



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

Hybrid In-Person & Virtual Meeting

MINUTES OF THE REGULAR BOARD MEETING

MEMBERS PRESENT:

George Kam (Chair), David Arakawa (Vice-Chair), Micah Alameda, Fred Atkins, Dylan Ching, Daniel Chun (Zoom), Keone Downing, Kyoko Kimura, Sherry Menor-McNamara, Ben Rafter, Kimi Yuen, Sig Zane (Zoom)

HTA STAFF PRESENT:

John De Fries, Keith Regan, Kalani Ka'anā'anā, Marc Togashi, Caroline Anderson, Ilihia Gionson, Iwalani Kaho'ohanohano, Carole Hagihara, Maka Casson-Fisher,

GUESTS:

Representative Richard Onishi, Kylie Butts, Nicholas Carroll, Charlene Chan, Douglas Chang, Jennifer Chun, Susan Hirai, Corbett Kalama, Nathan Kam, Amy Kelly, Erin Khan, Kūhiō Lewis, Guillaume Maman, Mike McCartney, David Pettinger, Allison Schaefer

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order

Chair Kam called the meeting to order at 9:32 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. Regan did the roll call, and all members were confirmed in attendance.

3. Opening Cultural Protocol

Mr. Casson-Fisher did the opening protocol about the story of Kamehameha.

4. Approval of Minutes of the May 26, 2022 Board Meeting

Chair Kam asked for a motion to approve the minutes. Ms. Kimura pointed out that on page nine, where she had asked about the pre-clearance in Japan, Gov. Ige responded that some officials said there was no interest. She said the change must be that there was a lot of interest. Ms. Kimura made a motion to approve the minutes. Mr. Downing seconded. Mr. Regan did the roll call, and the motion passed unanimously.

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

Chair Kam asked if there were permitted interactions, but there were none.

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

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

Mr. De Fries wanted to acknowledge five outgoing board members, and reserve the time at the end of the meeting for them to speak: Mr. Chu, Ms. Yuen, Mr. Alameda, Ms. Kimura, and Mr. Atkins. He welcomed guests, virtual guests, and the executive team and staff from HVCB. He welcomed Council for Native Hawaiian Advancement representatives: Kūhiō Lewis, the President and CEO; Douglas Chang, the Chairman of the transition team; Corbett Kalama, member of the transition team; and Nick Carroll, Chief of Staff.

He spoke about the CEO report, and said the report served as a resource for the Board, to better understand the activities and actions that took place in May 2022. He said the Branding Team was gearing up for the Pono Travel Education Program at airports statewide at the end of June, with increased frequency on digital screens and static messaging placements.

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

Mr. De Fries said that during May, they continued to recruit and were struggling to recruit for the Procurement Manager, Senior Brand Manager, and two Brand Manager positions. He said they continue to work closely with the State Procurement Office (SPO) and the HTA's deputy attorney general on procurement-related needs and concerns. He said, as reported previously, that the SPO continues to be available and insightful by guiding on issues and questions.

He spoke about page three, the 2022 legislative session that ended on May 5. Throughout the legislative session, the HTA's team was involved in reviewing more than 100 measures, drafting testimony, and monitoring the various pieces of legislation that could have impacted the HTA and the industry.

He spoke about HB1147, which was adopted and included \$60 million in operating funds for the HTA. He thanked Sen. Dela Cruz, Sen. Wakai, Sen. Kouchi, Rep. Luke, Rep. Onishi, and the Speaker of the House Rep. Saiki, for their support and all the members who voted for HB1147. Earlier in the week, the governor issued his intent to veto HB1147. The veto was to be executed no later than July 10. The HTA was proceeding accordingly by maintaining communication with the governor's office, the office of the Attorney General, as well the legislative leaders who would decide how to proceed on the veto list. He asked if there were any questions about HB1147. Mr. Arakawa said it was an interesting session and suggested in the following year to monitor the bills better and work closely with the legislature, so they are updated on what is going on with the legislative PIG.

Mr. De Fries said they continue to maintain an open-door policy and make themselves available to help share ideas and programs with the community, but also go out and listen to the community sentiments. He said each of the four pillars and programs connected are addressed.

He spoke about page 15, the Brand Marketing Pillar in Japan. He said foreign affairs of Japan lowered the COVID-19-related travel warning to LEVEL 1, "Traveling Carefully," to 36 countries and regions, including the USA. He said that announcement came after Gov. Ige visited the ministry.

Mr. De Fries spoke about the USA MMA Leisure. The HTA's contract for the USA MMA would end on June 29, 2022 with no additional options to extend. He said to keep in mind that the report captured the month of May. He said they are now operating under the belief and direction that the HTA could not extend the existing contract with HVCB. He said that as of that morning, there were a few news articles based on a media release from Mr. McCartney that announced that the HVCB contract would be extended by 90 days. He said they would have all received copies of the media release. He said they must reserve questions about that item until Mr. McCartney could join them.

Mr. De Fries asked Mr. Ka'anā'anā to speak about page 16 regarding the market allocation platform Campaign Effectiveness Studies for U.S. and Japan Markets. He also asked for his comments on the RFP 22-06, the 2022 Sports Program. Mr. Ka'anā'anā thanked the outgoing Board members for their service and support. He spoke about the market allocation platforms, where the Board approved funding for the HTA to work with Tourism Economics to develop a market allocation platform as a tool by which they could synthesize and take in all the data points from many of the source markets. He said they identified twenty of them. He said the tool also gave recommendations on funding levels.

