



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, June 28, 2018
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, David Arakawa, Sean P. Dee, Gerald De Mello, Donna Domingo, George Kam, Ku'uipo Kumukahi, Sherry Menor-McNamara, Denise Hayashi Yamaguchi

MEMBERS NOT PRESENT:

Craig Nakamura, Kelly Sanders

HTA STAFF PRESENT:

George Szigeti, Marc Togashi, Charlene Chan, Kalani Ka'anā'anā, Carole Hagihara, Caroline Anderson, Chris Sadayasu, Christina Wieand, Jadie Good, Laci Goshi, Lawrence Liu, Minh-Chau Chun, Naomi Sjoquist, Noriko Sloan, Pua Sterling, Ronald Rodriguez

GUESTS:

Teri Orton, Nicole Liew, Lee Conching, Nathan Kam, Erin Kinoshita, Pris Texeira, Allison Schaefer, Mari Tait, Katie Murar, John Monahan, Debbie Zimmerman, Mitsue Varley, Eric Takahata

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:34 a.m. Chair Fried acknowledged Pua Sterling, who offered an Oli. Chair Fried acknowledged that three Board members, Gerald De Mello, Donna Domingo, and Denise Hayashi Yamaguchi were departing, and thanked the three Board members for their service.

2. Approval of the Minutes of the May 31, 2018 Board Meeting

Chair Fried requested a motion to approve the minutes of the Board meeting held on May 31, 2018. Ms. Kumukahi made the motion, and Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present.

3. Review of Recent and Upcoming Permitted Interactions

Chair Fried asked if there were any reports of permitted interactions. No Board members reported any permitted interactions.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During May 2018

Chair Fried acknowledged Mr. Szigeti, who began his presentation by stating that June was an important month for HTA in its recovery efforts due to volcanic activity on Hawai'i Island and ongoing flood response on Kaua'i. He explained that news coverage and video of the lava flow has diminished greatly due in large part to industry partners working collaboratively to counter misconceptions on travelling to the State of Hawai'i. Mr. Szigeti explained that HTA has continued to keep the alert section of HTA's website active to counteract news coverage, and that there has since been positive media coverage regarding the safety on all islands. He explained that Hawai'i Island's visitor's bureau has continuously given interviews, and that HTA has been in contact with over 100 media outlets to provide information. He also reported that the spokesperson for Hawai'i Island's visitor's bureau has given over 30 interviews to various media outlets, and that these videos were repurposed into a video news release, including key talking points that Hawai'i is safe for visitors and largely unaffected, except for the lower region of Puna. Mr. Szigeti recognized Ms. Chan for having productive meetings with Kohala Coast Resort Association. Last, Mr. Szigeti stated that HTA has kept its efforts to support recovery efforts in Hanalei, Kaua'i.

Mr. Szigeti noted that the redesign of the www.hawaiitourismauthority.org website launched in June, and that the website had a more user-friendly and clean design.

Mr. Szigeti then noted that he met with Hawaiian Airlines Chief Executive Officer Peter Ingram and his team to discuss their recent joint venture with Japan Airlines, and that he also met separately with executives of Japan Airlines concerning volcanic activity on Hawai'i Island. He also noted that he conducted calls with all of HTA's global partners within the past two weeks to discuss the volcanic activity on Hawai'i Island and the upcoming Global Tourism Summit. Mr. Szigeti then noted that he had positive meetings with All Nippon Airways ("ANA"), which is one year away from launching its Airbus A380s, and with the Global Tourism Summit Steering committee.

Mr. Szigeti reported that he would attend a quarterly meeting in July with Mayor Kirk Caldwell and all Waikiki stakeholders to discuss issues including traffic and homelessness. Last, Mr. Szigeti offered that occupancy for Hawai'i hotel properties were currently at 79.5 percent, and

that hotel properties reported increases in ADR. He said that among visitor statistics, spending increased by 11 percent, that arrivals increased by 7 percent, and that air seats increased by 12.6 percent. He noted that the State of Hawai'i's year-to-date tax revenue was \$894.6 million, plus \$87.7 million, or 10.9 percent.

Mr. Atkins thanked the Board on behalf of the Kaua'i Visitors Bureau for supporting the shuttles, its social media campaign, and funding for activities in Hanalei this summer. He also thanked Mr. Ka'anā'anā for helping to implement the shuttle program on Kaua'i.

Chair Fried asked Mr. Szigeti to mention the sponsorships for the Global Tourism Summit. Mr. Szigeti acknowledged HTA Staff for working together for coordinating the Global Tourism Summit. Mr. Szigeti then stated that the Global Tourism Summit had been so far well received, and HTA expects 2,500 people to come from 18 different countries. He noted that the Global Tourism Summit has its \$75,000 sponsor in place, as well as sponsors for \$40,000 and \$50,000 and that these sponsors could not yet be announced.

