



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, October 25, 2018
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Micah Alameda, David Arakawa, Fred Atkins, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Kelly Sanders

MEMBER NOT PRESENT:

Sean Dee (listening by phone), Sherry Menor-McNamara, Craig Nakamura, Benjamin Rafter

HTA STAFF PRESENT:

George Szigeti, Marc Togashi, Charlene Chan, Jadie Goo, Kalani Ka'anā'anā, Carole Hagihara, Caroline Anderson, Chika Miyauchi, Chris Sadayashu, Jadie Goo, Jennifer Chun, Lawrence Liu, Maile Carvalho, Minh-Chau Chun, Naomi Sjoquist, Noriko Sloan, Pua Sterling, Kehau Meyer, Chael Kekona, Ronald Rodriguez, Evita Cabrera, Vengie Talaro

GUESTS:

Representative Richard Onishi, Senator Glenn Wakai, Representative Mark Hashem, Brad Gessner, Teri Orton, Mari Tait, Noelle Liew, Priscilla Texeira, John Monahan, Katie Murar, Allison Shaefers, Patrick Dugan, Nathan Kam, Erin Khan, Jennifer Nakayama, Kathy Kato

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:34 a.m. Gregg Kinkley informed the Board that Sean Dee, who was listening in to the meeting by phone, could not take any actions as a Board member for purposes of the meeting.

Kalani Ka'anā'anā and Pua Sterling offered an oli on connections and relationships, and the things that draw us together that keep us close, for George Szigeti's last board meeting.

2. Approval of the Minutes of the September 27, 2018 Board Meeting

Chair Fried asked for a motion to approve the minutes of the September 27, 2018 Board Meeting. George Kam made the motion, and Ku'uipo Kumukahi seconded the motion, which was unanimously approved by all the Board members present.

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

Chair Fried asked the Board whether there were any permitted interactions to report. There were no reports of any permitted interactions between board members since the last Board meeting.

4. Report of the CEO Relating to HTA's Programs

Chair Fried acknowledged George Szigeti, who gave the Report Relating to the HTA Staff's implementation of HTA's programs during September 2018. Chair Fried offered his comments that Mr. Szigeti would be missed as President and CEO of HTA, and that he considers Mr. Szigeti to be ethical, hardworking, and transparent. Mr. Szigeti thanked the Board, stakeholders, and industry partners for their friendship and aloha during the last three and a half years. He stated it was a privilege to work by the HTA Board and Staff's side in guiding the tourism industry to strong, exciting, and vibrant years. He stated that, within the last 10 months, Staff worked during tropical storms, hurricanes, workforce strikes, and volcanic activity, without a Chief Administrative Officer for eight months and Vice President of Marketing and Product Development for five months.

Mr. Szigeti stated that, for the last forty-two Board meetings, the Board had received his report. He stated that the 2018 Global Tourism Summit had 2,200 attendees from 30 countries. He stated that the intent of the Global Tourism Summit was to build new partnerships and connections within the tourism industry. He said that the Global Tourism Summit was exciting due to the relevant keynote speakers, Sophia, the A.I., the innovation days and student debate.

5. Recap of the 2018 Global Tourism Summit

Chair Fried acknowledged Caroline Anderson for a recap on the 2018 Global Tourism Summit.

Chair Fried stated that, thanks to Mr. Szigeti and HTA Staff, the event elevated from a conference to an actual, global tourism summit. Ms. Anderson reported that registration opened May 18, 2018, with the goal of 2,500 registrants. She stated that the total number of registrants was 2010, and that HTA met 87% of its goal. She stated that 1,357 were paid registrants and 658 were complimentary. Ms. Anderson stated, compared to the previous year, sponsorship revenue increased, including a total cash commitment of \$320,600.00 and a total in-kind value of \$179,923.38, making a total combined value of \$500,623.38. She stated that sponsorships also included 38 exhibitors in the networking lounge.

Ms. Anderson reported that the conference was two and a half days, compared to one-and-a-half and three-and-a-half day conferences in the past. She stated that for business-to-business networking (B2B), there were 1404 total scheduled meetings, including 85 buyers and 99 suppliers. She stated that HTA received feedback that the Global Tourism Summit was more organized, and that some suggested having longer sessions with more length of time between each session.

Ms. Anderson stated that, overall, marketing and website statistics increased from the previous year, though there were less social media posts this year. She stated that the reason for less posts is likely due to less people using the relevant tags or mentioning HTA's handles.

Ms. Anderson then reported preliminary survey results for the 2018 Global Tourism Summit. She stated that HTA received 209 survey responses as of Wednesday, October 18, 2018. Ms. Anderson stated that the Global Tourism Summit met expectations in every category, and that for the Tuesday Aloha Reception and Wednesday Luncheon, the Global Tourism Summit exceeded expectations. Ms. Anderson stated that areas to improve for next year's Global Tourism Summit includes reducing the summit to two days, securing more exciting guest speakers for general sessions, adding concurrent sessions, and reviewing the Global Tourism Summit's price structure.

Ms. Anderson stated that 89% of respondents stated that they anticipate signing up for next year's Global Tourism Summit. Of those respondents, 56% reported that the Global Tourism Summit was excellent, whereas 33% stated that it met expectations. Ms. Anderson stated that Paragon Events and the Hawai'i Convention Center donated fabric signs, tote bags, water bottles and cups to local charities, and leftover food to Aloha Harvest.

Kyoko Kimura asked Ms. Anderson for the total cost of the Global Tourism Summit. Ms. Anderson, in response to Ms. Kimura, stated that the cost of the Global Tourism Summit was roughly \$1.7 million. She stated that HTA's budget was \$800,000 from the Tourism Special Fund and \$392,000 for food and beverage from the Convention Center Enterprise Special Fund budget. She stated that HTA came under budget at \$718,000, plus the \$392,000 from the Hawai'i Convention Center budget, came to \$1.1 million from HTA. Fred Atkins asked whether the \$1.1 million cost was hard costs contributed to the budget. Ms. Anderson replied yes. David Arakawa suggested that, in the future, HTA Staff include the relative costs of the Global Tourism Summit in its recap report. Mr. Atkins asked whether any of the sponsors made commitments for next year. Ms. Anderson replied to Mr. Atkins by responding that there were no

commitments, and that HTA has not reached out to sponsors to commit to the following year. Chris Sadayasu stated that Mr. Szigeti encouraged the Global Tourism Summit's sponsors to consider their sponsorship for the following year, and that Mr. Szigeti wrote personal notes to major sponsors to encourage them to be a part of 2019's Global Tourism Summit. Mr. Szigeti stated that the Global Tourism Summit has a large spend, but it is a small component in comparison to the tourism industry, which is a \$17 billion dollar industry for the State.

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

Chair Fried acknowledged Minh Chau-Chun to deliver the presentation on current market insights and conditions in key major Hawai'i tourism markets. Ms. Chun stated that the September visitor spend and arrival numbers would be released on Tuesday, October 30, 2018. Data previously released showed that hotel occupancy decreased and revenue per available room (RevPAR) increased in September. Ms. Chun stated that the numbers were not surprising given the impacts to tourism from Hurricane Lane and Tropical Storm Olivia. She further stated that booking pace on Hawai'i Island is slow due to the Kilauea volcanic eruption. Ms. Chun stated that, for the first nine months of 2018, the State saw continued growth in RevPAR and ADR, while the occupancy rate remained flat. She stated that the State's statistics were comparative to other competitive destinations, including international surf and sea destinations. She further stated that O'ahu leads in occupancy rate among international destinations at 84.8% through the first three quarters of 2018.

Mr. Arakawa commented that it would be beneficial to include daily rate numbers and "bottom line" numbers that would reflect the increase in costs to the hotel industry. He stated that industry stakeholders would like to see statistics reflecting the bottom line because industry costs rise, and the "top line" numbers do not always reflect the state of the visitor industry. Chair Fried agreed that Mr. Arakawa's suggestion was a good idea. Mr. Atkins, in response to Mr. Arakawa's comments, stated that he doubted hotels would be willing to share information regarding their costs. Mr. Arakawa suggested that perhaps general information could help to indicate the bottom line. Chair Fried stated that visitor statistics would not look as positive with statistics on costs. Sean Dee, listening to the Board meeting by phone, asked if he could comment as a member of the general public. He stated that ADR based on consumer-price index may be available, but that it had not been reported for a long time. George Kam asked Ms. Kimura whether the hotel industry had information they would be willing to share such information, and Ms. Kimura, in response, stated that the hotel industry would not, though in her experience hotels had previously shared such information with union officials.

7. Presentation, Discussion, and Action on HTA's Financial Reports for September 2018

Chair Fried acknowledged Marc Togashi for presentation and discussion on HTA's financial reports. Mr. Togashi stated that the financial reports were included in their Board packets, including an executive summary of the report. He stated that, because financial reports were distributed the day prior, he would ask for approval of the financial reports at the next Board

meeting.

8. Update on Status of the 2018 Audit Action Plan

Chair Fried acknowledged Mr. Szigeti on the status of the 2018 Audit Action Plan. Mr. Szigeti stated that updated items on the 2018 Audit Action Plan were in bold in the board packets. He stated that the rest of the HTA staff had completed training on the State Procurement Code, HRS Chapter 103D, and the State ethics code on October 23, 2018. He stated after September's Board meeting, at recommendation by the Board, HTA Staff began reviewing HTA's quality assurance functions, labeled as action item number two, which originally remained pending the appointment of a Chief Administrative Officer. Mr. Szigeti stated that HTA Staff had been working to keep the action plan current and address the remaining items.

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

Chair Fried acknowledged Teri Orton for her presentation on Hawai'i Convention Center recent operational activities and sales initiatives. Ms. Orton stated that her presentation was for financial numbers for the month of September. She stated that the Hawai'i Convention Center hosted 20 events, including, for the first time, the 36th Annual Okinawan Festival. For the month of September, the Hawai'i Convention Center had \$685,500 in gross revenue, \$442,400 less than the original projection. The loss in projected revenue was in part due to the cancellation of an international cosmetic group, as well as the rescheduling of the Global Tourism Summit from September to October. Ms. Orton stated that there were other cancellations which have affected the year-to-date projections, including cancellations by a basketball tournament, Applied Materials, Inc., and Art Hawai'i. She added that she is hoping to rebook these groups for 2019. Ms. Orton stated that food and beverage revenue was also less than anticipated due to cancellations; cash flow for food and beverage revenue was at 8%, compared to the average of 42%. Last, she reported that the return on investment for the State from Hawai'i Convention Center is at \$17.61 for every dollar spent.

Ms. Orton presented Hawai'i Convention Center sales updates. She reported that 2,373 room nights were converted in September 2018, bringing the year-to-date room nights through September 2018 to 75,970, and that Hawai'i Convention Center was on pace to achieve a room night goal of 232,000 by years end. Ms. Orton reported that a Customer Advisory Board was tied into the Global Tourism Summit, and it received feedback on incentive offers made by similar convention centers. Last, Ms. Orton stated that Hawai'i Convention Center aims to create a website for all general managers to access, and to increase the number of general manager meetings to discuss meetings, conventions and incentives (MCI) from two to four meetings per year.

Chair Fried stated that a committee on the convention center would meet after the Board meeting to discuss the difficulties of being in Hawai'i and countering perceptions of doing business in the State, as well as to discuss repairs to be attended to with greater urgency. Mr.

Atkins asked where additional room nights are aimed to be placed. Ms. Orton, in response to Mr. Atkins, stated that most tentative commitments are in the next three years, and that Hawai'i Convention Center is looking toward providing incentives for 2022, but that incentive offers are most likely less competitive than other cities due to the fact that Hawai'i has such a strong leisure market. Ms. Orton added that hotels are beginning to offer more competitive rates for incentive offers to encourage group rates and additional business, and that this offers the State a more competitive position in the group meeting market. Mr. Atkins asked whether Art Hawai'i canceled the year prior as well. Ms. Orton responded that Art Hawai'i canceled in 2017, and that they also canceled this year due to difficulty encouraging exhibitors to attend. Ms. Orton stated that Art Hawai'i's difficulty in obtaining exhibitors was in part due to recent events, including the January 13, 2018 false missile alert and recent volcanic activity on Hawai'i island. She explained that Art Hawai'i has an incentive contract with Hawai'i Convention Center to host the event, and that she is looking at other incentive offers that may assist Art Hawai'i in realizing the event. Mr. Atkins asked whether Art Hawai'i was given cash incentives, in which Ms. Orton responded that they were given "destination dollars," meaning that they were not given cash but rather \$200,000 worth of expenses to be used at the property. Ms. Kimura asked about the American Dental Association conference. Ms. Orton, in response to Ms. Kimura, stated that the event hosted 6,500 delegates, and that the conference was a success, though the number in attendance had dropped from previous years. Ms. Orton contributed the drop in number of attendees due in part to exhibits and attendance dropping in all cities across the U.S., as well as dentistry offices consolidating or buying each other out. Kelly Sanders asked if American Dental Association will book their conference for 2028. Ms. Orton replied to Mr. Sanders by stating that she will begin discussions on rehosting the conference with American Dental Association in January. Mr. Sanders said that, through conversations with American Dental, recent workforce strikes at hotels had a negative effect on the conference. Ms. Orton replied to Mr. Sanders by stating that it appeared that American Dental Association was targeted by the union strikes, and that picketers appeared at the Hawai'i Convention Center and Waikiki Shell during American Dental Association events.

10. Discussion and Action on the Report by the Convention Center Planning Investigative Committee to Extend the AEG Contract for One Year

Chair Fried acknowledged Marc Togashi to deliver the report by the Convention Center Planning Investigative Committee to extend the AEG contract for management of the Hawai'i Convention Center for one year. Mr. Togashi stated that Craig Nakamura, head of the Committee, apologized for not being able to attend the Board meeting and to deliver the report. Mr. Togashi reported that the Committee is advising the Board to extend the AEG contract for one year, and recommended that the Board make a motion. Mr. Kam moved to extend the AEG Contract for one year. Mr. Sanders seconded the motion. Chair Fried clarified that the current AEG contract ends in December, so the new contract term would be from January to December. Chair Fried, hearing no further discussion, called for a vote. The motion was approved by all members present.

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

Chair Fried acknowledged Mr. Togashi to deliver the report of funding approval of Programs recommended by the Marketing Standing Committee. Mr. Togashi stated that the Marketing Committee met and discussed three important things: the 2019 Mayors' Conference, the Los Angeles Rams, and the Los Angeles Clippers.

Mr. Togashi reported that the Committee is close to closing the contract with the L.A. Rams, and that the Committee is also working closely with the Stadium Authority.

Mr. Togashi reported that the Committee discussed the Mayors' Conference, including funding \$500,000 for the conference in combined financial and in-kind support. Mr. Togashi stated that John Manahan of Hawai'i Visitors and Convention Bureau assessed that \$6 million of direct spend back into the State would result for holding the conference in Honolulu. He stated that a dinner event would be held at the Hawai'i Convention Center as part of the funding proposal, and that the Mayors' Conference would highly consider hosting additional events during that week in relation to the conference. Mr. Togashi stated that hosting the Mayors' Conference would show that Hawai'i can host an esteemed event. He stated that Hawai'i Tourism Authority has funding and recommended spending out of the Hawai'i Convention Center's 2019 budget. He explained that within the Hawai'i Convention Center Sales and Marketing budget, there is a fund called the Marketing Flexibility Fund. He explained that the fund is typically used to fund various incentive support to clients to encourage groups to have their events at the Hawai'i Convention Center, and that the incentive funding assists clients in offsetting some of the costs of having their event in Hawai'i. Mr. Togashi explained that the Hawai'i Convention Center has \$1.1 million in the fund that is likely to carry over to the 2019 budget, and could be used for the \$500,000 funding proposal for the Mayors' Conference. Mr. Togashi added that the value of the dinner held at the Hawai'i Convention Center was approximately \$275,000.

Mr. Togashi stated that the Committee recommended to the Board to have a motion to approve the financial and in-kind support toward the Mayors' Conference for up to \$500,000. Mr. Kam moved, and Ms. Kumukahi seconded the motion. Mr. Atkins asked that the Mayors' Conference show off more of the Hawai'i Convention Center than just the rooftop, and that it was important to get the conference on climate change the day prior to the dinner to showcase the Convention Center in a more meaningful way. Mr. Sanders agreed, stating that the \$500,000 worth of support is an investment, and delivering an exceptional experience to attendees is crucial to market the Convention Center to governmental bodies and corporate attendees to bring other conventions and events to Hawai'i. Mr. Sanders added that the Mayors' Conference was an opportunity to showcase Hawai'i, including assets such as the U.S.S. Missouri and 'Iolani Palace. Mr. Togashi agreed with Mr. Sanders, stating that the Mayors' Conference would bring intangible benefits. Mr. Togashi asked the Board whether it wished to approve the \$500,000 in financial and in-kind support conditionally on hosting the climate change conference at the Hawai'i Convention Center. Mr. Arakawa suggested that the Board not do so, but instead make holding a secondary event a strong suggestion. He added

that he would include the following suggestions: showcasing the Hawai'i Convention Center, including as part of the Mayors' Conference the opportunity to visit various areas of the State that would support tourism, offer opportunities to visit other islands besides Oahu, having a conference or breakout session on tourism, holding discussions on how other cities are handling AirBNB and other alternative accommodation services, holding discussions on how to preserve the destination, including preservation of environment and culture, and holding discussion on the effect of climate change on the tourism industry. Chair Fried asked Mr. Arakawa to provide his points in written form so that he could bring up these points in his discussions with Mayor Kirk Caldwell. Chair Fried stated that he suspects that some of the items would be covered in the conference as it currently sits, but it is worth further discussion.

Chair Fried suggested that the Board have a motion to authorize the financial and in-kind support to the Mayors' Conference up to \$500,000 without further contingencies. Chair Fried called for a vote. The motion was approved by all members present.

Mr. Togashi reported that the third item discussed by the Marketing Committee was the Los Angeles Clippers. Mr. Togashi presented that HTA Staff has been in negotiations with the Clippers, and were considering increasing the value the State would receive under the proposal. He stated that the Clippers were asking HTA for a commitment to secure an opponent for the 2019 game. Mr. Togashi stated that HTA had the budget for the Clippers' request, and recommended to the Board that it go into executive session to discuss monetary amounts for the proposal. Chair Fried added that the Clippers are looking at a competitive NBA team to compete against.

Chair Fried asked for a motion to go into Executive Session for the remainder of agenda items 11 and 12, due to negotiations in both items. Mr. Kinkley asked whether items 11 and 12 would be treated differently. He asked whether item number 11 needed to go into Executive Session due to confidentiality of costs. Chair Fried replied, yes. Mr. Fried stated that, at the time the agenda was published, the Board believed that it could perform item number 12 in open session, and that the Permitted Interaction Group had worked diligently to select the Chief Administrative Officer and Vice President of Marketing and Product Development. Chair Fried stated that the Board does not want to lose its applicants for the positions by discussing during open session, and that the discussion necessarily included personal employment matters and personal information.

Mr. Kam moved to enter Executive Session for the remainder of agenda item 11 and agenda item 12. Ms. Kumukahi seconded the motion, which was approved by all members present.

Executive session entered at 11:14 a.m.

Executive session ended at 11:41 a.m.

13. Discussion and Action on the Recommendation of CEO Search Committee, Reported to the Board at its September 27, 2018 Meeting, on the Selection of a New CEO for the Hawai'i Tourism Authority.

Chair Fried stated that, during executive session, the leaders of each Permitted Interaction Group discussed the search for a Chief Administrative Officer and Vice President. He stated that, for various reasons, the Board could not disclose any additional information on the Chief Administrative Officer and Vice President of Marketing and Product Development candidates.

Chair Fried stated that the President and Chief Executive Officer could also not be announced. Chair Fried acknowledged Mr. Sanders to deliver a report on the search for the President and Chief Executive officer. Mr. Sanders stated that he is thrilled with the candidate they have chosen, and that, due to negotiations and other outside factors, the name of the candidate could not be announced. Mr. Arakawa stated that they have found an excellent candidate for the Chief Administrative Officer, they selected an excellent candidate, but that they cannot announce the candidate for confidential and procedural reasons. Mr. Kam stated that he had the same sentiments in regard to the Vice President of Marketing and Product Development.

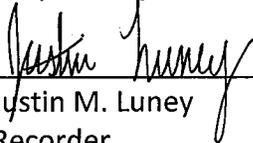
14. Adjournment

Ms. Kumukahi stated, that before saying departing, she would like to share an 'ōlelo no'eau. She said, "I am a wind-resisting 'a'ali'i; no gale can push me over. This is a boast saying, 'I can hold my own even in the face of difficulties.' The 'a'ali'i bush can stand the worst of gales, twisting and bending but seldom breaking off or falling over."

Mr. Szigeti stated that he was humbled by the kind words of the Board. He thanked everyone for their friendship and aloha, and that it was an honor and privilege to work by the Board and Staff's side in guiding the tourism industry through exciting and robust times. He said that the new leadership team will be highly respected and skilled, and that HTA Staff has filled in tremendously in the last eight months. Last, Mr. Szigeti thanked press partners for supporting HTA, and that he was looking forward to new successes.

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

Respectfully submitted


Justin M. Luney
Recorder