



HAWAII TOURISM AUTHORITY

Hawaii Convention Center
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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, July 27, 2017
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, Sean P. Dee,
Donna Domingo, George Kam, Ku'uipo
Kumukahi, Sherry Menor-McNamara, Craig
Nakamura

MEMBERS NOT PRESENT:

Gerald De Mello, Kelly Sanders, Denise
Yamaguchi

HTA STAFF PRESENT:

George Szigeti, Marc Togashi, Leslie Dance,
Charlene Chan, Kalani Ka'ana'ana, Jennifer
Chun, Ronald Rodrigues, Chris Sadayasu,
Minh-Chau Chun, Caroline Anderson, Laci
Goshi, Noriko Sloan, Jadie Goo, Chika
Miyouchi, Lawrence Liu, Carole Hagihara,
Lauren Fetherston, Blakeney Wisner,
'Iwalani Kualii-Kaho'ohanohano

GUESTS:

Katie Murar, Peter Honig, Allison Schaefer,
Ryan Hurley, Teri Orton, Noelle Liew,
Priscilla Texeira, Mari Tait, Patrick Dugan

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:33 a.m. Mr. Fried acknowledged Mr. Ka'ana'ana, who offered Pule.

2. Approval of the Minutes of the June 29, 2017 Board Meeting

Mr. Fried requested a motion to approve the minutes from the June 29, 2017 Board Meeting. Ms. Kumukahi made a motion. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fried announced that HTA is being audited and indicated that he expects the audit to go well. Mr. Fried further explained that he represented HTA at the governor's meeting, during which discussion focused on the State's response to the North Korean nuclear issue. Mr. Szigeti gave an interview to CBS reiterating that Hawai'i is open for business and that there is no need for tourists and visitors to worry about a nuclear attack.

Mr. Fried stated that he and Ms. Kumukahi held several discussions with the organization planning the Ms. Universe competition about holding the competition in Hawai'i, though the discussions have come to a halt because the organization has suddenly claimed that the Blaisdell will not work as a venue. Mr. Fried expressed regret at the lost opportunity, but felt that HTA had done everything in its power to negotiate.

Mr. Fried also reported to the Board HTA's meeting with DLNR regarding HTA's consultation with DLNR with respect to the \$3 million allocated to the special land and development fund for environmental response in accordance with the HTA Strategic Plan. Mr. Fried confirmed that the funding is allocated from TAT revenues, not the Tourism Special Fund. Mr. Fried also announced that the legislature allocated \$1 million to HTA to address homelessness issues in tourist and resort areas, with matching contributions from the private sector and in conjunction with HLTA. Mr. Fried further reported that Neil Abercrombie approached him about HTA helping with the Honolulu Symphony, which Mr. Fried will discuss with the Board when HTA has received substantive information.

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

There were no reports of any permitted interactions between Board members since the last Board meeting.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During June 2017

Mr. Fried acknowledged Mr. Szigeti, who reported that visitor spending is up by 8.7%, visitor arrivals are up at 4.6 million visitors, and that tourism has generated nearly \$1 billion in state tax revenue, up by \$78 million from last year.

Mr. Szigeti reported about his trip to Japan last week with Hawai'i Tourism Japan (HT Japan). He talked about the outstanding expo that HT Japan organized, which included many local activities and featured local businesses. Mr. Szigeti also reported his meetings with the CEO

and Chairman of JAL, during which he expressed his appreciation of JAL's investment in frequent flights to Kona. Mr. Szigeti also reported a meeting with ANA's CEO and assured him that Daniel K. Inouye International Airport will be ready for ANA's planned A380 flights commencing in 2019. ANA said they plan to have several flights per day.

Mr. Szigeti also reported an increase in competition targeting Hawai'i's Japanese visitors and stressed the importance of continuing HTA's aggressive efforts to remain relevant to the Japanese market. Mr. Szigeti explained that he discussed the North Korea threat with HT Japan and reported no calls or emails from concerned visitors. Mr. Szigeti concluded his presentation by stating that people are excited for Nainoa Thompson to present the keynote address at the Global Tourism Summit.

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

Mr. Fried acknowledged Jennifer Chun who led the discussion and presented the Summarized Market Insights for June 2017.

Ms. Chun reported that the year-to-date spending is up by 8.7%, which represents \$8.4 billion in visitor spending, and arrivals are up by 4.3%, representing 4.6 million arrivals. Ms. Chun explained that June was a good month for visitor spending and arrivals.

Ms. Chun indicated that the press release mid-year report contains more detailed information about visitor spending patterns and lodging trends and discussed the additional tables provided in the back the Board packet. Ms. Chun gave a brief overview of the changes in the market mix: on Oahu, visitor arrivals from the U.S.-East and Japan regions have increased while arrivals from U.S.-West have decreased; on Maui, U.S.-East arrivals have increased; Kauai has seen increases and decreases between U.S.-East and U.S.-West, respectively; Hawai'i Island has seen an increase in arrivals from Japan. As for lodging trends, Ms. Chun reported that U.S.-West and U.S.-East have shown increases in bookings for rental houses, Japan has seen an increase in timeshares and condos, and Canadian visitors' rental house usage has overtaken bookings in timeshares. Ms. Chun noted that although the outlook for most markets is good, there will be an impact from global currency issues and uncertainty in global security.

Mr. Atkins asked whether the visitor spending in shopping is down, which Ms. Chun confirmed. Mr. Szigeti announced that Darlene Morikawa of the Hawaii Visitors and Convention Bureau is being presented with the President's Leadership Award during the Public Relations Society of America Hawaii Chapter's Koa Anvil Awards Ceremony.

6. Nomination, vote and selection of the Chairperson of the Hawai'i Tourism Authority Board of Directors

Mr. Fried expressed that he is willing to serve again as the chairperson and requested a motion to be nominated. Mr. Nakamura made a motion; Mr. Dee seconded the motion. Mr. Atkins

expressed gratitude to Mr. Fried for his leadership and commitment to HTA. There were no other nominations and all present voted in favor of Mr. Fried.

Mr. Fried expressed his appreciation for the Board's support and explained that he'll continue to keep himself open and available. He further stated that he thinks this is one of the most interesting and diverse boards he's served on and expressed his excitement for the future.

7. Global Tourism Summit Update

Mr. Fried acknowledged Ms. Dance, who presented updates on the upcoming Global Tourism Summit. Ms. Dance expressed her excitement to announce that the confirmed keynote speakers are Nainoa Thompson, Neil Everett, Billy Beane, and Ólöf Ýrr Atladóttir, who will bring an interesting perspective from the Icelandic Tourism Board's method of dealing with 2 million yearly visitors to the island nation. Ms. Dance indicated that there's one pending keynote speaker which will be finalized this week and the top 20 chefs in Hawai'i have been confirmed for the Aloha Reception.

Ms. Dance moved on to report that registration for the Summit is online; HTA has received a number of registrations. Ms. Dance explained that the Summit team is preparing substantial public relations efforts, which are helping to boost registration. Mr. Kam asked about the registration level compared to this time last year; Ms. Dance responded that registration is on track with last year's timeline. Ms. Dance indicated that word of mouth is critical and asked Board members to encourage attendance across their networks.

Ms. Dance also reported an increase in sponsorship of over \$13,000 overnight; the confirmed in-kind sponsorship total thus far is \$72,400. Mr. Szigeti emphasized that that word of mouth is critical and explained that he has been discussing sponsorships with his network. Mr. Kam asked about the number of attendees last year and what this year's goal is; Ms. Dance explained that there were 2,200 attendees last year and this year's goal is 3,000 to 5,000 attendees.

8. Presentation, Discussion and Action on HTA's Financial Reports for the months of April, May and June 2017

Mr. Fried acknowledged Mr. Togashi who referred to the Financial Report Executive Summary in the Board meeting information packet. He noted that since the report was just emailed to Board members on July 26 and will require time to review, it will be presented for the Board approval at the next Board meeting. Mr. Togashi indicated that the HTA staff went through a thorough process in preparing the FY18 budget, which involved a thorough review of FY17 projects, spending, and financial statements. Mr. Atkins asked whether cash flow would be affected if the Board doesn't approve these statements immediately; Mr. Togashi replied that it would not.

9. Discussion and approval of the FY18 Hawai'i Convention Center Sales & Marketing/Operations budget

Mr. Fried then moved the discussion to the FY2018 Convention Center Sales and Marketing/Operations budget. Mr. Togashi asked the Board to approve HCC FY18 budget. Mr. Togashi explained that HTA, together with the Board, identified Meetings, Conventions & Incentives (MCI) as the key area of focus for the Hawai'i Convention Center (HCC). Mr. Togashi further explained that HTA met with AEG to outline their priorities and received input from stakeholders who recommended that HCC invest heavily in the MCI market.

Mr. Togashi introduced team members Priscilla Texeira, Managing Director of HTA's MCI program who provided an overview of HTA's MCI operations, and Teri Orton, who detailed HTA's strategies for developing MCI business. Ms. Texeira explained that her team functions as the MCI department for HTA and their goal is to increase MCI business in Hawai'i through development and management of key sales and marketing initiatives.

Ms. Texeira presented an overview of HTA's MCI marketing program and explained various MCI associations such as corporate meetings and recognition programs, incentive travel programs, international conferences, and global events and world congresses. Ms. Texeira explained that HTA Global MCI's goal is to coordinate between the Hawai'i-based global team, island teams, and international teams in order to best develop MCI opportunities for Hawai'i. She noted that the team recently organized the Hawai'i MCI Advisory Committee, made up of stakeholders; their first meeting was in March and they have discussed the situations affecting the MCI market broken down by city-wide events, single-property events, and neighbor islands events.

Ms. Texeira reported that the team has organized a monthly MCI city-wide meeting and are in the process of developing an HCC customer advisory board to include both international and domestic city-wide customers, which will provide guidance and assistance in developing East-West opportunities.

Ms. Texeira explained how HTA Global MCI, the Global Marketing Teams (GMTs) and HCC work together to reach these MCI goals. Ms. Texeira introduced the Experience Aloha Business Exchange where 90 GMT customers experienced each of the islands as potential MCI venues and held meetings with 50 stakeholders while in Hawai'i. She also explained that, through the AlohaConnects program, the team discovered a new opportunity with the International Union for Nutritional Studies, who have an RFP out for a large MCI event. Selection for that event's destination will take place in October and will be decided by people from 78 countries, so Ms. Texeira explained that the team has all of the GMTs lobbying their members to advance Hawai'i as the venue of choice. Mr. Fried asked how many attendees this opportunity would bring; Ms. Texeira responded that the event will bring 3,000 to 5,000 attendees.

Next, Ms. Texeira discussed the 2020 International Peace Conference. Ms. Texeira explained that she was contacted about this event by City Councilmember Pine, President Obama's sister as organizer for Ceeds of Peace, the Spark M. Matsunaga Institute for Peace and Conflict Resolution, and the Ghandi International Institute for Peace. Ms. Texeira noted that the first event is in 2020 and the organizers hope to hold it every two years in Hawai'i. Ms. Texeira concluded her presentation by quoting Aunty Pilahi Paki's words, "the world will turn to Hawai'i

as they search for world peace because Hawai'i has the key and that key is Aloha," which is what MCI is all about: connecting the world.

Mr. Nakamura expressed gratitude for the presentation and asked for further explanation of the HTA Global MCI Organizational Chart to which Ms. Texeira gladly complied, referring to the Board packet. Mr. Fried noted that, previously, there had been a number of vacancies in HCC's organization and requested confirmation that there's only one vacancy left. Ms. Orton responded affirmatively.

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

Mr. Fried acknowledged Teri Orton, who presented an update of the HCC's June 2017 operations. Ms. Orton reported that June has been extremely busy for HCC, with five offshore pieces of business in house: IEEE Microwave MTTs Symposium, National Association of Federal Credit Union, American Society Plant Biology, Advid, and The Piano Festival. Ms. Orton indicated that these and other events along with the Hōkūle'a festivities have generated over \$2 million in revenues for the month of June with net income of \$404,000 and occupancy at 59%. HCC is currently at 39% YTD occupancy and near its break-even point. Ms. Orton explained that, for July moving forward, HCC has lots of business picking up. Flight Center, an Australian travel agency, brought 3,000 attendees, which increased Beverage and Food revenue spending. Ms. Orton referred to the 2017 Facility Financial and Food & Beverage Updates indicating that HCC now has a reforecasted net income of \$302,300; the Food and Beverage update is estimated at \$5,749,000. For every dollar HCC spent, it returned \$22.95 to the State.

Next, Ms. Orton reported on the HCC Sales team staffing. There is a current vacancy for the VP of Meet Hawai'i Sales (MCI) position, but Ms. Orton assured the Board that HCC is not losing any business because this position has not been filled. She further reported that IEEE Microwave MTTs Symposium had 10,000 attendees, the National Association of Federation of Credit Unions exceeded their expected attendee numbers of 1,300 with a final attendance count of 1,500, and the American Association of Plant Biologist had 1,568 attendees; all three groups expressed interest in returning to Hawai'i. Ms. Orton indicated that they are currently prospecting Rotary International for their International Assembly meeting, a 5-year bid.

Mr. Dee commended the HCC team on their efforts in coordinating the Hōkūle'a homecoming and asked for a recap of the in-kind sponsorship HCC gave to the Polynesian Voyaging Society. Ms. Orton indicated that HCC offered in-kind sponsorship and offered to present that report to the Board at the next Board meeting. Mr. Ka'ana'ana confirmed that in-kind sponsorship was \$74,000.

Mr. Fried acknowledged Mr. Szigeti, who presented HTA's plans for a neighbor island Board meeting in 2017. Mr. Szigeti first thanked the MCI team for their presentation and noted that MCI is a top priority for HTA. Mr. Szigeti proposed to hold the October 26 Board meeting on Maui. Mr. Nakamura expressed his support for this proposal and indicated he had a good

meeting on Maui with the Maui Hotel & Lodging Association; these direct stakeholders would appreciate having the Honolulu people come to Maui. Mr. Szigeti thanked Mr. Nakamura and noted that HTA will send a poll to Board members so everyone can arrange their schedule. Mr. Fried then announced that Mr. Nakamura has volunteered to serve as vice-chair again.

The meeting was recessed at 10:44 a.m.

The meeting was reconvened at 10:55 a.m.

Mr. Fried requested a motion to go into executive session. Ms. Kumukahi made a motion, Mr. Atkins seconded. The motion was approved unanimously by all Board members present.

The board entered an executive session at 10:56 a.m.

Executive session ended at 11:32 a.m.

Mr. Fried acknowledged Ms. Orton, who presented the five key pillars for the HCC 2017/2018 business strategy: to increase citywide room nights and occupancy; to increase revenue and manage expenses; to look for and create new events and new business; to align goals and collaborate with HTA; and to develop Hawaiian cultural and community events.

Ms. Orton discussed the ways to increase citywide room nights and occupancy, focusing on: new and repeat business; corporate and incentive groups who bring in high spending; off-shore sports events; growth in new Asia MCI events; and bolstering attendance from Asia for existing events. Ms. Orton noted that HCC is looking to put together an incentive package for HCC's 20th anniversary. HCC is also increasing collaboration with hotel partners for lower rates and increased inventory as well as better destination support to turn MCI business into repeat business. Ms. Orton highlighted the difficulty in lowering hotel rates to be competitive in the MCI markets; HTA is helping consolidate inventory and HCC is examining utilizing signing bonuses to book events this calendar year.

Ms. Orton turned to the need to bolster sales efforts in Asia to increase revenue and manage expenses for the anticipated slight downturn in 2018 revenue. Ms. Orton discussed HCC's plans to hire three new in-market prospectors in Japan, Taiwan, and Singapore. Ms. Teixeira presented several initiatives that may prove useful to this goal, such as the Best Cities Global Alliance, World Peace Conference, International Congress & Conference Association, and the Incentive, Conference & Event Society Asia Pacific. Ms. Teixeira explained further that member cities in the Best Cities Global Alliance have access to other member cities' support in bids for events and prospecting events.

Ms. Orton continued, presenting a snapshot of HCC's pace report with the key focus on 2021-2024, where HCC's sales pace is scheduled to slow down necessitating an increase in booking events in advance. Ms. Orton reported that the sports market segment is growing successfully; HCC is working on closing a four-year contract for an international futsal tournament.

Ms. Orton highlighted the necessity of developing new business by creating HCC signature

events such as hula festivals, trade shows, and Hawaiian cultural events. Ms. Orton noted that the International Hula Festival at HCC two years ago was suspended due to funding issues; 90% of attendants were from Japan, which highlights the importance of developing these events and marketing them to our key visitor markets. Ms. Orton further highlighted the Hōkūleʻa event as a fantastic example of an event that can foster local interest in HCC events and present Hawaiian culture to the world in an authentic way.

Mr. Togashi requested the Board approve the 2018 HCC budget. Mr. Atkins moved to approve; Ms. Domingo seconded the motion, which was unanimously approved by all Board members present. Mr. Fried noted the Board's approval.

11. Report of the Marketing Standing Committee, with the Committee's recommendations to support various marketing proposals, for discussion and approval by the Board

Mr. Fried recognized Sean Dee, who presented an overview of the Marketing Committee meeting on July 26. Mr. Dee reported that the Committee covered the Global Tourism Summit, the gohawaii.com update, and digital marketing strategies; the committee entered into executive session to review Ascendant's sports opportunity presentation. Mr. Dee reported that the Committee offered general support for two events: The Polynesian Football Hall of Fame Polynesian Bowl and a WTA Tennis tournament. Mr. Dee noted that both events are under the \$250,000 threshold and therefore do not require a full Board vote to approve.

Mr. Dee also reported that Ascendant provided the Committee with details of their overall strategic work, including an audit they performed of all major sports events that HTA supports and the proprietary scoring methodology that Ascendant developed, which all Board members have access to. Ascendant also introduced a new property evaluation tool that will be embedded in all future sports events contracts requiring the producer or promoter to evaluate the event and locations, which will be useful for development future HTA-supported sports events. Mr. Dee further explained that the Committee recommended that Ascendant assume the role of chief negotiator for all existing and new opportunities and for re-evaluation or renegotiation. The Committee also created a strategic document and gave consent for Ascendant to obtain a formal proposal for three international events that were discussed in executive session.

Mr. Fried acknowledged Peter Honig from Ascendant, who presented that Ascendant has undertaken extensive analysis on all existing sports events. Mr. Honig highlighted several areas to address: there are opportunities to develop and engage in active discussions to attract international marquee sports events; Ascendant received positive feedback from HTA staff and the Board regarding the strategic plan; Ascendant's ultimate goal for HTA is to use sport as a catalyst to drive tourist travel and demand; Ascendant's strategy is to support and activate events that deliver maximum benefit to residents and the State; and Ascendant has identified some time-sensitive opportunities to discuss.

Mr. Fried asked for a motion to go into executive session. Ms. Kumukahi moved. Mr. Dee

seconded the motion, which was unanimously approved by all Board members present.

Board entered and executive session at 11:57 a.m.

Executive session ended at 12:11 p.m.

12. Adjournment

Mr. Fried requested a motion to adjourn the meeting. Ms. Kumukahi moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present. The meeting was adjourned at 12:12 p.m.

Respectfully submitted

A handwritten signature in black ink, appearing to read "Jacob L. Garner", is written over a solid horizontal line. The signature is fluid and cursive, starting with a large loop and ending with a long, sweeping tail that extends to the right.

Jacob L. Garner
Recorder