a manner that reflects the best interests of the Corporation.

This strategic plan reinforces the core directions in which the SIC focuses its efforts and resources which are:

- Providing a haven for spiritual renewal and personal growth
- Fostering discussion of important ethical and religious issues
- Honoring the history and natural environment of the Isles of Shoals
- Bringing together diverse people

The goals are statements of outcomes to be achieved. The objectives reflect the overall movement desired to achieve the goal, rather than specifying a specific action or tactic. In this way, alternative solutions can be pursued by staff to achieve each objective.

Several important terms are used throughout the Strategic Plan, which do not have universally accepted definitions. The following definitions are provided.

Mission: a concise statement of the organization's reason for being

Vision: 10-30 year goal describing what the organization seeks to become; an ambitious goal that is tangible, energizing, and highly focused

Values: essential and enduring tenets of the corporation; a small set of timeless, guiding principles

Goals: timeless, unbounded statements describing the conditions or attributes to be attained

Objectives: measurable, attainable means to achieve on the way to accomplishing the goal

Tactics: annual actions and activities determined by staff to direct how resources will be focused to maximize effectiveness and efficiency in achieving the objectives; describe ways to achieve objectives through programs, organizational structures, and operational initiatives

Development: Refers to enhancing the Corporation's financial resources by fundraising and other contributed income methods

Business model: A summary of the financial practices that will be followed by the Corporation to achieve equilibrium

Stakeholders: Those individuals, organizations, and governmental entities who are invested in, and can impact, the future of the corporation.

Star Island Corporation Mission Statement

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

Star Island Corporation Core Values

We value:

1. Dignity of each individual and his/her perspective
2. Economic accessibility
3. Spiritual and educational growth

4. Balance of traditions and change
5. Preservation of the historic physical and natural setting of Star Island and the Isles of Shoals
6. Principles of simple living
7. Transparency
8. Community building
9. Green principles of reduce, reuse, recycle, replace

Star Island Vision Statement

The Star Island Corporation's vision is to create on Star 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.

Star Island Corporation's Goals and Objectives

January 1, 2008 – December 31, 2010

I. Finance Goal

Star Island Corporation will be a fiscally sound organization with a sustainable business model consistent with the Corporation's values and mission.

Objectives

1. Create a viable new business model
2. Create innovative resources to support affordability and diversity
3. Communicate assumptions underlying a needs based budget
4. Create a Development plan designed to enable the new business model and its associated financial plans
5. Establish competitive room and board rates consistent with budgetary needs
6. Conduct an ambitious yet realistic Annual Fund that grows each year and report results regularly to the community
7. Establish an ambitious yet realistic Capital Campaign to address major Island needs
8. Replenish and grow the Permanent Trust

II. Facilities Goal

The Star Island Corporation facilities will be kept in a steady state to keep Star Island safe, well maintained, structurally sound, and up to date with 21st Century standards consistent with the Corporation's values and mission.

Objectives

1. Complete a facilities audit (condition assessment) including indentifying all non-compliance
2. Develop an action plan to address the deficiencies
3. Develop a proactive approach to our regulatory environment
4. Establish a professional level of operations and management
5. Communicate the Emergency Operations Plan
6. Fund facilities needs appropriately
7. Develop and maintain a reliable, convenient, and safe ocean transportation system.

III. Governance Goal

The Star Island Corporation will be an effectively governed, well managed organization positioned to deliver maximum value to its members and stakeholders consistent with the Corporation's values and mission.

Objectives

1. Have the Board govern through policy and the staff manage through implementation of policy

2. Increase transparency through a free flow of information and ideas among Board, Staff, Corporation Members, and stakeholders.
3. Enhance governance through transparency, input on the strategic plan from all stakeholders, and closer collaboration with the Council of Conferences and each Conference's leadership
4. Provide healthy boundaries around Board governance and staff management by requiring that initiatives be exercised through appropriate channels and are consistent with the strategic plan
5. Develop assessment practices for all policies to ensure they are being followed.

IV. Human Resources Goal

The Star Island Corporation will develop, train and maintain effective human resources consistent with the Corporation's values and mission.

Objectives

1. Identify and hire the expertise needed on staff
2. Create an environment that attracts and retains well qualified employees
3. Create a sustainable on Island community
4. Determine effective use of volunteers
5. Support the principles of diversity and equal opportunity
6. Charge the CEO to empower the staff to implement day-to-day operations
7. Establish leadership succession and cross training

V. Community Goal

Support a sense of community that serves conferences and conferees and inspires them to serve others consistent with the Corporation's values and mission.

Objectives

1. Provide hospitality that helps draw people to Star year after year.
2. Support Conferences to help them have gatherings that are filled with the Star Spirit
3. Collaborate and work with the wider community
4. Help all stakeholders appreciate that a culture of stewardship can generate openness, cooperation, community, and prevention of crises

Appendix B – Why 25,000 bed-nights?

While we will continue to refine the model below, in its current state it provides a level of detail that gives us sufficient confidence to adopt the 25,000 bed-nights as a goal for financial sustainability.

For reference, in 2005 we sold approximately 22,000 bed-nights. We take this as a sufficient indicator that the goal of selling and serving that many people in a season is reasonable; 25,000 bed-nights is approximately 14 weeks at 260 occupancy.

In 2009, we sold 18,000 bed-nights, approximately 4,000 short of our all-time high of 22,000 in 2005.

Our room and board income in 2009 was \$1.675M. We are talking about increased our bed-nights by about 40% (25,000 / 18,000). Generally speaking, we should therefore be talking about increasing our room and board income by 38%, to \$2.3M.

This additional \$600K should be sufficient to eliminate the deficit we suffered this year, pay the marginal cost associated with selling and servicing the additional bed-nights, and generate funds to cover depreciation and maintenance.

Star Island Staff and the Board Finance Committee are continuing to work on much more nuanced and sophisticated models, informed by a great deal of data collected by the Staff. It will be the Board's highest priority to adjust the plan to reflect the results of this on-going work as required to move us to fiscal sustainability.

It is the opinion of the Board that these parameters move us to fiscal sustainability, and that they provide measurable indicators of how quickly we are approaching that goal.