



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, January 25, 2018
Hawaii Convention Center**

1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, Sean P. Dee, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura, Denise Hayashi Yamaguchi, George Kam, Donna Domingo, Kelly Sanders

MEMBER NOT PRESENT:

Gerald De Mello

HTA STAFF PRESENT:

George Szigeti, Randy Baldemor, Marc Togashi, Charlene Chan, Jadie Goo, Kalani Ka'anā'anā, Minh-Chau Chun, Chris Sadayasu, Lawrence Liu, Jennifer Chun, Carole Hagihara, Chika Miyauchi, Lauren Fetherston, Kehau Meyer, Victoria Roy, Iwalani Kualii-Kaho'ohanohano, Caroline Anderson, Pua Sterling

GUESTS:

Brad Gessner, Samantha Tsui, Patrick Dugan, Priscilla Texeira, Debbie Zimmerman, Mari Trait, Teri Orton, Rep. Richard Onishi, Nicole Liew,

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:30 a.m. Mr. Fried acknowledged Ms. Sterling, who presented an oli written by Queen Lili'uokalani in the aftermath of the overthrow of the Hawaiian Kingdom.

2. Approval of the Minutes of the December 21, 2017 Board Meeting

Chair Fried requested a motion to approve the minutes of the Board Regular Meeting held on December 21, 2017. Mr. Sanders made a motion. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present.

3. 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 reports of any permitted interactions between Board members since the last Board meeting.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs during December 2017

Mr. Fried acknowledged Mr. Szigeti, who presented the CEO's report. Mr. Szigeti reported that HTA will release the Hawai'i Hotel Performance Report for Calendar Year 2017 on January 25. Mr. Szigeti noted that Hawai'i's hotels reported better-than-expected performance for 2017. Mr. Szigeti reported that the average revenue per available room (RevPAR) is at \$212.00, the average daily rate (ADR) statewide is at \$264.00, and hotel occupancy is 80% statewide. Mr. Szigeti explained that Jennifer Chun will provide additional details in her presentation.

Mr. Szigeti reported some highlights from the Hawai'i Hotel Performance Report, which is the third major report released in January by HTA's Tourism and Research Division: statewide timeshare occupancy averaged 90.1%; available timeshare units grew by 725 units to 11,233 units statewide; and visitor accommodation units have grown to 80,336 units statewide.

Mr. Szigeti reported on the false missile alert that happened on January 18, noting that HTA will be keeping an eye on bookings as well as future trends resulting from this incident.

Mr. Szigeti went on to report that the first few weeks of 2018 have been very exciting for Hawai'i's sporting events. The Sony Open had one of the highest TV ratings for viewership in its history. Mr. Szigeti added that the PGA has already signed on to continue to hold the event in Hawai'i for an additional four years. Mr. Szigeti added that the Polynesian Football Hall of Fame was a huge success, noting that his experience at the Hall of Fame ceremony and the event as a whole was amazing.

Mr. Szigeti then thanked Mr. Baldemor for all of his hard work with the HTA and wished Mr. Baldemor and his family the best in this new chapter in their life.

Mr. Atkins asked if Crystal Cruises' upcoming voyage to Hawai'i was a one-time sail or whether it will be a recurring trip. Mr. Baldemor explained that HTA has formed a good relationship with Crystal Cruises after they held an event at Pearl Harbor two years ago as part of their global tour. Mr. Baldemor added that Crystal Cruises had a great time hosting the event at Pearl

Harbor and wanted to hold additional events in Hawai'i in the future.

Mr. Dee thanked Mr. Szigeti for demonstrating exceptional leadership during the false missile alert. Mr. Dee noted that Mr. Szigeti was responsible for updating the Board members on the false alert and being present with the Governor for the press conference to show HTA's support.

Mr. Fried then reported that the Legislature is investigating the chain of events that led to the false missile alert being sent out. Mr. Atkins asked whether the Legislature would provide HTA with any concrete solutions to prevent this from happening in the future. Mr. Szigeti indicated that the State's stakeholders will be meeting soon to find out what exactly went wrong and to identify how the State can prevent a mistake like this from ever happening again. Mr. Fried noted that there is a lot of pressure on the Governor to provide concrete solutions to this incident.

Mr. Fried added his thanks to Mr. Baldemor for all of his great work for HTA and expressed that he will be missed.

