



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, February 27, 2020
Hawaii'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii'i 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

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

MEMBERS NOT PRESENT:

Micah Alameda, David Arakawa, and Daniel Chun

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Pattie Herman, Marc Togashi, Kalani Ka'anā'anā, Marisa Yamane, Jadie Goo, Jennifer Chun, Caroline Anderson, Carole Hagihara, Chris Sadayasu, Chael Kekona, Isabella Dance, Joseph Patoskie, Laci Goshi, Lawrence Liu, Maile Carvalho, Cynthia Morita, Maka Casson-Fisher, Minh Chau Chun, and Ronald Rodriguez

GUESTS:

Senator Glenn Wakai, Alexander Wong, Malia Sanders, Nathan Kam, Erin Khan, Pua Sterling, Jessica Lani Rich, Kenlyn Lum Yee, Barbara Okamoto, Christine Ulandez, Branden Askew, Jason Paloma, Dennis Suo, Eric Takahata, Mitsue Varley, Philip Richardson, Alex Wong, Ka'iulani Laehā, Kahoku Lindsey Asing, Allison Schaefer, Chris Kam, Alan Ellis, Teri Orton, Mari Tait, and Noelle Liew

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Chair Rick Fried called the meeting to order at 9:33 AM. Chair Fried introduced Kalani Ka'anā'anā, who opened the meeting with a pule. Mr. Ka'anā'anā acknowledged that February is Hawaiian language month. Mr. Ka'anā'anā then played an audio clip to honor the voices of Hawai'i's kūpuna mānaleo. He added that the continued revitalization of the Hawaiian language requires bringing the voices of our elders and youth together. Mr. Ka'anā'anā then introduced Ka'iulani Laehā, the Chief Executive Officer of 'Aha Pūnana Leo. Ms. Laehā thanked the Board for its commitment to promoting sustainable cultural values and helping 'Aha Pūnana Leo achieve its mission of ensuring that Hawaiian language lives. She added that language is at the root of culture, and to keep visitor experiences authentic, it is important that 'Ōlelo Hawai'i is readily available and normalized. Ms. Laehā explained the history of the program and that it now offers statewide programs from infant-age to doctoral degrees at the University of Hawai'i at Hilo. Ms. Laehā noted that 'Aha Pūnana Leo has been recognized as indigenous language revitalization leaders. Different indigenous communities have come to visit and learn about 'Aha Pūnana Leo's programs. Ms. Laehā stated that there is still work to be done to normalize 'Ōlelo Hawai'i in daily life, social activities, technology, and career paths. Ms. Laehā then invited students from Pūnana Leo o Mānoa to perform a song.

2. Approval of Minutes of the January 30, 2020 Board Meeting

Chair Fried requested a motion to approve the meeting minutes from the January board meeting. George Kam made motion, which was seconded by Ku'uipo Kumukahi. The motion was unanimously approved.

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

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

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs during January 2020

Chair Fried introduced HTA Chief Executive Officer Chris Tatum to present his report. Mr. Tatum first raised the issue of coronavirus stating that HTA participated in an editorial board meeting and press conference with the Star Advertiser and Governor David Ige. HTA has also been communicating with the travel industry and providing information to their global travel partners. He noted that HTA has also served as a resource for the travel industry if they have questions because they have direct communication with the Department of Health (DoH) and administration. Mr. Tatum added that HTA has worked with the DoH to reduce the impact of the virus by providing information about proper personal hygiene and providing hand sanitizer units in public areas. He noted that he and

Mr. Kam just returned from Japan, and there were hand sanitizer stations everywhere from airports to hotels. Mr. Tatum added that he saw tourists and more importantly staff using it. He suggested that Hawai'i needs to do that too. He stated that his biggest concern is the number of groups asking questions about the status of the coronavirus and the possibility of changing dates or cancelling. HTA is monitoring the daily arrival numbers and there will likely be an impact moving forward. Industry partners are making preparations and informing their employees. Mr. Tatum stated that it is a community responsibility, but HTA will play a large role. He added that HTA is passing on the information they receive directly from the DoH.

Fred Atkins asked if the airlines are keeping HTA informed and updated of flight cancellations. Mr. Tatum responded in the affirmative. He added that the biggest determiners of flight cancellations are load factors and resource allocation.

Chair Fried stated that he spoke with Lieutenant Governor Josh Green this morning, and that Lt. Gov. Green has also been providing updates. He added that California Governor Gavin Newsom announced that over 8,000 people in California are being monitored for the coronavirus. Mr. Tatum commended the DoH and noted that they planning for the future and not simply managing these issues day by day.

