



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, August 31, 2017
Hawaii'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:	Craig Nakamura (Acting Chair), Fred Atkins, Sean P. Dee, Gerald De Mello, George Kam, Ku'uipo Kumukahi, Kelly Sanders, Denise Yamaguchi
MEMBER NOT PRESENT:	Richard Fried, Donna Domingo, Sherry Menor-McNamara
HTA STAFF PRESENT:	George Szigeti, Randy Baldemor, Marc Togashi, Carole Hagihara, Caroline Anderson, Chika Miyauchi, Chris Sadayasu, Evita Cabrera, 'Iwalani Kualii-Kaho'ohanohano, Jennifer Chun, Kalani Ka'ana'ana, Laci Goshi, Lauren Fetherston, Lawrence Liu, Leslie Dance, Minh-Chau Chun, Raphael Betelli, Ronald Rodriguez
GUESTS:	Katie Murar, Noelle Liew, Teri Orton, Allison Schaefer, Patrick Dugan, Nathan Kam, John Monahan, Mari Tait
LEGAL COUNSEL:	Margaret Ahn

1. Call to Order and Pule

Presiding Acting Chair Craig Nakamura called the meeting to order at 9:30 a.m. Mr. Nakamura acknowledged Ms. Kaho'ohanohano, who offered Pule.

2. Approval of the Minutes of the July 27, 2017 Board Meeting

Mr. Nakamura requested a motion to approve the minutes of the Board meeting held on July

27, 2017. Mr. Sanders made a motion. Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present.

3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS section 92-2.5(c)

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 July 2017

Mr. Nakamura acknowledged George Szigeti, who presented the CEO report. Mr. Szigeti recognized Margaret Ahn, who was standing in for Gregg Kinkley.

Mr. Szigeti reported that July's visitor spending is up by 9.8% to \$1.6 billion and that visitor arrivals are up by 6.8% to nearly 892,000 visitors. The year-to-date for visitor spending is up by 8.9% to \$9.9 billion, year-to-date visitor arrivals are up by 4.7% to 5.5 million visitors, and year-to-date state tax revenue is up by \$9.48 million to \$1.16 billion. Mr. Szigeti expressed appreciation to all industry partners and global teams for helping to raise these numbers.

Mr. Szigeti next discussed the Legislature's special session for rail funding, during which the Legislature approved an extension of the General Excise Tax surcharge and temporarily increased the Transient Accommodations Tax ("TAT") to 10.25 percent. He reported that the Senate Ways and Means Committee passed the bill by a margin of six votes in favor to five against after a six hour hearing. Mr. Szigeti also reported that the House Committees on Finance and Transportation passed the bill after a 6.5-hour hearing. He further reported that HTA went on record strongly opposing any increase in the TAT, and explaining that any increase that will raise the expense of the visitor experience will put Hawai'i at a disadvantage globally. Mr. Szigeti also thanked the lawmakers for coming together to make compromises and find solutions to this challenging and difficult issue. Mr. Szigeti noted that the new House committee assignments have come out with over forty changes to the committees' makeup.

Mr. Szigeti next thanked Fred Atkins for his support in helping to orchestrate the meeting between industry on Kaua'i and State legislators in July. He reported that the meeting was very productive and well attended: approximately thirty stakeholders, including Senate President Ron Kouchi, attended the meeting to address the visitor issues and challenges on Kaua'i. Mr. Szigeti announced that his next trip will be to Hilo and Kona to address stakeholders on Hawai'i and asked Gerald DeMello to help coordinate the meetings in Hilo.

Mr. Szigeti reminded the Board that the Global Tourism Summit is three weeks away. He noted that the theme of "Sustainable Tourism" is very relevant to current events within Hawai'i and worldwide. He announced the confirmed speakers: Billy Beane, who will be the opening keynote speaker (Mr. Szigeti noted on record that "we couldn't get Brad Pitt to make it"); Neil Everett, who is speaking on the second day regarding sports tourism; Ted Allen from the Food Network; and Ólöf Ýrr Atladóttir, who will bring an interesting perspective from her time with

the Icelandic Tourism Board dealing with Iceland's 20 million visitors over the past six years. Mr. Szigeti explained that Iceland is dealing with similar issues as Hawai'i, related to visitor-resident interactions and that Ms. Atladóttir's address will fit with the Summit's overall sustainability discussion.

Mr. Szigeti thanked Mr. Ka'ana'ana for putting together the Summit's six Hawaiian culture sessions. Further, the Summit will include student debates focusing on how tourism can promote culture; these debates were popular with attendees last year. Mr. Szigeti also indicated that the Aloha Reception will feature 20 Hawai'i chefs. Mr. Szigeti concluded his report by thanking everyone for seeking sponsorships and noted that the current need is to boost attendance numbers.

Mr. Atkins opened discussion by commenting that the Kaua'i stakeholder meeting was extremely effective and that it should be held on a yearly basis based on the amount of great feedback he has received from industry stakeholders. He expressed concerns regarding HTA's sponsored community programs, indicating that although Kaua'i has had a good year, financing is still a big concern for community programs as some have not been funded at all and others have gone over budget. Mr. Atkins indicated that from HTA's standpoint, these programs are essential to the community and HTA should ensure that the community knows that HTA is actively supporting them. He noted that Mr. Ka'ana'ana has done a great job getting the small organizations on board, but HTA needs to ensure that the money is there when the organizations need it. Mr. Atkins then asked the Board for approval to continue to work with Randy Baldemor and Marc Togashi to address the issue with the Legislature to fix funding and timing problems associated with the Department of Accounting and General Services's ("DAGS") check-writing.

Mr. Togashi thanked Mr. Atkins for bringing up the issue and acknowledged that HTA relies on his first-hand experience. Mr. Togashi explained that HTA is in a transition period with DAGS taking over HTA's check writing pursuant to Legislative resolution. This transition process has required DAGS to adjust their payment system. Mr. Togashi further indicated that there was a backlog, but that DAGS is catching up now. HTA has been working with DAGS very closely and they have been excellent at helping with the transition. Mr. Togashi assured the Board that HTA is actively addressing the issue and that they do not anticipate this to be an issue next year.

Mr. Baldemor thanked Mr. Atkins for the discussion and expressed his interest in working together to explore how to streamline the DAGS check-writing process to most effectively help HTA's stakeholders in the community. Mr. Atkins explained that Mr. Baldemor's great working relationship with DAGS is why he wants to work together to solidify the criteria that must be met to solve the check-writing problem. Mr. Baldemor thanked Mr. Atkins again for the explanation and acknowledged the need to work with DAGS efficiently.

Mr. Atkins also asked whether the Hawaii Convention Center ("HCC") culinary staff would have a booth at the Global Tourism Summit's Aloha Reception. Leslie Dance responded that, in

addition to catering all the lunches for the Summit, HCC culinary staff will also have a booth at the Aloha Reception to highlight their culinary expertise.

Mr. Dee thanked Mr. Szigeti for his report and recognized him for consistently testifying on behalf of HTA and the industry. Mr. Dee further indicated that written testimony is one thing, but Mr. Szigeti has gone and testified in person many times, which demonstrates HTA's additional commitment. Mr. Dee explained that there is clearly a gap between what the visitor industry and the legislature understand about the tipping point of the TAT. Mr. Dee continued to explain that the industry as a whole needs to do a better job at educating the legislature about the TAT. Price is the biggest impediment for visitors choosing Hawai'i as a destination. Additionally, the State is not collecting all the TAT it could from wholesalers and transient vacation units. Mr. Szigeti thanked Mr. Dee and indicated that he will continue to work with the legislature in making sure that the State figures out an adequate method of TAT collection for alternative industry participants.

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

Mr. Nakamura acknowledged Jennifer Chun, who led the discussion and presented the Market Insight Summary for July 2017.

Ms. Chun reported that July was another strong month, indicating that there has been an increase in expenditures for visitors from the U.S. West, U.S. East, and Japan markets. Visitor arrivals from all major market areas and on all islands except Moloka'i have increased. Ms. Chun further reported that, through May 2017, the state collected \$473.2 million in TAT, a year-to-date increase of 14.9% compared to FY 2016. She also reported that the year-to-date total as of July 2017 in visitor spending is at \$9.95 billion, which is \$812.4 million more than last year; air seats have not increased this year-to-date. Ms. Chun also noted a new report in the Board materials: Hotel Performance - Hawai'i's and Competitive Destinations, which is a brief summary of Hawai'i's hotel performance compared with some other competitive destinations. This report highlights the top five locations for hotel occupancy and top five in average daily rate for the Board's reference. Mr. Atkins asked how much visitor spending increased. Ms. Chun replied that visitor spending increased by \$812.4 million. Mr. Dee thanked Ms. Chun for including information regarding TAT collections in her report.

6. Presentation, Discussion and Action on HTA's Financial Reports for June 2017

Mr. Nakamura acknowledged Mr. Togashi who referred to the June 2017 Financial Statements, which were previously distributed in last month's Board meeting, allowing enough time for Board member review. Mr. Togashi indicated that this report will be the final financial report for FY2017. He then asked the Board to approve the Financial Report. Mr. Nakamura requested a motion to approve the June 30, 2017 Financial Report. Mr. Dee made a motion. Mr. Sanders seconded the motion, which was unanimously approved by all the Board members present.

7. Report of the Marketing Standing Committee, with the Committee's recommendations to support various marketing proposals, for discussion and approval by the Board

Mr. Nakamura acknowledged Mr. Dee, who presented an overview of the monthly Marketing Committee meeting on August 30, 2017. Mr. Dee thanked all Committee members and staff members who were present. Mr. Dee reported that the Committee had a productive meeting covering several key initiatives. He explained that Ms. Dance presented an update on the gohawaii.com update and reported that the site was launched on August 8. The updated website is a critical part of HTA's marketing efforts and the launch metrics indicate that viewership is up several points across the board. Mr. Dee further reported that the website team is examining next steps to enhance the content and provide additional language translations, including Japanese, Korean, Chinese, French, German, and Spanish. Mr. Dee noted that the team is also working on a digital plan to support more traffic to the site and will present in December about a potential digital gohawaii.com marketing campaign.

Mr. Dee reported that the Global Tourism Summit marketing effort is going in the right direction. He reported that sponsorships are ahead of the goal, all but one exhibitor's booth has been sold, and that HTA has received over 1,000 registrations and needs to push for last minute registration. Mr. Dee also reported that the Marketing Committee went into executive session to review proposals that contained proprietary fees; the Committee has committed to coming back to the Board in October with AEG's final proposal for 2018 sporting events.

8. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives

Mr. Nakamura acknowledged Teri Orton, who presented an update of the HCC's July 2017 operations. Ms. Orton noted that July was a "fabulous" month for everyone including the convention center. She reported four offshore events: IEEE CDPR, Flight Center, Honda Japan, and Jam On It. The IEEE CDPR event was relocated from Puerto Rico Convention Center (an AEG managed facility) due to the Zika outbreak. Ms. Orton highlighted the advantages of the AEG partnership in securing this event. Another event was by the Flight Center, an Australia-based wholesale group, which brought about 3,500 visitors from all over the world for a global award ceremony and they all had a "fabulous time for sure." Flight Center's actual spend on food and beverage far eclipsed their estimates. Ms. Orton also reported that, in addition to the other two offshore events—one with Honda Japan and HCC's first basketball tournament, "Jam On It"—HCC hosted nine other local events. Ms. Orton reported that these four offshore events generated over \$48 million in visitor spending and \$4 million in tax revenue for Hawai'i. Ms. Orton indicated that for HCC, the 13 total events generated \$3.3 million in revenue, \$1.6 million net income and occupancy of 44% for the month of July.

Ms. Orton referred to the YTD July report highlighting that HCC generated over \$11 million in business, about \$1.5 million better than the planned budget; occupancy is trending at 39%. Ms. Orton noted that there has been a great improvement in their financial results since 2014 and

hopes to post the best financial returns ever this year, indicating that 2017 reforecast is currently at \$764K in net operating income. Ms. Orton noted that HCC has some very good pieces of business on the books for the remainder of the year and they are hoping that these events will help increase the numbers as well as food and beverage revenue.

Ms. Orton next presented the update on HCC Food and Beverage. She reported that the revenue for July exceeded HCC's expectations at \$2.7 million, which is about \$1 million more than budgeted. She indicated that the IEEE event brought in about \$1.8 million in food and beverage revenue. Both the IEEE and Flight Center events spent much more on food and beverage than estimated. Ms. Orton reported overall that for every dollar spent by HCC, they returned \$23.52 to the State.

Ms. Orton also gave an update on July sales initiatives indicating that the bookings closed at 11,500 room nights in July and brought in 42,000 room nights in tentative business. HCC is now rounding close to 300,000 in tentative room nights for citywide business to date. Ms. Orton noted that the sales team continues to focus on turning the tentative business definite.

Ms. Orton reported that for the month of July, HCC was approached for two major potential events: the National Association of Letter Carriers asked for bidding for a 2020 event, which looks very promising; and the International Union for Nutritional Science Congress asked for bidding for a 2025 event, which HCC is looking forward to hearing back on by the end of the month. Ms. Orton also reported that the sales team attended ASAE's Annual Meeting in Toronto, the Experience E4 event in Houston, and hosted some of AEG's top clients in the Midwest to a Bruno Mars concert.

Ms. Orton continued, presenting an update on capital improvements projects. She reported that the roof repairs on the mauka side of the building are nearing completion. Ms. Orton explained that the repairs were extended because HCC stopped construction for a booking; repairs will be completed by the end of September. Ms. Orton also reported that HCC is commencing gutter repairs, which will be difficult to coordinate with ongoing business. The gutter repairs are slated to be completed by the end of 2018, but HCC anticipates finishing by early 2019 due to upcoming events.

Ms. Orton also reported that HCC is in the RFP process for the construction management company and hopes to award a contract in October and get them on property in early 2018 to get the remaining capital improvement projects under way.

Mr. Sanders asked for an update on HCC's progress filling the VP of Sales position. Ms. Orton responded that HCC has narrowed the choices down to three candidates and have made their recommendation to HTA. Mr. Szigeti and Mr. Baldemor have a few more interviews and a decision will be made before the Summit. Mr. Sanders asked whether there has been any update in leads for bookings or concerns noted regarding the U.S. travel warning to Mexico. Ms. Orton responded that she has not seen any yet, but they are hoping that Hawai'i's safety will attract business. She also indicated that the biggest challenge is breaking through the

perception that Hawai'i is just a leisure destination. HCC has been trying to convince potential clients of the benefits to holding conferences in the State. She also indicated that that HCC is competing against drive-in cities on the mainland that have been doing massive renovations to their facilities and have hotels nearby that have undertaken similar renovations and offer huge incentives to attract business. Ms. Orton noted that HCC's progress is an uphill battle, but they are doing their best and it is going well. Mr. Dee thanked Ms. Orton for leveraging the AEG network and putting HCC on the front page of the AEG newsletter.

9. Adjournment

Mr. Nakamura requested a motion to adjourn the meeting. Ms. Yamaguchi moved. Ms. Kumukahi seconded the motion, which was unanimously approved by all the Board members present.

The meeting was adjourned at 10:14 a.m.

Respectfully submitted

Jacob L. Garner

Jacob L. Garner
Recorder