



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, December 22, 2022, 9:30 a.m.**

Hybrid In-Person & Virtual Meeting

MINUTES OF THE REGULAR BOARD MEETING

MEMBERS PRESENT:

George Kam (Chair), Mike White (Vice Chair), Kimberly Agas, David Arakawa (Zoom), Dylan Ching, Keone Downing, Mahina Duarte, Stephanie Iona (Zoom), James McCully, Sherry Menor-McNamara, Ben Rafter, Sig Zane

HTA STAFF PRESENT:

John De Fries, Kalani Ka'anā'anā, Marc Togashi (Zoom), Caroline Anderson, Ilihia Gionson, Carole Hagihara, Yvonne Lam

GUESTS:

Representative Richard Onishi,
Representative Sean Quinlan, Jennifer Chun, Lawrence Liu, Erin Khan, John Monahan, Catherine Orlans, Kainoa Daines, Nathan Kam, Lei-Ann Field, Kara Imai, Bobbie Okimoto, Rebecca Crall, Alison Schaefer, Kūhiō Lewis, Sterling Wong, Andrew Recktenwald, Nick Carroll, Hinaleimoana Wong-Kalu, Rebecca Soon, Dawn Hirai

LEGAL COUNSEL:

Gregg Kinkley, John Cole

1. Call to Order

Chair Kam called the meeting to order at 9:30 a.m.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Gionson did the roll call, and all members were confirmed in attendance. Members who attended via Zoom were by themselves.

3. Opening Cultural Protocol

Chair Kam shared a few words from his mentor George Downing, one of the Board members, Keone Downing's father. Mr. Casson-Fisher did the opening protocol.

4. Approval of Minutes of the November 17, 2022 Regular Board Meeting and December 7, 2022 Special Board Meeting

Chair Kam asked for a motion to approve the minutes. Ms. Menor-McNamara wanted to correct her attendance as present in the December 7, 2022 Special Board meeting. Mr. McCully made a motion to approve the minutes with the correction. Mr. Downing seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

Chair Kam recognized Mr. Kinkley for his service as this was his last HTA Board meeting.

5. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS section 92-2.5(c)

There were no permitted interactions.

6. Discussion and Follow-Up on Questions from the December 7, 2022 HTA Special Board Meeting ***

Mr. Kinkley said he had answered questions in a public session before but said they were reasonable and important questions. He is open for more questions in an executive session. Previously the HTA was criticized for having too many executive sessions. He mentioned the first question. Was chapter 103D followed? He read his written response, said it had always been followed, and elaborated on the topic. The next question was whether there were any violations in 103D. His answer was no. The third question was if 103D was followed and there were no procurement violations, why not proceed with the current awardee, CNHA. He read his answer, saying there was no current awardee, and it was impossible to proceed with the current awardee. He elaborated on his answer. The fourth question asked which alternatives were available to the Board. He said that was the most important question but the least legal. He read his answer and said it could be awarded to more than one party.

Mr. McCully asked about Mr. Kinkley's research and if there was a similar circumstance. Mr. Kinkley said all the sub-issues were vigorously researched. Mr. Arakawa thanked Mr. Kinkley for his service over the years. He asked if 103D was followed. He asked if it pertained to the U.S. MMA procurement and not to other matters. Mr. Kinkley said that was correct. Mr. Arakawa

said there were issues relating to non-evaluation committee members in the meetings and discussions for the first RFP. He asked if they could participate in the evaluation if it was not in violation. Mr. Kinkley said it was a compound question. He answered the first question and said anything more would be legal opinions. Mr. Kinkley pointed out that his answer to the particular incident was no violations. Mr. Arakawa asked if, in future RFPs and evaluation committees, they could ask outsiders to participate in the evaluation. Mr. Kinkley said he could not give a legal opinion at that time, but he repeated something said in public by the acting administrator for the SPO who answered that question at that time and noted that for certain outsiders and staff members, it was not the best practice. According to the acting administrator, Mr. Arakawa asked that if it affected the evaluation committee discussion and outcome, it could be a violation. Mr. Kinkley confirmed that as correct. Mr. Arakawa suggested they discuss that later down the line. Mr. Arakawa said the issue is that the applicants that apply for the RFP do not know there will be other people in the room other than the evaluation committee who might be saying things about them that might affect the outcome. Mr. Kinkley said that without elaborating on the specific details, he agreed that it needs to be considered with the AG before other actions are taken. Everyone will benefit from fully vetting all possible scenarios cleaving as close to the law as possible.

Mr. Arakawa said the second RFP went out for one vendor. Mr. Kinkley had said it complies with 103D for a mediation to take place and to split the \$34 million contract into two separate contracts for \$45 million for one year. He asked if Mr. Kinkley said that procurement law was followed. Mr. Kinkley said he had not said that. He clarified his answer. Mr. Kinkley said section 103D-308 Hawai'i Revised Statutes expressly gives, in this instance HOPA, the authority to "settle and resolve" procurement issues. The HOPA at that time was the seemingly irresolvable RFP2 with a pending HVCB protest. Under that authority and without violating the substance or intent of any of the administrative rules, the HOPA had a free hand to explore many different opportunities in the private session. They must know that processes are not always the same as actions. It was clear that both parties seemed to be more willing to make concessions and understand each other better to figure out ways they might work together. They knew it was a safe place to talk as no legal action could be actuated directly from the actions. Historically, HOPA did that after conclusions were reached that might support some inclusion to have more than one contract, it was better with the SPO. It was discovered that some resolutions were either impractical or not consistent with procurement rules and were dated back. The legal question is whether the actions and mediations were reduced to a form of a binding agreement and acted upon. He said they were not. He said the entire process was insistent with 103D and did not violate any of its positive law requirements.

Mr. Arakawa asked if going into mediation and splitting the contract, instead of one contract and changing the year, is legal under 103D under the powers of the DBEDT directors. Mr. Kinkley said it was impossible to answer that with a simple yes. Mr. Arakawa asked about the powers of the DBEDT directors. He asked if a reconsideration request was submitted by either one of the candidates, CNHA or HVCB, and would the new DBEDT director be able to entertain a reconsideration of the action terminating the RFP and either award the contract, or reconsider the prior action of the DBEDT director, given all the powers. He asked if they could deny the protest and award the contract, or could he graft the protest or take other actions. He asked what the scope is of the new DBEDT directors and if there was a motion to reconsider. Mr. Kinkley said he was unsure as there was a lot of legal jargon in his questions. Mr. Arakawa clarified his question. He asked if the DBEDT director could reconsider on his own, or could he reconsider upon a request by one of the parties or public. Mr. Kinkley said it is impossible for him to answer the question as he is the DBEDT and the HTA attorney.

Mr. Arakawa asked about those on the evaluation committees. He said they signed an attestation with the state and are not supposed to talk about anything from the evaluation process. He had emailed Mr. Kinkley to ask if the gag order would be lifted and when it would be lifted. Mr. Kinkley said he is not sure if the characterization is a gag order. He said it is controlled by those involved in the agreement signed. Mr. Kinkley said any conversation that he has with Board members are not subject to a gag order or NDA. Mr. Arakawa said the NDA did not have a closure date, but they could look further into that. He thanked Mr. Kinkley for all his help.

Ms. Duarte asked about Mr. McCartney's decision to rescind the CNHA reward and cancel the second RFP. She asked if it was ethical. Mr. Kinkley said that question is beyond his purview. He said personally it seemed the actions of the HOPA at that time were informed by positive motivations.

There were no further comments from the Board members or the public.

7. Reports of the Chief Executive Officer/Chief Administrative Officer/Chief Brand Officer

a. Relating to Update on HTA's Programs During November 2022

b. Relating to Update on HTA's Implementation of Change Management Plan

Mr. De Fries spoke about the CEO report. He said the HTA is proud to support Aloha 'Āina and Kūkulu Ola programs that help to further their mission of Mālama Hawai'i. The RFP for these and other HTA Community Programs will be issued soon for projects in the calendar year 2023. In the Community pillar, the HTA's partnership with the Hawai'i Visitors and Convention Bureau

(HVCB) continues with CEP. During November, eight CEP projects and events were attended and evaluated by the Island Chapter/Destination Manager teams throughout the state and were well received by residents and visitors. The Brand team is moving forward with contract execution for the Japan MMA. The RFPs for the U.S., Canada, and China MMAs, and Sports Program are still on hold. The team is finalizing takeaways from the Hawai'i Tourism Conference 2022 Presented by Hawaiian Airlines and activities around it, including the internal brand partners meeting, volunteer activity leadership meeting, the Cruise stakeholders meeting, and the FAM tour on Hawai'i Island.

