



BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Thursday, January 20, 2022, at 9:00 a.m.
Virtual Meeting

MINUTES OF THE BUDGET, FINANCE & CONVENTION CENTER STANDING COMMITTEE MEETING

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| MEMBERS PRESENT: | Fred Atkins, Micah Alameda, David Arakawa, Kyoko Kimura, Dylan Ching |
| MEMBER NOT PRESENT: | Ben Rafter, Kimi Yuen |
| HTA STAFF PRESENT: | Keith Regan, Kalani Ka'anā'anā, Marc Togashi, Maka Casson-Fisher, Carole Hagihara-Loo |
| GUESTS: | Teri Orton, Mari Tait |
| LEGAL COUNSEL: | Gregg Kinkley |

1. Call to Order and Pule

Mr. Regan called the meeting to order at 9:04 a.m. and confirmed the attendance of the Committee members by roll call. Chair Atkins asked Mr. Casson-Fisher to open with a pule.

2. Approval of Minutes of the December 21, 2021, Budget, Finance, and Convention Center Standing Committee Meeting

Ms. Kimura mentioned her name was spelt wrong and Chair Atkins said it would be corrected. She also mentioned that page 6 of the minutes needed to be revised to say she was referring to the legislation of the budget meeting not being discussed the previous day. Chair Atkins asked who will make the changes and Mr. Regan confirmed that they will. Mr. Regan suggested the motion to include the recommendation to make the changes as identified by Ms. Kimura. Ms. Kimura moved to approve the minutes as amended. Chair Atkins asked if the minutes are made

public and if anyone in the community wanted to make a change. Mr. Regan said there were no recommendations. Chair Atkins called a vote and Mr. Alameda seconded. Mr. Regan did a roll call and the motion passed unanimously.

3. Presentation, Discussion and Action on the Hawai'i Tourism Authority's December Financial Report

Mr. Regan gave the floor to Mr. Togashi to review the finances of the Hawai'i Tourism Authority as well as the Hawai'i Convention Center.

Mr. Togashi directed to page 35 of the financial packet with all the relevant information and an executive summary that captured the month of December 2021. He mentioned page 63 of the financial packet, the budget statement summary which showed the four main funds represented by the four quadrants on the page. He mentioned the ARPA Tourism federal fund, anticipating receiving \$60 million in ARPA funds of which \$32.7 million has already been released to them by BNF for availability and reported onto their financials.

He said that over a series of meetings the board had approved the fiscal year 2022 budget of \$48,375,000 through December of which \$31.3 million had been encumbered. He said approximately \$11.6 million had not yet been approved including \$10.7 million that had been deferred and \$925,000 to be reprogrammed, which will be discussed in the BFCC committee meeting today. He said in December 2021 the primary activity to report beyond budget approval is the commitment of \$5.3 million in branding encumbrances, which represented an earmark of funds for the MCI contract; and secondly, BNF approving HTA's extension request to encumber and expand ARPA funds by June 30th, of 2023, beyond the original deadline of June 2022 - a one year extension. He said they have the ability to go back to BNF if they do need a bit more time in the discussions.

He said they have not made any budget allocations for the current fiscal year, but when they do, they will be detailed in the summary of budget reallocations included in the financial packet. He then moved on to the Tourism Special Fund (TSF) in fiscal year 2022. Although TSF sunsets on January 1st, he said on the page is revenue receipts that came before sunset and may continue to see revenue activity, such as interest and refunds until they have paid out all of their prior encumbrances. He said that through December 2021 they recorded \$184,000 in miscellaneous revenue to this fund. For the ARPA Convention Center Federal Fund, he said they anticipated the release of \$11 million in ARPA and in December 2021, BNF released the remaining \$10.5 million of that to HTA for availability. He said in the December 2021 meeting the BFCC committee discussed the intention to deploy the funds primarily for funding

significant repair maintenance projects as they have already encumbered funds for the Convention Center's fiscal year 2022 operations with the fiscal year 2021 TT restart funds.