Mr. Tatum then said that he and Mr. Kam traveled to Japan last week. They spoke with officials at Narita Airport and the U.S. Embassy about pre-clearance. Mr. Tatum invited Mr. Kam to share his impressions of the trip to Japan. Mr. Kam said that the press conference was well-attended, and there was incredible coverage on all the major news channels and in magazines and newspapers. He added that Mr. Tatum gave a great speech about the history of Hawai'i and surfing at the press conference. Mr. Tatum stated that the purpose of the press conference was to promote Hawai'i and its surfing brand as the birthplace of surfing. Professional surfers were on the panel with them. Mr. Kam explained the history of Hawai'i and Japan's 50-year long surfing connection. He also shared stories about Takayuki Wakita and other Japanese professional surfers, and the creed of surfing with aloha when visiting Hawai'i. Mr. Tatum said that they also promoted the Bishop Museum and its new exhibits at the press conference.

Mr. Tatum then stated that the Davis Cup is next weekend. Chair Fried encouraged the Board to attend. He noted that the Davis Cup is unique and that 10 other cities tried to host it. Honolulu will host the Davis Cup for 3 years.

Mr. Tatum then shared that the approved 5-year Strategic Plan has been sent to the Board and will be ready for print soon.

Kyoko Kimura asked when the pre-clearance is expected to be ready. Mr. Tatum responded that the best case scenario is a year or more. The pre-clearance would require a bilateral agreement between the United States and Japan. Mr. Kam added that Gov. Ige was optimistic, but no firm date has been set because there are still details to work through.

5. Presentation by the Visitor Aloha Society of Hawaii (VASH) of their Services to Visitors in Need

Chair Fried introduced Jessica Lani Rich, President and Chief Executive Officer of the Visitor Aloha Society of Hawaii (VASH). Chair Fried noted that VASH does great work and that the Board should continue to provide them funding.

Ms. Rich stated that VASH's goal is to have tourists leave Hawaii with a positive memory of their stay even if they experience a crisis. To qualify for VASH's services, one must have roundtrip tickets, and be here less than 60 days. Ms. Rich thanked the Board and Senator Glenn Wakai. Chair Fried also recognized Sen. Wakai.

Ms. Rich acknowledged the significance of social media in today's travel industry. She added that bad images on social media can have a negative effect on the economy. Ms. Rich identified that there were more high profile incidents in 2019 than in any previous year, including the drunk driving crash in Kaka'ako, a helicopter crash in Kailua, a plane crash in Mokulē'ia, visitors robbed at gunpoint, and drownings. Ms. Rich thanked Teri Orton for hosting the "Hawai'i - We Care" event at the Hawai'i Convention Center.

Ms. Rich then added that VASH was in the New York Times. A 34-year old man died on a flight from Canada to Australia. The plane made an emergency landing in Honolulu. VASH assisted the man's widow and children onboard. VASH also provided assistance to an 11-year old, unaccompanied minor that had been stranded in the Air Canada lounge.

Ms. Rich noted that VASH has received inquiries about the coronavirus and whether it is safe to travel to Hawai'i, and she has referred these inquiries to the DoH.

Ms. Rich described the different types of assistance that VASH offers such as counseling, discounted hotel rooms, ground transportation, etc. She added that in 2019 they helped 1,897 visitors from the mainland, Asia, and other parts of the world. Ms. Rich provided a number of anecdotes about different travelers they have helped.

HTA Chief Administrative Officer Keith Regan stated that each county has its own visitor's assistance program. He noted that HTA allocated \$635,000 of total funding with \$368,000 allocated for Ms. Rich's program. He added that in 2019 these programs helped almost 3,500 visitors across all 4 counties and that visitors never forget the help received during a crisis. He then described the funding as a small investment of \$183 per assisted visitor to protect the tourist industry in Hawai'i.

Chair Fried thanked Ms. Rich for her presentation, adding that the Board members now have a deeper understanding of the services that VASH provides.

6. Presentation on the Resident Sentiment Survey Results

Jennifer Chun introduced Chris Kam, President of OmniTrak Group, to present the results of the Resident Sentiment Survey. Mr. C. Kam explained that the survey measures key resident attitudes toward tourists, positive and negative impacts of the tourist industry, and captures resident issues and concerns with the industry. He identified three general trends: (1) resident sentiment toward the tourist industry has generally weakened; (2) residents are most interested in how the tourist industry can improve their quality of life; and (3) residents want a voice in tourism development, and for the industry to create jobs, shopping, restaurant, and entertainment opportunities. Mr. C. Kam then described the survey's metrics and methodology and some notable trends in key questions as contained in the board packet.

Chair Fried asked if the Airbnb bill improved resident sentiment on O'ahu. Mr. C. Kam responded that vacation rentals had a small impact (1%) on resident sentiment. Mr. Tatum asked when the survey was conducted. Mr. C. Kam replied that it was conducted from September to November 2019. Chair Fried noted that the bill passed in August so hopefully it has a positive effect on resident sentiment in next year's survey.

