



Hawai'i Convention Center
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David Y. Ige
Governor

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President and Chief Executive Officer

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE
MEETING HAWAII TOURISM AUTHORITY
Tuesday, April 26, 2022, at 1:00 p.m.
Virtual Meeting**

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

MEMBERS PRESENT:	Fred Atkins (Chair), Micah Alameda, David Arakawa, Kyoko Kimura, Kimi Yuen
MEMBER NOT PRESENT:	
HTA STAFF PRESENT:	John De Fries, Keith Regan, Kalani Ka'anā'anā, Marc Togashi, Maka Casson-Fisher
GUESTS:	Teri Orton, Mari Tait
LEGAL COUNSEL:	Gregg Kinkley

1. Call to Order and Opening Protocol

Mr. Regan welcomed everyone to the meeting. Chair Atkins called the meeting to order at 1:07 p.m. Mr. Casson-Fisher did the opening protocol.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Regan did a roll call. Everyone confirmed attendance, and they were alone, except for Mr. Alameda, whose son was in the house, and Ms. Kimura, who said Mr. Glenn Yamasaki Kimura was in the house with her. Chair Rafter was excused from the meeting. Mr. Regan said there were no legislators on the online portal.

3. Approval of the Minutes of the March 29, 2022, Committee Meeting

Ms. Kimura said on page 12, the second paragraph from the bottom – "Lahaina" should be "Lāna'i". Chair Atkins asked for a motion. Ms. Yuen made a motion as amended by Ms. Kimura, and Mr. Alameda seconded. Mr. Regan did a roll call, and the motion passed unanimously.

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

Mr. Regan said Mr. Togashi would be presenting the March 2022 financials. He thanked Mr. Togashi and his team for their good work.

Mr. Togashi said the financial packets have details of HTA's financial position and related transactions covered across multiple documents, including balance sheets, statements of revenue and expenditures, budget statement summary, budget detail, budget reallocations, and an executive summary capturing all, as of March 2022.

In March, the primary activity to report was related to \$120,000 for future workforce development, which is HTA's labor program, \$1 million for branding and conferences, including those of HTA's campaign effectiveness study, and their support services contract, and \$130,000 in administrative contracts. The Board made budget reallocations of \$400,000 to Resort Area Hawaiian Culture Initiative and \$667,000 from GoHawaii.com to sports. He said on page 42 of the meeting packet is a summary of all the reallocation's year to date and for the month.

He said as of March 31, HTA has access to \$39.9 million in the Tourism Federal Fund regarding the HTA Tourism Special Fund (TSF). As of March, they have \$46.6 million in cash and investments, representing a \$4.4 million decrease from February disbursements related to operational and program expenditures. Of the \$46.6 million, \$5 million is reserved as their emergency fund, \$38.6 million is encumbered to contracts and \$2.9 million is unencumbered. He anticipates that \$2.9 million of unencumbered funds will increase as savings from certain encumbered contracts are realized.

The TSF sunsets on January 1, which was pursuant to act one of the 2021 Legislative Special Session.

He said that left \$2.9 million available to return to the State's general fund. The \$5 million emergency fund will remain as the HTA's reserve.

He spoke about the chart on page 33 of the meeting packet. Item nine of the Executive Summary showed the progression over time, ending up at the \$5 million emergency fund balance.

He said for the ARPA Convention Center Federal Fund, \$11 million is available and not budgeted primarily toward significant repair and maintenance projects. Regarding the CCESF, they have \$500,000 in accounts receivable and \$50.9 million in cash, consistent with February. Of that \$50.9 million cash amount, \$35.9 million is encumbered toward contracts. The remaining \$15.5 million of unencumbered funds, including the \$11 million in TAT, and HTA received earlier in

the year, including the continued deposit of Convention Center revenue. It would primarily be stored as a Repair & Maintenance reserve for future deployment, subject to the restoration of the CCESF expenditure appropriation ceiling currently before the legislature.

Page 35 of the meeting packet shows the CCESF reserve. At the beginning of the fiscal year (FY) 2022, the CCESF had reserves of \$370,000. He anticipates that balance will increase to \$16.4 million by the end of the FY2022 due to the deposit of Convention Center revenues and receiving \$11 million in TAT allocation. It is currently \$15.5 million. Of the \$16.4 million, approximately \$14 million is earmarked to support the six-year recurring maintenance plan that HTA covered in previous Board meetings.

Chair Atkins asked if there were any questions.

Mr. Arakawa asked for an overview of the monies spent in March 2022. He asked if there were any major initiatives they were preparing for. He asked what they would be spending their money on next month.