In the planning area, efforts continued working with the island destination managers, counties and other state agencies to move DMAPs actions forward. Activities included developing needs assessments targeted at businesses and non-profits on Moloka'i, convening the first Waikiki Historic Trail Advisory Committee meeting, and meeting with the Hawai'i Food Hub Hui, the East Maui Advisory Group, the Waipi'o Valley Steering Committee, and Kamehameha Schools regarding DMAP hotspots.

In addition, Ms. Anderson worked on finalizing the panel sessions for the destination management track at the Hawai'i Tourism Conference. Mr. De Fries pointed out in the Change Management Plan area that the HTA is continuing to recruit a Procurement Manager, Senior Brand Manager, and Brand Manager. He estimated that they would announce the Chief Administrative Officer who will permanently replace Mr. Regan in the first week of January. The confidentiality of the two final candidates is being respected. He acknowledged and extended gratitude to the entire HTA team to Mr. Togashi, who had temporarily served in that acting position, including being VP of Finance. He asked Mr. Togashi for his update.

Mr. Togashi said they continued with their busy trend. For procurement, his team continues to work on various procurement-related matters with the program teams. They successfully completed the award for the Japan RFP by passing the test period earlier in December. They continue to maintain awareness of the upcoming legislative session and have been involved in preparation for that and other matters, including WAM. For the 2018 audit report update, they are developing an audit action plan. His finance team continues preparing for the annual financial audit conducted by Acuity LLP, which includes the analysis and preparation of numerous reporting schedules.

Concerning funding, they continue to work with then-Gov. Ige's administration on the HTA's funding for the FY2023. That matter had been resolved with former Gov. Ige, approving \$35 million in the FY2023 ARPA funds to the HTA, consistent with the previous advisory. Top of mind to the members, staff collaboratively worked and submitted extension requests that week to the SPO for the island chapter staffing and administrative contract, China MMA contract, and

Canada MMA contract. It was an action item from the December 7 special Board meeting. They continue to work closely with program staff to support each other.

Mr. Ka'anā'anā spoke about the conference. Monday they started with the international partner meeting with the global marketing team. There were 60 attendees at the meeting. They also hosted the activity on Tuesday. He said there were over 30 attendees that were split into two groups, and they all worked together in the mud. On Thursday and Friday, they had public sessions. He said there was a lot of great knowledge sharing, and they had over 520 attendees, which increased since pre-pandemic. He thanked the team for all their work. There was a FAM trip to Hawai'i Island, and The Tourism Legacy Awards Luncheon where they honored the theme of Mālama and recognized Sen. Kenneth Brown, posthumously as the co-founder of the Native Hawaiian Hospitality; Association Native Hawaiian Hospitality Association and author of The Mālama Ethic in Planning for Hawai'i's Future; Ernie Lau, Manager and Chief Engineer of the Board of Water Supply; and Kua'āina Ulu Auamo (KUA), a non-profit community-based organization who led the 2022 initiative of Year of the Limu.

He spoke about the FAM trip and how to ensure the global promotion team for Hawai'i understands the destination and culture. Immersing the team once a year helps with this. There were lots of site visits. He spoke about the CSG (Council for State Governments), and they provided support with swag bags, and partnerships. There were over 1,200 attendees. He spoke about the Korea Mission from November 1 to November 22. Over 62 Korean buyers, media and travel trade partners attended the destination seminar. They welcomed 55 VIPs. There was a lot of support from the partners. There were a lot of good meetings with partners in-market, including airlines. There is daily service from the two main carriers, with a five-time weekly service from Hawaiian airlines. The South Korean market is going into an anniversary year as well. They also hosted an MCI event which was successful. Two groups were booked during the Korea FAM: Lena Life Insurance Company and MetLife Korea.

Mr. De Fries recognized Sen. Wakai and Rep. Samaya who joined online, as well as deputy director of DBEDT Dane Wicker, and acting director Chris Sadayasu sent regrets as he was attending a Ohana memorial service. He recognized Ms. Rebecca Crall representing Sen. Lynn DeCoite, Rep. Onishi, and Rep. Sean Quinlan, the new Tourism Chair of the House.

Mr. De Fries spoke about the activities for the HOPA decision to rescind and cancel the December 5 RFP. Agenda item 19, which is related to the extension of the current marketing contract with the HVCB, will be important. CNHA had been definitive in its position. HVCB provided impact and implications related to that extension. Two days ago, he spoke to the SPO about that.

Mr. De Fries spoke about the inauguration of the new governor built around the Huliau theme selected by Gov. Green's wife, referring to a new beginning. He spoke about the various delegates and nations involved. He said they spent the afternoon with the group planning the agenda for the November 2023 APEC conference in San Francisco. They were asked to help with the agenda.

Chair Kam asked Mr. White to share about Mr. Brown. Mr. White said it was nice to see the recognition given to Mr. Brown. It was also a reminder of a level of class, vision, and integrity. He said he was thankful for the time he spent with Mr. Brown. He said they are in a situation where they need their elected officials to be more mindful of treating everyone with respect and have visions of the positivity they can build on over decades.

8. Presentation and Discussion of Current Market Insights and Conditions in Hawai'i and Key Major Hawai'i Tourism Markets

Ms. Chun said she would not be presenting visitor statistics, as those will be presented Thursday. Hotel reports for the state were published, and hotel occupancy was 70.5% for November. This was up 10.8%. ADR was \$345 statewide, up 3.6%, and RevPAR was \$243, up 22.4%. The vacation rental information will be published the following week.

Ms. Chun was asked to present the October 2022 TAT collections as they had not published November yet. In October, TAT collection was at \$64.4 million. The preliminary TAT collections for the FY2023 were \$31.1 million, compared to \$240.3 million. For the airline reports, it was slightly higher toward the middle of November. Because of the lack of international travel, Daniel K. Inouye continued to be down compared to 2019, but Kahului, Lihue, and Hilo are up.

Ms. Chun spoke about the unemployment rates for November. Statewide, unemployment was at 4.0%, with the highest unemployment in Kaua'i. For industry, there was a continued increase in jobs for accommodation and food service sectors.

She spoke about air seats with many changes. For December, domestic seats and international flights increased, which was lower compared to 2019. There was a slight increase in international air seats in January compared to December but a decrease for domestic air seats. February was significantly low. She spoke about the Skift Travel Health Index. The current score is 81%. This was trending down in the past couple of months. COVID-19 is increasing in certain countries, which is affecting this. The U.S. has a downward trend but is still at 98.7%. This is still the highest out of all other countries, but it is still going downwards. Canada and Australia are also trending down. November is trending down for Japan and China. Ms. Chun spoke about the Pandemic Dashboard. An important note is that many people eligible for the COVID-19 vaccine choose not to get vaccinated. She spoke about the U.S Travel Association. They

continue seeing an increase in visitor spending for the U.S. for October versus 2019, but year to date, overall, is slightly down. There is an increase in auto trips but a decrease in air passengers and overseas arrivals. Hotel demand is also down for October and year to date, an increase in short-term rental demand.

Compared to other states, jobs for labor and hospitality are still lagging behind Hawai'i. There was a slight recent recovery in air travel for Hawai'i, but not as strong as in other places. For the domestic travel forecast, 2019 was 100%, but for 2023 it was at 104% and 98% for 2022. Domestic leisure spending would be going up through 2026. For business spending, through 2026 they are indexing at 92% of 2019. For leisure and business travel, they anticipate domestic business to recover by 2024 for volume. The volume of people travelling is increasing at a greater rate than the volume of spending. The international forecast was updated in November 2022. This recovery is projected to be in 2025; however, it is not expected to be at 100% for Asia Pacific. Ms. Chun spoke about the U.S. Hotel Forecast information. Supply increases for the U.S. is continuing to increase in 2023. 2023 occupancy is expected to be significantly lower. ADR is indexing higher, and RevPAR is higher. Highest RevPAR growth will be in resorts and small towns. According to STR, they are expected to end the year at a higher occupancy than in 2021, at a \$373 ADR and \$276 RevPAR, both higher than 2021. 2023 is looking at a slightly higher occupancy gain, 3.5% higher and 77.6%. ADR should be higher at \$386, and RevPAR should be at \$299.24 for 2023.

For O'ahu there will be an increase in occupancy in 2023 to 76.1%, 20.5% points for them. ADR is \$269.04, and RevPAR is \$205. For Maui, there will be an increase in occupancy in 2023 to 71.9% with a rate of \$634. RevPAR is \$456 which is up 9.5%. There is an increase in the ADR rate, but it is not as dramatic as RevPAR. For Hawai'i Island, occupancy is 78.7%, which is 3% higher. ADR is \$411, and RevPAR is \$323. For Kaua'i, occupancy is expected at 80%, with \$414 ADR, and \$331 for RevPAR. Not huge changes, but more changes are expected.

Ms. Chun spoke about the ARC Forwardkeys. For December, the U.S. the bookings for arriving in December are slightly higher than the pre-pandemic rates, but for January, it is a little lower. February is also slightly lower. March and April are outpacing pre-pandemic levels, but it is soft again for May. There is an increase in overall traffic from Los Angeles, San Francisco, Seattle, and Portland as top feeder markets. She spoke about trip characteristics, with most being direct, and 20% of the people are booking in the 30-day period.

Japan is still lagging, with not a lot of movement from the Japanese travel wholesalers. She is hoping they will be stronger the following year. Most visitors come from Tokyo, but numbers are still lower than pre-pandemic numbers. Most people are planning trips three months out.

For Canada, December reports are very similar to pre-pandemic reports. The pace for January and February is slower than the pre-pandemic pace. There was some growth in March, but it declined in April. Most people come from Vancouver and Toronto. This is not comparing to pre-pandemic numbers. 68% of air bookings are booked directly, and half are booked three months out. 13% is booking within the 30-day range.

Korea is trailing behind in the months compared to pre-pandemic levels. There is air service and hope for improvement in all areas. Most people are visiting from Seoul, and the rest of the areas are not even on the charts. Retail travel agents are a significant part, although there are not a lot of bookings. 45% of those visitors use retail travel agents. 44% are booking 91 or more days out. 23% are booking within the 30-day period.

Australia is lagging compared to pre-pandemic levels. Most people are coming from Sydney. 47% use the retail travel agency. Half of the people are booking three months or more out. 14% are booking within the 30-day lead time.

9. Discussion on the Economic Forecast for the State of Hawai'i

Ms. Chun introduced Dr. Bonham, who spoke about the visitor arrival forecast and visitor spending forecast from DBEDT.

Dr. Bonham spoke about the global war on inflation that will hinder Hawaii's growth. Driving the forecast is the view of the federal reserve policy and how that will affect the U.S. economy. He spoke about the U.S. outlook. Inflation is dropping. The November 2022 reading was good. Having peaked to over 9%, it is currently down to 7%. The federal reserve is continuing to push up the interest rates it controls, the Fed Funds Rate. This is the fastest increase over a 10-month period that was seen going back to the 1980s. They are not seeing the full impact of this yet. It has been primarily impacting the U.S. and Hawai'i through mortgage rates, housing and foreign currency. This movement of interest rates in the U.S. is the primary driver of why the Yen is so weak. It is also very important to know where those rates will be going in the future. The bond market expects rates to start falling by July. The interest rate was raised to 4.5% the previous week (range is 4 ¼% - 4 ½%). Interest rates will continue to rise until mid-year, with a 5% terminal rate, and then it will start to decline. These are interest rates implied by people buying and selling Fed Funds Futures.

By July, the Feds will start lowering interest rates for two reasons. One, inflation is anticipated to drop quite hard, or the Feds will cause a recession. He said they are likely to experience a recession. They forecast that they will see growth in the fourth quarter of the year of a little less than 2%. The recession is anticipated during the 4th quarter of 2022 in the U.S. He said

they could be wrong with the predictions. He said the U.S. will not grow in 2022. There will be a modest downturn of U.S. visitors expected.

Subsequent to the release of this report, the domestic passenger data revealed the forecast was too optimistic. Both domestic and international passenger accounts look weaker. He said the Japan forecast is also too high. Through October 2022, Japan recorded a 17% to 18% increase in its pre-pandemic level, and their forecast recorded Japan heading to 25% by the 4th quarter. The 2023 forecast for Japan had a recovery of 50% of the pre-pandemic level by the third quarter, which was a downgrade from the previous year. He spoke about currencies. When you combine the fact that state-wide room rates are higher than pre-pandemic, the cost to buy food away from home, and what tourists would pay for food, it is almost 20% higher compared to pre-pandemic levels.

He said the Yen is anticipated to improve. If the U.S. bond market is right, if the Feds stop raising rates mid-summer, and the signal becomes even stronger, and if, at the February Fed Meeting, they are raising interest rates. If Japan can change its policy and start raising rates, the Yen could improve markedly. It could be a 10% -15% appreciation. Since the pandemic, they have been under forecasting the U.S. market. The U.S. market is prized to the upside, particularly in the summer of 2021. He said they reached a point where the U.S. market will no longer be on the upside. It is known that the international market's forecast may be too strong. The tourism forecast relies on an optimistic balancing act.

There is no Japanese recovery in the forecast up to 2027. They do have almost complete recovery in Canada and elsewhere. There is only a small downturn in U.S. visitors. This forecast essentially has declined U.S. visitors being set by the recovery of international visitors. For the spending forecast, the baseline forecast has a \$700 million drop over the next two years and could be substantially worse. Visitor spending declined from \$18.2 billion to \$17.4 billion. He said it is a cautiously optimistic forecast. He turned the floor over to Mr. Eugene.

Mr. Eugene spoke about the December 2022 World Economic Growth Projections. 2022 is slowing down from 2021, especially for European countries. In 2023, there will be a recession. They released the population statistics that morning. 2021 decreased by 0.3%, and 2022 decreased by 0.5%, higher than what was expected. For 2017, 2018, and 2019 there was a population decrease already. They are optimistic about the visitor forecast. By 2025, they will be fully recovered. The nominal terms have been above the 2019 level. They are developing a tourism price index and have monitored the numbers for a few months. They plan to release the monthly tourism price index in February 2023. Wage and salary jobs are not going to be fully recovered by 2025. The GDP growth will be doing better in 2022 and 2023 and will be

normalizing to 2%. By market, the U.S. market will be slowing down, decreasing by 6.3%. This will be lower compared to 2022.

For Japan they are optimistic, with major recovery in 2023 and full recovery in 2025. For the international market, they are optimistic as well. Air seats have increased for the first three months, with 300% increase. Job recovery for tourism and hospitality is at 94% higher than many of the local-based businesses, e.g, wholesale trade, etc. Finance and insurance are at 85%. There are a lot of good signs for the full economy, in terms of tax revenue, with the collection being 18.8%. Commodity inflation is 11.5%. Services inflation is 4.6%. The private building permit is slow, with a decrease of 15% for the first eleven months, but government construction permits increased. Real Estate sales decreased by double digits, but at the meeting price it is an increase for the islands, single-family homes, and condos. Visitor recovery is at 88.6%. November and December are anticipated to be at 90% compared to 2019.

Mr. Rafter said the numbers were wildly optimistic. Mr. Ching asked if the hotels will level the prices out to get to pre-pandemic occupancy levels. Mr. Rafter said he could not see them going back down to where they were pre-pandemic. Ms. Agas said that as the rates continue going up they have invested in the next generation by being competitive and getting better rates for employees across the U.S.

Mr. Arakawa asked about the economy's forecast and the Japan market's recovery. He asked what the HTA should have as economic priorities. Mr. Bonham said that looking at the December passenger counts, and compared to pre-pandemic levels, they are down by 10%. He thinks the forecast from DBEDT and uHERO for 2023 arrivals are almost the same, but most likely too high. From a purely economic perspective, this is to protect the visitor market, offset the expected declines through marketing, and get U.S. visitors to travel. He anticipates seeing hotel discounts. If the U.S. people stop visiting, it will result in job losses and rising unemployment rates. They need to balance international and domestic travel from a policy standpoint.

Mr. Arakawa asked, if, with the uncertainties of the world and economy, consideration must be made for a flexible fund that could be used in an emergency. Mr. Bonham said that it made sense to do that. He said the risks are to the downside, so they need to plan for this. Mr. Eugene concurred. Mr. White asked if the hotel rooms is absolute or relative. Ms. Chun said that the forecast is based on if the pre-pandemic rooms are coming back online. Mr. White said he is more concerned about sourcing the rooms and doing an inventory. Ms. Chun said on a monthly basis she is giving a report on vacation rental live numbers.

10. Presentation, Discussion, and Approval of the HTA's Financial Report for November 2022

Mr. Togashi said the meeting packet had all the details of the HTA's financial position and related transactions covered across multiple documents, including balance sheets, statements of revenue and expenditures, budget statement summary, budget detail, budget reallocations, and the executive summary capturing all the information as of November 2022.

He spoke about the HTA's financial position for all the major funds supported by the various balance sheets included in the meeting packets. He said they have six main funds. As of November 30, the HTA has access to \$31.7 million in the FY2022 TFF (Tourism Federal Fund), which is a \$400,000 decrease from October, due primarily to disbursements for program and operating expenditures. Of the \$31.7 million, \$21.2 million is encumbered, and \$10.5 million is unencumbered. He said they are working with the former Gov. Ige's administration on the release of the FY2023 ARPA funds, which was approved in November 2022. The TSF (Tourism Special Fund) has \$28.6 million in cash, which is a \$300,000 decrease from October 2022 due to the expenditure of the program and operating costs. It includes the \$5 million emergency funds the HTA maintains by statute, which is invested primarily in U.S. treasury notes, and are laddered in three-month intervals. This includes \$18.3 million that is encumbered to contracts, and \$5.4 is unencumbered. For the 2022 CCFF, \$10.2 million is available, most of which all has been encumbered. The CCESF has approximately \$34.9 million in cash, consistent with October 2022. Of that \$34.9 million, \$5.9 million is encumbered towards contracts. The remaining \$29 million of unencumbered funds will be stored as a Repair and Maintenance (R&M) reserve for future deployment in support of their six-year R&M plan when the appropriation expenditure ceiling is restored through the legislative processes in the coming session. They are not able to spend the funds until the appropriation is restored.

The meeting packet includes budget statements for FY2022, and FY2023. The most significant activity in November was former Gov. Ige's approval of \$35 million in FY2023 funds, and the Board approving a revised FY2023 budget in that amount. This is not reflected in the statements.

Mr. Arakawa thinks they would do well going into the uncertain time and legislature session to resume the Finance Committee Meetings, as these meetings can help the Board and the public. Mr. Rafter agreed and said they would resume in January 2023. Rep. Onishi asked Mr. Togashi how the HCC rooftop repair money had been released to the HTA. Mr. Togashi said the funds have not been released and they have recently submitted paperwork requesting release of the funds. Mr. Arakawa said in the last session, there was a budget item of \$500,000 for an HCC study, and asked what the status was. Mr. Togashi said he is correct that the \$500,000 appropriation was not made to the HTA, but was made to DBEDT, so he could not comment with accuracy. He could comment on the discussion with the Board contracting for an update of

the HCC Futures Study. They have done so, and it is underway. That includes assessing the HCC, including a scenario where a hotel is built at the HCC. It also includes looking at the possibility of development in the surrounding neighborhood. At current status the contractor is underway in terms of their work, and they are in the interview process with key stakeholders. Mr. Togashi said at the time Mr. McCartney had appreciated what they were doing and would look into whether they could leverage the work and incorporate it into what DBEDT was intending to do. He has since preliminary had discussion with the DBEDT Acting Director Sadayasu. He was two weeks in, and they have not had a chance to go into great depth.

Mr. Arakawa asked if the HTA Board will have any policy input into the \$500,000 contract. Chair Kam said the DBEDT director will determine that. Ms. Duarte said the last two meetings had been heated and there was a lot to glean from the hearings. She said she is looking forward to looking through corrective measures collaboratively, as it is important to prepare for the next session. Chair Kam nominated Ms. Duarte as another spokesperson with Mr. White, Ms. Agas, and Mr. McCully at the legislative session. Mr. Arakawa asked to be included in the session as well. Chair Kam said he would defer to the committee for that. Chair Kam asked for a motion to approve the HTAs financial report of November 2022. Mr. White made a motion, and Mr. Rafter seconded. Mr. Gionson did the roll call and the motion passed unanimously.

11. Update and Discussion Regarding Attendance by Non-Evaluation Committee Members at HTA Request for Proposal (RFP) Oral Presentations and Clarifications by Offerors

Mr. Togashi said item 11 through 15 were to provide the Board with clarifications on certain matters that were discussed at the WAM information briefing on the U.S. RFPs. Item 11 was relating to the attendance of presentations by the RFP evaluation committee non-members. He said prior to the oral presentations toward the conclusion of the RFP 2201 in 2021, Mr. Ka'anā'anā sought the guidance of procurement officer Mr. Rodriguez on the non-participant attendance of the HTA staff. Mr. Rodriguez had control of the evaluation committee process, and did not exclude the HTA staff which are permitted to access proposals and modifications. Following Mr. Rodriguez raising of concerns they have since confirmed that with the SPO the non-participant attendance of key HTA staff at oral presentations is permissible.

12. Discussion on HTA Policy # 400-50 Operating Budget Policy

13. Discussion on HTA's Approval Process for Contracts and Supplemental Contracts

Mr. Togashi said he would capture item 12 and 13 in one agenda item. He said it is with regard to the HTA Boards role in contract extensions and making a distinction between the \$250,000 threshold for the approval for contract extensions. The HTA Policy 400-50, the operating budget policy requires Board approval for reallocation of funds between the main budget categories of

\$250,000 or more. This amount is not a threshold for Board approval of contracts or/and contract extensions. If a contract over \$250,000.00 is for a program that is unbudgeted for, it would require Board approval, as it would require a reallocation of funds. That \$250,000 relates to the reallocation of funds, or any unbudgeted programs. The Boards approval of an operating budget represents authorization for staff to expend funds consistent with the programs outlined in the approved budget.

HRS section 201B3A3 authorizes the president and CEO to execute contracts on behalf of the agency, which include supplemental contracts and extensions. Extensions beyond the periods specified in the contract also require approval by the SPO. Three extensions were executed by the President and CEO of the current U.S. major market from January to June 2022, July to September 2022, and October 2022 to March 2023. The HTA executed each contract extension following the required approval by the SPO.

Rep. Onishi said the issue of the \$250,000 was brought up a number of years ago because monies were being transferred from one program to another without any policy or approval, so \$250,000 was established by the Board to transfer funds from one program area to another. That is the clarity that Mr. Togashi elaborated on. He said the legislature had an issue with the Board not approving an adjustment to the budget.

14. Update and Discussion on Form SPO-036 Procurement Delegation, Including a Timeline of Delegated Authority

Mr. De Fries said that then Director of DBEDT, Mr. McCartney delegated procurement authority to keep Mr. Regan on as of August 6, 2021. Mr. McCartney also delegated procurement authority to Ronald Rodriguez on August 6, 2021. In anticipation of Mr. Regan's departure from the HTA, Mr. Togashi assumed the role of Acting CAO, delegation of authority, which was granted by Mr. McCartney on August 4, 2022. Mr. Togashi holds that authority until today and in conversations with the new DBEDT Acting Director Mr. Sadayasu intends to maintain that delegation authority with Mr. Togashi at this time.

15. Update and Discussion on Form SPO 021 Standard Qualification Questionnaire for Offerors Participating in HTA Request for Proposals

Mr. Togashi said the SPO provides standard qualifying questions in the SPO-021 form. As a sample for agencies preparing documents for the 2021 RFP, the HTA staff used form SPO-021 unedited. In preparing the 2022 RFP, the HTA staff revised the sample questions from SPO-21 to exclude or revise questions that were not affable to procurement or professional services. HRS 103D 310 directs that the procurement officer determine whether the respective offer has the financial ability, resources, skills, capability, and business integrity necessary to perform the

work, utilizing questions like those found in SPO-021 as a tool, but not the only tool to make that determination.

There were no questions or comments.

16. Discussion, Recommendation, and Approval on Hawai'i Destination Brand Marketing & Management Services for the United States Major Market Area Contract ***

Mr. Gionson said there were people wanting to testify. Mr. Monahan from HVCB gave his testimony. His testimony supports two RFP solutions to the Hawai'i Destination Brand Management and management services for the U.S. MMA contract. The HTA's position has evolved over the course of the two previous attempts to procure the RFP 22-01. The most current preference emerged during mediation - a two-contract solution - one contract for brand marketing specifically for the U.S. and a separate contract for overall destination management, not attached to any particular MMA. Forcing the current vision into a single RFP defies the intent of the mediation and the HTA's stated position in that joint agreement with the three parties. Further, and in light of the two previous failed solicitations, protests and rescissions by the HOPA, it is critical that the HTA approach this third procurement attempt with due care and take the time necessary to get it right. As has been pointed out by the HOPA in his December 5, 2022, rescission letters and at recent WAM hearings, the HTA should utilize the resources and guidance from the AG, SPO, and DBEDT to ensure that the third round of RFPs is executed correctly, from the written RFP thru the evaluation procedures to the award. Governor Green has made this a top priority for his new administration. In terms of the two RFP solutions, the HOPA was clear in his December 5, 2022, rescission letter that the HTA and DBEDT needed to learn from the mistakes of the two failed attempts. He quoted "Given the emerging and erratic market coming out of the COVID-9 pandemic, which is not expected to be in full recovery until 2025, and the evolving needs of the community, it is clear to us that to address the needs of the current market more effectively, it is no longer in the best interest of the State and people of Hawai'i to enter into one single RFP. We must have two contracts one for marketing communications and travel trade and one for destination brand management, communication, education, and community-based economic development. A single contract would put us at a competitive disadvantage in the market and in dealing with the community."

