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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Thursday, April 20, 2023, at 9:30 a.m.
Virtual Meeting**

MINUTES OF THE BUDGET, FINANCE & CONVENTION CENTER STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Ben Rafter (Chair), Mike White (Vice-Chair), David Arakawa, George Kam
NON-VOTING MEMBER:	James McCully
MEMBERS ABSENT:	Mahina Paishon-Duarte
HTA STAFF PRESENT:	John De Fries, Daniel Nāho'opi'i, Kalani Ka'anā'anā, Isaac Choy, Caroline Anderson, Ilihia Gionson, Talon Kishi
GUESTS:	Teri Orton, Mari Tait
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Mr. Gionson called the meeting to order at 9:34 a.m. Mr. Ka'anā'anā did the opening protocol.

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

Chair Rafter asked for the roll call. Mr. Gionson did the roll call. All confirmed to be present and that they were alone. Mr. Arakawa and Ms. Duarte were excused. Chair Rafter said member Mr. McCully was present as well.

3. Approval of the Minutes of the March 28, 2023, Committee Meeting

Chair Rafter asked if there was any discussion on the minutes, but there was none. Chair Rafter asked for a motion to approve. Mr. White made a motion, and Mr. Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

4. Presentation, Discussion, and Action on the Hawai'i Convention Center's March 2023 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Chair Rafter asked Ms. Orton to discuss the agenda item. Ms. Orton said they had budgeted for 15 events during March and hosted 24. It was an exceptionally good month. All were local events. There were no city-wides. They hosted the Honolulu Festival and Hawaiian Island Ministries, which were the first two events that they had since COVID. Collectively, those two events brought in over 8,100 attendees to the HCC. That was roughly a third of the 25,000 attendees that came through the HCC during the month.

Financially, they had a gross revenue of \$1.2 million for the month ending in March, which was \$333,000 better than what they had budgeted for. There was a net loss of \$436,000, which was a \$100,000 improvement against the budget. Overall, from what they had budgeted to what they actualized for March, it was a really good month for the HCC. They are having a robust year for the remainder of the fiscal year, ending in June. They recouped the \$1.2 million they had lost from the two city-wides, and they are exceeding their revenue goals despite the loss. Right now, they are making improvements towards exceeding their budgeted bottom line, reflecting gross revenues of \$13.3 million, roughly about \$311,000 better than what they had budgeted for. Their net loss of \$5.1 million is trending about \$243,000 better than they had budgeted for. Overall, they are moving in the right direction to close out with a really strong year.

Chair Rafter asked if they only lost \$3 million in nine months, how would they lose another \$2 million in the next three years. He wondered if there were backloaded expenses. He said they only have three more months left, but Ms. Orton was projecting losing another \$2.1 million between now and then while looking at the first two columns for the facility operating subsidy. Ms. Orton said it might be an error. She said the March column is just for the month of March. So, the re-forecast is collectively the fiscal year total. Ms. Orton summarized the ROI, currently \$3.79 return to the state. As mentioned, it usually runs around \$23 to \$25 annually, based on city-wide events in the building. She said they have roughly sixteen city-wides in their current budget for FY2024. The numbers will improve as they move through the year.

She gave some highlights of recent events at the HCC. Kawaii Kon was a huge event for them. They had well over 21,000 attendees, maybe even 25,000 and upward. Chopsticks and Wine, an

annual event, returns to the HCC in the middle of the month. They are wrapping up ARRS, which is a radiology conference. The conference had challenges that they overcame. The meeting planners are pleased with how they all pulled together as a community. Two weeks before the event, they had rain, and they had to rearrange meeting rooms because six of the meeting rooms they utilized were leaking, which caused considerable disruption in the program. They had printed collateral and material that they had to reprint. They also had to rearrange their transportation because Atkinson Drive was closed entirely to the building during the Hapalua Marathon. The meeting organizer failed to send out a notification to the hotels and to anyone that was going to be impacted by the road closures. In the last week before their arrival, they tried rearranging the transportation pickup, which all worked well. They created a fun walk and encouraged attendees to walk to the Convention Center from Sheraton Waikiki, and they had snacks, water and Powerade drinks, and pastries along the route. They enjoyed the walk, something new that they had just introduced as an option for transportation. For the buses, they staged them on Seaside Avenue and got HPD to stop the race to allow the buses to crossover onto Atkinson Drive to get into the buildings.

Ms. Orton met with the meeting planner the previous day and was pleased that the attendees were happy. They all loved the HCC and loved being in Hawai'i. They have already talked to Mr. Reyes and the sales team about returning in future years.

Ms. Orton spoke about the Joy of Sake, which was coming up during the week, a sold-out event every year. Jam On It is an upcoming basketball tournament at the end of April. Commencements are also starting. For the next two months, six or seven Commencement Ceremonies are taking place at the HCC. This is something positive that came out of COVID. Due to social distancing, many schools hosted or held their Commencement Ceremonies at the HCC. They loved it so much and will be returning again. They hope to have those as permanent pieces of business at the HCC. The previous year they had nine ceremonies. The HCC has lots of space to accommodate all the families and friends that come to watch the Commencement Ceremonies. The Na Leo Pilimehana, the Mother's Day concert, will be a huge success. They are close to selling out. They have a total of 720 tickets for brunch. They have got eight tables left to sell. Global Dance and Cheer is coming up in the month of May.

