



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, March 28, 2019
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Micah Alameda, David Arakawa, Fred Atkins, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura, Kelly Sanders

MEMBER NOT PRESENT:

Sean Dee, Benjamin Rafter

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Jadie Goo, Jennifer Chun, Kalani Ka'anā'anā, Caroline Anderson, Carole Hagihara, Chris Sadayasu, Deann Howa, Joseph Patoskie, Laci Goshi, Lawrence Liu, Maile Carvalho, Minh-Chau Chun, Noriko Sloan, Ronald Rodriguez, Vengie Talaro, Sara Maimone

GUESTS:

Representative Richard Onishi, Senator Glenn Wakai, Manu Boyd, John Monahan, Teri Orton, Mari Tait, Noelle Liew, Erin Khan, Krstyn Yata, Malia Sanders, David Baronfeld, Eric Takahata, Mitsue Varley, Mahina Paishon Duarte, Bob Newman, Brandon Askew, Lee Conching

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:31 a.m.

Kalani Ka'anā'anā introduced Manu Boyd of the Hawaiian Civic Club of Honolulu, who gave a

presentation on Prince Kūhiō Kalanianaʻole, who was a beloved chief, sportsman, U.S. Congressional delegate, newspaperman, and founder of the Hawaiian Civic Club. Mr. Boyd will be speaking at the Smithsonian Institute on the 200th anniversary of the birth of King Kamehameha. Kuʻuipo Kumukahi and Mr. Kaʻanāʻanā sang a song in commemoration of Prince Kūhiō Kalanianaʻole entitled 'Aloha Kalanianaʻole,' written and composed by Malia Craver and Val Kepelino, respectively.

2. Approval of Minutes of the February 28, 2019 Meeting

Chair Fried requested a motion to approve the minutes of the February 28, 2019 Board meeting. George Kam made a motion to approve. Kelly Sanders seconded the motion, which was then unanimously approved by the Board. Chair Fried thanked Rep. Richard Onishi and Sen. Glenn Wakai for attending the meeting.

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

Chair Fried asked the Board whether there were any permitted interactions to report. Mr. Atkins was asked to go a Kauai Lifeguard Association event, and they laid out what they were able to accomplish with HTA funds and matching funds this year. The meeting, which typically is attended by 300 people, was attended by 600 people on this occasion. They impressed upon meeting attendees who go to the beach, even if they are not lifeguards, to say something to visitors if they see a potential hazard.

4. Report Relating to Staff's Implementation of HTA's Programs During February 2019

Chair Fried recognized CEO Chris Tatum to provide his report on the staff's implementation of Hawai'i Tourism Authority ("HTA")'s Programs during February 2019. Mr. Tatum began by discussing the Spring Update, which had about 600 attendees. The Spring Update featured presentations on what HTA does to support and perpetuate the Hawaiian culture, what HTA is doing in the community, and what the contractors are focusing on. The Fall Update will be moved to Hawai'i Island with the intent to share the experience of Hawai'i Island and to engage and understand how to better promote Hawai'i Island to the market.

Mr. Tatum said that this past month, he visited Kauai and had the opportunity to visit with the community on the North Shore and at the state parks. He received good feedback on tourism and how HTA can support it. The Kauai stakeholders provided an interactive presentation and provided feedback on how to manage resources. Mr. Tatum said that the stakeholders understand the challenges before them and HTA's purpose is to support them moving forward. He said that the goal is that anyone who goes to the park should have a phenomenal experience and, ideally, visitors should have reservations to ensure they can get in. Mr. Tatum noted that there's a phenomenal beach and a tremendous amount of history in the park. Mr. Atkins expressed his gratitude towards Mr. Tatum for visiting and listening, and said that he received

good comments from the presentation attendees.

Mr. Tatum then discussed the fall preseason LA Rams game. He expressed surprise at the demand evidenced by the fact that tickets sold out quickly. He said that there has been frustration from the community that the tickets sold out so quickly, but said that the idea is not just to have one game, but to have a continuing relationship with the NFL. He added that there is a lot of community interaction planned leading up to the game. He said that he is also planning meeting with Dave Matlin on how to be more engaged with the University of Hawai'i sports program. He noted that UH athletes are the ideal ambassadors for Hawai'i because they already have the Hawai'i brand and when they go out into the markets, they can share the aloha spirit.

Mr. Tatum then discussed the 2019 legislative session. He said that he believes we are going in the right direction, and that there is a plan moving forward that is about driving tourism forward and managing tourism the right way. HTA has responded, officially, to the state auditor about the status of the audit. Mr. Tatum noted that there are three key positions that will be filled and he stated that he would provide more information on that later in the meeting. Mr. Tatum discussed the Hawai'i Island recovery plan.

Mr. Tatum said that the HTA team is currently working on the fiscal year 2020 budget and plans to provide a preliminary budget to the Board at the April Board meeting. He said that the Board will have a month to look it over and provide feedback. The preliminary budget will provide an idea for funding on HTA's six key areas: 1) perpetuating the Hawaiian culture, 2) natural resources, 3) the community, 4) research and statistics, 5) marketing, and 6) sports. Mr. Tatum noted that the amount of many of the items in the budget are unknown because they are put out for RFP, so for budget purposes they will block out the money and move forward on approval for the big pieces. Then, as they do RFPs they will share how they think the money should be broken up.

He recognized Karen for taking the lead and noted that a marketing proposal for Hawai'i Island recovery was presented at the monthly Marketing Committee meeting. Chair Fried added that next week Mr. Tatum will be attending Maui, Kona, and Kauai the following week to participate in HTA-HLTA matching homeless allocation distribution.

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

Chair Fried acknowledged Jennifer Chun to provide an update on current market insights. Ms. Chun directed the Board to the February report in the Board Packet. She began by saying that, in February, expenditures were down from 2.7%, and the only markets that showed increase spending were the U.S. West, Europe, and Taiwan. Overall, arrivals were flat. In February, RevPAR was down 4.2% and there was also a decrease in occupancy for the entire state. She added that in February there were increases in expenditures and arrivals for the cruise ship market. The same number of ships came February 2019 as February 2018 but larger ships came

this year.

6. Presentation, Discussion and Action on HTA's Financial Reports for February 2019

Chair Fried recognized Marc Togashi and Keith Regan to provide an update on HTA's financial reports. Mr. Regan directed the Board to the Board Packet which contains a Budget Statement Summary, which provides a snapshot of revenues and expenditures, and a picture of the actual budget.

David Arakawa requested the finance team to provide a brief summary of the significant variances, and provide a narrative explanation for the Board. Mr. Tatum stated that this year was unique because the new people that were brought made significant changes, so there are a fair amount of variances. He said that, in general, approximately \$4.7 million was not encumbered but he does not want to continue to carry over from year to year. He said that \$2.5 million will be put toward promoting Hawai'i Island, which leaves approximately \$2 million that we have not yet identified a use. That amount will likely be the only carry-over to FY 2020.

Mr. Regan requested a motion to accept the financial statements. Mr. Arakawa made a motion, and Mr. Kam seconded the motion. The motion was approved unanimously.

7. Update on Status of the 2018 Audit Action Plan

Chair Fried asked Mr. Regan to provide an update on the 2018 Audit Action Plan. Mr. Regan noted several updates. First, HTA responded to a letter from the auditor requesting an update on twenty-seven items. Mr. Regan stated that, at the last Board meeting the Board approved certain policies but that procedures still need to be updated. He said that HTA is working on a quality assurance plan, which was identified by the auditor as needing to be updated. This includes quality controls. Mr. Regan said that there is a basic framework but they are pulling a team together to finalize it within the next month.

David asked Mr. Regan to give an example of what a quality assurance policy would entail. Mr. Regan responded that one example is in regards to contracts and making sure, step-by-step, that contracts are implemented and executed according to policies. Many of these policies are already in existence, and it is a matter of putting them into a plan. In regards to Item 15, he noted that final evaluations are required to be completed prior to final payment being issued to ensure compliance with material contract terms. He said that out of all of the action items, nineteen are fully implanted and eight are partially implemented.

8. Update Relating to the 2019 Legislative Session and Related Bills Relevant to HTA

Chair Fried asked Mr. Regan to provide a legislative update. He briefly discussed the bills on the handout and noted that there were new drafts of some bills published since the update was

created. HB420, which removes the provision that designates the Hawai'i Convention Center (HCC) as the location for the Hawaiian Center and the Museum of Hawaiian Music and Dance, is awaiting hearing in the Senate Ways and Means Committee. Chair Fried asked whether HTA is taking a position on a particular location for the Hawaiian Center and the Museum of Hawaiian Music and Dance. Mr. Regan confirmed that HTA has not taken a position on a location and is focused on moving the location away from Hawaiian Convention Center, so that the project can move forward. HB422, which would allow HTA to contract separately for marketing and the maintenance of the HCC, is also awaiting hearing by Senate Committee on Ways and Means. Chair Fried asked what was the possibility of SB666, Relating to Airports Corporation, passing into law. Senator Wakai said that there has been opposition from the unions. Kyoko Kimura noted that at the Convention Center meeting, some of the planners expressed their dissatisfaction with HNL, including security and cleanliness. SB1292, Relating to Transient Accommodations, has been referred to the House Committee on Finance. Mr. Atkins thanked the staff for preparing an update and providing bill summaries in the Board Packet.

Chair Fried called a recess at 10:20 a.m.

The meeting was resumed at 10:37 a.m.

9. Report of the Marketing Standing Committee with the Committee's Recommendations to Support Various Marketing Proposals, for Discussion and Approval by the Board

Chair Fried recognized Kelly Sanders to provide an update on the Marketing Committee meeting that was held the previous day. Mr. Sanders said that the meeting focused on HTJ and HTUSA's efforts to promote Hawai'i Island in the wake of the Kilauea eruption. The meeting discussed moving forward with the brand of Hawai'i Island, that Kilauea will be semi-dormant without significant lava flow for the next 35-50 years, and looking at a new branding opportunity. The funding request was for \$1.5 million for HVCB and \$1 million for HTJ, for a combined \$2.5 million to create new assets, a new brand, and a new direction for Hawai'i Island. He said that the Marketing Committee voted to recommend the \$2.5 million marketing plan. Ms. Hughes thanked HTJ and HVCB for their presentations that showed how the money was spent last year and to show that the additional funding is warranted.