For the fiscal year 2023 (FY2023) budget, he said there were recommendations the staff put together for the allocations based on the market allocation platform, as well as an understanding of what was going on in the market conversation with industry leaders that the HTA had been chatting to. He spoke about the Campaign Effectiveness Study. The HTA did the RFP for the work, and they awarded it to a contractor. The work would begin with the 2023 campaigns in the U.S. and Japan. The company would issue quarterly surveys to visitors exposed to the HTA messaging and then follow up with them over time. The first report would not be seen until the first quarter of 2024. He said it was a lagging indicator giving an important look into the returns the HTA is seeing. He said Ms. Chun also had short-term tools they could use and some contractors undertaking it themselves.

He spoke about the sports program that was covered in the Branding Standing Committee meeting, and they would cover it in later agenda items. He said they canceled the RFP, as there were 50% of responders who were not responsive. The other part was that the Board had expressed that Mr. Ka'anā'anā returns with a more comprehensive sports strategy. He had started to articulate the four tiers they all spoke about. He and Mr. Willkom would return in the July meeting with the strategy that the Board could get feedback on and approve and then craft more RFPs that match the strategy.

He moved on to congratulate the Hawai'i Tourism Canada team, who won the Baxter Media Travel Agents choice as favorite tourism in Asia South Pacific. They had 1,028 points. He spoke

about the Hawai'i Tourism Japan team, which held its summit from June 6 to June 8. There were 50 travel agents, four travel media from Japan, 60 Japanese wholesaler representatives from Hawai'i, and over 100 industry stakeholders who participated in the event, with 379 matching appointments conducted. He said that overall, it was a great success. He said the people who create the tourism product and experience the destination in new ways will start to see the new experiences reflected in the product created, which would support the transition toward regenerative tourism.

He highlighted the Native Hawaiian Hospitality Association. They recently hosted their Ka Huina and Pākōlea events. The first event was the two-day conference on July 8 and July 9, where they showcased the focus on the intersection between culture and tourism. On June 17 NaHHA also launched the musical series called Artist Then. He encouraged everyone to watch the episodes. This was in partnership with Variety as well as DBEDT Creative Industries and the Native Hawaiian Hospitality Association. He mentioned a few other projects.

Mr. De Fries said he was reminded that Mr. Ka'anā'anā and his team are in weekly/monthly touch with the experts in the market. He said later that Mr. Ka'anā'anā would be doing a presentation including line-item budget allocations and asking for the Board's support.

Mr. De Fries turned the floor over to Mr. Regan. Mr. Regan echoed everyone's sentiment to the outgoing Board members. He said the HTA had been focused on the finance-related responsibilities led by Mr. Togashi and his team to close the fiscal year. He said Ms. Anderson from the planning team had been actively working through the six DMAPs, holding regular meetings with the steering committees with various program partners within the different communities they were supporting in the DMAP process.

Mr. Regan spoke about procurement. He said several procurement needs were being fulfilled by the HTA team. He thanked Ms. Fermahin for all her help working through all the procurement needs. He said the drafting of contracts also took a lot of time and effort. He thanked Mr. Kinkley for reviewing the contracts and returning them to the HTA. He spoke about the RFP22-01. He said not much could be discussed as it was in the procurement process. He gave a brief update on it.

Mr. Regan said that on June 2, the HTA gave the award, on June 14, the HTA conducted a debriefing with the selective offer, and on June 24, the HTA received a protest from the non-selective offer. The HTA continues to work through the protest received. They will make a decision as soon as the HTA can get through all the details of the protest. He said the HTA had received several UIPA requests related to the procurement, and it takes a lot of time and effort for process, review, and release.

Mr. Arakawa asked what the RFP 22-01 is. Mr. Regan said it is the Hawai'i Tourism Destination Brand Marketing and Management Services for the U.S. Major Market Area. It is an RFP that was released to be able to provide for a contractor that would service that market area.

Mr. De Fries asked what a UIPA is. Mr. Regan said it is a Uniformed Information Practices Act request, otherwise known as FOIA (Freedom of Information Act), submitted to government agencies to request a document. There is a timeframe to be able to fill those requests (about ten days). Part of that is identifying the documents, then providing them to the Attorney General (AG) to review them to ensure they can be released, then releasing them to the requestor. Mr. Arakawa asked for confirmation of what happens after the protest. Mr. Regan said the HTA is in constant discussion with the head of the Purchasing agency, the Deputy AG, the State Procurement Office, and the Chief Procurement Officer at every step of the process.

Mr. Atkins asked if there was a time limit before going to another phase of the protest. Mr. Regan said the law states that it must be as expeditiously as possible to review and decide on the protest.

Mr. De Fries said pages 18 and 19 had information about the planning division where Ms. Anderson had been very busy in May. He said that on June 18, day two of the general membership meeting of Hawai'i Lodging and Tourism Association (HLTA) Mr. Hannemann invited him to speak at the conference. He said the top of his mind was the RFP 22-01. Mr. Takahata and Mr. Ka'anā'anā joined him that day. He had spoken about the process, including HB862, the procurement process, and the role of the HOPA. He spoke about how the RFP and the process became so competitive. He said the pivot was made in January 2020 when the HTA adopted the Strategic Plan, responsible tourism, based on the four pillars of natural resources, Hawaiian Culture, community, and brand marketing. Five months from then, the HTA Board unanimously voted in the June 2020 meeting to become signatories of the Āina Aloha Economic Futures Declaration. One of the fourteen co-authors was Mr. Ka'anā'anā. Another co-author of the group would be joining the Board the following month. These two motions to support the plans were the HTA's foundation of where they were today, engaging the community and culture and being conscious of the natural environment. The DMAPs were coupled at the same time by a rollout that was handled virtually. All of that preceded his arrival in September 2020. He said the HTA could leave the natural resource space in better condition for future generations and have a stronger community, all critical pillars in Brand marketing.

