



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, May 31, 2018
Hawaii Convention Center**

1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, Gerald De Mello, Sherry Menor-McNamara, Craig Nakamura, Kelly Sanders, Kuʻuipo Kumukahi, Sean Dee, David Arakawa

MEMBERS NOT PRESENT:

Donna Domingo, George Kam, Denise Yamaguchi

HTA STAFF PRESENT:

George Szigeti, Marc Togashi, Charlene Chan, Kalani Kaʻanāʻanā, Jennifer Chun, Carole Hagihara, Chika Miyauchi, Jadie Goo, Laci Goshi, Minh-Chau Chun, Naomi Sjoquist, Adrian Hanner, Caroline Anderson, Chael Kekona, Chris Sadayasu, Lawrence Liu, Victoria Roy

GUESTS:

Rep. Richard Onishi, Sen. Glenn Wakai, Teri Orton, Nicole Liew, Patrick Dugan, Nathan Kam, Pris Texeira, Debbie Zimmerman, Peter Honig, Riley Fujisaki, Mari Tait, Kimberlee Speakman, John Monahan, Kara Imai, Eric Takahata, Mitsue Varley

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Chair Rick Fried called the meeting to order at 9:34 a.m. Mr. Fried acknowledged Kalani Kaʻanāʻanā, who offered an oli and shared about Pele, who gives birth to land. Mr. Kaʻanāʻanā explained that this volcanic activity is who Pele is and what she does. The color red

as a symbol of anger is a Western concept. In Hawaiian culture, Pele is revered and respected not feared.

2. Approval of Minutes from the April 26, 2018 Board Meeting

Chair Fried requested a motion to approve the minutes of the Board meeting held on April 26, 2018. Ms. Kumukahi made a motion. Mr. Dee seconded the motion, which was unanimously approved by all 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. Dee reported that he, Mr. Kam, and Chair Fried recently attended a fundraiser and discussed the recent volcanic activity and flooding and HTA's plans to address the community impacts of these natural events.

Chair Fried then welcomed David Arakawa to the Board and stated that Mr. Arakawa was a wonderful addition to the Board and HTA is lucky to have him.

Mr. Arakawa then introduced himself as the executive director of Land Use Research Foundation. Mr. Arakawa explained that he has been involved in the tourism industry for most of his career. Mr. Arakawa was an attorney for Ko Olina for thirteen years and served as corporate counsel for Hawaiian Airlines. Mr. Arakawa expressed his excitement to serve on HTA's Board.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During April 2018

Chair Fried acknowledged George Szigeti, who presented the CEO's report. Mr. Szigeti reported that he sent a bulletin to the Board last week updating them on what the State is doing in connection with the volcanic eruptions and flood relief efforts on Kauai, noting that time has been reserved at this meeting to discuss HTA's efforts.

Mr. Szigeti then reported that HTA is in the process of hiring a new Chief Operating Officer and Vice President of Marketing, but is still waiting on paperwork to be completed by the State. Mr. Szigeti thanked his leadership team and staff for their great job helping fill the gaps during the ongoing interview process.

Mr. Szigeti reported that HTA has been working to clarify the misinformation that has been reported by some mainland media outlets regarding the volcanic eruptions on Hawai'i Island. Mr. Szigeti explained that he sent a team to the U.S. Travel Association's IPW, HTA's global partners, who did a great job assisting in clearing up the misconceptions being portrayed by some media outlets. Mr. Szigeti explained that HTA's focus is to ensure that the public understands that all of the Hawai'i Island is open for business except for the ten-mile eruption zone in Puna. Mr. Szigeti added that he was interviewed by CNN recently to assist with these

efforts. Mr. Szigeti then concluded this part of his report by stating that the key issue for Hawai'i's tourism industry now is to mitigate collateral damage to the booking pace.

Mr. Szigeti then reported that he recently met with ANA, Southwest and Hawaiian Airlines representatives regarding future airlift to the Hawaiian Islands. Mr. Szigeti explained that ANA plans to bring in A380s planes and to construct a new lounge in the Daniel K. Inouye International Airport. Mr. Szigeti also reported that he met with the President Tom Nealon and Senior Vice President Steve Goldberg of Southwest Airlines to discuss the airline's new planned mainland airlift and interisland routes. Mr. Szigeti noted that Hawaiian Airlines has announced a new route from Honolulu to Long Beach, CA, which is great for Hawai'i's residents and tourism industry.

Mr. Szigeti then reported on the April 2018 hotel statistics that were released on May 23, 2018. Revenue per available room (RevPAR) is up 7.9% at \$217, average daily rate (ADR) is at \$269.00, and occupancy is up 2.8% at 80.5%. April 2018 visitor statistics show that spending was up 13.4%, arrivals were up 6.6%, air seats were up 10.9%, and tax revenue generated by the visitor industry year-to-date is at \$728.5 million.

Mr. Szigeti's reported that he set up a meeting two weeks ago with Speaker Scott Saiki of the House of Representatives and thanked Representative Richard Onishi for inviting the tourism industry to brief House leadership on the tourism industry and the action plan for issues on the horizon. Mr. Szigeti noted that it was a very productive meeting and thanked his team for attending. Mr. Szigeti also reported that he offered the same presentation to Senate President Ron Kouchi, but he has not been able to schedule a meeting yet.

Mr. Arakawa noted that he recently watched a news segment about University of Hawai'i considering merging the Shidler School of Business with the Travel Industry Management (TIM) School and asked whether the Board should get involved as the TIM School provides training for Hawai'i's future visitor industry executives. Chair Fried thanked Mr. Arakawa for his input and left the discussion open for future Board meetings.

Mr. Atkins asked if there has been any news of airline flight cancellations to Kaua'i or Hawai'i Island as a result of the recent flooding and volcanic eruptions. Mr. Szigeti reported that there have been no cancellations yet.

Mr. Dee inquired about the cruise liners pulling out of the Kona port as part of their tour of the Hawaiian Islands. Mr. Szigeti reported that he spent the last several days talking to the cruise lines but that Ms. Goshi would be able to provide a more in depth update regarding the cruise lines. While the cruise lines will be coming back to the Kona port, their biggest concern is the volcanic smog (VOG) that affects some guests. Ms. Goshi added that she was informed that the cruise liners would return to the Kona port on May 30, but that plan was cancelled at the last minute due to high reported levels of VOG.

Mr. DeMello whether the cruise lines plan on returning to the Hilo port. Ms. Goshi reported

that HTA is working with the cruise lines to show them what Hilo has to offer tourists other than the Volcano National Park. Mr. DeMello thanked Ms. Goshi for the update and noted he wanted to make sure the cruise lines know that there are other places to visit on Hawai'i Island.

Mr. Arakawa asked if there are any websites available that people can visit to get daily updates on air quality. Ms. Goshi responded that HTA has issued press releases identifying all of the resources available to the public to obtain updates on air quality and the volcanic activity. This information is prominently displayed on the special alerts page of HTA's website and on gohawaii.com. Ms. Goshi added that HTA has provided this information to all of the cruise lines.

Representative Onishi added that there are some limited tours available in the Volcano area, but that this is the time to cultivate other places in Hilo that tourists can visit and are equally attractive.

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

Chair Fried acknowledged Jennifer Chun, who presented the April's 2018 market insights. Ms. Chun reported that HTA released April visitor the statistics on May 31, which showed an 11% increase in air seats to the Hawaiian Islands. Ms. Chun also reported that hotels on all islands did well and, in general, all of the islands have done well across all of the markets for month of April. Ms. Chun noted that the impact to Kaua'i was not as pronounced as expected due to the areas of the island impacted by the floods.

Ms. Chun concluded her presentation by reporting that April's positive results were impacted by the 10,000 visitors for the Association for Research in Vision and Ophthalmology (ARVO) convention at the Hawai'i Convention Center (HCC). In addition, there has been an increase in visitor activity and arrivals coinciding with the beginning of golden week in Japan. Ms. Chun also reported that the State Department of Taxation has not provided their updated general excise tax (GET) collections, but HTA will hopefully have the updated numbers by the June 2018 Board meeting.

6. Presentation, Discussion and Action on the Use of Emergency Funds to Fund Response and Recovery Marketing Plans Resulting from the Flooding on Kaua'i and O'ahu as well as Recent Activity on the Island of Hawai'i

Chair Fried acknowledged Mr. Szigeti, Eric Takahata, Managing Director of Hawaii Tourism Japan (HTJ), and John Monahan, CEO of the Hawai'i Visitors and Convention Bureau (HVCB). Mr. Szigeti opened the presentation by reporting that the April numbers for were very good for tourism industry, but the flooding and volcanic activity have impacted the State's visitor industry.

Mr. Szigeti noted that HTA is in communications with its partners on Hawai'i Island on a daily basis and explained that HTA will be asking for emergency funds to support HTA's two largest

markets-Japan and U.S. Mainland-in order to activate marketing programs as needed up to a specific amount. HTA will only use the funds if needed.

Mr. Monahan then presented the threefold initial strategy for the U.S. Mainland recovery plan. The first step is to get the correct information out to HTA stakeholders; second, HTA needs to correct misinformation as much as possible; and third, HTA plans to highlight the parts of the visitor industry that are still open for business on Kaua'i and Hawai'i Island.

Mr. Monahan explained that for Kaua'i, HVCB took the lead on interviews with the media to get accurate information out about the infrastructure on Kaua'i. He reported that the flooding was short-lived and the industry is seeing anecdotal information that visitor arrivals are increasing. Mr. Monahan also reported that HTA was able to provide assistance to Hanalei, which was seriously impacted but appears to be recovering.

Mr. Monahan then provided updates for the volcanic activity impacting Hawai'i Island. Mr. Monahan stated that due to the extended nature of the eruptions, HTA had to take a different approach to communicating with the stakeholders. Mr. Monahan reported that there is a special alert page updated daily and links to any information you could want to know about eruptions and current conditions.

Mr. Monahan then reported that that HTA has given over fifty national and international interviews, making sure that the information being given about the tourism industry is accurate. The Hawai'i Island Visitors Bureau is active on social media to show real-time impacts to resort areas. Mr. Monahan noted that HVCB plans on asking HTA for some funding to help spread the word of the impacts the volcanic activity are causing. Mr. Monahan also explained that they have been forwarding real time, accurate information to vacation wholesalers.

Mr. Monahan added that the HTA has seen a tremendous slowdown on booking pace as people are taking a wait-and-see approach to booking their vacations to the Hawaiian Islands. Mr. Monahan noted that the social media chatter currently consists more of curiosity than fear, but people are holding back on putting deposits down.

Mr. Monahan reported that HVCB has been providing information to national news outlets to get the word out that Hawai'i is open for business. Mr. Monahan stressed that they are in no way trying to diminish the serious impact the lava is having on the Hawai'i Island communities.

Mr. Monahan requested that the Board consider funding HVCB campaigns to get accurate information out the public. Mr. Monahan presented three campaign ideas: first, a social media program called "#exploreislandofHawaii" that all residents and visitors can participate in to document the real-time impact of the eruptions on the island, including by sharing photographs of the air quality; second, a Satellite Media Tour, connecting national media networks with experts in volcanology to discuss actual impacts on the islands; third, assisting USA Today with a large story they plan on running regarding what is actually happening with the volcano.

Mr. Monahan then reported that the May 2018 numbers look good so far but, given the booking slowdown, HTA needs to remain vigilant. Mr. Monahan explained that people are delaying their bookings mostly due to U.S. visitors' lack of knowledge on Hawai'i's geography.

Mr. Atkins thanked Mr. Monahan for his presentation and his team for all of their great work on this matter.

Chair Fried asked Mr. Monahan if he has a specific request from the Board. Mr. Monahan stated that they are requesting \$175,000.00 for the "#exploreislandofHawaii" social media campaign in order to target industry that is open for business and real-time pictures of weather conditions. The second request is for \$75,000.00 for the Satellite Media Tour.

Mr. Dee thanked Mr. Monahan for his hard work and expressed that he has done an incredible job working to correct the misconceptions being reported. Mr. Dee stated that the social media campaign looks great and the industry definitely needs this. Mr. Dee then asked if it would be possible to move the first scheduled event in the Satellite Media Tour forward from June 18. Mr. Monahan acknowledged Nathan Kam, who responded that there is no way to move the event forward as HTA is still working to build content and schedule with all of the media outlets.

Chair Fried asked if the current request for funding will last through July 2018. Mr. Monahan stated that the funding will last, but added that he did not know how long the eruptions will last and the social media campaign may need additional funding if the eruptions persist for months. Mr. Monahan explained that HTA will need to act when Madam Pele decides what she is going to do next.

Mr. Arakawa asked if HTA will own the content that is produced for the social media or satellite tour. Mr. Monahan stated that there is no product to own on the satellite tour, but he will run it back through their IP attorney to be certain. Mr. Arakawa then asked if anyone else will profit from these programs. Mr. Monahan explained that he is not sure how anyone would be able to do so. On the social media campaign, HTA is asking businesses to post to a hashtag that HTA owns.

Mr. Arakawa asked whether HVCB has approached more than one vendor for these programs. Mr. Monahan reported that there will be no vendor for the social media program but for the Satellite Tour they are using a vendor they have used for the past decade.

Mr. Arakawa noted that HTA needs to be cautious of the impression that they are writing a blank check for these programs. Chair Fried responded, stating that he thinks it is clear that they are asking for funding through the end of July 2018, but they do not know when the volcanic activity will change.

Chair Fried then acknowledged Mr. Takahata, who presented the Hawai'i Island Strategic Plan for the Japan market. Briefly beginning with Kaua'i, Mr. Takahata reported there has been very

little to no impact to the Japan market. HTA was able to get information out to all its partners in a timely manner resulting in little to no impact to the tourist market in Japan.

Turning to Hawai'i Island, Mr. Takahata reported that the Japanese media is putting a reactionary spin on the global coverage of the volcanic activity. Mr. Takahata explained that the main issue with visitors from Japan appears to be air quality. Mr. Takahata noted that the people of Japan know that the island is not on fire, but his team did field questions during the initial eruptions regarding fissures and whether they could open up in Waikiki.

Mr. Takahata then addressed cancellations as a result of the recent events, reporting that total package cancellations are at 2,750 passengers for May to September 2018; thirty percent of these package cancellations switched to O'ahu-only packages. Japan Airlines and Hawaiian Airlines reservation cancellations totaled 1,200, which is included in the package cancellation number. HTJ does not have any data on rebooking to postponement.

Mr. Takahata reported that the Meetings, Conferences and Events (MCE) market has not been affected and provided three reasons for Japan cancellations: 1) trips can be postponed until volcanic activity calms down; 2) visitors believe that there is no point in visiting Hawai'i Island because the Volcano National Park is closed; and 3) health concerns regarding air quality. Mr. Takahata also explained that there are booking pace concerns with the Japan Airlines Kona routes, but that pace could change with the June 2018 report. There are also hopes that booking will pick up when Volcano National Park reopens.

Mr. Takahata then provided an update on HTJ's recovery initiatives. He explained that, for direct consumers, HTJ has participated in various media exposure, online initiatives, and consumer events in Osaka and Tokyo to correct misinformation. HTJ has also provided travel trade and airline initiatives for sales promotions and wholesaler advertisement, which provide incentives for travel agents.

Mr. Takahata concluded his presentation by requesting that the Board approve \$350,000.00 for direct consumer programs into fall 2018 and \$350,000.00 for travel trade and airline initiatives. Mr. Takahata noted that HTJ's request is not for a blank check but is an estimated budget.

Chair Fried asked if these funds will be used as-needed. Mr. Takahata confirmed so and added that HTJ will provide a proposal for HTA to review when HTJ needs to activate these programs.

Mr. Togashi added, from a technical standpoint, the Board would vote whether to approve the budget requests now, but any disbursements would be subject to later requests from HTJ and HVCB and approval by HTA staff.

Mr. Atkins asked if wholesalers are putting together proposals and who is really laying out this program. Mr. Takahata responded that wholesalers would be laying out their proposals and that HTJ would require a one to two ratio for any contribution they make to an initiative.

Mr. Dee stated that HTA will need to act quickly on this proposal. Mr. Dee suggested the Board approve the HVCB programs and the direct consumer HTJ program, but hold decision-making on the HTJ travel trade and airline program until the Board has more details and can ensure that they get maximum value to the taxpayer.

Mr. Sanders stated that this is the time to spend money wisely to capitalize on free media attention in order to correct the narrative in Hawai'i's major markets.

Mr. Arakawa asked if HTA has an executive committee that can work with brand managers and bring details back to the Board for approval at the next Board meeting. Chair Fried explained that HTA has the Marketing Committee headed by Mr. Dee. Mr. Dee added that the Marketing Committee has been working through these issues and would be happy to schedule a meeting with Mr. Takahata to discuss HTJ's proposal in further detail. Mr. Atkins noted that the Committee normally cannot approve things like these requests, but the Board may be able to give the authority to approve the request at the next Committee meeting and then ratify it at the next Board meeting. Mr. Kinkley added that ratification is always allowed, but that no money can be spent unless the Board approves some dollar amount at a Board meeting.

Ms. Menor-McNamara inquired as to how many contracts HTJ anticipates entering into for the \$700,000.00 proposed budget. Mr. Takahata responded that HTJ expects approximately seventeen contracts on the industry side and approximately five to seven contracts on the consumer side. Mr. Takahata added that HTJ will not spend any money that is not necessary for the marketing programs. Ms. Menor-McNamara then asked what the average amount per contract would be. Mr. Takahata responded that the amount-per-contract has not been determined, but each contract has a template where amounts, once determined, are very clear.

Ms. Kumukahi thanked Mr. Takahata and Mr. Monahan for all of their hard work and added that this is a great time to educate the public about who Pele actually is, especially in the Japan market where there are upwards of 1.7 million hula dancers. Ms. Kumukahi asked that Mr. Takahata and Mr. Monahan speak with Mr. Ka'anā'anā for guidance on these issues.

Mr. Ka'anā'anā explained that HTA has discussed how this time is a way to tie in HTA's drive to educate visitors and give them an understanding of how Hawaiian culture views this volcanic activity. Mr. Ka'anā'anā added that millennials are especially looking for an authentic cultural experience.

Mr. Sanders stated that HTA needs to be cognizant that every day it does not make a decision the State and its visitor industry lose pace in the global market. Mr. Sanders suggested that the Board should walk away today approving the emergency funding, stressing that this is HTA's opportunity to change the narrative surrounding the volcanic activity.

Chair Fried requested a motion for the Board to approve the \$250,000.00 requested by HVCB. Mr. Sanders so moved and Mr. Atkins seconded the motion. Mr. Togashi clarified that the money requested would come from the emergency funds to supplement TSF. The motion was

then unanimously approved by all the Board members present.

Chair Fried then proposed that the Board approve the \$700,000.00 requested from HTJ and give HTJ approval to spend up to \$250,000.00 without further Board action. Mr. Atkins so moved and Ms. Kumukahi seconded the motion.

Mr. Dee asked if the Board is recommending that the Marketing Committee convene in two weeks to approve HTJ's plan. Chair Fried stated that the Marketing Committee will only need to convene for this purpose if HTJ needs more than the \$250,000.00.

Mr. Kinkley asked if it is the intention of the Board to require the Marketing Committee to review any request over the initial \$250,000.00. Mr. Arakawa stated that it was exactly what Chair Fried motion was proposing.

Chair Fried thanked everyone for their input and then restated his request for a motion for approval of \$700,000.00 for HTJ's programs, giving them the authority to spend up to \$250,000.00 before having to request for approval from the Marketing Committee for any additional funds. The Marketing Committee can approve those requests if they come before the next June Board meeting.

Mr. Togashi then clarified the motion, explaining that the motion is to amend the TSF budget by using the emergency funds which will result in a \$700,000.00 contract between HTA and HTJ subject to the terms therein, including the initial limit of \$250,000.00 and requirement of Marketing Committee approval for any amounts requested thereafter. The motion having been made and seconded, Chair Fried called for a vote on the motion, which was approved unanimously by all Board members present.

Chair Fried announced a short recess.

The meeting was recessed at 11:30 a.m.

The meeting was reconvened at 11:59 a.m.

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

Chair Fried acknowledged Teri Orton from AEG, who began her presentation with the April 2018 HCC financial report. Ms. Orton reported that April was a big month for HCC, with two major U.S. offshore events: Association to Advance Collegiate Schools of Business (AACSB) and Association for Research in Vision and Ophthalmology (ARVO). Additionally, the First Hawaiian Auto Show and thirteen other events brought a lot of revenue and occupancy for the HCC through April. Ms. Orton reported that ARVO brought in a little over 11,000 participants, which is equal to the attendance at ARVO's last mainland event, and AEG believes they will be able to secure another contract from ARVO in the future.

Ms. Orton then discussed some upcoming bookings at HCC. She explained that the Art Hawaii International event planned for November 2018 is a potentially long-term commitment that could bring worldwide attention to the State. For any event like this, there are a lot of exhibitors and buyers that will need additional assurances from HCC to make sure the event goes smoothly. Ms. Orton explained that her team is working diligently to ensure that this event is successful.

Ms. Orton reported that food and beverage sales for April 2018 are showing \$965,700.00 in revenues, 43% flow through for month, and a return on investment (ROI) of \$12.32 to the State for every dollar spent YTD.

Ms. Orton then provided the sales updates, reporting that HCC is on pace to achieve their 200,000 room night goal. The tentative pipeline is currently at 227,371 room nights; AEG's focus continues to be to convert these to definite room nights. Ms. Orton also reported that AEG has hired a new Regional Director of Accounts-West Coast and -East Coast. Ms. Orton explained that both new hires have a lot of experience and AEG is excited for what they can bring to the team.

Ms. Orton presented attendance for the groups that were in-house for April and May 2018: AACSB had 1,500 attendees; ARVO estimated 6,000 attendees but brought in more than 10,000; and the American Academy of Pediatric Dentistry estimated 3,000 attendees but brought in 6,000.

Mr. Sanders noted that the organizers of the Art Hawaii International event in November 2018 have not asked HTA for any marketing assistance, but suggested that if HTA could help solidify an ongoing art exhibit that can showcase Hawai'i artists, that should be something that HTA should do. Ms. Orton explained that HTA has provided financial assistance for this event, which has been a number of years in the making. Ms. Orton added that this event has so much potential to bring visitors from Asia and all over the world.

8. Establishment of Permitted Interaction Group to Discuss the Annual Evaluation of the CEO

Chair Fried explained that members of the committee to meet in the Executive Session to discuss CEO evaluations will be: Messrs. Fried, Nakamura, Sanders, Dee, Atkins, and Kam. Chair Fried asked for a motion to permit the establishment of this group.

Ms. Menor-McNamara asked if there is a process as to how the committee members are selected. Chair Fried explained that the idea was to use the Board members with the most interaction with the CEO.

Mr. Arakawa asked if the committee has criteria to judge the CEO. Chair Fried confirmed such, stating the criteria are laid out in the CEO's contract and relate to HTA's goals, objectives, and plans. Mr. Arakawa then noted that he recalls reviewing a vague report on the CEO's evaluation from March 2017 and suggested that the new report should be more detailed. Chair Fried

explained that the report in question was abbreviated due to the then-recent change in leadership at HTA.

Mr. Dee moved to establish the requested group and Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present.

9. Presentation, Discussion, and Action on HTA's Financial Reports for February and March 2018

Chair Fried acknowledged Mr. Togashi, who presented the financial statements for February and March 2018. Mr. Togashi explained that the Board packet provided to the Board members contains the February and March 2018 statements and that the February statement was distributed during the last Board meeting as well. Mr. Togashi explained that he is only seeking Board approval for the February financial statement and will defer Board approval of the March statement to the next Board meeting.

Ms. Kumukahi moved to approve the February 2018 financial statement and Mr. Dee seconded the motion, which unanimously approved by all the Board members present.

10. Introduction of the FY19 HTA Budget for Approval at the next Board Meeting

Chair Fried acknowledged Mr. Togashi and explained that the Board may have to enter into executive session at some point during this discussion. Mr. Kinkley stated that the executive session is only permitted for things having to do with competitive advantage of Hawai'i. Because many of the budget line items are public, the Board members would have to confine any questions in the executive session to those items that are confidential.

Mr. Sanders proposed that, because the Board has not seen the overall budget in detail yet, Board members do not ask questions about the budget in today's meeting. Instead, Mr. Sanders suggested that HTA give a high level overview of the FY19 budget. Mr. Atkins agreed and noted that the budget is fluid until finalized by the Board.

Mr. Togashi noted that most of the information discussed at this meeting will be public, but he would like to distribute the budget binders in executive session because they contain some confidential information. He then explained that this budget is something that HTA's staff has been working on for months as the budget process truly began on July 1, 2017. Mr. Togashi reported that the staff are constantly evaluating HTA's programs and planning for the next year and explained that the budget will be very detailed with approximately 115-120 line items which warrant a very detailed review process.

Mr. Arakawa asked if the public is permitted to offer input. Mr. Togashi confirmed such and explained that the discussions would be permitted in the public session of the Board meetings.

Mr. Dee asked if State legislators will obtain full, unredacted copies of the budget. Mr. Togashi

confirmed so and explained that HTA will schedule meetings with legislators to go over any specific questions. Mr. Arakawa added that the legislators cannot distribute any confidential information provided to them per Hawai'i ethics law.

Mr. Dee then stated that the Board should distribute redacted high-level budget for the public to review and provide input on. Mr. Togashi agreed with Mr. Dee.

Chair Fried then requested a motion to go into the executive session to distribute the budget. Mr. Sanders so moved and Mr. Dee seconded the motion, which unanimously approved by all the Board members present.

Board entered an Executive Session at 12:39 p.m.

Executive Session ended at 12:40 p.m.

Mr. Togashi stated that this first draft is the HTA staff's attempt to provide a proposed budget to the Board and they look forward to working with the Board to come up with a final budget. Mr. Togashi then explained that the staff's focus this year is on refocusing the balance between marketing and investment in Hawai'i's brand and place.

Mr. Atkins asked how HB2010, passed in the 2018 Legislative Session, will impact HTA and the budget. Mr. Togashi explained that HB2010 cancelled HTA's obligation to make payments on the HCC bond debt and altered HCC funding to \$16.5 million, which will allow HTA to stop transferring money from the Tourism Special Fund to the Convention Center Enterprise Special Fund.

11. Report of, Discussion and Request for Approval for Funding Approval of Programs recommended by the Marketing Standing Committee

Chair Fried acknowledged Mr. Dee who began by reporting that the Committee has directed HTA to ramp up marketing in efforts for the Global Tourism Summit over the next few weeks. Mr. Dee then announced the AVP Season Ending Event will take place in Waikiki at Fort DeRussy Park. Chair Fried added that it was not easy getting approval from the State Department of Land and Natural Resources to use the beach for the AVP event.

Mr. Dee then acknowledged Peter Honig, with Ascendant, who began his presentation by reporting that Ascendant has provided two additional sports opportunities for Board review. Mr. Honig explained that the two opportunities will require a vote at the next Board meeting.

The first opportunity is the Ultimate Waterman event. This event is has resonated on a global scale from its origins in New Zealand. The organizer's goal is to relocate the 10-day event in January 2019 and have 10-12 athletes compete in various water sports events. The Ultimate Waterman has partnered with Red Bull for marketing and broadcasting. Mr. Honig explained that Ascendant believes that this event will create and drive content creation and distribution; additionally, half of field in the previous event was made of Hawai'i athletes. Mr. Honig added

that he will not disclose the financial request at this time.

Ms. Menor-McNamara asked what the broadcast plan is for this event. Mr. Honig explained that the event will be livestreamed in partnership with Red Bull and Outside TV, who have 30 million subscribers, as well as traditional media broadcasts. Mr. Honig reported that the two biggest negotiating areas are broadcast partnerships and athlete markup. Mr. Honig explained that the Ultimate Waterman cannot lock up media partnerships until they can confirm the event's location and secure permits.

Ms. Menor-McNamara asked if the Board can put conditions in the contract requiring media participation for full funding to be unlocked. Mr. Honig confirmed this request.

Mr. Szigeti asked if event can be held on more than one island. Mr. Honig stated that the organizers' biggest issue is cost; since this event is planned to lead to a recurring program, inclusion of more than one island might be possible in the future.

Mr. Atkins asked if HTA is looking at involving the County of Maui in the funding of this event. Mr. Honig responded affirmatively, explaining that the event organizers are asking for the same amount from Maui County.

Mr. Dee stated that it was the Committee's recommendation that Mr. Honig be given approval to keep negotiating with the event organizers, but not given approval to finalize any contract yet.

Mr. Nakamura inquired as to how long the event has been in existence. Mr. Honig responded that the event has been ongoing for three years. The New Zealand government has given its support but the organizers are looking to grow the event and Hawai'i is the next obvious choice.

Mr. Honig then presented the second event, the Los Angeles Rams preseason game. Mr. Honig reported that this is an opportunity to become an official partner of the L.A. Rams for the 2018-2019 season with a preseason game in 2019 at Aloha Stadium. Mr. Honig explained that this is a onetime offer rather than a recurring partnership, but is still a good opportunity for HTA to show that it can pull off a preseason NFL game at Aloha Stadium. Mr. Honig reported that this event will entail a lot of L.A. marketing, taking a page out of the L.A. Clippers partnership playbook. Mr. Honig reported that the L.A. Rams' opponent for the preseason game has yet to be determined.

Chair Fried noted that one of the important aspects of this proposal is the media exposure in the L.A. market throughout the 2018 football season.

Mr. Dee reported that HTA staff has worked really hard getting all the stakeholders in the State involved in the process of bringing this event together, including the Stadium Authority.

Chair Fried stated that he believed the consensus from the Committee meeting was that Mr.

Honig should continue negotiating with the L.A. Rams regarding their proposal unless the Board feels otherwise.

Ms. Menor-McNamara asked if HTA could negotiate access to the opposing team for community events. Mr. Honig responded that, because HTA's contract would be with the L.A. Rams, HTA will not be able to negotiate access with the opposing team during this contract negotiation. However, Mr. Honig clarified that inviting the opposing team to community events has been discussed.

Mr. Atkins asked if the HTA could give the L.A. Rams a list of five teams and have them pick one team from that list for the preseason game. Mr. Honig responded that Ascendant has provided a list to the L.A. Rams, but clarified that HTA cannot make specific demands regarding the opposing team.

Senator Wakai asked if HTA will become oversaturated in the L.A. market by adding this event, given the existing L.A. Clippers contract. Mr. Honig responded that the Rams and Clippers have surprisingly divergent audiences in L.A. and Ascendant does not believe that this proposal will oversaturate the L.A. market.

Chair Fried thanked Mr. Honig for his presentation and reiterated the Marketing Committee's recommendation that he continue discussions for both proposals. There were no objections.

12. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Dee so moved and Ms. Kumukahi seconded the motion, which unanimously approved by all the Board members present.

The meeting was adjourned at 1:15 p.m.

Respectfully submitted:



Jacob L. Garner
Recorder