

**Star Island Corporation (SIC)
Chief Executive Officer's Report
November 19, 2019**

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

- Please see the attached 2019 Conference Season Report from Justina Maji, Conference Center Director. Justina will be discussing the season at the November 23 board meeting. We had a great season overall.
- On October 18, we met with the leadership of SIUCC to continue discussing the ways in which we might continue our conference planning and outreach partnership in 2020. Our goals are to continue our momentum with SG 2 Family Conference and increase enrollments at the SG 1 Family and Youth Conferences.
- We launched our seventh annual Veteran's Raffle on Veteran's Day (with the drawing on December 11). The raffle winner and his or her family will receive a free week on Star Island in 2020. The Portsmouth Herald ran this story on Veteran's Day:
www.seacoastonline.com/news/20191108/star-island-announces-7th-annual-raffle-for-us-military-veterans
- We are gearing up for the 2020 Pelican hiring process, and we expect our application to be online early next month. We have engaged some part-time help to work on Pelican hiring outreach, and we anticipate expanding upon the many successful outreach efforts undertaken in last year's hiring cycle. We have received some good publicity as a result of the book *Pelicans*, including (as a reminder) this wonderful new feature from NH Chronicle:
www.wmur.com/article/wednesday-september-4th-the-star-island-pelicans/28871211.
- We are in the final stages of coming to an agreement with a producer of a five-part documentary, a portion of which we expect will be filmed on Star Island early next month. We believe this documentary would support some of our key marketing and outreach priorities.
- On November 13, I offered a presentation entitled "Star Island – New Hampshire Treasure and Model" to the Active Retirement Association at the University of New Hampshire.
- Our Alcohol & Safety Awareness Task Force met on November 6 to debrief the 2019 season and look ahead to 2020, including the Chairs & Registrars meeting set for January 4.
- On October 18, Island Minister Sophia Lyons facilitated a gathering of several people – including board members (Leon Dunkley, Debbie Duval, and Celeste Magliocchetti), staff members (John Bynum, Lindsey Greene, Justina Maji, and Sarah Whalen) and others – to discuss our Beloved Community Project. I will be meeting with Sophia on Friday to talk about next steps.
- Board Vice President Tom Coleman and I represented SIC at the Unitarian Universalist Association of Camps and Conference Centers (UUACCC) retreat at The Mountain Retreat & Learning Center on October 21-24. At the retreat, we shared best practices and discussed many topics ranging from social media to medical policies. We discussed the idea of broadening the scope of the UUACCC's mission, which is currently to foster and promote the success, growth

and well-being of Unitarian Universalist camps, retreat, and conference centers, and this discussion will continue on Thursday during a UUACCC video conference/meeting.

ECONOMIC

- Please find attached three 2020 budget drafts, along with an accompanying memo. We look forward to receiving feedback from the Finance Committee and the Board of Directors during their upcoming meetings – this input will inform our final budget proposal, which will be submitted in January. Some important notes about the 2020 budget drafts:
 - As forecast by our Long-Range Integrated Financial Tool (LIFT – see October 8 board meeting materials), our budgeted net operating gain for 2020 – though still healthy – will be lower than in recent years (exception(s): \$106,421 in 2015 and, possibly, \$200,729 in 2016 and \$173,016 in 2013). This is in part due to our success with capital projects over the last few years, including (1) a ~\$36K increase in interest expense stemming from our SRF loan (payments to commence in 2020); and (2) a ~\$23K increase in depreciation expense stemming from adding some bigger ticket projects, such as our new wastewater treatment/water reclamation facility, to the depreciation schedule. These planned events, which are good for our infrastructure, account for a net decrease of ~\$59K to our 2020 net operating gain.
 - After investing nearly \$3 million in our facilities over the last two years alone, we are mindful of our cash position for 2020. By reducing our budgeted capital project expenditures significantly in 2020, we help our cash position while at the same time furthering our goal of having a season to catch up on small repairs and improvement projects. Additionally, we are forecasting investing \$25K in our reserve fund, as per policy, instead of increasing this figure to \$50K.
 - We are hoping to decide upon the 2020 room and board rate increase, if any, at the November 23 Board meeting. The 2020 budget drafts model increases in the 1-4% range. Last year, we increased our rates by 4% and had record enrollment. Also, our Strategic Plan guides us to be mindful of affordability as we increase our guest acquisition and retention rates. Finding the right balance with our rates, which includes consideration of our financial aid and discount programs, is important.
- Please find attached the September Financials, which project a year-end net operating gain of \$327K (vs. a 2019 budget of \$311K), and capital expenditures of \$1.602M (vs. 2019 capital budget of \$1.602M).
- The Finance Committee met on October 2 to discuss the July & August Financials (and accompanying dashboards), the LIFT, the Debt Working Group (DWG) Final Report, and the 2020 Budget. The committee meets again tomorrow night.
- We have received fourteen Clean Water State Revolving Fund (SRF) loan disbursements to date, totaling \$1,061,538 (\$380,746 in 2018 and \$680,793 in 2019).
- On October 22, the Trustees of the Star Island Permanent Trust met to discuss various topics, including a review of the market and the Trust's performance. The value of the Trust as of October 18 was \$4,581,252, which was the value prior to receiving the 2019 distribution to SIC of \$188,739.
- We are planning our 2020 discount program, and expect it to be largely similar to our successful 2019 program.
- We are working with Insource Services on a transition to the finance services they provide SIC. We are meeting tomorrow to discuss this transition, and to plan for success as we close out the year and prepare for 2020.

