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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Tuesday, May 23, 2023, at 9:30 a.m.
Virtual Meeting**

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

MEMBERS PRESENT:	Ben Rafter (Chair), David Arakawa, George Kam
MEMBERS NOT PRESENT:	Mike White (Vice-Chair), Mahina Paishon-Duarte
NON-VOTING MEMBER:	Keone Downing
HTA STAFF PRESENT:	John De Fries, Daniel Nāho'opī'i, Kalani Ka'anā'anā, Caroline Anderson, Isaac Choy, Talon Kishi, Maka Casson-Fisher
GUESTS:	Teri Orton, Mari Tait
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Rafter called the meeting to order at 9:40 a.m. Mr. Casson-Fisher did the opening protocol.

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. Casson-Fisher did the roll call. All confirmed in attendance and that they were alone.

3. Approval of the Minutes of the April 20, 2023, Committee Meeting

Chair Rafter asked for a motion to approve the April 20, 2023, minutes. Mr. Kam made a motion, and Mr. Arakawa seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

4. Presentation, Discussion, and Action on the Hawai'i Convention Center's April 2023 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Ms. Orton presented a summary of the HCC for April 2023. The HCC had enjoyed an outstanding month in terms of business, having hosted events including Kawaii Kon, Chopsticks and Wine, and Joy of Sake, as well as some sporting events, including the Hawai'i AAU, two basketball tournaments, and a cheerleading contest. The American Roentgen Ray Society, ARRS, had also returned to the HCC. Ms. Orton stated that the HCC had budgeted for twenty events in April and doubled their account due to an increase in local pick-up business.

The gross revenue for April was \$2.15 million, about \$590,000 higher than the budgeted amount. This gave a net income of \$337,000, an improvement of \$479,000 on the budgeted amount. The result was a gross revenue for FY2023 to date of \$11.9 million, giving a net loss of \$2.7 million for the facility's operation.

With just 45 days left for the present fiscal year, Ms. Orton stated that the reforecast was \$13.76 million in gross revenue, approximately \$630,000 better than budgeted. She anticipated a net loss for the fiscal year of \$4.5 million, trending about \$848,000 better than budgeted. The data made it clear that the needle for the HCC was moving in the right direction financially.

She stated that the HCC's ROI was trending at \$4.58 based on city-wide events in the building. The normal trend was expected to be \$23 per year. There had been a shortage of city-wide in the past few years, but there was expected to be a strong return in the next fiscal year, with a probable value in the \$20 range.

During May, the HCC hosted a sold-out concert, including 720 brunch tickets and 72 general admission tickets. The HCC looked forward to hosting another Mother's Day concert with this organization next year. In upcoming local events, the HCC was to host a number of high school commencements, including the Hawai'i Baptist Academy Commencement. The HCC held discussions with several high schools that planned to hold their commencement ceremonies on Friday and Saturday mornings and evenings. It was hoped that costs could be reduced by utilizing the same rooms in the HCC. Such events often brought in up to seven thousand students and family members.

All these updates continued to show that, financially the HCC was heading in a positive direction.

Ms. Orton mentioned that the chef at the HCC had received the Pineapple Award.

Chair Rafter pointed out that pre-COVID, the HCC used to host up to twenty-five city-wide events per year. In 2023 there were only eight city-wide events, but the 2024 budget envisaged sixteen such events. The hope was that in 2025 and 2026, there would be a great improvement, and Mr. De Fries and his team were focusing on preparing for this.

Ms. Orton stated that many clients of the HCC were concerned about upcoming repairs. She and Mr. Reyes had drafted a letter to all tentative and definite bookings for dates when the repairs were planned. It was hoped to open a dialogue to inform prospective clients that leaks would impact some rooms. The intention was to plan room assignments so that the rooms prone to leakage could be avoided. A copy of this letter was to be made available to Chair Rafter.

Mr. Reyes' MCI team had adopted the trade name, Meet Hawai'i, and they were working on a strategy around construction time from a sales and marketing perspective. This will be explained in more detail during the full Board meeting.

