



**HAWAII TOURISM**  
AUTHORITY

Hawaii Convention Center  
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**David Y. Ige**  
*Governor*

**George D. Szigeti**  
*President and Chief Executive Officer*

**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, June 29, 2017**  
**Hawaii Convention Center**  
**1801 Kalākaua Avenue, Honolulu, Hawaii 96815**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:**

Rick Fried (Chair), Fred Atkins, Sean P. Dee, Gerald De Mello, George Kam, Ku'uiipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura, Kelly Sanders, Denise Hayashi Yamaguchi

**MEMBER NOT PRESENT:**

Donna Domingo

**HTA STAFF PRESENT:**

George Szigeti, Randy Baldemor, Marc Togashi, Charlene Chan, Kalani Ka'ana'ana, Leslie Dance, Minh-Chau Chun, Ronald Rodriguez, Pua Sterling, Laci Goshi, Noriko Sloan, Laurie Tam, Evita Cabrera, Blakeney Wisner, Chris Sadayasu, Lawrence Liu, Jennifer Chun, Maile Carvalho, Carole Hagihara, Denise Kahalekulu, Chika Miyauchi, Raphael Betelli, Lauren Fetherston, Caroline Anderson, Jadie Goo, 'Iwalani Kualii-Kaho'ohanohano

**GUESTS:**

Representative Richard Onishi, Allison Schaefers, John Monahan, Nathan Kam, Patrick Dugan, Pris Texeira, Mari Tait, Noelle Liew, Teri Orton

**LEGAL COUNSEL:**

Gregg Kinkley

## **1. Call to Order and Pule**

Presiding Officer Rick Fried called the meeting to order at 9:30 a.m. Mr. Fried acknowledged 'Iwalani Kualii'i-Kaho'ohanohano, who offered pule and 'oli. The 'oli was about 'ike, or knowledge, from the sun which could be to be taken and transferred on to others.

Mr. Fried acknowledged and welcomed Representative Richard Onishi to the meeting.

## **2. Approval of the Minutes of the May 25, 2017 Board Meeting**

Mr. Fried requested a motion to approve the minutes from the May 25, 2017 Board Meeting. Mr. Nakamura made a motion. Ms. Yamaguchi seconded the motion, which was unanimously approved by all the Board members present.

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

Mr. Fried asked whether any Board members had permitted interactions to report. Ms. Yamaguchi reported that she had a brief meeting with Sherry Menor-McNamara regarding the Chamber of Commerce Hawaii's Hawaii on the Hill event. Ms. Yamaguchi explained the meeting was not related to HTA, but HTA's presence at the event was discussed briefly.

Mr. Fried stated that he had meetings regarding potentially hosting a Miss Universe contest in Hawai'i. He stated that, under the right terms and circumstances, it would make good sense to host a contest in Hawai'i, but it was too late for this year's November timeline to act now. Mr. Fried recommended deferring a meeting regarding this subject until a later time. Ms. Kumukahi, also involved in these discussions, concurred and the other members agreed.

## **4. Report of the CEO Relating to HTA's Programs During May 2017**

Mr. Szigeti referred to the Report of the CEO in the Board meeting information packet previously distributed to the Board members online. He stated that the State is now entering the peak summer travel season.

Mr. Szigeti stated that he attended the Hōkūle'a Homecoming celebration on June 17, describing it as the greatest accomplishment in modern Hawaiian history. The celebration was attended by thousands of residents and visitors. It was the completion of the Mālama Honua, a three-year voyage that promoted native Hawaiian culture and sustainability to a worldwide audience. Mr. Szigeti congratulated master navigator Nainoa Thompson for his accomplishment. Mr. Szigeti also recognized Ms. Orton and the Convention Center team, commending their work and success with the Hōkūle'a welcome dinner.

Mr. Szigeti moved on to discuss air travel, explaining that he was on the panel with Mark Dunkerly for the VERGE Hawaii Asia Pacific Clean Energy Summit to discuss how sustainability

is key to Hawai'i's success. Mr. Szigeti noted HTA's support of the U.S. Travel Association's efforts in Washington, D.C., explaining that HTA has written letters in support of maintaining Brand USA, a program under scrutiny by the current administration. Mr. Szigeti also reported that Brand USA featured Hawai'i in a new promotional video, which was soon to be aired.

Mr. Szigeti then discussed two major events being held in Washington, D.C. this year. In June, the U.S. Travel Association's IPW, the nation's largest travel industry show, held an event that was attended by many travel professionals and journalists. Ms. Anderson helped to organize the event and Ms. Chan represented HTA by attending.

Mr. Szigeti then recognized Mr. Atkins, who represented HTA at the Chamber of Commerce of Hawaii's Hawaii on the Hill. Mr. Atkins commended Ms. Menor-McNamara on an excellent job of putting the event together. Senator Hirono hosted an impressive breakfast for the attendees. Mr. Atkins explained that, since we want to promote business in Hawai'i, it helped that there was a strong turnout of business people from Hawai'i at the event. This event was more beneficial for Hawai'i businesses than a typical trade show because business owners were able to gain exposure through the many contacts in attendance. Additionally, at the visitor's center, many attendees sought out Hawai'i products to take home. Mr. Atkins praised the well-organized event, but expressed regret about the tragic shooting that took place on Capitol Hill during the event.

Next, Mr. Szigeti recognized Ms. Menor-McNamara, who reported on the Hawaii on the Hill program, which was started 4 years ago in partnership with Senator Hirono. Senator Hirono wanted to bring Hawai'i to the beltway in an effort to put Hawai'i on the map and work more collaboratively with the entire Hawai'i delegation. Hawaii on the Hill has become one of the biggest events on Capitol Hill, with hundreds of people attending. There are many attendees on Capitol Hill consisting of congressional leaders, staff and people connected to Hawaii. One of the success stories from past Hawaii on the Hill events is Koloa Rum, which today has many distribution channels across the country and internationally. Finally, Ms. Menor-McNamara posed the question "What will it be next year?"

Mr. Szigeti thanked Mr. Atkins and Ms. Menor-McNamara for representing HTA and for organizing the event. Mr. Szigeti then transitioned to a discussion regarding visitor statistics. Mr. Szigeti reported that May was another strong month. Visitor spending was up by 8%, and arrivals were up by 4.5%. Mr. Szigeti noted that "we are still thinking about how we can increase visiting spending rather than volume." This is the third straight month that Hawai'i has the 4<sup>th</sup> largest visitor market. These figures were down this time last year. The U.S. West, U.S. East, Japan, and Canada markets are all strong. All four major islands saw an increase in visitor spending and arrivals. Kauai and Hawai'i Island had double-digit growth in the first five months of the year. These results were all much stronger than expected. Mr. Szigeti credited HTA's industry partners with these results, noting that HTA sets the pace, but the industry partners realize spending and arrivals. Some of these results can be attributed to United Airlines adding 400,000 more seats to Hawai'i-bound flights and Hawaiian Airlines,

AirAsia X, and Delta's addition of new Hawai'i-bound flights. Additionally, direct flights to Kauai and Maui were added. AirAsia X has also added new benefits to their program, which has resulted in \$86.4M in direct visitor spending and \$10M in government spending, also creating more jobs.

Mr. Szigeti announced that registration for HTA's Global Tourism Summit is now open. Registrations received by July 31 qualify for an early bird discount. Mr. Szigeti reported that this year's theme is sustainability and that the event will be a world-class event to collaborate and strengthen tourism for Hawai'i's future. Finally, Mr. Szigeti thanked the staff for all they do for Hawai'i's industry.

Mr. Fried introduced Representative Onishi, Chair of the House of Representatives Tourism Committee, as a guest. Mr. Fried expressed the importance of expanding air access to Hawai'i, using the new AirAsia X flight from Kuala Lumpur as an example. Mr. Szigeti and Mr. Fried stated that HTA takes the position that any TAT increase would harm the tourism industry. If the legislature's special session occurs, HTA would hope that the TAT is not targeted. Finally, Mr. Fried noted the need to fill the vacant Marketing Standing Committee position.

#### **5. Nomination and voting to fill vacant Marketing Standing Committee position**

Mr. Dee thanked Mr. Fried for introducing the issue of the vacant Marketing Standing Committee position. Mr. Dee explained that he had no update from the Committee today because there was no meeting and he invited new members to join the Committee. Mr. Dee made a motion to nominate Mr. Sanders to fill the vacant position. Mr. Kam seconded the motion. Mr. Fried asked for any discussion and noted Mr. Sanders' background and knowledge in the hotel industry as being beneficial for this position. Mr. Fried asked for votes and Mr. Sanders was approved by a unanimous vote.

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

Mr. Fried acknowledged Jennifer Chun, who presented the market insights. Mr. Szigeti had already covered many of the points, but Ms. Chun noted key statistics in the Report on Economic Impact. Mr. Szigeti added that the industry is off to a good start this year. Ms. Chun explained that she is working with DBEDT to update the Q3 forecast.

Mr. Baldemor explained that, as Hawai'i is a premium destination, airlines have seen that premium travel can be successful on their routes to Hawai'i. For example, two years ago, Japan Airlines reduced economy seats on its flights in order to increase the amount of premium seat space available. Japan Airlines has had success introducing the newer business class seating, which attracts premium travelers. Other airlines are following suit to bring in a different spending level to Hawai'i. Additionally, there are more direct flights to the neighbor islands. Mr. Baldemor reported that airlines are driving spending, as evidenced by Jin Air's

new flights to Oahu several years ago. The influx of many seats with the larger carriers has increased by 20%. The current influx of seats from larger carriers, which has increased by 20%, should continue into 2019 with other airlines joining in. ANA's introduction of the Airbus 380s to their Hawai'i-bound routes will bring in 500-600 passengers per plane. The airlines will market to top-level business class passengers, which will drive premium travel demands. Mr. Dee raised concerns about passengers disembarking from the second level of the plane because of the airport infrastructure. Mr. Baldemor responded that the Governor has prioritized airport improvements related to accommodating the Airbus 380s. Mr. Szigeti added that he has had three meetings with the Governor, and the Governor has assured him that this is a priority. Mr. Baldemor added that DOT has until 2019 to prepare, and the improvements are on everyone's radar. Mr. Fried asked if there were any comments.

## **7. Presentation, Discussion and Action on HTA's Financial Reports for March 2017**

Mr. Fried: introduced Marc Togashi to discuss the next agenda item. Mr. Togashi began by requesting Board approval of HTA's March 2017 financial statements. Mr. Togashi explained that he is in the process of closing FY 2017 and will provide the Board with the April, May and June financial statements after closing the July statements. Mr. Togashi reported no anomalies and explained that the Board packets contain the most updated numbers. Mr. Fried asked the Board if there were any questions. Mr. Kam asked if financials were available only for March. Mr. Togashi responded affirmatively. Mr. Fried asked for a motion to approve the March financials. A motion was made, which Mr. Dee seconded. Mr. Fried asked if there were any discussions. There were none. Mr. Fried asked if there were any opposed. There were none. Mr. Fried noted the Board's approval.

## **8. Discussion and approval of the FY18 HTA budget**

Mr. Fried then moved the discussion to the FY2018 draft budget. Mr. Togashi distributed to the Board the FY 2018 budget binder draft and requested that the Board enter into executive session so he could provide more details. Mr. Baldemor explained an executive session was required because the binder contains sensitive strategies and investments. If other destinations knew HTA's focus and investment amounts, which benefit stakeholders and the community by bringing business to the State, it would put Hawai'i at a competitive disadvantage. If other destinations knew this information, they could outspend HTA. Entering into executive session is based on Hawai'i Revised Statutes, Chapter 201B. Mr. Fried noted the basis for entering executive session is authorized by statute. Mr. Fried asked Representative Onishi to stay for the Executive Session.

**Board entered an executive session at 10:08 a.m.**

**Executive session ended at 12:10 p.m.**

**The meeting was recessed at 12:10 p.m.**

**The meeting was reconvened at 12:30 p.m.**

Before taking a vote on the FY18 HTA budget, Mr. Fried noted that executive session had discussed the budget items, as far as funding for environmental issues, sustainability issues, and visitor impact alleviation. Mr. Fried also noted that Hawaiian culture has been a focus of this meeting. Mr. Togashi explained that the HTA staff requests a motion for Board approval of the \$87.25M budget plus \$1M to address homelessness, as required by HB375, provided that HB375 becomes law. Mr. Togashi also explained that the budget approval is subject to the board's discretion to revisit amounts for the Ho'okaulike Fund in the future. Multiple Board members moved to approve the budget and seconded the motion. Ms. Yamaguchi disclosed that she is the CEO of Hawaii Food and Wine Festival, which is a part of the overall HTA budget. Mr. Fried determined that there was no conflict. The motion was approved unanimously by all Board members present.

Next, Mr. Fried asked for approval of the Convention Center interim funding of \$1.5M for operations, \$1M for sales and marketing, and \$60,000 for governance. Mr. Fried clarified that this amount will not necessarily be spent, but represents interim funding until the Board receives the details necessary for a vote on the Convention Center's FY18 budget at next month's meeting. Multiple Board members moved to approve the interim funding, and seconded the motion. The motion was approved by the unanimous consent of all Board members present.

#### **9. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives**

Mr. Fried recognized Teri Orton, who presented the Convention Center's May financials. Ms. Orton expressed her happiness at having attended the Hōkūle'a Homecoming celebration. Ms. Orton said May was one of the Convention Center's busiest months, with 29 events—double the average amount. The Convention Center has hosted 80 events during the year through May. There was a YTD \$5.8M in gross revenues, which is higher than was budgeted. There was a net loss of \$409,500, and the YTD occupancy was 35%. The 2017 budget was re-forecasted to reflect a \$200,000 loss rather than a \$1.7M loss. Ms. Orton continued by explaining that a short term corporate booking by the HomeAway Summit brought in bookings (and nights in hotel rooms). Additionally, over 130 teams, fifty of which were from offshore, in partnership with the Amateur Athletics Association, participated in a basketball tournament held at the Convention Center, making use of the new sports facilities. Although there are only five months remaining in the year to market events, Ms. Orton expressed that the Convention Center is looking at an annual tournament starting next month with double the teams from offshore. Mr. Fried asked what "offshore" meant in this context. Ms. Orton explained that she was referring to the mainland-U.S. and some international teams. Ms. Orton continued by explaining that the long term goal is to increase the Asian participation in sporting tournaments. As for food and beverage costs, the YTD for May is \$1.5M. The cash flow bottom line is 40% of revenue. The net income of \$4M YTD is on track to close the highest year of food and beverage at the Convention Center. A return on investment for every dollar spent by the Convention Center was \$19.55 to the State.

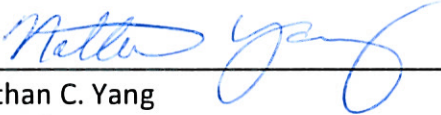
With respect to the Convention Center Sales and Marketing Updates, Ms. Orton explained that May's YTD is 16,626 room-nights towards an overall goal of 232,000, which represents 7% towards the goal. Ms. Orton explained that most of the contracts close during the last week of December so the Convention Center is on track. Ms. Orton further explained the Convention Center's input incentives and signing bonuses to encourage meeting planners to sign early. May closed with about 5,200 room-nights. The tentative events pipeline continues to be strong and is trending higher than the previous year.

Finally, Ms. Orton announced that the Convention Center is looking for a Vice President of Sales and MCI. Updated from last meeting, all sales positions have been filled, leaving only two administrative positions to be filled. Ms. Orton also explained that the Convention Center is recruiting for an Account Manager for Hawai'i Sports & Expositions in order to utilize the sports space in the Convention Center. The RFP for project Management/Construction Management services opened on June 19, 2017, for multiple CIP projects. Ms. Orton reported that the Convention Center has received high interest in the RFP, has scheduled site visits in July, and set a due date in August for responses. The position will be awarded by October. Additionally, construction is in progress on the gutter trough and roof repair, which will be completed by the end of August 2018.

#### **10. Adjournment**

Chair Fried requested a motion to adjourn the meeting. Mr. Dee moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present. The meeting was adjourned at 12:55 p.m.

Respectfully submitted

  
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Nathan C. Yang  
Recorder