ENVIRONMENT

- We have completed another successful close-up of the island, ending earlier than usual. Our winter caretaker, Alex de Steiguer, moved out to the island at the end of last month.
- We were able to purchase roofing supplies and ship them to the island during close-up to replace the roofs on Marshman, Louise's Barn, and the Parsonage. However, foul weather has prevented us from finding a decent window to replace the roofs this year, and our current plan is to complete these roofing projects in the spring.
- The attached 2020 budget drafts include a draft capital budget of \$585,110. As noted above, we are planning on reducing our budgeted capital project expenditures in 2020 to help our cash position and provide more time and space to catch up on small repairs and improvement projects. The Strategic Facilities Planning Committee meets on Thursday to review the draft 2020 capital budget. Some highlights include:
 - A 10% general contingency (vs. 5% in 2019);
 - \$50K to complete the Brookfield/Rutledge Marine Lab project (number subject to further refinement);
 - Funding for a number of projects deferred from 2019;
 - \$50K to begin construction of a new staff cottage at the site of the old diesel farm (this would be a ~\$160K project spread over two years);
 - Funding for designs and site plans for three significant rebuild and renovation projects, including Doctor's Cottage, the Units, and the Underworld (this improves our ability to budget more precisely in 2021);
 - \$245K in wastewater treatment/water reclamation project expenditures (\$210 of which is SRF loan funded);
 - Some projects that are currently not budgeted are included in italics to indicate that we might work on them in 2020 should our project plans change and/or additional funding becomes available.
- On November 8, we conducted an After Action Review (AAR) of the Brookfield/Rutledge Marine Lab project, with Treasurer Jeff Loewer and several staff members in attendance. The AAR provided a useful process for digging deep on all aspects of this project, and was centered upon four questions: (1) What was expected to happen? (2) What actually happened? (3) What worked and what didn't work? and (4) What would we do differently next time? We are already acting upon some of the recommendations of the AAR, and we anticipate using this approach to focus on future projects and operational matters. We anticipate including an AAR summary in the January 21 board meeting materials.
- On November 14, we met with our engineers, Underwood Engineers (UE), to debrief the 2019 season and plan for 2020. As for 2019, we ended the season having worked through most of the operational issues we had experienced (kinks were to be expected in our first operating season). We are now entering the next phase of our professional services relationship with UE, which will include work in five main areas: (1) our winter wastewater solution; (2) operational assistance for the 2020 season; (3) permit renewal supplemental application to increase maximum flow rate and duration of season; (4) SRF paperwork, an environmental review, and a fiscal sustainability plan (all required); (5) additional improvements to the main system (though substantial completion of the project was achieved in June).
- We were pleased with our marine transportation program this year, which provided ample runs to and from Star Island, including many good options for employees wishing to enjoy more time off in Portsmouth, as well as more transportation options for guests who came at off-times in the schedule. We have been working on our 2020 marine transportation, including the following:

- Our next multi-year agreement with the Isles of Shoals Steamship Company (ISSCo.) – our current five-year agreement runs through the end of this year, and we expect our next agreement to be similar in content and possibly extended in duration;
- Our 2020 marine transportation schedule with the ISSCo. for trips out of Portsmouth aboard the M/V Thomas Lughton and M/V Challenger;
- Our 2020 independent contractor agreement with Jack Farrell for trips aboard the M/V Utopia and M/V Hurricane;
- Our 2020 marine transportation schedule with the Uncle Oscar for trips out of Rye aboard the M/V Uncle Oscar.
- We recently received a fuel transfer variance from the NH State Fire Marshal (supported by the NH State Port Authority and the City of Portsmouth Fire Department). This variance enables fueling of boats and our fuel cubes at our Burge Dock location by approved providers, which not only simplifies our fueling processes, but also should reduce our island diesel expenses.
- As recommended by the Rye Historic District Commission (RHDC) during their visit to Star on September 16 (see October 8 board meeting materials), we have submitted a formal request for a permit to install new signage for our outdoor exercise route. We expect a public hearing on our permit request to occur within the next couple of months.
- We are researching and strongly considering migrating SIC’s Windows Server to the cloud. This move would have several benefits, one of which being costs savings over time. A working group comprised of staff members and volunteers with relevant expertise to help advise us on this project convened on November 14 – the working group supports this change.

STEWARDSHIP

(NOTE: Director of Development Peter Squires and I have co-written this part of my report.)

- As of October 31, the 2019 Annual Fund (AF) had realized \$400,237 in gifts, with a pledge balance of \$42,975, for a total of \$443,212 (84% of our 2019 goal of \$525,000), with 201 Sustaining Star (recurring) donors. Please see the attached October AF Comparison Report for more information. The following chart compares our progress this year to the previous two years:

Year	Realized Gifts	Pledge Balance	Total	% to Goal	Total Donors
2019	\$400,237	\$42,975	\$443,212	84%	996
2018	\$356,243	\$51,108	\$407,351	81%	1,060
2017	\$352,069	\$55,894	\$407,963	83%	955

We are pleased with AF progress to date, and we believe we will achieve or exceed our budgeted AF goal for 2019.

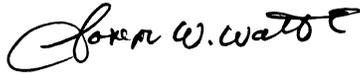
- Our Fall AF appeal letter was sent out earlier this month, and we are also preparing to promote year-end AF giving electronically, including e-mail and social media solicitations (such as #GivingTuesday).
- The Council of Conferences (CoC) met on October 19 to receive SIC updates (including our intention to pilot a joint SIC/conference financial aid application in 2020); share best practices and activities; discuss ways conferences can welcome newcomers; discuss how new and smaller conferences can become more established and/or grow; and to present SIC’s position on the capacity for our larger/full family conferences.
- The Fund Development Committee met on Wednesday, October 23 to discuss our Grant Approval Policy. The prevailing opinion was that grant approval procedures should be

incorporated into our overall Gift Acceptance Policy, rather than being a standalone policy. As such, a substantial review/revision of our Gift Acceptance Policy will be the focus of the next FDC meeting(s). As previously reported, review of our development policies was one of the recommendations of the Campaign Readiness Assessment.

- Peter attended the Annual Conference of AFP-NNE (the Association of Fundraising Professionals Northern New England chapter) on November 7-8 in Portland, ME, attending sessions on campaign readiness, engaging boards in fundraising efforts, major gift solicitation, and planned giving.
- Starry Night will take place at the Discover Portsmouth Center on November 23 – register today at www.starisland.org/programs/events! This year’s speaker will be Eric Masterson, who has led our spring and fall birding retreats for several years, and will be talking about “the one bird you won’t see on Star Island.” We have been successful in securing cash and in-kind sponsorships from a number of local businesses. We have also received some wonderful donations of auction items for our silent auction, and we hope you will bid early and often!

Happy Thanksgiving! We are blessed to have so much to be thankful about Star Island.

With Star Spirit,

A handwritten signature in black ink that reads "Joe W. Watts". The signature is written in a cursive style with a large initial "J" and a stylized "W".

Joe Watts
Chief Executive Officer