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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE
MEETING HAWAII TOURISM AUTHORITY
Tuesday, November 15, 2022, at 12:00 p.m.
Virtual Meeting**

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

MEMBERS PRESENT:

Mike White (Chair), Mahina Paishon-Duarte, George Kam

MEMBER NOT PRESENT:

HTA STAFF PRESENT:

John De Fries, Ilihia Gionson, Marc Togashi, Maka Casson-Fisher, Kalani Ka'anā'anā

GUESTS:

Representative Richard Onishi,
Representative Jackson Samaya, Teri Orton,
Mari Tait

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Opening Protocol

Chair White called the meeting to order at 12:05 p.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. All confirmed in attendance and that they were alone.

3. Approval of the Minutes of the October 26, 2022, Committee Meeting

Mr. Kam made a motion to approve the minutes. Ms. Duarte seconded. Chair White did the roll call, and the motion was approved unanimously.

4. Presentation, Discussion, and Action on the HTA's October Financial Report

Mr. Togashi said the meeting packet had all the details of the HTA's financial position and related transactions covered across multiple documents, including balance sheets, statements of revenue and expenditures, budget statement summary, budget detail, budget reallocations, and the executive summary capturing all the information as of October 2022.

He spoke about the HTA's financial position for all the major funds supported by the various balance sheets in the meeting packets. He said they anticipate having six main funds. As of October 31, the HTA has access to \$32.1 million in the TFF (Tourism Federal Fund), a \$1.7 million decrease from September, due primarily to disbursements for the program and operating expenditures. Of the \$32.1 million, \$21.3 million is encumbered, and \$10.8 million is unencumbered. He said they are working with the governor's administration on releasing the FY2023 ARPA funds, which will be discussed in further detail in agenda item 6.

The TSF (Tourism Special Fund) has \$28.9 million in cash, which is a \$200,000 decrease from September 2022 due to the expenditure of the program and operating costs. It includes the \$5 million in emergency funds the HTA maintains by statute, which is invested primarily in U.S. treasury notes, and are laddered in three-month intervals. Mr. Togashi said \$18.6 million is encumbered to contracts, \$5 million represents emergency funds, and \$5.3 million is unencumbered. They anticipate \$5.3 million of unencumbered funds could increase as savings from certain encumbered contracts are realized. The \$5.3 million represents funds available to return to the state's general fund with the TSF sunset.

For the 2022 CCFF (Convention Center Federal Fund), \$10.2 million is available, most of which all has been encumbered. The CCESF has approximately \$34.9 million in cash, which is consistent with September 2022. Of that \$34.9 million cash amount, \$5.9 million is encumbered towards contracts. The remaining \$29 million of unencumbered funds will be stored as a Repair and Maintenance (R&M) reserve for future deployment in support of the six-year R&M plan when the appropriation expenditure ceiling is restored through the legislative processes in the coming session.

Chair White acknowledged Rep. Onishi joining the meeting.

Mr. Togashi spoke about the budget statement for FY2022 funds. He said the federal funding budget could span across several fiscal years. The HTA will continue to encumber funds against the FY2022 budget in FY2023, essentially encumbering against FY2022 carry-over funds.

He spoke about the full budget for \$60 million and the cumulative amount of \$41.9 million encumbered against the \$60million. Significant activity for October 2022 was the liquidating or disencumbering \$1.86 million of encumbrances relating to the U.S. Leisure and Global Support

Services programs due to the state procurement office approving less of an encumbrance than anticipated at the time they initially encumbered the funds.

The significant activity also included the reversal of \$1.5 million in budget reallocation request from island chapter staffing and administrative costs to the U.S. MMA program, which was no longer necessary. There was also \$200,000 of budget reallocation from GoHawaii.com to Global Market Shared Resources to better reflect intended costs under the previously reported HVCB Global Support Services Contract.

Mr. Gionson said there were no questions from anyone. Mr. Togashi asked for a motion to approve the financials. Mr. Kam made a motion, and Ms. Paishon-Duarte seconded. The motion passed unanimously.

5. Presentation, Discussion, and Action to Reallocate \$15,000 within the FY 2022 Budget from the GoHawaii.com Program to the Marketing Opportunity Fund

Mr. Togashi said they overshot by \$15,000 in one of their programs and asked to reallocate the funds in the amount of \$15,000, as previously noted.

Ms. Paishon-Duarte asked what the plan is for expenditure. Mr. Togashi said that with all the movement during the year, they missed that they already had \$15,000 in the program they wanted to spend on. Mr. Ka'anā'anā elaborated and said that moving things back and forth, the timing was off, and they overshot the budget by \$15,000. The funds were all Board approved and spent on, e.g., the map for tourism economics and other opportunities. Ultimately everything that was expended in the Marketing Opportunity Fund went through a full Board vetting process.

Mr. Togashi clarified that they have sufficient funds to cover the \$15,000. Ms. Duarte asked if they could identify what procedures can be strengthened to prevent it from happening again. Mr. Togashi re-emphasized that it was not a procedural failure but just missed a slight encumbrance, but as they moved things around, they could account for the amount. Chair White said it could have been avoided and must be aware of that moving forward.

Mr. Gionson said there were no questions from anyone else. Chair White asked for a motion to approve the agenda item. Mr. Kam made a motion, and Ms. Paishon-Duarte seconded. The motion passed unanimously.

6. Presentation, Discussion, and Action to Amend HTA's FY 2023 Budget Funded by Available American Rescue Plan Act (ARPA) Funds

Mr. Togashi said they have \$32.6 million in carry-over funds from FY2022 budget. The Board earlier approved the \$60 million FY2023 budget before the governor's veto of HB1147, which was subject to the release of funds by the governor. They have been working with the governor's administration for the release of those funds that required the governor's team and administration to weigh the ability of ARPA funds against many of the state's various priorities. From those discussions, the HTA anticipates receiving \$35 million in FY2023 ARPA funds, bringing the total available funding after considering carry-over to \$67.6 million for the FY. In the meeting packet, he said there is a document representing a draft and amended FY2023 for the Board's consideration and approval. He said in the August and September 2022 meetings that they had spoken about moving the funding of programs forward from the FY2023 budget to the FY2022 budget. He said that now that they had been moved around, it allowed them to adjust to \$35 million.

In summary, the HTA has \$67.6 million in funding for FY2023, and staff has revised the \$35 million portion to meet the cash flow and funding needs through June 2023. The \$35 million needs to be spent by December 31, 2023, and they have received authorization from the governor and his team. He asked that the Board considers the budget for recommended approval.

Mr. Kam asked how the items in orange would be funded. Mr. Togashi said they still need to be discussed and would be funded by the \$35 million.

Mr. Ka'anā'anā clarified that everything has been approved by the Board regarding the budget categories and has funding through June 2023 for the FY. Some have additional funds for the whole year if the HTA is granted the extensions they need for BNF to be allowed to spend beyond the deadline. In some scenarios, they have had to adjust how they fund the contracts in terms of timing. They will come back later with the FY2024 budget.

Ms. Duarte asked what the vetting process is for assuring that all of the proposed uses are allowable. Mr. Togashi said that federal guidelines are in place concerning the allowability of cost, essentially a document called a Final Ruling, for the federal funds they reference. Additionally, it goes through multiple layers of review in that their intended expenditures budget is submitted to the Department of Budget and Finance. So, they do review the intended expenditures and intended contracts.

Mr. Ka'anā'anā added that the HTA works from Board approved budgets. So, they have created a genealogy where they have had to adjust between FY2022, FY2023, and various funds. Mr. Togashi added that they report to the Board the monthly financials and the budget statements to ensure they are in accordance with the budget.

Chair White asked about the Campaign Effectiveness Study, which was budgeted at \$260,000, but there was no allocation for it out of the 2022 funds nor the 2023 funds. Mr. Ka'anā'anā said that they had to push it off to FY2024. He said the 2023 Campaign Effectiveness Study is already funded, and the campaign will begin in January 2023 to monitor and measure its effectiveness throughout the calendar year and in Q1 of 2024. The Campaign Effectiveness Study for the calendar year 2024 will be funded out of FY2024 and is already encumbered and paid for.

Chair White asked about the Ironman and LPGA allocations. Mr. Ka'anā'anā said they would be funded out of 2022 monies. Mr. Kam asked about the Visitor Assistance program and if it is being pushed out to 2024. Mr. Ka'anā'anā said part of the \$32 million on the books for FY2022 will be used to pay for calendar 2023 operations.

Chair White asked if they had received final approval on the \$35 million allocation from the governor. Mr. Togashi said they had received approval, and the funds are available, but they need to apply for the release of the funds. Chair White asked for a motion to recommend the approval of the HTA 2023 budget funded by ARPA funds. Mr. Kam made a motion, and Ms. Paishon-Duarte seconded. The motion passed unanimously.

7. Adjournment

There were no questions or comments from anyone. Mr. Kam made a motion to adjourn. The motion passed unanimously. Chair White adjourned the meeting at 12:38 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder