



KA HĀLĀWAI KŪMAU A KE KŌMIKE MO'OHĒLU KĀLĀ, 'OIHANA KĀLĀ,
A ME KE KIKOWAENA HĀLĀWAI O HAWAII
KE'ENA KULEANA HO'OKIPA O HAWAII

**BUDGET, FINANCE, AND CONVENTION CENTER
STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY**

**HĀLĀWAI KELEKA'A'IKE
VIRTUAL MEETING**

Pō'aluā, 6 'Aukake 2024, 8:00 a.m.
Tuesday, August 6, 2024, 8:00 a.m.

E ho'olele 'iwa'ia ka hālāwai ma o ka Zoom. Meeting will be live streaming via Zoom.

<https://us06web.zoom.us/j/81827646906>

E noi 'ia paha 'oe e kāinoa me kou inoa a leka uila paha. E 'olu'olu, e ho'okomo i kou inoa piha akā hiki nō iā 'oe ke ho'ohana i ka inoa kapakapa e like me kou makemake.

You may be asked to enter your name or email. The Board requests that you enter your full name, but you may use a pseudonym or other identifier if you wish to remain anonymous.

Kelepona / Call In: 1 507 473 4847
*Helu Hālāwai / Webinar ID: **81827646906***

Hiki i ka lehulehu ke hō'ike mana'o ma o ka palapala a i 'ole ma o ka waha. E kau palena 'ia ka hō'ike mana'o waha (ma ke kino a i 'ole ma o ka Zoom) he 'elima minuke ka lō'ihī no kēlā me kēia kumuhana. E kāinoa no ka hō'ike mana'o waha ma ke pākaukau ho'okipa ma ka lumi hālāwai. E kāinoa no ka hō'ike mana'o waha ma o ka Zoom ma o ke pihi "Q&A."

Members of the public may provide written or oral testimony on agenda items. Oral testimony (in-person or via Zoom) will be limited to five minutes for each testifier per agenda item. Signup for oral testimony via Zoom will be accepted through the Q&A feature on Zoom.

E ho'ohui 'ia nā palapala hō'ike mana'o i hiki ma ka pū'olo hālāwai. E leka uila 'ia nā palapala iā Carole Hagihara-Loo ma carole@gohta.net, a i 'ole, e lawe kino 'ia i ke ke'ena. No nā palapala hō'ike mana'o i hō'ea mai ma hope o ka pa'a o ka pū'olo hālāwai ('elua lā ma mua o ka hālāwai), e kāka'ahi 'ia nā kope i ke kōmike a e mākaukau no ka 'ike 'ia e ke anaina ma ka hālāwai.

Written testimony received ahead of the preparation of the committee packet will be included in the packet. Email written testimony to Carole Hagihara-Loo at Carole@gohta.net or hand-deliver or send via postal mail to the Hawaii'i Tourism Authority office, 1801 Kalākaua Avenue, 1st Floor, Honolulu, HI 96815. Written testimony received after the issuance of the committee packet (two business days prior to the meeting) will be distributed to the committee.

AGENDA

1. *Wehena*
Opening Protocol and Call to Order
2. *Kikolā*
Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic
3. *'Āpono Mo'olelo Hālāwai*
Approval of Minutes of the July 16, 2024, Budget, Finance, and Convention Center Standing Committee Meeting
4. *Noi, Hō'ike'ike, Kūkā a Ho'oholo no ke Noi Mo'ohelu Kālā HTA i ka 'Aha'olelo no nā Makahiki Kālā 2026 a me 2027, ke 'Ano e Holo ai, nā Nīnūnē, a me nā Noi 'Ē A'e*
Motion, Presentation, Discussion, and Action relating to HTA's Fiscal Year 2026 and 2027 Legislative Budget, Process, Issues, and Request
5. *Ho'oku'u*
Adjournment

*** *'Aha Ho'okō: Ua hiki i ka Papa Alaka'i ke mālama i kekahi hālāwai kūhelu i kū i ka Hawai'i Revised Statutes (HRS) § 92-4. E mālama 'ia kēia hālāwai kūhelu nei ma lalo o ka § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) no ka pono o ko ka Papa Alaka'i kūkā a ho'oholo 'ana i nā nīnūnē a nīnau i pili i ko ka Papa Alaka'i kuleana me ko ka Papa Alaka'i loio. He hālāwai kūhelu kēia i 'ole paulele 'ia ka 'ikepili a i mea ho'i e mālama kūpono ai i ko Hawai'i 'ano, he wahi i kipa mau 'ia e nā malihini.*

*** **Executive Meeting:** The Board may conduct an executive meeting closed to the public pursuant to Hawai'i Revised Statutes (HRS) § 92-4. The executive session will be conducted pursuant to HRS § 92-5 (a) (2), § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) for the purpose of consulting with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities; to consider hiring and evaluation of officers or employees, where consideration of matters affecting privacy will be involved; and to discuss information that must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination.

Inā he lawelawe a mea like paha e pono ai ke kīnānā, e ho'oka'a'ike aku me Carole Hagihara-Loo ma (808)-973-2289 a ma ka leka uila e like me ka wikiwiki i hiki, 'a'ole ho'i a ma 'ō aku o ka 'elua lā ma mua o ka hālāwai. Inā 'ike 'ia he noi i ka lā ma mua o ka hālāwai, e ho'ā'o mākou e 'imi i ka lawelawe a mea like paha, 'a'ole na'e ho'i e hiki ke ho'ohiki 'ia ke kō o ua noi lā. Ua noa pū kēia ho'olaha ma nā kino 'oko'a e like me ka mea pono.

If you need an auxiliary aid/service or other accommodation due to a disability, contact Carole Hagihara-Loo at (808) 973-2289 or carole@gohta.net as soon as possible, preferably no later than 4 days prior to the meeting. **Requests made as early as possible have a greater**

likelihood of being fulfilled. Upon request, this notice is available in alternative/accessible formats.

E like nō me ka 'ōlelo o ke Kānāwai Hawai'i i ho'oholo 'ia māhele 92-32.7, e mālama ana ke Ke'ena Kuleana Ho'okipa o Hawai'i i kekahi wahi e hiki ai ka po'e o ka lehulehu ke noho a komo pū ma nā hālāwai ma o ka ho'ohana 'ana i ka 'enehana pāpaho (ICT). Aia ana kēia 'enehana pāpaho ma ka papahale mua o ka lumi ho'okipa i mua o ke Ke'ena Kuleana Ho'okipa o Hawai'i ma ke Kikowaena Hālāwai O Hawai'i. 'O 1801 Kalākaua Avenue, Honolulu, Hawai'i, 96815 ka helu wahi.

In accordance with HRS section 92-3.7, the Hawai'i Tourism Authority will establish a remote viewing area for members of the public and board members to view and participate in meetings held using interactive conference technology (ICT). The ICT audiovisual connection will be located on the 1st Floor in the Lobby area fronting the Hawai'i Tourism Authority at the Hawai'i Convention Center at 1801 Kalākaua Avenue, Honolulu, Hawai'i, 96815.

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Approval of Minutes of the July 16, 2024 Budget, Finance, and Convention Center Standing Committee Meeting



Ke'ena Kuleana Ho'opipa O Hawai'i
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
hawaii tourism authority.org

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Tuesday, July 16, 2024, at 10:00 a.m.**

Virtual Meeting

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

MEMBERS PRESENT:	David Arakawa (Chair), Kimberly Agas (Vice-Chair) (Zoom), James McCully (Zoom) , Blaine Miyasato (Zoom)
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Isaac Choy, Tallon Kishi
GUESTS:	Teri Orton, Noelle Liew
LEGAL COUNSEL:	John Cole

1. Opening Protocol and Call to Order

Chair Arakawa called the meeting to order at 10:03 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. Kishi conducted the roll call. All confirmed in attendance and that they were alone.

3. Approval of Minutes of the June 24, 2024, Budget, Finance, and Convention Center Standing Committee Meeting

Chair Arakawa proposed a motion to approve the minutes, and Ms. Agas seconded. Mr. Kishi conducted the roll call, and the motion passed unanimously.

4. Motion, Presentation, Discussion, and Action on the Hawai'i Convention Center's June 2024 Financial Report and Update on the Hawai'i Convention Center's 6-Year Repair and

Maintenance Plan; Recommend Approval

Chair Arakawa proposed a motion to recommend approval of the HTA's June 2024 Financial Report, and Mr. Miyasato seconded.

Ms. Orton, the General Manager of the HCC, thanked the Chair and the Vice Chair. She stated that she would give the committee final updates for the 2024 Fiscal Year (FY24) as well as detailed information about April, May, and June. The approval of the Board had not been obtained for the last three months of the fiscal year.

Chair Arakawa reminded members of the public viewing the meeting online that Ms. Orton's report and related material were available on the HTA website.

Ms. Orton informed the committee that during June the Convention Center had hosted seven events, comprising one Citywide event and six local events. The center had hosted the return of the Citywide American Society of Plant Biology with 1,400 participants. The center had also hosted the Festival of Pacific Arts and Culture (FestPAC) which was not classified as a Citywide event but resembled one in its size, diversity, and weeklong activities.

Ms. Orton stated that revenue for June had been more than \$3.2M, which was \$1.5M more than had been budgeted. This had given a net income of \$316,800, \$982,000 better than planned. June 2024 had been the ninth month of FY24 which had posted a positive bottom line. Ms. Orton noted that FestPAC had been one of the main contributors to the financial strength of this month. At the time the budget was prepared, staff had been informed that FestPAC participants would eat at the University of Hawai'i, where they were staying. The budget did not include almost a million dollars' worth of food and beverages reflecting provision at the Convention Center of breakfast, lunch, and dinner for 3,500 delegates and participants. This had been a large factor in the \$3.2M revenue for June.

The fiscal year as a whole had shown the strongest result in the history of the Convention Center, with a gross revenue of \$28.9M, \$10.4M higher than budgeted. Net income was \$3.4M, \$8.7M better than budgeted. Ms. Orton noted that \$1.5M of revenue had come from interest on government treasury obligation, and this was a higher return than had been budgeted in the savings account. 2024 was the third year in which the HCC had been able to post a positive bottom line, saving the State a total of \$8.9M in State subsidies. FY24 had been a phenomenal year, with a great result delivered by the exceptional work of the team in managing expenses and increasing revenue.

Ms. Orton pointed out that the 21 Citywide events hosted during FY24 had produced \$390.91M in economic impact for the State, generating tax revenues of \$45.7M. She noted that this revenue was driven by Citywide events which were a mixture of corporate, association and sports events. During FY24 the center had hosted four corporate Citywide events:

Corporation	Revenue
Best Western	\$1,500,000
Applied Materials	\$1,300,000
Global Life	\$400,000
Capricorn	\$200,000

Chair Arakawa commented that he hoped in future the HTA would be able to work with the Department of Business, Economic Development, and Tourism (DBEDT) to track the economic impact of local events and the revenue that these brought to local communities in terms of vendors, purchasing, and rent of equipment. He believed that the Chair of the Branding Committee would probably have a similar concern. It was the kuleana of the HTA to demonstrate the benefits of tourism to local communities.

Mr. Miyasato, the Chair of the Branding Committee, agreed and referred to the concept of a circular economy, whereby extra funding would be allocated as a result of incoming credit. He noted that the return on investment in tourism activities recovered money for the State. It was important to be able to track the local impact beyond dollars and cents. This would establish the branding of the Convention Center as a benefit for Kama'āina.

Chair Arakawa congratulated Ms. Orton on making the HCC a facility that local people wanted to use for events.

Ms. Agas agreed that this was a phenomenal result and stated that Ms. Orton and her team had done an extraordinary job in spite of all the repairs. It was clear that once the repairs were completed, the center would be an excellent product in the future.

Ms. Orton replied that credit was due to the center staff, the sales team, and the HVCB. She noted that all staff positions were filled, and all market segments were represented. She was confident that between short-term local sales and long-term Citywide sellers after the rooftop was completed, the center would be like new. She stated that the plan was to complete as many projects as possible during 2026 when rooftop construction would be going on. Ms. Orton believed that 2027 would be great. The HVCB and the local sales team were concentrating on filling the gaps between Citywide events and local sales with the aim of keeping the calendar full.

Mr. Choy thanked Ms. Orton for setting a new standard. He asked whether it was time to rethink the MCI business as being too much trouble. He asked if it was time to place greater emphasis on local business.

Ms. Orton replied that even if the building was filled with local events, this could not give the same financial result. Offshore business drove millions of dollars to the center and to hotels, as well as generating tax. She informed the committee that the optimum business model was a good mix of offshore and local business. She reminded the committee that, formerly, the HCC

had never been marketed to local businesses. When she began work there, the local business generated \$4M, but it was now producing revenue of \$13M. She noted that the present strategy was that local sellers would fill up whatever calendar spaces were not filled by Citywide events.

Ms. Orton noted that she had been asked to share this strategy at the next convention center global conference. Other convention centers needed to know this recipe which was filling hotels and reducing the state subsidy. The goal was for the Convention Center to break even, to fill hotels with room nights, and to stimulate the economy.

Mr. Miyasato stated that he was enjoying this holistic conversation. Kama'āina were using the Convention Center, and a world-class facility representing the Hawai'i was a benefit that could not be equated to dollars and cents. He appreciated the mixture of local and offshore events.

Ms. Orton responded that local business had grown exponentially at the center. This did not mean that local hotel partners were losing business, but the Convention Center was simply making consumers aware of its existence as an option. Formerly, this had not been the case.

Ms. Orton informed committee members that during FY24, the Convention Center had returned \$14.64 to the State for every dollar spent. It was hoped eventually to increase this return on investment (ROI) to its former value of %23–\$25 by 2027. The ROI reflected 21 Citywide events this year, and the report gave details of contracted room nights for hotel partners and the number of participants, as well as the economic impact and tax revenue generated for the State from offshore business that went through the HCC. Economic impact continued to be the first priority because it filled hotels in the surrounding area.

Ms. Orton listed some recent events and mentioned that the executive director of the Indoor Air Institute had said it was one of the best conferences they had ever had. The delegation had loved Hawai'i, and the indoor/outdoor nature of the Convention Center.

Ms. Orton gave details of upcoming events, including the Na Hoku Hanohano Awards, with 1,000 attendees. The ceremony was to be dedicated to the memory of the organizer of this event, who had recently passed away. Ms. Orton extended her condolences to the family. The Pokémon World Championship with over 50,000 participants was to take over the entire building, including the parking garage. The repeat edition of the Made in Hawai'i Festival was to expand from two to three exhibit halls and expected more than 500 exhibitors and 60,000 attendees.

Ms. Orton presented details of the Citywide and local events scheduled for the next three months. Local events would include the Okinawan Festival.

The HCC had been among 40 businesses that received the Hawai'i Green Business Program Award. The sustainability team went to the State Capitol to receive the award which was now on display in the lobby. This was the third or fourth year that the HCC had received this award,

and staff were honored and encouraged to continue their sustainability efforts.

The carbon offset program of the HCC had planted 371 legacy trees and had offset 359.31 metric tons of carbon dioxide (CO2).

Regarding repair and maintenance, Ms. Orton informed the committee that the exterior paint project had started, and the information packet contained a rendering of the appearance of the completed project. The main changes were a green trim around the building and the painting in a lighter green of all the latticework at the front of the building. The border trim would be almost the same color as the ballroom rooftop. This change had been made because the former white paint had been stained by mildew caused by rain. The green paint would hide the mildew a little longer. Preparation for painting had started, with installation of swing stages and pressure washing. The work was being done in phases. Once the exterior was finished, interior painting would be started, probably in 2026 during the renovation.

Ms. Orton informed the committee that the chill water pipes had been reinsulated, since breaks in the old insulation were causing drips from condensation. This work had been completed on the employee level and was to finish in parking garage.

The kitchen had recently been refloored, and a new dishwasher, pot wash, and glassware machine had been installed. About \$8M had been spent on kitchen equipment and new china. Much of the equipment was outdated and did not work well.

Ms. Orton reminded committee members that R&M projects fell into three categories: building improvements, guest experience improvement, and better efficiency.

The information packet included details of the six-year CIP plan with tentative completion dates for each project. Total cost and payment plans coincide with the fiscal year of the completion date.

A list was provided of the projects assigned to Cummings, the project management company. A request for proposal (RFP) for a second project manager was in progress to allow responsibility for projects to be divided between two managers.

Ms. Orton provided a list of projects which had been completed since 2020. She noted that many projects had been completed during the COVID-19 lockdown, and she looked forward to completing many projects during 2026, when rooftop construction would be taking place. The intention was to stay out of Citywide business in 2026 because some rooms would be taken out of inventory during the renovation. Only four Citywide events were listed for that year, and the HVCB was very helpful in ensuring that business was not lost. Some events had opted to stay and would use headquarter hotels. It was hoped that this would allow ten months of unobstructed construction time. As many projects as possible were being scheduled for 2026, especially the type of project that could not be conducted while events were in progress.

There were no questions from committee members or the public online.

Mr. Kishi conducted the roll call vote, and the motion was carried unanimously.

5. Motion, Presentation, Discussion, and Action for Fiscal Year 2026 and 2027 Legislative Budget Request

Chair Arakawa stated that this agenda item was to be deferred.

Mr. Choy explained that the Finance Department was in the process of refining the budget and more work was needed before it could be presented.

Chair Arakawa had seen the memo relating to the checklist and items of which staff and Board members should be aware. He considered it an excellent memo which would subsequently be shared with committee and Board members.

6. Motion, Presentation, Discussion, and Action on Fiscal Year 2025 Hawai'i Tourism Authority Operating Budget; Recommend Approval

Chair Arakawa proposed a motion to recommend approval of the Fiscal Year 2025 (FY25) HTA Operating Budget. Mr. Miyasato seconded the motion.

Ms. Agas informed the Chair that she had to leave, but Ms. Noelle Liew would speak on her behalf.

Mr. Kishi began his presentation by reviewing the 10% budget restriction which had been announced during the previous meeting. The Department of Budget and Finance had announced that they would impose a hard restriction of 5% as well as a 5% contingency restriction on all budgets. It was possible that the funds from the contingency restriction could be reinstated during the fourth quarter, although this had not occurred since 2019. Programs were recommended to develop "trigger plans" in case the contingency funds were returned.

The 10% restriction meant that the \$63M allotted to HTA for FY25 by the legislature would be reduced by a total of \$6.3M, making an amount of \$56.7M available. Each line item in the budget would also be reduced by 10%.

Chair Arakawa explained that this 10% restriction was to be imposed on all State funds.

Mr. Miyasato asked whether an answer had been received to the query about General Fund versus Special Fund, given that the HTA had originally been supposed to be funded from the Special Fund. Mr. Miyasato asked about the difference between the two types of funding.

Mr. Choy informed the committee that Mr. Nāho'opi'i, the interim CEO, had written a letter about this issue to B&F and the Office of the Attorney but had not yet received a response. Mr. Nāho'opi'i promised to inform Mr. Miyasato and send him a copy of the reply when it was received.

Mr. Nāho‘opi‘i stated that the Attorney General had recommended speaking to the Administrative Services Office (ASO) of DBEDT. Their staff had given some advice on how General Funds were typically administered by DBEDT and Mr. Kishi would use this system for his presentation. Mr. Nāho‘opi‘i's letter had also asked for advice on how to administer funds using Program IDs, and Mr. Kishi would also discuss this. Mr. Kishi presented a breakdown of the budget after imposition of the 10% restriction.

Program ID and Description	Budget after 10% restriction (million)
BED113 Administrative & Governance	\$3.3
BED114 Branding	\$35.3
BED115 Sports and Signature Events	\$6.6
BED116 Destination Stewardship and Community	\$7.1
BED117 Regenerative Tourism Development	\$3.4
BED118 Workforce Development	\$0.9
Total	\$56.7

Mr. Miyasato asked whether the budget included any carry-over from the previous fiscal year, but Mr. Kishi replied that this related only to FY25. A small amount had been left from FY24 in the form of encumbrances.

Chair Arakawa asked for more details about these remaining encumbrances from FY24. Mr. Kishi explained that these were funds which had been assigned but had not yet been disbursed. About a half million dollars remained in payroll and \$30,000 in OCE. Mr. Kishi stated that he had spent about \$59M during the previous year.

Mr. Kishi presented a pie chart showing the breakdown of budget between the six major categories of spending along with their Program IDs.

The difference between the FY25 budget and the FY24 budget was that the FY24 budget had been allocated by Gov. Green and provided some latitude in spending, but the FY25 budget was subject to Program IDs and was much more restrictive. During the previous year, the HTA had been able to use leftover funds because it had not been subjected by the legislature to Program IDs.

Mr. Kishi explained that the significance of the pie chart was that the legislature constantly asked about the amount being spent in branding and marketing, and this was 62%. They also asked how much was to be spent on destination management and stewardship and this was 12%. The pie chart enabled the HTA to communicate with the legislature on the portion of budget going to different line items. Members of the legislature were always very interested in how money was to be spent. Mr. Kishi presented a detailed breakdown for each program ID.

BED113 Administration and Governance	
Description	Budget after 10% Restriction
Cruise infrastructure improvements and arrival expenses	\$80,100
HT USA and HT Japan Campaign effectiveness study	\$162,000
Community industry outreach and public relations	\$225,000
Hawaiiitourismauthority.org	\$22,500
Program evaluation	\$81,000
General and administrative	\$759,850
Organization-wide planning	\$270,000
Organization-wide financial audit	\$112,500
Travel – administrative	\$171,000
Administrative salaries	1,443,044
Total	\$3,326,994

BED114 Branding and Marketing	
Description	Budget after 10% Restriction
Island based international marketing	\$2,880,000
Global support services	\$1,237,500
USA MMA	\$13,684,492
Canada MMA	\$900,000
Japan MMA	\$5,850,000
Korea MMS	\$810,000
Oceania MMA	\$1,161,815
Europe MMA	\$900,000
USA MMA MCI and other markets, unassigned*	\$267,134
Market support for Travel missions*	\$75,000
Korea RFP Transition*	\$50,000
Japan Incremental Budget*	\$535,000
USA Incremental Fall Activation*	\$1,500,000
Global MCI	\$4,950,000
Branding Salaries for 5 positions	\$525,341
Total	\$35,324,281

* Line items identified as “TBD.”

Mr. Miyasato asked whether the five Budget Line Items that were identified as “to be determined” (TBD) were opportunity funds.

Mr. Kishi replied that the designation TBD was for the convenience of the Accounts Department which had to assign new codes after reference to the accounting program. The designation did

not imply any flexibility because most of these line items had already been assigned, presented, and voted upon. The only line item with flexibility was “USA MMA MCI and other markets, unassigned,” for \$270,000 because this was the only line item that had not yet been voted upon.

Mr. Miyasato stated that it seemed to him that Program IDs would leave the HTA hamstrung, but he asked whether there was flexibility within the line items themselves.

Mr. Choy responded that the unassigned line item that Mr. Kishi mentioned would have some flexibility. Mr. Choy and Mr. Kishi had also discussed this, and he had had the same reaction as Mr. Miyasato. It was important to use terminology carefully because it might lead to the complete opposite of the intention when understood by other readers. The Accounts Department would seek to devise better acronyms and better descriptions of line items to avoid misleading situations.

Mr. Miyasato responded that this reply seemed to confirm that there was some flexibility in the line items. Mr. Choy asked Mr. Kishi about the descriptors in the middle column that had been identified within the program IDs in the legislative published budget, apart from the five line items whose numbers and detailed titles had not yet been defined. He pointed out that originally this line item had referred only to U.S. MMA MCI Other Markets at \$2.6M, but in the course of Board discussions the money had been divided up into different projects.

Mr. Nāho’opi’i stated that Mr. Miyasato’s first question seemed to relate to moving funds between different line items within the same program ID. This issue had been posed in the previously mentioned letter sent to B&F, the Attorney General’s Office, and the ASO of DBEDT. There seemed to be different perspectives, and the Board was responsible for determining the process they intended to follow. However, the ASO of DBEDT seemed to hold the opinion that it was permissible to shift funds between line items within the same program ID. For instance, funds could be moved from China marketing to Japan marketing. This reply had been based on the method used by DBEDT to manage their own budget. The discussion in BFCC had been based on the fact that the HTA budget was subject to public scrutiny, so it was preferable to avoid moving funds around too much. The legislature had seen the line items, so it was better to comply as much as possible.

Mr. Nāho’opi’i’s second point was that the branding and marketing team had presented a breakdown of the line item “Market Support for Travel Mission Korea and Japan, U.S. Incremental,” to the Branding Committee last month and it had been approved. It had been brought forward to BFCCC last month, so this section had been vetted. The recommendation of the staff was to utilize it. The details had not been previously presented to the legislature, but the staff felt that it was an appropriate use of the money in the original line item.

Mr. Miyasato stated that he accepted this recommendation. He personally understood that TBD did confer some flexibility. However, a full Board vote would be needed to determine the

system to be used. Speaking as Chair of the Branding Standing Committee, he would be in favor of whichever system would better allow marketing to react to changing conditions. He thanked Mr. Choy and Mr. Kishi for the clarifications.

Chair Arakawa agreed with Mr. Miyasato and explained that DBEDT seemed to hold that it was permissible to divert funds within a single budget area. Mr. Nāho’opi’i reminded the committee that for DBEDT to regard an action as permissible was different from its acceptance by the legislature.

Mr. Kishi apologized for the inappropriate use of the acronym TBD but reminded the committee of his previous statement that this was just an internal reminder for the Finance Department that an account code had to be assigned. The designation was not related to any form of budgetary flexibility. He noted that on subsequent pages of the report, the same acronym had been used for other line items.

Chair Arakawa suggested that in future the Accounts Department should use a different acronym like CN “Code Needed” or similar, instead of TBD which suggested flexibility. The committee was also informed that the legislature had not seen any of the following line items: Market Support for Travel Missions, Korea RFP Transition, Japan Incremental Budget, and USA Incremental Fall Activation, shown on the previous slide (BED114).

Mr. Miyasato pointed out that, given the HTA’s relationship with the legislature, and given that these line items had not been presented to them, it would be helpful to obtain a different opinion on how to approach this.

Chair Arakawa reminded Mr. Miyasato that no response had been received to the letter on this issue that Mr. Nāho’opi’i had addressed to DBEDT and the Attorney General. Mr. Kishi continued his presentation with an outline of BED115 Sports and signature events.

BED115 Sports and signature events	
Description	Budget after 10% Restriction
PGA	\$1,834,965
LPGA	\$225,000
Sports opportunities	\$1,489,073
Opportunity fund	\$1,350,000
UH Athletics Branding Partnership	\$150,000
Signature events	\$1,467,689
Sports salaries (1 position	\$69,241
Total	\$6,586,268

Chair Arakawa asked for clarification on the significance of TBD assigned to several line items, and Mr. Kishi confirmed that it meant that a code was yet to be assigned.

Mr. Kishi promised to update the acronyms before the next meeting. Chair Arakawa reminded him of the importance of distinguishing between Program IDs assigned by the legislature and items which had not been presented to the legislature. Items which had been presented to the legislature and assigned a Program ID had limited flexibility about allocation of funds. Some items had been presented as broad categories, thus retaining more flexibility towards allocating resources.

Mr. Choy explained this was part of the reason presentation of the 26/27 budget had been deferred. The Accounts Department was deliberating on these topics in order to avoid this type of question when the 26/27 budget would be presented. It needed to be clear and precise.

Mr. Miyasato understood the history and used the term “flexibility” from a marketing/branding perspective. He realized that other people interpreted it to mean “no plan” and “spending the way you want to spend.” He used flexibility to mean the ability to respond to changing market conditions.

Mr. Kishi continued with his presentation of BED116, Destination Stewardship and Community

BED116, Destination Stewardship and Community	
Description	Budget after 10% Restriction
Pono Travel Education	\$867,733
Kahu ‘āina	\$705,620
Visitor Assistance Programs (VAP)	\$585,000
Destination Management Application	\$1,350,000
Destination Management Application Recovery and Stabilization	\$405,000
Resort Area Hawaiian Cultural Initiative	\$705,620
Community-Based Tourism DMAP Implementation	\$450,000
Community-Based Tourism Destination Management, Implementation	\$109,939
Smart Tourism Destination Management and Community	\$1,395,000
Salaries for 7 positions	\$557,583
Total	\$7,131,495

Chair Arakawa reminded the committee that the designation TBD meant that a budget code was yet to be assigned. He informed committee members that destination stewardship community and branding, could be discussed offline. He pointed out that requests for funding were often submitted during the course of the year, whereas the applicants could have applied for funding through specific HTA programs. The Chair recommended working with the HTA staff, the Branding Committee and the Ho’okahua committee to ensure that notifications were

sent out to remind those who might need funding to apply to grant programs, rather than requesting funds in the middle of the year from this somewhat restricted budget.

Mr. Choy pointed out that even salaries had been subjected to a 10% restriction that might affect vacancies.

Chair Arakawa noted that salaries had been budgeted for seven positions. Mr. Nāho‘opi‘i informed the committee that salaries were also subject to the 10% restriction. Mr. Choy stated that at the moment the budget would be able to fulfill salaries for existing staff, but vacancies might be affected. He and Mr. Kishi were working through these issues for the 26/27 budget to make sure budget items were increased by 10% to compensate for the restriction. Working with Program IDs had turned out to be a little more onerous than they initially thought.

Mr. Miyasato stated that it was important to hear from the Attorney General’s office. He found it strange that the 10% restriction was applied to administrative positions.

Chair Arakawa reminded committee members that they were waiting for information from the Attorney General and B&F. He noted that Mr. Choy had headed the taxation department. Salaries and staff positions were the first things to be cut during restrictions. Hiring was cut because the amount disbursed for one employee was double their salary due to benefits.

Mr. Miyasato considered that the founders of the HTA believed that it would be an independent authority financed by TAT. He noted that businesses did not impose hiring cuts and if salary cuts were necessary, they were imposed across the board . He hoped that the HTA was not acquiescing to something that they need not accept.

Chair Arakawa thanked the members for their questions.

Mr. Kishi continued his presentation.

BED117 Regenerative Tourism Development	
Description	Budget after 10% Restriction
Kukulu Ola	\$705,620
Community Tourism Collaborative	\$1,514,343
Community Enrichment Program	\$959,643
Regenerative Tourism Dvlpment Salaries for 3 positions,	\$206,357
Total	\$3,385,963

In reply to a question from the public, Mr. Kishi replied that as a General Funded agency, B&F covered fringe benefits of the HTA staff.

BED118 Workforce Development	
Description	Budget after 10% Restriction
Hawai'i Tourism Summit	\$270,000
Hawaiian Culture Initiative	\$225,000
Future Workforce Development	\$135,000
Scholarship Program	\$315,000
Total	\$945,000

Mr. McCully repeated the question about fringe benefits, and Mr. Choy responded that as a General Funded agency, the HTA fringe benefits were paid by B&F. If the HTA were Special Funded, the authority would pay the fringe benefits, so the result would be the same.

Chair Arakawa repeated that as a general-funded agency, the HTA did not pay fringe benefits, but B&F did pay them. Given that B&F was imposing a 10% restriction and the government had imposed a hiring freeze, fringe benefits were paid out of the State budget. Mr. Choy reminded the committee not to imagine money was being saved because B&F was paying the fringe benefits. There could be many reasons for the 10% restriction, from the wildfire to the delay in FEMA reimbursement or a huge tax break. Fringe benefits would come out of the State budget. It was possible that DBEDT would give the HTA permission to spend as much as desired on salaries.

Mr. Miyasato asked how it came about that the HTA was funded from the General Fund and not the Special Fund. The authority had been set up to be funded from the Special Fund financed by transient accommodations tax (TAT). If this were still the case, the HTA would not be subject to the 10% restriction.

Mr. Choy replied that the Special Fund had been abolished on Jan 1, 2022, having been voted out the previous year. He believed that the HTA had testified against the bill abolishing the Special Fund during legislative hearings, but he was not sure whether any other members of the tourism industry had testified against it.

Mr. Miyasato commented that in the middle of the COVID-19 pandemic the main economic driver had been discouraged from visiting Hawai'i. However, COVID-19 was now over, and Hawai'i needed visitors. He hoped that the government would rethink its policy. In the middle of a pandemic, decisions had been made differently.

Chair Arakawa stated that he was not sure whether the decision had been made because of COVID-19. It might have been a result of other actions or omissions discovered during a prior audit. However, it was possible that the Administrative and Audit Committee might give a better answer.

Mr. Kishi completed his presentation by presenting the budget of the HCC. \$64M had been appropriated in CIP bonds for the HCC roof repair project. An expenditure ceiling of \$34M had

been set, as follows:

Description	Amount
Operations	\$5,660,000
Sales and marketing	\$1,591,836
Repairs and maintenance (\$20,000,000 non-recurring)	\$26,748,164
Insurance.	\$700,000
Total	\$34,000,000

There were no questions about the HCC budget.

Mr. Kishi conducted the roll call vote, and the motion was carried unanimously.

7. Motion, Presentation, Discussion, and Action Regarding the Fiscal Year 2025 Hawai'i Convention Center (HCC) Operating and Sales and Marketing Budgets

Chair Arakawa proposed a motion to approve the Fiscal Year 2025 HCC Operating and Sales and Marketing Budgets. Mr. McCully seconded the motion.

Mr. Choy made the presentation and noted that during a previous BFCC meeting the HCC budget had been approved. There had been a negative \$5M to which he had objected. However, he noted that the center had increased sales. The revenue had now been modified and the budget is showed negative \$3.2M instead of negative \$5M.

Mr. Choy recommended that every item in the budget should be the same except for the figures for revenue and the bottom line. The HTA staff had recommended its approval.

The budget had already been approved by BFCC and would be presented to the Board. Mr. Choy noted that for the past two months the BFCC report had been deferred. He stated that new revenue of \$2M had been received.

Mr. Kishi conducted the roll call vote, and the motion was carried unanimously.

8. Motion, Presentation, Discussion, and Action on Federal Reimbursement for Maui Wildfire Expenditures

Agenda Item 8 had been deferred while the Finance Department waited for a legal opinion on whether payment should be made.

9. Adjournment

Chair Arakawa proposed a motion to adjourn the meeting, and Mr. Miyasato seconded it. The meeting adjourned at 11: 20 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes". The signature is written in black ink and is positioned above a solid horizontal line.

Sheillane Reyes
Recorder