Ke'ena Kuleana Ho'opipa O Hawai'i
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
hawaiitourismauthority.org

REGULAR BOARD MEETING
HAWAI'I TOURISM AUTHORITY
Thursday, January 25, 2024, 9:00 a.m.

Hybrid In-Person & Virtual Meeting

Hawai'i Convention Center
Parking Level | Executive Boardroom A
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815

MINUTES OF THE REGULAR BOARD MEETING

MEMBERS PRESENT:	Mufi Hannemann (Chair), Mahina Paishon-Duarte (Vice Chair), Kimberly Agas (Zoom), David Arakawa (Zoom), Dylan Ching (Zoom), Stephanie Iona (Zoom), James McCully, Sherry Menor-McNamara (Zoom), James Tokioka (Ex Officio, DBEDT Director), Mike White, Sig Zane
MEMBER NOT PRESENT:	Blaine Miyasato
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Kalani Ka'anā'anā, Ilihia Gionson, Caroline Anderson, Jadie Goo, Iwalani Kaho'ohanohano, Maka Casson-Fisher, Carole Hagihara-Loo, Takon Kishi, Maile Caravalho
GUESTS:	David Baronfeld, Kekoa Caravalho, Jennifer Chun, Jeffrey Eslinger, Laci Goshi, Sean Hao, John Hassler, Jesse Jones, Erin Khan, Les Kondo, Noelle Liew, Lawrence Liu, Daria Loy-Goto, Guillaume Maman, Tom Mullen, Elizabeth Nakamura, Rachel Ray, Teri Orton, Kainalu Severson, Mari Tait, Alexander Wong

LEGAL COUNSEL: John Cole

1. Call to Order

Chair Hannemann called the meeting to order at 9:01 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 conducted the roll call, and members were in attendance except for Mr. Miyasato, who was excused. Members who attended via Zoom were by themselves.

3. Opening Protocol

Mr. Casson-Fisher did the opening protocol.

4. Report of Permitted Interactions at Informational Meetings or Presentations Not Organized by the Board Under HRS section 92-2.5(e)

There was no input on Permitted Interaction Groups.

5. Approval of Meeting Minutes

a. December 13, 2023 Special Board Meeting

Mr. McCully made a motion to approve the minutes. Ms. Paishon-Duarte seconded, and the motion passed unanimously.

b. December 21, 2023 Regular Board Meeting

Mr. White made a motion to approve the minutes. Ms. Paishon-Duarte seconded, and the motion passed unanimously.

6. CEO Report

Mr. Nāhoʻopiʻi reminded members that his detailed report was included in their binder of documents.

Mr. Nāhoʻopiʻi thanked the staff and Board members for their commitment and hard work during 2023. This had been an eventful year for the HTA since it included the natural disaster of the Maui wildfires and changes in the agency aimed at making it more efficient and better organized. December had been a busy month in which the management had worked with contractors to meet their year-end goals and benchmarks. The management had also worked on the transition towards two separate teams focusing on destination stewardship or brand management.

The destination stewardship team had dedicated itself to ensuring that community funding awards were reviewed, evaluated, and scored on time to notify community organizations about their funding. All the awardees had been contacted, and a public notice would shortly be issued.

A quality assurance program was underway for regenerative tourism involving Kilohana and other contractors. There was to be an investment program for businesses hoping to expand in the visitor industry, and various training programs were planned. The team had worked on enhancing visitor education at airports and hotels, and they were securing a contract to expand this program to deal with specific Maui issues.

The branding team was doing its best to ensure the implementation of the Maui recovery plans approved by the Board. This included Aloha Canada travel missions to Toronto, Calgary, and Vancouver. The Japan Hawaiʻi program was fully implemented. A new service run by Air Premier was to run from December to March and had been very successful so far, with a 95% load factor. The staff were working with the Department of Transport airports to develop a new route that is of interest to Hainan Airlines.

The Maui recovery plan had been finalized, and all the action items and funding were implemented. The staff were working to organize programs and identify community groups or businesses that could implement the planned actions, including the Kauaʻi Office of Economic Development, Kilohana, and the HVCB. A technical needs assessment survey had been sent to many businesses, and Mr. Nāhoʻopiʻi encouraged Board members to explain to their colleagues that this survey aimed to discover the needs of businesses and community groups hoping to expand their roles in the visitor industry.

Meetings were held with stakeholders during the quality assurance program. Board members were invited to encourage colleagues to contact the HTA with their questions so that the agency could support travel-related businesses to ensure a high-quality visitor experience. Mr. Nāhoʻopiʻi thanked the fiscal department of the HTA for their diligent work. The requirements of the just-completed financial audit meant much overtime and weekend work to provide the deliverables requested by the audit team.

Mr. Gionson informed the Board that as part of the DBEDT Ohana, he had participated in informational meetings before the Senate Ways and Means Committee on January 3 and the House Finance Committee on January 12. Both these committees had sent follow-up questions to which the HTA had responded before the deadline. The House Finance Committee had sent additional questions on which the HTA staff were currently working, and their responses would be submitted before the deadline.

Members of the HTA staff and Board attended the opening day of the legislative session on Wednesday, January 17, during which Mr. Nāhoʻopiʻi had been recognized on the floor of the House. Chair Hannemann, Vice-Chair Paishon-Duarte, the Acting CEO, Mr. Nāhoʻopiʻi, and Mr. Gionson visited several legislators in their offices. On Friday, January 19, they participated in the first of a series of meetings with key stakeholders to share the legislative priorities of the HTA, and to hear the priorities of the stakeholders.

Mr. Gionson reported that at the time of speaking, the HTA was tracking 86 measures slated for the present session. The deadline for filing had been the previous day, and additional bills might still appear. The topics ranged from travel and visitor experience, transparency, accountability, environmental protections, Hawaiʻi Made Products, etc. After a review by the HTA staff, the Legislative PIG was to flag the top priority bills for active attention. The early flags concerned green fees, naming rights for the HCC, bond funding opportunities, coupling the management and marketing of the HCC, and the transfer of the management of the HCC from the HTA to the Department of Accounting and General Services.

Legislative measures that directly concerned the HTA included clarifying the appointment of Board members, reducing the number of Board members, and a bill concerning a smart destination platform concept that had been previously discussed internally but had no budget. These matters were likely to entail vigorous discussions through regular engagement with the chairs of the tourism committees and other key legislators. Mr. Gionson was grateful for the work of the DBEDT legislative team under the leadership of Dir. Tokioka and Deputy Director

Dave Wicker. He thanked Chair Hannemann, Vice Chair Paishon-Duarte, and Mr. White, the chair of the Legislative PIG, for their work before the present legislative session.

On behalf of the HTA staff, Mr. Nāhoʻopiʻi congratulated Ms. Kanaho, now promoted to Managing Director of Island Chapters of the HVCB. The staff had created a certificate for her in respect of her diligent work for almost three decades, during which she had provided a high standard of training for other island chapters and had earned the local community's trust.

She also gained significant experience working with all levels of government on tourism, economic development, resource management, emergency response, and recovery. Ms. Kanaho was an important asset to the people of Hawaiʻi, and before joining the HCVB, she was the executive director of the Kauaʻi Economic Development Board. She had also been heavily involved in the Kauaʻi community, including the Chamber of Commerce, the Royal Coconut Coast Association, the Kauaʻi Economic Development Board, the Visitor Aloha Society of Kauaʻi, the Kauaʻi Native Hawaiian Chamber of Commerce and the Zonta Club of Kauaʻi.

Mr. Nāhoʻopiʻi thanked Ms. Kanaho for her dedication and presented her with a certificate on behalf of the HTA staff and himself. He was convinced that an overall manager for all the island chapters would strengthen them and aid the shift towards regenerative tourism, emphasizing appropriate development for each island.

Ms. Kanaho responded by thanking Mr. Nāhoʻopiʻi and said she looked forward to a closer working relationship with the HTA.

7. Board Chair Report

Chair Hannemann congratulated Ms. Kanaho on her promotion and expressed his hope that they would continue to serve Hawaiʻi together.

Chair Hannemann recalled that on his election as Chair of the HTA Board, he had promised to do his utmost to make the authority transparent, open, and accessible. He had been gratified to be joined by the HTA staff members on the legislative session's opening day. He and Ms. Paishon-Duarte had visited as many offices as possible, and the unity of the HTA team had been a refreshing experience. The legislators had been more receptive to the aims and requests of the HTA than he had expected. Chair Hanneman was doing his best to interact regularly with legislators at the State and County levels, including Mayors and Council members. He believed that the change in the narrative was driving a change in response. The goal was to achieve lump sum funding in the budget, and the Chair reported increasingly positive reactions to this aim. It was clear that there were questions to be asked and answered and some issues to be rectified.

His hope was to address the challenges of today to make the State a better place for its residents.

Chair Hannemann called the Board's attention to the Spotlight interview with Speaker Saiki, in which the speaker emphasized the importance of the State having a central agency to coordinate tourism activity, as was the case in almost every other jurisdiction. The HTA had taken a couple of years to embrace destination management, and it was important for the agency to focus on this aspect. Speaker Saiki felt that for the HTA to fulfill its role, it needed to be able to operate independently and flexibly.

Chair Hannemann stated that independent operation continued to be the goal of the HTA, and he looked forward to the report from Chair White of the Administrative and Audit Standing Committee. The Chair stated that shoring up the staffing situation was another goal, noting that the Brand Marketing Chief, Mr. Kaʻanāʻanā, had been working two positions while receiving a salary for just one. Chair Hannemann also aimed to begin the process of seeking a permanent presidency of the HTA. He appreciated the work done by the legislative committee under its chair, Mr. McCully, in particular its meeting with stakeholders to encourage them to support the agency's agenda so that the agency would, in turn, support their aims.
Chair Hanneman informed the Board that he was endeavoring to make himself as accessible as possible and had attended a meeting of the Waikīkī Improvement Association Board at which he explained the agenda of the HTA while pointing out many areas of mutual interest which they would support. During the following two days, the Chair was due to attend the general membership meeting of the Kauaʻi Lodging and Tourism Association, at which Acting CEO Nāhoʻopiʻi was to give presentations on the marketing campaign and destination stewardship, focusing on the Japanese market.

The Chair, Mr. Zane, and Mr. Gionson had recently attended a small gathering of wedding planners, whose services were particularly important to the Japanese market. The appreciation of the HTA was extended to all who provided services to this section of the tourism industry. Chair Hannemann mentioned many organizations collaborating with the HTA to achieve its goals. He reminded the Board that everyone would never be satisfied, but he encouraged partners to remain patient, hoping that an increased budget would enable the HTA to fund more groups. He noted that the HTA was grateful for the Transient Accommodations Tax (TAT) that the agency received from the State.

Chair Hanneman mentioned three significant events. The Trans-Pacific Volleyball Championship had been held in the HCC, involving 172 teams from the State of Hawaiʻi and 100 who flew in from other parts of the world. Sports formed an important foundation for many of the activities. The Sony Open Golf Tournament had brought in travelers who stayed longer and spent more, as well as broadcasting the appeal of Hawaiʻi as a destination on TV throughout the world. The Polynesian Football Game and Dinner had been broadcast throughout the U.S. and was affiliated with the National Football League. Chair Hannemann encouraged the HTA Board and staff to ensure that the local community was made aware of these important events. Chair Hannemann was grateful for the opportunity to work with the HTA Board and staff and encouraged everyone to work together for a common cause.

8. Presentation and Discussion of Current Market Insights and Conditions in Hawaiʻi and Key Major Hawaiʻi Tourism Markets

Ms. Andersen began by pointing out that the visitor statistics for December would be available only the following week, as a result of which she would present a somewhat abbreviated package this month.

The TSA's report showed an increase in overall volume at all airports during December. However, the number of visitors to Kapalua was down by 24% compared with the previous year, while there had been an increase in visitors to Hilo. 72% occupancy for December was higher than that for 2022 but still lower than that of 2019. The State's average daily rate (ADR) was $428, which was higher than prior years but still lower than 2019. Occupancy and ADR for vacation rentals had been much lower. The detailed report submitted to the Board showed that demand for hotel rooms was higher than that for vacation rentals.

The transient Accommodations Tax (TAT) collected by the State Department of Taxation in December amounted to $60.3 million regarding November activities. This gave a total to date for Fiscal Year 2024 of $402.9 million, slightly down by 1.2%, a reduction of $19 million compared with $421.8 million for the same period in FY2023. Although tax collection had been higher in some prior months, the decrease was not concerning.
Overall unemployment for the State was the same as for November, and the unemployment rate for Maui County had now decreased to 5.3%.

More nonstop seats had been scheduled for January 2024, an increase over 2019 but not 2023. There had been a decrease in domestic seats but an increase in international seats during January, and the trend was likely to be similar for February. The number of international seats was higher than in 2019 but lower than that of 2023.

Regarding market trends and insights, the SKIFT travel health index now stood at 105 for the whole world, but for all Hawaiian markets, including Europe, only the index for Germany was less than 100%, and all the other indices were higher.

There had been an increase in travel spending for the U.S. during November, compared with the same period in 2019, with more air passengers, but overseas arrivals and hotel demand were lower while short-term rentals were higher. Details were given in the documentation supplied to Board members.

Air ticket bookings were not up to the corresponding period in 2019 and were different in various markets. The spring appeared to be better for the U.S. market, with Japan still far behind. The Canadian market was not far behind and seemed likely to improve by May. For Korea, May and June were ahead of the pre-pandemic levels.

The DBEDT travel forecast had been released after the previous Board meeting and showed that 2019 expenditure levels had already been surpassed. It was expected that visitor arrivals would reach pre-pandemic levels as of 2026. Figures for the U.S. West were trending downwards, while the U.S. East was also decreasing, but less steeply than the U.S. West. DBEDT forecast growth in the Japan market, and numbers are expected to reach the pre-pandemic level by 2026. The Canadian market was slowly increasing, while Europe was expected to reach pre-pandemic levels in 2026, with similar increases in other markets.

Chair Hannemann commented that Gov. Green had noted in his State of the State message that the Council of Revenues had readjusted the State's economic projection of 1.3% growth to 4% growth. Tourism was the major driver of this growth, and it was important for this message to resonate with the government and the community.

9. Report and Update by the BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE of their Meeting Held on January 24, 2024

The Chair of the Budget, Finance, and Convention Center Standing Committee, Mr. Arakawa, stated that he submitted two items for Board approval, which had been fully discussed at the previous meeting.

a. Discussion and/or Action on HTA's Financial Report for December 2023

Mr. Arakawa proposed a motion to approve the HTA's Financial Report for December 2023, and Ms. Paishon-Duarte seconded this motion.

Mr. Kishi gave an outline of detailed financial statements submitted to Board members in their binder. During December, the HTA had spent $7.2 million on tourism programs, $2.1 million on branding, and $1.2 million on destination management, which included $300,000 on natural resources and $330,000 on perpetuating the Hawaiian culture.

There had been no expenditure for the HCC during December because the center had been operating on a positive net income basis for the past few months and did not need to be reimbursed for its losses.

During December the HTA collected $11 million from the State in Transient Accommodations Tax (TAT), and this was deposited in the HCCESF. Regarding the HCC roof repairs, general obligation bonds had been appropriated for temporary roof repairs and other roof-related issues, but no expenditure had yet been executed.

$2.4 million from the Tourism Emergency Special Fund had been spent for USA branding during December, and Maui marketing had been started. The account realized $13,000 in income, including $6,000 in fair value appreciation and another $6,000 in interest earned on the bonds held in the HTA fund at the Bank of Hawaiʻi.

