



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, August 22, 2019
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, George Kam, Kyoko Kimura, Sherry Menor-McNamara, Benjamin Rafter, Kimi Yuen, Kelly Sanders, Ku'uipo Kumukahi

MEMBER NOT PRESENT:

Kelly Sanders, David Arakawa, Daniel Chun

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Marisa Yamane, Jadie Goo, Kalani Ka'anā'anā, Caroline Anderson, Jennifer Chun, Carole Hagihara, Chris Sadayasu, Anda Garell, Chael Kekona, Deeann Howa, Evita Cabrera, Joseph Patoskie, Laci Goshi, Laurie Tam, Leslie Centeno, Michele Shiwaki, Talon Kishi, Tracey Fermahin, Vengie Talaro, Minh-Chau Chun, Noriko Sloan, Ronald Rodriguez, Minami Aoki, Lawrence Liu, Maile Carvalho, Susan Iverson

GUESTS:

Representative Richard Onishi, Senator Glenn Wakai, Congressman Ed Case, Cheryl Kakazu Park, Jay Talwar, Lee Conching, Nathan Kam, Frank Haas, Mufi Hannemann, Edgar Palifox, Brandon Askew, Mari Tait, Noelle Liew, John Monahan, John Knox, Sara Bolduc, John De Fries

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

HTA Board Chair Richard Fried called the meeting to order at 9:31 a.m. Kalani Ka'anā'anā performed a chant in honor of Vengie Talaro, who was celebrating retirement from more than

30 years of service to the State.

2. Approval of Minutes of the July 25, 2019 Board Meeting

Chair Fried requested a motion to approve the minutes of the July 25, 2019 Board meeting. George Kam made a motion to approve. Benjamin Rafter seconded the motion, which was then unanimously approved by the Board. Chair Fried thanked Representative Richard Onishi and Senator Glenn Wakai for attending the meeting.

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

Chair Fried asked the Board whether there were any permitted interactions to report, and there were none.

4. Report Relating to Staff's Implementation of HTA's Programs During July 2019

Chair Fried recognized HTA CEO Chris Tatum to provide a report on HTA's activities in July. Mr. Tatum introduced Caroline Anderson and Mr. Ka'anā'anā to discuss the status of those RFPs. Ms. Anderson said that HTA issued an RFP for community enrichment programs in May and the deadline for proposals was July 5. The team began meeting and evaluating the RFPs in August. There were five evaluation committees: one for each of the counties, and one statewide committee. The county evaluation teams consisted of members from the island chapter, that county's office of economic development, HLTA representatives, representatives from the community, and HTA staff. The statewide committee consisted of members from HTA, HLTA and HVCB. The evaluation committees met the first two weeks of August. As a result of the meetings, HTA is funding 22 projects on Kauai for \$536,000, 25 on O'ahu for \$658,000, three on Molokai for \$65,000, 16 on Maui for \$374,500, 18 on Hawai'i for \$396,900, and 9 statewide for \$580,000 for a total of 95 projects for \$2,649,700. The contracts team is currently working on sending letters to the selected programs and plans to announce them in the first week of September.

Mr. Ka'anā'anā next discussed the Kūkulu Ola Program. The program is funding 43 programs for a total of \$1,560,000. He noted that this year there was a lot of new interest and he thanked Communications Director Marisa Yamane for promoting interest. He then discussed the Aloha 'Āina Program. 34 projects will be funded for \$2.08 million. This funding goes towards programs that mitigate visitor impact in places like trails and shore areas. Fred Atkins thanked all the volunteers to the selection committees for their work in evaluating and selecting proposals.

Mr. Tatum recognized Ms. Yamane to provide an update on events HTA is supporting. She highlighted some recent news articles regarding HTA including an article in the Star-Advertiser about HTA's support of the state's hiking trails, and the benefit to the community that comes from the sporting events that HTA supports. Ms. Yamane discussed the media coverage

surrounding the LA Rams game and community engagement on O‘ahu and neighbor islands. KHON ran a story about a former Rams player, Brad Myers, who now lives on O‘ahu. He was able to attend the game at Aloha Stadium thanks to Board member George Kam. Ms. Yamane also reminded the Board about HTA’s social media and encouraged everyone to follow and share posts to help boost engagement.