Ms. Kimura asked if any of the people surveyed were in the visitor industry. Mr. C. Kam responded that the people surveyed are asked if they are in the industry, have ever been in the industry, or has a household member in the industry. However, there is no clear trend how it affects resident sentiment. Ms. Kimura asked what percentage of survey takers were in the travel industry. Ms. Chun responded that they can provide that information.

Benjamin Rafter asked if there is data going back to 2006, 2007, and 2008. Ms. Chun responded that the tracking questions date back to 1988. Mr. Rafter then asked when the market crashed in 2008, how quickly sentiment toward the tourist industry improved. Mr. C. Kam said it was rapid, and there was a greater appreciation for the tourist industry. Now that the economy has improved, people have more concerns about the visitor industry.

Mr. Atkins asked if the survey tracks which part of the island the surveyed resident lives. Mr. C. Kam responded that the survey tracks quotas by sections of each island. Ms. Chun noted they tried to increase the survey sample on Kaua'i to break it up by region, but the sample was not large enough.

Chair Fried announced a break in the meeting at 10:56 AM. The meeting reconvened at 11:07 AM.

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 introduced Ms. Chun to discuss market insights and conditions. Ms. Chun discussed the statistics as contained in the board packet. She noted that the Department of Business, Economic Development & Tourism pulled their forecasts due to uncertainties related to the coronavirus.

Chair Fried noted positively that visitor spending per person is up 3%. Ms. Kimura then added that she thinks that the O'ahu vacation rentals are moving to Maui.

Ms. Chun concluded by saying that TAT collections in December 2019 were at \$319.7 million, which is up 13.1% from the previous calendar year.

8. Presentation, Discussion and Action on HTA's Financial Reports for January 2020

Chair Fried introduced Mr. Regan and Marc Togashi to present the financial reports. Mr. Regan first discussed the budget statement contained in the board packet noting that revenue sources for HTA come from TAT collections and investment income from the Department of Accounting and General Services. As of January, HTA has received \$47.4 million from these revenue sources to help with operations. He also noted that the budget reflects the reallocations for FESTPAC and the 75th World War II Commemoration. He added that \$66.14 million has been allocated for expenditures, which represents about a 76% utilization of the budget. Larger contracts are being encumbered, and payments for those contracts are starting to hit the books. He then stated that in March the order of the presented documents will change starting with the executive summary followed by the financial statements.

He then discussed the master budget summary noting that the January 2020 activity column is a good indicator of how funds are being allocated and what remains. It helps with HTA budget planning for the following fiscal year to identify which funds have been allocated.

Mr. Regan then discussed the executive summary in the board packet and identified that HTA has \$90.6 M in cash and investments for its operations, which includes a \$5 million emergency fund. HTA recorded \$6.6 million in revenue from TAT, but it was offset by \$9.6 million in expenditures.

Mr. Rafter asked with China and Korea flights being suspended, what is the plan for the reallocation of funds. Mr. Tatum responded that HTA has suspended all campaigns to China and South Korea. The team will break out the savings as a separate line item. Mr. Tatum then said that HTA wants to be part of the solution by working with the Department of Transportation (DoT) to put hand sanitizers in the airport. HTA is working with the legislature and the DoH to focus on the safety and security of residents and visitors.

Mr. Regan added that HTA has started working with the DoT to deploy units across all state airports. The DoT estimates that it will require 250 units. The DoT should have a plan regarding where to deploy the units for review tomorrow.

Mr. Regan then stated that the team is working hard to pay down the prior year's encumbrances. In January, the team worked it down to \$18.2 M from \$21 M last month. Mr. Regan commended Mr. Togashi and his team for identifying lapsed contracts or contracts without activity to reallocate those funds.

Chair Fried requested a motion to approve the financial report. Mr. Kam made a motion, which was seconded by Ms. Kumukahi. The Board voted to approve the financial report unanimously.

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

Chair Fried introduced Mr. Regan to provide an update on the status of the 2018 Audit Action Plan. Mr. Regan stated that the Attorneys' General Office is working diligently to provide a response for the final line item.

10. Update Relating to the 2020 Legislative Session and Related Bills Relevant to HTA

Chair Fried introduced Mr. Regan to provide an update on the 2020 legislative session. Mr. Regan stated that previously, there were over 90 measures relevant to the industry that they were tracking. That number is down to 36. Mr. Regan noted that they have written over 20 testimonies for bills. The team has attended hearings and has testified. Mr. Regan provided several examples of bills the team would be interested in seeing passed, such as HB1622, which would add language to amend the allocation of TAT for operation of a Hawaiian music and dance center to also include "development," and HB1944, which would provide \$5 million for the Department of Land and Natural Resources (DLNR) parks and trails program. DLNR would have to provide a list of proposed projects to HTA for review and approval to ensure that the funds are spent on parks and trails that visitors and residents are utilizing.