No expenditure was executed from the Federal fund account for the EDA tourism grant during December.

Details of the balance sheet showed that at present, the tourism fund included $36 million in general funds awarded to HTA for FY2024, along with another $14 million in the TSF, which had been sunsetted in 2022, so that only money which had been encumbered in FY2021 was allowed to be spent. $25 million from general funds and $7 million from the TSF had been encumbered. This meant that the HTA had about $7 million unencumbered in the TSF, but this could not be spent because of the budget freeze,

For the HCC fund, there were $8.5 million in general funds and $47 million in the HCCESF. However, the funds in the HCCESF were also frozen because the legislature had not provided a ceiling on expenditure. This had to be requested from the legislature. Encumbered funds amounted to $2 million in general funds and $3.5 million in the Convention Center special fund. For the Convention Center roof repair funds, $14.8 million was available in general obligation bonds, and $670,000 was encumbered for the current PMCM contract for the full roof repair.

In reply to a question from Mr. McCully about how the ceiling on expenditure could be obtained, Mr. Kish replied that a bill would be required.

The Tourism Emergency Special Fund stood at $7.6 million in cash and U.S. treasury notes. There was $13.5 million available in the Federal EDA grant, of which $6 million was encumbered for outdoor recreation and tourism hotspots.

Mr. McCully expanded his previous question to ask whether it would be possible to amend a current bill to obtain a ceiling on expenditure. Mr. Arakawa replied that this was part of the budget package that had been submitted to the legislature every year. He pointed out that every year for the past three years the authority had asked for the ceiling to be lifted, but because the legislature had not approved the budget, no ceiling was fixed. He hoped the budget would be approved this year with the ceiling as part of it. Mr. Arakawa stated that, if necessary, he could give more details and explain where the ceiling was specified in the budget.

Acting CEO Nāhoʻopiʻi explained that a ceiling of $14 million had been submitted as part of the departmental budget for the current year. This had been approved both by the Governor and by the Department of Budget and Finance, and for the current year, it had been raised to $25 million to comprise $14 million for FY2025 plus $11 million to reimburse the $11 million, which had previously been given for the current fiscal year. Mr. Arakawa thanked the CEO and his staff for inserting the ceiling into the HTA budget proposal.

Mr. Gionson conducted the roll call vote, and the motion was carried unanimously.

b. **Discussion and/or Action on the Hawaiʻi Convention Center's December Financial Report and Update on the Hawaiʻi Convention Center's 6-Year Repair and Maintenance Plan**

Mr. Arakawa explained that this item had been discussed in detail during the BFCC meeting held the previous day. A summary of the information formed part of the binder supplied to Board members.

Mr. Arakawa proposed a motion to approve the HCC December 2023 Financial Report and Update on the HCC 6-Year Repair and Maintenance Plan. Ms. Agas seconded the motion.

Mr. Arakawa pointed out that Item 11 contained some of the same material on the Meetings, Conventions, and Incentives (MCI) market activity and PACE report, and he apologized for the delay in the presentation.

Ms. Tait went over the highlights of the Repair and Maintenance Report and 6-Year Plan. One of the major projects was exterior painting and exterior planter repair. The contract for this work had already been awarded, and meetings had been held with the contractors to ensure that the scheduling of events would not be affected. This project was expected to be completed by the end of the year. The ongoing project to replace the chiller had entered the construction phase, beginning by cutting a hole in the wall of the building to allow the removal of the old unit and the installation of the new chiller and continuing with further construction. The management had received presentations from two bidders to replace and/or upgrade the house audio and LED lighting systems. They expected to award the contract to the successful bidder in the following few weeks. The existing escalator was original to the building and was now outdated to the extent that there was difficulty in locating replacement parts, and repairs were costly. An RFP had been issued during the previous week, and a site walk had been conducted earlier this week. The center management hoped to receive good proposals for this work.

Projects that had already been completed included the replacement of the wallpaper of the ballroom, which was completed in January. Transformers had been replaced, and it was hoped that this would improve the utility economy. Installation of exterior security cameras had been completed, and it was hoped that this would prevent incursions into the property, resulting in damage to windows and the grass lawns.

The repair of the rooftop terrace was on schedule. The HTA had selected an architect and design company for the work. This company had acted as a design and waterproofing consultant since the beginning of the project and was familiar with the issues involved. They were moving forward with productive meetings.

Mr. Arakawa asked which of the major projects involved original infrastructure and was informed that all the major repair projects concerned the replacement of original equipment. The center had been constructed 25 years previously and apart from minor repairs, no major repairs or system upgrades have occurred since then.

Ms. Agas appreciated Mr. Arakawa's comment and asked whether there was an integrated preventative facility plan for when other replacements would be needed. Mr. Arakawa asked Ms. Orton to be prepared to present this plan to the legislature. She stated she was working with ASM Global on a 25-year repair and maintenance plan for ongoing extensive equipment repair and replacement. They had obtained useful ideas from other Convention Centers. She was working closely with Mr. Choy and Mr. Kishi to ensure that available funding would support such projects.

Ms. Orton re-emphasized the importance of lifting the expenditure ceiling since the projected capital improvement projects (CIP) would lead to a negative cash flow over the next three to four years. Some of the projects had to be split between separate years, such as the project to replace the third-floor planters, which were a source of leaks into the Kalakawa kitchen, even though the whole project would more efficiently be executed all at once.

Ms. Paishon-Duarte asked whether the HCC would be ready to host the delegates attending the FESPAC in June. Ms. Orton responded positively but hoped that the weather would be dry. However, in severe rain, backup rooms had been allocated in case of problems. For most events, alternate rooms were allocated in case of leaks. The management of the Conference Center was working closely with HVCB to source alternate accommodation for offshore events.

Ms. Orton was asked about the capacity constraint if the center management relied on redundancy to support an event. She replied that it was between 3,500 and 4,000 at the moment, but they had had situations where a full booking involved making concessions and shrinking office space. There was a possibility of offering space in a neighboring hotel as a backup, but so far, this has not been necessary. The center could usually accommodate up to 5,000 guests, but when the numbers were greater than 7,000, it would be required to accommodate the overflow in other properties, which might involve using exhibit space for accommodation. This would be a more significant issue when the roof replacement started. There were some bookings during the period of the roof repair that would need to be arranged for alternative venues to hold their rooftop reception or other events planned for the rooftop terrace.

Mr. Arakawa thanked Ms. Orton and her team for their flexibility in using alternate spaces. He noted that the organizers had sometimes preferred the alternate venue to the original one.

Ms. Orton reviewed the financial information of the HCC, a paper printout of which had been supplied to the Board members. During December, the HCC hosted twenty events, four more than planned. These were all local repeat clients, such as the Honolulu Marathon and the Honolulu Board of Realtors. The total facility revenue for December exceeded one million dollars, $160,000 more than had been projected, and the center posted a net loss of $640,000, $86,000 less than expected. Other income came from interest payments received when money was transferred from the savings account into mutual fund general obligation bonds, yielding a higher interest rate of 4.96%, and this interest accounted for the majority of the revenue identified as “Other Income.”

Ms. Orton drew the Board's attention to the FY2024 Reforecast column, which projected finances up to June 30, 2024. The gross revenue had reached a record high of $24.3 million, including $1.5 million in interest and a net loss of $788,400 versus budgeted gross revenues of $18.5 million and a net loss of $5.3 million. The current fiscal year was on track to be the highest-grossing revenue year since the HCC opened. If this trend continues, the center will save the State $4.5 million by the end of FY2024.

During December, there had been substantial numbers in citywide and local bookings, and it was anticipated that by the end of the fiscal year, twenty citywide events would have been hosted, generating $370.3 million in economic impact and $43.3 million in tax revenue. The HCC management forecast hosting 233 local events during the course of the fiscal year, and this was also a record number. If this trend continued, the center was likely to break even on its operating budget.

