



Hawai'i Convention Center
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David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

REGULAR BOARD MEETING

HAWAII TOURISM AUTHORITY

Thursday, February 28, 2019 at 9:30 a.m.

Hawai'i Convention Center

1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Richard Fried (Chair), Micah Alameda, David Arakawa, Fred Atkins, Sean Dee, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura, Benjamin Rafter, Kelly Sanders

MEMBER NOT PRESENT:

None

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Charlene Chan, Jadie Goo, Jennifer Chun, Kalani Ka'anā'anā, Caroline Anderson, Carole Hagihara, Joseph Patoskie, Lawrence Liu, Minh-Chau Chun, Noriko Sloan, Ronald Rodriguez, Laci Goshi, Chris Sadayasu

GUESTS:

Representative Richard Onishi, Senator Glenn Wakai, Mufi Hannemann, John Monahan, Roth Pua hala, Jared Higashi, Edgar Palafox, Ferd Lewis, Teri Orton, Mari Tait, Lee Conching, Noelle Liew, Patrick Dugan, Erin Khan, Nathan Kam, Malia Sanders, John DeFries, Allison Schaefer, David Baronfeld, Eric Takahata, Mahina Paishon Duarte, Anukrite Hittle, Brandon Askew, Sara Maimone (HTA Research Intern)

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Chair Rick Fried called the meeting to order at 9:32 a.m.

Kalani Ka'anā'anā offered pule to open the meeting. He recognized February as Hawaiian Language Month, and invited Mahina Paishon-Duarte, member of Kanaeokana, to share a presentation on Hawaiian language and history, from the Renaissance era to the present.

Ms. Paishon-Duarte offered a presentation on the history of Hawaiian language, from the ban of Hawaiian language in 1896 to the formation of Pūnana Leo in 1984. She explained that Kanaeokana is a collective of preschools to universities to strengthen lāhui, or kuleana to Hawai'i, and that one of Kanaeokana's focuses on how to ensure proper spending and allocation of resources while cultivating the next generation. Ms. Paishon-Duarte thanked the Hawaii Tourism Authority for its work and for helping to cultivate the next generation workforce.

Mr. Atkins commented that he has done business on Kaua'i with a Pūnanaleo school, and that for hoteliers, Pūnanaleo is an excellent place to give back to the community. Mr. Tatum thanked Ms. Paishon-Duarte for coming to the Board Meeting, and stated that taking advantage of Hawai'i's tremendous cultural resource and matching with education was one of the best aspects of working for Hawaii Tourism Authority.

2. Approval of the Minutes of the November 29, 2018 Board Meeting

Chair Fried asked for a motion to approve the minutes of the January 31, 2019 Board Meeting. Ku'uipo Kumukai so moved, and Sean Dee seconded the motion, which was approved by all members present.

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

Chair Fried asked for the members of the Board to report of any permitted interactions. Mr. Dee informed the Board that he attended as an observer a customer advisory board meeting at the Hawai'i Convention Center, in which other Board members had attended and Chief Executive Officer Chris Tatum had participated in an active role.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During January 2019

Mr. Tatum recognized Senator Glenn Wakai and Representative Richard Onishi for their support in Hawaii Tourism Authority's initiatives and advice and guidance of how government works.

Mr. Tatum stated that he has met with several legislators over the past several months, and every person has been sharing of their perspective of Hawai'i tourism, how HTA can perform better, and how it can engage in the community. Mr. Tatum emphasized that part of HTA's role is to manage tourism in addition to marketing, and that the Legislature can help to ensure HTA gets the right message out into the community.

Mr. Tatum recognized Karen Hughes, Vice President of Marketing and Product Development, to offer more detail into HTA's implementation of programs. Ms. Hughes stated that Mr. Tatum's changes to HTA's programming, sometimes referred to as "reprogramming money" to put resources into where it has the biggest impact, includes getting residents back into Waikiki and developing the next generation to be future leaders in the State's tourism industry. Mr. Tatum asked Mufi Hannemann to provide the Board with a brief update of a scholarship program HTA is working on to identify students from Hawai'i high schools for scholarships to Hawai'i universities. Mr. Hannemann stated that the industry would like to see more general managers and executive positions filled by candidates who are from Hawai'i. He stated that the purpose of the scholarship program would be to provide incentives for students who wish to enter the hospitality industry in culinary, management, or other programs.