Mr. Tatum expressed his appreciation for the Marketing Committee and said that there has to be an alignment in branding between HTJ and HTUSA, and the rest of its contractors. \$500,000 of the funding to HTUSA will go towards creating new assets, and those assets will be available to HTA's other contractors. Mr. Atkins noted that the vote to approve the expenditure was unanimous. He said that this effort will help to show airlines that HTA is supporting Hawai'i Island and will encourage airlines to maintain their flights to Hawai'i Island. He noted that Hawai'i Island stakeholders attended the Marketing Committee Meeting. Mr. Sanders requested a motion to approve the \$2.5 million associated with the rebranding/branding of Hawai'i Island and a future focus for overall global tourism opportunity. Mr. Kam made a motion and Mr. Atkins seconded the motion.

Micah Alameda thanked the Marketing Committee for their work on this issue. He noted that the second part will be managing the influx of visitors and being mindful in responsibly managing tourism because a healthy Hawai'i Island is a healthy tourist destination. Mr. Tatum said that that was part of the discussion at the Marketing Committee Meeting and that HTA is ready to do what it needs to do to be prepared.

Ms. Hughes stated that the funding would come from the reduction in Canada and Europe marketing funds, MCI, sports agency consultants, the scaled-down tourism summit, and scaling back signature events. She also said that the fall update would be held on Hawai'i Island.

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

Chair Fried introduced Teri Orton to provide an update on HCC's recent operational activities and sales initiatives. Ms. Orton introduced AEG President Bob Newman, who is visiting. She stated that February was a strong month for HCC, which hosted eighteen events. Ms. Orton also discussed cancellations including a Jehovah's Witness program.

In February, net income was \$22,400. In sales and marketing, \$439,000 was expended, bringing the total net loss for sales and marketing to \$416,800. In regards to the reforecast, there are challenges this year because of two cancellations that severely impacted food and beverage. She said that the team is looking at ways to recover the loss with existing groups. Mr. Tatum asked Ms. Orton to bring in the plan to recover the drops to the next meeting.

Mr. Sanders stated that in Japan, over the last several years, there has been significant fraud in insurance companies so the Japanese government has placed restrictions on outside operations of these companies. Therefore, this may continue to impact HCC for years to come. He suggested looking at other industries and noted that another potential market would be automotive makers.

Ms. Orton recognized Lee Conching to provide update on his sales team. Mr. Conching Lee began by saying that Asia is changing and therefore the team is changing how they are selling. One example is Amway, and Mr. Conching is currently pitching Amway in five countries. They are also working on an International Conference on Positive Psychology from Australia, which would be the first major buy from Australia.

Mr. Conching said that the HCC Advisory Board came in February and provided insight on how to move forward, and the sales team is looking on implementing a number of action items that they recommended. Another major issue is when American Dental Association will consider Hawai'i again. The American Dental Association has released an RFP and the team is currently working on that.

Ms. Orton said that in February, they closed 19,706 room nights, bringing the year-to-date total

to 28,963. 62,000 room nights have been tentatively added to the pipeline, bringing the total pipeline rooms to 80,348. Ms. Orton then shifted to discussing recent cancellations. Mr. Conching said that it has been difficult to book because of the high cost of room rates. For example, American Psychiatric did not commit because of the high cost of room rates, despite the sales team's effort to push incentives. Ms. Hughes asked where the groups went instead. Mr. Conching said that American Psychiatric is going to Los Angeles and another group, IEEE, is going to Portland.

Ms. Orton said that the Society for Gynecological Oncology recently held an event at HCC. They forecasted approximately 1,800 attendees, but at the end of the conference they had the highest attendance in the history of the meeting at 2,522. That group is already looking to return.

Mr. Tatum commented that if we are competing with Portland, then we are in the wrong market because Hawai'i has something special and it is the sales team's job to make sure that they communicate what that something special is. Ms. Hughes added that the team should capitalize on the success of the Society for Gynecological Oncology to continue to promote.

Ms. Orton discussed HCC CIP updates, and noted the approval of the following projects: boiler replacement installation, cooling tower replacement, facility and F&B equipment replacement, Ala Wai waterfall repair, and Kalākaua kitchen wall repair. Ms. Orton also introduced the new executive chef, Hans Lentz, who has three decades of experience, and has been at Hilton Waikoloa, Mauna Kea Resort, and hotels in Dubai.

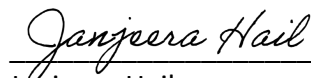
The Board entered executive session at 11:12 a.m.

The Board came out of executive session at 11:36 a.m.

11. Adjournment

Chair Fried requested a motion to adjourn. Craig Nakamura made a motion to adjourn. Ms. Kumukahi seconded the motion, which was unanimously approved.

Respectfully submitted



Janjeera Hail
Recorder