



HAWAII TOURISM
AUTHORITY

Hawai'i Convention Center
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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, May 25, 2017
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, Sean Dee,
Gerald De Mello, Donna Domingo, Ku'uiupo
Kumukahi, Sherry Menor-McNamara, Craig
Nakamura, Kelly Sanders, Denise Hayashi
Yamaguchi

MEMBER NOT PRESENT:

George Kam

HTA STAFF PRESENT:

George Szigeti, Randy Baldemor, Marc
Togashi, Kalani Ka'ana'ana, Leslie Dance,
Minh-Chau Chun, Ronald Rodriguez, Pua
Sterling, Laci Goshi, Noriko Sloan, Laurie
Tam, Evita Cabrera, Blakeney Wisner, Chris
Sadayasu, Lawrence Liu, Jennifer Chun,
Maile Carvalho, Carole Hagihara, Denise
Kahalekulu, Chika Miyauchi, Raphael Betelli,
Lauren Fetherston

GUESTS:

Laura Libby, Katie Murar, Brandon
Bosworth, Eric Takahata, Pris Texiera,
Debbie Zimmerman, Teri Orton, Lynn
Surayan, Noelle Liew, Nathan Kam, Patrick
Dugan, Allison Schaefer, Darlene
Morikawa, Jennifer Nakayama

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:31 a.m. Mr. Fried acknowledged Mr. Ka'ana'ana, who presented a special pule for new board members.

Mr. Fried introduced and welcomed two new board members, Sherry Menor-McNamara and Kelly Sanders and expressed appreciation that they agreed to be on the board.

Mr. Fried mentioned that he and Mr. Szigeti had a good meeting with Sen. Kouchi and felt on track for next year's legislative session. Mr. Fried expressed his happiness that the TAT was not increased. He noted that there is a fair chance that the Legislature will hold a special session, which may see a small increase in the TAT, but he would be very surprised if it was a 3% increase as was suggested at the end of the regular session.

2. Approval of the Minutes of the March 16, 2017 Board Meeting

Mr. Fried asked for approval of the minutes of the Board meeting held on March 16, 2017. Ms. Domingo moved to approve, and Mr. Dee seconded the motion, which was unanimously approved by all the Board members present.

3. Report of Permitted Interactions

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

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

Mr. Fried acknowledged Mr. Szigeti, who referred to the CEO's report in the Board meeting information packet previously distributed to the Board members online. Mr. Szigeti reported that HTA has had a strong start to the year and is preparing to enter peak season.

Mr. Szigeti also welcomed the new Board members, expressing his tremendous amount of respect for them, and asked them to make short remarks. Ms. Menor-McNamara stated, "Thanks, I'm looking forward to serving . . . and thanks for the PBN article. When I started in the Chamber, we were looking to connect Bishop Street with Waikiki, which we can do here." Mr. Sanders said that he was "thrilled to be part of Board" and its long history; he was involved when he lived in San Diego, and is excited to contribute here.

Mr. Szigeti then noted that Ms. Kumukahi would be sharing her performance at the Halekulani's House Without A Key on Sunday, May 28 as part of the Mele May celebrations. Turning to his discussions with the Governor about Japan's travel market, Mr. Szigeti expressed that adding a Haneda-Kona flight and increasing service to HNL are important for market development. Mr. Szigeti also mentioned that Teri Orton of AEG facilities and Caroline

Anderson of HTA were recognized at the Legislature for energy efficiency and sustainable business practices; he expressed appreciation to HTA and HCC staff for these accomplishments.

Mr. Szigeti reported that HTA decided to change the name of its annual conference from "Tourism Conference" to "Global Tourism Summit" in order to showcase Hawai'i's place as global leader. HTA is ahead of schedule with planning and is seeking summit sponsors. Mr. Szigeti asked the Board members to share this information with their networks. This year's summit will take place from September 19-21, and will have a theme of sustainability, which ties in with welcoming Hokuleia, scheduled to arrive on Saturday, June 17. Nainoa Thompson and the crew have been truly inspiring, and HTA is proud to sponsor Malama Ho Nua. After its arrival, the Hokuleia will rest in the Ala Wai, docked at the Convention Center's grand staircase.

Mr. Szigeti released April's visitor statistics, which saw visitor spending up 9% and arrivals up 7.7%. The US West, US East, Japan, and Canada are all strong markets. The benefits are being felt by all four major islands, as the neighbor islands' spending increased by double digits, which was a better performance than expected in the first four months of the year. Mr. Szigeti noted that the credit goes to all our stakeholders. He then concluded his report and expressed appreciation to all HTA members and staff.

Mr. Atkins expressed appreciation for the service of the past two board members. Mr. Szigeti agreed and added that HTA would recognize them in some way. Mr. Fried agreed that they "were pretty great."

5. Marketing Committee Report and Voting on Recommendations, as Necessary

Mr. Fried acknowledged Mr. Dee, who reported that a second marketing committee meeting was convened the day before, May 24. Mr. Dee expressed appreciation to Ms. Yamaguchi, Mr. Atkins, Mr. Nakamura, Mr. Kinkley, Mr. Baldemor, Ms. Dance, Mr. Szigeti, and Mr. Fried. The meeting was 3-hour session, which covered updates on the Global Tourism Summit and confirmation of HVCB carryover funding. Today's meeting would cover the revised budget format.

Mr. Dee also stated that the Marketing Committee has been focused on stakeholder involvement and observed that Hawai'i Tourism Japan's depth of involvement is a best practice. No action items existed. Ms. Dance thanked everyone for attending. Mr. Dee indicated that executive sessions sometimes occur, but welcomed the public to attend meetings. Mr. Fried acknowledged Mr. Dee's preparation and added that he is doing a great job.

6. Presentation and Discussion Regarding the Status of an Update to the GoHawaii Website

Mr. Fried acknowledged Ms. Dance, who lead this presentation. He also stated that any item over \$250,000, except for fixed items, would require full board approval.

Ms. Dance expressed her excitement to share the progress on the new website and thanked the core team. She reported that the current website needs to be refreshed to take advantage of new technology and connect with HTA's target audience. Ms. Dance further mentioned that the organization has been fortunate to focus marketing efforts on attracting repeat visitors, but it needs to adjust to changing travel needs because Zoomers ("baby boomers with zip") are traveling with extended families and demographics are changing. The Canada and Oceania markets focus on Zoomers, for instance. Millennials, however, are the largest demographic in the world and are less interested in off-the-shelf trips. Rather, they seek unique experiences that can be shared on social media. HTA must stay true to its five-year plan, including accurately representing the Hawaiian brand, and also must make sure that visitors are safe. In addition, tourism marketing should highlight all islands and must be consistent across all markets. The team is working on website translations for key markets.

Mr. Ka'ana'ana added that he is proud and excited to share how the team has incorporated Hawaiian culture into the website, which features a recorded oli (chant) for the archipelago as a whole and for each island. The archipelago's oli tells the story of the islands being born. Mr. Ka'ana'ana expressed his hope that website visitors' first impression is that of being immersed in culture. The emphasis is on authentically sharing Hawaiian culture, and the team worked with local artists and photographers to include imagery, patterns, and icons that share significance.

Ms. Dance further stated that everyone knows the website is the most important asset for marketing. The project has included an extensive RFP process, a detailed analysis of visitor desires and behaviors, and extensive research on how people move through the website and digest content. Intensive testing was also conducted by HTA, island chapters, and the Hawai'i Visitors and Conventions Bureau (HVCB).

Delving further into content, Mr. Ka'ana'ana discussed the hula section, noting the retention of traditional and modern forms of hula. Additionally, the map featured on the website centers the world on Hawai'i to visually demonstrate to visitors how they connect with our islands. Videos and articles for more traditional access are also included. The social media section, designed for millennials, features user-generated content that can be shared on visitors' personal social media feeds. These social media posts help millennials visualize the social media-worthy vistas and experiences Hawai'i has to offer. Ms. Dance emphasized that the goal of the website is to share Hawai'i as an experience rather than simply a destination. The planning section provides a plethora of information to help visitors plan their vacations, including information regarding safety and security, and additionally requests all visitors to respect the environment as an essential part of the islands.

Mr. Ka'ana'ana provided a sneak peek at the hula page. Hula is iconic with our destination, but often misrepresented. This page educates visitors and shows them where they can experience hula on each of the islands.

Ms. Dance thanked the board for allowing the team to share. Mr. Fried asked when the website is estimated to go live. Ms. Dance answered “as soon as we get feedback.” Mr. Fried thanked the core team, “especially Mr. Ka’ana’ana, just back from solo trip to China.”

7. Summit Website Discussion

Ms. Dance reported that the Summit website would go live on June 1st. It will launch with sponsor logos; online registration would be available as soon as the website launches.

Ms. Anderson gave a high-level overview of programming, mentioning that the summit has been reduced from last year’s four days to 2.5 days. The programming addresses the needs of HTA’s stakeholders as well as the needs of global attendees.

Ms. Dance acknowledged Mr. Dee for his help and presented a brief timeline of the Summit. On Day 1, Mr. Szigeti will welcome attendees and a keynote address will be delivered by a national industry executive. All global marketing teams will present in a general session to demonstrate their innovation. The teams will give market outlooks for their markets, focusing on overall market trends rather than only which trends are affecting HTA. The tourism legacy luncheon will be next, followed by a networking session for attendees to engage with exhibitors. In the afternoon, concurrent sessions will begin with three tracks: global tourism trends, sustainable tourism, and cultural tourism (not only Hawaiian, but on a global scale). Throughout the first day, student debates will be held with students from ten countries competing against local schools; the finale will be held in the afternoon. Ms. Dance went on to describe Day 2, which will feature a keynote address by Neil Everett, a general session with the marketing teams, and a Japan tourism summit in partnership with Hawai’i Tourism Japan. The second day’s luncheon will be centered on the theme of “remembering our roots.” The afternoon will have concurrent sessions, and the day will conclude with the Aloha Reception. Ms. Dance indicated that Ms. Yamaguchi is helping to recognize hotels’ restaurants and transform the Aloha Reception into a food and wine event featuring the culinary advances and traditions Hawai’i chefs have contributed. Ms. Dance noted that the Aloha Reception was very popular last year, and expressed HTA’s desire to expand on that positive reception. Day 3 will be a half day featuring an airline industry update and certification workshops targeting industry partners in Hawai’i. Ms. Dance further indicated that HTA will want to have multiple artists up on the stage; last year Willie K. performed for of an enthusiastic audience.

Ms. Yamaguchi expressed concern about the number of confirmed speakers when launching the website on June 1. Ms. Dance indicated that there are none, but the team was working as hard to confirm as many as possible.

Mr. Fried asked how the website can be updated. Ms. Dance responded that the platform allows HTA to update content at least daily. Ms. Menor-McNamara asked about the marketing platforms. Ms. Dance clarified that HTA will use traditional marketing, social media, a steering committee, its marketing plan with Paragon, other global marketing team members, Charlene

Chan's efforts, and Anthology, as well. Ms. Dance concluded that "next month, we'll have Paragon in to share what they've done."

The meeting was recessed at 10:32 a.m.

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

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

Mr. Fried introduced Ms. Nakayama who reported that, as Mr. Szigeti had mentioned, total spending was up 9% and arrivals were up 7.5%. End of the month arrivals are looking up for golden week in the Japan market. Korea is down because of Jin Air's scheduled maintenance; flights will resume next week.

Mr. De Mello asked "with all the emphasis on increasing visitors, is there thinking about how we can increase visitor spending rather than just numbers?" Mr. Baldemor responded that balance, sustainability, and visitor mix is important. HTA has looked at marketing plans and (1) is able to market towards premium visitors, since Hawai'i is a premier destination, and (2) has undertaken a lot of work looking at sustainability. Mr. Szigeti stated that Canada asked about numbers, but HTA doesn't provide a maximum capacity number. HTA looks towards spending, Conventions and Incentives (MCI) business, conventions, etc. Mr. Fried commented, "and so the third arm, in case there's some disaster in one market, we're opening up new markets, like with AirAsia in Southeast Asia." Mr. Baldemor added, "these things don't get solved just by HTA; for instance, Hawai'i Tourism Japan has a luxury committee to target premium markets." Mr. Baldemor added that Japan airlines has increased its percentage of business class seats on all flights to Hawai'i; additionally, the entire top deck of the ANA's new A380s, which will arrive in 2018, will consist of business and first class seats.

Mr. Atkins commented that higher spending means more TAT revenue, but HTA's share is capped at \$82 million. He then asked if HTA can lobby to request more money for sustainability and infrastructure. Mr. Baldemor responded that HTA look into a budget increase request.

Mr. Nakamura asked about concerns regarding rat lungworm disease. Mr. Szigeti replied that, from his initial meetings with the Governor, the State Department of Health is taking preventative measures. Mr. De Mello indicated that the University of Hawai'i at Hilo was researching it for five years and lost funding; they are now working with DOH, but need to manage the hype.

Mr. Dee, returning to Mr. Atkins' point regarding requests for additional TAT revenue, stated that if we break out TAT revenue generated by HTA's marketing efforts, we have a good tool in discussions with legislators. Ms. Nakayama responded that HTA does already break down TAT revenues generated, but there is a lag in tax reporting that makes presenting this data more difficult. Mr. Szigeti also said that HTA staff provide that information to the Legislature.

Mr. Dee also asked whether DBEDT's forecast is revised or the original. Ms. Nakayama stated that it is revised. DBEDT was conservative at first, so their forecast was adjusted up; HTA's forecast has not been revised. Starting last year, DBEDT moved away from targets; traditionally they've revised in spring and fall. Mr. Dee further commented that "you have targets for contractors, but things change, so the forecast should reflect those targets." Mr. Baldemor expressed concerns that "we're talking about a few different things here," to which Mr. Dee responded, "at the end of the day, you have significant spending in 8 markets, targets for that spending, and DBEDT is reforecasting and we're not." Ms. Nakayama indicated that DBEDT's forecast is annual, while HTA's is monthly, but HTA is open to other methods. Mr. Fried then concluded that it would be helpful to have the TAT included in the briefing. Ms. Nakayama responded affirmatively.

9. Presentation, Discussion and Action on HTA's Financial Reports for Feb. 2017

Mr. Fried acknowledged Mr. Togashi, who referred to the financial statements for February 2017. He reported a previous \$55,000,000 in contracts and commitments, and that number is currently up to \$77,000,000. The figure is posted to the Board's site, along with the summary of the budget reallocation for FY17. Mr. Togashi further indicated that HTA has not made many reallocations, the majority of which relate to items the Board has previously approved through its vote. Mr. Dee asked if the Board would address the emergency fund during this budget cycle. Mr. Togashi responded affirmatively.

Mr. Nakamura made a motion to approve the financial statements for the period ending February 28, 2017. Mr. Fried seconded the motion, which was unanimously approved without objections.

10. Introduction of FY18 HTA Budget for approval at next Board meeting

Mr. Togashi reported that with FY18 approaching rapidly, his team has begun preparation of the budget. The process for approving the budget includes introducing it over the course of two meetings to give Board members time to understand all aspects. Today, Mr. Togashi asked for an executive session to discuss the proposed budget and passed out budget packets that included confidential detailed information for the draft budget. The next step is working towards a June approval by the Board. Over the next three weeks, Mr. Togashi explained that he would meet individually with each Board member, consistent with sunshine laws, to answer any questions. Mr. Fried noted that previously, the Board was merely given the budget to approve. The new system gives Board members a chance to learn what is requested.

Mr. Fried requested a motion to enter executive session. Ms. Kumukahi made a motion for an executive session. Mr. Dee seconded the motion, which was unanimously approved by all Board members present.

Board entered an executive session at: 11:09

Executive Session ended at 11:53

11. Presentation by AEG re: Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives

Mr. Fried acknowledged Ms. Orton, who gave an update on the Convention Center's (CC) operation and sales. Ms. Orton reported the Financials for April 2017 and summarized the 2017 facility financial update. She mentioned that based on the 2017 Food and Beverage Revenue, CC's Return on Investment returned \$20.13 to the state for every dollar spent. Ms. Orton also provided Facility, Sales & Marketing Updates. In April 2017 year-to-date, the CC is at 11,345 room-nights to a goal of 232,000, which is 5%. Ms. Orton explained that most of the CC's contracts are signed in Q4, which explains the low percentage-to-goal value, and that the numbers closed at 3,200 room-nights this month.

Ms. Orton added that the Vice President of Sales and Marketing resigned, so the CC is currently recruiting for a Vice President of Sales, since most of the marketing for the CC is done through HVCB. Additionally, all sales positions have been filled. Two administrative positions will be filled in the next month, and the team is looking at LEED certification for the CC. As for the Pace Report, the CC is concerned about MCI revenue for 2021 through 2023, so the team is looking at customized incentive offers for multi-year contracts. Some known challenges are room rates and airfare, so the team is trying to push planners to shoulder periods.

Mr. Baldemor added that emphasizing involvement with bringing citywide business to the CC is important. He further noted that the global marketing team will be involved in bringing more citywide business aside from tourism. Mr. Szigeti and the HTA staff are also involved in this effort. Mr. Sanders expressed that the new VP of Sales position is a great opportunity to bring in someone experienced with MCI. Mr. Sanders also asked whether the American Dental conference was moved from 2018 to 2019. Ms. Orton responded affirmatively that the changed number is reflected in the binder.

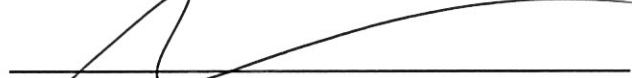
Ms. Orton also offered updates on June events: IEEE and 'Jam on It' conferences are coming. Additionally, Kristine Davidson out of San Jose is turning out definite MCIs for 2018 and 2019 for tournaments and corporate events. Recently the CC had an inquiry for Futsol to sign a long-term contract for the first week of December for up to 2100 offshore visitors. Futsol is also willing to purchase equipment and leave it here for long-term use.

12. Adjournment

Mr. Szigeti thanked the Chair for a productive Board meeting and welcomed the two new Board members. He also advised that President Trump's budget could defund Brand USA and noted that HTA would be backing US travel and submitting supportive testimony. Mr. Fried expressed appreciation to Gregg Kinkley, stating that "he's an institution."

Mr. Fried asked for a motion to adjourn. Ms. Kumukahi made a motion to adjourn the meeting. Mr. Demello seconded the motion, which was unanimously approved by all the Board members present. The meeting was adjourned at 12:14 p.m.

Respectfully submitted:

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

Jacob L. Garner
Recorder