He said he and his team concurred with the statement. He also said that the RFP for destination management must have a clear definition of the scope of services to be provided under the contract. This section of the previous RFPs called for a destination management Support plan (DSMP), not the DMAP. The DSMP outline did not clearly state the HTA's expectations, and the two finalists offered significantly different interpretations of what each thought the HTA was after. Later, during the successful mediation that was undertaken, a good foundation for a

destination management plan emerged. Finally, a separate, boots-on-the-ground and destination management contractor is needed to execute the HTA's desired scope and be the resource for all the GMT contractors who support the central Hawai'i centric program. The recent Hawai'i Tourism Japan RFP reinforces that the HTA wants its GMTs to continue to have a Destination Management Support Plan. It is inconsistent to force the Destination Management Plan into a geographically defined RFP like the HTUSA RFP.

Mr. Gibson, the president of the Hawai'i Hotel Alliance, gave his testimony. He said the Hawai'i Hotel Alliance applauds the Hawai'i Tourism Authority's decision to solicit bids for two distinct contracts to support Destination Marketing and the HTA's efforts to provide additional Destination Management programming for the State of Hawai'i. Further the Hawai'i Hotel Alliance supports the request by the Hawai'i Visitors and Conventions Bureau for a limited extension of their current marketing efforts on behalf of the Hawai'i Tourism Authority. This extension will ensure continuity in the State's coordinated marketing efforts targeting visitors leading through the vital summer season in 2023.

The tourism industry in Hawai'i is currently facing significant headwinds. After two cataclysmic years of COVID, they are staring down the barrel of a looming recession, grappling with inflation that is increasing operating costs in what is already the most expensive operating market in the country, all while losing visitors to competing markets that are investing nine-figure sums into destination marketing such as Florida, the Caribbean, and Mexico. Hotels in Hawai'i typically realize peak REVPAR and occupancy during the time of year, but for the first time in recent memory this is not currently true. In fact, many properties in Hawai'i particularly in Waikiki, are doing worse than the first year out of COVID or when tourism bottomed out at the peak of the Great Recession in 2007. Exacerbating a soft holiday season are the lagging forward-looking bookings and projections for the first quarter of 2023, which are off pace by double digits. In light of these challenges, marketing efforts towards the important U.S. market must continue without interruption. Extending the current marketing contract with the Hawai'i Tourism Authority through the summer of 2023 will allow for a continued focus on marketing towards visitors within the critical booking window, taking us through the crucial summer season and setting us up for Q4. The success of the summer of 2023 will significantly impact the health of the tourism industry, the job security of nearly a quarter million kama'aina across our islands and their families who depend on tourism, and the state's financial bottom line. At the same time, we infuse the tax system with needed revenues for housing and a myriad of important state and county programs.

Mr. Frank Haas said he stands by the testimony which was also provided in the Advertiser two days ago. Mr. Kūhiō Lewis gave his testimony. He said that in the last few HTA meetings,

interesting discussions had been around marketing and occupancy and focused on how to grow an interest in the hotel industry. What is missing is the report on the community and its impacts on the community. Strategic Pillars are repeated - culture, community, natural resources and brand marketing. They have an able and willing organization that has stepped forward in response to the HTA to help find the balance. Somehow in the process, the HTA was put at a disadvantage, for hundreds of thousands of dollars, and it had been a painful 15-month process back and forth. It had been three weeks since the HOPA decided to rescind the award, and they still have not heard what solution has been proposed by the HTA. As an organization who put their reputation, brought the community table, assembled the team and the local organizations to help contribute to the shift, he asked of the Board for answers on what the path forward looks like. He said they disagreed with the decision to rescind the award. He would like to know from the Board if it is one RFP and what that looks like or two RFPs and what that looks like. He said it was a fair question to ask. Nothing is out of the question for them to have spent lots of money and sit back and do. He said the community is also anxious, so he requested clarity.

Mr. Karl reiterated what Mr. Gibson and Mr. Monahan said as they move forward with a two-contract RFP solution, one for brand marketing U.S. and one separate contract for brand destination management. He said they are facing turbulent times and need an extension on the existing contract as they get the RFP proposals set up correctly. Statistics show they are experiencing a downturn in the festival timeframe and the first bookings are much lower. The previous year, April and May, were some of the best months they had since 2019. He said they are concerned going into 2023 with the economy downturn. He stressed to the Board that they go to two RFPs and extend the contracts, so they do not lose momentum. If they do not continue to put themselves on the map, they will lose business, affecting the community.

Ms. Gioson said it concluded the testimony. Chair Kam said they would discuss it in an open session if everyone approves. Mr. Ka'anā'anā turned the floor over to Mr. Togashi.

Mr. Togashi said that subject to discussion with the Board, staff intends to seek the Board's approval to proceed with the development issuance of one or more RFPs. He said the call to action is to define an RFP in which contents would otherwise be made accessible to potential offers prematurely. He does envision that they would look to enter into an executive session, but at this time, he said they welcome any thoughts by the Board on whether they recommend proceeding with one, two, or more RFPs. He said the staff does have a recommendation if they would like to discuss that in an open session. Chair Kam confirmed that they should do that.

Mr. Togashi said the staff recommends that they proceed to seek approval for the development in the issuance of two RFPs. Mr. Ka'anā'anā recommended two separate RFPs as well. During the Board members' discussion, Ms. Duarte asked how the two RFPs would be named and their

hierarchy. Mr. Ka'anā'anā said he does not recall who gave the advice or testimony, but it is something they are still assessing, trying to understand what the scope would look like for those separate RFPs. He thinks it is something that needs to be discussed and ironed out with all the Board members present. He did not feel comfortable discussing it at an open meeting session for reasons that may further affect the process.

Mr. Rafter asked how they could vote on something they do not know anything about nor have adequate information on.

Mr. Togashi said staff entertains entering into an Executive Session to discuss information that must be kept confidential to protect Hawaii's competitive advantage as a visitor destination under HRS 201D4A2, and to consult the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS-5A4.

Mr. Kinkley said that made sense. He had a few comments as it was very complex. He said there is also a third independent basis for an executive session within the sunshine law, to discuss things that might be considered confidential by other States' Laws, in this case, the procurement law. They are not supposed to discuss procurements before they are finalized. He said other individuals might want to join as a pertinent part, such as the DBEDT director. He said if the Board decides that DBEDT would be an important or informative part in the decision, they could be invited in.

Mr. Downing asked if the decision was whether they want one or two contracts. Mr. Ka'anā'anā said that is Mr. Togashi's recommendation. Ms. Duarte asked if there were any other options, or if they only looked at those two options. Chair Kam said all options are on the table but that is the recommendation and is a viable pathway. He said he hoped they could discuss that in an open session.

Ms. Duarte said Mr. Monahan shared testimony and advocated for two RFPs as the pathway forward. She asked what CNHA's thoughts were. Mr. Kūhiō Lewis said they are looking for a fair, equitable solution in alignment with common ground. The mediation is where they found common ground. Mr. Ching said they need to move forward, but he trusts the mediation to help them work together. He is happy to work together and compromise, but he has reservations. Mr. White said the process, as uncomfortable as it was, resulted in the HVCB and CNHA coming together with courage from both sides. They recognized each other's strengths with a mediated solution that could result in a vision of what could be done. He thanked both parties for coming together and doing what was best for the people of Hawai'i. In addition, he gave kudos to the team for doing what they did to make other peoples' jobs easier.

Mr. Arakawa thanked Chair Kam for having the discussion and vote in public. He said certain discussions should be in an executive session. He added that everyone is talking about the mediated agreement, but on what terms? He needed to understand what they were voting on. He also asked about the executive session and if there was a reconsideration, if the DBEDT director could reconsider, and on what grounds. He also suggested that the staff do a report or a recommendation to the Board. He said it is the biggest contract the HTA has. He suggested a written report, a recommendation with the assistance of SPO and DBEDT, and the AGs to let the Board know what the process going forward would be under the option of one contract or under the option of two contracts. He said OIP could also guide what could be discussed in public. He said they should discuss and vote in public.