Ms. Orton drew the attention of Board members to the return on investment (ROI) for the Convention Center. When revenue was compared with expenses, including HCVB sales and marketing expenses, an ROI of $18.52 was returned to the State for every dollar invested. Board members were referred to their printed material highlighting recent and upcoming Citywide and local events.

The Convention Center had received favorable press about the record revenue and reviews of the its newly recruited chef. The press and other media had also highlighted the sustainability initiatives of the Convention Center in terms of its participation in reafforestation projects, which had so far planted a total of more than nine thousand legacy trees, a number expected to reach ten thousand before the end of FY2024. Convention Center staff and guests had also participated in a campaign to clean up the Ala Wai, and several local events had used the Genki Balls Ala Wai cleanup campaign as a teambuilding exercise, improving the cleanliness of this stretch of water.

Mr. Arakawa reminded Board members that Meetings, Conventions and Incentives marketing would be discussed during Agenda Item 11. Mr. Gionson conducted a roll call vote, and the motion was carried unanimously.

10. Presentation, Discussion and/or Action on Exploring Naming Rights for the Hawaiʻi Convention Center

Ms. Orton led the presentation on exploring the naming rights for the HCC. She pointed out that this had been considered several years previously but had not been possible. She introduced Ms. Meg Little, Vice President of Marketing Solutions for ASM Global.

Ms. Little thanked Ms. Orton and Chair Hanneman for allowing her to explore this possibility. The Convention Center had an incredible story to tell, and there was an opportunity to bring along a brand partner to increase revenue. Ms. Little's presentation, which was part of the meeting packet supplied to the Board members, first exposed the advantages of the Convention Center and then discussed the financial evaluation of the project. The Superlative Group had been asked to evaluate the results of conferring naming rights, pricing recommendations, and projections of possible revenue.

Ms. Little stated that the center was a beautiful facility in a fantastic location, a unique destination that could be described as "where Aloha and business meet." The center's purpose was to generate economic benefits for the community, enhance the quality of life for all residents, and enable guests to participate in the Hawaiʻi experience. The facility was an attractive and vibrant asset, capable of hosting many people.

Ms. Little explained the benefits of conferring naming rights for the Conference Center, firstly considering the awareness as the benefit to brands for allowing their name to be attached to a physical facility. This drove consideration and loyalty in the marketplace. Naming rights brands were usually national brands, but they often had a significant presence in the local market. Naming returned community goodwill and engagement, which was why the brand selected often had a local connection.

Ms. Little listed the three factors brands considered when conferring their brand on a physical structure: brand awareness, consideration, and loyalty, community goodwill and engagement due to a local connection, and competitive advantage and differentiation from competing firms. This explained why many naming rights brands were in categories with heavy competition.

The naming rights platform allowed a brand to engage across an entire experience, utilizing the physical name of the building and having opportunities for contact with guests before and after events.

The value proposition to a brand consisted of the prestige of the property and the fact that there was a physical entity that helped to keep competition out of the market and differentiated the brand from its competition while providing a geographic reach across the State.

Superlative Group had more experience than other naming rights firms. They had a valuation process and would conduct a site visit to collect data then scientifically generate a range of price points. Ms. Little presented detailed parameters along with the economic benefits and weighting of each one. Naming rights could generate 44 million impressions per year, with a value of between $400,000 and $500,000 annually. In addition, naming rights partnerships tended to be long-term commitments, often over ten or more years.

The consultants had modeled 10-, 15- or 20-year naming rights contracts, and each option contained a 3% annual escalator. The outline stated the floor and ceiling values, the term, and the overall value for each contract term. Two options were outlined:

Option 1: $15,000 per month for 18 months with a 17.5% commission on all sales, with all pre-approved travel reimbursed at cost.

Option 2: $10,000 monthly for 18 months with a 22.5% commission on all sales, with all pre-approved travel reimbursed at cost.

Ms. Little suggested that the minimum net revenue over the contract duration might be $2.5 million, with a maximum of $8 million or more. She ended her presentation by suggesting names of a few brands that might be appropriate for initial consideration.

Responding to a question by Chair Hannemann, Ms. Little replied that Superlative Group was involved in naming rights of various venues such as arenas, stadiums, and some theaters and amphitheaters. In 2023, they took part in the rebranding of the former Gila River Arena, now known as Desert Diamond Arena. A new facility built on the port of San Antonio had been rebranded as Boeing Center. The group had taken part in similar discussions with other Convention Centers. For instance, the Cleveland Convention Center had been rebranded as the Huntington Convention Center.

Dir. Tokioka asked whether Ms. Little had any ideas of enterprises that would align with the values of the facility and the people of Hawaiʻi, as would be necessary. She responded that the first step towards generating a prospect list was to identify categories everyone would be comfortable pursuing, which would be done in collaboration with the Board. Brands or brand categories would not be pursued where there would be discomfort or misalignment. She suggested that two prime categories would be airlines or financial institutions.

Asked by Ms. Agas if this would be an RFP process, Chair Hannemann replied that the question would be addressed during the discussion of a bill to be introduced by Sen. Dela Cruz, the Chair of the Senate Ways and Means Committee. He pointed out that there were no details of possible timing since it was necessary to address more details first. He thanked Dir. Tokioka and Mr. McCully for their useful questions. Chair Hannemann thanked Ms. Little and noted that there was a need to consider whether it would be a good decision for the State to authorize the HTA to take this step.

Ms. Orton thanked the Board for the opportunity to present this option. She promised that ASM Global would include the HTA Board and staff in selecting the proper organization to brand the Convention Center if approved by the legislature. It was clear that the best option would be a local organization. Chair Hannemann appreciated the fact that some local candidates were already being considered.

Mr. Gionson transmitted a question from the audience about how the list of entities to approach would be developed. Ms. Little responded that considerations would be the organization's annual income and its ties to the community, thus explaining the intention to begin with local organizations.

Chair Hanneman moved Agenda Item 13 to the next position.

13. Update on the Japan 2024 Marketing Recovery Plan

Mr. Nāhoʻopiʻi reminded Board members that during the previous Board meeting, additional marketing recovery funding had been voted for in Japan. The Japanese market was building back up, with additional airlifts due to begin shortly, so it was necessary to increase demand for airlines to respond by providing more service. The Managing Director of HTJ, Mr. Takahata, will present the State of the base market and the incremental increase appropriated to stimulate the market to increase international arrivals.

Mr. Takahata pointed out that recovery had been slower than expected due to uncontrollable factors in the market, such as the unfavorable exchange rate, which now stood at 148 Yen per dollar. It was hoped that a reduction in U.S. inflation would ameliorate this. Airlines continued to impose fuel surcharges, which were more severe for Japan than other markets and contributed to the slower recovery.

Competing destinations were still mounting aggressive marketing campaigns to attract Japanese travelers. Hawaiʻi had to fight to maintain its presence in the market and was focusing across the board, not only on direct consumers but also on the travel industry. Many destinations were offering incentives to attract the Japanese travel industry.
The Japanese market was pivoting from the Mālama messaging into a more aggressive and urgent message. Air seats for direct and charter flights into Hawaiʻi were at 60% recovery compared with 2019. The fuel surcharges imposed by the airlines were based on algorithms, and the surcharges for Hawaiʻi were about $400 per person for a round trip. This placed Hawaiʻi on the same level as Indonesia as a long-haul destination. Looking at the pricing of packages and monitoring what other destinations were offering, during January and February Hawaiʻi was the most expensive 4-night package from Japan. The cost of a 4-night trip to Paris in a 3-star hotel was much less. The team was looking at the possibility of 3-night packages. The February market seemed to be more competitive, and comparing other long-haul competitors like Paris,

The team looked at the best practices of five other destination marketing companies or bureaus and found that most were considering a three-to-five-year investment to recover the Japanese market. These destinations were in the business for a long-term investment.

