Ke'ena Kuleana Ho'opipa O Hawai'i
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiitourismauthority.org

Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

REGULAR BOARD MEETING
HAWAI'I TOURISM AUTHORITY
Thursday, February 23, 2023, 9:30 a.m.

Hybrid In-Person & Virtual Meeting

MINUTES OF THE REGULAR BOARD MEETING

MEMBERS PRESENT:	George Kam (Chair), Mike White (Vice Chair), Kimberly Agas, David Arakawa, Dylan Ching, Keone Downing, Mahina Paishon Duarte, Stephanie Iona, James McCully, Sherry Menor-McNamara, Sig Zane (Zoom)
MEMBERS NOT PRESENT:	Ben Rafter
HTA STAFF PRESENT:	John De Fries, Daniel Nāhoʻopiʻi, Kalani Kaʻanāʻanā, Marc Togashi, Caroline Anderson, Ilihia Gionson, Iwalani Kahoʻohanohano, Jadie Goo, Carole Hagihara-Loo, Maka Casson-Fisher, Tracey Fermahin, Talon Kishi, Maile Caravalho
GUESTS:	DBEDT Director Chris Sadayasu, Kylie Butts, Jennifer Chun, Minh Cahu Chun, Laci Goshi, Erin Khan, Lawrence Liu, Noelle Liew, Guillaume Maman, John Monahan, Jeffrey Eslinger, Barbara Okimoto, Teri Orton, John Reyes, Allison Schaefers, Mari Tait, Eric Takahata, Jay Talwar, Mitsue Varley, Alex Wong
LEGAL COUNSEL:	John Cole

1. Call to Order

Chair Kam called the meeting to order at 9:35 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 all members were confirmed in attendance, except for Mr. Rafter who was excused. Member who attended via Zoom were by himself.

3. Opening Cultural Protocol

Mr. Casson-Fisher did the opening protocol, and further shared the meaning of Kuleana for the Hawaiʻi Tourism Authority, as stated in HRS §201B-7.

4. Approval of Minutes of the January 26, 2023, Regular Board Meeting

Mr. McCully made a motion to approve the minutes. Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

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

There was none.

6. Reports of the Chief Executive Officer/Chief Administrative Officer/Chief Brand Officer

Mr. De Fries acknowledged Mr. Togashi's departure. He said it leaves an immense vacancy for the HTA to fill. He wished Mr. Togashi the best and presented him with a lei. He gave the floor to Mr. Togashi. Mr. Togashi gave a speech and thanked everyone for the privilege and pleasure of serving with the staff on the HTA.

Mr. De Fries spoke about the CEO report. Every Wednesday, the Board will receive a report about the work that took place in the previous week and what the forecast is for the upcoming week. This would get information to the Board members more frequently. He spoke about a dinner he participated in with congressman Ed Case, and his guest Republican Rep. Chris Stewart from Utah. The event was brought together by the Bipartisan Policy Center in Washinton, D.C. Other guests included Sherry Menor-McNamara, President and CEO of the Chamber of Commerce Hawaiʻi, Chris Sadayasu, Director of DBEDT, Mufi Hannemann, President and CEO of HLTA, Jerry Gibson, Jeff Wagoner, and Kyoko Kimura. The purpose of the gathering was due to the divisiveness in congress. They purposefully cross-pollinate individually, as the congress members do not see the world in the same way. Both of them served on the appropriations committee, and they purposely visited each other's state. Congressman Case was the legal counsel in Outrigger Enterprises and had an expansive knowledge of the tourism industry. He expressed his concerns about what was happening in the industry and the capitol.

His words of encouragement to HTA, its staff, and the board members were appreciated and was the highlight of the month.

a. Relating to Update on HTA’s Programs During January 2023

b. Relating to Update on HTA’s Implementation of Change Management Plan

Mr. De Fries asked Mr. Nāhoʻopiʻi for his update. Mr. Nāhoʻopiʻi spoke about the Change Management Plan. The staff has kept pace with the HTA’s Change Management Plan for FY2023 in the functional areas of Strategic Planning, Safety, Security & Crisis Response, Stewardship & Standards Setting, and Community Convening. They reached a goal where Hawaiian orthography was used on all digital platforms, including the GoHawaiʻi website, and all print media owned, or managed by the HTA.

c. Relating to the Annual Report

For the audit action plan, there were originally 27 recommendations. Out of those 27, they only addressed 18 recommendations. The other recommendations were considered insignificant. Of those 18 recommendations, Mr. Togashi and the staff developed a plan with 44 separate actions. They will finish the plan by May 2023. As of January, they accomplished all of the actions for that month. They are now onto the February goals. One action with the February 2023 deadline was partially completed. Completed actions included the Completing Performance Evaluation Measures study and integrating measures into the current RFPs. On the planning division side, they are scheduling what the DMAP managers need for January’s goals.

In Oʻahu, an important meeting was facilitated through the City and County of Honolulu's Department of Parks and Recreation from January 30 to February 1. It was talk story sessions with the Oʻahu tour and wedding operators to discuss the city park issues and concerns. Because Parks and Recreation is working on new legislation or other rules, they need to be facilitated. They want the HTA to have the discussions first.

On Molokaʻi, there was a Molokaʻi DMAP meeting to talk about the needs assessments and recommendations from community. They brought proposals and suggestions. Mr. De Fries asked Mr. Gionson to pull up the page on the HTA's website calendar year 2022, and elaborate on that. In the past, HTA also produced an annual report, that Mr. De Fries and Mr. Nāhoʻopiʻi would work on for the upcoming legislative session. He gave the floor to Mr. Gionson.

Mr. Gionson said they had been tracking 84 measures since the beginning of the legislative session, in addition to advocating for the HTA's budget, and responding to the various inquiries that came up with certain committees at the capitol. He highlighted some of the bills. He was wondering if their current model is the right one. HB1375 created destination management authority to replace the HTA and its Board. SB1522 creates an office of Tourism and Destination Management within the department of Business Economic Development and Tourism, which would replace the HTA and the Board. They are monitoring the measures closely. The HTA believes in the strength of the work, the team, and everything the Board brings to the table. They are continuing conversations with the lawmakers who introduced the measures. SB1196 clarifies the end of the term for the HTA Board members but reduces the Board members number from twelve to nine. SB629 and House companion HB229 require the HCC management to market the HCC. The budget request is $75 million for FY2023 and FY2024, and $60 million for FY2024 and FY2025. Mr. Gionson said they are also monitoring proposals on green fees. He said they have consistently advocated that the most effective model would be site-specific user fees. They testified on a bill prohibiting small plastic bottles and recognized those in the industry who had already made that step. They are advocating for funding the Festival of Pacific Arts and Culture. He said Mr. Kaʻanāʻanā is the chair for that; he and the HTA work closely with the festival. He spoke about the DMAP action item for Molokaʻi. HB1233 commissions a Social Carrying Capacity Study for tourism. The HTA advocated for the inclusion of all the islands.

Mr. McCully thanked Mr. Gionson. Mr. McCully said in a discussion on the representative side, he expressed the HTA's continued interest in the legislature funding of a governance study that would provide professional, comprehensive oversight of how to achieve a world-class governess. Best practice is difficult to determine from within. As a Board, they want to know if they represent the best approach. He said they are at a transitional point in the tourism industry, and the state would recognize that, and the most meaningful change comes from within.

Mr. Arakawa asked if the HTA is pursuing the $65 million HCC roof repair. Chair Kam said that after they adjourned the EEG meeting, the HTA was encouraged by the visiting center and the house committee to replicate the tour, so they could get a firsthand look. An invitation was extended to Rep. Quinlan. He is interested in bringing his committee, but it would have to wait until after recess. Mr. De Fries had asked Rep. Quinlan if it was okay to invite Chair Yomoshito, and he would follow up on that.

Mr. Arakawa said that in the budget meeting, he had asked the AG to find ways to get the $65 million moving forward and asked for a follow-up. Mr. Cole said he looked into it somewhat, but the options are limited. He said there are opportunities to add things to the budget, most likely through the budget bill. Mr. Cole said that, legally, those were some of the available options. Mr. Arakawa asked if the HTA Board could put something on the agenda where Chair

Kam or Mr. De Fries could write a letter to the finance chair of WAM asking for the $65 million to be included in the amended budget. Mr. Cole said that could be done, but it would need to meet the requirements of what the governor and administration ask for in the budget request.

Ms. Duarte asked if they are confident that the HTA will address all 18 recommendations to avoid the deadline for the audit. She asked if there were issues the Board needed to know about. Mr. Nāhoʻopiʻi said they are confident the audit will be done by May, and most of the changes were procedural. Most of the changes were done and documented when the auditors arrived. He said a few Board policies might need to be done away with, but most of that involves internal procedures, such as staff training, etc. Ms. Duarte asked when he anticipates the final report will be presented. Mr. Nāhoʻopiʻi said the last due date of activity is May 2023. He would keep everyone updated.

Mr. Arakawa asked if the audit was the 2018 audit. Mr. Nāhoʻopiʻi confirmed that as correct. Mr. Arakawa asked if an audit happens every five years, and Mr. Nāhoʻopiʻi said the audit is coming up in 2023. Mr. Arakawa asked if they could start working on some of the issues that need to be covered in the 2023 audit to be more prepared and save time. Mr. Nāhoʻopiʻi said they are starting the process. He is also looking at all the policies to put back in place and ensure they are still relevant. Mr. Arakawa suggested that any questions the AG, the state procurement officer, or the HTA have should be in writing.

Mr. McCully asked about the audit, SB780, introduced by Sen. DeCoite. It had not moved, so it specifically calls for an audit. Without that bill, it would be coming upon the state auditors on their own under general direction to conduct an audit or without specific direction by the senate. Mr. Arakawa said, as the legislative chair, HRS requires HTA to conduct an audit every five years; it does not need a bill. Mr. De Fries said they were asked to return to WAM on Monday at 10:30 a.m., where the focus for the HTA would be on SB1522. He gave the floor to Mr. Kaʻanāʻanā.

Mr. Kaʻanāʻanā gave some highlights. He said they conducted a first quarterly industry partner meeting in February with Korea, China, Canada, Oceania, and the Japan markets. They also had a visitor industry leaders meeting that Mr. De Fries convened, another means where the HTA was trying to extend their reach into state builder groups to reciprocate the exchange of information. FESPAC is fourteen months out and is in open procurement for a festival organizer. They are eager to get a contractor on board, as the commission so that the implemented detail of the festival can begin. The festival is scheduled for June 6 to 16, 2024. It is the first time Hawaiʻi is hosting what is known as the Olympics of culture. It is a unique opportunity for Hawaiʻi to showcase its hospitality and for the children to experience their cultures. He spoke about Ag Day at the capitol. He said they are grateful to Ms. Iona for helping to organize that, to share in efforts that Ms. Anderson, the DMAP managers, brand management staff have put in, in the agricultural space. He mentioned the study that showed 9% of visitors' spending on agriculture by buying locally made/grown, value-added products.

Mr. Kaʻanāʻanā spoke about Tourism Day on March 10, which the HLTA hosts in the capital. It will be a great opportunity for the HTA to show their work. He spoke about industry sector meetings. He said it was important to do it per sector, such as airlines, hotels, ground transportation, activities, and attractions, as they all have different needs and issues. He gave an update on some dates but mentioned that Kauaʻi would be rescheduled. He spoke about the Maʻemaʻe Toolkit, which is updated and on the HTA's website. A lot of great work of 'Ōlelo Hawaiʻi is being done in normalizing the language in all the spaces. He thanked everyone who contributed to the language, as the toolkit needs as many eyes on it as possible. If anyone in the community noticed a mistake, he asked them to contact him. He would give more detail on the U.S. marketing RFP later in the agenda. He shared about President's Day and what the HTA does there. He said he is grateful to everyone for what they do. He played a video of President Teddy Roosevelt.

Before concluding agenda 6, Mr. Arakawa reminded Board about his recommendation for the annual CEO evaluation to start as soon as possible since Mr. De Fries is coming to the end of his contract. Chair Kam said they have been working on it. He said that now that Mr. Nāhoʻopiʻi has come on board, he has a draft and will have an administrative committee meeting to discuss and review it in the next Board meeting so that the Board approves an evaluation. Mr. Arakawa requested to be on the Administrative and Audit Standing Committee since he, along with Chair Kam, is a long-time Board member who has worked with three or four HTA CEOs. Chair Kam concurred. Mr. Arakawa said it should be a standing agenda item. Chair Kam said that would be an agenda item in the Administrative Committee before it goes to the full Boa4rd.

Ms. Iona commented on Mr. Ka'anā'anā's report, and said that she was proud of the HTA. First was the Ag Day at the capitol; Ms. Iona had a booth next to HTA. She is glad that their agricultural industry was able to support,. She shared that the organizations representing Kauaʻi, Maui, and Oʻahu (including Aloun Farms) were there. She said agriculture is very excited to have the HTA there. She said for many years they had the Waimea Town Celebration, and the HTA had been a sponsor for that event. The event has grown to canoe races, baseball teams, etc., but they also have a beautiful agricultural and cultural component. She spoke about the Hawaiʻi Food Bank and how partnering with them helps in all aspects. The partnership that the HTA makes a significant impact. Mr. Kaʻanāʻanā thanked Ms. Anderson and the DMAP managers for the RFP that made that possible.

7. Presentation and Discussion of Current Market Insights and Conditions in Hawaiʻi and Key Major Hawaiʻi Tourism Market

Ms. Chun said TAT collections for January were $87.6 million, the highest amount collected since 2017, bringing the preliminary FY2023 TAT collections to $509.5 million. This was up 23.5% versus the previous fiscal year. For TSA and activities at airports, at the end of December 2022, it was high, but through January, it was less busy, except for Hilo. For lodging, the Hawaiʻi hotel report was published on Tuesday. The vacation rental was posted that morning. For January, they were at 73% occupancy for hotels, with a $391 ADR, and a $286 RevPAR, compared to the vacation rentals, with lower occupancy at 61% and ADR at $330. There was more hotel inventory and demand, but vacation rentals were significantly lower. For non-stop scheduled seats, there are more scheduled seats in February 2023 than in February 2022, but more compared to 2019 due to the increase in domestic seats. The international seat number is increasing. March and April are ahead with more international seats. She said Mr. Eslinger would give a more detailed look at air service.

Ms. Chun spoke about international tourist arrivals according to UNWTO. For 2022, there was less decrease compared to 2019. On a regional basis, they had a lot of recovery in the Middle East, Europe, and America. Asia Pacific was sitting on 23%, and was recovered. Looking at the prospects for 2023, the UNWTO said 53% said it is better, and 19% said much better. By regions of the world, the most optimistic people are in America and Asia. The most significant factors that weigh in the opinions are the economic environment, cost, uncertainty from Ukraine, travel restrictions, etc. The UNWTO's forecast has them ending the year at a negative 5%, compared to 2019, versus their less optimistic scenario.

The Skift Travel Index was 89, higher than the previous year's. Australia's Skift Travel Index is at 106.7. For the first time, Australia is the most ready to travel. The U.S. and Japan have similar figures. She spoke about the Federal National Travel and Tourism Office forecast for international visitation for the U.S. There will be recovery for Canada by 2025. For Japan, they are not looking at a recovery until past 2027. China will recover in 2027. South Korea will recover in 2026. Australia will recover in 2026. The U.S. Travel Association slide showed an increase in spending in December, but overall, for the year, it was still below 2019. Auto and air trips are still less, as well as overseas arrivals. Hotel demand was higher in December, but less for the year overall. Short-term rental was higher in December and for the year in general.

Ms. Chun spoke about travel spending. Hawaiʻi is trending similarly to the U.S. overall, and in the last few months, Hawaiʻi was higher than the U.S. Hawaiʻi is still not fully recovered from the labor market. Passenger air travel is not fully recovered. For domestic leisure, the consumer travel sentiment has been going up in the last few months, which is not positive, as people say that transportation costs will affect their decision to travel. That means things are getting more expensive. It is not as high as the previous summer. Most generations are planning on traveling in the next six months. For domestic business travel, 85% plan to have internal meetings close to pre-pandemic levels. Conferences and tradeshows are at 80% compared to 84% pre-pandemic. Consumer and other stakeholder meetings are at 78%, the same as pre-pandemic levels. For group travel, in December 2022, 67% of the event planners said they planned more in-person meetings for 2023 than 2022. The meeting planner outlook shows that 59% are optimistic. For actual domestic travel spending, the recovery is happening in 2023, but business travel spending will not recover until beyond 2026. Looking at volume, leisure travel has recovered. Auto and air travel have recovered. Overseas travel by state is still low for Hawaiʻi. Overall the international visitor volume is not going to recover until 2025. The Americas and Europe are recovering faster than the Asia Pacific, the Middle East and Africa, which are just under the 100%, even in 2025. For Hawaiʻi, she showed the new data they received with the six-month outlook for flight bookings. Compared to pre-pandemic levels, they are showing lower bookings through June 2023. Market-specific is tighter for the U.S. market and is slightly closer to the pre-pandemic period. For April, it is almost even but slightly ahead.

Mr. Kaʻanāʻanā said he hears from partners that the booking window post-pandemic is short and sub-90 days. That is why the booking pace looks sluggish. Mr. White said the booking pace is behind the previous year but still double digits ahead of 2019 and 2020, so they are not concerned.

Ms. Chun spoke about the U.S. origin markets. Most people come from Los Angeles and San Francisco. She noted that for the current period San Francisco exceeds the pre-pandemic period. The distribution channel showed that almost half of people are booking direct. They still use travel agencies online and retail, but with a shorter booking window. People are booking within the two-month period. She showed a slide for direct and travel agency bookings to Hawaiʻi, which would be published weekly. It shows figures by market and island.

For Japan, most people visit Hawaiʻi from Tokyo. The distribution channel for Japan shows that there is still significant direct travel as the wholesalers are not as aggressive. Like the U.S. market, most people book in the 90-day or less period. For Canada, their numbers are closer to the pre-pandemic numbers. Most of the people are visiting from Vancouver, Calgary, and Toronto. Most are booking direct. The lead time for bookings is further out for about 60% of the travelers. For Korea, the sixth-month outlook is good compared to pre-pandemic levels. Most people are visiting from Seoul, Busan, Jeju, etc. Japan's use of retail agents is significant compared to other markets. They majority of people book within 90 days or less. Australia is still lagging compared to pre-pandemic levels. Most of the people come from Sydney, Melbourne and Brisbane. There is a lot of use of retail travel agencies. Almost three quarters of people are using retail travel agencies. 80% of those people are booking far in advance.

Mr. Kaʻanāʻanā said he heard from the Oceania partners that there are challenges with the flight services direct to Honolulu, which are very pricey, but traveling via Los Angeles to Sydney is cheaper, so there are significant price differences. Ms. Chun spoke about the visitor satisfaction survey, which would be published the following day. For the most part, across the board, U.S. West, U.S. East, Japan, Canada, Oceania, and Korea, people are satisfied with their trip to Hawaiʻi. Expectations have either been met or have been exceeded. Korea has the most exceeded expectations. The majority of the people would recommend Hawaiʻi to friends or family. The U.S. West said 80% would return in the next five years. The U.S. East had 65% coming back in the next five years. The numbers for Japan, Canada, and Oceania were lower. Korea seemed optimistic about returning to Hawaiʻi in five years. The U.S. and Canadian markets said Hawaiʻi offers various experiences and said that everything was excellent. There was less satisfaction with the various experiences from the Japan, Oceania, and Korean markets.

Most countries think Hawaiʻi is a safe, secure destination, but Japan said they are above average. Hawaiʻi has high scores from the U.S. market for being sustainable. There are lower scores from the other markets, but most are above average. For volunteer/give back opportunities, fewer people say Hawaiʻi is excellent. For sightseeing in Hawaiʻi, from October through December, most people are sightseeing, going to the beach, doing fitness activities, hiking, and going to family restaurants. 63% were Canadians that prepare their meals. The North American markets are more supportive of shopping locally than the Asian markets, but it could just be priorities on what they are buying. Activities also include going to Luaus. For transportation, many people use rental cars. The North American market is above 70% for all rental cars, but lower for Japan and Oceania. There is a higher use of the trolley in the Japanese market than in everyone else. Some people also do bike rental. Other activities include visiting friends and family. Some people are doing non-profit volunteering.

Ms. Chun spoke about the Q4 hotel forecast for the state of Hawaiʻi. Overall for the state, 2023 will be ahead of 2022, with a 3.4% bump in occupancy percentage points, with a slightly higher rate and RevPAR. For Oʻahu, there is an increase in occupancy, rate, and RevPAR. For Maui, there is less increase in occupancy and rate, but still significantly high. They are expecting Maui to end with almost $630. For Hawaiʻi Island, there is less increase in occupancy compared to 2022, and a slight increase in ADR, with the smallest growth in RevPAR. For Kauaʻi, occupancy is slightly higher, at two percentage points higher. ADR is up about 5%, with a moderate change for RevPAR.

Mr. Kaʻanāʻanā clarified what the forecast means. Occupancy is higher, meaning more people. The rate is higher, and that is how TAT is calculated. These are the results they work towards as a team, and with their contractors every month. It is encouraging and reminds the HTA that their work is important, and that if they want to continue doing the work, they need to maintain relationships with the industry that helps them. He spoke about Mr. De Fries mentioning the working public-private partnership. He hopes that decision-makers see the value of the partnership as well. He said the HTA has the responsibility to ensure the communities are enriched.

Ms. Chun gave the floor to Mr. Eslinger. He apologized for his late arrival as he attended various meetings for projects related to Hawaiʻi. He mentioned that he and Mr. De Fries were at the EET meeting about the bill for creating an Office of Tourism at DBEDT. He said they both testified and provided comments. The question to him was whether the model works, and he said it does. To Mr. Kaʻanāʻanā and Ms. Chun's point, the numbers are strong, but pricing within the state, the HTA, and DBEDT do not control the industry partners, so sometimes it is hard to measure what the HTA and DBEDT are doing.

Mr. White asked if the TAT is state only, and she confirmed that as correct. She said they have tried to find what the counties are getting, but she has not found that. Mr. Kaʻanāʻanā said they could ask the mayors to provide that information to Ms. Chun. Mr. McCully said if they choose not to contribute, they can add a box with the total collected by the counties. Ms. Chun said she hoped to know what each county collected, but if the Board is happy with an estimate of the total county collection, they can do that. Mr. White said the counties should be presenting their budgets in March. Mr. Sadayasu said if Ms. Chun could write a letter for him to sign to send to the counties, he could do that.

Mr. Kaʻanāʻanā said there is a lot of detail about air service, but he reiterated that air service is the pipeline the state relies on. Close monitoring of the segment is very important. United Airlines flights into Hilo getting canceled has impacted occupancy at the Hilo hotels and makes a point of the importance of air service. He said the HTA has not been able to invest in developing the service to the state but has been in touch with the authorities to ensure they align with AOT's efforts, so they are working in synergy. Mr. Eslinger said the airline industry is in a dynamic situation. They hope to reach profitability in 2023, the first time since the pandemic. The unpredictable factors, such as oil costs and ever-increasing extreme weather, continue to create more challenges for airlines. Thousands of flights are canceled, taking capital from investing back into operations.

Green air travel is a top priority for many airlines. The rise in consumer awareness of global carbon emissions has encouraged the industry to adjust attitudes toward climate change.

Capacity limitations remain due to scarcity of aircraft and shortage of labor. Higher airfare environment going into 2023 will help to offset rising costs, higher pilot pay, and other pressures. For Hawaiʻi, it is specifically related to the trans-pacific flights from the U.S. and Canada to the neighbor island airport. Demand is not what it was, so because of that, they are cutting frequencies. Those repercussions affect the entire community. Crude has gone up in September from $349 to $386. Fuel surcharges are still prevalent, and it is still a barrier for Asian markets to come back. He spoke about the carrier currently serving Honolulu. Air Asia has removed Hawaiʻi, Osaka, and Honolulu from their schedule. Through August and beyond, they are hoping that the flight will return. For 2022 there were 61,106 non-stop trans-pacific flights resulting in about 12.9 million seats. For specific markets, they have demand, such as Oceania, but the problem is aircraft allocation and flight crew.

Mr. Eslinger spoke about the non-stop international flights to Hawaiʻi and from the U.S. market. Some of the air service that was introduced was Atlanta to Maui on Delta Airlines, as a new service, but it will be reduced as they get through March. Then it will come back for the holidays in 2024. JFK to Honolulu on Delta Airlines was traditionally for December or festive holidays, but it is now scheduled throughout the year. This is a third carrier from the New York market they have daily now. Detroit to Honolulu flights have been restored. Tokyo to Honolulu on United Airlines has zeroed out, but Tokyo to Honolulu on Delta Airlines is restored. Fukuoka to Honolulu on Hawaiian Airlines is restored. Cook Islands/Rarotonga to Honolulu with Hawaiian Airlines is a new service. He spoke about top origins of the islands. He spoke about historical seats by market. He showed the slide for Australia and New Zealand from 2018 to June 2023. What is seen is that demand is there, but capacity is not. Canada seats are very seasonal, and there is a lull going into the summer months, returning in the winter months.

Mr. Kaʻanāʻanā pointed out that seasonal markets are important reminder of the profile and the mix of their source markets. U.S. seats are higher than they were, but there is variation. For South Korea, the market is one of resilience and is increasing. The Japanese market is ready to come back, and the airlines are ready. The 380 will fly daily as opposed to weekends. The air seats for China show a decrease to 2020. Taiwan seats have also decreased in 2023.

Mr. Eslinger spoke about scheduled seats. By country, Australia was anticipating 241,000 seats for 2023, while Canada anticipated 480,000 seats. Japan was at 1.4 million, but it would have to be adjusted because of what happened in the last few days. The U.S. market has 10.6 million scheduled seats, not as much as the previous year. South Korea has 295,000 seats.

For the U.S. market, particularly for each island that has non-stop service, in 2019, Oʻahu had 2.4 million U.S. seats, which jumped to 2.8 million. There will be an increase through June 2023. Maui had an increase from 2019 to 2023 of 18.1% seats but a 7% change when comparing the current year to the previous year. Kona is negative 4% in terms of seats for 2023 from 2022. Kauaʻi will be reduced by about 11.7% compared to 2022. They are all where they were in 2019, except for Hilo, where there is currently no air service. For July to October for U.S. seats, Oʻahu is about 4.6% higher than in 2022 and a 12% increase over 2019. For Maui, it will be less than 8.7% compared to the previous year. Kona is down 1%, Kauaʻi is down 13.6%, and Hilo is down 100%. The impact on the state is about 2.2%.

Mr. Eslinger spoke about the forecast for seats scheduled for 2023. In 2022, there were about 11 million seats, compared to 2023 at 10.7 million seats. The airlines are facing many challenges. The visitor coming in the middle of the week is probably staying in a hotel, and because of that, having a three-day-a-week schedule is not financially viable for the airlines. There are two issues impacting flights. One, is the elimination of American Airlines' second daily wide-body service from Dallas to Maui which will be down to one flight per day. And secondly, United Airlines is also reducing San Francisco to Maui from 28 per week to 14 flights per week. Starting in September, San Francisco to Lihue will reduce to one flight per day. There will be an increase in fares, which will have a rollover effect in the marketplace.

Ms. Iona mentioned a reduction in Japanese seats and asked why HTA is putting money into the Japanese market. Mr. Kaʻanāʻanā said the HTA plays a role in a mix of the public-private partnership marketing in branding dollars that advances the follow-through marketing of the properties and airlines. So, the HTA, as a state and destination, must ensure they are consistently present in all the markets. He said there is a perception that everyone knows about Hawaiʻi, and people will continue to come. The best example of that not working out was during the pandemic. Mr. Kaʻanāʻanā said the relationships they have, has helped the HTA get things done during the turbulent times. Mr. Sadayasu said he is meeting with the governor and many Japanese partners, including the counsel general, Japan's ambassadors to the U.S., and the Minister of Foreign Affairs. He said they had recommitted their resources and efforts to market in Japan and maintain good relationships and bonds. Ms. Iona elaborated and showed her strong support for the Japan market. Mr. McCully asked what analysis could be made on a base level of the market as to why Korea has been a bit more durable as the source of interest in Hawaiʻi travel. Ms. Chun said in previous meetings, where they were monitoring the status of different countries, she mentioned that Korea opened up earlier than Japan, so they could travel sooner.

Mr. McCully asked what the Taiwan anomaly is. Ms. Chun said she is not tracking Taiwan as the HTA is not funding Taiwan. Mr. Eslinger said they had had conversations with DBEDT for a new entrant in the market, but Taiwan's planes are being reallocated to closer markets, especially the Oceania market, using Taipei as a connecting flight. Mr. Ka‘anā‘anā said it is important to improve sentiment and reignite the desire for the Japanese people to travel.

Ms. Duarte asked if rail would be included in ground capacity. Ms. Chun said they will add it to the survey when rail starts. Ms. Duarte mentioned recovery and asked what the numbers should be for a satisfactory level of recovery. Ms. Chun said 2019 is not the goal, but that is the pre-pandemic level. They continue to compare it to 2019 to gauge where they are. They will continue looking at 2019 until the Asian markets are back to recovery. They are not even halfway with Asia, so she anticipates comparing the levels to 2019 through 2023. Mr. Eslinger said seats do not equal visitors, which is part of the narrative they must remember. He said they are still unsure of the best forecast, but he will attend Routes Americas in Chicago in a few weeks and meet with the carriers that service Hawai‘i. The carriers concerns are that their flights need to be filled in the middle of the week. They want to know what the HTA is doing to engage them to get to the right balance. Ms. Chun said people forget that there is also cargo in the belly of the planes, and with fewer flights, there is also less cargo arriving, which is also an important factor for tourism.

Mr. Ka‘anā‘anā said that they had reworked the language for the U.S. marketing contractor procurement to include phrasing like optimizing instead of growing, maximizing, etc. He said having the correct information and questions for those at the Routes Americas conference is important.

Mr. Ching said they must remember that as they continue to clean up the illegal vacation rentals, there is a natural slowdown as there are only a certain number of hotel rooms they can offer. Ms. Duarte thanked everyone for the ongoing research and data. She encouraged everyone by saying that this is an optimum opportunity to rally around something important to everyone, industry partners, community, etc., to move towards their targets. She is excited about where they are going with DMAPs. Mr. McCully said they must stay loyal and consistent with their budget for brand and marketing. He said they should use the data they have gathered in the last few years to better prepare them for the future and affect their marketing strategy to maintain their availability and presence.

Mr. Ka‘anā‘anā spoke about how they leverage the data they have gathered. They ordered and paid for a tool called a market allocation platform that Tourism Economics developed. He said the platform assesses the opportunities, risks, and headroom in each of the key markets they are looking at and might look at. It synthesizes all that data. He asked Ms. Chun to elaborate on the platform. She said it is a great tool, but then the pandemic happened, so all their assumptions were blown out of the water. They can update the model when the time is right.

She said they needed to revisit the tool. Mr. Kaʻanāʻanā noted that all the statistics from Ms. Chun use the tool, and then the tool makes recommendations.

Ms. Iona asked if the model had a residential component, and Mr. Kaʻanāʻanā said it does not. Ms. Chun said they are looking at visitors in particular, not arrivals. Ms. Iona asked if there was an opportunity to monitor residential seats. Ms. Chun said it would be helpful to know who the residents are, but because they are reporting visitor statistics, they do not include the residents' statistics. If the Board wants to see those numbers, she will see what can be done. Chair Kam asked if she could arrange that. Ms. Iona asked for the statistics for the counties as well.

Mr. Arakawa agreed that it is a great tool to use for the data. He clarified that it is important to maintain ongoing relationships with contractors and Board member staff using the data from the past and future, to make the necessary adjustments.

Ms. Iona said Hawaiʻi is not unaware of the issues that happened during disasters, e.g., COVID, but Hawaiʻi also went through hurricanes, and hotels closing, and they all survived because they had a vision from the people, and they all came together. She said Mr. Kaʻanāʻanā is trying to always make the best decisions possible, and she asked how they, as an industry, can support the Japanese partners or other partners in what they are doing. No matter what is happening, tourism is the driving force behind everything. Mr. Arakawa said the partners always do a great job, and on the consultant side, they are always helping the HTA when needed. Ms. Chun said the research team worked 24/7 to get the data and research needed during the pandemic. She said they have relatively good data, except in 2020, where they did not have expenditures because it was unsafe for the field teams to be at the airports. Mr. Eslinger said that because of the pandemic, they now have better relationships with the carriers.

Board member emeritus Ms. Kyoko Kimura attended online and asked about the reference made to the Japan routes, the business and first class were full, but the economy class was low in load factor. Are the airlines doing anything to improve that. Mr. Kaʻanāʻanā said they could answer that under the HTJ BMP agenda item. Ms. Chun elaborated on what was in the Board members' books and what was in the handouts.

8. Report and Update by the Budget, Finance and Convention Center Standing Committee of their Meeting held on February 21, 2023

a. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on the HTA's Financial Report for January 2023

Mr. Nāhoʻopiʻi said the staff presented the January 2023 financial reports, which included 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 January 2023. They recommended the Board's approval. In January 2023, BNF had approved the HTA's extension request to allow the encumbrance and expenditures of the TSF FY2022 ARPA funds through December 1, 2023. He requested a motion to approve the January 2023 financial reports as presented at the BFCC Standing Committee meeting and included in the Board meeting packets. Mr. White made a motion, and Chair Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

b. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on Hawaiʻi Convention Center's January 2023 Financial Reports and Update on the Hawaiʻi Convention Center's 6-Year CIP Plan

Mr. Nāhoʻopiʻi said that at the meeting Ms. Orton had presented the HCC's January 2023 financial reports and accompanied that discussion with an update on the six-year CIP plan for the HCC. Ms. Orton noted that the HCC ROI was $4.75 returned to the state for every dollar spent. The ROI was closer to $23 or $25 pre-COVID. He said Ms. Tait had also updated them on Rider Levett Bucknall, who was awarded the contract for the temporary repair project management of the rooftop terrace deck. They are busy finalizing the contract. Mr. Nāhoʻopiʻi requested a motion to approve the HCC January 2023 financial report, as presented at the BFCC Standing Committee meeting and included in the Board meeting packets. Mr. White made a motion, and Mr. Arakawa seconded. Mr. Arakawa said one of the issues discussed in the six-year CIP plan was the $65 million request, and they had said it was legally possible to make that request, but it is up to the legislature to make it happen. He asked if Mr. Sadayasu would be willing to write a letter to the House and Senate for approval. Mr. Sadayasu said if that is the will of the Board, then they can take a look at the request and support it, but the caveat could differ from the governors' priorities.

Mr. Arakawa said that after the meeting on Tuesday, they were all unanimously in support of the $65 million. Chair Kam clarified that they all supported fixing the roof, whatever the number came to. They were also in support of having the house visit the site, and Ms. Orton would also look at the cost of how they could utilize the $15 million in terms of the new study, along with the CIP. Mr. Arakawa said his recommendation was based on the amount discussed in the Tuesday committee meeting, which was $65 million. Mr. Sadayasu said the best appropriate request is that all the agencies have been asked to put in their request, and the best vehicle would be for the HTA to write a memo to Mr. De Fries through himself, to the legislature and address to the senate and house, and copy the tourism and WAM chair. He said that would be the best vehicle, as other agencies have done it that way as well. Chair Kam said they were all supportive of ensuring the roof is completed and that it is done in the most prudent and diligent way, as it is the taxpayers' money. He said $65 million is an estimate and not a firm number, and they need to look at all the options available, including the appropriated $15 million. This is to ensure a one-time fix and not a band-aid. Mr. De Fries said he agreed. Ms. Orton confirmed that it increases by 8% for every year that they put it off. She said they have just awarded ROB and are signing the contract. She said that as soon as they are on board, they will be asked to evaluate the start of the project and when the deadline is for turning it from a temporary to a permanent repair if they get funding.

Mr. Sadayasu excused himself as he had to go to a judiciary hearing. Mr. White asked if they needed Board authorization for the $65 million, or if it was already approved at a previous meeting. Mr. Togashi said they would have to confirm that later.

Mr. Gionson did the roll call, and the motion passed unanimously.

c. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee on the Hawaiʻi Convention Center Futures Study

Mr. Hazinski said Mr. Harris had also joined from HVS. Mr. Hazinski said HVS was engaged to update on prior work they had done. They started working on the project in 2016 when the HTA asked them to do an HCC Futures Study. The objectives were to look at what improvements could be made to the HCC to make it operate more efficiently and attract more demand. The second thing was recognizing that an adjacent or attached hotel would be key to that study. And thirdly, to look at the neighborhood around it, and see what was going on in terms of development, and what might be done to improve the neighborhood to make it a more attractive destination. The initial report was published in 2016; they came back to present findings to the Board in 2019 for the request to update the report.

In the original report, they looked at the potential for developing a hotel on a site adjacent to the HCC, in the intervening years, the site was acquired and developed into a residential, so that was no longer possible. The 2019 study explored the possibility of using the HCC site to build a hotel. It was not only a market study issue but also whether it was physically feasible, so they engaged a few engineering sub-consultants to see if it was feasible. They came back saying that it could be accomplished but would be difficult and expensive. They had developed a couple of options on how it could be done. Then COVID arrived, and everything went quiet. They returned in 2023 to update the study to reflect what changed since COVID regarding HCC demand, what changed about the neighborhood, and the condition of the facility. He presented their findings in their most recent version.

Mr. Hazinski gave some highlights. He said the HCC is a building in crisis because of the roof issues. It is a physical issue but also a marketing and sales issue. Clients are becoming aware of this, and there are a lot of expenses for repairs and getting rooms ready for events. It is already having a serious impact on the demand. He said it is not worth making investments and improvements to the HCC unless the rooftop issue is resolved. In the post-COVID world they strongly believe that group meeting activity is returning. It is taking longer than leisure travel, but it is coming back, and there is a steady trend toward it. Some cities are fully recovered, while others are partially recovered so far. He gave a few conclusions about the study. The HCC can continue to serve an important role in attracting group meeting events that generate impact from visitors with a high propensity to spend. The HCC can also continue to serve the local community as a venue for consumer and entertainment events and a disaster relief center. Based on engineering studies, the construction of a hotel on the HCC is physically feasible, albeit expensive. The site provides a unique opportunity for hotel development in Honolulu, which has limited availability of land and high construction costs. The addition of a hotel with approximately 600 rooms would have the following impacts: increase the level of group demand and utilization of HCC function space; provide an income-producing asset on site that maximizes the value of the land; help solve the roof repair issue. The financing of the hotel will not be feasible without significant public support. A public-private partnership or public financing are two possible approaches. The development within the District should be master planned to create a more walkable and inviting destination.

He showed the forecast in detail. Mr. Hazinski said demand might change with the addition of a hotel and other improvements to the HCC. They put it on a timeline and made an assumption that the project could be achieved by 2027, and the hotel could open in 2027. He said it would take three to four years for demand to stabilize. They projected demand to increase from 225 to over 300 events, including all kinds of events, as well as conferences and city-wide conventions, etc. A big increase could be in city-wide conventions because one of the biggest barriers to attracting that demand is the inability to assemble a room block, and the distance of the room block from the HCC. Adding that would put the HTA in a completely different market position in terms of marketing the facility. They projected attendance, which would increase from 350,000 to 500,000 across all event types.

Mr. Hazinski showed a graphic representation of the 10-year pro-forma. If the project were undertaken, they could move toward more of a break-even operation and not have to subsidize heavily. So, there is a long-term benefit in improving the financial position. The total revenue would increase to outpace the total operating expense, moving them toward a break-even operation in future years. That would be contingent on attracting demand. There were no questions. He gave the floor to Mr. Harris to talk about the hotel market analysis.

Mr. Harris said many convention centers have developed or are developing an attached hotel as part of an overall package to attract upscale conventions and conferences. Large privately owned properties with large amounts of meeting space are entering the market. He said the proposed attached hotel would help the HCC remain competitive in the market. Mr. Harris showed a basic layout of the proposed hotel, with 600 rooms, including a restaurant, lounge, and coffee shop. They would need a permanent roof repair, and a pedestal would need to be developed on the fourth floor to support the proposed hotel. Additionally, 24,000 square feet of underutilized meeting facilities within the HCC would be repurposed into the proposed hotel. The proposed hotel could be developed as a public-private partnership through a public ownership model. If a public-private partnership was utilized, the proposed hotel would need long-term leases for the land, meeting spaces, and parking for financing purposes.

He showed a list of competitive hotels in the market near the ocean, except for Hilton Hawaiian Village. Mr. Harris said that when they talk about the hotel market, what the market is for the property, they define it by those hotels. Mr. Harris spoke about the long-term view of the market from 2009 through 2021 and year-to-date through October. In 2020 the market was significantly impacted by COVID, recovered in 2021, and continued recovering strongly in 2022, hitting all-time highs for ADR.

He spoke about hotels that are being developed, e.g., Mandarin Oriental Hotel etc. He spoke about the proposed hotel during the market opening in 2027. He said it would take three years to stabilize at an occupancy slightly below the overall market due to the location away from some of the prime attractions in Waikīkī. It would have a stronger meeting and group segment, compared to the competitive hotels due to its location with the HCC. A room block agreement would be needed between the HCC and the proposed hotel to ensure that the HCC had room nights allocated as needed. The projected ADR and occupancy would be a little higher because it is a new hotel with larger room sizes than many in the market. The ADR does not include the resort fee. He spoke about proposed hotel stabilization supported by revenues, food and beverages, and resort fees. Labor costs are high, impacting the overall profitability, especially on food and beverage and high import food costs.

An alternate development option would be for a brand-managed property. That would make the investor in the property passive as they could not actively control the property, but could potentially reduce the franchise management cost and improve the bottom line. Mr. Hazinski said a reserve of $19 million could be available for the public-private partnership to pay for debt and equity. Debt would have priority, and it would need to have an adequate equity return. If it were publicly financed, it would be financed with all debt, making it available to pay debt on taxable or tax-exempt bonds. That would be the financial benefit that the investment brings, but they do not know the size of the investment as that requires a lot of careful planning work to get to that number. If there was an expectation out there that adding the hotel would help pay for the roof, that is not a realistic expectation. The roof is a precursor to this.

Mr. Hazinski touched on the HCC district analysis. He compared Honolulu to other major convention destinations, such as Seattle, San Diego, San Antonio, Nashville, and San Francisco, all highly successful. He showed a graphic with hotels and sizes. He said those destinations have a lot more surrounding the convention center than in Honolulu. To be competitive, they need rooms. He showed a slide with other amenities, such as food and beverage outlets, restaurants, and arts and entertainment venues, pointing to the need for development adjacent to the HCC. They did case studies of other cities, and having a linear park would make a difference. He said they must go back to the crisis they were currently facing. He reiterated that the water issue must be solved, and it must be a priority before anything else is done. He said there was a missed opportunity along the canal. They discussed several options in the district that would be beneficial to the HCC.

Mr. Arakawa said the main takeaway from the presentation at the meeting earlier in the week is that they need to fix the roof before people would be interested in the HCC. Mr. Hazinski said that is a threshold condition, but they are talking about a complicated project and process. To get to that would take a lot of careful planning and engage with private developers, etc. He said the public financing is complex because it not only depends on the hotel's income but because of COVID and recessions, the hotel's income is not seen as a credit-worthy revenue stream. There has to be some entity with funds to pay debt servicing the event where the hotel's income is not available to do that. This would be a complicated negotiation. It is about understanding the risk and how the risk is allocated. In a public-private partnership, there is less risk but less control and a higher cost of funds, so it is a matter of trading off risk, benefit, and more cost, and landing on what is right for them is a process itself. The HCC is an exception because it does not have an attached headquarters hotel. This kind of investment has long-term benefits for the HCC and the state.

Mr. Arakawa said the HVS' presentation indicated that the type of conventions that come to Hawaiʻi tend to be more of a medical or technical nature. His experience has been that those conventions are supported by exhibitors or medical/technical suppliers that have exhibits, so they need lots of exhibit space. That is how they make their conventions profitable. He said the proposal they are working on reduces exhibit space, so asked them to look at that factor. Mr.

Hazinski said they have looked into that, and part of their earlier work was interviewing event planners, what they want and need, and what their views of Hawaiʻi and the HCC were. It was clear that getting long-haul business with large exhibition demand is impossible. Those events are not necessarily exhibit-heavy, so they do not see the slight loss of exhibit space as a serious concern, as they cannot get the long-haul business anyway. There will be more specialized stuff which is characterized by a conference and not needing a lot of exhibit space.

Mr. Harris said they also see a combination of business and leisure travel, and Hawaiʻi is a prime market for that type of travel. People can attend a convention, then stay on for a few leisure days. Chair Kam mentioned the $500,000 study by DBEDT on the HCC, and the study they did could also be used and incorporated. He asked them to follow up to find out the status of that study so that they can incorporate both studies moving forward. Ms. Goshi said they must ensure there are no duplicate efforts. Mr. McCully asked if the Board members could get copies of the studies, and Chair Kam said that was possible. Mr. Arakawa asked Ms. Goshi about the scope of the $500,000 study and what the Board and the HTA's staff involvement would be.

Mr. De Fries asked if there is an estimated cost to develop the hotel, but Mr. Hazinski said they do not have a firm number. The engineers were not asked to do a concept plan for a cost estimate. Mr. De Fries asked that the cost could be added to the scope at DBEDT. Mr. McCully asked if Mr. Hazinski was involved in other similar projects. Mr. Hazinski said they have worked on many such projects, but none were built on top of the HCC, but were physically attached. Mr. White asked about the proforma and said he was concerned with the projected losses of more than $5 million per year during construction. Mr. Hazinski did not attempt to estimate the loss but recognized there would be additional capital costs rather than operating costs. He said they would have to figure out how intrusive the construction would be. In their proforma, they did not include the potential additional loss. There were no questions.

d. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee for Funding of United States Major Market Area Brand Marketing and Destination Stewardship Requests for Proposals ***

The staff identified recommended amounts for the U.S. Brand Marketing and Destination Stewardship RFPs. To protect the integrity of the RFP process, those issues and amounts were discussed in an executive session, including the budget line items that were associated with those amounts. Mr. Togashi asked Mr. Gionson to pull up a slide to give more detail about the public session. On February 13, the staff issued the U.S. MMA and Destination Stewardship RFPs. He said they were requesting proposals for base funding for up to $38,350,000, which would be $8 million for July to December 2023, $14,350,000 for January to December 2024, and $16 million for the calendar year 2025. It will be funded with $4 million from the FY2023 funds, $18,350,000 from the FY2024 funds, and $16 million from the FY2025 funds. At the HTA's options, there will also be $12.9 million in incremental funding, $1.25 million for the July to December 2023 period, $5.65 million for the calendar year 2024, and $6 million for the calendar year 2025. This will be funded by $6.9 million from the FY2024 funds, and $6 million from the FY2025 funds, all subject to the availability of funds.

Mr. Kaʻanāʻanā said the incremental funding slide showed the proposed fiscal years the HTA would like the funds to come from, but those numbers are more than the ask of $75 million and $60 million. Mr. Arakawa said the exhibits relating to the branding portion and the destination management portion, but during the committee meeting, he had asked for a summary that showed the scope and amount differences for the RFPs. Mr. Togashi said they took his advice and prepared an analysis in handouts that they would share with the Board after the presentation.

Mr. Togashi spoke about the Destination Stewardship RFP. They are requesting proposals for base funding of up to $28,065,000, which would be the $17,465,000 for contract period one, May 2023 through December 2024, and $10,600,000 for contract period two, which is the calendar year 2025. At HTA's option, there would also be up to $6 million in incremental funding, which is $2 million for contract period one and $4 million for contract period two, to be funded across FY2024 and FY2025. He pointed out that during the BFCC meeting, they entered into an executive session. The staff had identified the budget line items with regard to the RFP. They will have to look at the proposals to identify a funding source for the RFP. They will discuss it further if the Board wants to enter into an executive session regarding Mr. Arakawa's point.

Mr. Togashi addressed Mr. Arakawa's question about the scope and analysis he asked about. Mr. Togashi spoke about the matrix that laid out an RFP comparison and elaborated on it. The scope and compensation were the two sections in the document. Mr. Arakawa said the document helped a lot. Mr. Arakawa asked if the AG had an opinion about the settlement differences. He had concerns about the amount not being disclosed and the AG not having an opinion. Mr. Togashi apologized and said they tried to be as transparent as possible. He referred to NDAs that were signed previously. Mr. Arakawa asked if the HTA could waive confidentiality. Mr. Cole said he had not given his opinion yet, as he does not know the details of the settlement talks. Mr. Arakawa asked about the RFP amounts and terms. Mr. Kaʻanāʻanā said round one covered a period of the initial contract term that would have covered January 2022 to December 2024. RFP 22-01, round two, $54 million would have covered July 2022 to December 2024 and included one-time expenses related to website upgrades in that scope and outlined in section 2. There were some nuances to the comparison across the two rounds. In the RFP23-03, they anticipated the contract would cover June 2023 to December 2025 for two years and seven months.

Ms. Orton said the RFP 23-08 was from May 2023 to December 2025. Mr. Kaʻanāʻanā noted that over time, the budget amounts changed, and the total amount of available funds fluctuated from the governor's veto of HB1147, etc. The HTA's ability to scope the work and assign budget to it was in constant flux throughout that time. Mr. Arakawa asked whether the delays were because of anything the HTA had done. Mr. Togashi said they learned about the $35 million available in November and brought it to the Board to formulate the budget. Since December, there had been back-and-forth discussions with the paperwork, etc. Some factors affect the monies. Mr. De Fries said the operating sequencing is also a factor that causes money delays. Mr. Togashi said they have been working in partnership with the administrations and BNF, and the team has also been working with them to create greater efficiencies.

Ms. Duarte asked about the activities listed under RFP 23-03 and RFP 23-08 and why the activities were not included in the current split RFPs. Mr. Kaʻanāʻanā said they needed to write new RFPs for those related to support services and island chapters that are no longer included in RFP 23-03. Mr. Arakawa asked if the price tag would be more than $85 million once the others are added. Mr. Kaʻanāʻanā said it depends on the allocation the Board approves in the budget and what the HTA gets from the legislature. They have it at about $2.5 million for the island chapters and about $1.5 million for global support services for the entire year. Those would be additional procurements that need to be drafted and issued. Mr. Togashi asked if the Board would like to go into executive session, but everything was discussed publicly.

Questions from online participants: Mr. Kūhiō Lewis said they had some concerns about the two solicitations that were issued, but there were two administrative caps. The marketing has a 22% administrative cap, and the destination stewardship has a 15% cap on it, so there is a big difference. He was unclear on the rationale behind the difference and felt it should be the same. Arguably, destination management would take a lot of work, and both sides should be treated fairly. Mr. Togashi acknowledged the question and said they would respond to it in the RFP process. Ms. Duarte said it was a good point as there was a lot of conversation around destination stewardship, an important pathway they need to cultivate. Mr. Arakawa agreed with Ms. Duarte. Chiar Kam commented that it was the decision of the selection committee and the RFP process and asked what the status is from the Board's point of view. Mr. Togashi reiterated that the process spelled out under 103D requires HTA to respond to any questions. Mr. Arakawa asked if it is legally possible for the 22% administrative cap and 15% destination stewardship to be adjusted. Mr. Cole said it is allowed. Mr. Arakawa asked if the Board would need to vote on that, or what needed to be done to change the percentage. Mr. Kaʻanāʻanā said they would need some time to digest as they are learning, too. Chair Kam said they would find the best vehicle to address the concerns. Mr. Nāhoʻopiʻi said the Board had seen the total funding but had not seen the budget line items, but they were discussed in the BFCC meeting and recommended it to the Board.

Chair Kam asked if everyone was comfortable with what was presented in the public session. Mr. Nāhoʻopiʻi requested a motion to approve funding and budget line items related to the RFP 23-03 Hawaiʻi Tourism Destination Brand Management and Marketing Services for the United States market and the RFP 23-08, Support Services for Destination Stewardship. Chair Kam asked for a motion. Mr. White made a motion, and Chair Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously, except for Mr. Arakawa, who abstained based on two things: one, the lack of information on the settlement amounts and the scope, and secondly, the issue of administrative cap. Ms. Duarte voted with reservations.

e. Discussion and Action on the Recommendation by the Budget, Finance, and Convention Center Standing Committee to Approve Funding for International Markets ***

This item was deferred at the BFCC due to a loss of quorum at the committee meeting. Therefore, the Board is enter into executive session pursuant to 925A8, which allows Boards to enter into executive session and discuss matters that require consideration of information that must be kept confidential pursuant to law, and/or 201B-4, which allows the HTA to meet in the executive session to receive information that is necessary to protect Hawaii's competitive advantage as a visitor destination. Mr. Kaʻanāʻanā said they were ready to go into the executive session. Chair Kam asked for a motion to go into the executive session. Mr. White made a motion, and Mr. Ching seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

Executive session.

As described in the executive session, Mr. Kaʻanāʻanā recommended a motion to approve funding for international markets. Chair Kam asked for a motion. Mr. Ching made a motion, and Mr. White seconded. Chair Kam said that before they went into executive session, there was testimony that they requested from Mr. Cook.

Mr. Cook was testifying on behalf of the Chinese Chamber of Commerce of Hawaiʻi, where he is the current president. He said they had concerns about the recent pausing of the Chinese language market funding, which they partly understand due to the COVID conditions. They are concerned there might be further cuts in that area. He said many small businesses rely on tourism from China, and the respective communities. They have endured a lot due to the downturn of visitors. They are relying on the restoration of the funding for that. He pointed out that although Chinese tourists have smaller numbers, they spend two more days than Japanese tourists. Chinese tourists also spend about $80 to $100 more per person than Japanese tourists do, so there is a great return on the arrivals. He also noted that the Chinese facilitated much of the six sister cities in China, where they formed economic and cultural ties. Part of keeping that bond in international standing is tourism. They want to expand those relationships. He said it is an essential part of the HTA's outreach to keep those tourists coming, so he asked that the HTA consider continuing the pause if it is essential with the current slowdown of arrivals, but that the funding be restored to keep the tourists coming in, and keep the outreach in place. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

9. Report and Update by the Hoʻokahua Hawaiʻi Standing Committee of their Meeting held on February 16, 2023

a. Discussion of the Implementation of ʻĀina Aloha Economic Futures Principles in the Work of the HTA

Ms. Duarte said the committee had a lot of conversations, and the staff provided updates on how they were integrating and operationalizing AAEF frameworks into operations.

b. Discussion on the Destination Management Action Plans

There was nothing to discuss.

10. Report and Update by the Branding Standing Committee of their Meeting held on February 15, 2023

a. Discussion on the 2023 Hawaiʻi Tourism Japan Brand Marketing Plan

Mr. Ching said they had a good meeting. They had discussed the Japan BMP with a few questions, and everyone agreed. The committee had voted to approve the HTJ BMP. He asked for a motion from the full Board. Chair Kam made a motion, and Mr. White seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

b. Discussion on the 2023 Hawaiʻi Tourism Oceania Brand Marketing Plan

Mr. Ching said the committee had voted to recommend to the full Board that they approve the plan. Chair Kam made a motion, and Mr. White seconded. Mr. Casson-Fisher did the roll call, and the motion passed unanimously.

c. Update on the Hawaiʻi Tourism Destination Brand Management & Marketing Services for the United States Market RFP

Mr. Ching gave the floor to Mr. Kaʻanāʻanā. He said in the BSCM, they covered the rough outline for the U.S. marketing RFP. He showed the timetable for the RFP. The RFP was released on February 13, as planned. They did the pre-proposal conference on February 21, and they were in the period where the offerors may submit written questions to the procurement. The next milestone in the process is on February 24, when they will take the written questions from the public and potential offerors and respond in writing by Monday, February 27. He noted that there was no requirement this time for RFP 23-03 to submit a notice of intent to offer, but it was recommended. Attendance was also not a requirement at the pre-proposal conference. March 30 at 2 p.m. Hawaiʻi standard time is the due date for those proposals related to RFP 23-03. April 17 is the date set aside for oral presentations from priority-listed offerors. The intention is to start contract performance by June 1. In December, the Board approved the staff to request a three-month extension. They prepared the paperwork, and he would check with Mr. Togashi and his team if it had been submitted to the SPO. SPO form 3 had been completed for the three-month extension.

11. Presentation, Discussion and Action on the Hawaiʻi Tourism Authority's Fiscal Year 2022 Financial Audit and Federal Funds Single Audit

Mr. Togashi said Ms. Miyoshi and Mr. Oda joined via Zoom from Accuity Accounting Firm. Accuity was procured by the state office of the auditor and contracted to perform a financial audit and single audit of federal funds for the period ending June 30, 2022. He gave the floor to Mr. Miyoshi and Mr. Oda.

Mr. Oda said they were in the final stages of the 2022 financial statement and single audit and presented the results. He said the purpose of the audit was to provide an opinion on the fair presentation of the HTA; to consider the HTA's internal control over financial reporting in relation to their audit of the financial statements; to perform tests of the HTA's compliance with certain provisions of laws, regulations, contracts and grant agreements in relation to the financial statements; and to provide an opinion on the HTA's compliance with requirements related to major federal programs in accordance with the Office of Management and Budget's ("OMB") Compliance Supplement and consider internal control over compliance. He said the financial statements represent the current year, balances and operating results. He said they tried to pull in the prior amounts. He said equity in cash and cash equivalents and investments increased by about $12 million, primarily due to the timing of payments and the additional funds. Accounts receivable increased by approximately $1 million, primarily due to interest receivable on those amounts with the state treasury. Prepaid expenses increased by about $2.5 million primarily due to an increase in new prepaid contracts or policies in the current year. Investments increased by about $3.5 million, mainly due to a shift in the allocation of funds from cash equivalents to U.S. Treasury investments, mainly due to rising interest rates in the current year. Capital assets decreased by a little under $5 million primarily due to the current year's depreciation expense offset by current year additions. Other assets represent amounts held by ASM at the management company. The increase of a little under $7 million was mainly due to additional funding provided to ASM to fund the current and future year capital improvements and maintenance projects. Vouchers payable increased by a little under $15 million, primarily due to the timing of payments. A lot of that is due to payments to ASM, as mentioned above. Unearned revenue was a new amount at about $52 million. This relates to federal revenue received. Because federal funding is not recognized for accounting purposes until those funds are expended for the purposes under the federal award, a big part of the balance gets deferred and put in the unearned revenue account.

He spoke about the HTA's other post-employment benefits liability and pension liability. Those amounts were determined at the state level and allocated down to the respective component units, like the HTA. The net investment in the capital assets portion of the net position decreased to the current year's depreciation and the conditions mentioned earlier. The restricted net position decreased by about $41 million for reasons he would elaborate on later.

He spoke about the statement of activities and the operating results of the HTA. The contract expenses increased by about $34 million, primarily due to decreased spending in the prior year due to the pandemic, deferred marketing spending, and some capital and maintenance projects pushed off until 2023. Depreciation expenses increased by a little under $700,000 primarily due to the current. Payroll expenses decreased by a little under $800,000, primarily due to several positions being transferred to DBEDT from the HTA. He said the Federal Grant Revenue was new, and the HTA received federal funding under the American Rescue Plan Act. Those funds were recognized as the allowable expenses incurred. $18.5 million represented a portion of the funds that were expended for permissible purposes in 2022. The Transient Accommodations Tax decreased by about $27 million, mainly due to the sunsetting of the allocation to the TSF and a decrease in the allocation to the Convention Center Fund.

Interest and investment income increased by a little under $500,000, mainly due to an increase in interest rates during 2022. Other revenue decreased by about $1.2 million in the current year primarily due to fewer refunds from vendors for unused funds in the current year.

Mr. Oda asked if there were any questions. He gave the floor to Ms. Miyoshi, who spoke about the required communications that need to be communicated to those charged with governance. Ms. Miyoshi said their primary responsibility as the HTA's independent auditors were to report on the fairness of the HTA's financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). She said they anticipate issuing an unmodified/clean opinion stating that the HTA's financial statement is fairly stated and presented. The planned scope of the audit was communicated in their engagement and the contract with the office of the auditor. Every audit requires significant risks to be identified, which does not necessarily mean any issues.

Ms. Miyoshi listed the significant risk for their audit, namely, revenue recognition; management override of controls; the effect of the COVID-19 pandemic on the HTA's operations. This year there was an accounting standard that needed to be implemented by the authority. She said they did not identify any issues related to the risks, and there were no changes to the risks identified. She said the significant accounting policies used by the authority are disclosed in Note 1 in the financial statements. The HTA adopted the new accounting statement related to leases effective at the beginning of the fiscal year. It did not have a material impact on the HTA's financial statements, as there were no material leases that the HTA had. Some of the estimates included in the financial statements included the depreciation and useful lives of capital assets, the accrued vacation liability as an estimate, and the calculation of net pension and net other post-employment benefits liabilities based on an actuarial done at the state level. Management's estimates were evaluated and appeared to be reasonable. There were no significant unusual transactions. There were no uncorrected misstatements above our de minimis threshold. Some recurring audit adjustments and reclassifying journal entries identified during the audit were either client-requested or for a financial statement presentation purpose only. No matters noted during their audit were difficult or contentious and required them to do outside consultation. They did not identify any issues related to the HTA's ability to continue as a going concern.

The HTA's audited financial statements would be included in the online submission of the single audit with the Federal Audit Clearinghouse. There were no disagreements with management. They were not aware of consultations that management made with other accountants. There were no major issues discussed with management prior to their retention. There were no difficulties encountered in performing the audit. No material weaknesses or significant deficiencies were reported relative to the financial statement audit and the single audit. They were not aware of any fraud or illegal acts. They are independent accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and Government Auditing Standards. Upon completion of the audit, they would receive a management representation letter.

Ms. Miyoshi highlighted a few changes in the audit report. They had to implement a new auditing standard in the fiscal year, which changed the structure of the audit opinion for the financial statement report. It moved the actual opinion up, so it was in the second paragraph versus the previous year in the fifth or sixth paragraph. The audit expanded on management and auditors' responsibilities. There were no new disclosures in the current year, because the adoption of the standard did not have a material impact on the HTA, so there were no new lease disclosures. She spoke about the single audit report. This was the first year the authority was required to have a single audit done. There was an additional report they would be issuing. It was a report on compliance with the major program and internal control over compliance. In the report they did not identify any material weaknesses, significant deficiencies, or any findings relative to the authority's major program.

Mr. Arakawa asked about the required communications. He said the third communication related to material uncertainties related to events and positions. He said the audit was for 2021 to June 30, 2022, and asked if they did not take into account that last year they had no budget. He asked if no monies were appropriated to the HTA's budget in the previous year. He asked if it would be in the next audit. Mr. Togashi spoke under correction and said the growing concern assessment not only reflected the time period of the audit but also took a look into the future 12-month period. To Mr. Arakawa's point, Mr. Togashi said they had been advising the auditors and keeping them up to date for the funding, including working with the former Gov. Ige's administration and releasing funds, which resulted in FY2023 funding. He said they do have funding available for FY2023. Mr. Togashi noted in the report that they referenced the $35 million funding they received. Mr. Arakawa said they are currently at zero, and referenced the summary. Mr. Togashi said they clarified in the report under subsequent events that HB1147 was vetoed and displaced $35 million allocated by former Gov. Ige. Mr. Arakawa said they should mention in a footnote that they were grateful for the $35 million but had asked for $60 million, as it would be informative for future Boards and audits so that there would be an explanation of what happened the previous year about funding. Mr. Togashi requested that they add an amendment to the audit report.

Ms. Duarte asked about slide six. She asked them to elaborate further on the improper revenue recognition due to fraud and management override of controls. Ms. Moyishi said that during the audit, they are required to identify if there is any significant risk, so it is more an impact on the audit approach and how they test certain accounts. It is not necessarily specific to the authority, but is just a risk they identify to ensure no issues. Ms. Agas said it came across that there were significant risks, so she said it should be reworded. Ms. Moyishi noted there were only changes to significant risk if they identified anything during the audit that would require them to revise the risk identified.

Ms. Agas asked about the decrease in payroll expenses on slide 4; it says the decrease was primarily due to several positions transferred to DBEDT. Chair Kam clarified that the entire research team moved over tho DBEDT. Mr. Togashi asked for a motion to approve the audit results as presented. Ms. Agas made a motion, and Mr. McCully seconded. Mr. Gionson did the roll call, and the motion passed unanimously. Ms. Duarte thanked everyone for their hard work.

12. Discussion Regarding an Update on the Meetings, Conventions and Incentives Market Activity and Pace Report, and Hawaii Convention Center Activity and Local Sales

Mr. Reyes said for sales production, there was a new volume of events and room nights for any future year. Talking about the pace report means discussing things on the books. He reminded everyone that for the sales production update, they are on a calendar year, January through December. The HTA is on a fiscal year. For January sales production, they already booked 2,600 definite room nights. More importantly, are the tentative room nights. He said there are 63,150 tentative room nights. For January 2022, they had 3,811 room nights. They are seeing a strong short-term market for tentative room nights, and the long-term market is taking a bit longer. They are confident the 63,150 tentative room nights will convert to definite room nights. He spoke about the future pace (consumption). He spoke about the HCC booking trend. He said Ms. Orton did a great job at 24 of those events. Through the pandemic and recovery, a big help was when Safe Travels was listed.

He spoke about the future pace. At the previous BOD, they compared October 2022 to December 2022. Looking at the future pace report, they are 78% of where they were supposed to be in terms of room nights booked. The previous year it was in the lower 50 percentile, so they are doing well in 2023, 2024, and 2025. They are focusing on long-term 2027, 2028, and 2029. For 2028 and 2029, there are a few opportunities that they are looking to close. He had a list of about 40 tentative events with a 50% closing. On a post-COVID short-term recovery strategy, they are working on recovering from the two years they had shut down. They are looking at events that can book between now and 2027, with a goal for 77 events between 2023 and 2027. They have hired a business development person responsible for short-term bookings. To date, they have booked 11 events since March 2022.

Mr. Arakawa said he had previously asked for the same table as the HCC booking trend table from the WAM committee. This table is informative to the public and the Board, as it showed the cidy-wide from 2015 to 2019. He also asked about the status of his staffing. Mr. Reyes said Mr. Garcia left in September, and they had many people applying. They qualified down to three candidates and made an offer in December, and that candidate was to replace Mr. Garcia on February 10, but unfortunately, they had to wait until the end to see whether city-wide would stay with MeetHawaiʻi, or whether it would go to the HCC. He said they saw the impacts of the house and senate bills. He would do his best to get the candidate started as soon as possible.

Ms. Orton spoke about local sales for January 2023. She highlighted what was in the fiscal year. They have two more city-wide events to service in April and May. They have serviced six to the end of the fiscal year, generating $9 million in TAT. The ROI for the fiscal year was $4.75 for every dollar spent at the HCC for city-wide events. She spoke about definite local business, with 16 events for February, 18 for March, and 23 for April. April has one of the city-wide events. She spoke about recent events at the HCC, the Aloha Region Volleyball Tournament, and the Pacific Water Conference. Upcoming events include Packet Pickup for the Kings Runner race in March, with about 2,600 attendees. The Honolulu Festival was returning in March, and a Kawaii Kon is happening from March to April with nearly 18,000 attendees. For the Carbon Offset Program, there are 5,740 trees planted to date.

13. Adjournment

Mr. White made a motion to adjourn, and Ms. Duarte seconded. The motion passed unanimously.

Mr. Casson-Fisher adjourned the meeting at 4:05 p.m.

Respectfully submitted,

Sheillane Reyes

____

Sheillane Reyes
Recorder