



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, October 31, 2019
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Micah Alameda, David Arakawa, Daniel Chun, George Kam, Kyoko Kimura, Kimi Yuen, Fred Atkins, Ku'uipo Kumukahi, Benjamin Rafter, and Kelly Sanders

MEMBER NOT PRESENT:

Sherry Menor-McNamara

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Marc Togashi, Marisa Yamane, Jadie Goo, Kalani Ka'anā'anā, Jennifer Chun, Carole Hagihara, Chris Sadayasu, Joseph Patoskie, Laci Goshi, Minami Aoki, Lawrence Liu, Maile Carvalho, Cynthia Morita, Maka Casson-Fisher, Evita Cabrera

GUESTS:

Representative Richard Onishi, Randall Tanaka, Allison Schaefer, Aldric Ulys, Roth Puahala, John Monahan, Erin Khan, Teri Orton, Mari Tait, Noelle Liew, Lee Conching, Brad Gessner, Irish Barber, Edgar Palafox, Tatsuo Watanabe, Joy Watanabe, David Baronfeld,

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

HTA Board Chair Rick Fried called the meeting to order at 9:34 a.m. Chair Fried introduced Maka Casson-Fisher to give the oli. After giving the oli, Casson-Fisher explained that in the Hawaiian calendar, the current season is known as "makahiki." Makahiki is a period of reflection, prosperity, and collective abundance.

2. Approval of Minutes of the September 26, 2019 Board Meeting

Chair Fried requested a motion to approve the minutes of the September 26, 2019 Board meeting. George Kam so moved and Benjamin Rafter seconded the motion, which was unanimously approved by all Board members present.

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 September 2019

Chair Fried acknowledged HTA CEO Chris Tatum to provide a report on HTA's activities in September 2019. Mr. Tatum introduced HTA Communications Director Marisa Yamane to discuss recent community outreach from the L.A. Rams, L.A. Clippers, and (Association of Volleyball Professionals) AVP events.

Ms. Yamane said that the clinics associated with the sporting events have been successful, and involved all six major islands. The Rams' "Character for Cleats" program was held at Farrington High School, with help from Hawaiian Lodging and Tourism Association (HLTA). The Rams also hosted football clinics for 300 players from eight teams from across the state. Clinics were also hosted for three hundred cheerleaders. AVP held clinics on all six major islands and donated volleyball nets and balls. The Clippers held day-long clinics for approximately 400 children. HTA funds helped bring students to the clinics from neighbor islands.

Mr. Tatum thanked HLTA and the Board for supporting community outreach efforts. He added that the Hawai'i Tennis Open will take place in December 2019, and Maria Sharapova will be playing. It is scheduled to take place at the Stan Sheriff Center. Mr. Tatum also noted that the Triple Crown of Surfing is happening, and HTA is working with WSL to sponsor the announcements for the Olympic team that is going to the 2020 Olympics in Tokyo. He said that he believes Hawai'i needs to do a better job of connecting surfing to its home in Hawaii

HTA is continuing to work with Dave Matlin from the University of Hawai'i (UH) and is working with the men's volleyball team to coordinate international games and help UH recruit from other parts of the world. Mr. Tatum added that HTA will continue the scholarship program that it started last year. HTA will also be contributing to scholarships at UH West Oahu which has a hospitality program. More information will be provided at the next meeting.

Mr. Tatum announced that HTA is sponsoring an opportunity to learn about how to combat sex trafficking in the hospitality industry. HTA is working with Jessica Munoz for training throughout the state.

HTA is hosting its Tourism Update Conference on November 18 and 19 on Hawai'i Island. HTA's contractors will be in attendance, including four new contractors from China, Korea, Southeast Asia, and Taiwan. Laci Goshi stated that it is anticipated that there will be 360 participants.

Mr. Tatum said that HTA is working with the group the state has identified to commemorate the anniversary of the end of World War II. HTA will be helping to fund that effort to show appreciation to the residents of Hawai'i that experienced and sacrificed during World War II.

Mr. Tatum recognized John Monahan to discuss the West Coast bus tour to promote Hawai'i Island. The bus tour was two weeks long, and kicked off in San Diego. The tour targeted to visit 558 customers but actually visited 638. The tour received positive feedback from customers, partners, and cultural ambassadors who participated. Mr. Monahan then discussed overall tourism trends and noted that 2019 has recovered from 2018, which was a weak year due to the eruption of Kīlauea, and in some respects has surpassed 2017. Unemployment on Hawai'i Island, which increased significantly because of the Kīlauea eruption, has improved to historically normal numbers. Mr. Monahan acknowledged Darlene Morikawa, Director of Public Relations for HVCB, and the Hawai'i Island team's contribution to the success.