Considering the base initiatives, the base budget had been $6.5 million, which was $2.5 million less than the 2019 budget. The plan was to focus on the high-value market with a campaign entitled Beautiful Hawaiʻi, powered by travel trade initiatives because the travel wholesalers, online travel agencies, and airlines had been strong partners for the Japanese market. The team also used direct consumer events to affect the consumer's mentality.
The new campaign was a more aggressive form of marketing tied to the incremental $2.5 million, with the theme, “It’s got to be Hawaiʻi.”

The basic distribution strategy continued, but the message was amplified. Media tie-ups involving several big-name celebrities had been used to generate increased requests for media to come to cover Hawaiʻi. It was important to get back to 2019 levels, and the involvement of these celebrities was a form of free advertising.

The team also focused on airline and other travel cooperatives and collaborated with the Japan Association of Travel Agencies. Mr. Takahata reminded the Board that JATA was a quasi-governmental agency with direct ties to the Ministry of Tourism.
Japan Tourism also sponsored a three-day pop-up initiative at Haneda airport to highlight products made in Hawaiʻi. The airport authorities said this was their most successful pop-up, with outstanding sales. Statistics show that 22% of people who go to Haneda Airport do so to shop. Mr. Takahata thanked Dir. Tokioka and Chair Hannemann for their support of this initiative. Mana Up had been a great contributor, and this venture was hoped to be repeated. Before the pandemic, Hawaiʻi Tourism encouraged people to purchase Made In Hawaiʻi products even if they could not travel there.

Mr. Takahata pointed out that advertising and media tie-ups would form a large part of the incremental funding. These were already part of the base funding, but the increment allowed them to be emphasized. He gave a breakdown of the budget, which included $6.5 million for 2024 with an increment of $2.5 to bring the 2024 budget up to the 2019 level.
Ms. Paishon-Duarte thanked Mr. Takahata for his presentation and asked for the details of the pivot away from Mālama towards a more aggressive message. Mr. Takahata responded that the Japanese culture encouraged respect for traditions of history and place so that Mālama was not new to the Japanese people. Mr. Nāhoʻopiʻi explained that during the pandemic the HTA had connected with wholesalers who had now integrated Mālama into their operations. Further emphasis on Mālama was unnecessary.

Dir. Tokioka reminded Board members that he had been part of Gov. Green's tour of Japan in November. He praised the good relations that Mr. Takahata had with government and industry leaders. Gov. Green had expressed gratitude to Hawaiʻi for the money sent by Japan to support the victims of the wildfires and reminded travel industry leaders that sending employees on an incentive trip to Hawaiʻi was a good way to assist. Six thousand employees of Haneda Airport were to be sent on a trip to Hawaiʻi. Dir. Tokioka and the governor had sent letters to Japan Airlines thanking them for their assistance.
The previous Japanese Consul General to Hawaiʻi had commented that some Japanese companies were offended by being reminded about Mālama since no other culture respected Hawaiʻi like Japan. It was to be noted that there were over a million hula dancers and just as many ukulele clubs in Japan.

Everyone in the visitor industry was concerned about the effect of fuel surcharges on the Japanese market. Gov. Green was working on an initiative with U.S. Customs and Board Protection to allow visitors bound for Hawaiʻi to undergo screening in the Japanese airport before leaving. This would mean that on arrival in Hawaiʻi, they would go straight out of the airport, giving the possibility of passing through Hawaiʻi before traveling on to other U.S. states. Gov. Green worked on this initiative with the Japanese Consul General and the airport authorities.

Chair Hanneman thanked Dir. Tokioka for these updates and noted that the $9 million budget for Japan Hawaiʻi Tourism would provide seed money for passenger quotas.
Mr. Nāhoʻopiʻi gave updates on the Japanese market. The U.S. and Japan have declared the 2024 Tourism Year. They made a bilateral agreement to increase visitation, which included a commitment from Brand USA to invest more money into the Japanese market. He had met with officials of Brand USA a few days before to remind them to ensure that Hawaiʻi was integrated into the development of their campaign. This would allow money to flow toward Hawai'i at the Federal level.

11. Presentation and Discussion Regarding an Update of the Meetings, Conventions and Incentives Market Activity and Pace Report, and Hawaiʻi Convention Center Activity and Local Sales

Ms. Lynn Whitehead, Vice President of Global MCI Sales and Marketing, presented the Meetings, Conventions, and Incentives (MCI) Market activity and Pace Report. Ms. Whitehead commented that she was excited to be part of bringing more business to the islands. She stated that for 2023 production, she would be describing citywide and single-property events, and she understood that the expansion of single-property business had been a priority of the Board. She will give more information about this aspect in the next meeting.

Describing the highlights for citywide business, Ms. Whitehead stated that she had been excited to hear Ms. Orton's presentation and congratulated her team on their numbers. Ms. Whitehead explained that she met with Ms. Ordon weekly, while the local and citywide sales teams met monthly to ensure that they maximized the use of the available space. The booking window for citywide events was now only one to four years, whereas pre-pandemic, the booking window had been up to seven or eight years in advance. During 2023, 35 groups had contracted, four of which had booked only in the same year, which had previously been unheard of. 63% of bookings were for 2023–2026, and information from fellow destination marketing organizations gave reason to believe this trend would continue.

For the next 90 days, the focus was to find a person to fill Ms. Whitehead's former position on the East Coast, and to add a new citywide position to focus on short-term corporate and association bookings.

In terms of listed key licensed events, ASEA was outgrowing its former venue, had made a contract with the Convention Center, and added a supply of food and beverages and extra hotel contracts in 2024 and 2025. There had been an increase of 51% year over year in tentative room nights, which showed the importance of having a consistent sales team in the market to build relationships year after year.

Ms. Whitehead noted that production was defined as a new volume of events and room nights for any future year, and consumption referred to arrivals of booked events and room nights in the year in which they occurred. She stated that we were 4% ahead of booked room nights year over year and 51% of tentative room nights, and we had contracted 35 events in 2023. Ms. Orton and Mr. Reyes had set a goal of 77 events for 2023–2025, but because of the success during 2023, this goal was to be increased to 99, which Ms. Whitehead believed was achievable.

In terms of future pace for citywide events, 2024 and 2025 were likely to be strong years, and the citywide team for offshore events was doing a good job. The short-term booking cycle provided opportunities for sales. Ms. Orton was working hard to set timelines for the construction program for 2026–2028, and this was a period in which the team had to work hard to stabilize production.

Ms. Whitehead congratulated the team responsible for single-property production, which had shown an increase in definite and tentative room nights and booked events. She bade farewell to Ms. Adele Tasaka, who had represented Hawaiʻi in Aloha Spirit and would be replaced by Laurie Ohara as of February 20.

The future pace for both single-property events and citywide events was very strong in 2024 and 2025 despite the short booking cycle, and the numbers were expected to increase in 2024 and 2025.

The team was developing data based on visitors going to every island, along with the inventory of each island. The numbers for Kauaʻi were expected to be lower than for Oʻahu, Maui, and the island of Hawaiʻi. Hawaiʻi Island showed more flexibility in the rates offered compared with Maui.

The Mālama Maui campaign had exceeded room nights, and Ms. Whitehead recognized the leadership of Mr. John Reyes along with the grassroots communication strategy. The team had done their best to preserve bookings for Maui, but where this was impossible, they had maintained the business in the State of Hawaiʻi. This resulted in $33 million in economic impact being kept in the State, with some money going towards strategic partnerships. Activations during 2023 aimed to drive more business to the island of Maui, noting that exposure for all islands would benefit the entire State.

The Association of Electronic Engineers had booked the Convention Center for July 2024. Some strategic partnerships that started during 2023 included Site Global, NorthStar, HPN, and Helms-Briscoe. On the following day, there was to be an online seminar with Site Global, which would target the incentive market with the participation of two Maui hotels.

Mr. Arakawa thanked Ms. Whitehead for her presentation and asked whether there were any staff vacancies. Ms. Whitehead responded that a couple of candidates had been interviewed for her former position as citywide director on the East Coast but that the uncertainty regarding the roof project created some hesitancy. There was a vacancy on short-term sales for which direct funding from the HTA was unavailable, although candidates were being identified. A client services manager was needed, and Mr. Tom Mullin, the CEO of the HCVB, had given support for some temporary part-time positions.

Mr. Arakawa reminded the Board that the budget was a major issue to be addressed during the current legislative session. The lack of direct funding impacted the new citywide sales position. He asked Mr. Choy to follow up with Ms. Whitehead to determine what would be needed to confirm funding. The Acting CEO promised to follow up on the timeline.
Ms. Agas asked whether the shorter booking window for citywide events was a worldwide trend or applied only to Hawaiʻi. Ms. Whitehead responded that most of the short-term citywide bookings were new, and the shorter booking window appeared to be a national situation. Many clients had commented that 2024 was likely to be the first normal year, and the expectation was that the improvement would continue as clients became more confident. They generally booked fewer room nights and fewer on peak to avoid attrition.

Ms. Agas congratulated the team on the IEEE meeting in Waikoloa on the Big Island and asked whether incentive houses such as Maritz had feedback and whether they could assist them in promote. Ms. Whitehead responded that they understood the destination management program and existing strategic partnerships were being strengthened by webinars and paid media exposure.
Chair Hannemann congratulated Mr. Tom Mullin on his new position as CEO of the HCVB.

The Chair informed Board members that he would have to leave the meeting at 12.15 p.m. for a prior engagement, and Ms. Paison-Duarte would take over as Chair.

12. Report and Update by the ADMINISTRATIVE & AUDIT STANDING COMMITTEE of their Meeting Held on January 24, 2024

Mr. White, the chair of this committee, elected to begin with items b and c.

b. Discussion and Action Relating to Filling the Position of HTA Chief Brand Officer***

The committee had discussed whether the appointment of a Chief Brand Officer would be affected by the hiring freeze, whether the budget would cover the salary, and how the legislature would regard this hire.

Chair Hannemann stated that he had spoken with the Governor, the Speaker of the House, the Chair of the Senate Ways and Means Committee, and the Chairs of the Tourism Committees in both the House and Senate regarding the appointment of both a Chief Brand Officer and also a President/CEO. He had received no objections to the HTA moving forward on these appointments, and he felt that these appointments were necessary to emphasize the permanence and resilience of the HTA since its establishment in the 1990s. Chair Hannemann congratulated Mr. White on the work done by his committee and reminded Board members that since his election as Board Chair, he had aimed to work with the HTA staff.

Mr. White reminded the Board that the Chief Brand Officer was not hired by the Board but by the CEO. During their meeting on the previous day, the Administrative and Audit Standing Committee had voted unanimously that the administration of the HTA move ahead with the position of CBO at a salary of up to $225,000 per year.

Mr. White proposed a motion to authorize the administration of the HTA to move forward with the search and selection of the Chief Brand Officer position, with whatever appropriate adjustments they might see fit to make to the job description, at a salary of up to $225,000. The motion was seconded by Chair Hannemann.

When asked whether the budget was provided for this position, the Acting CEO replied that this was a redescription of the existing post of Senior Brand Manager, for which some additional paperwork would be needed. He clarified that the Human Resources Department of DBEDT had advised Mr. Kaʻanāʻanā's position should be redescribed as Stewardship Officer. Then the Senior Brand Manager was to be redescribed as Chief Brand Officer. These two redescriptions had already been submitted, but there was only one additional post. However, DBEDT had recommended postponing action until discussions were completed and there was legislative support.

Mr. White gave a summary that the executive office of the HTA would consist of the President/CEO and the Chief Administrative Officer at the top with four branches below it as follows: Destination Stewardship headed by Mr. Kaʻanāʻanā, Branding/Marketing to be filled; Fiscal, Mr. Choy, and Planning, Ms. Anderson. The CEO and CAO would oversee all four branches, giving six administration members.

At present, the HTA has 19 employees. Although 25 positions were funded, six were vacant, as Mr. Choy had reported to a previous Board meeting.

A question was asked regarding oversight of contracts allocated to the CNHA and the HCVB and whether these agencies also managed and audited their contracts with the HTA. The Acting CEO responded that the HTA staff managed service contracts with the CNHA and the HCVB.

Mr. White inquired about the total salary bill of the six people in upper management in the HTA, and when they would all be appointed. The acting CEO responded that calculations showed that about 8% of the total budget went to administrative positions and some service contracts, which Mr. White estimated to be about $800,000. Chair Hannemann stated that he was a strong supporter of the CEO position but wanted to ensure that legislators agreed before making a decision. There would be uncertainty until the end of April, but it was hoped that a CEO could be appointed before the end of the current legislative session. The motion being discussed at the present time was to authorize the HTA to move forward with hiring a Chief Brand Officer. The appointment of a CEO was to be addressed in the next agenda item.

Mr. White asked the Board to instruct the HTA administration to create an RFP to select a search firm to search for a CEO, so that if and when the legislature assented, the HTA would be ready to proceed. Chair Hannemann was confident that a Chief Brand Officer could be appointed based on his discussions with the Governor and legislators. As far as the appointment of the CEO was concerned, there was no clear timeline at the moment. He pointed out that the HTA had inherited responsibility for destination stewardship without sufficient staff for the assignment. At the moment, the CEO was carrying out the job of CEO and the job of CAO.

Mr. Choy reported that the fiscal department was short three staff members, and these posts would be part of the budget request. The HTA office needed 38 positions, but funding was provided for only 25.

Dir. Tokioka reported that his discussions with legislators were less positive than those of Chair Hannemann. The fact that the HTA had not been funded for two successive years implied that legislators were concerned, and this was Dir. Tokioka's message had been received from various legislators.

Chair Hannemann recalled the words of the Speaker, who hoped for an independent HTA.

Acting CEO Nāhoʻopiʻi reminded Board members that the reorganization of the HTA had been discussed at the July Board meeting, and he would send a revised copy of the organization chart to all Board members.

Dir. Tokioka emphasized that in questioning the hiring process, he did not intend to be offensive towards the Chair, and Chair Hannemann replied that the questions which Dir. Tokioka was posing that it were important and needed to be answered. He noted that everyone had been working very hard, especially as the Maui disaster had put additional pressure on the HTA and DBEDT. Mr. White was confident that the administration would move in a way that would address his concerns.

Mr. Arakawa thanked the Chair of the Administrative and Audit Standing Committee and expressed his support for hiring a Chief Brand Officer as soon as possible. One person functioning in two jobs would always create difficulties, and he reminded the Board that in previous meetings, Mr. Choy had offered to carry out some of the work of the Chief Administrative Officer, and Ms. Anderson would help with destination management, and this would free up Mr. Nāhoʻopiʻi to do some work on branding. Mr. Arakawa pointed out that until the budget was settled, this method of sharing the work between a team of people would temporarily solve some problems.

Mr. Arakawa also pointed out that, in principle, the new CEO would appoint the Chief Brand Officer. If a CBO were appointed now and a CEO appointed later, legally, the new CEO could fire the CBO and appoint their person. Mr. Arakawa requested that the Attorney General clarify this because it could be an obstacle for a candidate applying for the post. Furthermore, there had been no budget for the previous two years. To attract a high-quality person from the travel industry, they would want to be sure that the legislature had approved a budget for their position.

As Chair of the Budget, Finance, and Convention Center Standing Committee, Mr. Arakawa asked the CEO whether the reorganization had been approved up the State chain of command. The CEO replied that all the positions, job descriptions, and organization charts had been informally submitted to DBEDT, but the HTA had been told to wait for approval by the legislature.

