



NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

REGULAR BOARD MEETING HAWAI'I TOURISM AUTHORITY

December 15, 2011

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), Douglas Chang, Kelvin Bloom, Patricia Ewing, Patrick Fitzgerald, Michael Kobayashi, Aaron Salā, Cha Thompson, Sharon Weiner, Leon Yoshida

MEMBERS NOT PRESENT: Craig Nakamura

HTA STAFF PRESENT: Mike McCartney, Momi Akimseu, Lynn Bautista, Minh-Chau Chun, Cy Feng, Jadie Goo, Grace Lee, Lawrence Liu, Daniel Nāho'opi'i, Winfred Pong, Roann Rakta, Angela Rodriguez, Michael Story, Marc Togashi, David Uchiyama, Keli'i Wilson

GUESTS: Vernon Char, Anna Elento-Sneed, Douglas Murdock

LEGAL COUNSEL: Deputy Attorney General Gregg Kinkley

1. Call to Order

Presiding Officer Ron Williams called the meeting to order at 8:33 a.m.

Ms. Wilson offered a Pule in Hawaiian.

Mr. Williams recognized Mr. Vernon Char and acknowledged his eight (8) years of service on the HTA Board.

3. Presentation by Director Cheryl Kakazu Park of the Office of Information Practices (OIP) that is Related to a Brief Overview Regarding the “Sunshine Law” under HRS chapter 92 and the Uniform Information Practices Act (Modified) under HRS chapter 92F, and to also present OIP’s 2012 Legislative Proposals

(This Agenda item was discussed out of order)

Mr. McCartney introduced Ms. Cheryl Kakazu Park who distributed the Office of Information Practice’s (OIP) publication, “Open Line,” which provided an overview of OIP’s duties, its priorities – which includes a focus on reducing the backlog created during two (2) years of litigating earlier appeals – and preventing violations through better education.

She mentioned that detailed information on the OIP can be found at www.hawaii.gov/oip, along with a page dedicated specifically to the Sunshine Law that includes the full text of the law, an updated Question and Answer guide to the law, a link to the State Calendar, which lists meeting notices for State boards and commissions, and Agenda guidance for Sunshine Law boards.

2. Approval of Minutes

(This Agenda item was discussed out of order)

Ms. Weiner made a motion to approve the minutes of the meeting conducted on October 21, 2011. Ms. Ewing seconded the motion, which was unanimously approved without objection.

Mr. Chang asked for confirmation on the location of the meeting and whether it was conducted in Executive Boardroom A. Mr. Salā replied that the meeting in October was in another room. Mr. Williams confirmed that and said that it was held in Room 316. He said that the meeting minutes would reflect that correction.

Mr. Chang expressed his thanks to staff for responding to comments made at the October meeting regarding the meeting minutes. He said that the minutes are much more comprehensive and are a truer reflection of what actually happened. He asked that an action or task list be maintained to track and/or fulfill inquiries and requests from the board members that result from “some really great discussions,” but may not necessarily be reflected in the minutes because actual decisions or motions are not involved. He added that the list does not necessarily have to be a part of the minutes, but rather, a separate running document that “keeps us all on track.”

Mr. Williams asked for any comments from the board members and asked Mr. Pong, Ms. Bautista, and Ms. Rakta for their assistance in developing and maintaining the list. Mr. McCartney said that Ms. Rakta would assist him in maintaining the list and ensuring that all requests are addressed and that any necessary follow-up required by staff has been completed.

6. Presentation of Visitor Data for October 2011 and Dashboards for September and October 2011

(This Agenda item was discussed out of order)

Mr. Nāho‘opi‘i presented a PowerPoint of visitor data from October 2011 and Dashboards for September and October 2011.

He reported that we are still riding a high level of expenditures for the month of October, which is at 14.8 percent as compared to last year, but noted that this is slightly lower than the revised targets for 2011 at this point. He said that arrivals are still at 2.6 percent over the same time last year and that we are currently at 5.88 million visitors. He pointed out that based on our revised targets in May, we are below the arrivals and slightly more than we are below the expenditures. He said that October was a good month in all major markets and there was growth in visitor spending in all of the major markets, even though there was no arrival growth.

He said that total expenditures rose 15.6 percent in the month of October and in current year dollars, we are exceeding the 2007 level. He said that total arrivals increased 2.3 percent and that for the second month in a row, the average daily census is higher than in 2007. He said that what we are seeing is a change in the seasonality and that the shoulder period is rising. He said that this was due to a few different conditions such as visitors from Korea and China and the difference between Australia’s seasonality than ours.

He mentioned that there was high visitor traffic on O‘ahu mainly because of an increase in international visitors, but that there was a 5.1 percent decline in the U.S. West. He said that last year was very strong, but some slowdown in the market is being seen. He reported that growth in the U.S. East is a bit stronger now, in comparison.

Mr. Nāho‘opi‘i pointed out that Japanese arrivals grew slightly by 0.6 percent, which means that there is some recovery with regard to Japanese visitors, albeit slowly. He estimated that in order to hit the revised spending target set in May 2011, there would need to be 17 percent growth each month. He said that October showed a 16 percent growth, so we should be close to, or slightly under that target. He said that the next two (2) months should see growth because of Japanese visitors who are heavy spenders, as well as Korean visitors.

He said that we are exceeding our original targets set in January, even though the arrival numbers were set slightly higher than what is currently occurring, but we are hitting our expenditure targets. He pointed out that O‘ahu is stronger, mainly driven by the international visitors to Hawai‘i; however, aggressive numbers had been set for island distributions and we are slightly behind on Maui, Kaua‘i, and Hawai‘i Island. In terms of actual year over year arrivals, he said that we are ahead on all islands, but because of the aggressive island distribution patterns we had set, we still need to work towards that – especially for Hawai‘i Island because there is a lack of arrivals into Kona since there is no longer the flight from Japan Airlines.

Mr. Chang asked for clarification regarding the numbers listed for Maui on page 5 of Mr. Nāho‘opi‘i’s PowerPoint presentation. He asked how Maui can be behind target if the target is \$1.6 million and the Year to Date is \$1.8 million. Mr. Nāho‘opi‘i explained that initially, the contractors were given a percentage target and at the beginning of the year, he calculated a numeric target, which is reflected in the last column. He said that given what we wanted all the arrivals to be, if the percentage of that number in the last column is used, it would give you the last column target. He said that the true target was a percentage, so what is reflected in the first column is a percentage to percentage comparison.

Mr. Chang asked him to clarify that statement. Mr. Nāho‘opi‘i replied that it was a percentage of total. He cited an example that if Maui has 40 percent of total arrivals to the State and O‘ahu has 50 percent, he looked at every month, so when he is measuring actual, such as year over year, he looked at the total number and divided it by the total number of arrivals to the State. He explained that we would be seeing something along the lines of Maui being at 30 percent, but it would really be 26 percent of total arrivals and that is why the number comes out negative, even though the numeric value of the last column is actual.

Mr. Chang asked, “So in layman’s terms, what is that telling us?”

Mr. Nāho‘opi‘i responded that in terms of where we had set a total number of people, we are exceeding that total, but because there are more people actually coming to Hawai‘i, the share of that total number is still below for the neighbor islands. He further explained that if we grew more, then we should get more visitors, but the target at the end does not grow because it is pre-set at the beginning of the year.

Mr. Williams commented that theoretically, those are two (2) different metrics.

Mr. Bloom commented that it does seem odd because only O‘ahu shows an increase while three (3) other islands are down. He said that one would think that there would be some balance between the positive and the negative. Mr. Nāho‘opi‘i responded that multi-island visits is the reason. He explained that even though we are increasing on the neighbor islands, we are not increasing enough because visitors can go to multiple islands. He said that it is actually slowing down because visitors are going to less islands.

Mr. Uchiyama added that there was a time that visitors entered the State through O‘ahu, but now, if they are flying directly into Maui, they are staying on Maui and as a result, we are actually seeing the Length of Stay (LOS) grow.

Mr. Nāho‘opi‘i said that the targets are based on the number of available units on the island, so even though there is growth, much of it is single island growth and it is not enough growth to get to that distribution. He said that in order to do that, we would either have to increase the multi-island visits or get an even higher number of people on each island to hit the target level that we had set.

Mr. Nāho‘opi‘i also shared that when you look at each MMA, you will see that some of the targets that we had set are still a little behind in terms of their push to the neighbor islands.

Mr. Uchiyama said that the percentage breakdown may be better shown by individual market. Mr. Nāho‘opi‘i stated that he had that information and that he would do that for the next meeting and that it would be reflected on the dashboards.

Mr. Fitzgerald asked if specific targets are available by month. Mr. Uchiyama replied that everything is broken down by month to enable tracking. Mr. Fitzgerald asked if that was proportionally or targeted because we know that the 1st quarter is always busier than September and October. Mr. Uchiyama said that it is done based on five (5) years of previous historic trending that is monitored, which is how the model was built to alert us to when people want to travel.

Mr. Fitzgerald asked if it is accurate to say that while this historic model by month is available and overall growth is being seen - at least in year to year for visitor arrivals - that we are seeing some disparate traditional numbers.

Mr. Uchiyama said that with regard to the distribution, the process was to take previous distribution and bump that up aggressively because the focus was on getting a better disbursement of visitors throughout the State. He also said that this brings up a good point because now might be the time to reconsider the 2012 targets and perhaps they could be adjusted down.

Mr. Bloom recalled that Mr. Nāho‘opi‘i had said that the distribution allocation is based on the distribution of lodging units on each island, but Mr. Uchiyama is saying now that it is based on historical distribution of arrivals.

Mr. Nāho‘opi‘i explained that 2007 data was being used, which was our best neighbor island distribution historically, and when that was compared to the available units, it was realized that even in 2007, it was not the distribution we desired, so an aggressive goal was set to achieve, at a minimum, the goals that were based on the Visitor Plant Inventory, taking into consideration LOS for condo units. He added that our goal was to achieve the actual Visitor Plant Inventory distribution, but since it is so aggressive, a three (3)-year transitional distribution target was set to get to that point. He said that we began using the pattern in 2007 and that it is used every month.

Mr. Fitzgerald asked if we are able to achieve 2007 levels. He said that question has come up a lot in discussions on the Big Island as far as its true capacity to try to achieve those numbers on the flights.

Mr. Uchiyama shared that seat inventory is going to be changing in 2012. He said that we will see an increase in seat inventory and that the market will be re-stimulated because of price positioning. He said that the key is how we work on getting the distribution of the

international traveler into the neighbor islands and to the Big Island in particular because it has the biggest opportunity for growth.

Mr. Uchiyama said that in terms of the entry points into the State, everything is O'ahu-based and that another hub needs to be built. He explained that in order for Maui to grow, the congestion on O'ahu needs to be resolved for the visitors to make the connection to Maui. He said that a lot of emphasis is being placed on how the Big Island cannot only be sold as the Big Island and that a Big Island-Maui connection needs to evolve where international travelers can fly directly into the Big Island, but have access to an immediate connection into Maui, so that those two islands can be better fed.

Mr. Nāho'opi'i offered to put the target distribution in percentage form, as well as the actual distribution in the columns instead of the numbers.

Mr. Chang commented that the general statement seems to be that we are seeing less distribution to the islands. He said that in the previous two slides, arrivals are down to target in both the original and adjusted targets, but slide 5 shows that arrivals are up to target. He stated that this leads him to believe that there are more multi-island visits and that the targets are being exceeded, yet in the previous two slides, it shows that arrivals are down to target as entry into the State. He said that it appears that there are less people coming into the State based on the previous two slides, but we have more arrivals on each of the islands. He said that he is having trouble reconciling the statement that we are seeing less multi-island stays because the slides indicate differently.

Mr. Uchiyama said that the pitch is changing, so although the total number of arrivals is down, there is an increase in the direct arrivals into the neighbor islands. He pointed out that the neighbor islands are trending better than the overall.

Mr. Chang stated that maybe one of the takeaways is to try and work on the numbers and to work with a few of the board members on the presentation.

Mr. Chang commented that it seems like 2007 is kind of a benchmark for us, which he agrees with, but asked if it makes sense to apply that more consistently across these different measurements. He said that if the goal is to hit or exceed 2007 year over year, we are going to see growth compared to the last two (2) years, so what is a truly good comparison for us to see the effectiveness and our return on investments here as we look at the benchmarks?

Mr. Nāho'opi'i replied that he has some other charts that look at a five (5) year past trends. Mr. McCartney asked if we could look at a three (3) year average. Mr. Nāho'opi'i agreed. Mr. Uchiyama added that his only concern regarding 2007 is that there were additional cruise ships in the market and there was a half a million tied to that. Mr. Nāho'opi'i stated that he would present some benchmarks for the board to review. Ms. Ewing stated that we need to replace that missing half million people, so it is still a fair comparison. Mr. Uchiyama agreed that we need to do that, but added that those people were here as a direct

result of the cruise ships, so while that could be used as a benchmark, we need to understand what the make-up was at that time.

Mr. Williams said that as we do this, Honolulu becomes a bottleneck for international and U.S. East travelers. He said that most of the travelers from the East fly into and out of Honolulu because the neighbor islands do not have the luxury of having direct flights east of the Rockies. He stated further that it is going to continue to be a huge problem in traveling every day. He said that during holiday periods, "that airport is a mess" and expressed concern regarding whether Hawaiian Airlines can keep up with that.

Mr. Uchiyama said that one factor that has to be taken into consideration is that Hawaiian Airlines is going to take care of their transpacific passengers first before they accommodate other travelers, so that is another reason there is a bit of a bottleneck from that perspective. He added that there is the customs immigration component, where the international traveler cannot get immediate availability on an inter-island flight because Hawaiian Airlines is protecting that space for their customers first. He said that we are looking into that as well.

Mr. Williams said that if it is also assumed that we want multi-island stays, if Honolulu is the bottleneck, the current infrastructure is discouraging that because it makes travel inconvenient. He said that a visitor is not going to waste their time waiting at the airport for a standby seat to go to another island versus just enjoying the island they are already on.

Mr. Uchiyama said that the ease of access is really a key element in how we manage the distribution within the State.

Mr. Uchiyama shared that Allegiant will make a formal announcement on February 1st and that they will be in the market in June. He said that we are already engaged in dialogue with them and the four (4) markets that they are going to initiate are Bellingham, Stockton, Fresno, and Eugene. He said that they are going into third-tier cities and will probably start with O'ahu and Maui arrivals, but their entry into the market is going to change the airfare complexion significantly. He cautioned that we need to watch the legacy carriers and pointed out that we have already voiced our concerns to Allegiant regarding their price positioning. He said that he thinks that it will serve to really re-stimulate the market.

Mr. Nāho'opi'i continued with his PowerPoint presentation, stating that Kaua'i has shown the strongest growth with new service and it was the last island to recover arrival growth out of 2008-2009. He said that O'ahu is strong for September through October, but it was slow during the summer period, mainly because summer is driven by Japanese visitors and because we had not yet recovered at that point, in June and July.

Mr. Nāho'opi'i explained that "Group Tour" is defined as those who travel with a tour guide, so it is purchased as such; "Package" is when airfare, ticket, and accommodations are purchased together, and FIT is defined as those who are neither. He explained that our definition of FIT is that the traveler is not on a group tour and they did not purchase

something together; instead, the traveler bought independent pieces and they are not obligated to any sort of schedule/group tour either. Mr. Nāho'opi'i said that it really has to do with travel trade and how things are sold because the group tours and packages are both sold mainly through either wholesalers or travel agents. He said that there is a difference between MMA. He stated that group tours are up 7 percent, with increases mainly with U.S. East and Canadian tour groups. He said that in the Japanese market, the FITs recovered more quickly than group tours or packages and that a lot of growth was seen last year in FIT mainly because once Expedia came on board, they were buying direct from Expedia Japan, so travelers could take advantage of the yen exchange rate. He said that group tours are still lagging; we are still below where we were before.

Mr. Bloom asked if this type of information is available for all markets. Mr. Nāho'opi'i responded affirmatively and Mr. Bloom asked that this information be emailed to the board members. Mr. Williams also requested that information on the regional distribution in Canada be provided as well.

Mr. Bloom asked if the report about occupancy and ADR from Hospitality Advisors was also available. Mr. Nāho'opi'i replied that he was waiting for that report to come in and that he would put that information into the charts.

Mr. Nāho'opi'i reported that in terms of MCI, two (2) large conventions in town helped to increase our convention business, albeit slightly. He said that one of the reasons overall growth is not as strong as last year is because the Taiwanese incentive groups were here last year during September through November and that helped to add to the incentive number and they flew direct via charter flights as well. He said that while hotel usage is up slightly, it is the same as this time last year overall. He reported that condo and timeshare usage went down slightly in the month of October. He pointed out that condo usage has been high through the early part of the year and it is just starting to fluctuate slightly, while hotel usage has been below and is being replaced by condo usage during this time period. He said that hotel usage is attributed to the Japanese visitors, so when there is a lack of Japanese visitors, a decrease in hotel usage will be seen and for certain markets, travelers may opt to stay in a condo due to price sensitivity. He said that timeshare is consistent; there is build, but not heavy sales this year.

Mr. Nāho'opi'i stated that we expect the end of the year to show that we are up in terms of air service except for U.S. East.

The meeting was recessed at 10:04 a.m.

The meeting was reconvened at 10:12 a.m.

5. Presentation of the HTA Brand Sustainability Plan

(This Agenda item was discussed out of order)

Mr. Uchiyama introduced the Brand Management Team, who worked together to develop and present the HTA Brand Sustainability Plan that was previously provided to the board. The Plan expands the Tourism Strategic Plan: 2005-2015 (TSP) initiatives and prioritizes issues that have been deemed the most pertinent. It also includes an operation plan that organizes the HTA for success. The team explained that the HTA programs have been realigned under this Plan into five (5) core areas: Maintaining Brand, Brand Experience, Brand Management, Communications, and Tourism Research. The programs were realigned to capture efficiencies in management; to place a stronger emphasis on the core areas by grouping related programs and because communications and tourism research encompass all program areas. It was also pointed out that "Hawaiian Culture" is not one of the five (5) core areas because it is woven throughout all the areas.

Mr. Bloom asked about signature events and how many we are sponsoring this year. Mr. Story responded that we are sponsoring six (6) major events; Ms. Wilson estimated that we are supporting approximately 25 signature events in total.

Ms. Thompson asked how many of those 25 events are new. Ms. Wilson cited the Food and Wine Festival as a specific example of a new signature event that HTA is supporting. Mr. Story explained that one of the challenges that we are dealing with now is that our current major festivals contracts are multi-year contracts that are slated to end in 2012. He said that this is really a change year, but there will be some new sports-related events that come through in 2012. Ms. Wilson added that this plan indicates, ultimately, where we want to be and she explained that there may be some events that are currently in the Signature Events category that may need to be brought down to Product Development.

Mr. Chang complimented and congratulated the staff on their work on the Plan. He said that staff did an amazing job and that the excitement, enthusiasm, and energy that the collaboration has created is evident and refreshing to see. He commented on Ms. Akimseu's portion of the presentation and how she said that one of her goals is to be able to communicate who we are and what we do. Mr. Chang commented that he is not sure that we know that yet. He said that it is a question that we have asked ourselves at the board level for a long time and he believes that it warrants some discussion. He said that we have never had it before and thinks that it is imperative that we all "sing off the same sheet of music" when someone poses that question.

Ms. Thompson added that she has seen tremendous improvement over the last two years from where we were to where we are currently.

Mr. Salā asked Ms. Anderson who and how the Hawaiian Islands brand and each individual brand identity is determined and if each of the islands buy in to that individual identity.

Ms. Anderson replied that the Hawaiian Islands brand and the brand identity were worked on with the Hawai'i Visitors and Convention Bureau when they went through their re-examining and rebranding process. She explained that this is what all of our marketing partners are doing around the world and we wanted to make sure that in Hawai'i, there is a connection between the island brand and what they do.

Ms. Weiner said that Mr. Salā is asking about the process by which the community provided input to get to the branding of the islands and do they agree?

Mr. Uchiyama said that it was a three (3)-prong process in determining the brand. He explained that there were focus groups done in our major markets and the people who were identified as return travelers to our island were asked about what each of the islands mean to them – that's one prong. The second prong had to do with going into the community with major stakeholders and asking them about what they felt was their brand. The third prong, he continued, involved asking the industry how they see each of the islands positioned. He said that consensus was gained from these three prongs coming together. He added that subsequent to that process, focus groups were asked how these identities best represent each of the islands and the State of Hawai'i. He said that's how each of the brands evolved, including the "Hawaiian Islands."

Mr. Salā asked if staff is working with each of these islands to develop the programming that speaks specifically to these brands.

Ms. Anderson replied that for the CPEP program, what staff is trying to do is make sure that the awardees are cognizant of the island brand. She cited the example of the the Big Island and how its is "Inspiring." She said that the staff and the Big Island Visitors Bureau will be conducting a workshop on the idea behind the "Inspiring" brand and what each awardee can do to promote their event or program in that manner, through the imagery they use or the messages they communicate. She said that the intent is not to have the community organizations change what they do, but to understand the brand and to be in alignment with it in their communications.

Mr. Salā asked if the RFP speaks specifically to an island identity brand. Ms. Anderson responded that in the proposals received for CPEP, the offerors were asked to provide a marketing plan that would address their island brand identity and how they would market or promote it, but she reported that the majority of them did not do that and provided a regular marketing/PR campaign schedule instead. She explained that the workshops are about letting them know that there is an island brand and that as a visitor industry, we are trying to support and promote it and that they can contribute to that through their event or product and in their messaging or marketing.

Mr. Salā said that he applauds the effort, but also said that what he would like us to be cognizant of in the initial evaluation process is how the proposal demonstrates how it speaks to the brand, and that the final evaluation assesses how the actual event accomplished that so

that we don't run into the same sort of situations that have occurred in the past with events such as the Kamehameha Day Celebration and Aloha Festivals where something got lost in translation. He says that the front-end has to answer to the back end in some way that is aligned.

Ms. Wilson concurred and explained that the team is learning how to better evaluate some of our programs, setting goals and measurements, and then evaluating them at the end.

Mr. Chang asked for clarification regarding the meaning of "Provide Increased Visitor Nexus – A Visitor Ratio of 25 to 75" on the handout that was provided to the board.

Ms. Anderson explained that offerors were to provide us with how many residents and visitors they would attract. Mr. Chang asked what the numbers 25 and 75 represented. Ms. Anderson replied that the number 25 represents visitors and the number 75 represents residents. Mr. Chang asked if the target is three (3) residents for every visitor. Ms. Anderson replied affirmatively and clarified that the ratio was a minimum and that the more visitors, the better.

Mr. Chang asked if the cultural programming would be following these same guidelines. Ms. Wilson replied that the CPEP program has a very strong visitor nexus, whereas the Hawaiian Culture Program is more focused on the culture, so the mantra is, "What's good for the culture is what's good for the visitor industry." She stated that in the Hawaiian Culture RFP, there is some mention of a visitor industry nexus – "if you do have it, could you please explain what it is, but it's not necessarily a requirement because the focus is on the culture for that particular program."

Mr. Chang asked if the same holds true for the four (4)-year limit on funding and/or the cash match requirements that have been developed for CPEP. He asked how it relates from both the Cultural as well as the Natural Resources programs and if the criteria will be the same or modified.

Ms. Wilson explained that with regard to the Product Enrichment Program, which consists of all three (3) RFP community programs – Natural Resources, Hawaiian Culture, and CPEP – the four (4)-year limit exists for all three (3) programs and the cash match requirement has been raised for Natural Resources and Hawaiian Culture to 30 percent cash, which is a little less than the CPEP program because of staff's understanding of the mix of applicants to the Hawaiian Culture program versus the CPEP program. She said that the CPEP program applicants tend to be a little more organized, whereas the Hawaiian Culture program applicants are smaller, more community-oriented groups that are sometimes staffed solely by volunteers, so they are not as equipped to get some of the cash match as the CPEP program applicants. Ms. Wilson said that the team has had to look at the whole mix of the applicants for each program to try and come up with the criteria, while keeping in mind that they did not want it to be completely out of their reach, especially for the Hawaiian Culture communities.

Mr. Chang concurred and said that overall, one of our goals is to enhance the quality of life for Hawai'i's residents and one of the ways in which we do that is to provide a means of economics through the visitor industry, but we've often talked about how there are other ways that HTA does that and one of them is to support these grass-roots things, especially from a cultural standpoint. He said that he wants to ensure that we don't lose sight of that by putting western criteria onto cultural programs. He asked for the reasoning behind the four (4)-year limit on funding, saying that he believes that from a cultural perspective, some of these programs should be funded into perpetuity. He expressed his concerns that we put too much structure in some places and that we are trying to put it into a business model that may result in losing a connection.

Ms. Wilson explained that the reason behind the four (4)-year limit on funding is to encourage these organizations to really think about their sustainability plans. She said that weaning them off of HTA funds at the four (4)-year mark encourages them to plan and look ahead with the goal of being self-sufficient. She explained that the "Maintaining Brand" area really addresses the long-term vision for Hawai'i and that includes the Hawaiian Culture initiative. Ms. Wilson acknowledged that there are some areas that the HTA might want to support for the long-term and for longer than four (4) years, such as language or art.

Mr. Williams commented that he thinks we need a Brand Promise and that part of that promise should entail making a commitment to stakeholders, the community, the culture, and our regulators.

Mr. Chang expressed some concern over the use of the word "product." He said that we keep talking about events, and if this is a farm system where our goal is events and not really product, then the question becomes the use of the word "product." He also questioned the meaning of "incubator projects" and what role the HTA plays in it, if any. He asked if the aim is to help diversify and provide more variety or deeper experiences that may not be defined as a festival or an event. He asked how we can use this model to start to ensure that the products are always fresh and that they are actually new products that enhance the economics of a particular community, where appropriate.

Ms. Anderson responded that the Brand Team has been discussing this for several months now and looking at ways in which the HTA can be a resource; what can we provide to the community; and how we can better enable these organizations to come up with new products. She said that one idea was to come up with a tool kit so that organizations can find out where they can go for business assistance because we know that as staff, we are not equipped to handle that right now, but we can guide them in the right direction. She said that under the CPEP, Hawaiian Culture, and Natural Resources programs, not only events and festivals are funded, but projects and multi-year projects are funded as well. She pointed out that in moving forward, we have to see what our capabilities are and determine how we can touch the other avenues of Product Development, such as transportation, but for right now, staff is putting forth efforts to figure out this phase of the process first.

Ms. Wilson addressed Mr. Chang's concerns regarding the Hawaiian Culture Program and said that we will make sure that we are not putting the culture in a box. She assured him that she understands that there are those types of "core" initiatives that we should be supporting, and that there should be discussion about that under the Maintaining Brand area. She pointed out that cultures around the world have certain things that are their lifeline, such as language and art and said that "there is a science behind it." She said that we can identify these core areas – not necessarily groups that we want to support in perpetuity, but perhaps the culture's lifeline areas and come up with some initiatives and programs under the Maintaining Brand area.

Ms. Weiner said that from a practical standpoint, two things should be kept in mind: One is that everything is really good right now and we have a lot of money, but when we have less money, which is inevitably going to happen, the question is where the priorities change. She pointed out that we have had that happen before where we have had to cut back and put more money into marketing because we concentrated our efforts toward getting visitors here, so that is one consideration. She said that another consideration is a really practical auditing consideration. She explained that we have to ensure that the people to whom we are providing funding are fiscally responsible and that they are running a good business. She also said that talking about something in perpetuity is very dangerous because changes in ownership and management may happen and fiscal responsibility may not be in place. She pointed out that we have a fiduciary responsibility to the taxpayers of the State to make sure that when we are distributing money, we are doing it responsibly and "if we can't stick to that, the auditor is going to make sure that we do." She said that it would be wonderful to do a lot of things in a broad way, but cautioned that we also need to make sure that we have a structure in place to assure the effective management of a lot of these programs.

7. Action to Approve HTA's Financial Reports for September and October 2011
(This Agenda item was discussed out of order)

Mr. Togashi presented the financial reports for September and October 2011. He reported that we have \$30,670,000.00 of encumbrances from 2011 and prior, as of the beginning of the year and that approximately \$15.2 million of prior-year funded expenditures have been paid to date. He said that some of the large expenditures that were sourced by prior year encumbrances in September 2011 included \$200,000.00 in Access; \$3.9 million for North America and Canada within Leisure Destination Markets; and \$490,000.00 for the Japan market. He also reported that \$245,000.00 was paid out for Other Sports events, which rounds out the significant activity related to prior year encumbrances during the month of September.

Mr. Togashi also reported that significant activity during September related to current year appropriations included receiving \$7.3 million of TAT revenues; expending \$1.2 million in Access Airline Development programs; and \$280,000.00 for Administrative services.

He explained that the budget statement for September shows that we have approximately \$20.3 million in uncommitted funds and that we are operating within budget as of the end of September. He reported that some significant commitments made during the month of September included \$26 million for North America Leisure; \$6.8 million for Japan; \$1.1 million for gohawaii.com; \$1.4 million for CPEP; and \$1 million for the Department of Land and Natural Resources community-based programs.

Mr. Togashi said that the balance sheet for September shows that we have \$38 million in liquid assets, in addition to the \$5 million held in our trust fund, and \$9.9 million in reserves. He shared that of that \$9.9 million, \$8.3 million is unencumbered reserves.

He reported that to date, we have received approximately \$1.2 million more in TAT revenues than we had at this point in time last year.

Mr. Togashi presented the operating budget for the Convention Center Enterprise Special Fund (CCESF) and reported that revenue to date is \$1.3 million, as compared to the expenditures from Operations of \$4.5 million. He explained that it leaves a \$3.2 million Convention Center operating loss, which is approximately \$150,000.00 greater than originally budgeted, but said that in terms of operations, it is expected to be in line with the original budget that anticipated a \$4.7 million loss for the fiscal year.

He said that the budget statement for the CCESF reflects that we are spending according to budget. He also reported that we have received \$1.1 million more in TAT revenues as compared to this time last year.

Mr. Togashi went on to present an additional page to the financial report, which illustrates the amount of funds that SMG and HTA have that are available to fund Capital Improvement Projects. He explained that currently, there is \$10.2 million readily available and of that amount, \$9.2 million is with SMG and \$1 million is physically with the Department of Accounting and General Services (DAGS).

Mr. McCartney added that the money is lined up for projects that are ready to go and "it is not money that is just sitting there." Mr. Togashi confirmed this and also explained that there is also \$2 million available in emergency reserves.

Mr. Togashi continued his presentation with the financial statements for October 2011. He reported that we have \$11.6 million in prior year encumbrances that have not yet been expended. He said that some large expenditures that were incurred during the month of October included \$1.9 million for North America Leisure; \$900,000.00 for Japan Leisure; \$230,000.00 for Other Asia; and \$230,000.00 for Global CMI.

He explained that some of the significant activity that occurred in the month of October using funding from the current year included expending \$1.7 million for market saturation

programs for North America; \$400,000.00 towards gohawaii.com; \$500,000.00 for CPEP; and \$100,000.00 in Natural Resources.

Mr. Togashi reported that there is \$19.7 million in uncommitted funds as of the end of October 2011 and that we are operating within budget. He shared that some of the significant commitments during the month of October were related primarily to \$150,000.00 in HTA Product Development costs, as well as \$215,000.00 in Administrative Services costs.

He shared that as of the end of October, we have received \$28.9 million out of the \$69 million, which is \$2.9 million more in TAT revenues as compared to this time last year.

Mr. Togashi presented information on the revenues for Operations for the Convention Center, which shows that we have \$3.3 million year to date, in comparison to \$5.5 million in expenditures, which equates to a \$2.2 million operating loss.

He reported that we are spending according to budget and within our \$54 million appropriation.

Mr. Chang asked if the review and approval process for capital for the Convention Center goes through the HTA. Mr. Togashi responded that while we are kept apprised of the significant projects that are undertaken, the management of it resides with SMG and the administration and execution of the procurement resides primarily with DAGS.

Mr. Chang made a motion to approve the financial statements for September and October 2011. Ms. Weiner seconded the motion, which was unanimously approved without objection.

Ms. Weiner made a motion to go into Executive Session at 11:58 a.m.
The meeting was reconvened at 4:01 p.m.

4. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives

(This Agenda item was discussed out of order)

Mr. McCartney initiated a discussion regarding the Pro Bowl. He said that staff feels that we should keep the Pro Bowl and that we are going to do what we can to lower the cost, but "it might end up being what it is." He said that we have to take a position before a conversation takes place with all the other parties involved.

Mr. Yoshida expressed his support for keeping the Pro Bowl, but also said that we should do what we can to negotiate it down from \$4 million.

Mr. Uchiyama shared that the NFL has been asked to provide us with an itemized breakdown of how much it spends in Hawai'i. He pointed out that they exceed the \$4 million that is paid out to them, so if that is taken into consideration, along with the incremental revenue that we have identified and the exposure value, then he thinks that it is something worth pursuing.

Mr. Williams offered that another idea that was brought up was to ask them for money to support one of our non-profits, which could be another way of cutting that cost.

Mr. Williams shared that the recommendation from staff is that we should continue negotiations to keep the Pro Bowl in Hawai'i and he would like to get their thoughts on the matter.

Mr. Kobayashi asked if there was a possibility of an increase in the price. Mr. Uchiyama said no and that our position is that we are coming in at a flat proposal.

Mr. Chang asked why our position could not be where we come in with a proposal for a lesser amount. He said that some of the board members were present when this discussion came up three (3) years ago and that the \$4 million is looked at as it relates to the budget. He shared that there was pressure from all sides that something needed to be done and said that while he supports the Pro Bowl, he would have a difficult time supporting the \$4 million price tag.

Mr. Chang pointed out that there is also a neighbor island issue. He said that the Pro Bowl has the appearance and the perception of being an O'ahu-centric event and that the bulk of the economic benefit is realized on O'ahu, which has also been hard to swallow. He shared that in the last discussion, the neighbor islands were fairly vocal in that they could take that money and expend it in ways that would result in larger returns for their communities.

Mr. Uchiyama revealed that 11,000 tickets were unsold last year and that ticket sales right now are pacing significantly behind in comparison to last year. To address Mr. Chang's comment about the neighbor islands, Mr. Uchiyama shared that a neighbor island connection to the Pro Bowl is being created. He said that the NFL is working with an inter-island carrier so that people can fly in and that there will be ground transportation from the airport to and from the game that will provide people with the option of flying out right after the game, rather than having to stay over. He said that if we are looking for something under that \$4 million threshold, then "we are probably not going to have a conversation."

Mr. Williams added that when we say "flat," we are conveying the message to the NFL that we are willing to pay the \$4 million, but said that we must negotiate the best deal we can. He said that we are not willing to pay more than \$4 million, but that "best deal" can also mean that the NFL donates money to a Hawaiian language program or to a charitable organization.

Mr. McCartney distributed an updated organizational map to the board detailing staff's activities to date, along with draft policies written by KMH. He reported that board members will be given a first look of the draft policies in April for board approval in May.

Mr. Togashi reported that we are currently looking into contracting with a consultant to help us with the process of procuring a financial and contract management system. He explained that the contractor will assess our needs based on interviews with staff and conduct a mini RFI process where potential vendors are requested to come in and make recommendations on what is needed for us to be more effective and efficient. He said that subsequent to that, an RFP would be drafted and our system would be procured. He explained that we are trying to get a system that will integrate everything that we are trying to do, such as streamlining all of our information so that the Brand Managers and Administrative staff have access to the same information and to allow the Brand Managers to use it as a tool to manage their contracts. He said that we are hoping to complete this process by August 2012.

The meeting was recessed to go into Executive Session at 4:19 p.m.
The meeting was reconvened at 4:21 p.m.

Mr. McCartney advised that Mr. Randy Tanaka is the Interim Sales Director for the Convention Center and he will be reporting to Mr. Uchiyama.

9. Discussion and/or Action to Approve the Competitive Procurement Process to be Utilized for Marketing in the North America Leisure Major Market Area and for the Hawai'i Convention Center

Ms. Weiner made a motion to issue an RFP for the North America Leisure marketing for the term of January 1, 2013 through December 21, 2014, with options for three (3) years. The new RFP will not include line items for Research, gohawaii.com (including, but not limited to, appropriate IP), and the Knowledge Bank, effective January 1, 2013. Ms. Ewing seconded the motion.

Mr. Chang asked if this was for a two (2)-year contract, beginning January 1, 2013 with three (3) option periods. Ms. Weiner confirmed his understanding with the explanation that the option periods could be for one, two, or three years.

Ms. Weiner asked if the staff feels confident that they can take on responsibility for research, gohawaii, and the Knowledge Bank. Mr. McCartney and Mr. Uchiyama replied affirmatively.

The motion was unanimously approved without objection.

Ms. Weiner made a motion to authorize the contract option to extend the SMG contract for the Convention Center Operations and Marketing for 18 months, through December 31, 2013. Staff is authorized to negotiate terms. During the extension period, HTA will

complete a market study and issue an RFI and then an RFP. Mr. Fitzgerald seconded the motion.

Mr. Chang said that he wants to ensure – before everyone leaves the room – that they all understand and are prepared for what is going to happen next.

Ms. Weiner said that the question is whether a press release should be issued. She said that in the past, press releases have been issued about RFPs and in the best interest of the State, it would be good to have as many bidders as possible, so that schedule should be as widely communicated as possible.

Ms. Elento-Sneed explained that the process is to issue a Notice of Intent to Issue an RFP.

Ms. Weiner added that the process has always been that Mr. McCartney is the spokesperson, so any questions or any inquiries should be directed to, and addressed to him to ensure that there is a uniform response to all questions.

Mr. Chang asked if a press release would be issued. Mr. McCartney said that a press release should be issued to ensure that our board action is consistent out in the community and the industry, so the release would codify everything. Mr. Chang agreed. Mr. McCartney explained further that the press release would be on the board action and what staff is directed to do now, based on the board's decision.

The motion was unanimously approved without objection.

10. Adjournment

The meeting was adjourned at 4:29 p.m.

Recorded:


