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**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, February 29, 2024, 9:30 a.m.**

Hybrid In-Person & Virtual Meeting

Hawai'i Convention Center
Parking Level | Executive Boardroom A
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815

MINUTES OF THE REGULAR BOARD MEETING

MEMBERS PRESENT:

Mufi Hannemann (Chair), Kimberly Agas (Zoom), David Arakawa, Dylan Ching, Stephanie Iona (Zoom), Sherry Menor-McNamara (Zoom), Blaine Miyasato, James Tokioka (Ex Officio, DBEDT Director, Sig Zane (Zoom)

MEMBERS NOT PRESENT:

Mahina Paishon-Duarte (Vice Chair), James McCully, Mike White (Zoom)

HTA STAFF PRESENT:

Daniel Nāho'opi'i, Isaac Choy, Ilihia Gionson, Caroline Anderson, Jadie Goo, Iwalani Kaho'ohanohano, Maka Casson-Fisher, Carole Hagihara-Loo

GUESTS:

David Baronfeld, Kylie Butts, Jennifer Chun, Jeffrey Eslinger, Tyler Gomes, Erin Khan, Noelle Liew, Guillaume Maman, Tom Mullen, Teri Orton, Jessica Lani Rich, Mari Tait

LEGAL COUNSEL:

John Cole

1. Call to Order

Chair Hannemann 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, and members were in attendance except for Ms. Paishon-Duarte, Mr. McCully, and Mr. White, who were excused. Members who attended via Zoom were by themselves.

3. Opening Protocol

Mr. Casson-Fisher did the opening cultural protocol by explaining and elaborating what mākaukau and ho’o mākaukau (to be ready) means through chants.

4. Report of Permitted Interactions at Informational Meetings or Presentations Not Organized by the Board Under HRS section 92-2.5(e)

There was no input on Permitted Interaction Groups.

5. Approval of Meeting Minutes of the January 25, 2024 Regular Board Meeting

Mr. Miyasato made a motion to approve the minutes. Mr. Ching seconded, and the motion passed unanimously.

6. CEO Report

Mr. Nāho’opi’i presented a detailed report on the activities of the past month. He began by reviewing the goals for 2024, which would continue to use marketing strategies to recover demand for Maui, especially for the U.S. and Canadian markets. It was important to shore up the international markets since economists expected a softening of the global economy, which required Hawai’i to encourage high-spending visitors. Mr. Nāho’opi’i expressed the hope that by 2025, the agency would have five additional positions for on-island destination managers. By the end of 2025, the goal was to fully integrate these destination managers into planning and implementing the agency’s goals.

Mr. Nāho’opi’i expected that by the end of the fifth year (2029), the agency should have successfully shifted the type of tourism offered to visitors towards a more regenerative model by working with technical assistance and training to develop community-based tourism. Community awards would fund programs that shifted towards contributing to the community-

based economy and residents and working with hotels and other businesses. This method of contributing to the economy and sustaining the environment and the entire destination would create a different mindset for residents and visitors.

The Board had previously approved emergency funding for Phase Two of the U.S. Maui marketing recovery program, to be carried out during the first half of 2024. Contracts for the Canadian recovery program had been awarded, and the program was in progress. The recovery program would support businesses and convey that Maui was open. A contract had been awarded to update GoHawaii.com with additional Maui businesses and new products in Maui. This would expose more Maui businesses to U.S. consumers. Several businesses had been funded to carry out a pop-up marketing program in New York with Mana Up, and West Coast activations would feature Maui businesses, especially those facing challenges. The intention was to support and encourage consistent messaging and outreach to Maui residents and industry stakeholders.

A consistent Mālama Maui message was to be given to visitors, and there was concern that visitors were not exposed to sufficient Maui-specific messaging after their arrival. An enhanced contract had been awarded to Kilohana, and the organization was working with Maui itineraries to enhance existing messaging. Support was to be given to small businesses based in Maui, not only resorts and hotels. The destruction of Lahaina had eliminated many outlets and venues for selling products. The HTA was now working with Maui County and the CNHA to set up outlets featuring Maui products for sale to visitors and residents. The expansion of tourism products in Maui was to be integrated into the U.S. Canadian marketing programs, along with the creation of new products in Maui now that conditions have improved.

The HTA was working with the CNHA to support improvements in long-term housing. The CNHA had been designated as the coordinator of temporary or short-term housing and was inviting residents and owners of transient vacation rentals (TVRs) to participate in the program, working with Lele Aloha to provide more information to residents about available resources, online sites, and contact with government agencies.

Additional funding for the Canadian and Japanese marketing programs had been authorized, and the programs were in progress. This will be explained at the Spring Tourism Update Forum to be held on Wednesday, March 6. Global support services were responsible for developing and managing the GoHawaii website and the GoHawaii app, along with media related to these outlets, sharing Aloha programs and air route development. The contract had been finalized, and only the final signatures were awaited. This program supported all the Hawai'i markets, both international and domestic.

During the previous Board meeting, a question had been asked about the corporate sales position for Meet Hawai'i. Mr. Nāho'opi'i informed the Board that the contract had been amended to include funding for a new position. A suitable candidate had been identified, and hiring was in progress.

Regarding destination stewardship, Kilohana will give information later in the meeting about programs awarded funding. Their press release cited more than 150 community-based organizations to receive funding for 2024. The representative of Kilohana would also describe their provision of post-arrival visitor education in airports, in-room video, and other venues.

The East Maui tourism program continued, with communities taking on the kuleana of stewarding, managing traffic, and supervising parking. Visitors arriving at one of the pull-off points would be greeted by stewards giving information about the area and advice about safety measures. These were local residents, so they had a lot of information and could explain the importance of visitors remaining respectful.

Ms. Anderson had finished the workforce development plan and developing a quality assurance program, which would be explained by Kilohana's representative later in the meeting. Quality assurance ensured that businesses followed certain standards so visitors would enjoy a high-quality experience aligned with regenerative and sustainable tourism practices. Kilohana had worked with community advisory groups, businesses, and residents to develop criteria for a quality experience and business operation in Hawai'i.

Mr. Nāho'opi'i explained that the HTA was in the process of hiring another brand manager out of the two that were required. Information was being submitted to the Department of Budget & Finance and the Governor's Office.

The Board had previously authorized a governance study, and the contract for this work had been awarded to Better Destinations LLC, which was already conducting interviews and meetings with communities. Its work plan had been presented to the Governance Permitted Interaction Group (PIG), and a survey would be distributed. Members of the Governance PIG would be part of the collaboration on each island for community meetings, but the consultants would eventually interview all Board members and the HTA staff. They would participate in local meetings during the following week but also schedule in-person or online meetings with Board members and the HTA staff. They would seek input on the best way to manage tourism in the State of Hawai'i, what form the supervisory agency should take, and perceived problems and proposed solutions for better operation.

Mr. Gionson presented some information about the HTA crisis response. As well as the continuing response to the wildfire disaster, in the past month, they had responded to the situation created by the grounding of Boeing 737 Max 9 airplanes, which affected flights to and

from Hawai'i. Working with airline partners, support was offered to visitors who were delayed. Secondly, Hilo airport was affected by a mechanical issue with screening equipment, which caused long lines and delays for passengers. The team contacted the airport staff to assist and inform visitors. Thirdly, the team stood by, ready to help visitors affected by the unexpected overnight closure of the single runway at Kona International Airport, an important gateway to Hawai'i. However, the airlines had diverted most flights to Honolulu and accommodated passengers where necessary. In collaboration with airport management, the HTA team did their best to keep those stuck at the airport as comfortable as possible.

Last year, the Spring Tourism Update was held in April, but it seemed more effective to place it with Tourism Day this year. Mr. Gionson explained that the Spring Tourism Update was scheduled for Wednesday, March 6, as a live stream from the HCC to provide the visitor industry and the local community with the latest updates. He stated that the entire HTA Global Marketing Team would be present on that day, to combine public updates with meetings with internal and industry partners. This would benefit members of the Global Marketing Team without a physical presence in Hawai'i and allow them to connect with industry partners. On Thursday, March 7, the O'ahu Business Bureau was to showcase new products. The Board was informed that on Friday, March 8, the HTA would partner with the HLTA, HVCB, CNHA, and the Native Hawaiian Hospitality Association to put on Tourism Day at the State Capitol. This was the annual opportunity for the HTA to showcase the latest in the visitor industry to lawmakers and interested members of the public.

Currently, the staff is tracking 135 measures of interest during the legislative session. Measures that were making progress included several which concerned modifications of destination management. Other advancing measures related to the marketing of the HCC, the naming rights for the HCC, enabling agricultural tourism, close monitoring of green fees, state funding of internships for aspiring hospitality leaders, planning for regenerative tourism, and the smart destination app. Other measures being considered involved the transfer of some cultural funding to the State Foundation of Culture and Arts.

Measures that were not making progress included licensing tourism guides, establishing a tourism liaison officer at the Governor's Office, restoring the Tourism Special Fund, and transferring the Convention Center to the Department of Accounting and General Services. A budget request for \$70 million had been made to fund additional staff positions. The Governor's package requested \$60 million and envisaged the existing 25 positions. The Board was informed that the vote on the confirmation of one of its members, Dir. Tokioka was taking place at that moment. Mr. Nāho'opi'i expressed the good wishes and congratulations of the entire HTA, appreciating the leadership which Dir. Tokioka had brought his hard work to DBEDT and to the HTA.

Dir. Tokioka thanked the Board and the HTA staff for their support during the confirmation hearings and looked forward to continuing the collaboration between DBEDT and the HTA. Mr. Nāho'opi'i asked whether the crisis response team intended to quantify all its recommendations. He suggested that the impact of the closure of the Kona airport runway could have been reduced if there had been liaison with the car rental agencies and if the airlines had been ready with a Plan B. The Hawai'i Emergency Management Agency had met with some industry leaders, airlines, and trucking associations. He suggested that the HTA could also reach out to HiEMA and coordinate with car rental agencies and hotels. He noted that the HTA worked with the State Emergency Management Agency when industry information was provided.

Concerning the Governance Study, the Board was informed that its baseline was the conditions that were currently available in the statutes. For instance, various scenarios for the status of the HTA could be considered as an independent organization. Models from other destinations and best practices could be discussed and would form part of the initial survey and interviews, which would be followed by a second round of interviews to create recommendations. It was to be noted that the HTA had made some modifications to the original plan proposed by SMS based on existing processes. The governance study would identify best practices and list all available resources, such as the Convention Center, airlines, and hotels, in one place to allow effective coordination.

Asked how Better Destinations, the consultant for the governance study, had been selected, Mr. Choy stated that it resulted from an RFP process, followed by evaluation by a committee that assigned scores to various parameters of each vendor. He noted that all the companies that submitted proposals had similar qualifications, but Better Destinations had proposed superior procedures. He informed the Board that Better Destinations LLC was a mainland company that hired local consultants. Local companies needed to pay attention to the RFPs. Mr. Nāho'opi'i clarified that the local company working with Better Destinations was a team member and informed the Board that the mainland-based members of the company would be in Hawai'i during the following week to conduct the work.

Mr. Arakawa agreed that local vendors should study the detailed issues in the contracts they were bidding. He noted that the vendor selected for the governance study was familiar with the issues faced by the HTA over the years and understood how they came about. All the vendors were given the opportunity to address the issues involved, but only the selected vendor addressed them directly. The other vendors were either unaware of the issues or responded, "We'll see what happens." The selected vendor had a surprising depth of knowledge.

Mr. Choy added that after the initial proposals, there was a second round of questions in which vendors could modify or improve their initial responses. The selected vendor was the book's author, and he looked forward to comparing the book with their work.

The Board asked about the Wai'oka project, which Mr. Gionson had discussed. Ms. Anderson replied that this was an East Maui tourism management pilot program for which an RFP had been issued in April 2023. Working with the HVCB, a selection had been made during the summer of 2023 consisting of four community organizations implementing various site management programs. These organizations were all from the local area, and this ensured that their stewardship would help tourists be respectful and avoid injury. It had come into operation during the previous month. Mr. Gionson contributed that the locations selected were from the DMAP list of hot spots and had been identified by community groups as suitable places to begin the practice of community stewardship. The partners who planned this project deserved congratulations.

Mr. Nāho'opi'i noted that a similar project was taking place on Hawai'i Island. He also reminded those participating in the Board meeting on Zoom that those who might wish to participate, listen in, or submit questions to the Spring Tourism Update on Wednesday, March 5, should log on to hawaiiauthority.org.

7. Board Chair Report

Chair Hannemann thanked Mr. Nāho'opi'i for his report and wished all the Board members a Happy Leap Day.

He reminded Board members that the Permitted Interaction Group (PIG) chaired by Vice-Chair Paishon-Duarte had recommended that the previous messages of Mālama should be complemented by the more proactive message that most Maui residents wanted to go back to work, and businesses wanted to be able to reopen. The HTA had obtained approval from Gov. Green, Mayor Bissen, and key state legislators to send out this positive message. A website had been developed that did more than replay advertisements; it also informed users that the HLTA was working individually or in partnership with other agencies to provide resources for businesses, West Maui community members, and visitors. It was time to reopen Maui.

Chair Hannemann shared a public service announcement being transmitted on all major television stations proclaiming increased resilience and sustainability. This advertisement represented all segments of the Maui community, including various businesses important to Maui recovery and individuals from different ethnic backgrounds. Radio and television stations were recipients of the HTA funding and were asked to give HTA air opportunities. Mr.

Nāho'opi'i and Mr. Gomes of Kilohana had participated in a radio discussion about regenerative tourism. A television station was to feature a live Sunday segment with workers sharing their own personal experiences and explaining why reopening Maui was important. Sen. DeCoite and Vice Chair Paishon-Duarte were also to take part in broadcasts. Chair Hannemann commended the efforts of Ms. Anderson and her staff to send out the HTA message on traditional media, radio, television, and social media.

Chair Hannemann encouraged all Board and staff members to contact colleagues and friends to spread this message. Mr. Ching, who was born and raised in Lahaina and still operated businesses there, was to participate in a television segment. It was important for everyone to understand that the HTA was ready and willing to work with the Governor, the Mayor of Maui, and the legislature.

Chair Hannemann encouraged Board members, staff, and Zoom participants to take time to share the Tourism Day at the State Capitol on March 8. All partner organizations were to be present to demonstrate the importance of tourism, and this would be an ideal opportunity to interact with legislators and answer their questions.

Chair Hannemann explained that the codification of destination management was an important issue, so what had been done in destination management and destination marketing could be solidified in statute form. The legislators were positive, and detailed contracts were given to the CNHA and Kilohana to work with the HTA, bringing over destination management staff at the HVCB.

One of the bills making its way through the legislature concerned workforce development to provide government funding for internships in the hospitality industry. The House Ways & Means Committee Chair had encouraged the HTA to be more active, and Ms. Anderson had developed a plan to present to the Board. This would provide an opportunity for the HTA to work with the Department of Labor on internships in the tourism industry, which had not been active in the past. There was a labor shortage, and it was important for the private sector to engage with the government to inform young people about career opportunities in the tourism industry. An example of this was the Ho'oilina program, in which the government provided full four-year scholarships for public school students to study for a degree in hospitality management at the Shidler School. This program, funded by the Department of Labor in collaboration with the Department of Education, was now in its third year. Local leaders were being trained in hospitality.

Regarding the naming rights for the Convention Center, Chair Hannemann informed the Board that two methods of approaching this had been passed to the legislature. One solution was to

partner with the Stadium Authority, which also hoped to sell naming rights, but this was deferred. The other was a stand-alone measure under discussion in the Senate, and the Chair had asked Ms. Orton and Mr. Nāho‘opi‘i to be available to answer questions about this. Chair Hanneman felt that this was an appropriate time to consider this measure, given the high revenue being generated by the HCC at present. Naming rights would confer an additional revenue stream. The Center was a suitable venue for indoor sports events, not only business events. This also highlighted the importance of executing and completing the roof repair project.

Chair Hanneman had taken part in a meeting with Better Destination, the contractor for the governance study. Eventually, the contractor would meet with all the Board members and leaders of committees. Ms. Agas and Vice-Chair Paishon would be kept informed. The governance study would allow sharing of ideas and input from various organizations. Board members should offer suggestions about the questions that should be asked. This study would demonstrate to the Governor, the Lieutenant Governor, the Mayors, the legislators, and DBEDT that the HTA aspired to exist in an environment where everyone’s concerns were addressed.

Ms. Agas reminded Board members that various agricultural entities, the Hawai‘i State Farm Bureau, the Department of Agriculture, and the Development Corps would all be present on Tourism Day. Kaua‘i-based farms would attend to show that food security was important. Tourism supports agriculture, and agriculture could become a voice for food security.

Mr. Arakawa supported all the issues mentioned by the Chair. He noted that during the previous year, the HLTA, HVCB, and the HTA had invited several major festivals. Regarding green fees and based on comments from leaders of the Maui tourism industry, he understood that site-specific tourism fees were acceptable since it was clear that DLNR, the State, or the County was responsible for maintaining tourism sites, but overall tourism fees were not supported by residents.

Mr. Arakawa also suggested that the HTA might work with the tourism industry of Maui to monitor the south Maui community plan.

Mr. Arakawa’s third suggestion was that the HTA should support beach restoration projects such as that at Ka‘anapali, where there had been collaboration with DLNR for about ten years. Beach restoration was a statewide issue that affected Waikīkī, and other beaches, and it was to be hoped that the HTA would work with them.

Chair Hannemann responded that he had long opposed general fees and believed any fees collected should go to a specific site as in the Mamala Bay model. There was support for this

model at the legislature. It was important to specify where a particular fee was to be sent and its intended purpose. Discussion of the environmental aspect needed to be more specific.

A bill was under discussion to increase the Transient Accommodations Tax (TAT), but Chair Hannemann opposed this. 10.25% went to the State, 3% to the County, and visitors paid the 4% general excise tax, making a total of almost 18%, not counting other taxes paid on car rental. Some believed that Hawai'i was the most heavily taxed state in the country where extracting fees from visitors was concerned. It was important to take a strong, solid position on this, although user impact fees might be open to discussion, and Tourism Day would be an opportunity for the opinion of the HTA to be heard.

Regarding beach restoration, Chair Hannemann pointed out that the HTA had recently launched a project in Maui with three pilot programs under destination management concerning waterfalls and beaches. This pilot project could be an avenue to delve into other issues needing more investment. He also kept close contact with the wishes of the governor and the mayor of Maui regarding the South Maui community plan.

Mr. Arakawa responded to the discussion on TAT and user impact fees by mentioning that he had received texts pointing out that our competitors, such as Mexico and South America, often commented on the level of taxation in Hawai'i. This was a marketing tool working against Hawai'i. The Mamala Bay model had been working effectively for several years, with the assistance of a strong local council.

Mr. Nāho'opi'i had already mentioned green fees and taxes, and an earlier board had passed a resolution for the HTA to continue to research and identify the issues involved. Many of the bills discussed in the legislature were related to different issues. Some bills referred to minimums, which might have an appreciable impact on an individual or local resident staying in a small property or in standard or deluxe hotel accommodation. Transparency was important to define how the fees were to be used, and this must relate to environmental remediation in a specific locality.

All Board members were encouraged to use their informal contacts and relationships to communicate with the legislators at all levels. From now until the end of April, everyone needed to be engaged. Board members were advised to consult the Chair or the HTA staff for additional clarification.

8. Update on the Services for Destination Stewardship Contract by Kilohana

Mr. Gomes gave a detailed presentation of the work being carried out by Kilohana on three of the five programs in their contract, with additional details in the information packet supplied to Board members.

Kilohana carried out visitor education and post-arrival marketing using airport baggage-claim advertisements, search engine optimization, and social media. Mr. Gomes informed the Board that Kilohana was ahead of every program's key performance indicators (KPIs), with higher engagement than expected. He presented a report on the number of current impressions while noting that there was a target for the total number of impressions registered up to December 2024.

Kilohana was working with Mr. Ka'anā'anā for the 2024 Maui recovery plans approved by the Board for \$300,000, beginning with curated itineraries specific to Maui in areas other than West Maui. Examples of these itineraries were included in the detailed report. In social media, Mālama Maui spots had been developed involving city guides and "a day in the life" items to keep traffic away from West Maui.

Kilohana was working on Travel 808, beginning with Oahu, comprising seven four-minute segments to be launched in March, and moving on to developing videos for the other islands with highlighted activities, items on dining, local breweries, and so on.

The second concern of Kilohana was quality assurance, and they worked with over 100 industry participants to develop what might be the most inclusive accreditation program in the world. The program did not qualify for GSCC because it was too extensive, whereas GSCC considered a limited set of sustainability initiatives. The challenge was to scale the program to consider larger and smaller at-home businesses. Some testing had been conducted over the previous two months to ensure the criteria were effective for different sizes of businesses.

The six criteria categories were cultural support, environment, equity, safety, community, and guest experience. There was no requirement to complete all the criteria but there were incentives for those who satisfied all six. Businesses might be asked to obtain one or more certifications to earn participation in other HTA activities. It was clear that the first year was the most critical time to achieve the award and global recognition, and the emphasis next year would be to obtain as much recognition as possible, regardless of the number of participants, to achieve acknowledgment of the breadth of criteria and creation of a strong brand. Branding and marketing were to be announced in May and live in June.

Mr. Gomes informed the Board that under 'Umeke, community funding opportunities had distributed \$7.6 million to 164 recipients. Many recipients had asked why their award was

lower this year than in previous years. This was due to the lower total amount available and the increased number of applicants. The detailed report supplied to Board members gave a breakdown of the awards by type of project and island.

Out of the 164 recipients, 92 had been funded previously and 72 were funded for the first time. Thirty-three of the recipients were programs operating for the first time this year. Three awards categories, resort area Hawaiian culture initiative, Kahu 'Āina, and Kūkulu Ola targeted native Hawaiian speakers.

Twenty-three awards, the highest number, were for nature and agriculture projects, sports had 21, native Hawaiian culture programs not included in the three categories mentioned above, 21, and culture programs for other cultures 17.

The detailed report listed events that had been completed, including some that had taken place before award recipients were designated, with contracts in place to acknowledge that awards came out later. Assignment of contracts for the remainder of the year was ongoing.

Mr. Ching thanked Mr. Gomes for his presentation and asked whether those who did not receive awards had followed up to find out why. Mr. Gomes responded that the selection committee had been made up of diverse individuals from all communities, but there were so many applicants that difficult decisions about the allocation of awards had to be made. Regardless of whether they had inquired, an email response had been sent to each unsuccessful applicant.

Chair Hannemann congratulated Kilohana and commented that the data seemed to show that the program was growing and becoming closer to what had been envisioned. The East Maui itineraries had been organized by destination managers. An article from Japan about geisha who were harassed when returning from work made him realize the importance of post-arrival visitor education. One of the subcontractors was a global trend-tracking company whose first report was issued in January. Efforts would be made to contact other entities which would share information.

Mr. Nāho'opi'i added that the HTA destination managers sat on the selection committees for the awards for the East Maui and stewardship programs.

Chair Hanneman commented that those who did not receive awards needed to be aware that this was due to the funding limitation and made it clear that if the HTA's efforts to obtain additional funding from legislators were successful, more organizations could receive assistance. The legislature had been asked to give an additional \$10 million, and the Chair invited the Board and the online audience to support their efforts to obtain this.

Dir. Tokioka congratulated Mr. Gomes and his team for achieving so much quickly and applauded their willingness to work with Mr. Choy and Mr. Kishi to set up a structure to account for the transfer of funds from one organization to another.

Mr. Nāho'opi'i reminded the Board that these community awards were award programs, not outright grants. Kilohana provided services such as technical assistance and capacity-building to the recipient organizations. Organizations that had not been successful and organizations that were considering future projects would be given support for technical assistance and product development. This would not be the case if the awards were straight grants.

Chair Hannemann thanked Mr. Gomes for making himself available and appreciated the new partnership between the HTA and Kilohana. He looked forward to partnering with the CNHA and pointed to the importance of transparency to demonstrate that these partnerships were effective. He was grateful that Kilohana had always been available when he contacted them about a need.

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

A detailed report was made available to Board members in their information packet, and it was also available on the HTA website.

Ms. Chun presented the highlights of this report. She stated that arrivals in January had been lower than in January 2023 and January 2019. Expenditure by visitors had been lower than in January 2023 but higher than in January 2019. The exceptions were Japan and Canada, for which expenditure had been higher than in January 2023 but lower than in January 2019. Per person, per day spending had been higher, but the lower volume meant the total expenditure was lower.

Analyzing the revenue by island, O'ahu had been higher than in January 2019 but lower than in January 2023. The only islands in which expenditure was higher than in January 2023 were Kaua'i and Hawai'i Island, probably because they benefited from the lower visitors to Maui. Only O'ahu had a higher number of visitors for January 2024 than for January 2023.

Regarding hotel performance, Ms. Chun stated that in January occupancy was at 75.4% and the average daily rate (ADR) was \$378, which was lower than in 2023, but the overall RevPAR was similar due to the higher occupancy rate. Occupancy was lower for the vacation rental market, but ADR was slightly higher than in January 2023. The demand for hotels was higher than that for rentals.

Transient Accommodations Tax (TAT) collection for January was \$82.7 million. For the entire fiscal year 2024 (FY24), total TAT was slightly lower than FY23, a reduction of 4.7% to \$485.5 million.

Fewer air seats had been available overall in January 2024 than in January 2023, and also lower than in January 2019. During February, there were slightly more seats, and during February, March, and April, there were more increases in international seat availability. The pace for six-month air ticket booking for all markets for February, March, and April was also lower.

The U.S. market was lagging behind the pre-pandemic booking pace but was expected to improve during the summer. Japan was expected to improve in the summer, and Canada and Korea seemed to be doing better in July 2024 than in July 2019.

Chair Hannemann asked why Japan was doing better in terms of arrivals but worse in terms of spending. Arrivals were better for January 2024 than for January 2023 because of the larger number of seats, but the number of arrivals was lower than for January 2019.

Mr. Nāho'opi'i asked the Board to take note that January was the sixth consecutive month with arrivals and total expenditure lower than in the previous year. Ms. Chun replied that it was not entirely due to the Maui fires. Mr. Nāho'opi'i stated that this showed the need for continued marketing and management to stabilize demand, balancing the international visitors who were higher spenders with the domestic U.S. market.

Chair Hanneman agreed that this was not the time to stop marketing, and it was important for Hawai'i to be active in the marketplace in the face of outside competition. Tourism was an economic revenue generator for the State. Mr. Miyasato pointed out that adding more capacity and seats did not necessarily translate to results and marketing; awareness and promotion of the destination were all vital. Chair Hannemann noted that the number of seats was the limit for the maximum number of arrivals, and capacity was not the problem.

10. Report and Update by the BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE of their Meeting Held on February 20, 2024

The Chair of the Budget, Finance, and Convention Center Standing Committee, Mr. Arakawa, introduced two items upon which the Board was to vote. He also listed several issues the committee had discussed that would affect the budget and legislative proposals.

A: The information packet supplied to Board members contained a report on the status of the Tourism Emergency Fund.

- B: House Chair Quinlan had issued a response to and comments on the FY 24 operating budget. It had taken several months for the Board to receive this document from the staff, and it took the staff several months to respond. The Board had not reviewed the response before sending it to the House Chair. The budget committee would review it in future meetings and would later discuss procedures to be followed when budget questions were received from legislators.
- C: The committee discussed the update on campaign effectiveness, cost-benefit ratio, and return on investment (ROI) for the incremental budget requests in response to the Maui wildfire. Mr. Arakawa thanked Mr. Nāho'opi'i, Mr. Choy and the HTA staff. This update was available for review online.
- D: The status of the HTA past-due accounts had been reviewed, and Mr. Arakawa was happy to report that while initially, the total arrears stood at \$4 million, they were now up to date. Mr. Nāho'opi'i, Mr. Choy, and the HTA staff implemented policies and procedures to ensure prompt payment of all invoices.
- E: The committee had reviewed the status of the contracts and payments for incremental requests about the wildfires. Most contracts had been completed, and invoices had been submitted for payment.
- F: The status of employment contracts and bonuses was to be reported on by the Administrative & Audit Standing Committee.
- G: The committee had considered policy and practices regarding outside requests about the budget, including the legislature, for example, an article about funding for the visitor assistance program.
- H: The committee was to consider travel policies and procedures. Mr. Choy had given some information but was to follow up regarding criteria for who was to travel where and for what purpose. Mr. Arakawa stated that the reporting program after official travel was good at the moment.
- I: One of the HTA consultants had not complied with their contract requirements, and a suggestion was made to waive the contract requirement, but this was not acceptable. Methods were to be devised to ensure that vendors complied with contract requirements.
- J: The committee discussed the status of the unused funds in the Tourism Special Fund. The HTA staff presented a detailed report, which could be viewed online.
- K: The 2023/2024 budget would be examined at the next meeting of the committee.

a. Discussion and/or Action on HTA’s Financial Report for January 2024

Mr. Arakawa proposed a motion to approve HTA’s Financial Report for January 2024. The motion was seconded by Ms. Agas.

Mr. Choy thanked Mr. Arakawa for his many suggestions upon which the HTA staff was working. The staff always took time to respond to his questions, and some of his comments led to policy changes. Mr. Choy also informed the Board that Mr. Kishi had qualified as a Chartered Public Accountant (CPA). This meant that the financial administration of the HTA was now at a high level, even though they still needed an additional three staff positions.

The detailed financial report was part of the information packet supplied to Board members. No questions were received from Board members or online participants.

Mr. Gionson conducted the roll-call vote, and the motion was carried unanimously.

b. Discussion and/or Action on the Hawai’i Convention Center’s January Financial Report and Update on the Hawai’i Convention Center’s 6-Year Repair and Maintenance Plan

Mr. Arakawa informed the Board that the audit of the Hawai’i Convention Center for 2023 had been issued and was being reviewed. The audit resulted in a clean opinion.

Mr. Arakawa proposed a motion to approve the Convention Center’s January Financial Report and Update on the Hawai’i Convention Center’s 6-year Repair and Maintenance Plan. The motion was seconded by Ms. Agas.

Ms. Orton presented the January financial statement for the Hawai’i Convention Center. During January, the center hosted 15 licensed events as proposed in the budget. One of these was a citywide sporting event, the Transpacific Volleyball Championships, and the remainder were local events.

The total revenue for January 2024 had exceeded \$1.2 million, and the forecast projected that by the end of the financial year in June, the total gross revenue would approach \$25 million, the highest annual total in the center’s history, as opposed to the budget figure of \$18.5 million. This included \$1.5 million in interest, listed as “Other.” A net loss of \$186,400 versus the budgeted net loss of \$5.3 million was expected. The Convention Center was on trend to save the State \$5.1 million and was expected to break even by June. Food and beverage revenues had been stronger than expected. It was hoped that this trend would also continue during the next financial year.

The center was to host a total of 220 local events as well as 20 citywide events. Ms. Orton reported that the Visitor Bureau worked hard to create short-term interest in citywide events into 2026. A year ago, only two citywide events had been booked for 2026, but there are now five. Many site inspections had taken place, and several leads were coming through.

Mr. Choy congratulated the Convention Center team, and Chair Hannemann commented that the timing was right for naming rights.

Ms. Orton responded that an important factor was the Convention Center's impact on the State's economy. The 20 citywide's to be hosted during FY24 were likely to generate \$370.3 million in economic impact due to the offshore business passing through the center. By June the expected tax revenue would be \$43.3 million, a valuable contribution to the State general fund from the Convention Center and the Visitor Bureau team. Since the start of FY24, for every dollar spent on the center, \$15.33 had been returned to the state from the eleven citywide events that had already taken place.

Nine more citywide events were scheduled during the next four months, the next being NDIA, starting on March 2 with 1700 delegates. Ms. Orton's report detailed a list of recent and upcoming events to be hosted at the Convention Center.

The center participated in a carbon offset program, which has resulted in planting 272 trees to date and a total of 265.4 metric tons of carbon dioxide offset.

Ms. Tait provided detailed information about repairs and maintenance projects, with photographs of some recent items of equipment that had been replaced. New food and beverage equipment included new meeting presentation tables, Mogogo banquet tables that could be set up in different configurations, and new coffee and beverage dispensers. The center contained 30 electrical transformers that were originally built in the building. Four had been replaced, and energy savings were expected. The center was working with Hawai'i Energy on credits for this project and hoped to replace all the transformers gradually. The ballroom wallpaper had been replaced, and the same wallpaper was used in the meeting rooms to simplify management and inventory.

In early February, the exterior security camera system was enhanced by installing high-definition cameras. Ms. Orton had reported to the budget committee meeting that vandalism had been a recurring problem, starting when DLNR was housed in the building. Passengers in passing vehicles projected ball bearings at the windows. The cost of window replacement was nearly \$200,000, since the cost of replacing each window was between \$15,000 and \$20,000, depending on its location, since the upper story windows had to be installed using a crane. Various solutions had been proposed to solve this problem, including treating the glass with a

protective film, but this was judged instead to be more dangerous since a damaged window would then fall as a whole with a weight of up to 500 pounds.

Soon after the cameras were installed, a window-breaking incident occurred at 2 a.m., and the vehicle's license plates, make, color, and model were clearly seen. The video had been turned over to the police, but they have reported that the evidence was insufficient for them to open a case. The mayor's office was to be contacted to encourage further action by the police. Even if no perpetrator could be convicted, at least awareness of the security system would be created.

Ms. Tait presented spreadsheets for the six-year plan and reviewed some major projects' highlights. A contractor had been selected for the exterior painting, and they were to work closely with the center administration to avoid disruption to scheduled events. This contract was still in the scheduling phase. The chiller replacement project was progressing well, and the new chillers were to be installed by the end of March, with completion in May. This also represented an improvement in the use of energy and sustainability.

A contract for the upgrade of the LED lighting was underway, and the next stage would be to set up a mockup to examine the impact in different rooms. This would also assist in energy usage.

The escalator modernization project was still in the procurement phase, and five contractors showed interest and took part in site visits. Proposals were expected during March.

Solicitation was taking place for the first two qualifications for architect firms with a design bid approach. Proposals for food and beverage equipment were being evaluated. The RFP for the parapet roof repairs was issued this week. A list of other priority projects formed part of the information packet supplied to Board members.

Mr. Arakawa noted that all these projects had been discussed at the budget committee level and could be reviewed in the minutes of the last meeting.

Mr. Gionson conducted the roll-call vote, and the motion was carried unanimously.

11. Presentation by Dan Hoffend, ASM Global, on Convention Center Trends and Legends Acquisition

Chair Hanemann informed the Board that this agenda item would not be discussed during the present meeting.

12. Presentation and Discussion Regarding an Update of the Meetings, Conventions and Incentives Market Activity and Pace Report, and Hawai'i Convention Center Activity and Local Sales

Ms. Whitehead gave a presentation on meetings, conventions, and incentives market activity and pace report and stated that January had been a robust month. Referring to a question during the January Board meeting, she reported that out of 16 events in 2024, 75% were new, and 25% were repeat events. Of events already booked for 2025, 46% would be new, and repeat events 53%. She commented that it was important to increase the percentage of repeat business.

She thanked Mr. Nāho'opi'i and others who had campaigned for funding for the newly approved position. Several candidates were already being reviewed. Ms. Whitehead's replacement for the East Coast position had just been hired and would start work on April 8. The manager for single property sales, Ms. Laurie Ihara, started work on February 20, and positivity was already being noticed in this market. Ms. Whitehead had received five or six resumes from candidates and hoped to report more about staffing during the next Board meeting. Interviews were underway for a client services manager, and there was much interest in this position.

Ms. Whitehead reported on various initiatives that had taken place during January, including a meeting of the Professional Convention Managers' Association. This was a global organization, more than half of whose members were meeting planners. There was also participation in the Independent Planner Education Conference, which brought together independent planners who were not affiliated with larger organizations. During January, a Hawai'i Convention Center presentation was given at a meeting of strategic media planners in Japan. About 80 participants were divided equally between HIS salespeople and corporate meeting planners. There was also involvement in the Hawai'i Kai Workshop, based in Japan, and quarterly meetings, consisting of wholesalers in the Japanese market, stakeholders, and hotel management.

The Society for Incentive Travel Excellence (SITE global) was a strategic partnership that helped to deliver incentive business to Hawai'i and provided about 28% of our business. SITE Global was in the process of distributing an eBook. A webinar was held last month, with another in March, with about 170 participants representing 33 countries and focusing on Mālama activities and Maui. This webinar shifted the message towards resilience versus recovery. Ms. Whitehead looked forward to more future webinars for the incentive market.

Ms. Whitehead presented detailed figures on citywide production and consumption. She referred to booking cycles and mentioned that despite the shortage of team members, 2023 had been successful, and she hoped to build up momentum in 2024. She commented that it was normal for there to be a slump in January but stated that there were several tentative bookings, and the citywide team was working on several proposals.

Ms. Whitehead's report showed a similar future pace of consumption and arrivals, but she stated that several groups were about to confirm their bookings for 2024, and she expected that by the end of the year, consumption would be 100%. 2026 was a concern because of the expected roof repair contract, and she was waiting for information from the Convention Center team. It was clear that the booking cycle was now shorter than previously, and given the buildup in 2024 and 2025 bookings, there was less concern about future years.

The Japan team was seeing an increase in group demand despite a general downturn in leisure. An event was planned in August with between 6,000 and 7,500 participants, and a contract was in place for a group event from Japan with 2,500 participants.

Single property production showed a similar situation, but there were many tentative bookings. The future pace for single property showed a strong short-term cycle, and the team worked on 2024 and 2025 bookings. Ms. Whitehead commented that she saw single property as a significant means to drive short-term business to long-haul destination islands. Her report analyzed single property booking by island, in which only Maui had definite bookings. In January 2023, there had been 1,000 definite rooms overall and strong tentative rooms. Ms. Whitehead hoped that the single-property marketing team would be fully staffed by April or May and expected that this would improve sales.

Mr. Arakawa thanked Ms. Whitehead for her report and stated that he hoped that funding for the roof repair project would soon be available, with construction dates expected to be late 2025 or early 2026. Ms. Whitehead worked with the Convention Center staff and met with Ms. Orton and her team every Friday. It was important to confirm the roof construction date so clients could be informed, and events would not have to be canceled or postponed.

Chair Hannemann thanked Ms. Whitehead for her report and appreciated the work done by herself and Ms. Orton. He also thanked HVCB for their support.

13. Report and Update by the ADMINISTRATIVE & AUDIT STANDING COMMITTEE of their Meeting Held on February 21, 2024

The Administrative & Audit Standing Committee Chair, Mr. White, could not be present. As Vice-Chair of this committee, Chair Hannemann gave the report.

a. Update on the Legislative Audit

Chair Hannemann and Vice-Chair Paishon-Duarte met with the State Auditor, Mr. Kondo, to better understand what would be involved in the State Audit and to clarify procedures to be put in place to define how the audit would proceed. There had been a useful meeting with Mr. Nāho'opi'i and Mr. Choy, and a coordinated and well-executed plan would involve Mr. Arakawa as Chair of the Budget Committee and Mr. White as Chair of the Administration Committee. The HTA would participate and cooperate with the auditors, even if questions had to be posed to clarify issues. The intention was to be transparent and open. Mr. Nāho'opi'i had a follow-up discussion with Mr. Kondo, and the Board would be fully informed.

All the paperwork requested had been delivered, some staff had already been interviewed, and others would be interviewed in the following days. The auditors were already reviewing documents.

Mr. Arakawa was happy that the HTA was cooperating, even though there might be questions about necessary clarifications. Mr. Nāho'opi'i would coordinate with the auditors in consultation with Board members and the chairs of the standing committees.

In response to a question from Mr. Miyasato, the Chair explained that Mr. Kondo had stated that this audit had no financial aspect but was purely a management audit.

b. Discussion and Action on Amending the Employment Agreements for the Chief Administrative Officer, Chief Brand Officer, and Public Affairs Officer to Remove Performance Bonus Provisions

Chair Hanneman stated that there had been no clear understanding of how bonus provisions were implemented. This was the responsibility of the Administrative & Audit Standing Committee.

Mr. Arakawa proposed a motion to amend the Employment Agreements for the Chief Administrative Officer, Chief Brand Officer, and Public Affairs Officer to remove performance bonus provisions, and Mr. Miyasato seconded the motion.

Chair Hannemann informed the Board that the three individuals concerned had come forward to say that they were willing to suspend the bonus provisions and remove them from their contracts. The Chair thanked them for their cooperation in taking the first step even though a

prior administration had approved their contracts. They had seen that this was the right thing to do.

Mr. Gionson conducted the roll-call vote, and the motion was carried unanimously.

14. Discussion, Recommendation, and Action on the Assignment of a New Chair for the Branding Standing Committee

Chair Hannemann had been the Chair of the Branding Standing Committee, assisted by Mr. Zane as Vice-Chair. However, it was not appropriate for Mr. Hannemann to continue as Chair of this committee. This would be an important committee as marketing continued to be vital even as the HTA concerned itself with destination stewardship and management. It was necessary to continue to ensure that the right kind of traveler would visit Hawai'i.

Chair Hannemann proposed a motion that Mr. Miyasato should replace Mr. Hannemann as Chair of the Branding Standing Committee, and the motion was seconded by Ms. Agas.

Mr. Gionson conducted the roll-call vote, and the motion was carried unanimously.

15. Adjournment

Chair Hannemann stated that the meeting was adjourned. The meeting adjourned at 12:13 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes". The signature is written in black ink and is positioned above a horizontal line.

Sheillane Reyes
Recorder