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

Mr. Fried acknowledged Jennifer Chun, who noted that this Board meeting was convened before HTA's release of the January 2018 statistics. Ms. Chun then reported that through September 2017, the state has collected \$135.3 million in transient accommodations tax (TAT), a decrease of 9.6 percent compared to Fiscal Year 2017 through September 2016. Ms. Chun noted that TAT collections have increased for November 2017. Ms. Chun also reported that December 2017 was a good month for neighbor island hotels.

Mr. Dee asked if there is way to calculate a detailed TAT contributions report based on the type of accommodations that the TAT was collected on. Ms. Chun responded that the Hawai'i Department of Taxation (DOTax) does not maintain a report based on accommodation type, but that HTA can prepare a breakdown between the TAT and Transient Occupancy Tax, which is collected on timeshares. Mr. Dee indicated that he was curious as to why there was a decrease in TAT contributions when lift numbers have increased. Ms. Chun responded by noting that this discrepancy is most likely a result of a lag in tax reporting from DOTax. Mr. Baldemor agreed with Ms. Chun and noted that it would be difficult to pin down a specific economic issue. Mr. Fried noted his agreement with Mr. Dee that this figure seems odd. Ms. Chun stated she will contact DOTax to see if there are any lags in the reporting process and report back the Board.

Mr. Fried noted that he has noticed that shoulder seasons have disappeared as of late. Ms. Chun reported that one of HTA's goals has been to fill occupancy during the shoulder seasons to soften the financial blow to the state's tourism economy. A large part of this effort has been HTA's marketing in Oceania during the shoulder season.

6. Report of the Legislative and Governmental Affairs Investigative Committee, and presentation of, discussion and action on the Committee's Board Resolution relating to the HTA's policy positions for the 2018 Legislative Session on bills we anticipate to be brought forward to tourism

Mr. Fried acknowledged George Kam, who thanked the Legislative and Governmental Affairs Investigative Committee and presented HTA's Positions on Key 2018 Legislative Issues, which include HTA's support for: implementation of stronger government regulations of alternative accommodations; the creation of an Airport Corporation to oversee the process for making capital improvements and other enhancements that helps to ensure Hawai'i's airport system is a world-class facility for usage by residents and visitors; safe, secure and well-maintained community infrastructure; perpetuating Hawaiian culture and supporting community-based programs on all islands; and opposition to any increase in the TAT or any other tax that would increase the cost for residents and visitors to vacation in Hawai'i.

Mr. Fried thanked Mr. Kam and asked the Board members to carefully read the items addressed in HTA's Positions on Key 2018 Legislative Issues. Mr. Fried explained that he will request the Board's approval during the February Board meeting.

Ms. Menor-McNamara asked if it was possible to get a list of the bills HTA intends to track and intends to testify on. Mr. Kam confirmed that Ms. Chan and Ms. Hagihara are working on a list, which will be distributed to HTA Board members and staff as soon as it is completed.

Mr. Fried asked if there are any additional topics that Mr. Kam would like to report on. Mr. Kam stated that he appreciates everyone's input on this matter, but explained that HTA will share its position before it makes any statements.

Mr. Fried also thanked Rep. Onishi for his attendance at today's Board meeting.

Mr. Fried then moved onto the Resolution Regarding Authority to Present Policy Positions Report which was provided to Board members in Tab 6 of the Board packet. Mr. Fried explained that this Board resolution authorizes the President/CEO, Board Chair, and a designee to represent HTA's policy positions before the Legislature.

Mr. Fried asked for a motion to approve the resolution. Mr. Sanders so moved. Mr. Atkins seconded the motion. Mr. Dee asked about the process for communicating with the Board regarding legislative issues. Mr. Fried explained that Mr. Kam would alert the other Board members as issues arise. Mr. Kam noted that HTA wants to ensure that its communications remain consistent with its strategic plan. Mr. Kinkley followed up by making it clear that this resolution will mean that the President/CEO, Board Chair, or a Designee, each alone or acting together can represent the Board.

Mr. Fried asked if there were any other discussions on the resolutions. There was no further discussion. All Board members present voted unanimously to approve the resolution.

Ms. Menor-McNamara asked whether these updates will be on the next Board meeting agenda. Mr. Kam confirmed this and added that he would ensure that HTA staff keeps Board members updated as HTA moves along gathering information.

Rep. Onishi asked whether there are any Sunshine Law requirements if the Board members want to testify at the Legislature. Mr. Kinkley explained that there are no such issues and that each individual Board member can testify, but they cannot represent the Board's position as a whole unless designated by HTA.