Rep. Onishi noted that prior to March 2019 unemployment was still increasing but the efforts during summer in providing funding to marketing partners began to pay off in March where unemployment claims in 2019 began to dip below the 2018 numbers. Kuuipu Kumukahi emphasized the importance of not using the term "Big Island" to refer to Hawai'i Island. Daniel Chun asked Ms. Morikawa to expand on the public relations component of the bus tour. Darlene responded that Hawai'i Island had been promoted in Los Angeles in 2018, so this year they appeared on KTLA in Los Angeles but focused more on Seattle, including a travel trade event. They met with about eight media in that market.

Mr. Arakawa asked Rep. Onishi about funds given by the legislature to Hawai'i Island for recovery. Rep. Onishi responded that the legislature gave \$20 million in direct funding and \$40 million in loans, but most of it was directed towards infrastructure recovery. He said the federal government has released additional funds to help businesses and for the national park. Mr. Arakawa said that that should help keep unemployment numbers down.

5. Overview of the 100th/442nd 75th Anniversary Celebration in Bruyères, France

Chair Fried then discussed his recent trip to France to honor the 100th Infantry Battalion and the 442nd Infantry Regiment, and their contribution to the Allied victory in World War II. Chair Fried attended at the invitation of the French consul. The 442nd Regiment was made up exclusively of Nisei American soldiers, many of which were from Hawaii. Eight hundred men of the 442nd were wounded, dead, or missing in action, to save a battalion of 200 men and liberate Bruyères. A ceremony was held in Bruyères, a sister city of Honolulu, to commemorate the

event, and was attended by Mayor Kirk Caldwell and Congressman Ed Case.

6. Presentation by the Honolulu Festival Foundation Regarding Multi-Cultural and Community Engagement

Minami Aoki, Market Manager for Japan and Korea, introduced Tatsuo Watanabe, Honolulu Festival Foundation Executive Director, and Joy Watanabe of JTB. Mr. Watanabe said that this year's event commemorated 25 years. Honolulu Festival is an event that celebrates the connection between Japan and Hawaii. The Honolulu Festival Foundation is a nonprofit organization that promotes cultural exchange activities. Mr. Watanabe explained that the program began in 1995 but has grown into an international event, including participants from more than a dozen countries. The mission is to promote ethnic harmony and greater cultural understanding by introducing diverse cultures of the Pacific Rim region to the people of Hawai'i and visitors. The main events of the most recent Honolulu Festival took place at Hawai'i Convention Center (HCC), Waikiki Beachwalk, Ala Moana Center, and International Marketplace. There was also an educational tour offered to students in Hawai'i ranging from kindergarten to college students, which offered hands-on participation. The 2019 Honolulu Festival also brought Kabuki to Hawai'i for the first time in 50 years. There were a total of seven performances and each was sold out. There was also a Japanese film festival held at HCC.

In 2019, Honolulu Festival brought a total of 5,865 out-of-state participants resulting in an economic impact of \$8.9 million to the State of Hawaii. For next year, the goal is to increase participating visitors by 5%. Honolulu Festival also participates in environmental sustainability efforts. The 2020 Honolulu Festival will take place from March 6-8, 2020.

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 provide the latest market insights and conditions, which were included in the Board Packet. She noted that the visitor statistics press release had been released that morning.

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Ms. Chun explained that for September, expenditures were \$1.25 billion, a decrease from last year. This was driven by a decrease in per person/per day spending. There was an increase from U.S. East, but all other markets decreased. She stated that there was an increase in arrivals of 3.5% higher than last September, but that statistic is affected by the fact that Hurricane Olivia impacted Hawai'i last September.

Spending on Hawai'i Island has increased over 2018, and the number of day trips to Hawai'i Island has increased by approximately 20%. Arrivals to Kaua'i are still down from last year. Through June, the State collected \$600.3 million in TAT, an increase of 8.2% compared to FY 2018 through June 2018. HTA also released hotel performance numbers, which showed 78.2% occupancy for September. Ms. Chun added that HTA will begin its inaugural vacation rental. Ms. Chun noted that there was an increase of seats from the U.S. West and decreases from other areas like Japan, Korea, and China. In September there was no direct Beijing service.