Mr. De Fries spoke about regenerative tourism and said it is known as capitalism. Capitalists understand how to grow it, protect it, and move it. He said the HTA is trying to understand that in currencies other than cash. If people connect with Hawai'i they will protect it. He showed a video with Mr. Barack Obama speaking about Hawai'i.

Mr. Arakawa noted that Mr. De Fries was due for an evaluation with the new Board and that the old Board members should be part of the process because it is important as they all saw him in action during the pandemic.

7. Ho'okahua Hawai'i Standing Committee Report and Update

a. Discussion, Recommendation, and Action on HTA's Draft Fiscal Year 2023 Budget

b. Discussion, Recommendation, and Action on the Economic Development Administration American Rescue Plan Act Travel, Tourism, and Outdoor Recreation Grant Assigned to the Hawai'i Tourism Authority by Governor Ige

Ms. Yuen said they had two major agenda items. One was the revision to the budget that the committee supported. The second item was an overview of the EDA grant that the HTA was administering.

Mr. Regan and Ms. Anderson presented the related budget items, with guest presenters Mr. Masuda, Mr. Stormont, and Ms. Zoll. She thanked everyone who was involved. She said DLNR had emphasized that the projects that are for the request for the grant monies are focused on areas where tourism has the most impact. In terms of the HTA funding, she said they had an active discussion about the potential use of the urban trails. The committee had been excited to hear the opportunity and expand that to other historical towns, where communities are ready to invite tourists. The committee supported a minor adjustment to the funding.

Chair Kam said they also spoke about the partnerships and asked Mr. Downing to share more. Mr. Downing said his concerns about working with the DLNR is that he wanted to see more substance and detail in what they would do as it was a one-time grant. He spoke about a snorkeling reforestation coral trail in Waikiki that the DLNR has proposed which has not been started. Mr. Downing wanted to know where DLNR planned to put it. He said something else that bothered him was that DLNR had come to the HTA for funding of different projects, and for some projects DLNR had returned the money due to implementation problems. He said the HTA has the fiduciary duty to be in charge of the monies. Something needs to be stipulated in the agreement with a timeline so that the money does not come out of the HTA's pocket for DLNR not following through with a project. He had reached out to Mr. Masuda and is waiting for his reply. He said the trails on land were good, but some of the money they gave to the water could be used to make the land trails better. He would rather see a hundred percent given to a trail rather than fifty percent. He said the money should be used to make these trails

the best they could be. He said he enjoyed the partnership with DLNR, to work together to get things done. There were no further questions.

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

Ms. Chun spoke about the May 2022 highlights. She said they are ahead concerning expenditures for the month compared to 2019, although still lagging on visitor arrivals. By market, the total by air is higher. U.S. west and east saw more expenditures. Canada also had higher expenditures. All the markets had higher per day spending in May 2022 compared to May 2019, but only the U.S. west and east had a higher number of visitor arrivals. There was an increase in the average daily census.

On the island basis, all the islands had higher expenditures and per person per day spend. She spoke about the TSA throughput, which was much higher, except for Daniel K. Inouye International Airport. Most people visited for a vacation across the markets. Most people stayed in hotels. She spoke about the hotel and vacation rental performance. There was a 73.9% occupancy for hotels and 69.4% for vacation rentals. Hotels cost more with a \$340 average daily rate compared to \$284 for vacation rentals. She showed the demand for hotels being far ahead compared to vacation rentals. For Transient Accommodation Tax (TAT) the department of taxation collected \$72.9 million, an increase of almost 300%. Collections for prior years were \$171 million, so it has increased by over \$500 million.

The unemployment rate showed 3.6, which was flat in prior years. The last few months had been flat. For industries, she highlighted accommodation and food services. There was recovery compared to prior years. For non-stop scheduled seats, there were fewer seats for May 2022 but domestic seats were higher than in 2019. For June, it was similar to May 2022. For July, there was an increase in international seats and additional international seats in August. For July and August, the bookings were still shy of the 2019 figures. For Japan, she said there were few seats for June from Japan, with a few more seats coming in July and more pick-up in August at 87,000.

For the Skift Travel Health Index, globally, they are 81% slightly higher than the previous month. The U.S. market was at the top and is almost at 100%. Canada is also ready; Australia is also high. Japan is almost at 60%. This was all compared to 2019. China is still low. For the Pacific Asia Travel Association COVID-19 update and recovery dashboard, she highlighted the important countries from a marketing standpoint. Australia is completely open with a high vaccination rate, similar to Canada. China continued to be restricted and partially locked down.

Japan is opening up slowly. Korea is open as well as the U.S. The U.S. had the lowest vaccination rates of the countries.

Ms. Chun spoke about the U.S. travel association and travel sentiment. She highlighted that looking at the U.S. resident vacation intentions, they are now at 37% for people planning vacations in the U.S. She said there was a decline in people planning vacations. She said the consumer travel sentiment is also on a decline from prior months. There was some movement as far as overall travel intentions.

Ms. Chun showed the portrait of American travelers. From the MMGY pool, which was fielded in April, the interest in visiting Hawai'i was significantly down from April 2021, a trend that had been consistent. By age group, the biggest drop was in millennials. There was a decrease in visiting Hawai'i from Gen Z. The biggest obstacle to visiting Hawai'i was the cost. COVID is not much of a concern compared to cost. Of those people who are planning to visit Hawai'i, a lot of them are planning to visit relatively soon. 39% are visiting within the next three months, and 22% are visiting in the next six months. Through Fall, there would be people visiting Hawai'i. Visitors are looking for experiences rather than purchasing.

