



# HAWAII TOURISM AUTHORITY

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 hawaiiauthority.org

**Neil Abercrombie**  
Governor

**Mike McCartney**  
President and Chief Executive Officer

## REGULAR BOARD MEETING HAWAII TOURISM AUTHORITY

November 29, 2012

Hawai'i Convention Center, Parking Level, Executive Board Room A  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

### MINUTES OF REGULAR BOARD MEETING

#### MEMBERS PRESENT:

Ron Williams (Chair), Kelvin Bloom, Jack Corteway,  
Patrick Fitzgerald, Rick Fried, Victor Kimura, Mike  
Kobayashi, Craig Nakamura, Aaron Salā

#### MEMBERS NOT PRESENT:

David Rae, Lorrie Stone

#### HTA STAFF PRESENT:

Mike McCartney, Lynn Bautista, Minh-Chau Chun,  
Dawn Lino, Chika Miyauchi, Doug Murdock, Daniel  
Nāho'opi'i, Janna Nakagawa, Roann Rakta, Angela  
Rodriguez, Michael Story, Marc Togashi, David  
Uchiyama, Keli'i Wilson

#### 1. Call to Order and Opening Pule

Presiding Officer Ron Williams called the meeting to order at 9:39 a.m.

Ms. Wilson offered a Pule.

#### 2. Approval of Minutes of the October 11, 2012 Board Meeting

Mr. Kimura made a motion to approve the minutes of the meeting held on October 11, 2012. Ms. Ewing seconded the motion and pointed out that a correction needed to be made in the 3<sup>rd</sup> line of the last paragraph on page 5, that referenced service between Shanghai and China. Mr. Uchiyama stated that the service is between Shanghai and Incheon.

The motion to approve the minutes as revised by Ms. Ewing and Mr. Uchiyama was unanimously approved without objection.

**3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs' Current Assessments of the Major Market Areas**

Mr. McCartney asked Ms. Wilson and Mr. Story to share updates for their respective programs.

Ms. Wilson provided an update for the Brand Experience program, which included the creation of a Brand Sustainability Plan. She said that over the last couple of months, RFPs have been released for the Product Enrichment, Hawaiian Culture, and Natural Resources Programs, along with the application for Signature Events – the events and programs with which HTA would like to align its brand, such as sporting events, major festivals, and Hawaiian Signature Events. She shared that an RFQ was also released for the management of the Hawaiian Culture and Natural Resources Programs, seeking partners to assist the HTA in cultivating these community programs by providing technical support to awardees to help them think about sustainability and to build their portfolio to allow for better marketing of their events.

She also shared that the team has been meeting to review and discuss proposals submitted under the County Product Enrichment Program (CPEP), which is assigned to Ms. Caroline Anderson and that awardees would be announced soon.

Mr. Kimura asked what parts of the submissions fit into areas such as culture and education when the submissions are looked at categorically.

Ms. Wilson responded that the goal of the CPEP Program is to create visitor experiences and within CPEP, there are niches areas such as agritourism, volunteerism, cuisine, and sports, so it has a broad focus. She said that the Hawaiian Culture Program is one pot of money that funds programs that help to perpetuate the host culture and the Natural Resources Program funds projects that help to protect the environment, specifically those areas that are frequented by visitors.

Mr. Kimura asked what percentage went to each if the total pot was to be broken down.

Ms. Wilson said that \$1 million is allocated to the Natural Resources Program, \$600,000.00 to the Hawaiian Culture Program, and \$1.6 million to the CPEP program.

Mr. Corteway asked if the HTA funds 100% of these programs and projects or just a portion of them. Mr. Story replied that there is a matching funds requirement.

Mr. Story provided an update on the Sports program. He shared that there are a lot of different sporting events that go on, but there are 19 specific events in which HTA is involved or has funded and of those 19, 13 are world-class events. He added that out of those 13 world-class events, six (6) events are actually world championships.

He shared that for the month of September, the Pacific Links Championship tour event was held in Kapolei for the first time, and the Kaua'i and Maui Marathons were held as well. He said that the Ironman, the XTerra World Championship, and the Vans Triple Crown of Surfing events are all happening in October, with the Vans event running through December. For the month of November, he said that the EA Sport Maui Invitational was taking place; in December, there is the XTerra Trail Run World Championships, the Sheraton Hawai'i Bowl, and the Diamond Head Classic; and in January, there are PGA Tour events and the Pro Bowl. He mentioned that the Honolulu Marathon is also held in December and said that while we do not support it directly with dollars, we support the event itself.

Mr. Corteway asked how many people were expected to participate in the marathon. Mr. Story replied that he has not seen the most recent numbers, but he knows that they are trending up and that it is very positive, especially out of Japan.

Mr. Uchiyama provided a brief update on workforce/career development. He shared that there will be a full-day meeting held with all the community colleges and the UH-TIM school regarding a vertical credit articulation program. He explained that this project was started by developing two (2) programs that were distributed with the Department of Education (DOE). He said that they are positioned within 16 schools and that the intent is to expand them even further to include courses in hotel management and travel industry management. He said that the curriculum was developed and put together through collaboration between the academics and people from the industry. He shared that the community colleges agreed to give AP credits to high school students who took these courses, so the next step would be to insure that the credit articulation would transfer between community colleges. He said that we ran into a roadblock because only three (3) of the courses were being accepted by the UH-TIM school. He said that kids who were looking at going into an area of tourism opted out if they were going to attend the university because their credits would not transfer. He said that he hopes the meeting would be the first step in the vertical credit articulation process to the UH-TIM school.

Mr. Uchiyama shared that there is also a desire to grow the program at West O'ahu as well, but there is a concern because 51.7% of our tourism workforce is 45 years or older. He said that we have an aging workforce, so if we can't get kids who have been raised here and who understand the cultural values in to the management of our industry, then we are going to lose what differentiates Hawai'i from other destinations around world and the style of hospitality.

Mr. Kimura suggested that one area that can be covered during these discussions is fiscal accounting responsibilities. He said that a lot of people who come out of the training program lack fiscal accounting responsibilities for things such as food and labor costs, yield, and even the ability to read a basic profit and loss statement. He said that one skill that needs to be honed is the understanding of basic accounting.

#### **4. Review of Recent and Upcoming Permitted Interactions by and for the Board of Directors**

Mr. Williams asked if any recent or upcoming permitted interactions by the Board have been reported. Mr. Murdock replied that there has been one (1) event since the last board meeting – the Pacific Rim International Jazz Festival – which was attended by Mr. Fitzgerald and Mr. Fried. He said that he did not think there was any discussion of any HTA business at that event.

Mr. Murdock pointed out a list of events that was distributed to the board members. He said that this list will help the board members to see what could potentially lead to a permitted interaction if an event is attended by more than one (1) board member. In the event that happens, a report will be made at the next board meeting.

Mr. Williams asked if the report should be made to Mr. Murdock directly or at the time of the board meeting. Mr. Murdock replied that it can be done either way, as long as it goes on the record at the next board meeting after the event.

Mr. Kimura stated that he filed an email when he and Mr. Kobayashi attended the Waikiki 20/20 conference and asked if that was sufficient. Mr. Murdock replied that it should go on the record and stated that Mr. Kimura and Mr. Kobayashi attended the Waikiki 20/20 event.

#### **5. Action to Approve HTA's Fiscal Year 2012 Audit**

Mr. Togashi stated that our external auditors, KPMG, completed their audits of the Hawai'i Convention Center and the Hawai'i Tourism Authority and met with the Audit Standing Committee to report the results of their audit. He said that they reported that the financial statements present fairly without any material exceptions. He stated that they have substantially completed their audit, but are in the process of wrapping up a few things, so as a result, there are a few items that are still pending. Mr. Togashi pointed out that draft audited financial statements for the Hawai'i Convention Center and the Hawai'i Tourism Authority have been provided to the board members. He stated that staff is recommending approval of the results of the audit contingent upon there being no significant changes between the draft and final issued audit reports.

Mr. Williams asked as a matter of clarification, if it was the staff or the Audit Standing Committee who was making this recommendation. Mr. Fitzgerald replied that the committee took a vote and unanimously approved recommending it to the board.

Mr. Fitzgerald made a motion to accept and approve the audited financial statements for both the Hawai'i Tourism Authority and the Hawai'i Convention Center as noted by Mr. Togashi that if there are any changes in the future, it would be brought back. Mr. Kimura seconded the motion.

Mr. Kimura asked if some of the areas of the review could be summarized.

Mr. Fitzgerald shared that the committee members had received the report beforehand for review and any items that were concerning were highlighted, but said that there was not anything significant that was seen in the report. He said that KPMG walked them through the balance sheet and the statement of operations and they did not identify any issues relative to anything of import. He said that the committee members asked them questions relative to accounts receivable, land assets, and capital assets and were comfortable enough with what KPMG did to recommend approval to the board.

He also shared that during a private session with KPMG, they noted that reports are getting done sooner than they have ever been and how well the staff has done, particularly with the transition from Mr. Pong to Mr. Togashi and to Mr. Murdock coming on board.

Mr. Bloom added that the reason for the conditional approval is because we are waiting for the State Auditor, who is retained annually to audit the post-employment liabilities, which is relative to ongoing health insurance coverages and other post-employment coverages provided by the State upon retirement. He said that this is still pending finalization by the State Auditor in total, not just the Authority, and is expected next month. He said that once it is received, the auditor will be in a position to finalize the audit.

Mr. Corteway asked about the exact terminology of the resolution that was being discussed. He asked if approval was going to be subject to no major changes between now and receipt of the final audit. Mr. Fitzgerald replied that the motion is to approve the audit subject to no major changes.

Mr. Kimura asked what the actuarial base was for the post-retirement. Mr. Togashi said that he believes it is based upon June 30, but would have to confirm that. Mr. Kimura suggested noting how the post-retirement write-up was based on an actuarial base as of a certain date.

The motion to approve the audited financial statements for the Hawai'i Tourism Authority and the Hawai'i Convention Center was unanimously approved without objection.

## **6. Action to Approve HTA's Financial Reports**

Mr. Togashi presented financial statements for the HTA Special Fund and the Convention Center Enterprise Special Fund (CCESF) for the month of September 2012.

He reported that as of the end of September, the HTA Special Fund has \$40.3 million in cash and investments, which is an increase of approximately \$1.8 million from the previous month due primarily to receiving August TAT receivables and is partially offset by incurring \$7.5 million in September expenditures. He stated that the fund has \$4.3 million in

unencumbered reserves that is earmarked primarily to fund the FY 2014 and FY 2015 budgets. He added that the fund also has \$15.6 million in prior year encumbrances that is anticipated to be spent by the end of this fiscal year. Mr. Togashi stated that for FY 2013, we are operating within a \$71.7 million budget, of which \$33.6 million has been contracted or encumbered through September. He said that \$8.1 million in TAT revenue was recorded, bringing our total to \$24.8 million, year-to-date (YTD). He said that we are capped at \$71 million for the fiscal year and we anticipate receiving the full \$71 million by April 2014.

Mr. Togashi stated that the \$24.8 million TAT revenue that has been recorded YTD is on track with the FY 2013 monthly forecast and is approximately \$2.6 million greater than what we had received at this point in time last year.

Mr. Togashi reported that the CCESF has \$15.6 million in cash and investments, which is an increase of approximately \$4 million from August and due primarily to having received August TAT receivables and \$600,000.00 in receivables related to the Convention Center operations and is partially offset by incurring \$1.3 million in September expenditures, which went primarily toward funding the Center's operations. He said that the CCESF also has \$13 million in cash with either SMG or DAGS that will be used to fund near-term repair and maintenance projects. He explained that this \$13 million balance is consistent with the August balance that was previously reported and includes the \$2 million in reserve for emergency use. He said that of the \$13 million, \$10.9 million has been encumbered or budgeted toward specific projects, many of which are currently in the design and pre-bid stages and should be put out to bid in the coming months.

He added that the fund has \$10.5 million in reserve that is earmarked specifically to fund future repair and maintenance projects and there is \$400,000.00 in reserve that is intended to be available to fund any unexpected future Convention Center shortfalls. He reported that through September, the Convention Center has operated at a loss of \$750,000.00 YTD. He pointed out that this information is shown on detailed Convention Center financial statements, which have been reconciled to our financial statements. He said that we anticipate operating at a \$4 million loss, which is approximately less than what had been budgeted going into this fiscal year. He said that we anticipate that the fluctuating costs of electricity will continue to be a cause for concern and as a result, we will probably end up approximately \$360,000.00 over budget on electricity this year; however, it is anticipated that those budget overruns will be made up by having approximately \$260,000.00 more in food and beverage income, as well as through other cost-saving measures.

Mr. Togashi stated that \$4.1 million in TAT revenue was recorded for the CCESF in September, which brings the total up to \$12.6 million for the fiscal year. He said that we are capped at \$33 million on a fiscal year basis, which we anticipate receiving in March 2013. He said that this \$12.6 million is on par with our monthly forecast for the year and is

approximately \$1.3 million greater than what we had received at this point in time last year.

Mr. Kimura asked how our budget is \$71.7 million if the appropriation is \$71 million.

Mr. Togashi explained that for the appropriation itself, we can spend \$141 million between the HTA Special Fund and the CCESF. He said that when that is broken down, it ends up being approximately \$54 million for the Convention Center and \$87 million for the HTA Special Fund. He added that \$70,000.00 of the \$71.7 million budget was funded through our reserve that was held at the end of the last fiscal year.

Mr. Kimura asked if it was carried over. Mr. Togashi said that yes, it was carried over.

Mr. Bloom asked if he understood Mr. Togashi correctly in that the anticipated overages in utilities for the Convention Center would be about \$360,000.00. Mr. Togashi confirmed that Mr. Bloom's understanding was correct. Mr. Bloom referenced a conversation in the Audit Standing Committee meeting where the Convention Center staff explained the FY 2011 and FY 2012 variances and the mention that there was a 25% increase in the cost per kilowatt hour. He asked what the primary reason was for the overage in the FY 2013 budget.

Mr. Togashi responded that when the budget for the upcoming fiscal year was being established, SMG estimated approximately \$0.35 per kilowatt hour, which was the spot rate at the time and was reasonably high, considering the electricity rates at the time. He said that the actual rate has come in a little higher than that – approximately \$0.38 per kilowatt hour – so that incremental few cents transpired over x amount of usage translated into being over by approximately \$360,000.00.

Mr. Bloom commented that his recollection may be incorrect, but he thought within the last 30 days, he read that the cost on O'ahu had actually gone down from somewhere around \$33.00 to \$31.00.

Mr. Togashi explained that the report that was distributed to the board contained actual information from the first three (3) months of the fiscal year and that projections going forward have a cushion built in. He said that we are still anticipating it being higher than it might actually be, but if the current trend continues and we project that over the remaining budget, we will end up with a \$360,000.00 deficit.

Mr. Bloom remarked that the bottom line, then, is that hopefully the overage will be less based on the fact that the Low Sulfur Fuel Oil (LSFO) is going down as opposed to up.

Mr. Togashi added that the part that is a little difficult is that the LSFO is very volatile and that over the past month, it has stabilized to around \$89.00 a barrel, but historically, it has gone as high as the mid-100s. He said that given its volatility, he thinks that it is prudent to estimate at a higher rate, with the hope that it will come in shorter.

Mr. Kimura referenced Mr. Togashi's statement about offsetting the \$360,000.00 budget overage in electricity with an anticipated \$200,000.00 in food and beverage income and stated that in looking at the rough calculations from the rolling forecast Profit & Loss statement, "for \$1.00 on top, we lose a nickel on the bottom on net income." Mr. Togashi replied that we are not making up for it on the top line, but on the items below the line, such as holding off on some operating costs.

Mr. Kimura remarked that if the total event direct income is \$161 million and net operating losses are at \$751,007.00, basically, for every \$1.00 on top, we lose a nickel. He said that he did not think there would be an offset there. Mr. Togashi explained that the offset will come with the projection of \$260,000.00 more in food and beverage income than what was anticipated at the time the budget was being formulated.

Mr. Bloom made a motion to approve the financial reports for September 2012. Mr. Fitzgerald seconded the motion, which was unanimously approved without objection.

#### **7. Presentation by Staff and Discussion of Visitor Data and MMA Dashboards**

Mr. Nāho'opi'i presented a PowerPoint of revised visitor data for the month of October that was previously distributed to the board.

He reported that YTD, we are at \$38.6 million per day, which puts us ahead of the pace from last year. He shared that there was a 9.2% increase in expenditures, which equates to \$1.9 billion more YTD than was seen in visitor expenditures last year. He said that visitor expenditures exceeded our targets and increased on all islands and that total arrivals reached 6.6 million visitors, which averaged 199,760 visitors per day. He added that we should have about 200,000 people per day by the end of the year.

He said that for the month of October, total expenditures rose 13%, with visitors spending \$1.1 billion in purchases here in Hawai'i. He said that although the rate was 13% for this month, it was closer to 20% earlier in the year. He said that the pace is slowing slightly, but it is expected to attenuate a bit toward the fall and the last quarter.

Mr. Nāho'opi'i pointed out that the remarkable part for October 2012 is that Japanese arrivals have been very strong. He said that Japan has pushed ahead in October to be our second largest market, whereas it is typically third, behind the US East and the US West, but for YTD, Japan is still lagging slightly behind US East.

Mr. Kobayashi asked why Japan arrivals are up. Mr. Nāho'opi'i replied that overall outbound is up from the different destinations and that we are actually one of the leading destinations in terms of gaining market share over other destinations. He added that there is a lot of push from a marketing perspective.



Mr. Uchiyama said that the added lift, being able to pull out from other origination points, and the continuation and expansion of charter service are also factors for why overall outbound is up.

Mr. Fried asked what percentage of the Japanese tourists come in on scheduled carriers versus charters. Mr. Uchiyama said that charters run about 60-80 additional flights during the course of the year and 16 in-bound scheduled service flights. He added that it is a small number, but what happens in this scenario is that it introduces potential new origin points.

Mr. Kimura asked if "extra section" – which is a common term for Japan Airlines - is categorized as a scheduled flight or a charter. Mr. Nāho'opi'i replied that "extra section" would be considered a scheduled flight. Mr. Kimura remarked that extra sections can be really large, based on demand.

Mr. Nāho'opi'i reported that in terms of spending, we are 1.6% over our target, which puts us slightly ahead of the \$13.3 billion we had expected at the end of the year. He shared that we are at the arrivals target of 7.7 million and that we are where we expected to be in terms of airlift.

He said that in terms of island distribution, most of the growth is on O'ahu. He pointed out that for arrivals and visitor days, we have seen some pick up in Kaua'i and Hawai'i Island. He explained that if you look at the way our targets were distributed, the other islands are not performing as well as O'ahu and the most distinctive is Hawai'i Island, where both visitor arrivals and visitor days are down, so that means even the longer-staying visitors are not making up for the loss in the number of arrivals. He said that there needs to be some work on this area. He pointed out that this is based on available units statewide and the goal was to hit a distribution level in 2013 that is equivalent to the available number of units.

Mr. Uchiyama remarked that we have a long way to go. He said that he is not sure if taking the pure unit allocation was the right thing to do, but we are sticking to it. He said that growth year-over-year can be seen, but the distribution needs to be spread out better, especially for Kaua'i and Hawai'i Island. Mr. Nāho'opi'i said that you see it somewhat reflected in some of the occupancy rates.

Mr. Nāho'opi'i said seat capacity outlook exceeded the benchmark year of 2007 for the second half of the year, which puts us at ending the year at 8.7% over 2011 and, if compared to the entire 2007, we should end up just below 2007 levels, at about -1.9%. He added that 2007 includes a lot of access for cruise support.

He shared some highlights for air seats in October: Japan grew 17%; new service was added on the last day of October for Fukuoka and Sapporo; and there was increased service in the other ports of Nagoya, Osaka, Tokyo, and Narita. He said that there was

increased service in Los Angeles, San Jose, Oakland, San Diego, Sacramento, and Las Vegas, but service was still discontinued from Orange County and reduced service from San Francisco, Portland, Anchorage, Bellingham, and Denver.

He said that all of the port saw increases, but that Hilo was actually down by about 43.5% due to some cancellations and changes in the flights.

Mr. Nāho'opi'i reported that we have been exceeding our expenditure goals since July, which has put us at 13% in the month of October. He said that the US market has grown by 15%; however, the US East, even though their arrivals fell slightly, shows an expenditure show a growth of 2%. He said that due to the recovery of the Japanese market, we saw higher daily spending, adding to the increase in visitor expenditures and resulting in a 19% increase in Japanese visitor expenditures. He added that in the other markets, we saw an increase of about 19% in total spending.

He said that we are ahead about \$12.00 per person per day for daily spending over the comparative from the year before. He said that it was 6.3% more per person per day in October than the year before. He remarked that in terms of the distribution of spending, lodging continues to lead in terms of the amount that visitors spend on a per person per day basis. He said that there is 14% gain in the Japan market, which is significant and that the US West spent 7.6% more last year and the US East spent about 8% more last year.

He said that transportation spending also increased by 8.3% overall, with North American visitors spending in the areas of rental cars and gas, while Japanese visitors paid about 4% more for ground transportation than last year. He added that interisland airfares are up about 4% for Japanese visitors.

Mr. Nāho'opi'i shared that once more, food and beverage was the third highest category, up more than 8% from last year. He said that there is a 9% increase among Japanese visitors and a 4% percent increase from the US East and West. He said that the larger markets are increasing their spending on food and beverage, as the overall costs have increased and Japanese visitors are spending more in this category as well. He pointed out that this has affected other category areas. He said that overall shopping was up 5% for the other international markets, but overall, the Japanese market was actually flat and the US market showed a slight increase of 3% in terms of shopping. He said that shopping is actually starting to slow down a bit in terms of the categories because of the trade-off of other expenses in the area of Food and Beverage and added that it is happening in the category of Entertainment and Recreation as well. He said that an overall increase of only 5% was seen as compared to last year, but that the Japanese market was doing 2% in terms of spending on Entertainment and Recreation. He said that the US West and US East are spending about 4% more in this category as compared to last year.

Mr. Nāho'opi'i reported that there has been gain every month in arrivals and after the targets were increased in July, we were slightly under them in September, but we hit our target in October. He said that overall, we are up 9% for this month and we are continuing to exceed that target. He said that more importantly, in looking at the Average Daily Census, we have actually been able to make improvements in the shoulder period, using 2007 as our benchmark.

Mr. Nāho'opi'i shared that Japan grew quite strong this month and actually pushed itself ahead of the US East in terms of market size, making it the second largest market over the US East. He said that some attenuation was seen there, but it was expected. He explained that this in an election year, and travel is usually slower in an election year and this is very evident in the US East, which includes all of the South and East Coast. He added that the new service actually helped because the areas where the new service came in – which would be the New England and mid-Atlantic areas – actually showed growth. He said that we saw 7% growth from New England and a 4% growth in the mid-Atlantic. He said that the services for Dulles and JFK from Hawaiian Airlines actually did help to invigorate those markets against the overall trend to be a slower year from the US East.

Mr. Fitzgerald commented that service was stopped for a couple of days following Hurricane Sandy. Mr. Nāho'opi'i replied that service was stopped right toward the end, but there was not a large gap because people were able to shuttle through other areas, so overall, this did not have a big effect on the numbers for the month. He said that there was a big gain after that or people were able to take different connections.

Mr. Nāho'opi'i shared that daily arrivals were looked at and gains were seen coming out of other areas that were able to shift passengers and that no cancellations were seen. He said that he does not know for certain if all of the properties saw major cancellations, but we didn't hear of any.

He reported that in the area of smaller developing markets, Oceania has greatly exceeded its target for the fall season and now rivals Canada for the fourth largest market. He said that Canada is still slightly ahead, but Oceania is coming close in terms of this month.

He said that we really need to be clear that there is not really a seasonal pattern at this time for other markets such as China and Korea. He said that these are developing markets, so our target was based on the assumption that factors such as the holidays would drive up higher arrivals during this time period; however, from the data we have seen, it is growing, but we do not have enough information at this time.

Mr. Uchiyama said that with regard to China, there are a couple of factors to consider: One is the situation in terms of lift. He said that there is only one (1) carrier flying twice a week, so a lot of the visitors from China route through either Incheon or Narita. He said that when you have that situation with the islands and the relationship with Japan, a lot of cancellations occur going through Japan, so it limited seat availability to Hawai'i. He also

pointed out that we expected more business because the national holiday there is in October, but we did not get it. He said that the issue is being addressed with Hawai'i Tourism China.

Mr. Nāho'opi'i said that there are more seats in Korea, so we are seeing the development and increase in arrivals, but not at the rate at which we had set it. He added that with all of the Japanese visitors coming, there will be some restrictions on availability through Narita as well. He also shared that Europe is holding at the pace we had expected.

He shared that statewide occupancy took a dip in September; it was actually in the negative; however, the rate itself is still quite high at 73.8%. He said that the other islands is where the drop was seen because O'ahu was at 84.5%. He said that 85% occupancy for any destination is extremely high. He reported that Maui was at 65%, Kaua'i at 69%, and Hawai'i Island was only at 54%.

Mr. Nāho'opi'i reported that with regard to ADR, the rate was up again another 8% over the same time last year. He said that the average rate now is about \$186.00, with the highest rates being on Maui at \$213.00. As a basis for comparison, he pointed out that the Caribbean is at \$125.00 per night; Europe is higher at \$165.00; Florida is coming in at \$93.00; and Mexico is about \$96.00 per night.

Mr. Kimura asked about the actual ADR for the month of August. Mr. Nāho'opi'i replied that the ADR for August was the highest, but he did not have that information and said that he would provide that to Mr. Kimura. Mr. Kimura also asked what the factors were for the 16% drop in ADR from August to September.

Mr. Nāho'opi'i replied that it is more of a seasonal issue. He said that the average was about \$200.00, but it has now dropped a bit. He said that he would provide Mr. Kimura with that information as well. He added that this time period in September was this low.

The meeting was recessed at 11:03 a.m.  
The meeting was reconvened at 11:15 a.m.

#### **8. Presentation by Staff and Discussion of Major Marketing Contractors' Performance Reviews for the Third Quarter**

Ms. Ewing made a motion to go into Executive Session for the purpose of discussing sensitive competitive information. Mr. Nakamura seconded the motion.

The meeting was recessed to go into executive session at 11:16 a.m.  
The meeting was reconvened at 12:37 p.m.

**9. Discussion and Authorization for the President and Chief Executive Officer and/or the Chairman of the HTA Board of Directors to take Public Policy Positions on Behalf of the HTA during CY 2013 Before All Branches of Federal, State, and County Governments (and to include, but not be limited to, Regular and Special Sessions of the Twenty-Seventh State of Hawai'i Legislature)**

Mr. McCartney explained that the role of the board under the statute is to be a policy-making board versus a management board and therefore, we believe that policy rests with the board. He said that the board determines the plans – the Tourism Strategic Plan, the Hawai'i Tourism Plan, and the Brand Sustainability Plan – and at the Legislature, we take positions all the time that are consistent with those plans.

He explained that what we want to do today is to ensure that there is a reauthorization of that and to clarify our positions on some issues. He explained further that this is not any different than what we have taken positions on in the last legislative session.

Mr. McCartney passed out the Board Resolution and read it aloud to the board:  
“Now therefore be it resolved that the Hawai'i Tourism Authority Board of Directors hereby authorizes its President and CEO and/or its Board Chair to present public policy positions on behalf of the Authority during Calendar Year 2013 before all branches of the federal, state, and county governments, provided that the positions are aligned and constant with Hawai'i Revised Statute §201B, the State of Hawai'i Tourism Strategic Plan 2005-2015, the Hawai'i Tourism Authority Strategic Plan for 2013-2014, the HTA Brand Sustainability Plan for 2013 and any other policies or plans approved by the Authority and this Resolution; and,

Be it further resolved that legalized gambling or gaming in the Hawaiian Islands is not aligned or consistent with the Authority's plans and policies for the successful branding of Hawai'i and the benefit of our unique people, place and culture on which our brand is built, and therefore the Authority finds gaming will not promote the achievement of our goals, objectives and targets for economic development in the tourism sector of our economy; and,

Be it further resolved that the Authority finds that Hawai'i, as a major visitor destination for business travel, benefits from having a world-class convention center; and,

Be it further resolved that the Authority believes that taxes levied on visitors must include properly balanced funding for Hawai'i Tourism Authority programs and state and county general funds; and,

Be it further resolved that the Authority supports converting Kona into a permanent international port of entry; and,

Be it further resolved that all official positions taken by the Chair and/or the President and CEO on issues before federal, state and county governments shall be communicated to board members by the regular board meeting of the Authority."

Mr. Bloom made a motion to approve the resolution regarding the authorization of the President and Chief Executive Officer and/or the Chairman of the HTA Board of Directors to take policy positions on behalf of the HTA during CY2013 before all branches of Federal, State, and County governments and the Regular and Special Sessions of the Twenty-Seventh State of Hawai'i Legislature.

Ms. Ewing seconded the motion, which was unanimously approved without objection.

**10. Educational Site Visit to Historic Mauna'ala (The Royal Mausoleum) at 2261 Nu'uuanu Avenue in Honolulu**

Ms. Wilson informed the board that they and staff would be traveling to Mauna'ala to tour the grounds and to gain some knowledge and history of the resting place of many members of Hawaiian Royalty and Ali'i.

The meeting was recessed at 12:48 p.m.  
The meeting was reconvened at 1:20 p.m.

**11. Adjournment**

The meeting was adjourned at 3:00 p.m.

Recorded:

  
\_\_\_\_\_