Mr. Arakawa asked whether the Form A submitted to DBEDT included the $200,000 salary plus bonuses. The Acting CEO responded that Form A contained positions but not salaries. The higher salary was approved at the last Board and Administrative and Audit Standing Committee meetings. Mr. Arakawa stated that Form A had been approved by the Administrative and Audit, the Hoʻokahua Hawaiʻi, and the Branding Standing Committees, but the Budget, Finance, and Convention Center Standing Committee had not approved the salary and possible bonus. The revised Form A was submitted with estimates and adjustments during the last Board meeting but bypassed all four standing committees. Hence, none of the committees that approved the original Form A had been informed about the revisions.

Chair Hannemann stated that there had been a full discussion at the Administrative and Audit Standing Committee.

Mr. Arakawa supported hiring a Chief Brand Officer and reminded the Board that a team was in place so that people would not have to do two jobs. He reminded the Board that it was important to check with the legal staff that DBEDT approved this. The Board had approved the $225,000 salary, but it was not certain that DBEDT, the Governor and the Budget and Finance Department would agree.

Dir. Tokioka stated there were concerns about bonuses and would not support a position with a bonus. Mr. White believed the salary range would be attractive without a bonus, and bonuses had not been part of the discussion.

Chair Hanneman repeated that this was a critical issue for the HTA. Dir. Tokioka had taken the position that there must be legislative approval before a CBO or CEO could be hired, but Chair Hanneman had received different messages from his conversations with legislators. There were several outstanding concerns, but it was important for the HTA to be an independent authority with the tools to generate tax revenue and fulfill its mission from both a marketing and a destination stewardship perspective.

Mr. Gionson called the roll-call vote. Chair Hanemman made a motion, and Ms. Paishon-Duarte seconded, with the understanding that there would be no bonuses. Ms. Agas voted aye with reservations, Mr. Arakawa voted nay, Ms. Iona voted aye with reservations, Mr. McCully voted aye, Ms. Menor-McNamara voted aye, Dir. Tokioka voted aye, Mr. White voted aye, Member Zane voted aye. The motion was carried.

c Presentation and Discussion of the Process, Time, and Details Involved in the Initiation of the Search for HTA President and CEO***

Mr. White noted that item c asked the administration to update the RFP for selecting a search firm for the CEO to be ready to proceed when they saw fit.

a. Discussion and Action on HTA's Fiscal Year 2023 Annual Financial and Single Audit Reports

Mr. White asked Mr. Kishi to give Board members an outline of the annual financial and single audit. The audit had been conducted by Accuity, a local CPA firm, and the audit report formed part of the binder supplied to Board members.

The financial audit was an annual audit of financial statements with the aim of obtaining a reasonable assurance as to whether or not the statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that would include the auditor's opinion. The HTA had received an unmodified opinion, which had been the audit's objective.

The auditors had also conducted a single compliance audit, which was required when a non-Federal entity disbursed more than $750,000 of federal funding in a given fiscal year. The HTA had undergone a single audit in FY2022, and this was repeated for FY2023. In this case, an unmodified opinion was given, showing that there were no instances of non-compliance with federal requirements. Mr. Kishi thanked Mr. Choy and the rest of the team for their help and support, as well as the help from Mr. Oda and Ms. Miyoshi of Accuity during the audit.

Mr. White referred to the report, which showed no misstatements, weaknesses, or significant deficiencies. This was a testament to the diligent work of Mr. Togashi, the previous HTA director of finance, and Mr. Isaac Choy. The COVID funding received by the HTA came with significant requirements for all kinds of reporting and approved uses for the money, so Mr. White was happy that the auditors found no issues with compliance. He recalled that it had been rare for less than three or four deficiencies to be reported during single audits of Maui County Council, so the HTA staff deserved congratulations.

Mr. McCully commented that, given the cloud that had covered the HTA during the past couple of years and the circumstances that led to the need for this type of audit, the audit established that the negative characterizations of the HTA as an incompetent organization had been mistaken from the start. He hoped this would be the start of a resurgence of administrative competence.

Ms. Paishon-Duarte also congratulated Mr. Choy, Mr. Kishi, and their staff for their diligent work.

Chair Hanneman excused himself for a longstanding commitment and handed over to Ms. Paishon-Duarte.

Mr. Arakawa pointed out that he had been the former chair of the Administrative and Audit Standing Committee, and audits had always been clean during his tenure. However, the single audit presented additional complications, and he congratulated Mr. Choy and Mr. Kishi. During the Standing Committee meeting on the previous day, the staff of Accuity indicated that they might return to clarify some issues about contracts that had been raised in the executive session. Mr. Kishi responded that they had not yet received the questions Accuity wished to ask. Ms. Paishon-Duarte thanked Mr. Arakawa for clarifying that there had been clean audits in the past.

14. The Hawaiʻi State Auditor's Introduction of the Hawaiʻi Tourism Authority's Legislative Audit: Process, Expectations, Timeline, etc.

Ms. Paishon-Duarte introduced the State Auditor, Mr. Les Kondo, and his team.
Mr. Kondo congratulated the HTA on their beautiful facility. He stated that he had written to Acting CEO Nāhoʻopiʻi in December advising him that an audit was to be conducted and scheduling an entrance conference with management, which was rescheduled and canceled. He believed that this meeting was effectively the entrance conference of the audit.
Acting CEO Nāhoʻopiʻi confirmed that this meeting would function as the entrance conference, and Mr. Kondo introduced his team, including Deputy Auditor, the audit manager who would supervise the audit, the analyst in charge, and two analysts whom another analyst might join as the audit progressed. These staff members would interact with the HTA staff during the audit's progress.

Mr. Kondo referred to his legal authority to conduct an audit under section 23–13 which required the State Auditor to conduct a management audit at least every five years. Section 23–4 also provided authority to audit any government department or agency and conduct a post-audit to assess their performance. Section 23–13 required the State Auditor to audit the HTA's management of its major contracts, these being defined as more than $15 million.

Statutory authority also determined that other aspects of the authority might be audited apart from significant contracts and the management of contracts. Mr. Kondo wished to inform the Board in case there were questions about the extent of their work. He emphasized that this was not a financial audit. Accuity, the local CPA firm, had been under contract to the Finance Department to conduct a financial and a single audit of the HTA.

Mr. Kondo pointed out to the Board that he and his team were not accountants and would not be assessing either the financial statements of the HTA or its compliance with government generally accepted auditing principles. This was a performance audit conducted by the HTA to assess different key activities to ensure its statutory mission was being achieved. The audit team would define the key activities and assess how they were being performed, whether they were being performed effectively and efficiently and whether they were being performed in compliance with statutory requirements.

The criteria to be used would be the statute and the applicable administrative rules, as well as the terms of the contracts. General accounting principles would not be used because those were tools used by financial auditors.

The HTA had last been audited in 2018, and at that time, the HTA's management of two major contracts was assessed, one being AEG's contract to manage and operate the Convention Center, and the other being the contract with the HCVB to market Hawaiʻi in North America.

The audit also examined some of the practices used to procure several types of service contracts. The audit found that the HTA's actions in administrating and managing those contractors were lax and did not ensure that public funds were being used effectively or efficiently. Specifically, the audit found that the HTA was not enforcing contractual requirements, they were reimbursing costs to which the contractor was not entitled under the contract, and they did not require contractors to provide backup or evidence or receipts, as stated in the contract, for costs which were to be reimbursed to the contractor. The audit also found that procurement practices were deficient, undermined accountability, and did not provide the best value.

Recommendations were made to address or correct the causes of the audit findings, and some of these had been fully implemented, some partially implemented, and some not implemented at all. In fact, the HTA disagreed with and did not intend to implement, some of the recommendations.

Mr. Kondo understood from his meeting with the Administrative and Audit Standing Committee that the HTA management reported that it had addressed and implemented 93% of the audit recommendations, but when the State Auditor examined the status of the audit recommendations in 2022, their estimate was much lower. What had been reported previously to the Administrative and Audit Standing Committee and the Board was self-determined implementation status. At this point, the team's function was to look into the various activities of the HTA and conduct a new audit. The HTA management and Board were responsible for addressing the deficiencies which had been listed in the 2018 audit report.