Mr. Tatum then discussed HTA's support of sports programs. Mr. Tatum stated that all contractors have a straightforward vetting process, and each contractor is responsible for measuring the success of their programs by metrics provided by HTA. Mr. Tatum stated that the Los Angeles Rams should be announcing a date and opposing team in the near future. He stated that the Rams will engage with kids and will have clinics for local high school football programs. Mr. Tatum also stated that the Association of Volleyball Professionals were coming in September, and that it plans to have volleyball clinics on every island.

Mr. Tatum stated that at least one legislator has expressed that HTA should be more involved with University of Hawai'i's athletics programs. Mr. Tatum stated that University of Hawai'i's women's programs have been particularly successful, and that UH is a good opportunity to get HTA's branding out. Mr. Tatum also addressed HTA's desire to develop the market in Southeast Asia. He stated that, last year, HTA decided to move out of the Southeast Asia market, and he believes that it was a mistake. He stated that HTA should engage now so that it is present as the market continues to grow, and that the Southeast market is typically known as a high-spend market. Last, he addressed the challenges facing Hawai'i island. Mr. Tatum expressed that HTA needs creative ideas to support tourism efforts on Hawai'i island, and that recently Ms. Hughes has been working with Mr. Monahan and Hawai'i Tourism Japan on incremental marketing plans including a new bus tour. He emphasized that Hawai'i island has much more to offer than the volcano.

David Arakawa stated that, following up on Mr. Hannemann's scholarship efforts, Waipahu high school is leading in hospitality and culinary programs. He stated that it would be beneficial for Board members to visit Waipahu high school, or for the Board to have one of its meetings at the high school. Mr. Arakawa further explained that the previous U.S. Secretary of Education, Arnie Duncan, had positive remarks on Waipahu's program. He also expressed that a local program, Coaching Boys into Men, will be asking the Los Angeles Rams to consider speaking to their group about domestic violence. Mr. Arakawa stated that the Los Angeles Rams could provide more than just sports clinics, but life-changing experiences to Hawai'i's children.

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

Chair Fried recognized Jennifer Chun to present the current market insights and conditions in key major Hawai'i Tourism Markets. Ms. Chun stated that in January 2019, visitor spending was down 3.8 percent and arrivals grew 3 percent compared to January 2018. She stated that revenue per available room decreased by 2.2 percent and occupancy decreased by 2.8 percentage points. Ms. Chun stated that tax collections through October 2018 showed an increase of 16.7 percent from the previous year, but because there was a tax increase, the adjusted increase is really closer to only 5.4 percent.

Mr. Dee asked if HTA can provide numbers for hotel forecasts, noting that some organizations note and provide such forecasts. Mr. Tatum stated that in his experience hotels would never release such forecasts in order to maintain a competitive edge. He expressed skepticism for accuracy of projections for time periods over two quarters into the future. Mr. Tatum expanded by stating that HTA is working with Hawai'i Tourism China and Hawai'i Tourism Japan about different creative and engaging ways to drive business. Mr. Tatum stated that it will likely be on the agenda for the next board meeting because it would involve a substantial movement of dollars from one market to another. Mr. Dee stated concern that tax forecast will be off if three to four percent if hotel bookings continue to be lost due to alternative accommodations that do not pay their share of transient accommodations tax.

Chair Fried recognized Mr. Dee's leadership of the Marketing Committee and his preparation for moving Marketing Committee forward.

6. Presentation by the Hawai'i Climate Change Mitigation and Adaption Committee Regarding the Commission's Work, its Vision and the Tourism Industry

Chair Fried acknowledged Anu Hittle, a member of the State's Climate Change Mitigation and Adaptation Committee, to offer an introduction to the Commission's work.

Ms. Hittle began her presentation by recognizing a trend in Hawai'i with more hot days during the summer months. She stated that since 1980, temperatures have increased by 2.5 degrees Fahrenheit. Mr. Hittle also recognized a decrease in average precipitation in various locations in the State and erosion occurring from high tide on O'ahu's North Shore. Ms. Hittle shared that projections for sea level rise in Hawai'i are foreboding; she stated that in extreme scenarios, sea levels will rise three feet by 2060 and to over four feet by 2100. She explained that the State created Hawaii Climate Adaptation and Mitigation Commission as a response to climate change conditions. She explained that part of the Commission's responsibility is to navigate through the State's goals and coordinate among various government bodies. The Climate Adaptation and Mitigation Commission includes 20 members, including the Hawaii Tourism Authority's chairperson, the Department of Land and Natural Resources, four legislators, four county planning directors, and seven directors and chairs of other state departments and boards. The Commission meets quarterly and attempts to help form policy for the state of Hawaii to deal with climate change. Ms. Hittle reiterated that the Commission's mission is to recognize the urgency of climate threats and needs to act quickly.

Ms. Hittle stated that HTA fits into the Climate Adaptation and Mitigation Commission's mission through two primary areas: domestic aviation and tourism branding. She stated that ground transportation and domestic aviation make up approximately half of the greenhouse gas emissions in the State. She further stated that HTA could brand Hawai'i as a clean, environmentally friendly destination and encourage visitors to understand the importance of the environment and participate.

Mr. Arakawa asked Ms. Hittle how climate change will impact the tourism industry, and followed with further questions including what would the impact be if the State went carbon neutral and whether that would decrease the availability of flights to the State. Ms. Hittle replied that air transportation is the most difficult area to deal with. She stated that the first step may be to decide what Hawai'i's critical interests are and make policy choices accordingly. Ms. Hittle used the example of seawalls, where the use of seawalls will decrease beach areas.

Mr. Arakawa asked Ms. Hittle whether she would agree that having input by tourism stakeholders is important. Ms. Hittle responded that she believed every person in the State should have input. Mr. Arakawa stated that he wants the Commission to reach out to the tourism industry in making its policy decisions. Ms. Hittle responded to Mr. Arakawa's comment by explaining that the Commission is in an early stage, and at this point has only held four public meetings. Mr. Arakawa stated that the Commission has released recommendations with its findings, and that the Legislature is currently considering several bills that would impact hotels in Waikiki by preventing further construction. Ms. Hittle responded that she could not answer what the Commission's or DLNR's policy positions would be, and that her personal role

with the Commission includes staffing. Chair Fried clarified that he believes the concern in the tourism industry is that legislation may not be completely thought through.

7. Presentation, Discussion and Action on HTA's Financial Reports for January 2019

Chair Fried acknowledged Marc Togashi, Vice President of Finance, to discuss HTA's Financial Reports for January 2019.

Mr. Togashi referenced a Budget Reallocation Summary through January 31, 2019. He explained that funds were moved to support an emergency fund to support the continued operation of the Arizona Memorial during the federal government shutdown.

Mr. Togashi requested a motion to approve the January 2019 HTA Financial Reports. Mr. Kam so moved, and Mr. Arakawa seconded the motion, which was approved by all Board members present.

8. Presentation of, Discussion and Action on Resolution 2019-2-1 Authorizing the Transfer of an Unencumbered Appropriation Balance of \$500,000 from the Major Market Management Category, FY2019 Budget to a New Budget Objective Entitled Career Development - Scholarship Program

Chair Fried acknowledged Mr. Regan for presentation and discussion on Resolution 2019-2-1, which would authorize the transfer of \$500,000 from the Major Market Management Category to a new budget objective, entitled Career Development - Scholarship Program. Mr. Regan stated that HTA was asking its Board to approve the reallocation of funds from its appropriation for Canada to a newly developed scholarship program.

Mr. Regan introduced Mr. Hanneman to deliver a presentation on the Ho'olina Career Development Scholarship. Mr. Hanneman explained the Legacy Career Development Scholarship is designed for high school seniors and community college students who have completed their second year for hospitality, tourism or culinary education and career. He stated that the allocation represents the ability of the scholarship program to provide five four-year scholarships and ten two-year scholarships. He stated that the scholarship was for \$12,000 per student per year and available to public Hawai'i high school students with a grade point average of 3.5. For the scholarships designed for community college students, the scholarship program would include students admitted into University of Hawaii's Tourism Management program with a minimum grade point average of 3.0. The scholarship would select two students from each county and two additional students at large.

Mr. Hanneman stated that the proposed committee for the scholarship program included Chris Tatum and Mufi Hannemann as co-chairs, and Glenn Vergara, Keith Hayashi, Jerry Agrusa, David Preece, Wendy Lam, Dean Nakasone, Lee-Ann Choy, Chuck Brady, Lorelle Peros, Donna Domingo, Keli'i Gouveia, and Stephanie Donoho as committee members.

Mr. Hannemann explained that the scholarship funds will go to the Hawai'i Lodging and Tourism Association's pre-existing foundation which implements a scholarship and mentorship program. Mr. Hannemann explained that part of the scholarship program's requirements is internships in the industry as well as community service. He stated that he would like to start the program this school year, by publicizing the scholarship in March and selecting students in May.

Mr. Tatum added that mentoring is vital to the industry but also the responsibility of leaders in charge. He stated that the purpose of the fund goes beyond work force management, and that he wishes for recipients to become general managers of Hawai'i hotels and businesses. Ms. Kumukahi stated that, because the scholarship program uses the Hawaiian word Ho'oilina, there should be a Hawaiian language and cultural components. Mr. Ka'anā'anā agreed. Mr. Arakawa commented that he would like to see the scholarship opened to not only public school students, as many private school students attend their respective institutions thanks to need-based scholarships. Mr. Tatum stated that his thoughts with advising the scholarship to public schools was based on the fact that the funds were from the State, and should benefit students from public institutions, but that he is open to consider Mr. Arakawa's comments.

Benjamin Rafter asked why HTA desires to move spending out of one of its major markets, and asked why HTA specifically chose the Canada market. Mr. Tatum responded that Canada is an important market, but that in the past years HTA has tripled its expenditures toward the Canada market, but there is overlap with HTA's targeted efforts to the U.S. market, and that HTA's primary focus should be on Asia. Mr. Nakamura asked whether HTA is allocating money to address transient vacation units. Mr. Tatum replied that the counties of Maui and Kaua'i have done a good job in enforcing transient vacation units, and that the City Council for Honolulu was currently reviewing bills regarding enforcement. Mr. Kam asked if there were better measures on data for the number of transient vacation units. Jennifer Chun responded that HTA would like to award a contract in the next month, and that HTA is requiring an eighty percent response rate for each island. Mr. Arakawa added that, while Hawaii Lodging and Tourism Association has its hands full, it could take the lead on implementing research and HTA could hire a consultant to help the City and County of Honolulu to assist in creating ordinances. Mr. Hanneman stated that the problem with the City Council is reaching a consensus.

Mr. Atkins asked for specifics regarding the transfer of funds from HTA to the Hawaii Lodging and Tourism Association's foundation. Mr. Hanneman responded that the money goes to a

501(c)(3) corporation that does not charge any management fee, and that all of the funds will go toward scholarships. Mr. Atkins asked where current funds come from for their scholarships, in which Mr. Hanneman replied they either come from pre-existing funds or are raised through charity events.

Mr. Regan asked the Board for a motion to approve Board Resolution 2019-2-1. Mr. Dee moved, and Mr. Kam seconded the motion, which was approved by all Board members present.

The Board recessed at 11:59 a.m.

The Board reconvened at 12:45 p.m.

9. Presentation of, Discussion and Action on Resolution 2019-2-2 Authorizing the Transfer of an Unencumbered Appropriation Balance of \$200,000 from the Major Market Management Category - Canada, FY 2019 Budget to a New Budget Objective Entitled Major Market Management - Southeast Asia

Mr. Regan stated that, while the transfer was less than the amount required for Board approval, HTA wished to include this in the agenda to provide the Board with notice of major changes in the budget. Mr. Dee stated that the Marketing Committee supports HTA's direction of moving funds for the Southeast Asia market. Craig Nakamura asked, though he agrees with the purpose of the resolution, how HTA determined to designate funds to Southeast Asia after pulling out of the market just one year prior. Mr. Tatum responded that, while Canada is an important market, the data did not support the tripling of those funds. He stated that there are opportunities with emerging markets and that Southeast Asia and China appear to be the future, with both markets tending to have high-spend visitors. He also stated that emerging markets need consistent efforts, and that emerging markets do not show immediate response to marketing in the same way other markets do. Mr. Atkins stated that he did not believe the Marketing Committee discussed HTA's prior decision to pull out of Southeast Asia.

Mr. Fried asked for motion to approve Resolution 2019-2-2. Mr. Kam moved and Mr. Dee seconded the motion, which was approved by all Board members present.

10. Update on the Statue of the 2018 Audit Action Plan

Chair Fried acknowledged Mr. Regan to discuss the 2018 Audit Action Plan. Mr. Regan stated that part of the 2018 Audit Action Plan includes reviewing and updating HTA's internal policies and procedures. Mr. Regan also stated the he is working with HTA staff for procedures to make sure process for internal review of personnel and related responsibilities is in place. Mr. Arakawa asked whether HTA's standard contract provisions require that HTA or the State have ownership rights of intellectual property, and stated that the Auditor's comments included

criticism that HTA did not own the intellectual property rights for a previous contract. Mr. Regan stated that HTA has language in its standard contracts that include that HTA has ownership rights of what is created under contract, but that in most cases intellectual property rights may have to be shared and are often negotiated based on the contractor.

11. Discussion and Action on HTA's Updated Policies on Board Operations & Oversight, Finance & Accounting, Operations, Administration, and Information Technology

Mr. Regan stated that updated policies for HTA included the change of position from Chief Operating Officer to Chief Administrative Officer, names of other positions, and other examples. He stated that more substantive changes included revising the chart of accounts guiding HTA's fiscal operations and eliminating policies regarding labelling and formatting of accounts and changing such policies into procedural guidelines.

Chair Fried asked for a motion to approve the updated policies. Mr. Kam so moved, and Mr. Atkins seconded the motion, which was approved by all Board members present.

Mr. Atkins asked for clarification regarding Policy number 600-4. After discussion regarding the interpretation and ambiguity of Policy number 600-4, Craig Nakamura offered an amendment by replacing the phrase "e-mail content" with "State email account."

Chair Fried asked for a motion to amend Policy 600-4 by replacing the phrase in paragraph 1), "e-mail content" with "State e-mail account." Mr. Kam so moved, and Mr. Nakamura seconded the motion, which was approved by all Board members present.

12. Discussion and Action on HTA's Updated Bylaws to Address Definitions, Committees, Succession, and Position Titles

Chair Fried acknowledged Mr. Regan to discuss HTA's updated bylaws. Mr. Regan stated that HTA included a definition for temporary absence when individuals are not present under Article V. Mr. Regan also discussed modifications to the Audit Standing Committee under Article IV. Mr. Regan also added that amendments were made to the Administrative Standing Committee, also under Article IV. Mr. Arakawa suggested that HTA present findings of fact so that the Board could make decisions based on such findings. He proposed making two amendments to Section 4.3 of the updated bylaws, so that it would read as follows: "Section 4.3. Administrative Standing Committee. There is established an Administrative Standing Committee for the purpose of reviewing existing policies, making findings and recommendations to modify, amend and/or replace existing policies relating to the administration of the Authority, establishing criteria and making recommendations related to the evaluation of the President & Chief Executive Officer."

Chair Fried asked for a motion to approve HTA's Updated Bylaws to address definitions, committees, succession, and position titles, with the two amendments to Section 4.3 as suggested by Mr. Arakawa. Mr. Kam so moved, and Mr. Dee seconded the motion, which was approved by all Board members present.

13. Update Relating to the 2019 Legislative Session and Related Bills Relevant to HTA

Chair Fried asked Mr. Regan for an update relating to the 2019 Legislative Session. Mr. Regan stated that Mr. Tatum, himself, and Mr. Ka'anā'anā have been actively visiting the Legislature, following bills, and submitting testimony. Mr. Regan stated that the bills being monitored or supported are included in the Board's packets. Mr. Regan noted some particular bills, including HB420, Relating to Hawaiian Culture, which eliminates the requirement that the Hawaiian Center and Hawaiian Museum of Music and Dance be located at the Hawai'i Convention Center, and HB422, Relating to Tourism, which repeals the requirement that the contract for marketing all uses of the Hawai'i Convention Center include the management of the facility.

Mr. Regan also noted HB548, which gives HTA oversight of the Special Land and Development Fund implemented by DLNR. Mr. Tatum commented that HTA has a good working relationship with HLTA, and it was the House Representatives' idea to give HTA decision-making authority with DLNR to submit project proposals. Mr. Ka'anā'anā noted SB364, which would create a task force to determine whether it is practical and beneficial for tour guides to have certain certifications.

Mr. Arakawa requested that Mr. Tatum and Mr. Regan consider monitoring bills relating to sea levels and climate change, which affect the tourism industry. Mr. Regan commented that HTA also submitted testimony on SR15 and SCR20, which requests a joint task force between the Department of Agriculture and HTA to review the efficiency of declaration forms on airplanes.

14. Report of the Marketing Standing Committee with the Committee's Recommendations to Support Various Marketing Proposals, for Discussion and Approval by the Board

Mr. Fried acknowledged Mr. Dee to report on the Marketing Standing Committee's recommendations. Mr. Dee stated that there were no high-end action items or specific items for recommendation before the Marketing Standing Committee. Mr. Dee stated that item number three on the Marketing Standing Committee's amended agenda for its February 27, 2019 meeting was the Discussion Regarding Previous Initiatives Approved Outside of the Brand Management Plan and in Need of Committee Update from Contractors. Mr. Dee discussed that funds provided to Hawai'i Visitors Convention Bureau and Hawai'i Tourism Japan, for relief measures on Hawai'i Island and Kaua'i, would be exhausted soon and that those entities would

be providing the Committee with a final report. Mr. Dee also stated that the Marketing Standing Committee discussed the reallocation of funds for key major markets, as discussed earlier. Mr. Dee mentioned that the Marketing Standing Committee also discussed the Sports Strategy Update, in agenda item six, including the Los Angeles Rams and Pacific Rim tournament. Mr. Tatum commented that, while HTA has used a sports consultant in the past, HTA planned to move forward without a sports consultant and will be using HTA's existing contractors and Board members as resources.

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

Chair Fried recognized Teri Orton to deliver a presentation regarding the Hawai'i Convention Center's recent operational activities and sales initiatives. Ms. Orton stated that January is historically a slow month, and that events included a Sony Gala dinner, conference on education, and combined volleyball and basketball event. Ms. Orton reported a net loss of \$336,000 for the month of January and a net loss of \$8 million in the reforecast. Ms. Orton stated that the current revenue generated shows that the return on investment for the Hawai'i Convention Center is \$7.04 for every dollar spent.

Ms. Orton reported that the final numbers for 2018 showed the Hawai'i Convention Center generated 233,721 room nights. Ms. Orton also reported having a client advisory board meeting in late February, including several national associations which gave guidance on how Hawai'i Convention Center can improve. She commented that the Honolulu airport came up often and that it was not a good arrival experience due to long walking distances and confusion in transportation from the airport. Ms. Orton also commented that the Hawai'i Convention Center has designated two nursing pods, which are fully air conditioned, and that nursing pods or designated nursing areas are required by many of their event contracts. Mr. Arakawa asked how economic impact is measured. Ms. Hughes commented that economic impact is measured by a formula provided for by the Department of Economic Development and Tourism, which considers total spend, among other factors.

16. Adjournment

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

The meeting was adjourned at 1:50 p.m.

Respectfully submitted

Justin Luney

Justin M. Luney
Recorder