Ms. Orton spoke about recent news. They announced their new executive Chef, Brooke Tadena, from the Hilton Hawaiian Village. He is three weeks on the job and just finished his first city-wide event. It is his first executive chef position. He is looking to make a name for himself at the HCC, so he is coming up with creative ideas to enhance the food and beverage experience at the HCC. They are grateful to have him on board.

Chair Rafter asked if there were updates on either the \$15 million for a temporary fix, or where they are with the \$60 million to \$64 million for the full funding for the roof. He asked how the inclement weather has been influencing operations. Ms. Orton said it is no longer flash flooding that brings leaks to the rooms but any rainfall that falls for more than a few hours. It affects the meeting rooms now. It is something that they need to repair. She is not sure about the status of the \$64 million. She thinks it is still in the conference committee and is unsure if it has been approved. The HTA said they had received the \$15 million funding, and they are sending that funding over to them so that they can use it for their capital improvement projects.

Chair Rafter recognized that Mr. Arakawa joined the meeting. Mr. Arakawa asked what the status of the HCC RFP contract was, which expires in June. Ms. Orton asked Mr. Nāho'opi'i to comment after Ms. Tait finished her report.

Ms. Tait spoke about the six-year plan and the priority projects. The rooftop terrace deck temporary repair was approved, and they are in the process of receiving the monies from the HTA for the \$15 million. With that, they have awarded the PMCM contract to Ryder Levitt Bucknall (RLB), who is updating the reports that were last done in 2019 to address the damage that occurred since 2019 mainly. RLB has been kept updated. They are contracted for the temporary repair, and they have kept them updated on the status and the appeal for the full repair funding. The chiller replacement, a \$6.88 million project, has been awarded to Johnson Controls, JCI. It should be signed in the next two weeks. They hope the permitting will be conducted soon and want to complete that project in the middle of 2024. Another leak-related project is the third-floor planter repair, 068. They have separated that from the building envelope repair project. It has been causing damage to the integrity of the parking garage. The drywall was falling during the previous rains. At this cost estimate of \$2.6 million, they can include it in their priority projects based on current funding. The RFP was issued for that, and they are awaiting final proposals. The deadline is May 1.

Ms. Tait spoke about another major leak-related project, the exterior planter repairs. They are in the final stages of creating the RFP for that. They are also actively working on smaller projects. Mr. Choy said that he checked with Mr. Kishi, and he has the \$15 million, so they are ready to commence with the R&M projects. Ms. Tait said there is time to plan and verify the various reports. They will be putting together the construction RFP to go out so that the project can start in the first quarter of next year. There will be little change if they get an appropriation for the complete repair. Ms. Orton corrected the timeline. Construction is to start in the fourth quarter of 2024.

Ms. Tait spoke about the projects that have been awarded and the completed projects. Chair Rafter asked which chiller was being replaced. Ms. Tait said it involves all four chillers and the one jockey chiller, so it is a total of five chillers.

There were no questions. Chair Rafter asked for a motion to approve the agenda item. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

5. Presentation, Discussion, and Action on the HTA's March 2023 Financial Report

Mr. Choy said they made several changes to the format, and more changes would come. They will try to make the traditional financial statement to glean more information. There will be a balance sheet and an income statement. They will leave the notes at the end of the financial presentation. The introduction page will be moved to the notes section when the format changes. He said the presentation was confusing because federal funds are on the calendar year, and state funds are on a fiscal year. They will be presenting the financial presentations on June 30 fiscal year and will match it up with that. He said the summary would be like a consolidated financial statement representing all funds. He suggested taking the graphs and pictures off the presentation. Chair Rafter said they all like the graphs and pictures, but he does not think they are necessary.

For the TSF for 2023 monies, there are no significant budget allocations. It shows how much cash they have as of March 2023. The 2022 monies had a \$60 million budget. There is \$30 million in cash left over. There is \$17 million encumbered and \$17 million left for the 2023 ARPA funds. The TSF and the Tourism Emergency Fund is put together, which shows \$10.7 million unencumbered. \$5 million of that is for the Emergency Fund and the balance is for the TSF. As far as significant transactions, there is nothing much to report on. For the HCC Federal Fund they have an \$11 million budget. There is no budget reallocations in March, and they spent \$3.8 million for the entire period. There is \$7.3 million in cash in the balance. The CCESF has \$32 million in cash. It was decreased by \$2 million due to regular operations of the HCC. For the Economic Development Administration Fund, they got approval for the plan in March. It was a fund approved in 2021, but they could not spend it until they devised a plan. The first plan was rejected. Ms. Anderson will be dispersing the fund.

Mr. Arakawa asked about the \$14 million EDA grant and if it came in through the state. Mr. Choy said it was a direct grant from the federal government, and the state is aware of that. Mr. Choy is unsure if the legislature knows about the funds, but the executive branch knows. Mr. Arakawa wants to know how that influences the budget presentation to the legislature. Mr.

Choy said the budget submittal at the beginning of the legislative session has a section on all funds. The financial statement is presented fund by fund.

Mr. De Fries said the budget that was submitted to the legislature went through the governor's office, and at the time of the \$75 million and \$60 million, the EDA grant had not been formally approved. He asked Ms. Anderson or Mr. Nāho'opī'i if they could elaborate more. Ms. Anderson said that regarding the legislative branch, Ford Fuchigami knows about it, but she was unsure what was done when Mr. Togashi was with the HTA.

Mr. Arakawa asked Mr. Choy if he could set up a format or process for that. Mr. Choy said they show the EDA grant as a separate fund in the financial statement, and as they start spending the funds, it is posted there. The financial statements are public and posted with the agenda, so WAM can look at all the transactions. Mr. Arakawa said it is up to the legislature to check the HTA minutes.

Mr. Kishi added that they have revenue reporting, which is a quarterly exercise that gives the projections for all the sources of revenue. He included the EDA grants in the reporting as well. That should go to the governor and legislature, so they should know about the EDA grants. Mr. Choy said they would be going after more federal money, so they would be reporting it. Mr. Choy said they could put the information in their budget as a source of funding. Mr. Choy said he would present monthly and give it to anyone who wants the information. Mr. Arakawa said this is important for the Board to know what funding sources are coming into the HTA that are not appropriated by the legislature. Mr. Kishi said he had reported this for the first time in Q1 of 2023, in August.

Chair Rafter asked if there were any other questions. There were no questions. Chair Rafter said that Mr. Choy must remind everyone in the BOD to let him spend five minutes on his introduction. Mr. Arakawa asked if Mr. Choy had any initiatives he could share with the committee to present to the Board. Mr. Choy said the Audit Committee asked him for a presentation on his compliance initiatives. He said they have federal funding for contracts, presentations, and audits, which comes with a lot of paperwork and compliance. So, he will ensure they comply with all the federal funding requirements. He checked with Mr. Cole on what was needed to ensure total compliance. He said that initiative will take an overwhelming amount of time.

Mr. De Fries asked about the most recent federal guidelines on monies the HTA already spent. Mr. Choy said they had spent federal money since the previous year, which is surprising that the outside auditor did not zoom in on that. He said they may have to backtrack to ensure they comply with the federal funds already spent. He said at any time they have between 150 and

200 contracts going on at all times. Every contract uses federal money, so he needs to ensure all is compliant. Mr. Choy said he does not fear federal audits as he has been on both sides of the table for that. As far as the accounting department is concerned, it will be a very exciting time and learning experience for everyone. He said those initiatives would take up the majority of his time.

Mr. Arakawa asked if the federal requirements differ from the state requirements and how Mr. Choy would reconcile the two. Mr. Choy said Mr. Cole and him have been discussing that. He said he has started preparing 103D, and there are differences. Mr. De Fries had told him that they would follow whatever the most stringent requirements were. He wants to ensure the procedures are followed at the highest standard.

Mr. Arakawa asked about the procurement plans. Mr. Choy said that the federal standards have pre-award requirements monitoring during the awards and close-off procedures and monitoring afterward. So far, they have spent \$1,500 on continuing education and reference materials. He is working on checklists to ensure they have the most updated checklist policy and procedures, which should be done in a few days. He also wants to ensure they have a good inspection and monitoring program. Quality control is a function of people. Mr. Arakawa said Mr. Choy must let the Board know if they can help in any way to make his job more manageable. Mr. Choy said it is an exciting time and looks forward to working with everyone. Mr. White said they are very excited to have Mr. Choy.

Mr. White spoke about Mr. Arakawa's point about resourcing and staff. He said one concern is that the current bills they have left with leave no flexibility for filling the position that the HTA staff feel is critical for them to do what the legislature wants. He said it would be nice to have a few open positions so that the HTA could determine how to fill them. Mr. Choy said he and Mr. Nāho'opi'i had also discussed vacant positions. He said there is a lot of work to do concerning the organizational chart and how the HTA presents their budget to the legislature.

Chair Rafter asked if there were any other questions about the March financials. There were no questions from the audience. Chair Rafter asked for a motion. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

Mr. Nāho'opi'i followed up on Mr. Arakawa's question about the HCC RFP. He said the current contract expires on June 30, 2023, and the plan is to request an extension which they are in the process of doing. They have submitted it to SPO, and it is in review to extend it for up to six months. He mentioned the main reasons being that there are a lot of R&M projects currently, and as soon as the ceiling is allotted to the HTA to expend, having the current contractor in place, and current project managers in place, and the procurement process, they can

immediately work on the construction projects in the six months as they develop the current RFP. In the RFP development, they are working on it internally. He has contacted Destinations International, which is the organization of DMOs, to advise on what should be included in the quality RFP and develop a list of potential bidders. He said they expect to get the RFP out soon. They want to finish the award in August, so they hope to get it out in June or July regarding the RFP.

6. Adjournment

Mr. Kam made a motion, and Mr. White seconded. The motion passed unanimously.

Respectfully submitted,



Sheillane Reyes
Recorder