Chair Fried noted that occupancy was flat for all the islands except Kaua'i, which was down, and asked if Ms. Chun had any comment. Ms. Chun responded that they were seeing fewer people going to Kaua'i, in general. Mr. Tatum noted that, in the context of 2018 when Kaua'i received more visitors diverting to Kaua'i from Hawai'i Island, the numbers are actually increased from 2017. Mr. Atkins said that there are a variety of factors that HTA should monitor. Ms. Chun said another issue of concern is the elimination of direct service from Vancouver due to the grounding of the Boeing 737 Max plane. Ms. Kimura asked about the impact of vacation rentals. Ms. Chun responded that there was a decrease in vacation rentals from July to September.

Chair Fried announced a break at 10:38 a.m. The meeting resumed at 10:53 a.m.

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

Chair Fried acknowledged Keith Regan, who provided financial reports and the budget statement for September 2019, contained in the Board Packet. He noted that, going forward in the fiscal year, more funds are being allocated to various components of the major categories of the budget. He said that the information in the report will become more detailed as the fiscal year progresses and money is allocated. Mr. Regan stated that HTA is on track, particularly with financing and allocating funds for Kukulu Ola, Aloha Aina, and community outreach enrichment programs.

Mr. Regan discussed the Executive Summary, which provides a snapshot of activities that occurred in September. The Tourism Special Fund includes \$5 million in the emergency fund, which cannot be accessed absent permission from the Governor. HTA receives about \$6.6 million dollars per month from the State, via the Transient Accommodation Tax, that goes into the Tourism Special Fund. Mr. Regan also noted prior year encumbrances, and reiterated that HTA is pushing to ensure those funds are expended properly. He stated that out of the \$86.8 million budget approved by the Board, \$15.7 million is being utilized, which puts HTA on track. Mr. Regan also said that there is approximately \$12.7 million in the Enterprise Special Fund, which increased due to a transfer of funds from the State from TAT revenues. These funds go to support activities of HCC.

Chair Fried asked about an item called "Budget Remaining," which shows the amount encumbered for community enrichment as "activity". Mr. Regan clarified that the activity is the allocation of the funding. Mr. Atkins noted that for Hawaiian community programs, there

was a difference of about \$1 million between the allocation and the original budget. Kalani said that some of that funding is for market support, Ma'ema'e fund, and the opportunity fund. Marc Togashi noted that money for the Hawaiian Center for Music and Dance is also included in that and that has not been allocated yet. Mr. Atkins asked why it was not a separate line item. Mr. Ka'anā'anā responded that those funds are still with HTA but are reflected in the larger Hawaiian programs line item.

Mr. Regan asked for a motion to approve the budget. Mr. Kam made a motion seconded by Ms. Kumukahi. The budget was unanimously approved.

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

Chair Fried acknowledged Mr. Regan to provide an update on the status of the 2018 Audit Action Plan. Mr. Regan said that they are in the process of finalizing the last few outstanding items which are related to administrative costs. They are working internally on a request to the Attorney General (AG)'s office to get an answer to resolve that process. David Arakawa noted that the next legislative session is coming up and requested that the request to the AG's office be added to the next agenda.

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. Ms. Yuen said that a meeting was held on October 14 to assess feedback collected from stakeholder interviews and meets, and to refine the "pillars" of the plan. She said that the Committee anticipated getting a full plan from their consultant the following Monday to go over the plan in more detail. The Committee anticipates presenting the plan to the Board at the November meeting. She thanked the participants for their work on this matter.

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

Chair Fried introduced Teri Orton to present the update of the Hawai'i Convention Center (HCC)'s recent operational activities and sales initiatives for September, also contained in the Board Packet. In September there were 19 licensed events generating \$1.3 million in gross revenue, on target with budget expectations. She noted that both the Okinawan Festival and the OceanObs Conference exceeded expectations, including budget expectations.

Ms. Orton recognized Mari Tait to provide an update on Capital Improvement Projects (CIP). Ms. Tait said that HCC initiated seven projects, listed in the Board Packet. Ms. Tait said that one of the projects will be completed this year, and the rest will be completed in 2020. HCC has developed a page on its website which announces the procurement of RFPs and the awards. Mr. Regan said that HTA has been involved in HCC CIP with Ms. Tait and her team. He commended the team for their work on the RFPs, and their efforts ensuring that funding is

being expended in the best way possible.

Ben Rafter asked about the study on the life cycle of the roof. Ms. Orton said that there are about two years of safe usage of the roof before repairs are required. Mr. Tatum said that HTA is working with a consultant on how to be the most productive with the use of the roof. He anticipates an update being provided by the end of the year. Mr. Arakawa asked if there were currently any restrictions on the usage of the roof. Ms. Orton responded that there were not. Mr. Arakawa asked how long the roof would be unusable during repairs. Ms. Orton responded that it would be approximately 1.5 to 2 years. She said they are trying to plan the repairs for a period when they have the least business, which is 2021.

Ms. Orton then discussed the Pace Report and recognized John Monahan to discuss sales and marketing. She said that the objective of the sales team remains to close business, travel, and sales and marketing initiatives. Mr. Monahan noted that HVCB was the only respondent for sales and marketing for HCC and city-wides. He said that HVCB has entered into a process to build up their structure and their team. They are also conducting research to compare similar convention centers and cities to develop best practices. The city-wide sales structure is being built, search for a sales and marketing leader is underway, and they are contracting with industry experts. Mr. Monahan said HVCB would also be working with local stakeholders.

Mr. Tatum said that in some of the other markets, they brought together the big players in the market and reviewed the booking base together to determine where booking was needed. He said that the sales team should incentivize to book in lean times.

Mr. Arakawa asked how HVCB would handle local events. Mr. Tatum stated that HVCB will not be handling local bookings and that would be handled by HCC. In the event that there was a conflict, they would evaluate them and, if need be, move someone.

Ms. Orton introduced Lee Conching to discuss HCC's sales and marketing efforts. Mr. Conching also responded to Mr. Arakawa's concern and noted that local events are confirmed approximately 12 months out but that more groups are looking at shorter lead times. He stated that the sales team is focusing on the next six weeks, which is when there are significant closings for the year.

Mr. Conching pointed out that the current event being hosted at HCC is SACNAS, the Society for Advancement of Chicanos/Hispanics and Native Americans in Science. He said that HCC has been working for eight years to bring this organization to Hawaii. The event has approximately 5,000 attendees and the event has opened the door for similar events. Mr. Tatum noted that the event was a collaborative effort with the University of Hawaii.

Mr. Conching said that HCC recently attended the IMEX Americas annual trade fair in Las Vegas, NV which is attended by executives from across the country. HCC is also working with third-party planners like HelmsBriscoe.

12. Discussion and Approval of the FY20 Convention Center Enterprise Special Fund Budget

Ms. Orton also discussed the HCC budget, which was broken out into a budget for facilities and a separate budget for sales and marketing. Ms. Orton explained how the budget would be split between HCC and HVCB for sales and marketing. Mr. Tatum clarified that of the \$16.5 million from TAT, \$6.5 million usually goes towards sales and marketing, and \$10 million goes to facilities. Now, out of the \$6.5 million for sales and marketing, \$1 million will go to HCC for local sales, \$1 million will go to the HCC's reserve for facility maintenance, and the remaining funding will go towards HVCB. HVCB will also receive an addition \$2.5 from HTA's budget for a total of approximately \$7 million for sales and marketing. Ms. Orton also discussed HCC's food and budget, salary, contract labor, utilities, and supplies budgets.

Ms. Orton said that for on-call security, HCC will create a part-time, on-call pool of retired or off-duty police officers that HCC could call from for event security, because their contractors have not been able to consistently fill the schedule. The cost is more, but that cost is passed on to meeting planners. Mr. Tatum asked whether HCC was charging events for this service and Ms. Orton confirmed that they were.

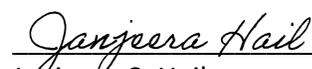
Mr. Tatum said that HTA had reviewed the salary and benefits of HCC staff in detail and had concluded that some of the salaries were not in line with the market. Adjustments to those salaries were made to ensure that HCC is competitive.

Ms. Orton introduced Brad Gessner, from AEG. Mr. Gessner discussed AEG's efforts to support transferring sales and marketing to HVCB. AEG merged with SMG, effective October 1, and is now ASM Global. Moving forward, Mr. Gessner will be involved in ASM Global as a consultant and will continue to work with Hawaii. Mr. Regan asked for a motion approving the budget. Mr. Kam made a motion. Mr. Atkins seconded the motion, which was unanimously approved.

13. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Kam made a motion and Ms. Yuen seconded the motion, which was unanimously approved by the Board. The meeting was adjourned at 12:18 p.m.

Respectfully submitted



Janjeera S. Hail
Recorder