



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, November 30, 2017
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Fred Atkins (Chair), Sean P. Dee, Richard L. Fried, Gerald De Mello, Donna Domingo, George Kam, Sherry Menor-McNamara, Craig Nakamura, Kelly Sanders

MEMBERS NOT PRESENT:

Kuuipo Kumukahi, Denise Yamaguchi

HTA STAFF PRESENT:

George Szigeti, Randy Baldemor, Mark Togashi, Leslie Dance, Charlene Chan, Kalani Ka'ana'ana, Jennifer Chun, Carole Hagihara, Chika Miyauchi, Chris Sadayasu, Evita Cabrera, Iwalani Kualii-Kaho'ohanohano, Jadie Goo, Laci Goshi, Lauren Fetherston, Lawrence Liu, Minh-Chau Chun, Noriko Sloan, Pua Sterling, Raphael Betelli, Ronald Rodriguez, Victoria Roy

GUESTS:

Wayne Yoshioka, Chelsea Livit, Nathan Kam Allison Schaefer, Pricilla Texeira, Debbie Zimmerman, Peter Honig, Teri Orton, Noelle Liew, Mari Tait, Representative Richard Onishi

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Chair Rick Fried called the meeting to order at 9:33 a.m. Mr. Fried acknowledged Iwalani Kualii-Kaho'ohanohano, who offered Pule.

2. Approval of Minutes from the October 26, 2017 Board Meeting

Mr. Fried requested a motion to approve the minutes of the Board meeting held on October 26, 2017. Mr. Dee made a motion. Ms. Domingo seconded the motion, which was unanimously approved by all 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 October 2017

Mr. Fried acknowledged Mr. Szigeti, who presented the CEO's report. Mr. Szigeti reported that HTA has been very busy over the past few months. Visitor spending is up 6.8 percent compared to the same period last year and visitor arrivals saw an increase of 4.7 percent. Mr. Szigeti further reported that State tax revenue generated from visitor spending has risen to \$1.62 billion, an increase of 6.8 percent compared with the first ten months of 2016.

Mr. Szigeti announced that Jennifer Chun has been appointed as the new Director of Tourism Research. In her new role, Ms. Chun will be addressing the new Hawai'i Hotel Report moving forward. Mr. Szigeti also noted that, throughout the month of November, HTA held several briefings with lawmakers and stakeholders on its role in Hawai'i's tourism market future. Specifically, Mr. Szigeti addressed the Maui Visitor Convention Center Bureau and met with Senator Keith Agaran. He thanked Mr. Nakamura for helping facilitate this meeting.

Mr. Szigeti reported that he and Charlene Chan traveled to Washington, D.C. to meet with the Hawai'i Congressional delegation as well as the U.S. Travel Association. Mr. Szigeti noted that the Congressional delegation is pleased with the Hawai'i tourism market. Although international travel to the United States is down 6 percent overall, Hawai'i has seen an increase in international arrivals of around 3 percent. Mr. Szigeti noted that the U.S. Travel Association reported international traveler concerns about their safety when traveling to the U.S., specifically connected to the recent outbreak of attacks within the U.S., citing the Las Vegas shootings among others.

Mr. Szigeti acknowledged and thanked Representative Richard Onishi, Chairman of the State of Hawai'i House of Representatives Tourism Committee, for attending the Washington, D.C. meeting with the U.S. Travel Association as well as today's Board meeting.

Mr. Szigeti reported that had a productive meeting with Honolulu Police Department's (HPD) newest Chief of Police, Susan Ballard. Mr. Szigeti noted that Chief Ballard spoke about the preventative actions that HPD will be taking to address recent crimes that have occurred in Waikiki. Mr. Szigeti reported that Chief Ballard explained that tourism is Hawai'i's principal

economic engine and confirmed HPD's commitment to protect Hawai'i's tourism industry.

Mr. Szigeti reported that he and Charlene Chan spend the past two days on Hawai'i Island meeting with key tourism stakeholders, Sen. Inouye, Sen. Ruderman, Rep. Onishi, Rep. Nakashima, Rep. Evans, and Rep. Lowen. Mr. Szigeti noted that the meeting was very productive. Mr. Szigeti reported that he will be flying back to Hawai'i Island tomorrow to attend the annual visitors' bureau meeting.

Mr. Szigeti concluded his presentation by announcing new airline flights being added in December: Delta Airlines will launch daily service between Seattle and Lihue this month; Virgin America will launch daily service between San Francisco and Kona; Scoot launches services between Singapore and Honolulu via Osaka 4 times per week; United Airlines will increase winter flight capacity by 20%, including non-stop flights from Los Angeles, San Francisco, Chicago, and Denver to Kahului, Kona, Hilo and Lihue starting on December 20, 2017.

Mr. Fried thanked Rep. Onishi for all of his hard work and for attending the two-hour Marketing Committee meeting on November 29. Mr. Fried noted that issues with the L.A. Clippers tickets were resolved in a positive manner. Mr. Fried also mentioned he took part in a panel in November regarding Medical Tourism and feels Hawai'i is an excellent destination point for this market.

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

Mr. Fried acknowledged Jennifer Chun, who presented the November 2017 market insights. Ms. Chun announced that HTA issued a press release on November 30, 2017, regarding daily tourist spending and arrivals. Ms. Chun reported that the U.S. East, U.S. West, and Japan markets all saw increases in spending; only Canada was down. Tourist arrivals saw an increase in all four key markets.

Ms. Chun announced that the press release for the new HTA Hotel Performance report went out on Tuesday, November 28, 2017. Ms. Chun noted that the Hotel Performance report, which will provide beneficial market data for the industry and businesses, will be issued on a monthly basis moving forward.

Ms. Chun further reported that state tax revenues are up but TAT collections are down through August 2017. Ms. Chun noted a disconnect between what is being generated in transient accommodation taxes and what is actually collected by the State.

Ms. Chun also reported that the ten-month forecast for air seats in 2018 will see an increase of 8.8% for January through October 2018. Ms. Chun also indicated that Kauai will see the largest increase followed by Maui, Hawai'i Island and O'ahu.

Mr. Atkins asked Ms. Chun why Canadian tourist arrivals have increased but spending has gone down. Ms. Chun responded that the per person spending YTD through October 2017 has

slightly decreased in the areas of food and beverage. Ms. Chun indicated that although spending for the month of October was down, the overall YTD spending is up. Mr. Atkins and Ms. Chun engaged in further conversation about Canadian tourist spending habits.

6. Discussion and Approval for the establishment of the positions of Vice-Chairs of the Marketing Standing Committee

Mr. Fried introduced housekeeping measures for HTA's three standing committees: the Administrative Standing Committee, the Audit Standing Committee, and the Marketing Standing Committee. Mr. Fried stated that all three standing committees are subject to State sunshine laws.

Mr. Fried also discussed the four Investigative Committees. Mr. Fried reported that the committee for the Tourism Strategy Plan has completed its investigation and is no longer in existence. Mr. Fried noted that the three remaining investigative committees will continue: the Convention Center Planning Committee, the Legislative and Governmental Affairs Committee, and the Visitor-Related Infrastructure Committee.

Mr. Fried recommended that the Board add two more members to the Marketing Standing Committee. Ms. Menor-McNamara inquired about the process for selecting Board members to serve on the committees. Mr. Fried explained that after the current discussion of nominees, the Board will vote on committee membership. Mr. Fried further indicated that they are looking for people who would be a good fit on the various committees. Gregg Kinkley noted that the HTA By-laws are vague on this issue, so the procedure lapses into standard parliamentary procedures.

Mr. Fried clarified that the Marketing Standing Committee would remain at six members, but two of the members would be elevated to Vice-Chair roles. Mr. Dee indicated that the need for two Vice-Chairs is due to conflicts with meetings overlapping with each other and other scheduling concerns.

7. Nomination, Selection and Appointment of the Vice-Chairs of the Marketing Standing Committee

Mr. Fried requested a motion to add Kelly Sanders and Denise Yamaguchi as the two Vice-Chairs to the Marketing Standing Committee. Mr. Kam so moved. Mr. Nakamura seconded the motion.

Mr. Sanders noted that he may have been elected Vice-Chair in July. Mr. Fried suggested that Mr. Sanders will be First Vice-Chair and Ms. Yamaguchi will be Second Vice-Chair. The motion was unanimously approved by all the Board members present.

8. Nomination, Selection and Appointment of the Chair of the Convention Center Planning Investigative Committee

Mr. Fried opened discussion for the appointment of Mr. Nakamura as Chair of the Convention Center Planning Investigative Committee. Mr. Fried requested a motion to appoint Mr. Nakamura. Mr. DeMello so moved. Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present.

9. Nomination, Selection and Appointment of the Chair of the Visitor-Related Infrastructure Investigative Committee

Mr. Fried opened discussion for the appointment of Mr. Sanders as chair. Mr. Fried requested motion to appoint Mr. Sanders. Mr. Kam so moved. Mr. Nakamura seconded the motion, which was unanimously approved by all the Board members present.

10. Nomination, Selection and Appointment of Board Members for the following Committees: Administrative Standing Committee, Audit Standing Committee, Convention Center Planning Investigative Committee, Legislative and Governmental Affairs Investigative Committee

Mr. Fried opened discussion for the appointment of Mr. Sanders to replace a retiring member of the Administrative Standing Committee. Mr. Fried requested a motion to appoint Mr. Sanders. Mr. Dee so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fried announced that Mr. Nakamura and Mr. Atkins have agreed to remain on the Audit Standing Committee. Mr. Fried opened discussion for the appointment of Ms. Domingo for the Audit Standing Committee. Mr. Fried requested motion to appoint Ms. Domingo. Mr. Kam so moved. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present. Mr. Fried thanked Ms. Domingo for agreeing to serve as a member of the committee.

Mr. Fried announced that Mr. Nakamura and Mr. Atkins shall remain on the Convention Center Planning Investigative Committee. Mr. Fried opened discussion for the appointment of Ms. Yamaguchi and Ms. Kumukahi to the Convention Center Planning Investigative Committee. Mr. Fried requested a motion to appoint Ms. Yamaguchi and Ms. Kumukahi. Mr. DeMello so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fried announces that Mr. Kam will remain as Chair and Mr. Atkins, Mr. Dee and Mr. DeMello will remain on the Legislative and Governmental Affairs Investigative Committee. Mr. Fried opened discussion for the appointment of Mr. Nakamura to the committee. Mr. Fried requested motion to appoint Mr. Nakamura to the Legislative and Governmental Affairs Investigative Committee. Mr. Sanders so moved. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fried announced that Mr. Dee will be leaving his position on the the Visitor-Related

Infrastructure Investigative Committee and nominated Ms. Menor-McNamara to assume this role. Mr. Fried opened discussion for the appointment of Ms. Menor-McNamara. Mr. Fried requested motion to appoint Ms. Menor-McNamara to the Visitor-Related Infrastructure Investigative Committee. Mr. Kam so moved. Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fried concluded by restating that the only changes to the Marketing Standing Committee are the addition of two Vice-Chairs.

Ms. Menor-McNamara announced her interest in serving on the Marketing Standing Committee. Mr. Atkins noted that Mr. Nakamura has been asked to serve on too many committees. Mr. Fried requested that Mr. Nakamura stand down from the Marketing Standing Committee. Mr. Nakamura agreed. Mr. Atkins nominated Ms. Menor-McNamara to replace Mr. Nakamura. Mr. Fried requested motion to appoint Ms. Menor-McNamara to the Marketing Standing Committee. Mr. Atkins so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

11. Presentation, Discussion and Action on HTA's Financial Reports for July through September 2017

Mr. Fried acknowledged Mr. Togashi, who requested Board approval of the HTA Financial Reports for July through September 2017. Mr. Togashi noted that he will provide the Board with a detailed update on the HTA budget in December.

Mr. Fried confirmed that Mr. Togashi requested approval for three months of HTA Financial Reports for July through September 2017. Mr. Fried opened discussion for approval for the three months of reports. Mr. Fried requested motion to approve the financial reports. Mr. Dee so moved. Ms. Domingo seconded the motion, which was unanimously approved by all Board members present.

Mr. Dee inquired about the two special fund notes under point three of report. Mr. Togashi noted that one reserve fund was created by statute the other reserve special fund was created by the Board for planning.

Mr. Fried elected to take some topics out of order, moving to Agenda items 14 and 15.

14. Report of, Discussion and Request for Approval of the HTA Sports Strategy

Mr. Dee provided update from the November 29, 2017 Marketing Standing Committee meeting. The meeting focused on Go Hawaii .com updates, content distribution updates, site translations, and an in-depth review of the HTA Sports Strategy. Mr. Dee thanked Peter Honig from Ascendant Sports Group for his presentation at the Marketing Standing Committee meeting and offered the full support of the committee.

Mr. Fried acknowledged Mr. Honig, who presented the HTA Sports Strategy plan. Mr. Honig

noted that HTA's goal is to elevate Hawai'i to a premier sports destination point and to use sports as a catalyst to drive travel demand to Hawai'i. Mr. Honig explained that, as part of its Sports Strategy, HTA is working on collectively achieving a better procedure to measure information on events and report them.

Mr. Honig listed the next steps: 1) formalization of internal governance and evaluation process; 2) implementing a portfolio model approach; 3) amplifying select legacy events; and 4) utilizing actionable research to optimize investments.

Mr. Honig explained the formalization of internal governance and an evaluation process will utilize a score card with a score out of 5.0 possible points. He then explained that implementing a portfolio model approach to organize events will help HTA understand which events meet which criteria. He also noted that HTA has broken out its target events as follows: Marquee events; Signature events with broadcast exposure and which have a significant economic impact in Hawai'i, and Hawai'i authentic events.

Mr. Honig concluded his presentation by explaining HTA's amplification strategy, which has identified many worthy events. HTA is working on solutions to actively and effectively market these events with partners' and properties' support. Mr. Honig noted that a big part of the strategy is to engage and mobilize HTA partners and emphasized the need to formalize a communication plan with those organizations. Mr. Honig indicated that future organizations for HTA to mobilize this strategy include Ultimate Fighting Championship (UFC) and the University of Hawai'i (U.H.).

Mr. Fried stated the Hawai'i Tennis Open ran smoothly. Mr. Fried then opened discussion regarding whether HTA would be interested in supporting a UFC event. Mr. Dee thanked Ms. Dance, Mr. Baldemor and Ascendant for all the work they have been putting in. Mr. Dee then noted that HTA is spending less on sports than in past years and bringing a significantly higher return on this investment to the State. Mr. Dee indicated that HTA now has a selection and screening model that takes the emotion out of HTA's decisions over which sports events to support. Mr. Dee indicated that in his opinion, UFC is just like any other sport and HTA needs to evaluate it unemotionally.

Mr. Nakamura requested that the sports strategy be approved. Mr. Fried requested a motion to approve the Sports Strategy. Mr. Nakamura so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

15. Strategic Discussion Regarding the Possibility of Hosting Mixed Martial Arts Events in Hawai'i

Mr. Fried opened discussion for UFC events in Hawai'i. Mr. Baldemore inquired if a more detailed discussion will be occurring. Ms. Dance replied there was no proposal yet on the matter and there have only been general discussions. Mr. Baldemore noted that the topic was raised to the Board for discussion before a proposal was made.

Mr. Atkins explained that UFC is very popular on Kauai and reported that he has had a good working relationship with them in the past. Mr. Atkins and Mr. Kam both noted that they may not support UFC events personally, but HTA's support for a UFC event in Hawai'i is a topic worth opening for discussion. Rep. Onishi noted that the discussions in the Marketing Standing Committee meeting focused on what brand HTA is trying to promote for Hawai'i as a destination, in line with HTA's chief purpose to market Hawai'i.

Mr. Fried concluded the discussion by thanking everyone and noted that discussions would continue on the topic at a later Board meeting.

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

Mr. Fried acknowledged Teri Orton, who presented the Hawai'i Convention Center's (HCC) recent operational activities and sales initiatives.

Ms. Orton provided the HCC October financial update. Ms. Orton explained that it was a great month for HCC, hosting two corporate events for Taco Bell and Aflac. Ms. Orton noted that the YTD numbers compared with budgeted amounts can be found in tab 12 of the Board packet. Ms. Orton noted that the second column in the packet was what HCC anticipated receiving for its 2017 reforecast numbers. Ms. Orton explained HCC reported 32% occupancy, roughly 180 events at HCC. Ms. Orton also noted that reforecast numbers put HCC at a \$873,100.00 net surplus. Ms., Orton also noted that Aflac and Taco Bell events brought big spending on food and beverage.

Ms. Orton explained that taking all of the revenue and subtracting expenses, the return on investment for every dollar spent at HCC is \$18.34 generated for the State in visitor spending.

Ms. Orton then explained that Sales and Marketing reports show that HCC closed nearly 50,000 room nights in August through October 2017. Ms. Orton also indicated that an estimated 61,000 tentative room nights may close by year end. Mr. Orton noted that HCC closed a National Letter Carriers event for 2020, bringing roughly 30,000 rooms per night to Hawai'i.

Ms. Orton then highlighted HCC's October activities. She noted the team attended the IMAX conference in Las Vegas and the International Union for Nutritional Science in Buenos Aires, Argentina. Ms. Orton explained an HCC team attending in Buenos Aires lost the bid for next years' convention by 18 votes in favor of Hawai'i to 25 votes in favor of Paris. Ms. Orton noted that it was the third event that HCC has lost due to the travel ban.

Mr. Szigeti asked how HCC and HTA can combat the travel ban issues. Ms. Orton explained that her team is focusing on highlighting Hawai'i's Aloha Spirit to counteract international sentiment that the United States is not welcoming, sweetening incentive packages, and highlighting Hawai'i's close proximity to Asia. Mr. Szigeti added that HTA has also addressed the visa slowdown with the Hawai'i Congressional delegation. Mr. Fried also added that many of these issues should be resolved by 2020.

Mr. Baldemor continued the discussion on the travel ban and noted that Canada and other countries are leveraging the U.S. travel ban in their marketing strategy. Mr. Dee agreed and suggested getting the stakeholders more involved in marketing to combat international perception. Mr. Baldemor explained that HTA has made such adjustment. Mr. Baldemor noted that HTA's global marketing team has a MCI Global structure now to work with stakeholders and utilize global marketing partners to follow leads and figure out how to drive MCI business.

Mr. Sanders added that Board members need to engage hoteliers in the state to help combat the issues HTA is facing. Mr. Sanders also noted the need to engage that community and allow them to come to the table with suggestions. Mr. Sanders added that there are many great leaders in Hawai'i that have not been approached yet on this subject.

Ms. Orton explained that HCC and HTA want to have a meeting with senior leaders and general managers of these properties to discuss the issues HCC has with inventory, pricing, and travel ban issues to figure out how everyone can work together to better handle these problems.

Mr. Fried inquired whether HCC is trying to separate Hawai'i from the other forty-nine states in marketing. Ms. Orton explained that Hawai'i is trying to highlight its safety and inclusion, but the perception deficit in the wake of the travel ban disables the U.S. as a whole amongst international conference organizers generally. Mr. Orton concluded her presentation by noting that the North Korea missile test sirens are starting to be brought up by convention organizers.

13. Report of Discussion and Request for Approval to Hawai'i Convention Center's 2018 Budget

Mr. Togashi opened the discussion, stating that HTA requesting Board approval for an amended and updated budget for AEG for 2018. Mr. Togashi reported a slight increase in the sales and marketing budgets reflected shifts from the 2017 budget to the 2018 budget. Mr. Togashi also reported on the facilities side that the budget is being updated to reflect an additional pick-up in business, which will translate into increased income and expenses.

Ms. Orton reported a nominal increase in the budget. She reported an additional \$50,000.00 allocated to the sales and marketing flexibility fund for business already confirmed (i.e. incentive money).

Mr. Fried opened the discussion. Mr. Nakamura made a motion to approve the HCC 2018 budget. Ms. Domingo seconded the motion.

Ms. Orton clarified that the additional \$50,000.00 in funds constitutes amounts that HTA is allocating back to HCC. In the past, any unused funds went back to HTA; this allocation reflects a return of those funds pursuant to HTA's change last year, in which Mr. Togashi gave HCC the ability to carry over unused funds from previous years' budgets, a majority of which were from salary and wages for unfulfilled positions.

Mr. Fried put the motion up for voting, which motion was unanimously approved by all the Board members present.

Ms. Orton asked the Board to approve the Facility Budget as well. Ms. Orton reported there were no changes to the bottom line, but adjustments were made to some allocations. Mr. Fried opened discussion for Facility Budget approval. No Board members offered discussion. Mr. Fried requested a motion to approve the HCC Facility Budget. Mr. Atkins so moved. Ms. Domingo seconded the motion, which was unanimously approved by all the Board members present.

The meeting was recessed at 11:11 a.m.

The Board was reconvened at 11:26 a.m.

Mr. Fried requested a motion to enter executive session. Ms. Atkins so moved. Mr. Kam seconded the motion, which was unanimously approved by all the Board members present.

The Board entered an Executive Session at 11:27 a.m.

Executive Session ended at 12:25 p.m.

17. Adjournment

Mr. Fried asked for a motion to adjourn the meeting. Mr. Dee so moved. Ms. Domingo seconded the motion, which unanimously approved by all the Board members present.

The meeting was adjourned at 12:26 p.m.

Respectfully submitted

Jacob L. Garner

Jacob L. Garner
Recorder