For the CCESF activity: through December they received the full \$11 million in Convention Center Enterprise Special Fund (CCESF) TAT allocation and \$1 million in HCC revenue. He mentioned their financial position as of December 31st, and said they have access to \$32.6 million in the tourism federal fund, the ARPA funds, and BNF has also approved the release of an additional \$2.7 million in funds which will be recorded in January 2022, with staff also recording those funds at the Department of Accounting and General Services (DAGS). The summary of funds released by BNF compared with the Board approved budget related in encumbrance can be found on page 36, item two of the executive summary in the meeting packet.

For the HTA Tourism Special Fund (TSF): as of December 31st, Mr. Togashi said they have \$57 million in cash in investments which represents a \$1.3 million decrease from November 2021 due to disbursements related to operational and program expenditure. Of the \$57 million, \$5 million is reserved as their emergency fund and \$49.2 million is encumbered to contracts, and \$2.8 million is unencumbered. He said they do anticipate the \$2.8 million of unencumbered funds to increase as savings from certain encumbered contracts are realized.

He said the TSF sunsets on January 1st, 2022, pursuant to Act 1 of the 2021 legislative special session, leaving \$2.8 million available to return to the state's General Fund, and the \$5 million emergency fund will remain as HTA's reserve. Mr. Togashi then moved on to the ARPA Convention Centers Federal Fund. He said \$11 million is available and the intention is to use this funding for repair and maintenance projects.

With regards to the CCESF, the fund that the Convention Center has historically operated from, HTA has \$48.9 million in cash, consistent with November 2021. He said of that money, \$35.9 million is encumbered for contracts, which represents the funds that they encumbered using fiscal year 2021 TAT restart funds, as well as their reserves. He said the remaining \$13 million of unencumbered funds in the CCESF, including the \$11 million in TAT that they received in September 2021 will include further deposits into the fund representing Convention Center revenue.

He said the \$13 million will be stored as repair/maintenance reserve for future deployment. He said the deployment is subject to the restoration of the CCESF's expenditure appropriation ceiling by the legislature. He said at the beginning of the fiscal year the fund had reserves of \$870,000 and they anticipate that balance to increase to \$16.8 million by the end of this fiscal year, which is due to the deposit of the Convention Center revenues as well as receiving the

\$11 million in TAT in September 2021. He said the funds are earmarked to support the 6-year repair/maintenance plan discussed at the December 2021 committee meeting.

Chair Atkins asked if there were any discussions or questions from panelists.

Mr. Arakawa asked about the use of the \$11 million for the Convention Center repairs and another \$13 million, part of the \$15 million held in reserves for repair and maintenance. He said they had a presentation on the Convention Center roof and repairs a few meetings back and said he remembered a price tag over \$60 million. He asked if that figure is correct? Mr. Regan confirmed this as correct (\$64 million).

Mr. Arakawa asked if there is a budget request for that.

Mr. Regan confirmed there is a request at the legislature that was included as part of the governor's budget proposal that they will be working with the legislature to hopefully get approved. Mr. Regan said it is the \$64 million CIP request for general obligation bonds to support that.

Mr. Arakawa suggested to Chair Atkins that the matter be referred to the BFCC committee and if it's a legislative issue they can refer it to the legislative investigatory committee. Mr. Regan confirmed it is the accurate representation.

Chair Atkins said he would pass it on to Mr. Rafter and let him know Mr. Arakawa's request.

Ms. Kimura asked if the \$60 million ARPA was extended to June 2023, and if the \$22 million out of that is for the HVCB contract?

Mr. Togashi confirmed the \$22 million is budgeted for the fiscal year. He said the RFP that went out was suspended and HTA executed a contract extension with the existing contractor for a 6-month period.

Mr. Regan confirmed Mr. Togashi's response was accurate and said HTA also went through the state procurement office to authorize that extension. He confirmed that there is a 6-month extension for the current contractor, HVCB, for the U.S MMA contract.

Ms. Kyoko asked how much the 6-month extension is for.

Mr. Ka'anā'anā confirmed it is \$8 million for the leisure contract and \$750,000 for the support services contract. He said there were two contracts that needed extensions: 1) the big leisure contract, and 2) support services, which includes knowledge bank, GoHawai'i, etc. He said the two make up the bulk of HVCB's work. He said both are extended through June and both were allocated half of the prior year's amount.

Mr. Kimura asked about the DMAP support.

Mr. Ka'anā'anā said the DMAP support is separate from the two contracts, and that contract is 21038, and there are a few others that are one off for DMAPs that are being managed by Ms. Anderson and some of his staff.

Ms. Kimura asked about the money going to Island Chapter.

Mr. Ka'anā'anā said Island Chapter is a separate contract, which does not require RFP. He said they have an active, current contract and they exercised the option and funded the next years' work. He said there are numerous separate contracts: The Basic Leisure contract, the Support Services contract, Island Chapter contract, MCI contract, and 2103 is the DMAP contract with the bureau, which he would be glad to discuss it with Ms. Kimura after the meeting.

Chair Atkins mentioned that HVCB will be doing a presentation on their first 6-month plan in the Branding Standing Committee Meeting next week.

Mr. Regan confirmed there were no questions or testimonies from the public. He requested a motion to be made to accept the financials as presented.

Mr. Arakawa made a motion, and it was seconded by Mr. Alameda.

Mr. Regan did a roll call and the motion passed unanimously.

4. Presentation, Discussion, and Action on Proposal to Allocate FY22 Funds to Support the Native Hawaiian Hospitality Association

Mr. Regan said HTA is asking for the allocation to fund the Native Hawai'i Hospitality Association (NaHHA) for their ongoing work they're doing for HTA, as the contract will be concluded in the next 3 to 4 months. He said it ends in June 2022, so in order to keep NaHHA funded to provide the excellent service they give, HTA is requesting the board consider an allocation of up to \$475,000 for the next 12 months of the funding cycle. He mentioned that HTA has had a long-standing relationship with NaHHA with excellent service in various aspects. Mr. Regan then gave the floor to Mr. Ka'anā'anā, HTA's Chief Brand Officer, to provide insight into the contract.

Mr. Ka'anā'anā reported that HTA did appropriate funds of the fiscal 2021 funding from the Resolution which were for specific projects. In the process, he failed to account for NaHHA's base funding for the next fiscal year. This is the reason HTA came back to it and asked for the approval. He said the \$475,000 is to continue NaHHA's base operations, which includes their

training and education programs, their capacity building for product development and business development, conferences and convenings, as well as other services that are provided to HTA to support HTA programs, activities and GMT's.

Mr. Regan mentioned that in the last Board meeting and Budget, Finance and Convention Center Committee meeting, they also discussed the \$925,000 of unallocated funds from ARPA budget. They had reviewed it, and it was approved by the Board. He said the \$475,00 request will be coming out the \$925,000 unallocated funds made available to the Board process.

Chair Atkins asked what the allocation is that HTA gave to NaHHA.

Mr. Ka'anā'anā said in the Resolution from last May there were thirteen line items they wanted to move forward. He said he thinks it was 4 out of them that were called out. He mentioned that Ms. Yuen had asked to remove the contractor HTA had identified to give HTA the flexibility because HTA was worried about the timing. Mr. Ka'anā'anā said NaHHA was identified in the original Resolution. He said those were the funds added to NaHHA's usual base contract to help HTA execute the programs and the timing HTA had at the end of the previous year. He reiterated HTA's error was the base contract for NaHHA for fiscal 2023, or for calendar operations beginning July 1st to June 30 because NaHHA is on a fiscal year cycle with HTA. He said he had not included the base contract amount for the next supplemental four which is the next contract for NaHHA.

Chair Atkins mentioned HTA cut \$925,000 or \$950,000 out of some programs they didn't think they could get up and running this year which left a surplus, and asked if they are taking the \$475,000 out of that, and it was confirmed as correct. Chair Atkins asked Mr. Togashi if it would constitute a re-allocation of funds on the ARPA side in the current month.