Mr. Choy informed the meeting that \$64 million had been appropriated for the HCC roof terrace project. There had been an error in the budget worksheet, but this has now been corrected. The \$64 million appropriation was a one-year funding program from July 1, 2023, to June 30, 2024. It was clear that the project could not be completed within these twelve months, so discussions were going on with the legal team to ensure that the money could be encumbered after June 30, 2024, to finish the project.

A tri-party agreement was to be drafted between the HTA, Ms. Orton's team, and the contractor. Ms. Orton's team intended to procure a Project Manager and a Construction Manager immediately. Once these appointments were made, applying for permits could commence. It was hoped that the rooftop terrace would be completed early in 2026.

As previously discussed, Ms. Orton's contract was to expire on June 30, 2023, but had been extended to December 31, 2023. The legal team was working on a mechanism for her contract to be further extended up to the completion of the roof project.

Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Ms. Tait presented the six-year plan. She noted that thirty projects had been designated for 2023, and all of them had been initiated. They were all at different stages, from procurement to

contract award and execution. During April, two projects were completed, one of which was a straightforward procurement and the other, repairs to one of the escalators.

Highlighting the most significant projects, Ms. Tait mentioned upgrading the kitchen's control panel and fire suppression system. This work was scheduled to take place in August, working around scheduled events. The chiller replacement was also in the execution phase. Parts and equipment had been ordered and would be received by the end of the year. Installation was expected to be completed by the end of the second quarter of next year.

Regarding procurement, the team evaluated larger projects for the kitchen, including replacing the dishwasher and flooring under the dishwasher, as well as a walk-in refrigerator on the third floor.

Planning was underway for next year's projects, including escalator replacement. It had been noted that the escalators experienced significant downtime, creating problems during events. This project would be prioritized for next year. It was also intended to replace the smaller boiler in the kitchen.

When Ms. Tait was asked whether there was a program to assess the useful life of kitchen equipment and other major equipment, she pointed out that during maintenance inspections, there was careful assessment of the condition of equipment, at which point replacement was a better option than repair. The engineering department collaborated well with the kitchen manager and the chef; up to now, there have been no major equipment breakdowns during events. It was challenging to carry out major replacements during busy times, but the team has managed this so far.

Among the completed projects was the repair and replacement of escalator 1. This presented some challenges because the contractor was a Canadian company. In addition, the length of the escalator meant that the handrail had to undergo a vulcanizing process.

Four forklifts had been purchased, and two had already been delivered.

It was pointed out that projects styled R&M (repair and maintenance) would be renamed RM&R (repair, maintenance, and replacement.)

Mr. Kam made a motion to accept the report on the HCC for April 2023. Mr. Arakawa seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

Chair Rafter introduced the subject of amending the agenda of the Board meeting. He reminded everyone that the rules require a two-thirds majority for any amendment to the

agenda. The legal team was to advise on this. It was ruled inappropriate to discuss amending the agenda under agenda item number 6. This was to be discussed in a subsequent meeting.

5. Presentation, Discussion, and Action on the HTA's April 2023 Financial Report

Mr. Choy presented the April 2023 financial statement and asked everyone to observe that some changes in the format had been made to make it similar to normal financial statements. It appeared from the balance sheet that they had \$136 million available for expenditure, but closer study showed that most of this amount was restricted in its use. An example was the unencumbered amount shown under liabilities, \$66 million, which was restricted apart from three amounts of \$7.5 million, \$4.1 million, and \$5.6 million, respectively. The details of the restrictions were noted on the financial statement. Mr. Choy reminded everyone that the footnotes were not exhaustive but were simply those that the finance department judged most useful and appropriate.

He mentioned \$387,000, the one-time tax credit assigned to the HCC. This had been infused back into the HCC to reduce the negative balance on which it had been running. An EDA tourism grant of \$14 million was to be used for DLNR.

In the section dealing with expenditure, the categories were budgeting lines. The final two lines showed how much was available at the month's beginning. All balances were explained in the financial statement, with the aim that any questions about the finances of the HTA would be answered before being asked. For some balances, there was a notation, "Unavailable to spend." The Convention Center Enterprise Special Fund was an example of this. Even though there was money in this account, the legislature had not yet provided for its expenditure.

Mr. Choy noted that ERS and EUTF payments were accrued only during the audit at the end of the financial year. He estimated that ERS and EUTF payments would amount annually to about \$500,000 and \$120,000, respectively. In general, accruals took place at the end of each year.

Mr. Choy reminded the meeting that the HTA was an unfunded agency and was not funded from July 1, 2023, to June 30, 2024. He also noted the supplementary information at the top of page ten, stating that "Historical information was subject to change," since they did not have a budget. They had to keep on top of their projects and cash flow. According to tradition, the statement contained a bank statement showing that the money declared was available. Finally, the monthly statement from the HCC has been prepared by AEG Management.

Mr. Choy pointed out that the footnotes on the financial statement were not completely consistent with accounting practice because they were not exhaustive. However, it was hoped that the modified financial statement would be satisfactory to federal agencies.

Mr. Arakawa made a motion to approve the April 2023 Financial Statement, and Mr. Kam seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

After the motion was carried, Mr. Choy asked the meeting to note that future motions should read "Approved subject to audit."

6. Presentation on Proposal to Reallocate Funds from Multiple Budget Line Items

Chair Rafter reminded the Board that some of the discussion about reallocating funds would have to take place in executive session to keep confidential matters relating to the competitive advantage. This was agreed.

Mr. Nāho'opi'i pointed out that some sections of agenda item 6 could be discussed in an open session because they were standard notifications of the reallocation of budget lines. Typically, budget reallocation would be handled during the financial statement discussion, but because this had been reorganized, a separate agenda item had been created.

Mr. Kishi pointed out that in the policies and procedures, dollar amounts of less than \$250,000 could be transferred from one budget line item to another as long as the Board was notified. Line items of more than \$250,000 were to be transferred only with Board approval. However, all the items to be discussed were under \$250,000. The purpose of budget reallocations was to ensure that no BLI would have a negative value.

The first reallocation concerned the transfer of \$120,000 under ARPA Branding in Tourism from China BLI to Marketing Opportunity Fund BLI. This had previously been discussed, and this reallocation was a follow-through on the prior decision.

The FY2022 Tourism Fund had a \$60 million budget for Perpetuating Hawai'i Culture. The NaHHA contract 18-200 had been encumbered to include all these funds. Practitioners were to have been sent out to market under this budget heading, but the administration did not issue a Notice To Proceed (NTP) in time for them to start work. Instead, the HTA went through its procurement process for these projects. A supplemental line was to be added to contracts 18-200 to reduce the amount allocated to the NaHHA contract regarding the spending by the HTA before the NTPs were issued. This would be a net zero change.

A reallocation had taken place in the Branding Standing Committee, where a contract was first given for \$270,000 but was later renegotiated to \$260,000. The rebranding program had been removed because there was not enough budget.

Funds had been set aside for the gohawaii.com website, but this was now on hold and would be part of a future procurement for global support services. Some older budget items involving it

had been cleaned up. For instance, BLIs 348, 339 and 350 were all related to the global support services contract, but they had been cleaned up because of budget changes over time.

Mr. Arakawa made a motion to propose that the remainder of agenda item 6 should be discussed in the Executive Session to protect competitive advantage, and Mr. Kam seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

[Executive Session]

Chair Rafter said there was no need to vote on agenda item number 6.

Mr. Arakawa said there would be a more robust discussion at the upcoming BOD meeting, where the public would get the information.

There were no further questions.

7. Adjournment

Mr. Kam made a motion to adjourn, and Chair Rafter seconded. The motion passed unanimously. Mr. Casson-Fisher adjourned the meeting at 12:05 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder