

Report of Isaac W. Choy, CPA

Vice President of Finance

Hawaii Tourism Authority

August 31, 2023

Agenda Item 12 & 13

If you turn to Tab 12 of your packet and follow along, I will explain our financial activity for July.

1. We have transitioned from how our monthly financial presentation was visually presented to a more traditional presentation. This will allow board members used to the conventional presentation for their companies or organizations to understand our financial situation better.

We have three statements: our balance sheet, statement of revenues and changes in fund balance, and management-selected disclosures.

I like to tell my clients that the way to read financial statements is to look at the Balance sheet as a machine, and the income statement measures the machine's output.

2. Our financial statements are presented on a fund basis of accounting, meaning that we have five pots of money that must be used in accordance with their purpose as established by law.

The pots are the tourism fund, the convention center fund, the convention center roof repair fund, the tourism emergency fund, and the federal fund. (or five separate machines)

3. Each pot of money is described in the notes to the financial statements.

4. The tourism fund is our operating fund. We pay all our expenses out of this fund, such as payroll, contracts, benefits, office expenses, and other general expenses.

These revenues used to come from a direct allocation of the Transient Accommodations tax (2021).

Then, in 2022 and 2023, HTA got its funding from American Rescue Funds (ARPA).

Then, this year, HTA was defunded by the legislature.

For year ending 2024, Governor Green, through HB 300 Proviso 5, gave HTA \$71,000,000 (\$60,000,00 for General funds and \$11,000,000 for the convention center enterprise funds) while simultaneously clawing back all unused and encumbered funds balances of the ARPA money.

The bottom line of all these transactions is:

As of July 1, 2024, HTA will have zero money in our tourism fund.

5. The Convention Center fund has a balance of \$34,467,525 frozen in the Convention Center fund. In 2024, through the proviso, \$11,000,000 dollars given to us by Governor Green to pay for Convention Center losses. The administration plans to ask for this money back from the legislature when they correct the ceiling error made by the legislature in next year's legislative session.

This fund could be in jeopardy of spending more money than it has because of the Maui wildfire expenses. This will depend on the timing of the FEMA reimbursements. The HiEMA representative advised me that FEMA expense reimbursement could take years.

6. Convention Center Roof repairs: Two sources of funds will be deposited in this fund: \$15,000,000 for roof repairs and \$64,000,000 for terrace deck repair. The terrace deck repair will be deposited as expenditures are made or if a allotment is granted.

The legislature funded the terrace roof repairs (\$64,000,000) using general funds and will lapse on June 30, 2024.

7. Tourism Emergency Special Funds The HTA Board declared a tourism emergency at its last meeting, and Governor Green's

Emergency Proclamation Number Six acknowledged it. The balance in the fund is \$5,132,360.

I am unsure if the expenditures for this fund will survive the ending of the emergency proclamation.

8. The federal fund is the economic development grant which Caroline is administering.

I believe these are the highlights of HTA's financial statements as of July 31, 2023.

Accounting Department Highlight

I want to take this time to update what is going on with the accounting department.

1. It is audit season. We were notified on August 24th by the legislative auditor that we will begin our annual audit to issue the audit on or about December 31.
2. We will be involved in three audits.
 - The financial audit of HTA for the period ending 6/30/2023.
 - The financial audit of HCC for the period ending 6/30/2023.
 - The performance audit of HTA by the legislative auditor.
3. We have severe staffing shortages, and HTA's funding scheme is compounding this situation. It is tough to hire people, with all of us losing our jobs on June 30.
4. To have a successful audit season, I have authorized overtime for my staff through Halloween and will try to enlist the help of other HTA Staff to have a successful audit season.
5. In addition, any day now, B&F will be sending us next year's budget proposal.
6. In addition, the legislative package is being worked on.

7. I forgot about our roof project, which I oversee.

8. Finally, our department is working to ensure we receive reimbursed FEMA expenses.