Mr. Togashi said it would not be a re-allocation as the funds were never approved by the Board to be included in the budget in the first place, so it would be an approval of \$475,000 to add to the existing budget.

Chair Atkins asked about if the surplus could be allocated to any one of the HTA programs?

Mr. Togashi confirmed this as correct. He said staff are currently assessing that for recommendations.

Chair Atkins asked if the staff has a lot of flexibility on what they can do with it. Mr. Regan clarified that they would have to go back to Chair Atkins to get the approval. Chair Atkins asked if staff has the flexibility to go to them for the programs which may need more funding and Mr. Regan confirmed it. Chair Atkins said NaHHA does great work and he personally supports it.

Mr. Arakawa asked Mr. Ka'anā'anā if the proposal has changed as he is not a member of the marketing committee, so he is not familiar if the proposal has been tweaked due to what's going on with COVID restrictions.

Mr. Ka'anā'anā said things have changed and most of the trainings is virtual due to COVID, without much interruption. He said the other changes in the NaHHA work plan are focused around aligning behind the four pillars. He said NaHHA has supported HTA in the Hawaiian culture pillar and the natural resource pillar. He said when HTA makes brand promises they want people to take a trip that gives back, and they have to ensure the activities are there for people to volunteer at. He mentioned that NaHHA has been instrumental for HTA in understanding which community-based non-profits want to have those experiences, and offer that tourism experience, so NaHHA partners with them to do capacity building and business development. He said the base through line has been the training and education piece of NaHHA's work for HTA. He said the training and education happens with frontline workers and all the segments - transportation, hotels, airlines, rental cars. He said they also do training that's important for GMTs, and NaHHA helps HTA accomplish that as well. He said a lot of the movement has also been around addressing DMAP actions to make sure everything they're doing is HTA effort behind the DMAPs and said NaHHA is a critical part of that.

Mr. Arakawa asked when the schedule is for doing training, so the committee is not surprised when the training takes place because tourism hasn't fully recovered yet. He said they were surprised by the influx of tourists the previous summer.

Mr. Ka'anā'anā said now is the perfect time for training to happen. He said the training is important to refresh and keep people current with everything. He said the training is a tool they have to create a better visitor experience and said if their frontline workers have Hawaiian culture training in the basic values, such as ho'okipa, kuleana, aloha and mālama, it helps create a better sense of place and visitor experience so they can tool and train up to create a Hawaiian sense of place.

Chair Atkins said he agreed with Mr. Ka'anā'anā. He said Mr. Rafter couldn't be in the meeting today and Mr. Rafter had mentioned to him that one of the items they discussed is recommending the \$475,000 be a place mark for NaHHA. And Mr. Rafter had said NaHHA is going to come back and tell HTA what they're doing moving forward with the money. Chair Atkins wanted to confirm with Mr. Regan and Mr. Ka'anā'anā if this was discussed with Mr. Rafter.

Mr. Ka'anā'anā said he hadn't spoken to Mr. Rafter, but HTA needs to have the budget approved, as HTA has set deadlines for the contractors, and NaHHA's work plan to HTA is due

March 31st. He said HTA will have the work plan for the next fiscal year in March which begins July 1, but said HTA needs the budget approved so NaHHA knows how to create their work plan HTA anticipates to have the work plan finished by March.

Chair Atkins asked if it will be presented back to the Budget, Finance Convention Center Standing committee or the Branding Standing committee, and Mr. Ka'anā'anā said it would be. Chair Atkins said it's important for the committee to know what they're asking and bringing it to the board, if they move to recommend this.

Mr. Ka'anā'anā wanted to provide more context and showed the current work plan to the committee members. He said every action HTA is doing within NaHHA, HTA has identified and addressed the goal that NaHHA is meeting. He said they tie every program back to the documents to make sure there is alignment in the workplan to those the Board has approved.

Chair Atkins asked that by the end of March they'll HTA will have a plan and if Mr. Ka'anā'anā will feel comfortable in April to run it by the board. Mr. Ka'anā'anā confirmed it and also said NaHHA is in a position where they have a 1-year option left on the contract, so it will be the final year of contract No. 18200.

Mr. Regan provided some additional context - what they're approving is the budget line item, HTA is not sending a check to NaHHA, and it still has to go through all the processes that Mr. Ka'anā'anā described, including the work plan, bringing it back to the Branding Standing committee to go over the work plan, if that is what the committee would like to do.

Mr. Ka'anā'anā said NaHHA's scope of work and the work plan is better suited for the Ho'okahua Hawai'i Standing committee and recommended it goes to Ho'okahua Hawai'i Standing committee, then the full Board meeting.

Ms. Kimura agreed and so did Mr. Arakawa. Mr. Arakawa also said the scope includes timelines, goals, benchmarks and targets to hit, and asked Mr. Ka'anā'anā if it's all in the work plan and Mr. Ka'anā'anā confirmed it.

Mr. Ching commended NaHHA for their good work and supported it. He said there are tourism sectors that are coming to Hawai'i. On the ground level Mr. Ching sees there are visitors, and its important work and they must prepare for what's coming ahead.

Mr. Regan recognized Senate Tourism Chair Wakai is present in the meeting.

Mr. Regan said there is a question not related to NaHHA but related to U.S. MMAs, but Chair Atkins said they must move forward with this agenda item and then take the question before the next agenda item.

Chair Atkins asked for a motion, but in the motion must be included what Mr. Ka'anā'anā said to streamline things to the board if they're recommending that they hold the \$475,000 as a placemark, and the final review will go through the committee Mr. Ka'anā'anā recommends as it will be helpful to Mr. Ka'anā'anā's staff for the process. Chair Atkins asked everyone if it needs to be brought back to the board for the full presentation or if the committee can make the decision?

Mr. Regan said his recommendation is to approve the budget line item recommended by the committee to be approved so that when it gets to the board meeting, the board can accept the recommendation and then approve the budget line item with the caveat that NaHHA's work plan must be reviewed by the Ho'okahua Hawai'i Standing committee.

Ms. Kimura made a motion that the \$475,000 be allocated to NaHHA, provided that the workplan be presented to the Ho'okahua Hawai'i Standing committee and approved. Mr. Alameda seconded. Mr. Regan did a roll call and the motion passed unanimously.

Mr. Regan read a question in the Q&A section: how does HTA analyze how much money is needed for each MMA, as the practice was simply to roll over contract amounts year after year, and what if USA marketing can be done for \$15 million instead of \$22 million, or \$30 million? He asked Mr. Ka'anā'anā if he wanted to respond to the question.

Mr. Ka'anā'anā said the first layer HTA looks at is the visitor statistics data, so when looking at the performance of the overall market, there are numerous key performance indicators HTA is looking at and tracking. -The second layer is what kind of programmatic things they are trying to accomplish in the given market, which is tied to the context and what's happening in that market. He said the different markets are in different stages (mature or emerging stages) so those factor into the decision making. He said the first level is the data and metrics, the KPI's HTA is seeing out of those markets. The second layer is the goals and strategic objectives for those markets and this Board sets the policy. And the third level is understanding the specific context of where that market is in its development for Hawai'i and where it is at.

Mr. Arakawa asked Mr. Ka'anā'anā if the process is documented in guidelines anywhere as it's important for the board to know.

Mr. Ka'anā'anā said it's not drafted as a policy anywhere that he is aware of. He said when he came into his role 7 months ago, he wanted to understand how decisions were previously made. He said he will make his recommendations to leadership at HTA and then to the Board on how he thinks it should be done and he is happy to put it on paper. He wants to focus on how to best drive results for the State, making prudent decisions based on data, aligned with

HTA's goals and that are unique to the context of the market. He said in the past there were different strategies, but he recommended the three as mentioned.

Mr. Arakawa recommended to work on documenting it somewhere for guidance going forward.

Mr. Kinkley said that under Sunshine Law HTA does prioritize comments from the public. He said the importance of this kind of conversation is why they shouldn't get too deeply into it. He said it's important to stick to the agenda items as people who would want to discuss certain topics would have joined the meeting if they knew what was being discussed.

Mr. Arakawa respected Mr. Kinkley's opinion but begged to differ, as he said it's important for the Board to know what criteria is used when voting on approving contracts. He said he agrees that in the future, if there is a guideline, that it be put on the agenda for a full discussion, but as a board member he just wanted to follow up on the Senate Tourism Chairs question.

Mr. Kinkley agreed with Mr. Arakawa but reiterated to keep to the agenda.

Mr. Kimura asked if they could transfer that question to the Branding Standing committee to discuss it further. Mr. Kinkley concurred.

Chair Atkins said the agenda had not been set up for the next meeting so if Ms. Kimura feels it needs to be addressed, they can add it to the agenda as they're trying to finalize the agenda, so he will make sure it's sent out to the committee members for their input prior to it being posted. He asked Mr. Ka'anā'anā if it's possible. Mr. Ka'anā'anā asked Ms. Hagihara-Loo if it's possible and said he would make it work.

Chair Atkins said they can also amend the agenda and if they think it's relevant, they can bring it up in the branding commission.

Ms. Hagihara-Loo said the agenda had not been filed. She said the deadline was to finalize that day and she is waiting on it.

Chair Atkins asked to get it out to the committee members for feedback. He asked if they're opening it to the public, and asked Senator Wakai if the information was helpful or for follow up questions.

Mr. Regan said Chair Wakai appreciates Branding Standing committee taking those matters up and looks forward to it.

5. Presentation, Discussion, and Action on HTA's Investment Strategy Related to Funds in the Tourism Emergency Special Fund

Mr. Regan said there is an existing investment policy that guides the HTA in activities related to investments. He mentioned the Tourism Emergency Special Fund (TESF) which is authorized by statute 201B-10 into which has been deposited \$5 million. When HP862 was passed, and made some modifications to 201B-10, the TESF that allows the investment earnings to remain within there as HTA go forward. He said they must discuss the \$5 million in the fund and how they are to move forward with investing those funds, keeping in mind HTA is restricted by the policy and state law in terms of what kind of instruments HTA is able to invest those funds in. Safety is the primary goal relating to the investment policy with liquidity, and return coming in second and third in terms of requirements. He said historically the investments HTA made have been very safe and they've placed them into treasuries, mutual funds and CD's, with low interest/return. He said they're divesting from those as the term is up and looking at how to go forward with investing the monies. He wanted to raise awareness for the committee of such investment policy.

Mr. Togashi reiterated that they are investing in very conservative, liquid securities, namely U.S Treasuries and said they ladder out the investments over time to allow for the liquidity. He added that currently all the funds are held in money market funds, and they intended at one point to deploy the \$5 million emergency fund to subsidize the budget, but now they have the opportunity to re-pivot, and it's created the opportunity and need for them to take a look at reinvesting the funds.

Chair Atkins added that this is something HTA has been doing for a long time and some board members would like to see a higher interest, but it's not very possible through a conservative investment vehicle. He said he is happy HTA brought it up for transparency and awareness for the committee and public.

Mr. Regan said there were no questions or testimonies from the public. Mr. Regan said this item can be included in the presentation that HTA staff made on the investment policy. He said they reviewed and provided that investment policy to the committee. The committee has no questions about what's been presented and has faith in the HTA staff to do their job as it relates to the policy.

Chair Atkins said he will relay it as such to Chair Ben Rafter.

6. Presentation, Discussion and Action on the Hawai'i Convention Center's December Financial Report

Mr. Regan introduced the general manager of the Hawai'i Convention Center, Ms. Orton. He expressed his gratitude to Ms. Orton and her team for their wonderful work. He said they just completed a successful round of business at the Convention Center put the Center in a positive light in hosting meetings and conventions safely. He said the team has been working hard doing repair and maintenance. He reiterated it's an old building and there are lots of issues to be sorted out.