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

Chair Fried acknowledged Minh-Chau Chun, who presented the current market insights and conditions in key major Hawai'i tourism markets. Ms. Chun stated that visitor spending increased by 11 percent, and arrivals increased by 7 percent. She noted that spending increased for the U.S. West, U.S. East, Japan, and Canada markets, though spending for Canada was slightly lower than projected. She noted increased arrivals from Oceania, New Zealand, Australia, and Europe.

Ms. Chun presented that arrivals by air decreased for Hawai'i Island by 1.6 percent in May. She stated that the decrease was attributable to volcanic activity, which resulted in the cancellation of the Pride of America cruise ship's port calls to Hilo and Kona, which in turn resulted in a decrease of 7,000 visitor arrivals to Hawai'i Island. Cruise passengers on the Pride of America are those who came by air to the State and boarded the ship at Honolulu Harbor on Saturdays to begin a seven-day tour around the Hawaiian Islands. Ms. Chun stated that these port calls were resumed in mid-June and HTA would continue to monitor the arrivals.

Mr. Atkins asked Ms. Chun for clarification into how statistics for passenger arrivals were calculated when passengers arrived to an Island by cruise ship. Ms. Chun responded to Mr. Atkins' question by affirming that passengers who visit an Island by cruise ship are counted among that Island's total arrival numbers (arrivals by air plus arrivals by cruise ship). Mr. Atkins then asked for clarification on whether counting cruise ship passengers as arrivals is 'double-dipping' when those passengers arrived in Honolulu, Hawai'i and boarded the cruise ship in Honolulu, Hawai'i. Ms. Chun replied that HTA counts state-wide visitor arrivals and individual island visitor arrivals separately. She further explained that, on a statewide level, a visitor is counted only once, regardless of how many islands he or she visited, and on an island-by-island basis, that visitor will be counted on every island he or she went to; therefore, the sum of

visitor arrivals to each individual island is larger than the total number of arrivals to the State. Mr. Atkins followed by asking whether a visitor's day trip to Kaua'i from another island counts as an arrival. Ms. Chun replied that day trips are counted and that any arrival onto an island is counted as an arrival to that island. Mr. De Mello commented that when the cruise ship stopped arriving on Hawai'i Island, the ports felt like ghost towns, and that activity has since improved. Mr. De Mello thanked Mr. Szigeti for combatting media overreaction by affirming that Hawai'i Island is safe for visitors. Mr. Szigeti asked Laci Goshi to clarify the status of other cruise lines, in which Ms. Goshi responded that Crystal and Norwegian cruise ships are returning to Hawai'i Island ports.

Chair Fried stated that HTA needs to make sure that the statistics are clear in how it calculates visitor arrivals. In response to Chair Fried's concern, Mr. Arakawa suggested that an explanatory sheet describing how numbers were calculated in state-wide and county-wide arrivals would resolve questions on how to read the numbers. Ms. Yamaguchi suggested that testimonials would support increasing visitor arrivals to Hawai'i Island, and that visitors could be encouraged by participating by receiving goodies or other items. Mr. Szigeti responded to Ms. Yamaguchi's suggestion by stating that he will discuss the possibility of testimonials with Norwegian Cruise Line in a scheduled meeting in July. Mr. Atkins recognized that the cruise lines' decisions to pass Hawai'i Island have shown how much impact cruise ships have on visitor arrivals and spending.

6. Presentation, Discussion and Action on Hawaii Tourism Japan's Proposal to Use Emergency Funds to Fund Response and Recovery Marketing Plans Resulting from the Volcanic Activity on the Island of Hawai'i.

Chair Fried acknowledged Eric Takahata, who discussed Hawai'i Tourism Japan's Proposal to use Emergency Funds in response to volcanic activity on the Island of Hawai'i. Mr. Takahata began by explaining that the number of visitor arrivals from Japan to Kaua'i needed to be increased, and because the numbers were already minimal, the flooding in Hanalei did not have a large impact on the number of visitor arrivals from Japan.

Mr. Takahata explained that the protocol for addressing the Japanese market must approach the entire market with both airlines and wholesalers. Mr. Takahata presented a three-phase plan to address the decrease in visitor arrivals from the Japanese market to Hawai'i Island.

Mr. Takahata stated that Phase 1 was to distribute accurate information to stakeholders on the effect of volcanic activity on Hawai'i Island. He explained that the Japan market was particularly sensitive to volcanic activity, earthquakes, and tsunamis, and, when these events occur in Japan, the Japanese government receives scientists to speak on the government's behalf, and these statements are circulated through television and the internet. HTA's concern was to ensure that information going to Japan was accurate, and HTA translated all alerts relating to volcanic activity as soon as possible to provide accurate information to stakeholders.

Mr. Takahata stated that HTA was currently in Phase 2, which was to directly approach consumers and educate media through briefing sessions.

Mr. Takahata stated that Phase 3 will be HTA's mitigation initiative. Phase 3 includes cooperating with travel agencies by creating package tours and educating travel agencies through seminars. He explained that part of this initiative was a collaborative effort between Hawai'i Tourism Japan, Japan Airlines and Hawaiian Airlines to open an Island of Hawai'i pop-up Café in Tokyo, Japan. He expressed that, in May, cancellations were not as strong as previously expected because most wholesalers do not allow for cancellations within 30 days; most of the wholesaler passengers continued their trip to Hawai'i Island. He then exclaimed that he thought the forecasting to June, July, and August looked okay, though there was concern regarding the booking pace, which was trending down.

Mr. Takahata stated that Hawai'i Tourism Japan's website page views doubled, most likely because consumers wanted accurate information on what was occurring on Hawai'i. He explained that all alerts were timely dispersed on the website, as well as social media and to media outlets.

Mr. Takahata explained that HTA recently approved \$250,000 in funds for a direct consumer campaign and media initiatives. In discussions Mr. Takahata had with Japan Airlines, Japan Airlines appreciated that HTA did not have any knee-jerk reactions to the volcanic activity on Hawai'i Island. He also discussed a survey campaign for Japanese consumers that began in June. He said out of 6,500 surveyors at the event "Aloha Tokyo 2018," about 1,800 planned to visit Hawai'i Island within the next six months, and 3,800 planned to go to Hawai'i Island within one year. He said the survey also showed that Japanese visitors showed interest in staying on Hawai'i Island for either three days or over six days. Mr. Takahata stated that interviews with specialists and exit testimonial interviews would be shooting between July and August, and that videos would be distributed on an ongoing basis as digital advertisements. He stated that press tours for various media outlets would begin shortly, and in October, major Japan newspapers would visit and provide coverage on the Island of Hawai'i. He last stated that Kalani Ka'anā'anā, Ken Hon, Ross Birch, and Mitsue Varley would travel to Japan to provide press conferences and briefings on the Island of Hawai'i.

Mr. Takahata stated that Hawai'i Tourism Japan was requesting an additional \$450,000 of emergency funds for its travel trade co-op program as part of Phase 3 of its Recovery Marketing Plan. He explained that major entities that are supporting travel to Hawai'i Island include Hawai'i Tourism Japan, Japan Airlines, Hawaiian Airlines, and Japan wholesalers, including JALPAK, among others. He further explained that these co-ops would happen through the year to September, and an example of one co-op being Japan Airlines' own \$4 million investment to start a new ad campaign beginning in June to run through mid-September. In explaining the Japan Airlines co-op, Mr. Takahata stated that Japan Airlines hired one of Japan's top three models of her generation for television and physical ads in a full advertising campaign. He stated that television ads ran during morning shows and prime-time television, and that physical ads were in all major Tokyo train stations. Mr. Takahata explained that Japan Airlines planned a separate large promotion campaign which would run from August to September.

Mr. Takahata stated that, in addition to Japan Airlines' campaign, another basis for additional funding included taking over Royal Garden Café to create the "Island of Hawai'i Café" from the end of July through September, as well as other consumer events and travel trade seminars.

Mr. De Mello expressed that there is currently no safe viewing site for Kīlauea, and due to the lack of a new viewing site businesses in the area were struggling. In response to Mr. De Mello's concern, Mr. Takahata stated that he had faith that safe viewing sites would be taken care of, and that the industry could focus on other sites in East Hawai'i Island, such as Waipi'o and Honoka'a. Ms. Kumukahi thanked Mr. Takahata and his team for their efforts to focus on cultural importance of the volcanic activity as well, and that HTA must bring back the cultural portion of conservation and preservation to the forefront of explaining the volcanic activity. Chair Atkins asked what else HTA could do to support the cultural importance of the volcanic activity. Mr. Takahata explained that Hawaii Tourism Japan included Mr. Ka'anā'anā in the media tours to address the cultural importance of Hawai'i Island, and noted that two years prior, HTA held an executive level familiarization tour of Kīlauea, which moved some Japan Airlines' executives to tears.

Chair Fried asked for a motion to approve release of \$450,000 from the Tourism Special Fund's emergency funds for Hawai'i Tourism Japan's Recovery Marketing Plan. Mr. Kam made such motion, and Mr. De Mello seconded the motion. Chair Fried then opened the Motion for discussion.

Mr. Arakawa asked how much support HTA could expect from its industry partners. Mr. Takahata explained that the prior day, he met with the Executive Director in charge of the Hawai'i route of Japan Airlines, and that it was Japan Airlines' number one priority to support its air routes to Hawai'i Island. Mr. Szigeti, in response to Mr. Arakawa's question, responded that supporting marketing efforts for Hawai'i Island was the highest priority for Hawaiian Airlines as well. Mr. Atkins asked how much of the funding would go to wholesalers. Mr. Takahata explained that almost all of the funding would go to co-ops with airlines and wholesalers as HTA's contribution in supporting the mitigation process, and that the industry must match HTA's contribution by at least three to one. Mr. De Mello asked what the new familiarization tours were going to be. In response to Mr. De Mello, Mr. Takahata explained that wholesalers were currently on Hawai'i Island to create a new product in East Hawai'i Island, since the volcano was originally a large component of that experience.

Chair Fried asked for a vote on the motion. The motion was unanimously approved by all members present.

Chair Fried asked John Monahan, President of Hawai'i Visitors Convention Bureau, to provide the Board with an update on a social media campaign. Mr. Monahan explained that the social media campaign was executed, and hit 20 out of the 29 targeted U.S. cities. The hashtag, #exploreislandofhawaii, had over 4.2 million impressions with 180,000 visitor views. Mr. Monahan encouraged businesses to use the hashtag, and to use appropriate hashtags in their posts. He stated that most of HVCB's 53 partners have made social media posts and have

helped to amplify HVCB. Mr. Monahan also stated that mainstream media is spreading a positive message that travelling to Hawai'i Island is safe. He agreed with earlier statements made by Mr. Takahata that booking pace is still a problem, and that prospective visitors have concern with the air quality on Hawai'i Island. Mr. Monahan stated that monitors in Kona will help to accurately measure the air quality. He predicted that the visitor industry will ultimately be harmed until a new viewing site is established for Kilauea. Last, Mr. Monahan stated that HTA should continue to ensure that the volcanic activity on Hawai'i Island is not called or discussed as a natural disaster, while still noting that residents have lost their homes and belongings. In addition, he expressed that the volcanic activity must be addressed with a cultural component, and that the industry could change the theme of public perception to the current circumstances making it the best time to visit Hawai'i Island. Mr. Monahan recognized Hawai'i Island for its efforts to mitigate harm to visitor arrivals, in particular Ross Birch of the Island of Hawai'i Visitors Bureau.

7. Presentation, Discussion and Action on HTA's Financial Report for March 2018

Chair Fried acknowledged Marc Togashi, who requested approval for HTA's Financial Report for March 2018. Chair Fried asked for a motion to approve HTA's financial statements for March 2018. Mr. Kam made such motion, and Mr. De Mello seconded. Chair Fried opened the motion for discussion. Chair Fried, after hearing no discussion asked for a vote. The motion was unanimously approved by all members present.

Chair Fried announced a short recess.

The meeting was recessed at 11:00 am.

The meeting was reconvened at 11:05 am.

8. Presentation by AEG Regarding an Update of Hawaii Convention Center Operational Activities and Sales Initiatives

Chair Fried acknowledged Teri Orton to provide an update of Hawai'i Convention Center operational activities and sales initiatives. Ms. Orton stated that the Hawai'i Convention Center exceeded one million in gross revenue for May, and that this was the third month this year in which one million was exceeded. She explained that the Hawai'i Convention Center worked under budget due to a timing difference of one association group that straddled for two months, and that an 8 percent variance was due to Hawai'i Convention Center not getting food and beverage revenue as anticipated for another association group. Ms. Orton stated that the Hawai'i Convention Center had a loss of revenue at \$260,000, which was slightly larger than anticipated. She added that the year to date revenue was 5.7 million, and that the Hawai'i Convention Center had a net loss of \$511,000, which was \$98,000 more than anticipated. She also clarified that the reforecast numbers for the year would change due to the impact of losing two corporate groups, a basketball tournament, and Evolution Sports, which was a multi-sport event that pulled out after Hawai'i Convention Center refused to hold the mixed martial arts component. Ms. Orton stated that with the loss of those groups, food and beverage revenue

for the Hawai'i Convention Center has declined. She mentioned one group, American Demo Associates, moved their dinner program from the Hawai'i Convention Center to Hilton Hawaiian Village, and that loss would be reflected in a new reforecast in July. She also mentioned that in June, Hawai'i Convention Center had several groups it deployed concessions for, but that the revenue did not cover the labor costs for those concessions. Ms. Orton stated the Hawai'i Convention Center was confident it would get 30 to 40 percent flow-through for the year, and anticipated a higher return on investment. She stated the currently, there a \$20.05 return on investment for every dollar spent.