Mr. White said it was the October meeting in which the responsibilities and division that was the outcome of the mediation were shared with the Board in executive session. Mr. Arakawa said he was there for the meeting but said it would be good to share it with the public. Mr. White asked for clarity of the Board's policy on the future approach to the contract. Mr. Kinkley said his response would be no if he understood what policy means. It means that policy belongs to the people, and they need to hear them talk about it. He said if they go into executive session it would be because policy decisions made in the public need to be informed by specific narrow "yes," "no," or "technical legal" questions that cannot be discussed. The mediation is particularly sensitive, and he could not go into that further. He is more comfortable discussing that in public session, which is what is expected of the Board members.

Mr. Togashi confirmed that with respect to Mr. Arakawa's earlier point, he had a conversation with Sheryl of OIP, and Bonnie from SPO, and confirmed that should they choose to go into executive session to discuss a scope of work for the RFP/RFPs, they can do so.

Ms. Duarte asked the staff why they recommended two RFPs as they have several options. Mr. De Fries said they are looking at two options. One RFP with multiple contract awards verified by SPO that if they went that route and somebody protested contract A, and not contract B, they could proceed with contract B, and contract A would be under protest. The second option they looked at were two contracts that came initially as recommendations from HOPA, but they felt that would more clearly relay the respective roles. One thing he cautioned is if he is offered number three, and he has some sense that the RFPs have been constructed around a previous RFP that was rescinded, and build around what the other two offers are competing against, they have to caution what they do as that would be grounds that would be concerning for the Board.

Mr. Kinkley said that was one of the points he wanted to defer for the executive session. He said he understood the logic of Mr. De Fries' point. Mr. Rafter asked what happens if they

choose either and there is a lawsuit with someone who disagrees with the route. He mentioned that his major concern is that DMAP and marketing, because this process has taken a substantial amount of time, are not being addressed. He said the worst thing for the Board is still to be talking about the same thing six months from now. Mr. Kinkley said that they can take questions about the standing appropriateness for different actions and should be kept within the executive session. He said if they do go into the executive session he will answer and quote. Alison said from procurement law itself when formulating a new procurement, there should be no confidentiality in the formation. She asked if they go into executive session to keep it narrow. Mr. Kinkley said that is what he is there for.

Mr. Arakawa said he was glad that Mr. De Fries brought up the mediation. He states that the options being talked about are one or two contracts. It was discussed in mediation, one contract with multiple awards, which seemed very complicated. He said another option, in addition to reconsideration, would be, be one contract, and that contractor contracts out on its own on areas they feel would be better covered by others, as per what the HOPA recommended at the beginning of the mediation.

Mr. Rafter said his concern is that there is a lot of overlap and a grey area, and how to define who does what. Mr. White said his concern going forward is that they are going into a market, not a specific destination with whom to work with. Mr. White said they must develop the best solution so that the best contractors can serve the best. Chair Kam asked if Mr. Ka'anā'anā wanted to share the procurement process. He said he was hoping they were voting on how they move forward, whether it is one contract, two contracts, or multiple contracts, but that decision and scope, he is unsure of from a procurement side. He asked Mr. Togashi to clarify what can be shared publicly, compared to how much is shared from the formation of the selection committee that changes the scope for the RFPs.

Mr. Ka'anā'anā said the specific recommendation is that they would use competitive sealed proposals as the procurement method. It would be two separate requests for competitive sealed proposals, which would then go over to the procurement officer. Mr. Togashi said the process would be something they lay out in the RFP through a timeline. Essentially they would like to work with the Board to gain a sense of what that RFP would entail and have some direction on potentially what scope they would be looking toward. They would also establish evaluation committees that could help develop the scope of the RFPs and review the RFPs that staff drafts and recommends for issuance. They would then go about issuing the RFP, and provide ample notification and time for the submittal of proposals. He said they are required by statute to provide at least 30 days' notice. It would also include events such as a preproposal conference. At that point in time, they would afford the opportunity for offers to understand

the RFP process and ask questions they may have. They would then provide written responses to answers to those questions and oral responses in that pre-proposal conference. This would ultimately result in written responses that they would attach as an addendum to issue the RFP, which would help the offerors to better understand and shape their responses. It would then proceed through the RFP process, which is to be determined in terms of specifics that historically have included consideration for multiple rounds within the RFP process. The staff vet through the proposals to ensure that they meet the minimum requirements, and those that do, they recommend the committee to consider the process for the award for further consideration.

Mr. De Fries asked about the way the Japan MMA RFP was executed. Mr. Togashi said it was the same process they followed for the Japan RFP. Mr. De Fries asked for an elaboration of the Japan MMA RFP. Mr. McCully asked how long it takes to go through the Japan MMA RFP process from start to finish. Mr. Togashi said they issued the RFP on September 26, and the protest period was completed in the first week of December.

Chair Kam said Mr. Zane and Mr. McCully departed from the meeting. He said the motion is whether they will be going to the executive session. He asked Mr. Kinkley to describe the scope they were focusing on. Mr. Kinkley said it would be good to go to the executive session to ask specific questions about what might be in any one of the RFPs, because to leak that now would ruin the procurement process. Legally speaking, the answer is relevant to whether the Board wants one, two, or multiple RFPs. He said there are few such questions, but he can dispatch them quickly. Chair Kam asked that after the session, could come out publicly to make the vote or is that done in the executive session. Mr. Kinkley said it would be done publicly.

Chair Kam asked for a motion. Mr. White made a motion, and Ms Stephanie seconded. Mr. Gionson did the roll call, and the motion passed unanimously. Chair Kam excused some of the attendees. Mr. Gionson asked that the attendees check their emails for a different Zoom link and that members of the public could stay on Zoom or return later.

Chair Kam said they were in the executive session, and they will be discussing several legal issues with Mr. Kinkley with respect to the choice between a number of RFPs. After such discussion, they will resume any discussions, further questions, or proceed with the motion. There was no further discussion. Mr. Ching made a motion for two RFPs. Mr. Arakawa made a motion, and Ms. Stephanie seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

17. Discussion, Recommendation and Approval to Extend HTA Contract 21030 Island Chapter Support Services Contract Beyond December 31, 2022, Subject to the Approval from the State Procurement Office

Mr. Togashi said the island support services contract 21030 expired at the end of the month. Staff was seeking approval to extend the contract for six months through June 30, 2023, subject to approval from the SPO. Staff submitted extension paperwork through the SPO, and funds will be available from the FY2023 budget. Ms. Duarte asked Mr. Togashi to outline the implications if they did not extend the contract. Mr. Togashi said that Mr. Ka'anā'anā would be able to clarify more, but said that, essentially, the contract would end. Mr. Ka'anā'anā said the services rendered by the island chapters, which included on-island representation for the local island brand and the Hawaiian island's brand, would be lost. Mr. Ka'anā'anā said the island chapters are integral in managing tourism's marketing and branding on their island, and the service is critical to them. He said he strongly recommended extending the contract from his perspective as staff. Mr. Downing asked why it was in June and not March. Mr. Ka'anā'anā said his perspective is that moving forward, stability is important for them to be able to do the work that they are doing. The three-month extensions make it difficult to get something off the ground, implement it, and wrap it up in that time period. He thinks one of the consequences of what is happening is the uncertainty of whether or not people will have a job, and this is weighing on all of the staff.

Mr. Gionson said there were testimonies. Mr. Monahan said his testimony was in support of all three agenda items 17, 18, and 19. The reason is that all 3 entities work together. Agenda item 19 is the main leisure contract, the most important element of the Malama education program. He said all go hand in hand in delivering the Malama message. He said his comments are offered without regard to who may win the new HTA U.S. contract. He said those are just facts of brand marketing, the brand marketing timetable, and current competitive market pressures Hawai'i faces now, or will soon. He said they must have continuity in the U.S. market. He said they could not continue to carry that load given competitive pressures with only intermittent marketing. By that, every time they've had an extension, it seemed to come so late that they had not been marketing because they were running toward the end of the period. He said it is hampered by the uncertainty and the drawn-out RFP process, prompting the HTA to extend this. He said the last-minute approvals of the three previous HTA USA contract extensions brought paid media and travel commitments to a complete halt, due to the timing, prior to resuming once again. Mr. Monahan said there is a lead time for this, about a 3-month window that is needed. There is a processing time once they extend the contract. There's the time it takes to do research and wrap up the various marketing products, and there is the time it takes to place it. That could be anywhere from two to three months. He said the six months the last

time had allowed them to start marketing and put marketing plans in place. He said they need to start marketing for April, and without the extension, they cannot spend any money past March 31. He said that was the timing issue. He said they just came through a discussion with an RFP about 75 days needed to handle the process. He said that takes them to the end of March so they will be out of the market essentially. He said 75 days is ambitious.