Chair Fried commented that in the past HTA used a lobbyist, but believes it is much more efficient to have the team doing the work.

Chair Fried asked what the color coding means on the chart in the board packet. Mr. Regan responded that it represents the companion bills. If it is red, it has died. If it is green, it is moving forward. If it is black, they are still waiting. He then thanked Carole Hagihara for keeping the team on track. Chair Fried also recognized Ms. Hagihara.

Mr. Tatum discussed that one of the legislative priorities is to get funding to address the 'Iolani Palace bee issues in the walls and the coronation stand. Mr. Regan added that the relevant bill HB2209 is one they have been tracking and providing testimony for.

Mr. Atkins asked if HB1622 (regarding the Hawaiian music and dance center) passes, will there be \$1 million every year to operate it. Mr. Regan responded that that is up to the

legislature, but the program is ready for RFP and that they just need the new language passed. Mr. Atkins then expressed concern that the program may be developed but cannot be sustained. Mr. Regan responded that any RFP response needs to address the issue of sustainability, for example through fees or rentals.

Sherry Menor-McNamara asked if there is a bill that the team is tracking, but has not submitted testimony, if the team simply tracks it in case it becomes a bill that HTA should oppose. Mr. Regan responded those bills are currently neutral, but must be monitored closely in the event of a “gut and replace.”

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

Chair Fried introduced Ms. Orton to provide an update on the Hawai‘i Convention Center (HCC). Ms. Orton introduced Noelle Liew, the HCC Director of Finance, to the Board. Ms. Liew stated that the HCC had a strong month because the HCC hosted the American Astronomical Society, the Sony Open annual dinner, the AAU Transpacific Volleyball Tournament, and 13 other groups generating \$1.4 million in gross revenues with a net loss of \$42,000. Ms. Liew expects February to be a softer month, but there are eight other city-wide groups with over 3000 attendees each for the remainder of the year.

Mr. Tatum asked Ms. Orton for an update on how the coronavirus is affecting groups. Ms. Orton responded that there are no cancellations as of yet, but she has received numerous questions about HCC’s cancellation policy. She noted that groups with large numbers of attendees from Japan are getting very nervous. She added that JTB is getting a lot of cancellations for the Honolulu Festival. Rotary’s Conference is coming in June and has received cancellations from mainland China attendees and likely from South Korea soon. However, there have been no cancellations of total events just attendees from certain areas where coronavirus outbreaks are affecting arrivals. Ms. Orton stated that HCC has deployed hand sanitizer stations throughout the building. The message to clients is that Hawai‘i remains a safe place to vacation.

Ms. Liew then discussed F&B numbers as contained in the board packet.

Ms. Orton introduced Mari Tait to provide updates for the Capital Improvement Projects as contained in the board packet. Ms. Tait stated that the boiler replacement and the Ala Wai waterfall projects are nearly complete. She added that they are finalizing details for permitting for the cooling tower replacement.

Ms. Orton stated that Lois Asato is retiring. Trevor Newman was promoted to Accounts Manager, Joana Hall was promoted to entry level sales manager, and Holly Elder has been hired as a contract specialist reviewing license agreements. The Sales Manager - Asia Market position is vacant and will be filled with an entry level position. Ms. Orton then discussed the local sales initiatives as contained in the board packet.

Chair Fried asked if Ms. Orton is optimistic that groups will change dates instead of cancelling. Ms. Orton responded that they are trying to accommodate date changes first, but she has advised groups to check with their hotels because the hotels may still charge for the change of dates. Mr. Tatum confirmed that the lead comes from the hotels because many are large companies with cancellation or change policies.

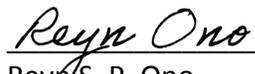
Mr. Kam asked what HCC can do to be more proactive with Rotary and FESTPAC bringing a lot of business from Asia. Mr. Tatum responded that HCC is already reaching out to all their customers to discuss options. Ms. Orton added that Smart City is offering free Wi-Fi to live stream the conference to attendees who cannot attend.

Ms. Orton introduced John Reyes, Senior Vice President, Chief MCI Sales Officer at Hawai'i Visitors & Convention Bureau. He presented the best practices of a successful citywide destination, the new citywide sales strategy, sales initiatives, and the citywide sales update as contained in board packet.

12. Adjournment

The meeting ended at 12:07 PM.

Respectfully submitted,



Reyn S. P. Ono
Recorder