5. Overview by the Office of Information Practices of the Sunshine Law and Uniform Information Practice Act

Chair Fried introduced Cheryl Park from the Office of Information Practices (OIP) to provide a presentation on Hawai‘i’s Sunshine Laws. She said that there have been many changes over the last year including statute changes, a significant Supreme Court case, and a recent OIP opinion. Ms. Park began with a discussion of Hawai‘i’s Uniform Information Practices Act (UIPA) and Sunshine Law. These laws are in place to ensure the formation and conduct of public policy is conducted as openly as possible. HTA is subject to both of these laws. Ms. Park discussed the issues contained in the relevant materials provided in the Board Packet.

In regards to the Sunshine Law’s effect on open meetings, Ms. Park noted the effect of the Hawai‘i Supreme Court case *Civil Beat Law Center v. City and County of Honolulu*, SCAP-17-000899, which ruled that meetings related to personnel matters are not required to be closed to the public, board members are not subject to criminal prosecution for holding such an open meeting, not all personnel matters affect privacy interest, and before closing its deliberations to the public the board must decide whether the consideration of matters involving privacy will be involved. There is an expectation of privacy for intimate information, but that is not always the case. Another key takeaway is that the attorney-client exception is different from the attorney-client privilege that is recognized by the courts. It is limited to questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, not every communication with an attorney. Having an attorney in the room is not enough to justify a closed meeting. Ms. Park concluded her presentation by discussing a recent opinion OIP sent to HTA that clarified that attendees of an executive session should be limited in order to protect privilege. Privilege may be deemed waived if non-essential individuals are allowed to attend.

Chair Fried said that the Board has been mindful of its executive sessions and the last one that was held was for the hiring of the CEO, Chris Tatum. Chair Fried called a break at 10:53 a.m. and resumed the meeting at 11:05 a.m.

6. Report and Discussion on Federal Issues and their Effect on Tourism in Hawai‘i by Congressman Ed Case

Chair Fried introduced Congressman Ed Case to present to the Board on federal issues that affect tourism. Congressman Case was appointed to the Appropriations Committee and the Natural Resources Committee, which focuses on public lands and national parks. He is also a member of the Travel and Tourism Caucus. Congressman Case said that federal issues that

affect tourism include national and international economy, so he is focusing on fostering a strong national economy. One of the top issues is Brand U.S.A., a successful federal program which is a tourism marketing effort. The authorization to fund Brand U.S.A. is ending soon so an important initiative is to continue funding it until 2027.

There is also a proposal to change the visa waiver program. This would be critical to key constituencies, but it has been inconsistently administered over the years, and recent efforts are to address the overstay rate. There are also proposals to address online booking scams and to increase the liability of programs that sponsor online booking.

In regards to national parks, Congressman Case discussed issues relating to deferred maintenance. He said there has been a generation of underfunding national parks, but he is pursuing an effort in the Natural Resource Committee to address that. He noted that when the USS Arizona presented issues with its faulty docks, the problems proved to be far deeper and broader than first realized. Repairs are expected to be completed by December 7, 2019.

Congressman Case also discussed illegal vacation rentals, which he believes are harmful to the tourism industry, communities, and workers. He is pursuing an effort to hold rental platforms accountable for posting illegal rental marketing. He also discussed helicopter tours and the emerging community disruption and safety concerns.

Chair Fried noted that HTA's focus has shifted to the quality of tourists and making the tourist experience better. Ms. Kimura also noted that the airport needs improvement, including the immigration process at the airport, the lines for which have been growing longer. Mr. Rafter thanked Congressman Case's efforts regarding illegal vacation rentals.

Micah Alameda noted that Volcanoes National Park is very different than it was before and asked for Congressman Case's thoughts on how the park can remarket itself. Congressman Case responded that the National Park Service is sensitive to the need to diversify the visitor experience. Mr. Alameda asked Congressman Case to appeal to the National Park Service to remarket Kīlauea to focus on the culture and the history of the park. He added that when he was there he saw a helicopter tour and said there are not many regulations for them flying above Halema'ūma'ū crater, which is sacred. Congressman Case said he is about to introduce a bill prohibiting overflights over all national parks. Chair Fried said that he heard from Hawai'i Island hotels that the park website makes it sound like the park is completely closed but it is in fact 80% opened, and he is working with the website operators to ensure it is presented that it is open.

Mr. Atkins noted that some federal money was allocated to Hawai'i Volcanoes National Park. Congressman Case said that funding came from an emergency appropriation that allocated funding to address major disasters that occurred in parks throughout the country. The departments administering the funding have flexibility but he will look into the track of the money to the park when he returns to Washington D.C. Mr. Kam asked for an update on the Native American Tourism and Improving Visitor Experience (NATIVE) Act, to fund native

tourism. Case said there is various funding for education, health, veterans, economic development, and for each of those there is a Native Hawai'ian equivalent. Some of those acts need to be reauthorized and funded. He also added that throughout the country there are minority business opportunities but that he does not believe that they are being fully utilized in Hawai'i. Some organizations are astute in how they utilize those opportunities but not everyone is fully aware of opportunities for federal funding. Congressman Case said that he would also look into NATIVE Act funding, specifically.

Chair Fried thanked Congressman Case for attending the meeting.

7. Presentation and Discussion of Current Market Insights and Conditions in Hawai'i and Key Major Hawai'i Tourism Markets, Including the United States, Japan, Canada, Oceania, Other Asia, Europe, and Cruise

Chair Fried recognized Jennifer Chun to present the most recent market insights. She began with the insights from June, noting that July hotel statistics had been released that week. The State, as a whole, is ahead for RevPAR, ADR, and occupancy. Through May 2019, the State recovered \$557.8 million in Transient Accommodations Tax, up 3.8% on an adjusted rate. Ms. Chun noted that there have been several recent announcements in regards to air service. Air China is discontinuing Beijing service at the end of August, but there is still service from China Eastern Airlines from Shanghai. Service from the Philippines is being reduced to four weekly flights, but Asiana Airlines is increasing their service from Korea.

Ms. Kimura said that HTA needs to work on addressing the trend of decreasing per visitor spending and should focus micro-marketing to a higher spender. Specifically, she noted partnerships with McDonald's and Kappa Sushi in Japan. Ms. Chun noted that one reason for the downward trend is decreases in inter-island trips due to an increase in direct flights, because the airfare alone brings spending up significantly. Ms. Hughes said that the HTA contributed PR to the McDonald's promotion, but it was not a paid opportunity. She noted that HTA has been marketing to a higher spender over the last ten years. Marketing has a large effect on that, but removing illegal vacation rentals will also have an effect. She noted that technology will also allow HTA to target and refine its reach. Mr. Tatum added that it is not necessarily true that rich people spend more, and HTA needs to do a better job of identifying demographics that spend more when they travel. Mr. Kam said that HTA also needs to look towards the future, including millennials that may not spend much now but will be a big spender in the future.

Ms. Kumukahi said that she has noticed that there is a disconnect between HTA's objectives to attract a higher spender and marketing at the hotels. Mr. Rafter said that all the hotels can appreciate higher ADR, but there are some hotel investors and owners that are much more sensitive to what HTA is trying to do to promote the Hawai'ian culture. Mr. Tatum said that, in his experience in the hotel industry, there was significant focus on RevPAR, not necessarily volume.

Mr. Rafters noted that if neighborhoods are overrun with tourists, it has a major effect on local sentiment towards tourism. However, that sentiment can change quickly in a recession or because of other major events that affect travel. Mr. Atkins asked when and at what rate the TAT was enacted, and asked about the impact of the increase in taxes on TAT, car rentals, and other areas. Ms. Chun said it has been a long time since anyone looked at the tax impact but that HTA's surveys are self-reported, so those surveyed probably include the tax costs in the total amount that they report spending. Ms. Hughes noted that Hawai'i, along with New York, has the highest ADR in the country and there are many factors that make this a complicated issue. Mr. Tatum said that the market drives demand, and prices increase with demand. HTA's role is to brand Hawai'i correctly, but the hotels decide what makes sense to them based on market conditions. HTA needs to continue to communicate with hotels regarding HTA's branding and objectives. Mr. Ka'anā'anā noted that in January 1997, TAT was implemented at 5%. Chair Fried called a break at 12:01 p.m. The meeting resumed at 12:30 p.m.

8. Presentation, Discussion and Action on HTA's Financial Reports for July 2019

Chair Fried recognized Keith Regan to discuss HTA's July Financial Reports. He directed the Board to the financial reports contained in the Board packet. Mr. Regan pointed out the July financials and budget presentation statement found in the Board packet. He noted that the budgets will be adjusted to reflect the Community Enrichment, Kūkulu Ola, and Aloha 'Āina RFPs when they are officially awarded. The budget also recognizes approximately \$6.6 million in TAT revenue. There were no budget reallocations during this period. Mr. Regan thanked Marc Togashi and his team for their efforts to close out FY 2019. Mr. Regan requested approval for the financial reports as presented. Mr. Kam made a motion, which was seconded by Ms. Kumukahi. The motion was unanimously approved.

9. Update on the Status of the 2018 Audit Action Plan

Mr. Regan also discussed the 2018 Audit Action Plan. He said that the policies and procedures component has been reviewed and approved. Policies and procedures will continue to be adjusted when necessary. As the State changes their programs and rules, the procedures will be updated accordingly. The last few outstanding items are moving forward and there are ongoing discussions with the Deputy Attorney General and the Legislature regarding Items 20 and 21. The date for finalization of those items has not been determined yet. Mr. Regan said he is also working on Item 6 regarding RFPs.

10. Report of the Strategic Plan Investigative Committee's Activities

Chair Fried recognized Strategic Plan Investigative Committee chair Kimi Yuen to discuss the committee's recent activities. She said that on August 2, the committee held a workshop with its consultants. The consultants provided an update on their research and data collection. The committee will hold another workshop with their consultants to begin setting overarching goals and targets, and focus on the four pillars of the strategic plan. The target is to finish by the end

of 2019.

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

Chair Fried recognized Mr. Kam to provide an update on the Marketing Committee. Marketing Committee chair Kelly Sanders was unable to attend the full Board meeting. Mr. Kam said that the RFPs for China, Southeast Asia, and Korea are still pending but there will likely be an update at the next meeting. He said that HTA received one response to the RFI for the Global MCI. Mr. Kam noted that the Rams event is in the evaluation stage. The committee is planning on meeting in September and will likely have more to report at that time.

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

Chair Fried recognized Noelle Liew and Mari Tait to provide an update on the Hawai'i Convention Center (HCC). For the month ending June 2019, HCC reported gross revenue of \$989,100, and a net loss of \$399,000. June was impacted by the cancellation of Gibraltar, but the sales team was able to recover by securing short-term business including Avid, a volleyball tournament, and the Hawai'i Music and Fashion Festival. The new 2019 reforecast for gross revenue is \$15.29 million. In June, HCC food and beverage posted revenue of \$543,200. Ms. Liew noted that the mix of business for June included a number of sporting events, which generally results in lower flow through.

Ms. Liew stated that the return on investment (ROI) for every dollar spent was \$15.33 back to the State. Chair Fried asked how the ROI was calculated. Ms. Liew said that it is calculated by dividing HCC's revenue, State revenue, and tax revenue by HCC's expenses.

Ms. Tait discussed HCC's capital improvement projects. The boiler replacement project designs have been finalized and the contractor is planning on beginning construction in October. The cooling tower, the Ala Wai waterfall repairs and the facility equipment projects are also moving forward. A winning bidder has been selected, and the parties are finalizing a contract. An RFP for the camera, NVR and access control project has been issued, a site walk has been conducted, and proposals are due at the end of August.

Chair Fried recognized Lee Conching to provide an update on HCC's sales. 12,420 room nights were closed in July 2019, bringing the July YTD total to 58,256. The July YTD tentative pipeline is 123,822 total room nights. HCC participated in the CESSE Education Forum, Cvent Connect, and the Experient E4 trade fair. Mr. Conching noted that he had received questions from planners regarding the recent arsons in Waikiki hotels, and that those types of events can have an effect on HCC. He said that the sales team is now focused on generating business for the end of the year, working with Japanese wholesalers and corporate and sports business. Mr. Conching also pointed out recent advertising and PR efforts including promoting HCC as a

venue for holiday parties, and recent awards and accolades HCC and its staff have received.

Mr. Kam noted that, in the past, there were issues about HCC hosting local events that would compete with hotels. Mr. Conching says that it is still an issue when HCC goes after local banquets and meetings, but HCC believes it should compete with the local market and allow the local market to choose. HCC has also received calls for events that have been held at the Blaisdell Convention Center, looking for a new venue when the Blaisdell closes for construction and renovation.

Mr. Rafter asked whether there was any indication that the Japanese market will travel less next year because of the Olympics being hosted in Tokyo. Ms. Hughes says that there is not a barometer for testing this yet. Mr. Conching said they have not seen cancellations but they have seen shifting of dates for groups to come to Hawai'i after the Olympics. There is also an opportunity for groups to stop in Hawai'i on their way to Japan and HCC is reaching out to groups regarding that opportunity. Ms. Kimura suggested comparing the effect of the World Cup of rugby on visitors. She also asked if it was possible to get the room forecasts for the next five to six years. Mr. Conching responded that he would provide that information.

13. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Kam made a motion and Ms. Kumukahi seconded motion, which was unanimously approved by the Board. The meeting was adjourned at 12:53 p.m.

Respectfully submitted



Janjeera Hail
Recorder