He mentioned loss of staff was also a factor. They have lost a considerable amount of staff over the past year. Additionally, if the HTA loses the contract, there will be a transition time, but at the end of the contract there will be no transition time because there won't be anyone around. He said they need the transition time to ensure that marketing continues. During the pandemic shutdown, the HTA was defunded, and they stopped all marketing. Once visitors were allowed to return, there was about six to nine months of no form of visitor messaging. He said that is the reason for continuity. He said they heard from Mr. Monahan and Mr. Gioson that they cannot afford a gap now. He said the U.S. has been clearing the water due to international issues. Japan also had issues. Inflation is a problem. He said they also saw in the data they are getting from the hotels that bookings were not great. He said there were also issues with continuing their education programs and maintaining healthy economic drivers to get visitors. The human element is also an issue.

Ms. Lisa Paulson from Maui Hotel and Lodging Association testified. She said they are the legislative arm of the visitor industry for Maui County. She is in support of the extension of the Contract for Island Chapter Support and the Contract for the USA Leisure Marketing Contract. She stands by her written testimony that was submitted on Tuesday. She supports Mr. Ka'anā'anā in his statement that their island chapters provide invaluable services in ensuring that needed communications are upheld to their visitors, and they provide services to travelers during episodic weather events, travel delays and untimely casualties. She said they have well-established relationships with their respective country governments and stakeholders, so they are invaluable to boots-on-the-ground in each of the countries.

Mr. Paul Tonr testified on agenda item 17, 18, and 19. He applauded the team on their decision to move forward and headway. He reiterated everybody's comments about boots-on-the-ground for the individual visitor bureau on each island which has been truly needed. He said not extending it to the June timeframe would put the HTA at a big disadvantage. He said the human resource element will be picked up quite rapidly by the hotel industry as they go forward. He thinks they are doing a great job where they are, and they do better for the common good of the community as well as the industry as they move forward. As far as the leisure contracts go, they will be facing difficult times ahead. Suppose they do not have the continuity of what they are doing now before they have the RFPs put out and contracted and

moving forward. In that case, it will adversely affect the industry as well as the employment of their community. So, he supports both and stands with the staff of the HTA.

Mr. Gionson said someone from the audience wanted to testify. Ms. Rebecca Soon testified on agenda items 17, 18 and 19. She is a member of the Kilohana Collective. She said they fully appreciate the important role that the island chapter played with no concern about continuing with the trajectory of the current contract should emergency extension be needed. They would not stand in opposition to that, but they do generally have concerns, as was articulated in the past, about emergency extensions continuing to be utilized, especially given the timeline. She said they appreciate and understand that what they do in the community is important, and that has to continue.

With regard to agenda items 18 and 19, the timelines are different, and for both of those items, the scope of work is included in the existing U.S. MMA RFP. Both items do not come up until March 2023, so it seems to be a little further out. She appreciates Mr. Monahan's testimony. She offered that although there may be a difference of opinion among some of the folks sitting at the table, the CNHA continues to believe they have an active protest, continue to have everything concerned with their decision, and continue to believe that the rescinding can legally be revisited. She wants to understand what happens next. They would have concerns with continuing to extend under emergency authority, a contract that directly goes to the heart of the scope of work of an RFP they believe is continuing to be under an active protest. She hopes there will be a further resolution on existing issues, on the existing RFP, and that perhaps it would be more appropriate for the Board to take up an extension in January or February.

Mr. Downing asked if someone had the contract to the end of March, and if someone wanted to extend it to June, would she say no, or would she like to extend to June 31 if she had the option. Hypothetically speaking, Rebecca said she cannot speak for other entities, but she does not think any of the entities in the room want to be in the place that they are in right now. She thinks the purpose of emergency procurement is to stem the tight time periods where it is an emergency. She said if they were an existing entity they would want the state to be following the law so that it is in the best interest of the state.

Chair Kam said they are seeking approval to extend the HTA contract to 21030 island chapter support services contract beyond December 31, 2022. Mr. White made a motion, and Ms. Duarte seconded. Mr. Downing said he understands the need for contracts but also does not want to be in a position of extending contracts. He said his vote is for an extension on the premise that it ends on June 30 and will not continue forever. Chair Kam said the point well-taken, and from their perspective the extension is no fault of their own, but it is the kuleana that the HTA has and with the procurement 103D they are following, it became necessary, but

that is a judgement the Board can vote on. Mr. Ka'anā'anā said that it is important to note that the island chapters support the international GMTs work on island, so they are a link and a bridge between the rest of the global marketing teams and hosting international FAMs that come to their island, so there is responsibility that they have, that would also impact the work of the international GMTs as well.

Ms. Iona concurred with Mr. Downing's comment on all three agenda items 17, 18 and 19.

Chair Kam asked for a motion to approve agenda item 17. Mr. Gionson did the roll call, and the motion passed unanimously.

18. Discussion, Recommendation, and Approval to Extend HTA Contract 21016 S4 Global Support Services Contract Beyond March 28, 2023, Subject to the Approval from the State Procurement Office

Ms. Duarte said she is not in favor of extending the contract for various reasons. She asked if they could hold off on the decision to extend. Mr. Rafter concurred with Ms. Duarte and Mr. Downing, but said they could not turn marketing on and off. He is also concerned about extending the contract, but the channels start to be turned off before the next BOD, which creates more problems for the Board to deal with. He said he wants to vote with reservation, but he is also sensitive to the fact that a significant number of people are employed in the industries that use the HTAs support, and more importantly if they turned the channels back on after being turned off, it would take months, so he supports extending, with reservations while they get through that procurement process.

Mr. Kinkley said he accepted Mr. Rafters statement with reservation and that it should be enrolled in the minutes.

Ms. Agas said she sees both sides. She said it is important to extend at this time, but she said they do not want to keep extending contracts, but it is imperative not to lose any more momentum. Mr. White agrees with Mr. Rafter and Ms. Agas, and said they could not afford to make a misstep from a marketing standpoint. He also agrees that they cannot keep extending contracts, but they do not have a choice at this point. Mr. Downing asked how long the contract was to be extended for. Chair Kam said SPO would determine that, but they are looking at June 30. The most they could do is six months.

Mr. Downing asked if the SPO recommends and approves it. Chair Kam said the HTA recommends it based on the SPOs approval. Mr. Ka'anā'anā said they would recommend a three-month extension to take it through June 30, 2023. And then, the SPO would rule on whether or not they wanted to approve that or not.

Chair Kam asked for a motion. Ms. Iona made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed with reservations from Mr. Arakawa and Mr. Rafter. Ms. Duarte did not approve the motion.

19. Discussion, Recommendation, and Approval to Extend HTA Contract 17029 S21 USA Leisure Marketing Contract Beyond March 31, 2023, Subject to the Approval from the State Procurement Office

Ms. Duarte said they are looking at the economic forecast beyond their control. She said they need to consider the conversations throughout today and the legislature's opinion of the HTA at the time. She heard many discussions about extensions and their displeasure with the HTA extending contracts. She is not in favor of extending item 19. Mr. Downing asked if it was three months, and Mr. Ka'anā'anā confirmed that as correct. Mr. Ching said, for the record, the HTA is doing what they have to do. He said three months is not much, and he appreciates everyone's concerns, and they need to be ready in whichever direction they go.

Chair Kam asked for a motion. Mr. Ching made a motion, and Ms. Agas seconded. Mr. Gionson did the roll call, and the motion passed unanimously, but Mr. Arakawa had reservations, and Mr. Duarte voted nay. Mr. Rafter voted with reservations.

20. Discussion, Recommendation, and Approval of Calendar 2023 Cycle of Kūkulu Ola, Aloha 'Āina, Community Enrichment Program, Signature Festival & Events, Native Hawaiian Festival & Events, and Ho'okipa Malihini Initiative Programs

Mr. Ka'anā'anā said he is not proud of the delays to the community programs. He recommends that the HTA exercises existing options in contracts with the HCF (Hawai'i Community Foundation), which is the HTA contract 21033. They have an option available in it, and ask that they continue to administer the calendar 2023 cycle for Kūkulu Ola and Aloha 'Āina. He also recommends extending contract 21038 with the HVCB in administering the CEP, the Signature Festival & Event programs. This would allow the HTA to get funding for community-based organizations quickly.

