



**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE
MEETING HAWAII TOURISM AUTHORITY
Wednesday, October 26, 2022, at 9:30 a.m.
Virtual Meeting**

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

MEMBERS PRESENT:

Ben Rafter (Chair), Mike White (Vice-Chair),
David Arakawa, Mahina Paishon-Duarte,
George Kam, Kimberly Agas

HTA STAFF PRESENT:

John De Fries, Ilihia Gionson, Marc Togashi,
Maka Casson-Fisher, Kalani Ka'anā'anā

GUESTS:

Representative Richard Onishi,
Representative Jackson Samaya, Teri Orton,
Mari Tait

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Opening Protocol

Chair Rafter called the meeting to order at 9:31 a.m.

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

Mr. Gionson did the roll call. All confirmed in attendance, and that they were alone.

3. Approval of the Minutes of the June 28, 2022 Committee Meeting

Mr. Kam made a motion to approve the minutes, and Mr. Arakawa seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

4. Presentation, Discussion, and Action on the HTA's September Financial Report

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

Mr. Togashi spoke about the HTA's financial position for all the major funds. He said they anticipate having six main funds. As of September 30, the HTA has access to \$33.8 million in the TFF (Tourism Federal Fund), which is a \$4.2 million increase from August, due to the allotment of funds from the Department of Budget and Finance (B&F), for use toward FY2023 payroll, and a portion of administration and governance costs. Of the \$33.8 million, \$20.9 million is encumbered, and \$12.9 million is unencumbered. He said they are working with the governor's administration on releasing the FY2023 ARPA funds. The TSF (Tourism Special Fund) has \$29.1 million in cash, which is a \$2.2 million decrease from August 2022 due to the expenditure of program and operating costs. It includes the \$5 million in emergency funds the HTA maintains by statute, which is invested primarily in U.S. treasury notes, and are laddered in three-month intervals.

Mr. Togashi said \$18.8 million is encumbered to contracts, \$5 million represents emergency funds, and \$5.4 million is unencumbered. They anticipate \$5.4 million of unencumbered funds that could increase as savings from certain encumbered contracts are realized. The \$5.4 million represents funds that are available to return to the state's general fund with the TSF sunset.

For the 2022 CCFF (Convention Center Federal Fund), \$10.2 million is available, most of which all has been encumbered. The CCESF has approximately \$34.9 million in cash, consistent with August 2022. Of that \$34.9 million cash amount, \$5.8 million is encumbered towards contracts. The remaining \$29 million of unencumbered funds will be stored as a Repair and Maintenance (R&M) reserve for future deployment in support of the six-year R&M plan that they discuss monthly when the appropriation expenditure ceiling is restored through the legislative.

Mr. Togashi spoke about the recap of funds released by B&F compared with the amount of Board approved budget and related encumbrances. He said there is more detail behind the table. He said that items approved by the Board but not approved by B&F represent the community type of programs that the HTA shifted into FY2022 funds. Those funds were previously not approved by the Board for release relating to Smart Destination website. Now that they have been released he said they would work on paperwork for B&F for the release of the funds. The table is to help monitor funds.

Mr. Togashi said for the Branding category where the Board amount is less than the B&F approved amount, it is due to the budget reallocations the Board recently approved by reducing Branding programs. This will help fund the contract with the PGA and Hawaiian Culture signature events. He said they had already discussed that with B&F, and B&F does not require the HTA to submit paperwork when making such shifts. For significant shifts, HTA would provide B&F with reallocated budget to help keep abreast and help explain it as part of the process.

Mr. Togashi spoke about the budget section on page 57, the budget statement for FY2022 funds. He said the federal funding budget could span across several fiscal years. The HTA will continue to encumber funds against the FY2022 budget and FY2023, essentially encumbering against FY2022 carry-over funds. He said the significant activity for September 2022 was for the Board's approval to reallocate numerous programs as they tried to maintain the timing of the contracts, particularly the community type of projects they want to proceed with, as well as others.

Another significant activity related was the release of \$450,000 in previously unreleased funds to support the effort in shifting the funds to 2022. That enabled the HTA to release the remainder of the \$60 million budget. The encumbering of \$700,000 of Kahea Airport Greetings Program contract was another significant activity that the HTA undertook in September 2022, and the extension of the U.S. Leisure and Global Support Services contracts through March 2023, which is supported by all three parties as they work to resolve the matter related to the U.S. MMA RFP.

Chair Rafter asked about the \$29 million unencumbered funds for the Convention Center Special Fund. He asked if it goes back to the legislature if the HTA does not identify the repair projects for it. He also asked if there was an update on the upcoming budget based on the veto activity of the governor a few months prior. Mr. Togashi said they have been in discussions with the governor's administration, and they plan to discuss funding at a future date. He spoke to Chair Rafter's question about the Convention Center and said that because the Special Fund is a special fund, it will remain there unless legislative action is taken. He said they do not have the appropriation ceiling. He said the intention of the upcoming legislative session would be to restore the appropriation ceiling enabling the HTA to deploy the funds for very much-needed R&M projects they have scheduled.

