



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY**

Thursday, July 9, 2015

**Hawaii Convention Center, Executive Board Room A
1801 Kalakaua Avenue, Honolulu, Hawaii 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Fred Atkins, Sean R. Dee, Gerald DeMello, Donna Domingo, Rick Fried, George Kam, Craig Nakamura, David Rae, Lorrie Stone, Denise Hayashi Yamaguchi

MEMBERS ABSENT: Jack Corteway

HTA STAFF PRESENT: George Szigeti (President & CEO), Randy Baldemor, Marc Togashi, Kelii Wilson

DEPUTY ATTORNEY GENERAL: Gregg Kinkley

1. Call to Order

Ms. Stone (Vice Chair) served as the presiding officer at this time and called the meeting to order at 9:36 a.m.

2. Pule

Ms. Wilson offered a pule that expressed a desire for HTA to forward under a new leadership.

3. Approval of Minutes of Prior Board Meetings

Mr. Nakamura move to approve the minutes of the Board meeting held on May 28, 2015. Mr. Fried seconded the motion, which was unanimously approved without any revision or objection.

4. Review of Recent and Upcoming Permitted Interactions

Mr. Rae reported that, on or about June 9 to 11, he and Mr. Dee met to discuss the "Hawaii On The Hill" event sponsored by the Chamber of Commerce and promoted through Senator Hirono's

office. They discussed ways the event could be used to promote Hawaii through its products.

5. Report of the CEO Relating to the HTA's Programs

Mr. Szigeti referred to the CEO Report, which was in the board folder containing documents related to the agenda items and previously distributed to the Directors. He also referred to the summary of the board meeting minutes and the various "calls to action." It is his desire to provide the Board with updates on staff's efforts in response to these action items.

He reported that Bishop and Company was hired as the search firm to solicit candidates for the Vice President of Marketing position. He also reported on the numerous meetings with officials from the private and public sectors, including Admiral Fargo to discuss opportunities with the military, and the Mayor of Fukuoka, Japan, which would be hosting the Lion's Club event next year. He also attended meetings with the Lt. Governor, who greeted Vice Governor Sun from Zhejiang Province and Party Secretary of Zhoushan City, China. During a meeting with the Lt. Governor's Sports Commission, the matter of bringing the Grand Slam of Golf to Hawaii was discussed. The HTA's marketing contractor for Japan, Eric Takahata, assisted Governor Ige during his recent visit to Japan and hosted a meeting with various local Japanese wholesalers in Hawaii.

Mr. Szigeti acknowledged Mr. Baldemor, who discussed his recent trip to Kuala Lumpur, Malaysia, and South Korea to discuss air capacity to Hawaii with various airline officials. He described the meetings with officials as being "very productive" as various "low cost carriers" are planning Hawaii flights in October or November. He also observed that Hawaii's "strategic position" in the Pacific before traveling to the United States presents many opportunities to work with low cost carriers.

Finally, Mr. Szigeti reported on a meeting with Mayor Caldwell, who wants to partner with the HTA and to be "more active."

6. Election of the Chair of the Board

Ms. Stone asked for nominations for the Board Chair. Mr. Nakamura moved to nominate and appoint Rick Fried as the Board Chair. Mr. Rae, who also stated that Mr. Fried was a "mature voice" of reason, seconded the motion. Mr. Fried expressed his appreciation for the nomination and stated that many of his "trials have settled" and will now have more time to devote for HTA. He also stated he has "no agenda." No further nominations were presented.

Mr. Dee seconded a motion made by Mr. Atkins to close the nominations. The motion was unanimously approved by consensus.

The motion to appoint Mr. Fried as the Board Chair was unanimously approved by all the Directors present without any reservation or objection.

Mr. Rae moved to nominate and appoint Ms. Stone and Mr. Nakamura as co-vice chairs of the Board. Mr. Fried, who expressed his belief that both Ms. Stone and Mr. Nakamura will continue to

provide “great support” to the Board and to him, seconded the motion. Having received no further nominations, a motion made by Mr. Atkins and seconded by Mr. Dee to close the nominations was unanimously approved.

The motion to appoint Ms. Stone and Mr. Nakamura as co-chairs of the Board was unanimously approved by all the Directors present without any reservation or objection.

The meeting was recessed at 9:55 a.m.

The meeting was reconvened at 10:05 a.m.

7. Amend the Bylaws that were adopted on August 8, 2014: Under Article VI, Miscellaneous Section 6.4 Deposits, Checks, and Investment of Fiscal Accounts, to reflect the following title changes-VPAFA to COO, and Fiscal Manager to VP Finance

Upon his appointment as the new Board Chair, Mr. Fried referred to the board folder containing a staff report relating to this agenda item. It was noted that the title of Vice President of Administrative and Fiscal Affairs (VPAFA) has been replaced by Chief Operating Officer (COO). The title of Fiscal Manager has been replaced by Vice President Finance. A copy of the draft Bylaws reflecting the revisions was in the board folder and previously distributed to the Directors.

Ms. Stone made a motion to amend the Bylaws to reflect new titles for the COO and Vice President of Finance. Mr. Atkins seconded the motion, which was unanimously approved by all the Directors present without any reservation or objection.

8. Presentation and Discussion of Market Insights

Mr. Nahoopii referred to a document “Market Insights-June 2015,” which was in the board folder and previously distributed to the Directors. He noted that the document reflected a new format for reporting to the Board on the Key Performance Indicators (KPI). Mr. Szigeti added that the changed format would focus on “anomalies” and to be more “concise” in reporting to the Board. The Market Insights provided tables reflecting KPIs for the following: monthly visitor expenditures; overall key performance indicators; the key performance indicators applied to each major market area (U.S. West, U.S. East, Canada, Japan, Oceania, Europe, China, Korea, Taiwan, Latin America); and, island distribution for arrivals and island distribution for visitor days.

Mr. Nahoopii highlighted the following: total air seats increased 6.9% and was sustained by growth from our core North America and Oceania markets; HTA is projecting a record 5.8% increase in total air seats at the end of the year; monthly visitor expenditures exceeded year-over-year comparisons in three out of the past five months and grew two percent over the same period last year; the number of Japanese incentives visitors have increased by double-digits since January 2015 as a result of Hawaii Tourism Japan’s efforts to pursue the growing automotive and manufacturing industry for incentive trips; and, Korean arrivals was down only 4.6% despite a 17% drop in airlift capacity.

In response to a question from Mr. Rae regarding a drop in Korean visitors, Mr. Nahoopii stated that the drop began when there was “too much” air capacity “at the beginning” and air capacity is now “stabilizing” to reflect current market demand.

Mr. Fried referred to the impact of the current Japan currency exchange rate on travel to Hawaii. Mr. Nahoopii stated that the exchange rate could be a cause for a drop in spending, especially in food and beverage. Wholesalers have adjusted the price of their travel packages, which Japan travelers have been waiting for before deciding on traveling to Hawaii.

Mr. Fried asked whether the outbreak in Korea of the Middle East Respiratory Syndrome (MERS) might be a cause for a drop in Korea visitors. Mr. Baldemor responded that when he was in South Korea recently, he did not observe that MERS was a “major concern” among the general population. Mr. Nahoopii added that the markets in Asia, China and Korea are affected by a drop in Japanese visitors to those markets.

9. Presentation, Discussion and Approval of HTA’s Financial Reports

10. Presentation, Discussion and Approval of Major Market Area Procurement Plans

There was no objection to Mr. Fried’s request to defer discussion of agenda items 9 and 10.

11. Approval of Revised FY 2015 Convention Center Enterprise Special Fund Budget

Mr. Togashi referred to the staff report regarding this agenda item and included in the board folder previously distributed to the Directors. He noted the previous discussion at the May 28, 2015 Board meeting regarding staff’s desire to amend the FY 2015 Convention Center Enterprise Special Fund (CCESF) budget. The FY 2015 budget reflected HTA’s intention to purchase the Turtle Bay conservation easement pursuant to Act 81, SLH 2014, which increased the TAT revenue contribution but also reduced HTA’s debt service. When HTA did not acquire the easement under Act 81, HTA’s debt service returned to its original payment of \$26.430 million and its TAT revenue increased to \$33 million. Staff desires a retroactive amendment to the FY 2015 budget to reflect an increase in debt service and TAT revenue. In response to a request from Mr. Fried, Mr. Togashi presented a historical background regarding payments from the CCESF to the Department of Budget & Finance for reimbursement of the bonds used to construct the convention center.

Ms. Stone made a motion to amend the CCESF for FY 2015 to reflect adjustments reflecting an increase in the Hawaii Convention debt service by \$9,930,000 to \$26.430 million; a decrease a funding for the Hawaiian Music & Dance by \$3,180,000 to \$0; and, an increase in total gross expenditures of the CCESF by \$6.750 million to \$50,604,842 as a result of the net effect of the various adjustments. Mr. Dee seconded the motion, which was unanimously approved by all the Directors present without any reservation or objection.

12. Approval of Interim Budget Measures for July and August FY 2016

13. Introduction of FY 2016 Budget and Discussion of Approval Process

Mr. Nakamura made a motion to convene in executive session to discuss HTA's legal right, duties and obligations with its attorney and information that must be kept confidential to protect Hawaii's competitive advantage as a visitor destination pursuant to HRS sections 92-4 and 201B-4(a)(2). The request was to discuss agenda items 12 and 13 in executive session. Ms. Stone seconded the motion, which was unanimously approved by all the Directors present without any reservation or objection.

Mr. Baldemor recognized the efforts of staff in developing a draft budget. There was extensive work in a collaborative manner. The draft budget "makes sense" and is "align with strategic goals." It is also consistent with the contractors' metrics.

The Board recessed to meet in executive session at 10:25 a.m.
The Board meeting was reconvened at 11:50 a.m.

It was noted that the Board met in executive session to discuss information related to the development of the draft budget that if disclosed would harm Hawaii's competitive advantage as a visitor destination.

14. Adjournment

The meeting was adjourned by consensus at 11:53 a.m.

Respectfully submitted,



Winfred Pong