Chair Kam asked for a motion. Ms. Duarte asked how the contractual relationship is going with the HTA. Mr. Ka'anā'anā said the HCF has been amazing to work with. Mr. Arakawa said his research foundation is connected with Hawai'i Community Foundation, the chairman of the Board, and an employee of HCF, so he does not think it disqualifies him from voting, but he wanted to disclose that. Ms. Duarte made a motion, and Mr. Ching seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

21. Discussion and Review of Response to Senate Committee on Ways and Means Request for HTA's FY 2024 and FY 2025 Biennium Budget

Mr. Togashi said the HTA Board Resolution 22-01 resolves that positions will be taken for annual funding of no less than \$80 million. The HTA's request to then-Gov. Ige's administration for FY2024 and FY2025 funding of \$95 million and \$80 million resulted in the submittal of an Executive Budget by Gov. Ige to the legislature that included the HTA \$75 million and \$60 million for FY2024 and FY2025. Sen. Wam had asked the HTA to provide further detail on the \$75 million and \$60 million for FY2024 and FY2025 request. A draft document was submitted to DBEDT for further distribution, including to WAM, providing a further breakdown of \$75 million and \$60 million, all subject to the HTA Board review. No questions were raised.

22. Discussion, Recommendation, and Approval to Fully Restore Brand Management Activity Levels for the China Major Market Area, as may be Subject to Approval by the State Procurement Office of the Contract Extension for HTA Contract 21031 S1 China Leisure Marketing Contract Beyond December 31, 2022

Mr. Ka'anā'anā said in the previous meeting they asked them to move forward with the China and Canada extension request. This agenda item would specifically allow them to lift the restriction on spending so that unspent funds could be used to fund the extension. It is still only the staff's intention to give \$87,000 in the first six months of the calendar year 2023, which is the period of extension. What is being asked is to lift the restrictions, and the funds can be used to fund the extension. Mr. Rafter said the headline was misleading. He asked if a minimal amount would be spent and to keep the balance in reserve. Mr. Ka'anā'anā confirmed that as correct. Mr. Rafter pointed out that there is no indication that China is returning soon. He said spending anything on marketing for China is not a good idea. Mr. Ka'anā'anā concurred and said they only intend to spend \$87,000 in the first six months of that extension. There is \$1,113,121 unspent, which is not intended to be lost. He wants to lift the restrictions to carry it over in the extension. Mr. Downing concurred with Mr. Rafter and asked what the \$87,000 was being spent on. Mr. Ka'anā'anā said there is a base of \$60,000, which is a base level that was previously approved, as well as \$27,000.

Chair Kam asked for a motion. Mr. White made a motion, and Mr. Agas seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

23. Presentation, Discussion, and Action on the Hawai'i Convention Center's October 2022 and November 2022 Financial Reports and Update on the Hawai'i Convention Center's 6-Year CIP Plan

24. Presentation and Discussion Regarding an Update on the Meetings, Conventions and Incentives Market Activity and Pace Report, and Hawai'i Convention Center Activity and Local Sales

Ms. Orton reported on the financials. For November 2022, there were two city-wide events hosted in the last two months at the HCC, Applied Super Conductivity with approximately 1,400 attendees in October 2022, and The American Medical Association, with approximately 2,500 attendees in November 2022. That, along with forty-nine other local events during October 2022 and November 2022, pushed the revenue into a good place compared to previous months. The city-wide events collectively brought in about \$35.7 million and helped the HCC generate revenue two months in a row with gross levels exceeding \$1 million. The last financial report noted that the HCC suffered a \$5.8 million loss and was roughly half a million dollars over budget in expenses. This was primarily due to the two city-wides in the budget that did not materialize, two short-term corporate events were cancelled. They are currently down to roughly \$900,000 in revenue to the budget, but the HCCs net loss is in line with its expenses. There are still six months left in the fiscal year budget, and they are working eagerly to close the margin in their revenue of approximately \$1 million before they close the fiscal year.

For every dollar spent, \$6.68 is returned to the State. They are in a good place with the ROI. There are two more city-wide events for the fiscal year in April and May 2023. Local business has picked up significantly and has helped with the short-term needs of the HCC.

Mr. Rafter asked about the gap city-wide and if the gap has narrowed for success in future years. Ms. Orton said that Mr. Reyes would present on that. She said they are coming up with strategies to fill the pace report. She said they have fifteen or sixteen city-wides in their budget for the FY. She anticipates moving to single digits after FY2024. There is no definite business signed up, but they have a future business to put on the books, outside of FY2024. Mr. Reyes said there are two new city-wide bookings with a running total of about five since the last report. Currently, they have seven for future city-wide events, a running total of ten. Thirteen events are booked for 2023. Over the next five years 2023 to 2027, they have an aggressive goal to book 77 events. For December, they have a total of seven city-wides.

Mr. Arakawa asked if there could a monthly pace report of this. He spoke about Mr. Rafter's issue raised, and although some elected officials in the industry did not recommend doing local events, they need to do these because of the shortage of city-wides. He asked about the HCC. With the heavy rains the HCC is still in desperate need of repairs. He heard that some flash flooding damaged some of the rooms and asked Ms. Orton to elaborate. Ms. Orton said the flash flooding took out five rooms causing the ceiling tiles to collapse. The problem has occurred every year for the past nine years and is getting progressively worse. Flooded water is

encroaching into meeting spaces rented to clients. As they head into the rainy season, the question lies on how this will affect business if there is no place to move customers. Mr. Reyes spoke to Mr. Arakawa's comment and said Ms. Orton does a good job on local events. He said they are in the process of recruiting a new city-wide person. During the recruitment process, the stability of a contract will come up, and the roof is also in the sellers' market. The people they interviewed wanted to know what the commitment was to fixing the HCC roof. What they will do with the director of Client Services, commencing in 2024 and beyond, will be to evaluate persons who use the roof tops. They need to verify areas needed for improvement, which takes months or years to prepare for. Competition is noted and will become a problem. A few of the customers had concerns about the conditions of the building. People want to go to Hawai'i, but they need to ensure they have a product that meets and exceeds their need. Damaged areas are to be fixed, and the areas need to be dried to prevent molding.

Mr. Arakawa asked how much would be needed and what needed to be fixed. Ms. Orton said they have to bring in expert consultants to do moisture testing before starting the repair. Pictures revealed the onset of mold. Housekeeping placed multiple bins in the lobby, and there was leak damage in the kitchen. The loading dock redirected water. The facility storage has big leaks preventing the storage of equipment. Leaks are coming from everywhere, including from the ground staircase. Puddles occurred in the food and beverage areas. They spend \$250,000 to \$300,000.00 every time for the repairs. Glass area leaks and dry walls are falling from the 4th floor ballroom area to the 3rd floor. Leaks are on the escalators too. Damage occurred in the meeting room as well. Flooding also occurred in January 2022. The International Dairy Queen wants to return to Hawai'i and they want to ensure they keep returning.

They are looking at getting back the local/city-wide events back to 60%/40%. Historically they did 23 city-wides a year and now want to do 27 in a calendar year. They are committed to having 27 events by the year 2027. Future wins are starting to gain traction. Looking at the positive side, momentum is there. Tough business decisions need to be made. Mr. Arakawa said he believes they have \$15 million for repairs and asked Mr. Togashi if they have those funds and when it expires. Mr. Togashi said the funds within the AEG contract are dedicated and earmarked toward specific contracts for about \$34 million. In addition, he said they are seeking to restore the HTAs CCESF appropriation expenditure ceiling. Doing that will help address the issue, as it will allow them to expend funds out of their HCCESF, which they are currently projecting June 30 to have a balance earmarked for R&M of a little over \$26 million.

Mr. Arakawa asked about the \$15 million. Mr. Togashi said that the CIP funding was appropriated through the legislature in the 2022 session. He would check the expiration date,

but said they just submitted paperwork to be able to access the funds. Ms. Orton said that is a bond they are applying for, not ARPA funds with an expiration date.

Mr. Arakawa asked if that is slated for repairs for the roof. Mr. Togashi said that was for the temporary fix for the rooftop terrace deck repair. Ms. Orton asked Mr. Togashi if the HTA plans to ask for \$65 million to do the permanent repair in the legislative session. She said that as it stands, if the temporary repair is done, it will return the rooftop to a non-usable status which is a huge concern for city-wides, as almost every city-wide uses the rooftop for some portion of their function. She asked if the HTA would take any action to seek permanent repair in the current session. Mr. Togashi said they have spoken about it before and appreciated the legislature's funding of the \$15 million. They understood that last year, they had advisors to pursue a path of temporary fixing using that money, which was a decrease from the \$64 million initial appropriation request they submitted in the 2022 session. They have not submitted the same request for the 2023 session but are still executing on the 2022 appropriation, which was \$15 million. Mr. Reyes said it is important to tell customers they are doing something to address the issue. It is important to have planned stages.

Chair Kam asked for a motion to approve the report. Mr. Rafter made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

25. Adjournment

Chair Kam adjourned the meeting at 3:37 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder