

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
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NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
February 25, 2011 at 8:30 a.m.**

**Hawai'i Convention Center, Executive Board Room A, Parking Level
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815**

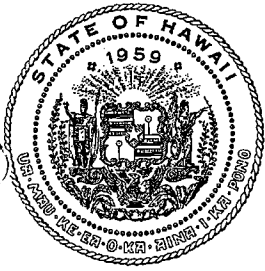
AGENDA

1. Call to Order
2. Approval of Minutes (January 27, 2011)
3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives
4. Action to Approve HTA's Financial Reports for December 2010
5. Presentation of Visitor Data
6. Discussion Regarding HTA's Strategic Initiatives In Response to the Competitive Tourism Market

Executive Session: The Board may conduct an executive session closed to the public pursuant to Hawai'i Revised Statutes (HRS) § 92-4. The executive session will be conducted pursuant to HRS §§ 92-5 (a) (8) and § 201B-4, as amended, for the purpose of discussing information that is necessary to protect Hawai'i's competitive advantage and/or would impair or frustrate HTA's ability to obtain information for a legitimate government function.

7. Adjournment

Members of the public are invited to attend the public meeting and provide oral testimony on any agenda item. Written testimony may also be provided on any agenda item by submitting the testimony prior to the meeting to the HTA by email to wpong@hawaiitourismauthority.org; by mail at the above address; or, by facsimile transmission. Any person requiring special assistance to participate in the meeting, please contact Winfred Pong (973-2255) no later than 3 days prior to the meeting so arrangements can be made.



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REGULAR BOARD MEETING HAWAI'I TOURISM AUTHORITY

February 25, 2011

Hawai'i Convention Center, Executive Board Room A
1801 Kalākaua Avenue, Honolulu, Hawaii Tourism Authority

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Ron Williams (Chair), Douglas Chang, Vernon Char, Patricia Ewing, Patrick Fitzgerald, Kyoko Kimura, Michael Kobayashi, Cha Thompson, Leon Yoshida, Sharon Weiner

MEMBERS NOT PRESENT: Kawaikapuokalani Hewitt

HTA STAFF PRESENT: Mike McCartney, Momi Akimseu, Caroline Anderson, Muriel Anderson, Lynn Bautista, Minh-Chau Chun, Cy Feng, Jadie Goo, Robbie Kane, Lawrence Liu, Daniel Nahoopii, Winfred Pong, Roann Rakta, Michael Story, David Uchiyama, Keli'i Wilson

LEGAL COUNSEL: Deputy Attorney General Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Ron Williams called the meeting to order at 8:31 a.m.

Keli'i Wilson offered a Pule in Hawaiian.

2. Approval of Minutes (January 27, 2011)

Mr. Pong noted a correction to the minutes of the board meeting held on January 27, 2011. He referred to the last sentence in item no. 4 on page 6 and noted that it was Mr. Char and not Mr. Williams who made the motion to approve the HTA's financial reports for October and November 2010. The full sentence should now read, "Mr. Char made a motion to approve the HTA's Financial Reports for October and November 2010."

Mr. Williams made a reference to the first sentence in item no. 2 on page 1. He requested that it be amended to read that Ms. Ewing made the motion to approve the board minutes of the meetings held in November and December 2010. Mr. Pong requested that the board ratify the statement that it was Ms. Ewing who made the motion. The full sentence should now read, "Ms. Ewing made a motion to approve the minutes of the board meetings conducted on November 22, 2010 and December 22, 2010, which was unanimously approved without objection."

Mr. Chang made a motion to approve the minutes as revised. Ms. Ewing seconded the motion.

Mr. Char asked whether actions taken in Executive Session are subsequently recorded in the minutes. He cited item no. 7 of the minutes regarding the discussion to authorize staff to negotiate a contract extension with SMG. He recalled that while there was discussion in Executive Session, the motion to delegate authority to the staff was a public motion. He expressed concern that if the Executive Session minutes are not transcribed, there is no record of any action being taken and that for purposes of the auditor, a record of such action should be readily available.

Mr. Kinkley concurred with Mr. Char that the approval was done in public session and that the minutes should be revised to reflect that a motion was made in public to delegate authority. He also clarified that records are kept of everything, including Executive Sessions, which are also reduced to writing per statute. The records are held until the substance is no longer deemed confidential and they are subject to the rules of the Office of Information Practices as well.

Mr. Char asked if the minutes could be revised to reflect that the approval to delegate authority to staff to negotiate a contract extension with SMG was conducted in a public session.

Mr. Pong stated that the minutes will be revised to reflect that a motion was made by Mr. Char to delegate to staff the authority to negotiate the SMG contract.

Mr. Chang queried whether it was a motion or a report out. He shared his recollection that a motion was made within Executive Session and that after the public meeting was reconvened, there was a report out of what happened.

Ms. Ewing agreed with Mr. Chang's recollection. Mr. Char commented that he did not object to doing it either way, but that it should be reflected in the minutes.

Mr. Kinkley stated that for audit and legal purposes, if the motion in Executive Session both authorizes staff and with the authorization, had any Executive Session-related material in it, it is still permissible to keep the entire motion in Executive Session. Therefore, a report without a motion, saying that the staff had been so authorized would still be legally sufficient.

Mr. Pong offered that it is his understanding of a consensus that the minutes be revised to reflect that a report was made after the Executive Session that staff would be delegated the authority to negotiate a contract with SMG.

Mr. Char referenced item no. 7 of the minutes regarding discussion to approve expenditures from the Opportunity Fund. He noted that the Budget and Audit Standing Committee had not approved a recommendation by staff that \$3.4 million be delegated to the Marketing Standing Committee. Subsequently, the agenda was amended to move \$3 million of the \$3.4 million to a particular marketing objective. Mr. Char stated further that at that point, an Executive Session was convened and he had to leave to attend another appointment and does not have an understanding of what became of the motion because there was no action reported out.

Mr. Pong responded that the first sentence on the second to the last page of the minutes reported that the board discussed matters in Executive Session that related to saturation blitzes. Mr. Pong stated that the content of those blitzes are and their amounts remain confidential at this time. Mr. Kinkley concurred.

Mr. Pong stated further that there was no consensus other than a desire to meet the urgency of the need to discuss expenditures from the Opportunity Fund with the presence of the whole board and the agenda was amended to reflect that need. An Executive Session was convened to discuss the merits and the need for the expenditures. An allocation was made accordingly and the board reconvened a public session to report that a discussion was conducted regarding the allocation of monies from the Opportunity Fund. Mr. Pong stated that he did not believe it was necessary at this time to disclose those details in a public session because the blitzes are still ongoing. The Executive Session minutes detailing how the monies were allocated and for what initiatives will be made available to the board.

Mr. Char proposed that at the time the board members receive the minutes, the Executive Session minutes could also be provided. He reasoned that if the board is going to be tasked with approving the minutes, then they need to be aware of what actions have been taken and that this is especially applicable to board members who are unable to attend the meetings.

Mr. Bloom agreed with Mr. Char and went on further to suggest that since the Executive Session minutes are part of the HTA's records and may be publicly disclosed or subject to public disclosure at some point, then as a matter of course, the Executive Session meeting minutes could be distributed in conjunction with the regular meeting minutes to afford the board the opportunity to review and approve them or make any changes. Otherwise, they remain as originally drafted and if at some point they are publicly disclosed, the board may no longer have the opportunity to review and/or amend them. Mr. Bloom recognized the concern surrounding confidentiality of the Executive Session minutes if they are distributed in advance of the meeting. He offered the alternative practice of distributing them at the board meeting, but realizes that this does not afford the board members adequate time to

review them. Mr. Bloom went on to state that whatever procedure is adopted, it should include the board's regular review and approval of the Executive Session minutes.

In response to Mr. Williams' query on the proper procedure for the distribution of Executive Session minutes, Mr. Kinkley replied that it varies, but the most common practice is when regular meeting minutes are sent out in the board package, there is a separate manila envelope that is sealed and marked "Confidential" that contains a draft of the Executive Session minutes. He cautioned, though, that any review or comment regarding the Executive Session minutes must be conducted in an Executive Session.

The motion to approve the meeting minutes of January 27, 2011, as revised pursuant to the board's discussion, was unanimously adopted by consensus.

3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives

Mr. McCartney distributed to the board a handout of what he shared at the Legislature. He reviewed the first page of the handout that contained details regarding the trends of visitor expenditures and arrivals over the last ten years. He stressed to the board that the decision they made last year to reallocate funds to meet the HTA's strategic plan to drive demand has proven to be a very important one and that the 9th straight month of increased visitor spending and arrivals is reflective of that decision.

Mr. McCartney went on to share that another strategic change in the HTA's plan was to put Hawaiian Culture as an important component of who we are. He shared some details about the Hawaiian language greetings event at the Honolulu International Airport, which includes replacing what used to be the Governor's in-flight message to one that is done in Hawaiian, welcoming visitors to our islands. That, in and of itself he stated, is a huge change.

Ms. Thompson shared that she witnessed many non-Hawaiian people who were moved to tears at the airport event. She commented that it was an emotional day for everyone and "finally, at long last, the Hawaiians have some place to come home to."

Mr. McCartney called upon Ms. Wilson, who played the 30-second in-terminal message that is broadcast in Hawaiian and English over the loud speaker at the Honolulu International Airport. Ms. Wilson stated that it is important to note that the message also includes kama'āina. She said that the message will be played in all the terminals and baggage claim areas at the Honolulu International Airport and will also be tailored for the airports on each island as well. Ms. Wilson went on to play the in-flight video, which is also broadcast in Hawaiian and English. Ms. Wilson reported that a lot of positive feedback has been received through phone calls and emails. She said that there is consideration for taking the project to the next level, as interest in

similar messaging has been expressed by restaurants, Ala Moana Center, and even Philippine Airlines.

Mr. Bloom shared that he noticed the reactions of people around him the first time he heard the message and said that it immediately distinguishes Hawai'i from all other places in the world and that to hear it is really impactful.

Mr. Chang referenced item no. 10, subparagraph a, under the Marketing section in the CEO Report regarding the Pro Bowl. He inquired as to when the HTA would begin to renegotiate, or begin to consider a renegotiation of the Pro Bowl contract, as we have just one more year left in the current contract.

Mr. McCartney responded that we are currently in communication with the NFL and that Mr. Story is ahead of the game and has been in touch with them as well. Mr. McCartney stated that we are going to need some direction from the board as to how to proceed and that now is the right time to be discussing it.

Mr. Char also referenced item no. 10 under the Marketing section in the CEO Report, specifically subparagraph g relating to the offsetting of travel costs for the University of Hawai'i. He stated a preference that for something of this nature should be brought to the board for review and approval.

Mr. McCartney shared that discussions are taking place between the HTA and the University to explore ways in which the monies in Hawai'i can be leveraged with the destination opportunities formed as a result of the new league. He cited the Diamond Head Classic and the Sheraton Hawai'i Bowl as examples of the HTA's existing and natural alliances with the University.

Mr. Uchiyama offered that he and Mr. Jim Donovan have been involved in discussions about ways to make it beneficial for the industry to participate, so it is not necessarily HTA funds. Ad placements on websites, e-blasts to the student body and alumni associations, and on-location signage are just a few of the ideas that can be implemented at these schools to bring value to the industry here. The working title for this project is "Hawai'i Island Paradise Excursion" or HIPE.

Mr. Bloom expressed agreement with Mr. Char's preference to have this presented to the full board if an expenditure of monies is being considered so that they would have the opportunity to opine on it.

Mr. Char requested more information on the Festivals of Hawai'i Post-Arrival Promotional Campaign, which is item no. 3 under the Tourism Product Development section of the CEO report. He requested specific details on some of the things being done to promote festivals and pre-and post-arrival implementation.

Ms. Kane shared that the contractor, Bright Light Marketing, focuses on post-arrival visitors once they are already in the state, as well as the resident market to try and add

value to our financial support to the various programs such as the County Product Enrichment Program, Major Festivals, and Sports and Hawaiian Culture events. In addition, they have also met with the Hawai'i Visitors and Convention Bureau to ensure that there is no duplication of effort, especially with regard to social media areas such as Facebook and the gohawaii website.

Mr. Char stated that another component would be the hotel association or the concierge organization. He queried whether anything has been done in those areas to garner more attraction.

Ms. Kane replied that part of the post-arrival campaign portion is to provide information to the concierge at all of the properties through the State. A concerted effort will be made to reach out beyond the hotel concierge, but also to the timeshare and vacation rental areas where we really don't have as good a connection. The new program for this year is a mobile phone app which is being developed to enable visitors to find out more information about things such as events and locations.

Mr. Char said that this is a work in progress, but it would be helpful if the board could get a report on some of the implementation as it is happening.

In response to Mr. Williams' question about what kind of information should be in the report, Mr. Char responded that he would like information on how the products we develop are implemented and advertised with our marketing partners, as well as information from Bright Light Marketing on how they are implemented for post-arrival with the concierge of the hotels so that there is a connection of the product and how it translates.

Ms. Kane also provided that she, Mr. Story, and Ms. Wilson are meeting with the marketing contractors to go over with them the ideas we have based on their input about the type of themes and timeframes that work best for their market. She stated that we will be providing them with some suggestions of the programs that we already support, as well as many other programs that we don't fund, but to give them an idea of some of the groupings we have that would help them do a campaign. Having this information would also assist them in doing some pre-arrival marketing push and ensuring that it links in with our post-arrival messaging in the different avenues that Bright Light Marketing is doing.

Mr. Chang commented that the SMG report shows that there has been very little movement in 2012 and 2013 and that most of the movement appears to be in 2011. He asked for a report at the next meeting that details the specific efforts that are going on in the Convention Center.

4. Action to Approve HTA's Financial Reports for December 2010

Mr. Pong presented HTA's financial reports for the month of December 2010 and noted that he has some questions regarding the revenue collections for December. He stated that he is making inquiries with the Department of Taxation to confirm the collection amount, as it seems abnormally low based upon the occupancy rates and the hotel rates that we have seen. It is pending further review.

Mr. Char made a motion to defer or table any motion to approve the financials for December 2010 until further explanation regarding the revenues is provided.

Ms. Thompson seconded the motion, which was unanimously approved without objection

Mr. Change questioned why some dollar amounts on the financial report appear as if they are not committed. He went on to reiterate a point he made at the last meeting about the need to get an accurate understanding of the meaning of "contracted" and "committed." He stated that he does not have an accurate understanding of the actual monies that are available to us as we consider expenditures and that he is trying to reconcile his interpretation of the report with Fiscal's interpretation.

Mr. Pong responded that this report reflects the month ending December and that internal procedure dictates that monies are labeled as "committed" upon the Fiscal section's receipt of an Internal Requisition. He shared that revising the process is a work in progress that has not yet been reflected as of the December report. He stated that part of the revised process will include reflecting those commitments earlier.

Mr. McCartney added that what he thinks the board is asking for is a true budget variance of what has been expended, so another column should be added to the report.

Mr. Chang concurred, further clarifying that the information should reflect actual monies that are left, versus actual monies spent.

Mr. Bloom added that the same question is shared with regard to the December revenue figure for the Tourism Special Fund, but asked why there was not any information about the Hawai'i Convention Center.

Mr. Pong replied that the Convention Center Enterprise Special Fund (CCESF) is capped at \$33 million and that cap was reached in November. The \$33 million cap is on a calendar year basis, so for the month of December, there are no additional monies going into the CCESF, but we expect to receive funds in January.

Mr. McCartney added that this report reflects transfers into the Special Fund. No additional monies are transferred into the Special Fund after the \$33 million cap is reached.

The meeting was recessed at 9:27 a.m.
The meeting was reconvened at 9:34 a.m.

5. Presentation of Visitor Data

Mr. Naho'opi'i distributed a handout to the board and provided a summary and PowerPoint presentation of current visitor data through January 2011.

He reported that total spending was up 19.8 percent, mainly due to an increase in arrivals of 12.2 percent and a Per Person Per Day increase of 7.5 percent. He noted that one of the major factors is the Pro Bowl in January. He also reported that January 2011 was a busier month than January 2007 and that is reflected in many different areas in the industry.

Mr. Naho'opi'i went on to report that spending increases were in transportation and lodging and that there were sizeable increases in shopping and food and beverage. He shared that based on competitive information that has been collected, we have found that the Japanese continue to travel to China, but growth to Korea and Thailand have decreased.

He shared that Hawai'i is the fastest growing destination for Korean travelers compared to the other destinations; not in terms of volume, but in terms of growth. Korean travelers have also increased their travel to Guam. He reported that all the destinations to which the Chinese are traveling are showing growth. He commented that what is good about Hawai'i is that we are at about the same level as all the other markets, such as Thailand and Australia.

Ms. Weiner added that a point of consideration should be that these travelers have to go through a visa waiver process to travel here, which is different from all those other destinations.

Ms. Weiner reiterated her request to see less emphasis on arrivals and more emphasis on spending. She stated that she would like to see more detail about the spending and that we need to stop thinking about only the number of arrivals, but also of the spending.

Mr. Bloom asked if we are receiving any indication of change in in-bound as a result of the United and Continental Airlines merger

Mr. Uchiyama replied that we have some concerns in some of the key gateways. Currently, demand is up for Hawai'i and load factors are fairly good, but we are keeping an eye on it.

Mr. Naho'opi'i added that a benefit of the United/Continental merger is the added service to Hilo.

6. Discussion Regarding HTA's Strategic Initiatives in Response to the Competitive Tourism Market

Ms. Weiner made a motion to go into Executive Session to discuss matters that are necessary to protect Hawai'i's competitive advantage or would impair or frustrate HTA's ability to obtain confidential information for fulfilling its legitimate statutory functions. The motion was seconded by Ms. Thompson and was unanimously approved.

Mr. Kinkley cautioned the board members of the need to be careful to keep the internal conversation on something that is directly linked to our competitive advantage and that if it strays too far, he will ask that the board reconvene a public session.

The meeting was recessed to go into Executive Session at 9:47 a.m.
The meeting was reconvened at 4:07 p.m.

It was reported that the board met in Executive Session and discussed matters related to steps that HTA needs to make and protect Hawai'i's competitive advantage.

7. Adjournment

The meeting was adjourned at 4:15 p.m.

Recorded:



Staff Recorder