7. Presentation, Discussion and Action on HTA's Financial Reports for November 2017

Mr. Fried acknowledged Mr. Togashi, who led discussion on HTA's financial reports for November 2017. Mr. Togashi began the presentation by stating that HTA has been in conversations with DOTax regarding a litigation settlement in August 2016, which resulted in \$25 million being transferred from the general fund to the TAT; this transfer inflated the TAT collections number for 2016. Ms. Chun stated that she will add this information to the next Market Insight report. Mr. Atkins asked if Mr. Togashi knew why the funds were transferred to TAT. Mr. Togashi responded that he does not know and that DOTax would have this information.

Mr. Fried thanked Rep. Onishi for his introduction of a bill to forgive the Hawai'i Convention Center's (HCC) current bond debt.

Mr. Togashi continued his presentation by stating that HTA Board members have been provided with the November 2017 financial statements and the executive summary. Mr. Togashi noted that he would not be asking for Board approval at this meeting, but asked that all the Board members take the time to review the financial statements, as he will be asking for approval at the next Board meeting.

Mr. Togashi provided a brief summary of the November 2017 financial statements. Mr. Togashi reported that: the Tourism Special Fund (TSF) currently has \$89.1 million in cash and investments, including \$22 million held as investments over the next year; the Convention Center Enterprise Special Fund has \$31.9 million in cash and investments; and HTA's emergency reserves are at \$9 million, \$5 million of which is required by statute and \$4 million of which was set aside by the Board as an additional reserve fund.

Mr. Togashi concluded his presentation by noting that HTA staff members are required to obtain Board approval to access the reserve funds.

8. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives

Mr. Fried acknowledged Teri Orton from AEG, who provided an update of the HCC Recent

Operational Activities and Sales Initiatives. Ms. Orton began her presentation by reporting on the HCC financials for 2017. Ms. Orton explained that revenues for December 2017 exceeded \$1 million, representing an increase of \$113,000 over the budgeted revenues. Ms. Orton reported that there were four international events held at HCC during December: Amway Malaysia; International Conference of Ultra Sonics; IEEE; and a Japanese high school group. Ms. Orton also noted that there were eleven other events held in December that contributed to HCC's revenues.

Ms. Orton then reported that HCC is going on its fourth consecutive year of record-breaking growth. Ms. Orton reported that HCC ended the 2017 fiscal year with a net income of \$1.1 million in profitability. Ms. Orton noted that the highest revenue groups for 2017 were IEEE, Home Away Summit, AFLAC, Applied Materials, Taco Bell, and three new sporting events.

Ms. Orton then presented that HCC's food and beverage revenue in 2017 was \$12.7 million. Ms. Orton noted that HCC's repeat groups spent more money on food and beverage but new corporate groups spent a lot as well. Food and beverage sales are driving HCC's revenues. Ms. Orton explained that for every dollar spent by HCC, it saw a return to the State of \$20.74 on that investment.

Ms. Orton then moved onto the HCC Sales and Marketing Update. Ms. Orton explained that HCC closed sixteen contracts in December, bringing an additional 85,504 room nights and increasing the total amount of room nights to 167,695. Ms. Orton noted that HCC's goal was to achieve 232,000 room nights in 2017; HCC ended the year at 72% completion of its goal. Ms. Orton added that HCC is working to close an additional six group contracts in 2018, which would have gotten HCC to its goal; HCC is still in negotiations to close these group contracts.

Ms. Orton then presented an update on the HCC Customer Advisory Board. Ms. Orton explained that fifteen meeting planners have confirmed their attendance for the first Customer Advisory Board meeting in March; invitations were sent out over the past two months. The second meeting will take place in October 2018.

Ms. Orton then presented on the first Hotel General Managers Update Meeting schedule. Ms. Orton thanked Mr. Sanders for attending the January 22, 2018 meeting. Ms. Orton explained that HCC would like to hold a reception to have hotel managers engage with the Customer Advisory Board when they are in town next. Ms. Orton noted that the topics covered at the first meeting were: Hawai'i Tourism Global MCI presented by Ms. Texeira; Elele Program presented by Ms. Zimmerman; and HCC CW Sales presented by Mr. Lee. Ms. Orton noted that all of the presentations were very informative and well received.

Mr. Fried then requested that Ms. Orton discuss how HCC is making use of the new sports courts. Mr. Fried also asked Ms. Orton to explain Futsal. Ms. Orton explained that Futsal is a five-on-five indoor soccer event; HCC has just signed a one year contract with USA Futsal who will bring teams from the mainland. HCC is also in discussions with a representative from Australia Futsal, who have expressed interest in bringing in teams from Australia and New

Zealand.

Ms. Orton also noted that HCC held its first NCAA Division 2 Futsal tournament in December 2017. HCC has been able to sign the NCAA for tournaments in 2018 and 2019 and will be working to bring in teams from Asia. Ms. Orton added that HCC has received interest from local sports directors who are interested in competing with mainland Futsal teams.

Mr. Gessner took the podium to present some of HCC's accomplishments for 2017. Mr. Gessner started by commending the HCC staff for all the improvements they have made year after year. Mr. Gessner then presented HCC financials for 2017. Mr. Gessner explained that when AEG assumed management, HCC was operating at a yearly loss of \$3-4 million. AEG was able to turn this operational loss into a \$1 million surplus. Mr. Gessner added that while increasing profits is not AEG's sole goal, the surplus is good for HTA and the State of Hawai'i.

Mr. Gessner then explained that HCC has increased the number of city wide events, with nine additional events held in 2017 alone, and the number of room nights booked, with 6500 additional room nights booked in 2017, year over year. Mr. Gessner noted that HCC has made big improvements to the maintenance department, which is saving the State on maintenance costs. Mr. Gessner also explained that capital improvements included expanding Wi-Fi service, adding new comfortable seating for visitors, and improving the overall visitor experience.

Mr. Gessner then presented the sports update. Mr. Gessner explained that HCC and AEG are very excited for the new Blue Ocean Business and how the Los Angeles Clippers games were a huge success. Mr. Gessner noted that HCC has maintained a 98% favorable survey response from program managers. He added that the survey responses were better than from AEG's facilities Los Angeles and Puerto Rico.

Mr. Gessner noted that AEG is entering the last year of its contract to manage HCC. Mr. Gessner indicated that he hoped AEG would have the opportunity to continue to work with both HTA and HCC in the future.

Mr. Nakamura asked who AEG's outside contractor for food and beverage is. Mr. Gessner explained that AEG was originally planning on using its own in-house food and beverage department. Two months before AEG took over HCC management, it partnered with Levy Restaurants, based out of Chicago, Illinois. AEG pays Levy directly out of its management fee, so Levy's HCC operation does not cost the State of Hawai'i anything on top of AEG's fee. Mr. Nakamura then asked whether the HCC was Levy's only operation in Hawai'i. Mr. Gessner confirmed that HCC is Levy's only client in Hawai'i. Mr. Nakamura then asked how many staff members Levy has on hand. Ms. Orton responded that Levy has a staff of about twenty workers, comprising a full kitchen team; they hire temporary servers to fill positions when needed. Ms. Orton also noted that Levy has just hired an executive chef from the Royal Hawaiian to join its team. Mr. Gessner concluded his presentation by noting that having Levy handle the food and beverage department has increased HCC's efficiency.

Ms. Kumukahi expressed her thanks on behalf of the Hawaiian Academy of Recording Arts to HCC for being excellent partners. Ms. Kumukahi also noted that HCC's initiative for reforestation of Koa trees on Mauna Kea has been an inspiration to those from the Hyatt to join and help the reforestation efforts. Ms. Kumukahi also noted that she looks forward to other Waikiki hotels joining HCC's efforts.

Ms. Kumukahi also thanked HCC for being so local-friendly, noting that this spirit is what Hawai'i needs from its convention center. Mr. Gessner thanked Ms. Kumukahi for her kind words and stated that Ms. Orton is one of the main reasons why HCC and AEG have been so successful.

Mr. Sanders added his thanks to the HCC team members for a very successful General Managers meeting. Mr. Sanders also thanked Ms. Texeira and Ms. Zimmerman for all of their hard work. Mr. Sanders also acknowledged and thanked Ms. Orton. Mr. Sanders added that there are two open positions left at HCC and encouraged the Board members to help fill the position. Mr. Gessner agreed with Mr. Sanders and noted that filling the open positions will be difficult given the nine months remaining on AEG's contract.

9. Report of, discussion and request for funding approval of programs recommended by the Marketing Standing Committee

Mr. Fried began by thanking Mr. Dee for the great job he has done with the Marketing Standing Committee. Mr. Dee began by echoing Mr. Sanders' praise for AEG's General Manager meeting, as he has received a lot of great feedback from attendees. Mr. Dee noted that there was no need to hold an Executive Session or vote for any programs at this Board meeting.