Mr. Kondo conceded that the agency was different in 2024 than it had been five years ago. Since then, the Board and upper management have changed; many staff were in different positions, and some were new. There had also been structural and statutory changes relating to the HTA, which was now no longer financed through a special fund but through a general fund, the procurement exemption of 2018 was no longer operative, and the HTA was now subject to the State procurement code. Hence, many changes took place between 218 and 2024.

The audit team might not audit the same things they had audited in 2018 and intended to select items to be audited through the audit timing process. The audit would be separated into three phases: planning, fieldwork, and reporting. The present meeting formed the start of the planning phase. This phase aimed to obtain a general high-level understanding of the operation of the HTA, identify some key activities that it conducted to achieve its statutory purpose and mission and understand how these activities were carried out. The team would ask for documents, policies, and procedures defining or describing how the key activities were performed. Once the team had a general understanding, they would conduct a risk assessment of the various activities and develop objectives that would form the focus of the audit, including questions that needed to be answered. The team would share the objectives with the HTA Board and management and set them out in a letter.

Mr. Kondo reminded Board members that a document entitled "What to expect during an audit" had been supplied to them in their binder. He reiterated that contrary to expectations, the State Audit office was not a financial auditor and would not use accounting principles. Accuity had already done this work during the financial audit.

Once the objectives of the audit had been identified, the second phase, called fieldwork, would begin, and during this phase, the team would make a more thorough effort to understand how the agency performed activities. They would test to assess whether the agency or the contractor followed the specified procedure. At the end of the fieldwork phase, preliminary findings would be developed.

The period for the planning phase was usually about three months, and fieldwork usually took two months. The reporting phase was when the audit report was drafted and passed through many reviews and versions. At the end of these reviews, the draft would go through an internal quality control process called an independent review. Mr. Kondo pointed out that all drafts were now electronic. At the end of every sentence, there would be a link to the support for that particular sentence, a document, an interview summary, or an analysis of data. The independent reviewers would check each link to confirm whether the evidence supported the statement. The team must revise the statement or find additional support if the evidence is not supported.

Once the independent review had been completed, the team would be confident that the audit evidence supported the report. The HTA would be given a draft and allowed to comment on it. The draft would not be shared with any outside agency. The links to evidence would be omitted from the draft shared with the HTA. The audit team would schedule a meeting with the HTA to discuss the draft. The previous audit was discussed with the HTA management only, but it was possible that the Board could be included in the discussion of the present audit. The HTA would have the opportunity to provide a written response to the draft audit report, which would be included at the end of the report. The audit team would also add their comments on the agency's response.

An exit conference would be scheduled to discuss concerns about the draft report, and the auditor would wish to know if the HTA disagreed with the factual foundation of the statements being made. It was possible that the auditors might have overlooked certain issues, or there might be contradictory evidence. The team might disagree about interpretations, but there must be agreement about facts.

The timing of the draft, the exit conference, and the agency's response was usually about two weeks. If the Board wished to participate in the exit conference, coordination would be needed since the draft report could not be held up for an extended period. The audit process was not over once the draft report had been issued. The HTA would be asked about the status of the implementation of the audit recommendations, as was the case with every agency that was audited. The HTA would be asked to provide self-reported implementation, and a significant follow-up report would compile the status of all implementations for the past four years. Two or three years after the audit, the team would return for an active follow-up to assess what had been done to implement recommendations.

The recommendations of the audit team were their best suggestions to the HTA about how to fix the causes of the problems identified in the audit. These might not be the only way to operate, but the objectives of the audit team were to address the causes of problems for the agency to perform better.

Mr. Kondo informed the Board that in terms of procedural or housekeeping issues, performance audits were conducted in accordance with government auditing standards promulgated by the U.S. cultural agenda. These guidelines provided a high-level general framework for financial and performance audits. To ensure compliance, the State Auditor's Office was peer-reviewed by performance audit professionals from other jurisdictions or states every three years. These would be other state auditors or other performance audit managers with decades of audit experience. Mr. Kondo informed the Board that his team had been reviewed three times during his tenure and awarded the highest grade, "Pass," from the peer review team, who had been very complimentary about their staff. The peer-review team commented on the diverse qualifications of the staff as well as their commitment, dedication, and quality of work produced. This was an assurance to the Board that the State Auditors' office complied with government auditing standards.

The audit team expected complete and timely cooperation from the HTA Board, management, and staff. He reminded the Board that the audit was not an adversarial process but a free assessment of performance by unbiased, objective, and independent auditors whose job was to assess the performance of key activities in an objective, unbiased, and independent manner and offer recommendations to improve the key activities where there were problems.

The audit team would be making demands on Board members, particularly on the Acting CEO and his staff. Regarding timing, they recognized that everyone had other responsibilities, and the audit team would do its best to accommodate these other commitments. Interviews or submission of documents could be rescheduled; it was only necessary to inform the audit team.

Mr. Kondo informed the Board that by this time, they should have been about a month into the planning phase, and he hoped that after today, they would be able to move on without further hesitation by the HTA. It was their practice to make audio recordings of nearly all their interviews since this allowed them to ensure that the notes that were taken at the time were accurate.

In reply to a question from Attorney Cole, Mr. Kondo stated that at the end of the audit, the audio tapes would be destroyed since the tapes, along with all notes, were considered work papers and confidential by government policy. Access would not be provided or shared with the agency without a court order. It was not appropriate for management to have access to staff interviews. An interviewee could record their audio, but Mr. Kondo cautioned against this procedure since the tape would be subject to a UIPA, public record, request. He advised that the HTA Board should direct staff, through the management, that there should be no requirement for staff to tape their interviews and provide the tape to management or their supervisor.

Ms. Iona pointed out that as hotel and business managers, many Board members had gone through audits, and she was concerned about time management. She also asked Mr. Kondo whether Board members, management, and staff would be informed in advance about the information required from them. Mr. Kondo responded that interview questions were generally not provided in advance, other than high-level topics. There would be no objection if an interviewee had to return to the audit team later with the required information.

The intention of the audit team was either to reach out directly to the Board, management, or staff or to do so through a point of contact to request availability. The purpose of the entrance conference was to devise the best methods of contacting people or obtaining documents. The audit team had already asked for a directory and contact information. Mr. Nāhoʻopiʻi stated that they would arrange this after the present meeting. In general, the audit team preferred face-to-face meetings, but it was also possible to conduct interviews virtually.
Mr. McCully asked whether timing could be better arranged for the next five-year cycle since the audit ran concurrently with a busy legislative session. He suggested that the next cycle could better run in June or July, not December or January.

The auditor reminded Board members that the purpose of the audit was to help the HTA perform better, and he assured them that the audit staff would be easy to work with. He encouraged all Board members to contact him directly if they had questions and said he would happily attend another Board meeting if necessary.

He had listened to part of the November Board meeting where the audit follow-up report and self-reported implementation status had been discussed. Unfortunately, some comments by staff were not correct. Hence, he continued encouraging everyone to contact him directly and realize that the audit process was not adversarial.

Mr. White thanked Mr. Kondo for attending the Board meeting and informed him that all requested documentation was ready. The Administrative and Audit Standing Committee will be sending some clarifying questions.

Ms. Paishon-Duarte thanked Mr. Kondo and his team for attending the Board meeting and appreciated his invitation to contact him directly. Acting CEO Nāhoʻopiʻi assured the audit team that the staff was ready to begin and handed over the documents which had been requested.

15. Adjournment

Ms. Paishon-Duarte proposed a motion for adjournment. The motion was seconded by Mr. Zane and carried unanimously. The meeting adjourned at 1:04 p.m.

Respectfully submitted,

Sheillane Reyes

Sheillane Reyes
Recorder