Ms. Orton opened her presentation highlighting the most recent changes in the restrictions. She brought up indoor events with 1,000 or more attendees, limited to 50% capacity with social distancing. She said they most recently serviced their first city-wide event, International Dairy Queen, and the event was great. She said she was proud of the team and contractors, navigating through all the changes. She commended Dairy Queen on fitting in with the restriction recommendations. She said she was on the floor as well as the manager, leadership team members, sales team from the visitor bureau, all helping where they could to make things happen, to ensure they gave their best in service.

She also mentioned their first volleyball tournament last week which went very well. She said as they are navigating through the events, they are making changes they see could have been improved and they're learning through the process and improving with each event.

She said to date, because of COVID, they have had two association cancellations, with roughly \$238,000 in lost revenue, two city-wide corporate events with \$292,000 in lost revenue, and 31 local events cancelled with \$1.62 million lost revenue. She mentioned that on a positive note when restrictions were loosened, they picked up local business. There are 47 events, including 2 city-wide events, and 26 tentative local events and some sporting events that have not been confirmed yet, but very positive they will be.

She said they also have events they've never done before, such as weddings, as they're trying to get into that market segment, and they are also going to look at different opportunities to utilize the Convention Center. She said sporting events are coming back and are lucrative for them.

She spoke about the financials and pointed out that they ended December at a negative \$2.8 million, versus the \$2.3 million showing on the presentation slide. She said they're midway through their fiscal year that ends June 30th, and they continue to operate in a fluid environment.

She said the total revenue loss, with 31 local event cancellations and 4 city-wide event cancellations, came to \$2.1 million in revenue loss due to COVID. Fortunately, they had 3 state agencies with them for part of the year - the Department of Health, the Housing and Finance

Department and the DLIR (the unemployment office), two of which have left at the end of December 2021. She mentioned that they are continuing to house the Department of Health on a smaller footprint until the end March 2022. She said they were operating at a break even for the three state agencies, extending the use of their facility to help the community, and thanked HTA for allowing them to do that, but were not gaining any profit on this as everything was at cost. She mentioned that they enjoyed their time with the state agencies and honed in on their health and safety protocols, which better prepared the Convention Center before they opened to public events. She reiterated they are comfortable with the health and safety protocols in the building.

She stated that the numbers of local businesses continue to grow. Since the sales team for the visitor bureau has staffed up, they're seeing a lot of traction in future events being put on the books, both tentative and definite.

For FY 2022 re-forecast, she is anticipating a negative \$6 million loss at the year end, which is about \$33,000 over their budget numbers. She mentioned they were hit with the flash floods in December 2021, just before Dairy Queen event. They had rushed to get the building back up to par, taking some rooms out of inventory, and they did about \$250,000 in building repairs to fix some of the damage, such as ceiling tiles and water damage, Two days before Dairy Queen they had another flash flood which damaged most of the previous repairs. Dairy Queen was very flexible in having them move their program around to accommodate the rooms that were taken out of inventory. Ms. Orten opened the floor for questions.

Chair Atkins asked the numbers of attendees at Dairy Queen.

Ms. Orton said they were estimating originally 2,500 but said they numbers dropped to a little to about 1,480 people.

Chair Atkins asked what numbers they can bring into the Convention Center during the rainy time without a real challenge on their hands.

Ms. Orton estimated that if it were larger than 1,500 people, they would have to make concessions in splitting up their meeting rooms they wanted together. She said unfortunately the rain hit in some rooms with air walls where they could open up the air walls and make into larger meeting rooms, so they had to split up some of their breakout sessions that they normally would have had, in one room.

Chair Atkins stated that if it were a high-end corporate, the complaints would have been worse. He said it's amazing what Ms. Orton and her team did and commended them, as they heard no

negativity from the challenges they dealt with, and they did a great job to keep the client happy in those adverse conditions.

Ms. Orton said Dairy Queen was very willing to work with them on some of the problems they identified early on: pre-registration at Hilton Hawaiian Village, doing the credential checks, color banding before getting to the Convention Center which was helpful to prevent a backlog of people for credential checks and temperature checks at the Convention Center. They put a lot of things into place in advance to help expedite the process.