She spoke about YouGov destination index trends. She showed purchase intent, with a two-week moving average. There was a drop in people wanting to book to Maui and an increase for Kaua'i. For O'ahu, it was below the line of the 2020 index. For Japan's purchase intent, it was close to the line. Compared to January 2020, there was similar interest, and the most interest was for Maui, which was flat compared to some of the islands. For travel agency booking trends, there was a slight dip for Japan. The intent to travel for July had a spike, and in August and December for the holiday season. There was a similar trend line for Canada, but still shy of 2019 figures. For Korea, it was still below 2019. For Australia, there were more people for Fall but still below 2019 levels.

Ms. Chun spoke about the visitor satisfaction survey, a key performance indicator for the HTA Strategic Plan. The number of excellent ratings for U.S. west, east, and Canada was high, so most people were happy with their trip. They were also asked about messaging. People rated Hawai'i as a safe and secure destination, very high, and above average. Being environmentally friendly and sustainable gave them high scores, above average, and excellent. For volunteer opportunities and give-back opportunities, everyone was above average or excellent. For safe and responsible travel, only a quarter of the people said they had not heard about safe and responsible travel. Caring for and respecting Hawai'i's culture, people, and environment, there was 20% of the U.S. west, 18% of the U.S. east and 21% of Canada had not heard the messaging.

Mr. Rafter said for O'ahu, visitors continued to be low, and Japan was not seen to be coming back. He said it would be worth talking to the market partners to figure out how to shift some of the grants over to O'ahu and have a longer-term strategy.

Mr. Atkins spoke about the 83% satisfaction rate going down. He said in summer, there was a spike in the outer islands. He spoke about friends that had mentioned waiting times in Kaua'i and Maui airports. He questioned if it was a lack of staff or COVID-related, and he said it needs to be sorted out. Ms. Chun said she would speak to TSA about that as she was unsure about the issues. Mr. Ka'anā'anā said those are meetings they would have, and he would work closely with Mr. Willkom and airports to address the issues. He said they had ventured into a partnership on several initiatives, so he would bring the information to the meetings.

Ms. Kimura asked if there were cancelations of flights in summer. She said an inter-island flight was delayed because of the lack of baggage handlers. She said there seemed to be a shortage of people. Ms. Chun said they had heard of plans for decreases, but she had not heard about flights being canceled at the last minute. Mr. Ka'anā'anā said when looking at arrival performance numbers, there were layers to the delays. None of the challenges were unique to Hawai'i, and they had challenges across the country and the world.

Chair Kam asked Mr. Chun to speak about this. Mr. Chun said from an industry standpoint, many airlines had made adjustments due to staffing. He said that without sharing too much proprietary stuff, as a market overall, airlines tend to treat Hawai'i differently and try to protect it, because it is considered a long-haul trip. If markets could be impacted along the west coast, Hawai'i would make those impacts first before applying them to Hawai'i. Chair Kam said Mr. Chun and Mr. Ka'anā'anā could discuss it offline to see what could be done to work with the airlines.

Ms. Kimura asked about the interest in visiting Hawai'i and asked about the spike in March for Maui followed by the drop. Ms. Chun said that was when there was an interest in booking. She said the interest in March was before the announcements of the tour packages, so people were anticipating being able to travel, but she said she would double-check the timelines.

Mr. Rafter asked if they had data on Japanese travelers who used a wholesaler versus those who did not and whether it had changed since 2019. Ms. Chun said in the monthly data, there were people using package tours or being in groups, and if on a package tour, it was assumed to be a wholesaler. She said they have information about the wholesaler but do not have information about direct bookings. She said they tried to find the gap to determine how many were using wholesalers, but it was quite difficult. Mr. Ka'anā'anā said for the longer-term trend,

there was a lot of FIT. Wholesalers start booking for Japan in April. Chair Kam said they would get the information which would be helpful.

9. Report and Update by the Branding Standing Committee of their Meeting held on June 15, 2022

a. Presentation, Discussion and/or Action on Hawai'i Tourism China's Brand Marketing & Management Services Contract

Mr. Atkins said the last Branding Standing meeting they had was challenging because some things could not be recommended in the budget process. To help the process, they decided to do a Zoom meeting to be strictly about recommending the items in the Branding Standing committee, but they did not have a quorum, so they thought it best to be discussed during the Budget Standing Committee meeting so they did that.

The first agenda item, RFP 22-01 had already been covered by Mr. Regan and Mr. De Fries. The second item was to cancel the RFP 22-06, the sports program. He recommended that there would be new protocols for the RFP, so they must ensure they get as many of the four pillars. He said for LPGA, they hit three out of the four pillars. Mr. Atkins said for LPGA they were pleased with the overall ROI on LPGA. Mr. Ka'anā'anā said the LPGA event recap was included in the Branding Standing Committee meeting packet. He said it was a good partnership and they saw good results from the media side. He said the strategy for the LPGA was a good example of a program that hit three pillars. He said they would be approaching the LPGA for a negotiation for a multi-year agreement, with the understanding that the HTA will need annual approval from the State Procurement Office to be able to do so. The first-year funding was extended out of 2022, and the second year would also be out of the original appropriation that the Board made of \$500,000. The second year would be for 2023.

Mr. Atkins mentioned the economic tier through Mr. McCartney's office and DBEDT. He was hoping to get more business that would have an economic benefit exceeding the ROIs that the HTA was getting on the sports side. He wants the HTA to connect with key people.

Mr. Alameda asked when the sports RFP was. Mr. Ka'anā'anā said the intention was to return to the Branding Standing Committee and the full Board in July 2022 with the full sports strategy, which would outline the four tiers. When the Board was comfortable with that, they could draft procurements against it. They are waiting for the community tier, and have to decide whether to do a separate RFP for community sports instead of including it, which the HTA traditionally did in the Community Enrichment Program RFP. They need to work through as a Board to decide on the finer details.

Chair Kam asked if they would identify things that would not make the window promptly that the Board should address. Mr. Ka'anā'anā said they were looking at opportunities that could be sole-sourced and they would need to file the paperwork. He said there might be some that would not meet the requirements for a sole-source justification.

Mr. Atkins spoke about Mr. Reyes' update on pace and production. Mr. Reyes and his team, during the COVID period, brought on a new team. The slides showed that they started to get traction in city-wides and individual hotels. There were a lot of tentatives. He said looking out to 2027 to 2028, it needed a lot of help, as they were getting a lot of tentatives for shorter-term business which was good for 2024 to 2026. Some of the programs that were canceled during COVID had rebooked, but not for 2023, as much as for 2024 to 2026. He said Mr. Reyes was feeling optimistic as everything was moving in the right direction.

Mr. Atkins spoke about the market update from Hawai'i Tourism Japan (HTJ) and asked Mr. Ka'anā'anā to give the update. Mr. Ka'anā'anā said there had been progress in conversations around pre-clearance, which was encouraging. There would be a relaunch the following day on some Japanese services to Hawai'i. The governor members would be participating in a welcome ceremony at the airport. He said they had the Kona flights to look forward to in August. He said all this points to momentum in the Japanese market toward the close of 2022. He said industry partners had a lot of interest in how they cover the Japanese market. He said the focus on Japan endured and is a market to protect. Mr. Atkins said that during discussions in the Branding Standing Committee meeting, Ms. Kimura voiced her opinion that it may be better, in both U.S. market and Japan, that the HTA should take \$500,000 out of each of the line items and put it into an opportunity fund. He said they could make a recommendation on that.

Mr. Atkins spoke about China, and they recommended the 2022 budget for China. Mr. Ka'anā'anā said they had discussed the analysis and understanding of the costs, and said they were significant. The WeChat B2B and B2C programs that the HTA was developing had a 90% penalty if they had to leave early. His recommendation was that the Board allocate and approve restricted funding for the China market, through the end of the year, 2022, to the amount not to exceed \$233,616. His recommendation is that the Hawai'i Tourism China (HTC) contractor in place, would remain there through the end of their contract, December 2022 and that the restricted funding was from now until the end of December 2022. Mr. Atkins said it was also the recommendation from the Branding Standing Committee to support what Mr. Ka'anā'anā mentioned.

Mr. Rafter asked what rules were in place in terms of contracts. Mr. Ka'anā'anā said in their contract with GMTs that there was a clause for major sub-contractor approval. There was a dollar threshold that anything above that amount, be it \$100,000, required the HTA's prior

approval for them to execute that contract. Beyond that, the HTA did not have anything else included in the contract.

Mr. Atkins asked for a motion that the Board moves to continue the HTC brand marketing and management services contract 21031 S1 through December 31, 2022, with a restricted spending ceiling of up to \$233,616, from July 2022 to December 2022. Chair Kam made a motion, and Mr. Rafter seconded. Mr. Regan did the roll call, and the motion passed unanimously.

b. Discussion and Action on the Recommendation by the Branding Standing Committee on Recommended Changes to the HTA Fiscal Year 2023 Draft Budget

Mr. Atkins spoke about the next agenda item: the Brand management portion of the HTA fiscal year 2023 budget. He said that would be discussed in the Budget Standing Committee.

c. Discussion, Recommendation, and Action on the Economic Development Administration American Rescue Plan Act Travel, Tourism, and Outdoor Recreation Grant Assigned to the Hawai'i Tourism Authority by Governor Ige

He spoke about the HTA plan for the EDA grant. He said they were not able to make a recommendation, but Mr. Ka'anā'anā said the Branding Standing Committee took action in the first meeting for the month on the EDA of the \$4 million as part of the gap. He said that would be in agenda item 11. Chair Kam said the Branding Standing Committee did approve the \$4 million as an opportunity fund for the market. Mr. Atkins said they need to have flexibility in the approval. Mr. Regan suggested that they support the approval and that it gets discussed further in agenda item 11.

10. Report and Update by the Budget, Finance, and Convention Center Standing Committee

a. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on the Hawai'i Convention Center's May 2022 Financial Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan as Presented at the June 28, 2022 Meeting

Mr. Rafter spoke about 10a, the Hawai'i Convention Center (HCC) financial reports that Ms. Orton and Ms. Tait presented. He said they did not find anything out of the ordinary, and they had recommended approval of the HCC financials as presented and provided.

Mr. Rafter asked for a motion to approve HCC's financials by the Board. Chair Kam made a motion, and Ms. Kimura seconded. Mr. Regan did the roll call, and the motion passed unanimously.

b. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on Recommended Changes to the HTA Fiscal Year 2023 Draft Budget

He noted on 10b that they would also cover agenda item 12.

Mr. Rafter spoke about the budget and said that during the meeting on June 28, the committee discussed changes to the draft FY2023 budget that was recommended by the Board members. Based on that, the HTA team reviewed the changes, and they agreed with the changes presented. He reiterated Ms. Kimura's recommendation to move the \$500,000 as mentioned by Mr. Atkins earlier. They had voted and approved the recommendation. They also recommended moving \$1.5 million for island chapter programmatic funding from budget line item 321 to budget line item 320, using FY2022 ARPA funds. He mentioned the governor's intent to veto HB1147. They had discussed recommending it to include a proviso that they make the budget contingent on receiving funds from Gov. Ige. They also determined other sources for the budget should that be delayed beyond the BOD meeting. They also discussed unspent ARPA 2022 funds that were with the HTA. They had identified sufficient unspent funds used to cover payroll and G&A costs, until such time the governor released funds to the HTA.

Mr. Rafter said they recommended the Board approves the FY2023 direct budget as presented with the changes listed, with the proviso that the budget was contingent on the governor releasing funds to the HTA, and that the HTA be allowed to use unspent ARPA funds from 2022 to support current payroll and G&A expenses until the funds are released by the governor, and recommended approval of the 25 positions covered under the payroll line item, with the understanding that those positions were approved, and would be funded with FY2022 ARPA funds, and that \$1.5 million would be allocated from FY2022 ARPA funds for the island chapters.

Mr. Alameda asked for the reasoning for the \$500,000 being reallocated. Mr. Rafter said the concern dated back to 2021, when the HTA had already covered a significant amount to Japan, and then the Japanese market did not evolve as expected, so they would eventually like to allocate that \$500,000 back to Japan. Should Japan not emerge, they would have the flexibility to move that money to other areas of expenditure. Ms. Kimura said in 2021 they made many mistakes allocating money to certain areas including China and Korea, expecting those markets to emerge by the end of the year, and that was the wrong assumption where they wasted the budget, so as not to make the same mistake they want more flexibility, as the market is unpredictable.

Mr. Arakawa said his vote on that was based on the unpredictability of the markets so that the HTA and staff had flexibility. He said in the past, the Opportunity Fund had been part of the HTA budget, so it was not something new. He said he supported the original request where the \$500,000 would come from the two biggest contracts, the U.S. and Japan. He was disappointed that it was coming out of one contract, but his understanding was that there was no objection from any contractors. He said his understanding was that additional funding could be used if Japan needed more money. He said he voted with reservations to support it.

Mr. Ka'anā'anā said his recommendation to the Board is that the U.S. market be funded with \$17 million out of FY2023 funds, and the Japanese market remains at \$6.5 million. He mentioned those are significant reductions already because of the overall budget reduction. He said those two critical markets were very important. With the weakness in the marketplace, they would also face challenges in the U.S. market, looking into 2022 and 2023. He said they would need the resources to keep top of the line in the two markets. He said they have a responsibility to protect the brand, and to educate the visitors before they arrive, but if they are not driving travel demand and investing in resources for a thriving industry, the communities will suffer.

Mr. Ka'anā'anā addressed Ms. Kimura's suggestion for an opportunity fund. He said when they looked at the totality of the budget with fewer funds available overall, they did not feel the need to put some in the Opportunity Fund because the HTA had flexibility from the unspent FY2022 ARPA funds as well as the EDA grant marketing dollars, so felt that was enough flexibility should the market need support.

Chair Kam asked if the \$500,000 was covered from the EDA and ARPA 2022 funds, and Mr. Ka'anā'anā confirmed that as correct. Chair Kam said another point in the Budget Standing Committee meeting was that they were more concerned about the downside, about the \$6 million. Chair Kam asked if the \$6.5 million for Japan could be prudently managed and confirmed that it could be. Mr. Ka'anā'anā mentioned the U.S. and Japan and said the HTA would face competition as other markets were opening, and the HTA would have to fight for the customer, so they need to keep an eye on industry partners. He said \$17 million and \$6.5 million was already a big cut, so to reduce it by another \$500,000 in Japan was not the right call.

Chair Kam asked what makes Mr. Ka'anā'anā optimistic about the Japanese market coming back. Mr. Ka'anā'anā said they do have the opportunity to adjust, and the confidence he had comes from the direct discussions that the governor, Mr. De Fries, Mr. Takahata, and others had in Japan with the leaders, as well as what was seen in some of the data. He said there would always be a risk, and he understood the sensitivity to the risk, but they must remember

their responsibility to protect the Hawai'i brand in the Japan and U.S. markets, in particular. The HTA has to make sure the resources are available to use.

Chair Kam asked Mr. De Fries if he was also confident, and Mr. De Fries said he was and that Mr. Ka'anā'anā spent a lot of time with each of the contractors. He said the experience in Japan with all the travel partners, helped them see the commitment they were prepared to make in preparation for that. He agreed that it was significant money but also said he fully supported Mr. Ka'anā'anā's recommendation and would encourage everyone else to support it too. He said Mr. Ka'anā'anā had built the budget in a way that preserved flexibility. He said removing \$500,000 would be a step down in their commitment.

Chair Kam asked about the hotel industry's sentiment. Mr. Ka'anā'anā said it was uniform and Japan was going to be a key to the recovery of Waikīkī and O'ahu.

Mr. Atkins said the challenge with the flexibility fund is that it was not guaranteed to go to Japan. Mr. Regan spoke about procurement and said from 103B that there were certain things the HTA could and could not do. Before losing the exemption, the HTA had the flexibility to move money into a contract for a supplemental. Because the market was going out for the RFP the HTA would make an award soon, which would be a certain dollar amount. He said it would be difficult to move money from the contracts once awarded. They could ask the SPO officer for some exemption, but it would depend on review in the process. Mr. Kinkley concurred with what Mr. Regan said about 103B, but with the extra \$500,000, they could keep that optional to cover them should the HTA need to move the money around to get around the procurement problems.

Mr. Downing asked how the committee came up with \$500,000. Ms. Kimura said that based on what the Japanese were doing about lifting restrictions, they would need more money and she was confident Japan would return.

Mr. Rafter said there was some concern with the Opportunity Fund used as "slush" funds. The HTA wanted to pick an amount before any activities in Japan could happen should the market not return and not put a massive number in the Opportunity Fund. Mr. Ka'anā'anā said he was asked to be pragmatic, purposeful, and intentional about the spending, so he reported at the Branding Standing committee that from January to May 2022, they had only expended \$2.4 million of the \$9 million contract, which meant they had \$6.5 million. So, from managing how the funds were expended, he took what they asked of him and worked on what was based on the market.

Mr. Atkins asked if Japan did not spend all the money, what would happen to the money, in 2023, and if it could roll over. Mr. Ka'anā'anā said if it were ARPA money, it could roll over. Mr.

Ka'anā'anā said 2022 funding is TSF. Mr. Togashi said he supported the staff's recommendation as he believed they had the flexibility in other sources of funds. Mr. Rafter said they spent a fair amount on Japan two years ago and had a low return on investment. Mr. Rafter said he was not criticizing the budget. He said it was well done, but they did not want to get in another situation where they were encumbered to spend money for a market that had not shown whether it would return. He said there was not much evidence that Japan would come back. The other reality is that the contractor would say they need the maximum amount. He said they must have the flexibility with the \$500,000 should Japan not come back.

Chair Kam said the Budget Standing Committee recommended \$6.5 million with the \$500,000 in reserve, and Ms. Kimura's point was that she hoped they could have the Opportunity Fund. He said Japan's allocation was reasonable, and if it ended up being ARPA, there was flexibility. Mr. Arakawa said they all respected a great job on the budget, but the bottom line is that it is an opportunity fund, and contractors from Japan could come back to ask for more, so it seemed simple to have the flexibility. He said HTJ was on the budget meeting call and as far as he understood they did not object. Mr. Ka'anā'anā said he did not ask HTJ contractors if they object on purpose, because he took the information from the allocating platform and initiative partners. He said that the contractors drove the process often, and his intention was not to allow that to happen. He set the budget based on the information made available to him regardless of how the contractor felt. He clarified that Mr. Togashi or the HTA had never asked for the maximum of anything. He said he had done with his staff by looking at the information available to them through the market allocation platform from information from Ms. Chun, the Tourism Economic folks, and the conversations with industry partners and synthesized that into the recommendation.

Mr. Downing was concerned that the committee had decided on an amount. He asked why they did not make it a lower amount. He said that if they were going to use data or statistics to make an amount, he agreed as it was based on some rationale. He did not agree with an amount where data and statistics are not used to decide on an amount. Either way, if it does not work, someone will get in trouble. Mr. Ching said he felt it was a symbolic move. He said he thought HTJ would not object because they did not want it to be less than \$500,000. He said they should approve the \$6.5 million, but for the \$500,000, he said it was a lot.

Mr. Atkins said they created a number and would take it out for the RFP. He said they could go out with the option of not exceeding \$6.5 million, and someone could come in with a good proposal less than the budget. He said there was a lot of protection should they not use the full amount, so there was protection in that the amount could be rolled over. Mr. Atkins said Mr. Ka'anā'anā had done a great job. Ms. Yuen asked about the ARPA funds and EDA, and if they

could go international. Mr. Regan said in discussions with the Budget and Finance committee that initially they thought it would be a challenge, but they determined that there would be no issue. Chair Kam said they should support what was reasonable on the staff's recommendation. He said he recommended that he support Mr. Ka'anā'anā and his team and their work with the budget for the \$6.5 million.

Mr. Atkins said at the Budget Standing Committee meeting that because the governor vetoed, he wanted to understand why \$100,000 was taken out of some items. Mr. Togashi said it was because of the fringe. Mr. Regan said that before HB1147 was on the veto list, they would have been in general funds, and in general funds, the HTA did not have to pay towards fringe, however, now that they would likely be in ARPA or federal grant monies, the HTA needed to set aside monies to contribute to fringe, so that is why they put the amount back to \$1.3 million. He said if there were going to be any changes proposed, they should vote on the changes, then vote on the motion.

Chair Kam asked for clarification on what the staff's recommendation was compared to what the Budget Standing Committees' recommendation was. Mr. Ka'anā'anā spoke about Japan and said they need a full Board vote in Japan. Chair Kam said the one is the Budget Standing Committee's recommendation of \$6 million and \$500,000 for the Opportunity Fund, and the other is the staff's recommendation of \$6.5 million. Mr. Ka'anā'anā said the motion could be that the FY2023 Japanese market appropriation in line item 323 is \$6.5 million for FY2023.

Chair Kam made a motion, and Mr. Ching seconded. Mr. Regan did the roll call. Mr. Arakawa voted nay as he thought they need an opportunity fund. Ms. Kimura voted nay. Mr. Rafter voted nay. Everyone else voted for the motion, so the motion passed.

Chair Rafter said they need a motion for the Budget Standing Committee's recommendation for the approval that the Board approves the FY2023 draft budget as presented with the changes previously discussed, with the exception of \$6.5 million for Japan, while also incorporating the proviso of the budget contingent on the governor releasing funds to the HTA, and that the HTA be allowed to utilize unspent ARPA funds for FY2022 to support current payroll and general administration expenses, until the governor released the funds, and recommend approval of the 25 positions covered under the payroll line item with the understanding that those positions were approved and would be funded with FY2022 ARPA funds, and that they recommend approval of the \$1.5 million for the island chapters from FY2022 ARPA funds. Chair Kam made a motion, and Ms. Kimura seconded. Mr. Regan did the roll call. Mr. Downing voted nay. The motion passed.

c. Discussion, and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on the Convention Center’s Fiscal Year 2023 Budget

Mr. Rafter said during the meeting the BFCC was briefed on the impact on the budget due to the intent to veto HB1147. HTA staff presented a detailed review of how funds would be made available using FY2022 ARPA funds that were previously approved to support the operational needs of the HCC in FY2023. This included redistribution of funds from R&M operations. He said in the meeting packet there was an attachment showing how the funds were moved.

The HCC General Manager, Ms. Orton had spoken about the operational needs for 2023 including staffing challenges that she and her team were facing since re-opening the HCC. The committee supported her presentation and was made aware that the proposed R&M schedule would be deferred to a later time to allow for adjustment of the schedule. Additionally, as part of the discussion HTA staff said they would work with the governor to request an allocation of ARPA funds to cover the original plan for R&M, based on concerns that the HCC needed the R&M funds. Still, if not used in the short term, there would be no staffing for the HCC. The goal would be to have the governor allocate the \$25 million, which was part of the ceiling cap in HB1147, which would allow the HCC to continue with original plans for R&M without interruption.

Ms. Kimura said there was a comment moving forward from COVID that airports should support having more city-wides the following year. Mr. Rafter said Ms. Orton's presentation had shown a lot of activity at the HCC, and in August there was an activity daily. Most would be local, and the calendar gets busier in 2024 and 2025, but they are relying on local activity now. Ms. Kimura pushed to bring in national and international activities to fill the gaps. Chair Kam concurred with Ms. Kimura. Chair Kam said that could be discussed later. He said the intent was to get rooms filled, so it had a greater impact around the state.

Mr. Rafter said the BFCC recommends that the Board approve the HCC FY2023 budget as presented and discussed with the committee and that the HCC provides an updated R&M schedule for FY2023 to the Board no later than the August Board meeting. Chair Kam made a motion, and Ms. Kimura seconded. Mr. Regan did the roll call, and the motion passed unanimously.

11. Discussion and Action to Adopt the Grant Administration Plan (GAP) as Presented and Updated for the Economic Development Administration American Rescue Plan Act Travel, Tourism, and Outdoor Recreation Grant Assigned to the Hawai’i Tourism Authority by Governor Ige

Mr. Regan said they made adjustments to the Grant Administration Plan based on input received. The trail portion was now a broader project that would focus on Waikiki first to develop a foundational platform that would be made available to other areas interested in expanding and utilizing the platform for their communities. Other than that, the Grant Administration Plan remained the same as what was presented. He said they were asking for approval by the Board of the Grant Administration Plan that was included in the meeting packet.

Mr. Downing wanted to make sure that the HTA had included in the motion that they would not be responsible if the DLNR failed on their end to do pieces of work promptly. Chair Kam asked if Mr. Regan's DLNR was still broad in terms of the contract or if it was specific. Ms. Anderson said they would be drafting the contract with DLNR for the projects, and in the contract, they would ensure monthly meetings with DLNR, and there would be information with flexibility on the projects. She said the projects were presented to them at the Ho'okahua Hawaii Committee meeting. Those projects were the ones they were moving forward with, which also met the DMAPs.

Chair Kam checked with Mr. Downing about his reservations. He had reservations on the snorkeling and restoration trail, as they were not told where they were planning to do that. He said there would be public pushback, so he asked what would happen to the funding of \$750,000. Chair Kam wondered if there was timing about that. Chair Kam said to Ms. Anderson that they wanted to feel confident about what they approved. Ms. Yuen asked if the contract would be worded with a list of projects but that there would be flexibility to shift the funds to another project. Ms. Anderson said there would be flexibility. Ms. Anderson said she would bring more detail to the Ho'okahua Hawaii Committee meeting on Waikiki's snorkel trail.

Mr. Regan said the Grant Administration Plan was a broad overview of what projects the HTA would be working on, so they needed to get the plan in for them to start discussions with the EDA. He said what was discussed took into consideration the concerns from Mr. Downing and Mr. Atkins about who was watching over the DLNR to ensure they did what they were supposed to be doing. And if not, who would decide to cancel the project and move on to something else. He said that was all incorporated in the process. He said a lot of work was done by Mr. Masuda and his team on the projects, and they focused on the most important ones that could be done timeously. He said Mr. Masuda and his team were aware of the concerns about the snorkeling trail. He said Mr. Masuda would re-look at the project and perhaps modify the project.

Mr. Regan said it was important to get the plan to the EDA and there would be continuing discussions should there be any more concerns going forward. Chair Kam wanted to ensure everyone felt confident, including Mr. Downing. He said he wanted to get DLNR moving.

Chair Kam asked for a motion to approve the Grant Administration Plan for the Economic Development Administration American Rescue Plan Act Travel Tourism and Outdoor Recreation Grant as presented and included in the meeting packet to the Board. Ms. Yuen made a motion, and Ms. Kimura seconded. Mr. Regan did the roll call, and the motion passed unanimously.

Mr. De Fries asked for the departing Board members' remarks. Mr. McCartney, Ms. Kimura, Ms. Yuen, and Mr. Atkins shared their mana'ō with everyone.

12. Discussion, Recommendation, and Action on HTA's Draft Fiscal Year 2023 Budget

This was discussed under agenda item 10b.

13. Closing Cultural Protocol

Mr. Casson-Fisher did the closing protocol.

14. Adjournment

Chair Kam asked for a motion to adjourn. Mr. Downing made a motion, and Ms. Kimura seconded. The motion passed unanimously. Mr. Regan concluded the meeting at 1:18 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder