



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 [hawaii tourism authority.org](http://hawaii tourism authority.org)

**Josh Green, M.D.**  
*Governor*

**John De Fries**  
*President and Chief Executive Officer*

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING  
HAWAII TOURISM AUTHORITY  
Tuesday, March 28, 2023, at 9:30 a.m.  
Virtual Meeting**

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

<b>MEMBERS PRESENT:</b>	Ben Rafter (Chair), Mike White (Vice-Chair), David Arakawa, George Kam, Mahina Paishon-Duarte
<b>HTA STAFF PRESENT:</b>	Daniel Nāho'opi'i, Kalani Ka'anā'anā, Talon Kishi, Ilihia Gionson, Iwalani Kaho'ohanohano, Maka Casson-Fisher
<b>GUESTS:</b>	Teri Orton, Dennis Suo
<b>LEGAL COUNSEL:</b>	John Cole

**1. Call to Order and Opening Protocol**

Chair Rafter called the meeting to order at 9:35 a.m. Mr. Casson-Fisher did the opening protocol.

**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 February 21, 2023, Committee Meeting**

Chair Rafter requested a motion to approve the February 21, 2023 minutes. Mr. Kam made a motion, and Ms. Paison-Duarte seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

**4. Presentation, Discussion, and Action on the Hawai'i Convention Center's February 2023**

## **Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan**

Ms. Orton spoke about the February 2023 financials. The HCC budgeted for 12 events, and 15 events materialized. All were local events. They fell short of meeting their February month-end revenue by \$52,000, with a net loss of \$74,000 due to a local sporting event that did not materialize. Local events for the month did not generate what they initially forecasted. For the fiscal year to date through February, they are at \$8.6 million in gross revenue and \$3.1 million in operating subsidy. On a positive note, for the re-forecast, the local sales team has closed the gap on the \$1.2 million revenue shortfall they had earlier due to two canceled city-wide events. For the remainder of the fiscal year through June 2023, their revenue improved, and they are on target to meet their budgeted revenue at \$13 million and are making improvements to the bottom line to come in line with the budgeted expenses.

The current reforecast is at \$6.2 million, which is \$213,000 better than budgeted. The ROI is \$4.24, including the Visitor Bureau Sales and Marketing expenses, as well as all operating, sales and marketing expenses at the HCC. They are still returning revenue to the state at the HCC for the business they are bringing in.

Chair Rafter asked if there was a target. Ms. Orton said that pre-pandemic ran from \$22 to \$23 annually in ROI. For 2023 it is small because they do not have as many city-wides on the books, with only six. On average, they usually have over 20 city-wides. The next fiscal year will be good for the HCC as they have an average of 16 city-wide events on the books.

Ms. Orton spoke about recent events. The Honolulu Festival 2023 was from March 10 to 12, with 10,000 attendees. HIM 2023, the Hawaiian Island Ministries, a repeat group, also took place. The Hawai'i Hotel and Restaurant Show was a very successful show. She spoke about upcoming events. Kawaii Kon 2023 is coming up on March 31 to April 2, and they are expecting more attendees than they have had in the past. Chopsticks and Wine is their next social event, with about 1,000 attendees. The following upcoming city-wide is the 2023 ARRS Annual Meeting coming in mid-April. The city-wide sales team will assist them in ensuring a successful meeting in the HCC. She said they had their blessings for two Hawaiian cultural exhibits, Kahaemahu and 'ahu 'ula (feather cape), in March, displayed at the far end of the HCC. They had a little over 50 people attend for the blessings. Both exhibits are complimentary and open to the public, Monday to Friday.

Other events included Na Leo Pilimehana Mother's Day Brunch and Concert. The event was close to selling out for ticket, featuring Josh Tatofi as the special guest. This event will take place in the ballroom.

She updated on the carbon offset program. She said it has been a successful program as every city-wide meeting planner they presented to had zero pushback, and all city-wide events in the building have participated in the program. Local events are also starting to participate.

Ms. Orton said there had not been much change in the R&M projects. She spoke about the six-year plan and said they are moving through the RFP process and issuing awards for some upcoming projects. Cummings has most of the projects, and RLB has the temporary rooftop repair project.

Chair Rafter asked about updates on the \$64 million roof repair budget. Ms. Orton did not have an update. Mr. Ka'anā'anā said he had not heard anything, but Mr. Nāho'opi'i said the Finance Bill, HB300, it was not included in any of the R&M, and they are waiting for the worksheets for the Senate version of the budget, which should come out sometime during the week.

Ms. Orton spoke about Repair & Maintenance Projects, Construction, and Project Management Services by Cumming Group. She said they are working through the RFP process. For management of Rooftop Terrace Deck Temporary Repair, with RLB, they are working with them on the planning process, so they can let the sales team know when the construction will start so they can contact clients.

Mr. Arakawa asked if there was an update on either the \$30,000 HCC study or the \$500,000 study that was approved by the legislature. Mr. Nāho'opi'i said he has been working with DBEDT and READ to provide that HCC study, but they have not started on the larger project. Chair Rafter asked what the smaller project is. Mr. Nāho'opi'i said it was the presentation they gave them in the previous meeting. Chair Rafter asked for the scope. Mr. Nāho'opi'i said they are using parts of it in the planning to see where it can be utilized in marketing and some of the development, but it will mainly feed into the larger project, as it was a recommendations deal on ancillary hotel component build-out for the community, instead of just the HCC focus. He said he had the final version, and it was filed away, but he would ask the Board to access it. There were no changes to the one presented at the Board meeting. There were no further questions.

Chair Rafter noted that Mr. Arakawa joined the panel. Chair Rafter asked for a motion to approve the presentation, discussion, and action on the HCC budget and six-year CIP plan. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

## **5. Presentation, Discussion, and Action on the HTA's February 2023 Financial Report**

Mr. Nāhoʻopīʻi asked Mr. Kishi to do the presentation. Mr. Kishi said for FY2022 ARPA funds they had a \$7.3 million allotment release, so they have the full \$60 million released and can spend the money as planned. For FY2023 ARPA funds, the \$35 million was released by BNF in February 2023. For the EDA Grants, the Grant Administration Plan was approved by the EDA, so they are executing the contract with DLNR, and will start the RFP process for the HTA's grants and projects. The Governor also approved the \$15 million CIP for the temporary rooftop repair in the past month.

Mr. Kishi spoke about a summary of the HTA's financial position. For 2022 ARPA funds, they have \$31.9 million. For 2023 ARPA funds, there is \$35 million. The HTA TSF, with the emergency trust fund, has \$24.1 million. For the HCC 2022 ARPA funds, there is \$10.2 million. For the CCESF, there is \$34.9 million. To date, the Tourism Federal Fund for FY2022 is \$42,595,485, encumbered and spent to date. He pointed out a typo mentioning that the \$42.2 should be \$42.6 million of the \$60 million budget utilized or encumbered, or about 71%. He pointed out another oversight: the HTA has \$14.5 million of encumbrances outstanding, not \$15.9 million.

For year-to-date activity, the HTA has spent \$28.1 million through February 2023, from the beginning of FY2022. He spoke about FY2023 and said there is \$35 million in the bank. Since February, the HTA has encumbered contracts such as the HTJ, Canadian, and island chapters contracts, encumbering about \$8.7 million thus far. For the TSF, there was not too much activity. Of the \$24.1 million, they have \$5.1 million in the emergency trust fund. As of February 2023, about \$1 million in money market funds and \$4.1 million held in U.S. treasury notes are laddered to mature in approximately three-month intervals. He has a copy of the trust fund statement with the financial statements for the members to review.

Chair Rafter asked how long it would be until it reached zero, other than the emergency part. Mr. Kishi said it would depend on how quickly the remaining projects and contracts they have are completed. Generally, contracts have about a five-year window for the money to be spent per HRS, but he would look more into that for timelines. Of the TSF, the HTA has \$13.6 million to spend as of February 2023. He spoke about the reserves the HTA has. The HTA has \$5 million in the emergency trust fund, and \$13.6 million of encumbered funds, leaving about \$5.4 million of unencumbered funds they will have to return to the general fund. Of the \$13.5 million that is unspent, he assumed that some of it would be released as unspent monies, so they will have to review to see which contracts are not making progress and which ones they need to keep for ongoing projects. The \$13.6 million may change.

Mr. Arakawa asked when the contract review would occur. Mr. Kishi said it is done periodically but mentioned that he just received an email asking him to go through records to pinpoint inactive contracts, which he will be working on. He will be pulling in all the programs to help

him with that. Mr. Arakawa asked about the fund accounts and the three or four ARPA accounts. He asked in which account the \$500,000 is for the HCC study. Mr. Kishi would revert with an answer. Mr. Arakawa asked what the status is on the study. Mr. Nāho'opi'i said that when he last spoke to DBEDT and READ, they had not yet put out an RFP or started on it. Mr. Arakawa asked about the status of the RFP for the management of the HCC, and asked what fund that would come out of. Mr. Nāho'opi'i said the HCC contract goes to the end of the current fiscal year. When they do the solicitation for the new contract, it will come out of 2024 general funds, depending on the budget after the legislature sessions, but they could try to get other funds from previous years.

Mr. Arakawa asked how long the RFP would take. Mr. Nāho'opi'i could only answer that later in an executive session but said they are planning to do a solicitation when that happens, and they are still determining that. Mr. Arakawa said several events at the HCC occur in late summer, fall, and winter, and he wanted to ensure they had someone in place for the upcoming events. Mr. Nāho'opi'i said the options would be to either put out the solicitation by the end of the year or request an extension of six months to a year from SPO. Mr. Arakawa asked for the reason for asking for the extension. Mr. Nāho'opi'i said a reason would be the fact that they still have the previous budget that was assigned for R&M projects, and since the FY2022 budget was only released recently, those R&M projects had not started yet, but are assigned to the current contractor and it would be prudent to solicit them out quickly and have an existing contractor implement those R&M projects. Mr. Nāho'opi'i said it was not due to a lack of staff.

Mr. Arakawa suggested to Chair Rafter they go into executive session at some time. He said the legislature is watching when and how they spend their money, and with the HCC repairs making the front page in the press, they need to be on top of all those issues.

Mr. Kishi continued with his report. He spoke about the TSF. There was \$50,000 in investment income year-to-date, which did not change from the previous month. There is also \$7.3 million expenditure year-to-date, primarily on the program costs. For the HCC Federal ARPA funds, there is \$10.2 million in cash, which has been consistent with prior months. There were no big changes or budget reallocations made in February 2023. Cumulatively, the HTA has spent \$751,000 from the beginning of FY2022, which had not changed from the previous month. For the CCESF, there is \$34.9 million in cash. Cash has remained consistent from the prior month. There is also \$37.1 million in cash with the contractor, or with DAGS from R&M projects, as of January 2023. Of the \$37.1 million, there is approximately \$3.9 million contract as of January 2023, and they have spent about \$1.5 million on current and future progress.

Mr. Arakawa asked about pages 10 and 11, and asked to update that for the upcoming meeting, as the issue is the HCC, the repairs and the legislature. Mr. Kishi said they would be ready for

the upcoming BOD. Mr. Kishi spoke about the HTA's reserves. They have \$29 million in reserves, and \$26.5 million of those are reserved for the HCC major R&M program as supported by the six-year plan. That is why the reserves increased from \$16.9 million the previous year. There was nothing much to report in terms of month-to-month changes. There is still \$5.9 million of prior year outstanding encumbrances being spent. For the HCC financial statements, there is \$2.6 million support, and they budgeted \$5.4 million for the year. The HTA spent \$10.1 million year-to-date for the R&M payments to the HCC.

Mr. Kishi spoke about the EDA grants. They budgeted \$14 million for the grants. The EDA approved the Grant Administration Plan. He pointed out the reason for the long delay for the gap plan to being approved was the construction project, They have since removed that project and reallocated the funds to already existing projects, which helped expedite the Grant Administration Plan process. Mr. Arakawa asked what the construction project was. Mr. Kishi said it was for building some buoys around the state, most in Maui, and for monitoring the buoys. Mr. Arakawa asked what the purpose of the buoys was. Mr. Nāho'opi'i said those were projects shared with DLNR, and they agreed with DLNR that the project should not be included and was reclassified. Mr. Arakawa asked for more details on the buoys. Mr. Ka'anā'anā clarified that it was DLNR projects and initiatives, but all of that went into the same Grant Administration Plan that had to get approved at the federal level, so it was not an HTA-initiated project. Mr. Arakawa asked if the grant is under the HTA's or DLNR's budgets. Mr. Arakawa reminded him that the House had previously had issues with the HTA doing work that other departments were supposed to do but under the HTA budget. Mr. Kishi said the grant is under the HTA. Mr. Arakawa said it might be an issue for the audit. Mr. Nāho'opi'i said they do not have the information, but Ms. Anderson is responsible for administering this, and she has the details and could provide it later. Mr. Arakawa suggested that those details should be provided in the meetings going forward.

Mr. Ka'anā'anā gave some context. Mr. Ka'anā'anā said ARPA money came through EDA as a non-competitive state grant, and it was for tourism and outdoor recreation. That is why the collaboration between HTA and DLNR was the intent from the notice of funding opportunity (NOFO). Mr. Arakawa asked how much the buoys were of the \$14 million. Mr. Ka'anā'anā deferred to Ms. Anderson for that. Mr. Arakawa asked about the other projects, which Ms. Anderson could answer. Mr. Arakawa said that non-competitive grants are good for the HTA as they do not have to compete with other states.

There were no further questions. Mr. Nāho'opi'i asked for acceptance and approval of the February 2023 financial report as amended. Mr. Kam made a motion, and Chair Rafter seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

## **6. Presentation, Discussion, and/or Action to Approve Funding for China \*\*\***

Mr. Ka'anā'anā said they were able to extend the HTC contract using the existing funds that had been attached to the contract. He gave an overview. \$1.8 million is the total contract value. \$733,000 was spent in calendar year 2022. The balance remaining was \$1.06 million. The Board looked at different amounts for different periods. From now until June 2023, \$87,000 is on the books for the first six months of the year, and the balance remaining would be \$980,000. He said there had been opportunities in the market as China reopened. He proposed to the Branding Standing committee, the BFCC members, and the full Board an adjustment on how they allocate the remaining funds through the different periods, meaning a new amount of \$102,000 through June 2023, \$225,000 through July to December of calendar 2023, for a total calendar year 2023 investment of \$327,000. The programs and projects he reviewed and proposed to the Board were listed on the table showing the proposed budget.

Ms. Duarte asked about the 2022 calendar year spend. Mr. Ka'anā'anā said the spending for the calendar year 2022 was \$733,616. For the calendar year 2023, they are proposing a total of \$327,000 if the adjustments are approved. In the subsequent calendar years, they proposed \$376,000 and \$362,000 for the calendar years 2024 and 2025. They are at about \$300,000 for each calendar year remaining through 2025.

Ms. Duarte spoke about the previous month's arrival numbers from China. She asked how the spend is justified for the current market arrival levels. Mr. Ka'anā'anā said that for Hawai'i, as a destination, their role at the HTA is to ensure they are creating awareness and demand consistently in a market they want to be in. There is a minimal amount of work the HTA should be investing in consistently over time. China is an important market for the HTA in the long term, and is a long-term investment. Their historic investment of \$2 million previously was not appropriate, but the current proposal of \$300,000 is reasonable. It cannot be justified on short-term statistics on arrivals, etc., but for long-term investment, it is reasonable.

Chair Rafter asked if there was evidence of an airline willing to commit their flights from China, and he also asked if there are domestic markets that have increased Chinese traffic significantly. Mr. Ka'anā'anā said he is aware of a route from ANA through Japan. One concern he raised with HTC is that he wants to ensure that if the HTA is going to partner with ANA's routes, they would only be doing co-operation based on the throughput from China all the way through Hawai'i. Mr. Suo said there are 40 flights between the U.S. and China, but currently, there are 24 flights weekly on the domestic side, mainly from Beijing and Shanghai, to Los Angeles, San Francisco, and New York City. There is increased flights between China and the U.S. Mr. Ka'anā'anā said, looking at the January 2023 fact sheet, that they saw 1,164 arrivals out of China in January 2023. Compared to the entire year in 2022, they were at 11,000 from

the previous January, so in January 2023, it was up by 45%. Total visitor expenditure from the China market was \$3.9 million. The average length of stay was 8.27 days, with about 70% first timer and 30% repeat. Mr. Suo spoke about their discussions with Hawaiian Airlines for several months with Dream Air, a one-channel operator from China. He discussed channel opportunities for a direct flight from Honolulu to Hangzhou, a city within a one-hour drive from Shanghai.

Mr. Arakawa said to travel from China to the mainland U.S. is increasing, even with the Taiwan and Russia issues. Mr. Suo said the environment is completely different as China has been open since January 8. Business travelers are increasing. U.S. visa applicants have increased since January 2023 in the Chinese embassy, Beijing embassy, and Shanghai consulate, and they are backed up until the third or fourth quarter with visa applications. Student visa applications are also increasing. The previous year the U.S. embassy issued about 80,000 student visas to the Chinese students studying in the U.S. So, the student market, the business market, and now the leisure market is returning. The geopolitical tensions are there, but people are still traveling.

Mr. Arakawa asked about the answer to Ms. Duarte's question about the overseas markets. He asked if the figures represent a minimum. Mr. Ka'anā'anā reiterated his points about long-term investments in China, etc. He said that given the situation they are in with the funds being tied to the Chinese contract and not being able to move them elsewhere, it is a prudent approach and makes it more regular for the contractors and the HTA, and the kind of activities they can do through the calendar year 2025. There may be a time in the future when the HTA can get it closer to \$2 million, but for the time being, with the market conditions and the slow restart of the air service, they have to figure out the air service from China and what it looks like, with regards to the transit, etc. He said it is important for them to be present in the Chinese market. For the trade mission in Beijing and Shanghai in 2023, he said it is important that the HTA gets back in the market so that people can see that Hawai'i is serious about the Chinese market, as they have been absent in person for a while. Many industry partners view China as an important partner in the long term.

Mr. Ka'anā'anā asked for a recommendation and motion from the BFCC for \$327,000 for all of the calendar year 2023, and then \$376,600 and \$362,784 to take them through the calendar year 2024 and 2025. This will then go to the Branding Standing Committee and the Full Board for approval. Ms. Duarte asked what other questions they, as a committee, should ask when the members consider approving budgets for continuing branding activities. Chair Rafter said they are not looking for a return but looking to start investing for that return now. So this would be asking if the airfare is coming, if there is consumer sentiment that wants to go to Hawai'i, or domestic U.S. locations, if visas are being approved, if there are global political



forces in play, etc. The Japanese market is encouraged to travel. He said they need to find a tipping point if people are ready to travel. He said that for China, he is concerned about the geopolitical forces at work that might discourage travel.

Mr. Ka'anā'anā said in his conversations with the Chinese Chamber of Commerce, other hotel partners, and operators that they see the long-term opportunity in China, and that is where they are orienting themselves in the future. He said that planting some seeds is important to Chair Rafter's point. He also sees good alignment with industry in terms of what they are looking at.

Chair Rafter said that on the hotel side; they depend on airfare, how the fuel subsidies are going, and the currencies. Mr. Suo mentioned that about currencies, the Chinese Yen has been consistent with the U.S. dollar, so has not weakened. He spoke about geopolitical issues and said that they are targeting the top 5 to 10% of fluent people, so the general geopolitical issues affect 90% of the country, so the other 10% still want to travel. He said they are working on charter flights and asked the members to keep that information confidential for competitive reasons.

There were no further questions. Chair Rafter asked for a motion to approve funding for China, as presented by Mr. Ka'anā'anā and the team. Mr. Arakawa made a motion, and Mr. Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

#### **7. Presentation, Discussion, and Action on Proposal to Reallocate FY22 Funds from Hawaiian Culture Initiative to Marketing Opportunity Fund in the Amount of \$50,000**

Mr. Ka'anā'anā said that they did not anticipate how the cost would be applied to the cost centers to go the way they did for this item. What it resulted in was an overage in one of the BLI's in the Marketing Opportunity Fund, mostly related to the cost with IPW and the participation in the previous year's IPW, as well as other things that came up, like the Moloka'i Resource Fair that the HTA ended up paying for the exhibit space, etc. The Opportunity Fund is the one that needs the funds. He got guidance from the BFCC that they could not spend the ARPA dollars on FESPAC, which freed up some money on the Hawaiian Culture side. He recommended that since they cannot use it for FESPAC as intended, they would use some of it to make up for the Marketing Opportunity Fund, hence the \$50,000. He recommended the budget reallocation from the Hawaiian Culture initiative BLI tool to the Marketing Opportunity Fund in 380 in the amount of \$50,000.

There were no questions. Chair Rafter asked for a motion. Mr. White made a motion, and Mr. Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

## **8. Adjournment**

Chair Rafter asked for a motion to adjourn. Mr. Kam made a motion, and Mr. White seconded. The motion passed unanimously.

Chair Rafter concluded the meeting at 10:45 a.m.

Respectfully submitted,



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Sheillane Reyes  
Recorder