Mr. Arakawa asked about the quick repairs that had to be made for the events at the Center and the difference between those costs and the \$64 million in the budget for the repairs. He asked if the earlier repair work is patches or if the \$64 million is for a solid fix.

Ms. Orton said the repair and maintenance work they did at \$250,000 for the first flash flood is not fixing the source of the leak, it's just patching up so it's aesthetically pleasing. She said the source of the leak is the \$64 million. She said if it rains again, they will have to repair everything again as they have several other conferences coming up. She said it's a waste of money doing these patch repairs as they're not fixing the actual source of the problem.

Ms. Kimura asked how Ms. Orton cut the operation expense by \$12 million compared to 2019, besides the sales and marketing? She mentioned the expense for December year to date expenses was \$5.1 million versus 2019 expenses was \$17.6 million.

Ms. Orton said that it was a full calendar year and the other one was not. She said the 2019 was a comparison as a calendar year to the fiscal year, so their reforecast is in fiscal year so it would be comparing the 2019 calendar year to the fiscal year 2022 reforecast, so the \$17.6 million to the \$11.5 million. Ms. Orton turned it over to Ms. Tait.

Ms. Tait reiterated what Ms. Orton said about them addressing all the leaks and repairs. She said in December 2021 they had two contractors in to work on drywall, fireproofing and ceiling repairs, which involved the meeting rooms and some public areas, like the ballroom foyer. With the good relationships, they brought in multiple companies to meet the December deadline, but only to be hit again by the New Years' rain. She said they still have remediation and repairs going on at the Center.

She said it's a lot of work, and the issue is that the source is not being fixed. She said after the January rains they now have seven rooms that are permanently out of order. They are repairing the rooms as they prepare for the rest of the year.

She presented the listed leak repairs from flash floods under the HCC managed projects. She spoke about the ongoing current projects: the trellis is moving along, they are working on the

delivery issues and working to have it all completed by the first quarter of 2022. She said they are working hard to get the RFPs out for other projects that are coming up. She showed the projects they have listed and identified with HTA to be funded under the ARPA funding. She also spoke about the CIP, showing the projects completed in 2020 and 2021. She asked if there were any questions about CIP.

Chair Atkins mentioned the trellis renovation for \$5 million that should be complete this year, and asked if the \$64 million gets allocated will it remain intact, or will it have to be removed to fix the roof?

Ms. Tait said it was a good question and said it involves trellis on three different floors and the rooftop terrace deck impacts the rooftop, 4th floor. She said when they do start the surface on the rooftop it will not affect the trellis, but they might have to take some trellis down dependent on the contractor and how they plan to proceed. She said the vertical poles won't have to be removed. She said they're using the existing poles that were in place since the original construction and building on that for the trellis, so it's just minor removal. She said, included in the \$64 million, there is a trellis system to cover 50% of the rooftop.

Chair Atkins mentioned two major expenditures - \$18.7 million and \$10.7 million, and asked if that is over and above the \$64 million.

Ms. Tait said the projects are separate from the rooftop terrace and they're on the mauka/ballroom side of the building. She said the building envelope starts from street level and goes all the way up, and the ballroom gutter is around the ballroom and the foyer. So it should not be affected by the work done on the rooftop. She said the funding is available and they're working with HTA on it and it's either funds available now or funds that will be appropriated, but they have it in their CIP budget to cover this.

Mr. Regan said there were no questions from the public. Chair Atkins asked if they are asking for a motion to recommend to the Board that they proceed with their recommendations for 2022 and 2023.

Mr. Regan said, similar to the financial reports that they presented on the previous agenda item, HTA would ask the committee to accept the financial report and other reports as presented by the Hawai'i Convention Center team, and recommend the Board approves them.

Mr. Alameda made a motion and Ms. Kimura seconded.

Mr. Kinkley clarified that the motion is to agree to recommend.

Mr. Regan did a roll call and the motion passed unanimously.

7. Adjournment

Chair Rafter adjourned the meeting at 10:29 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes".

Sheillane Reyes
Recorder