



Hawai'i Convention Center
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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

**ADMINISTRATIVE AND AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Monday, December 20, 2021, at 2:30 p.m.**

**Hawai'i Convention Center
Executive Boardroom A
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815**

IN-PERSON MEETING

MINUTES OF THE ADMINISTRATIVE & AUDIT STANDING COMMITTEE

MEMBERS PRESENT: George Kam (Chair), Kimi Yuen, Dylan Ching, Kyoko Kimura, Keone Downing

MEMBER NOT PRESENT: David Arakawa

HTA STAFF PRESENT: John De Fries, Keith Regan, Kalani Ka'anā'anā, Carole Hagihara

GUESTS:

LEGAL COUNSEL: Gregg Kinkley

1. Call to Order and Pule

Chair Kam called the meeting to order at 2:39 p.m. Mr. Ka'anā'anā opened the meeting with a pule. Mr. Ka'anā'anā opened the cultural protocol. He talked about the water and its significance.

Chair Kam mentioned in section three in the bylaws about the administrative and audit standing committee. He said they established this committee for the purpose of reviewing existing policies, making findings and recommendations to modify, create, amend, and replace existing policies relating to the administration of the authority, and establishing criteria and making recommendations related to the evaluation of the

president and chief executive officer, and the committee should also be responsible for the establishment and the proper execution of internal audit controls by consulting with authorities, external auditors, to determine whether the internal controls have been properly executed, ensuring that financial statements are timely, prepared and accurate, and that the statements will properly report financial information necessary for the fiscal operation of the authority and then establish and enforce of code of conduct to ensure financial integrity of the Authority's management of public funds. The committee shall also be responsible for the matters relating to legislative and government affairs. He said they're responsible for a lot and that this year was important for everyone to come together to meet.

2. Discussion, Recommendation and/or action regarding the review of any existing HTA Policies Relating to the Administration of HTA

Chair Kam said this will always be on the agenda. He said this is the essence of what the committee is.

3. Discussion, Recommendations and/or action regarding the annual evaluation of the HTA president & CEO's performance

Chair Kam said that he wanted to open up to the members since it's the first time the group is meeting. He said this is the annual meeting, and the performance of Mr. De Fries was either satisfactory or unsatisfactory. He said it's important to get all Board feedback and the plan moving forward, the strategic plan, in terms of what they're doing.

Ms. Yuen asked if there were any CEO evaluation documentations from the past that they can use.

Mr. De Fries decided to take a 20% voluntary salary reduction and elected not to take the 5% annual salary raise to build a strong team. It is a three-year agreement, and he has done one year already. He appreciates everyone's support over the past 15 months. He said the HTA model that has been in place for 22 years was totally deconstructed and that they lost their dedicated funding source: the tourism special fund and the procurement exemption. He said there were about eight resignations in the 14-month period, which is a big number. He said much of it was accelerated right after what happened at the legislature where people started to see that the future of HTA was in question. He says he has a lot of confidence in the team they put together, and he is

more excited about the direction they're going in and the challenges they will face.

Chair Kam said this will be an open discussion with Mr. De. Fries and what his accomplishments have been the past year and also to let the Board know that it's been satisfactory, and things should remain as is.

Ms. Kimura said there needs to be goals set for next year. She said they should have a description of questions, how much he has achieved or not achieved. She said they appreciated Mr. De Fries' declining the salary increase.

Mr. Ching said it's hard to evaluate this during the pandemic and agreed to the general grades of satisfactory/dissatisfactory. He said it's important to move forwards because if they spend a lot of time looking back, then they'll be in a place again taking criticism, but having the plan the community talked about, something they can grade will help them to move forward.

Chair Kam suggested a quarterly evaluation update review so that they constantly are adjusting their sale based on the conditions they present. He said it's important they stay close and create an administrative committee that is fully supportive of the organization, providing the right tools and making sure they're in alignment and stay on course with the voyage.

Mr. De Fries said the CEO role is not like the role it was five years ago due to the strategic plan or altering of the hierarchy of what it has become. He said when the strategic plan was adopted, it altered the leadership that is required to pull that off and the requirements that they would be looking for. He said there's every reason to come to grips with what happened in the past and then focus on the present and going forward because it's still evolving. He said they need to be even more nimble, more responsive, more creative and more collaborative going forward.

Mr. Downing said they need to look forward and he said they need to believe the executive administration is pushing the same thing described in DMAPs. He said they need to realize that it is going to evolve. He said that being a member is not about the money. It's about wanting to achieve the goals and leave the place a better way for all future generations.

Ms. Kimura asked if the CEO evaluation on the regular Board meeting agenda is on Thursday and Chair Kam confirmed it is part of the agenda. Chair Kam said they should all be working together for what the voyage looks like for 2022 and it needs to

incorporate everything that they're talking about, so that it can be a roadmap moving forward. He said maybe before the next Board meeting, they can have a Zoom meeting to approve and finalize that for the year moving forward. He said that based on what they've discussed they all agree from the past year on what Mr. Dr Fries' accomplishments were.

Mr. De Fries said it will be a consolidation of all of the standing committee policies that come out where they're going to have policies related to the legislature that they're going to convey to him to be able to execute on behalf of HTA. He said as they get clarity on each, they'll integrate them. He said the foundation is the strategic plan and the extensions into the community are the DMAPs. He mentioned the problem they have at Red Hill with the Navy contamination, and he said the water contamination issue will skew the resident sentiment survey.

Mr. Ka'anā'anā said that part of the problem is they have generally in communicating the work that happens at the agency is they refer things at a very high level, they talk about resident sentiment and as composite score, but they never get into the details of the actual score. He mentioned one of the things concerning him as they dig deeper into the resident sentiment survey, on about page 23, the qualitative responses that they get from people who took the survey, they say things like they're stuck in traffic all the time, or their roads are poor, or their cost of living is too high. None of those things are directly within the HTA's purview to fix or improve yet they've placed it upon themselves in the strategic plan as a metric of their success.

Chair Kam agreed and said he doesn't want to create a measurement that's unattainable or has no correlation to the HTA's performance as an organization.

Mr. Ching said he heard rumors about who would be part of the evaluation; there was legislature, community, hotels and all of that. He said he thought it should be the Board: who have been appointed and vetted at the legislature, which is put there from the community. The staff should evaluate in a way where they can get feedback from the staff because that's always a good sign of leadership.

Chair Kam said the industry matters, the legislature matters, the community matters, but it's the admin committee, the Board, the staff, the leadership that they're trying to work together to find the pathway forward.

Ms. Kimura said the committee all agrees to keep Mr. De Fries on and asks that everyone agrees.

Chair Kam agreed with Ms. Kimura and that he's going to work on what they're going to do for the upcoming year for 2022 inclusive of the strategic plans and their four pillars. He agreed what Ms. Kimura said that they all agree that this year was satisfactory.

Mr. Ching spoke about possible discussions over having Mr. De Fries getting the increase anyway as they all think he deserves it.

Chair Kam said that they're unsure of their budget for the coming year and that Mr. De Fries was also considering that possibility when he turned down the increase pay and therefore, he graciously declined.

Ms. Yuen mentioned the Aloha pledge and their rubrics, and she was hoping there was a way they could make use of those as it's established, and it speaks to everything in their strategic plan and makes it an easy way to check the boxes. She said they need to find a way to better integrate those things they're trying to protect. She said tourism always gets scapegoated and she wants to see more data driven metrics. She says they have to have their own data to refute what people assume is happening or what appears in social media. She said to give the media better sound bites every year, what their industry is doing to change and be better for Hawai'i.

Mr. Ka'anā'anā spoke about the assessment tool. He said he helped author it and it is valuable in the sense and perspective that the entity using it can adjust it if it feels the need, and it's not set in stone. He said it's also used for weighting different things, so if anyone feels it's important to weight different aspects of the assessment, they prefer not to take elements of the 10 as they might get a zero or negative score in those elements but those are for awareness. He said that all their branding has a golden sunrise or sunset, a green mountain range of watershed forest in every single ad.

Chair Kam said they should all discuss the evaluation process and then come back together as a group and run it by everybody. He also asked for Mr. De Fries for an updated Mālama Ku'u Home and then follow that up with the quantitative assessment.

Mr. Ka'anā'anā mentioned that the assessment tool can be modified to support their vision. He mentioned Ms. Chun and a lot of the reporting that she does are legacy reports and there are a few additions, media, and some other ones, the dashboards, symphony dashboards. They need to involve Ms. Chun more for research. He said they have to think about what they're measuring and how they're measuring it to match the new vision. He said right now there's a little bit of not perfect alignment, not maybe

misalignment, but they're not perfect. He mentioned that they don't track anything that he is aware of under Ms. Chun that reports out industry specific statistics for what they identify in the strategic plan for water waste and electricity consumption, the three they identified in the strategic plan. He said it's places like that they envision where they are going, what they are measuring, and how they assess. Mr. De Fries or the CEO has to bring those measures into alignment.

Chair Kam said they're still in transition with research and he said DBEDT's plan on meeting with Ms. Chun to integrate everything. He said from what he understands it looks like DBEDT is more about the economy and the economics of everything compared to HTA is more about the brand.

Ms. Yuen said there are a lot of contracts for evaluation under Ms. Anderson and if they have the rubric, they can disseminate that to them, and then it's just a matter of collecting from them, then hopefully it gets easier too to collect and track the data that they want.

Mr. Ka'anā'anā said Eugene Tien in DBEDT doesn't like Uber Media.

Chair Kam asked if a motion is needed, but Mr. Kinkley said not needed.

4. Presentation, discussion, recommendations and/or action regarding the 2022 legislative issues

Chair Kam said they have a permitted interaction group that deals with legislation, so it's important to understand those dynamics. What they really wanted to do and what they handed out, was a resolution, and the resolution basically incorporates all the things that they might need. He said what they do every year as a Board, is they vote to give John permission to speak on behalf of HTA.

Mr. Downing asked if the standing committee that is set up for the legislative speak on their own or do they go through Mr. De Fries. Chair Kam confirmed it's either Mr. De Fries or himself. The committee consists of Mr. De Fries, Chair Kam, Mr. Arakawa, Mr. Atkins, Mr. Alameda and Mr. Chun, with designate Mr. De Fries speaking on behalf of HTA. He also said the PIG was formed as things are moving, and that they can react or respond quickly, but they don't have any legislative authority.

Mr. Ka'anā'anā wanted to flag something. He recognized that a lot of it is structured around focusing on the strategic plan and DMAPs but spoke about taxes and fees. He

said the Board also authorized the 'Oahu Destination Management Action Plan, which expressly supports the green fee, which is in conflict with their discussions, so it's important that staff understands how to reconcile those differences.

Chair Kam said they need to clarify the "Green Fee."

Mr. Regan doesn't think the modification of the resolution is necessary. He said it is the Board that helps to set the policy direction right, and in terms of the legislation that they are going to push forward on, they're going to have those discussions with the PIG and those are going to take place in the PIG at the committee level, if there is conflict or if they need clarification necessary. He also mentioned user fees as user fees are in alignment with what they're talking about, and Chair Kam confirmed this.

Mr. Ka'anā'anā mentioned the strategic plan that was developed in 2019, and adopted in 2020, and that the world has changed. He said DMAPs were created in the middle of the pandemic, and they don't always exactly discreetly align.

Mr. Downing mentioned with regards to fees that visitors allocate their spend per day so regardless of this they will still end up spending their money.

Mr. Ka'anā'anā said it is driven by bills that make it or don't make it right.

Chair Kam said at that time they can either oppose, support or abstain.

Chair Kam confirmed the current version of the document in front of them is the one going to the Board for approval.

Motion to approve the draft, Ms. Kimura motioned and Ms. Yuen second.

5. Adjournment

Meeting adjourned at 4:22 pm.

Respectfully submitted,



Sheillane Reyes
Recorder