Mr. Kam asked that Mr. Togashi explain the \$5.4 million in TSF and what some of the options are. Mr. Togashi said that because the TSF had sunset, the amount is available to return to the general fund. It has not been done yet but will require legislative action to call for the amount

to return to the general fund. As far as options, one thing they are able to do is work with the legislature to ask them what they can do with the funds.

Mr. Arakawa asked if any other funds were in jeopardy of being returned to the state. Mr. Togashi said that the \$5.4 million is the one that is exposed the most, so they will have to work with the legislature to discuss further. For any other funds, the legislature has the ability to call any funds to action, but it is important for the HTA to educate the legislature to ensure they get support for their efforts in maintaining the funds. He said it is important to maintain a reserve, as they also have immediate needs. He said they currently have \$65 million of scheduled projects, not including the \$15 million rooftop terrace project. He said Ms. Orton would be presenting in agenda 5 later. Mr. Arakawa asked about the budget and at what future date the HTA's budget would be clarified. Mr. Togashi said it had been a process that required discussions with the governor's administration as it is complex. He said they have been in multiple discussions with the administration. He recognized that they would have to deploy the funds when they became available so that the HTA could stay on target. For the future funding date, he asked that they take it offline and discuss it with the committee.

Mr. Arakawa said the governor leaves the office on December 5 and asked if it will be finalized before then or move to the next administration meeting. Mr. Arakawa said they could discuss it later as it is important for all involved. Mr. Arakawa suggested that if Mr. Togashi needed help, he should speak to Mr. De Fries and the chairs. Mr. Togashi said they intend to resolve the funding matter before the governor departs his tenure in office. He appreciated Mr. Arakawa mentioning the help needed but said he has a good, strong team, and everyone is helping. He said all the leadership teams are contributing and will reach out to Mr. De Fries if needed.

Chair Rafter recognized Rep. Onishi and Rep. Samaya in this Zoom meeting. Chair Rafter asked for a motion to approve the agenda item. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

5. Presentation, Discussion, and Action on the Hawai'i Convention Center's September Financial Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Ms. Orton gave the September 2022 update. During September, they hosted the Okinawan festival with 45,000 attendees. They also hosted 16 other local events and posted a net loss of \$560,000, which was \$57,000 better than anticipated. For the FY2022 reforecast ending June 2023, they are still facing a challenge with the reforecast projecting gross revenue loss of \$11.6 million, which is \$1.4 million less than budget, and a net loss of \$5.86 million, short of half a million higher than was anticipated. The revenue adjustment is due to two removals of two

pieces of corporate city-wide businesses they anticipated and put in budget. One city-wide went to another city, and the other is still pending. One of the meeting planners for those corporate groups attended the FAM tour in August and really liked the HCC and the hotels. She said the HCC is back on the short-list as one of the top two cities they are looking at for 2023. If they get the business, it will fall into FY2023 and be \$750,000 for the HCC, thereby closing the loss margin.

Ms. Orton said that the increase in electricity and utility bills is \$455,000, down from the budget. She said she is feeling optimistic. She was encouraged after meeting the meeting planner. She said the Visitor Bureau team did a great job of showing meeting planners around and thinks they will get a lot of tentative business from that.

The ROI is at \$4.22, which is a small decline. There were no city-wide events for October, so it also brought the ROI down by \$2 from the last report. There are a total of six definite city-wide bookings. The Applied Superconductivity Conference is currently underway, with 18,000 attendees. There is a large medical conference coming in October. The other two pieces of business are in the next calendar year. The total for the FY ROI tax generation to the state is about \$9.4 million for all business that has gone through the HCC.

Ms. Orton shared the Pace report. The local business fills the gap when there is no city-wide. There are eight events for the calendar year 2022 and five for 2023. On average, there are 25-30 city-wides per year. She said Mr. Reyes and the team had been doing a great job of getting tentatives to feed into the pipeline. She said Mr. Reyes would be sharing more information in the Board meeting. Mr. Garcia, their corporate seller, has resigned, and they are looking to fill the position with someone as seasoned as Mr. Garcia.

She said local business had come back strong. Recent events at the HCC included the Hula Halau 'O Kamuela for their 20th Anniversary Ho'ike, which went well. They are looking at the HCC for future events. She showed some client feedback. She spoke about upcoming local events - the Hawai'i Food and Wine Festival, the first time returning since the pandemic, with anticipation of 1,000 attendees, which will be held in the ballroom.

A construction conference is taking place in November, and a Thanksgiving Tournament will take place at the end of November. There are 26 events for October, 22 for November, and 17 for December. She said the HCC is hosting the Na Leo Holiday Concert, and the following year they will bring their Mother's Day concert to be held in the ballroom.

Ms. Orton spoke about the awards the HCC received. The Exhibitor magazine appointed the HCC as the center of excellence, which honors North America's best convention centers for trade shows and corporate events. The HCC also won the Association Convention Centers and

facility. Trade Magazine has honored the HCC as the 2022 Distinctive Achievement Award, which recognizes conferences, centers, hotels, and visitor bureaus, demonstrating an overall commitment to excellence. Facility and Destinations Magazine named HCC as a safe-sited designee, voted by readers and destinations, and venues that go the extra mile to ensure that the visiting groups are as protected as possible from COVID-19.

Mr. Arakawa said the lack of city-wides is concerning, as it is important to the industry and the HCC. He said they want to support Mr. Reyes's team as much as possible. He suggested that Ms. Orton, Mr. Reyes, Mr. Monahan, and Mr. Kam have a regular feature at the Board presentation where Mr. Reyes does a separate portion of the city-wides at the meeting. Ms. Orton concurred and said the local business is strong now and is working on getting more city-wide events to find a balance.

Mr. Ka'anā'anā clarified that Mr. Reyes and Ms. Orton have put together presentations every month for BSCM, and it has been a standing item for months. Chair Rafter said that Mr. Reyes could do a presentation at the Branding Standing meeting and that he should also be on the call for the Board meeting so he can respond to questions. Mr. Kam reiterated that if Ms. Orton is presenting, Mr. Reyes should be available during the presentation as well, so he can comment. Ms. Agas reiterated that it would be good to hear Mr. Reyes strategies and the event updates.

Chair Rafter turned the floor over to Ms. Tait. Ms. Tait said the R&M plan was reviewed to prioritize projects and undertake projects they currently hold funds for, as well as address safety issues. She said that with the uncertainty of HTA funding allocation, there was a concern that they would not have future funding. She said they identified and are reviewing with the HTA the four projects planned for FY2023 and FY2024, and that they could put on hold. She said putting certain repairs on hold would save \$22.8 million, primarily from the large building envelope repair project budgeted at \$18.6 million. It does not include projects in FY2025 and beyond. She said they anticipate appropriation being restored by then. Ms. Tait said this allows the HCC to maintain a \$6 million balance and CIP funds to address any emergency projects. This does not include the \$15 million for the rooftop terrace deck temporary repair.

Ms. Tait gave an update on the current projects. The chiller replacement project is in the evaluation stage of the proposals. In addition to replacing the equipment with more modern equipment, they are modernizing the interface of the controls of the chillers with the cooling towers to allow more flexibility in programming for events and different building occupancy. This project will provide savings by improving efficiency. The other projects are the kitchen hood, the control panel replacement, and a fire suppression upgrade, which will have new codes in place. The other project they are working on is the exterior security camera system. In addition to the complete upgrade, more camera views will be added outside the HCC, which

will help them identify vandals responsible for recent damages. The recent damage was the lobby window and corner exhibit hall.

Ms. Tais said they have also awarded the Cumming group a second construction management project. She highlighted some of the projects they are doing. One project deals with the drywall and the leaks, which is a safety issue. She said they are also looking for a design improvement to help with bird perching issues. She said they would be replacing one of the dishwashers in the main kitchen, as some parts are no longer available. Another priority project for safety is the repair of the slate tiles. They have run out of tiles, so they are sourcing a new supplier.

Ms. Tait said there is an RFP for the temporary repair of the rooftop terrace. They received interest from companies that did not bid on the previous RFP, so they look forward to good responses. Proposals are due in late November 2022.

Ms. Tait showed a list of the completed projects. Mr. Togashi spoke about the shifting of projects and said it was not for the HTA not having enough funding, but it is understood that there is currently no expenditure appropriation ceiling for the CCESF, but there are funds that they are working with. They are going to the legislature to restore the appropriation ceiling, which will get them back on track. It is important to be able to work within their means with the funds the HTA has, and reprioritize as a result.

Mr. Arakawa spoke to Ms. Togashi's comment about the expenditure ceiling and told Ms. Tait that he has a concern about projects that cannot be started because of a lack of budget or expenditure ceiling and said this would do further damage to the HCC, and cost more money in the long run. He questioned if it was part of the prioritization process. He said the Board should all be advised about the issues at the HCC. He said there should be a list of all the issues that could get worse in the HCC if not taken care of.

Chair Rafter asked about the rooftop temporary repairs and if there is a mechanism where they can still do the original repairs to the roof where it will be useable. He also asked if there was an update on the original idea that Rep. Onishi had about the public/private partnership to build up the HCC. Mr. De Fries said there was no firm update, and part of it is related to budgeting issues, but they will prioritize it to address it with the new administration. Chair Rafter asked for a motion to approve the HCC September financials. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did a roll call, and the motion passed unanimously.

6. Adjournment

Chair Rafter asked for a motion to adjourn. Mr. Kam made a motion, and Mr. Paishon-Duarte seconded. The motion passed unanimously.

Mr. Gionson concluded the meeting at 10:38 a.m.

Respectfully submitted,



Sheillane Reyes
Recorder