Lee Conching stated that the Hawai'i Convention Center brought in 11,257 room nights for May, bringing the year to date room nights to 52,573 and on pace to achieve 200,000 room nights by the end of year. Mr. Conching stated that Hawai'i Convention Center hired a new regional director of accounts for the East Coast, Kristie Chang, who will join the team on July 9, 2018. Mr. Conching explained that Ms. Chang brought an event to Hawai'i Convention Center in her previous position and that she will be able to get up to speed quicker than most other potential hires.

Mr. Conching said that the Association for Research in Vision and Ophthalmology was successful, forecasting 6,000 attendees and receiving 10,000 attendees, and organizers of its conference stated their interest in rebooking for the next year. Mr. Conching also mentioned the Hawai'i Convention Center had recent successful events for American Academy of Pediatric Dentistry and other groups.

Mr. Atkins asked whether the volcanic activity has affected the Hawai'i Convention Center's conferences. In response to Mr. Atkins, Mr. Conching explained that he had received calls asking whether attendees would be able to travel from their hotels to the Hawai'i Convention Center due to the volcanic activity, and that those questions were exemplary of why it was so important for HTA and other stakeholders to address public misconceptions on the extent of the volcanic activity. Mr. De Mello offered the fact that, compared to the entire State, only 10 square miles are impacted by volcanic activity. Mr. Dee noted that convention center bookings were intensely competitive, and that it would be worth assuring groups interested in the Hawai'i Convention Center that there are no changes based on the volcanic activity on Hawai'i Island.

9. Report of, Discussion and Request for Funding Approval of Programs Recommended by the Marketing Standing Committee

Chair Fried acknowledged Mr. Dee, who began his report by stating that the Marketing Standing Committee reviewed the Hawai'i Tourism Japan program, and that the Committee recommended moving forward with the \$450,000 investment from HTA's emergency funds. Mr. Dee provided that the Global Tourism Summit was significantly ahead of pace in preparation and sponsorships. Mr. Dee explained that the Marketing Standing Committee discussed sports marketing at length in its executive session and assessed an impact report by Ascendant on the impact Hawai'i sports events had on travel impact overall. Mr. Dee explained

that the report was surprising, and that those who view televised sports events located in Hawai'i are twice more likely to want to visit than those who had not seen the televised event. He stated that the Marketing Standing Committee's takeaway from the Ascendant report was that HTA's sports strategy was appropriate, but that it could invest more over time because the results appear to be there. Mr. Dee mentioned that the Marketing Standing Committee discussed updates on soccer, Ultimate Waterman, and the Los Angeles Rams. He stated that the Marketing Standing Committee made a recommendation for HVCB to perform a market evaluation before the Committee would make a recommendation to the Board.

Ms. Yamaguchi noted that, beyond the recent events on Hawai'i Island and Kaua'i, there has been little discussion of the State's problem of homelessness. Mr. Szigeti, in response to Ms. Yamaguchi, stated that HTA will address homelessness in the upcoming July meeting with Mayor Caldwell and Waikiki stakeholders, and that homelessness is prevalent in all areas of O'ahu and needs to be addressed.

10. Discussion and Approval of the FY19 HTA Budget

Chair Fried expressed that moving forward HTA will attempt to address more budget issues outside of executive session, and acknowledged Mr. Togashi, who explained that HTA's Brand Management Plan, distributed to Board members in their packets, explains how HTA's programs are executed, and that the Fiscal Year Budget should be read with the Brand Management Plan.

Mr. Dee noted that, when HTA's budget was scrutinized by the legislature, HTA did not have a Brand Management Plan, and he thanked HTA's Staff for preparing the document. Mr. Dee expressed concern that Board members receive Board Packets on the day of the Board meeting, but that the Board is expected to approve the budget on the same day. Chair Fried noted that, prior to the Board meeting, Board members have discussed the budget to large extent in individual meetings with staff, with each meeting comprised of two Board members at a time, and he asked whether the staff sought the Board's approval during the meeting or if the Board had time to go through the Board Packets based on new information. Mr. Togashi, in response to Chair Fried, stated that the Board did not have to approve the budget if it was not ready to do so, and that he could review any significant year-over-year changes in the Brand Management Plan since the Board had not yet had the opportunity for review. Mr. Atkins expressed that the biggest challenge was that there were several new programs, and that he felt that the programs were too conceptual and not ready to be executed. He explained that, as an example, Mr. Ka'anā'anā oversees close to 80 contracts through 29 line budget items, and that he was concerned with HTA taking on additional programs. He expressed that he would prefer to see plans come to the Board that were well planned and could be executed at the beginning of the year, instead of having HTA Staff plan a program which could not be implemented until the end of the year. Mr. Togashi, in response to Mr. Atkins' concerns, explained that HTA reduced the amount of programs, emphasized high priority programs, and that some programs are granted funding with the understanding that a large portion of the year would be planning the execution of the program; however that Staff had taken note of the

Board's earlier request for more detailed plans and were prepared to discuss those plans.

Mr. Togashi explained that, in order to respect the desire to address the budget in public session, Board members received versions of the budget which highlights confidential information, and that the intent of doing so was to be able to address confidential information in a sole executive session. Chair Fried expressed concern that with three incoming Board members, passing the budget would be ideal, but that the Board did not need to pass the budget if there were concerns.

Mr. Togashi stated that HTA's mission guides its strategic plan, which then guides its budget. He expressed that the budget originally proposed in May reflected shifts in funds to manage Hawai'i as a destination, and that the revised budget continues to recognize this as a priority while restoring funding originally proposed to shift funds from HTA's largest markets, in consideration of Hawai'i Island and Kaua'i. Mr. Togashi brought the Board's attention to documents distributed in the Board Packets, and explained that the budgets sheets were supplemental to the previous distributed budget. Chair Fried noted that the revised budget revised twenty items since the Board's May meeting and delineates the changes. For certain programs, Chair Fried asked whether any program costs had been carved out of the budget. Mr. Togashi replied that a portion of the budget for payroll related to certain programs had been recategorized to a new single budget line called in-house program support for greater transparency of in-house contractors, who were working on HTA programs and staffed through staffing agencies. Mr. Dee asked for clarification whether those staff members were under HTA's payroll. Mr. Togashi, in response to Mr. Dee, stated that the staff in the in-house program support budget line were staffing agency hires and not under HTA's payroll as State employees. Chair Fried commented that HTA should request the legislature to assist with the administrative cap so that HTA could hire more full-time staff.

Mr. Atkins inquired about approximately \$1.25 million in costs for a program to implement security cameras generally, not specific to the separate initiative to install security cameras in Waikiki. Mr. Togashi, in response to Mr. Atkins, clarified that Staff is proposing two separate programs to fund security cameras. Mr. Togashi added that the cost associated with the cameras were included in the Waikiki Safety Program and the Ho'okaulike Program, which would dedicate cameras to be installed outside of restrooms and frequently visited parks and trails. Mr. Togashi stated that the cameras are expected to deter vandalism of public restrooms. Mr. Atkins asked whether the counties supported the funding of these security initiatives. Mr. Togashi, in response to Mr. Atkins, stated that HTA's support is to expand on county programs already in place.

Mr. Dee said that HTA has a \$1 million allocation from the legislature to address homelessness, and that the legislature allocates \$3 million to the Department of Land and Natural Resources ("DLNR") to implement HTA's strategic plan. Mr. Togashi, in response to Mr. Dee's comments, explained that HTA does not have control over DLNR's allocation of the \$3 million. Mr. Dee asked whether HTA had ever given presentations to DLNR on fulfilling its objectives. Mr. Ka'anā'anā, in response to Mr. Dee, said that HTA has improved its working relationship with

DLNR, and DLNR has shared how it spends the \$3 million allocation of transient accommodations tax. Mr. Ka'anā'anā stated that a majority of the \$3 million is currently used to contract county lifeguards for state beach parks.

Mr. Atkins expressed that he is not opposed to HTA's initiative to fund additional security cameras but wanted more information on its effectiveness. Mr. Togashi, in response to Mr. Atkins, stated that the cameras were a one-time cost, and that the impact of the program would be immediate. Mr. Togashi explained that the City & County of Honolulu has informed them that the Honolulu Police Department has used footage from other security cameras and keep such footage for three weeks.

Mr. Atkins asked for a break down of a specific line item relating to security. Mr. Togashi explained that approximately \$500,000 were for security cameras for O'ahu parks and trails, and that \$100,000 was allocated for tourism strategic plans for Hawai'i Island and Kaua'i. Mr. Atkins asked for clarification on whether the line item for security measures in Waikiki was separate from another line item for security measures in all areas of the State. Mr. Togashi responded affirmatively and explained that the Waikiki security camera is under the budget line for the Waikiki Safety Program. Mr. Dee expressed concern on HTA introducing new programs that have funding costs of over \$1 million. Mr. Togashi, in response to Mr. Dee's concern, explained that an additional \$200,000 of the program budget was for funding the construction of bollards in Waikiki. Mr. Dee stated that he did not think it was in HTA's best interest to install bollards. Mr. Atkins also stated that he believed the industry would be better suited to prepare a plan to introduce to HTA for bollards or other improvements, and that the Board should have discussions on how far HTA's programs should support additional security measures. Ms. Yamaguchi, in response to Mr. Atkins, said that security should be a part of HTA's consideration in marketing due to the negative press caused by criminal acts, and that mitigation of crime by supporting infrastructural needs was prudent and responsible. Mr. Atkins replied to Ms. Yamaguchi by stating that perhaps the Board and HTA should encourage stakeholders to create plans and approach HTA, opposed to HTA creating and spearheading programs relating to security and improvements.

Chair Fried announced a short recess.

The meeting was recessed at 12:30 pm.

The meeting was reconvened at 12:54 pm.

11. Discussion and Decision-Making on Outcome of Annual Evaluation of HTA President and Chief Executive Officer

Chair Fried asked the Board to move to item number 11 on the agenda, Discussion and Decision-Making on Outcome of Annual Evaluation of HTA President and Chief Executive Officer, due to time constraints by fellow members on the Board.

Chair Fried requested a motion to enter Executive Session. Ms. Kumukahi made a motion for an

Executive Session. Mr. De Mello seconded the motion, which was unanimously approved by all Board members present.

Board entered its first Executive Session at 12:55 pm.

First Executive Session ended at 1:57 pm.

10. Discussion and Approval of the FY19 HTA Budget

Chair Fried began discussion by stating that it was difficult for the Board to approve the budget in the same day it received the revised budget in the Board Packets. Chair Fried expressed that the Board may be subject to criticism for approving the budget or only a part thereof and suggested returning at the next Board meeting with all the necessary information to approve the budget. Mr. Togashi requested that the Board approve nominal minimum funding necessary to cover HTA's payroll and program costs for the upcoming months. Chair Fried stated that Mr. Togashi would have to bring the incoming Board members to understand HTA's budget as quickly as possible. Chair Fried suggested approving \$300,000 from the Tourism Special Fund HTA's payroll and \$100,000 from the Hawai'i Convention Center Special Fund. In response to Chair Fried's suggestion, Mr. Kam suggested approving a larger amount. Mr. Togashi requested \$400,000 from the Tourism Special Fund and \$120,000 from the Convention Center Enterprise Special Fund.

Mr. Atkins requested that funding for a water safety line item be passed. He explained that HTA planned to match donations to support water safety in the County of Kaua'i, and that fundraising was currently ongoing. He also stated that the fundraising event would give other counties an incentive to hold similar events. Mr. Kinkley, in response to Mr. Atkins' request, informed the Board that it may pass particular items if it so chooses, and if it considers the item to be meritorious. Mr. Ka'anā'anā expressed concern over some contracts that were expiring within the next two months, and that if those contracts were not renewed, HTA would have to acquire those services again through a Request for Proposal ("RFP"). Chair Fried, in response to Mr. Ka'anā'anā's concern, stated that it made sense for the Board to give HTA the funding it needed to ensure it could renew those contracts.

Mr. Togashi requested a recess to quantify HTA's funding request to the Board to ensure that HTA covered its payroll, program costs, and costs to renew expiring contracts for the next two months. Chair Fried announced a short recess.

The meeting was recessed at 2:16 pm.

The meeting was reconvened at 2:25 pm.

Mr. Togashi requested interim funding for \$1.3 million from the Tourism Special Fund to support HTA through the next two months. Mr. Togashi stated that the request included \$350,000 for staffing and administration, \$50,000 for travel, \$75,000 for Ascendant, \$100,000 for the Merrie Monarch Festival, \$35,000 for Maoli Arts Month ("MAMo"), \$50,000 for communications, \$70,000 for memberships, \$500,000 for lifeguards, and \$70,000 for any

additional unforeseen costs. Mr. Togashi also requested interim funding for \$120,000 from the Convention Center Enterprise Special Fund. Mr. Togashi informed the Board that, because the budget would not be approved, HTA would ask the Global Management team to push back submission of its Brand Management Plan. Mr. Togashi mentioned that a Request for Proposal (“RFP”) was currently open for a community program, and that the anticipated grant would be for \$4 million, but that there would likely be no award until September. Mr. Togashi also mentioned that the \$1.3 million is in addition to various multi-year contracts, primarily for research, that had been previously contracted for. Last, Mr. Togashi requested that the Board enter executive session to discuss one of HTA’s markets. Chair Fried, in response to Mr. Togashi’s request, stated that the Board would go into executive session at the end of the Board Meeting.

Chair Fried asked for a motion to approve the interim budget of \$1.3 million from the Tourism Special Fund and \$120,000 from the Convention Center Enterprise Special Fund. Mr. Kam made such motion, and Ms. Kumukahi seconded the motion, which was unanimously approved by all members present.

11. Discussion and Decision-Making on Outcome of Annual Evaluation of HTA President and Chief Executive Officer

Chair Fried stated that he would discuss the outcome of annual evaluation of HTA President and Chief Executive Officer, Mr. Szigeti. Chair Fried began by explaining that in 2014, the Board searched for a new HTA President and Chief Executive Officer. He said that four Board members and two committee members felt that no single person was a great fit, and then found Mr. Szigeti at Hawai’i Lodging and Tourism Association. He explained that HTA selected Mr. Szigeti to fill the role of President and Chief Executive Officer, and that Mr. Szigeti provided HTA with staff autonomy, a more business-oriented approach, more precise budget numbers and detail, and a positive change of culture. He said that, since Mr. Szigeti took charge of HTA, it is in a much better position than when he entered. Chair Fried noted several of Mr. Szigeti’s accomplishments, including broadening HTA’s reach, improving mobile technology, reaching millennials, and splitting Canada from the U.S. Market. Chair Fried also noted that the field of tourism is fluid and evolving, and that HTA has faced challenges with vacancies in the Chief Operating Officer and Vice President of Marketing and Product Development positions. He said that a few stakeholders in the hotel industry expressed concern over Mr. Szigeti’s institutional knowledge.

Chair Fried stated that, in large part to the current political environment, the permitted interaction group, consisting of Fred Atkins, Sean Dee, George Kam, Rick Fried, Kelly Sanders, and Craig Nakamura, decided it would be best for HTA to move in a different direction.

Chair Fried read a statement signed by Mr. Szigeti, stating “Given my recent meetings, it is clear that I will not be permitted to finish the term of my contract that being the case I suggest the best path for all of us is that my date of termination without cause should be October 31, ’18, and pursuant to my contract on November 1, ’18, I will receive six months’ pay upon separation

in a lump sum payment.”

Chair Fried stated that some may question why Mr. Szigeti would remain in his position until October 31, in which he said there were three key reasons. Chair Fried said first that the Global Tourism Summit would not exist without Mr. Szigeti, and that he would see the event through to its completion. He said the second reason is that Mr. Szigeti can provide a strong response to the current emergency situations on Hawai'i Island and Kaua'i. He said the third reason is that HTA would be 'rudderless' without Mr. Szigeti while the Chief Operating Officer and Vice President of Marketing and Product Development positions remain unfilled.

Chair Fried stated that a Chief Operating Officer was coming in on a month-to-month basis, and that interviews for a new President and Chief Executive Officer would begin fairly soon. He said that an Administrative Committee, with Craig Nakamura, Kelly Sanders, and Chair Fried would seek the Board's input on how to best seek a new President and Chief Operating Officer. Chair Fried stated that Mr. Szigeti has been wonderful to work with throughout his term.

Mr. Szigeti thanked the Board and expressed his respect for their work. He explained that, in the three years that he has been with HTA, he emphasized the importance of teamwork, collaboration, and partnerships, and that the success of the Global Tourism Summit was a testament to those values. Mr. Szigeti stated that the last three years were very successful, and through the HTA Board's passion and vision, it has helped the State achieve record tax revenue, access, visitor spend, visitor arrival and job creation. He expressed that, while he remains for the next four months, HTA would not skip a beat and continue with a high sense of urgency. He acknowledged HTA's goals to address HTA's audit, have sufficient staffing, and have a successful Global Tourism Summit.

Chair Fried recognized Mr. Togashi's request to enter into an executive session to discuss one of HTA's markets. Chair Fried stated that the Committee needed to enter into Executive session for the remainder of this topic, in order to protect Hawai'i's competitive edge as an international destination. Chair Fried added that Executive Session is allowed by Hawai'i Revised Statutes sections 201B-4(a)(1)&(2). Chair Fried requested a motion to enter Executive Session. Mr. Kam moved for an Executive Session and Mr. De Mello seconded the motion, which was unanimously approved by all Board members present.

Board entered its second Executive session at 2:41 pm.

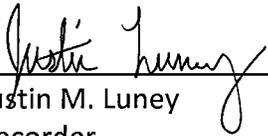
Second Executive Session ended at 2:45 pm.

12. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Kam so moved and Ms. Kumukahi seconded the motion, which unanimously approved by all the Board members present.

The meeting was adjourned at 2:45 p.m.

Respectfully submitted


Justin M. Luney
Recorder