Mr. Dee reported that the Marketing Standing Committee meeting on January 19, 2018 went well and thanked all the members and Rep. Onishi for attending. Mr. Dee then stated the focus of the meeting was to dive deep into HTA's digital marketing strategy. The Marketing Standing Committee's position is that progress has been made on the digital marketing strategy, but the Committee is working on suggestions to shift some of HTA's financial resources from content creation to marketing.

Mr. Dee then reported that the committee also discussed some of HTA's current sporting events on calendar. Mr. Dee reported that the Pacific Rim Cup will be held at Aloha Stadium in February, the Polynesian Bowl and banquet was well-attended, and that AVP has provided HTA with its term sheet addressing HTA's concerns reported at the December Board meeting. Mr. Dee noted that AVP is still looking to schedule their event in mid-September, but will be reviewing their proposal again and will get back to HTA with a final schedule. Mr. Dee reported that there are no further actions that need to be taken for the Maui Jim Ocean racing proposal at this time. Mr. Dee then reported that there have been some discussions about a UFC event, which will be discussed shortly.

Mr. Dee then reported that HTA has reviewed some medical tourism proposals. While the

proposals were interesting, they seem more applicable to the Meet Hawai'i campaign and HCC focus; the Marketing Standing Committee appreciated the opportunity to review the proposals. Mr. Dee concluded his report by thanking Ms. Chan and Anthology for their assistance in preparing HTA's revised sports marketing strategy, which will be released in the upcoming months.

Mr. Fried added that the medical tourism representatives were seeking an outrageous amount of money from HTA and their plans seemed to lack clear structure or focus. Mr. Fried indicated that HTA will continue to support their plan to hold their conference in Hawai'i, but will wait until they have more concrete plans before delving deeper into discussions.

Mr. Fried then reported on the meeting with UFC. Mr. Fried explained that he, Mr. Szigeti, Ms. Dance, a Stadium Authority representative and the head of Aloha Stadium met with UFC representatives in Las Vegas. Mr. Fried reported that this was a preliminary meeting, but noted that UFC is a very profitable business. Mr. Fried indicated that if HTA does move forward with this proposed event, he had no doubt that fans would easily fill Aloha Stadium. UFC has conducted marketing studies which have indicated that Hawai'i is second-largest UFC fan base. Mr. Fried explained that UFC will be looking to hold his next UFC fight in Hawai'i if Max Holloway wins his fight on March 3, 2018. Mr. Fried added that UFC really wants to hold an event in Hawai'i, but HTA and the Board need to evaluate whether this event makes sense for Hawai'i. Mr. Fried explained that the UFC is asking for a very substantial financial commitment from HTA, though he could not disclose the financials publically at this moment.

Mr. Szigeti noted that, although the UFC event negotiations are only in the preliminary stages, they look promising. Mr. Fried added that Ascendant has significant connections with UFC, which may help HTA in negotiations moving forward.

Mr. Atkins asked if the negotiations for a potential event were for 2018 or 2019. Mr. Fried responded that HTA and UFC are discussing an event being held in the first half of August 2018.

Ms. Kumukahi noted that HTA should keep the spirit of Kupuna and the virtues of Aloha in mind when evaluating this proposal.

Mr. Sanders added that one of the best things to come out of the recent HCC general managers meeting was that the hotels are going to put together a committee to strategize and identify Hawai'i's soft periods in the market in order to balance the demand for events like these with those soft periods. Mr. Sanders then explained that the first two weeks of August are likely not the most logical time to hold an event given U.S. summer vacations and the Japanese holiday coinciding at that time. Mr. Sanders suggested that the last two weeks of August may be more realistic.

Mr. Fried reported that one of UFC's main concerns is with rain, given the outdoor venue. Mr. Fried also raised a few concerns surrounding the possibly inflated numbers of visitor UFC estimates they could bring to Hawai'i and the inherent violence in this sport. Mr. Fried also also

recognized that the Hawai'i delegation was impressed with the professionalism of the athletes, who were well trained and seemed to sustain no major injuries in fighting.

10. Adjournment

Mr. Fried requested a motion to adjourn the meeting. Ms. Kumukahi so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

The meeting was adjourned at 10:53 a.m.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Jacob L. Garner', written over a horizontal line.

Jacob L. Garner
Recorder