Mr. Togashi showed the statement of revenues and expenditures on page 43. He said there are several statements as they have different funds. He spoke about ARPA Federal Funds; approximately \$4.2 million was expended for branding efforts, their major market area. Mr. Togashi spoke about DMAPs. He said DMAP is comprehensive and that branding efforts support DMAP initiatives. He said there is a line item for the ARPA budget for planning.

Mr. Regan showed the financial statements related to the HTA TSF. He said they have expanded in the period of March, \$4.3 million of prior year expenditures. He spoke about the distribution - \$550,000 for Hawaiian Culture, \$525,000 for natural resources, \$2.9 million for Branding, and then further distribution of \$150,000 or so and \$127,000 to Safety and Security and Tourism Research, respectively.

Ms. Kimura said a major reallocation of \$150,000, from Hawaiian Culture to Resort Area Hawai'i Culture Initiative, but asked if it was still in the Hawaiian culture pillar.

Mr. Togashi confirmed this as correct but said they reallocated \$400,000 to the Resort Area Hawaiian Culture Initiative -\$250,000 was from Route Development, and then another \$150,000 was from within the same budget category, just a different budget line, the Hawaiian Culture Opportunity Fund.

Ms. Yuen built on Mr. Arakawa's question earlier. She said Ms. Anderson would have updated summaries as part of her budget evaluation and will try to categorize everything into pillars.

Mr. Arakawa said HTA wants to support all four pillars - the DMAPs, Hawaiian culture, natural resources, and branding.

Mr. Togashi helped illustrate Ms. Kimura's point and asked them to look at page 53, the first page of the budget reallocation summary they provide every month.

Ms. Yuen said Ms. Anderson would do the update for all the islands and DMAPs, at the full Board meeting.

Mr. Regan said there were no questions from any of the attendees.

Chair Atkins asked for a motion as a recommendation to the Board that they approve the financial reports.

Mr. Arakawa made a motion, and Ms. Yuen seconded. Mr. Regan did a roll call, and the motion passed unanimously.

5. Presentation, Discussion, and Action on the Hawai'i Convention Center's March Financial Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Mr. Regan welcomed Ms. Orton and Ms. Tait. He thanked Ms. Orton and her team for a good job. He said Ms. Orton and her team had been busy with various conferences, conventions and activities at the Convention Center. He turned the floor over to Ms. Orton and her team to present the financial reports for the Hawai'i Convention Center.

Ms. Anderson spoke about the past weekend with Kawaii Kon, which she said she would update next month. She said this event was a testament to everyone's pent-up frustration of wanting to get out and socialize, as they had more people in the building than they anticipated. She said the event tickets were purchased up until the last day. It was a phenomenal weekend in food and beverage sales with record-high numbers. The queues were long, and the meeting organizer required vaccination cards for entrance. She said well over 15,000 to 20,000 people were moving in and out of the building for three days.

Ms. Orton said the waiting time was four to five hours to get into the building, and every door had checkpoints. The concession lines were at least 50 people deep at any given location. She said they would have loved to have opened up more concessions to bring the lines down and generate more revenue but did not have the staff on hand.

She mentioned they had almost a 50% call out on their scheduling for housekeeping and for food and beverage from their staffing agencies. People would sign up and say they would fill

the schedules but then not show up. She said it compromised the service they wanted to provide. This often called for all-hands-on-deck for staff. She said they are struggling to get staff up to ensure they can deliver the service that their customers are expecting. She hopes the staffing situation gets better in time.

Ms. Orton spoke about the contracted room nights to date. As of March 2022, it was 9,585 room nights. She said it comprised of International Dairy Queen and a volleyball tournament.

She said in April 2022, they had The Association for Asian Studies, their second MCI piece of business outside of the volleyball tournament. During March 2022, they had fifteen events, including one city-wide, that brought in 1,665 attendees. This generated \$80,000 in revenue at the Convention Center, \$9.5 million in State Economic Impact, and \$1.1 million in State tax revenue.

She said the number of events occurring each month since January had started to mirror pre-pandemic levels. They have increased sales activity in the Convention Center building. However, the returns are smaller due to the shortage of city-wide and international businesses that they usually have on their books. This is due to the pandemic where they pushed some events out and received some cancellations of city-wide events.

She said her and her team have been doing their part of mitigating costs, including reductions in expenses in each department. She said they are trying to fill positions, but some of the positions have remained vacant because they cannot get anyone to apply. The people that use do not show up for interviews.

She said in April 2022; they posted \$52,000 in revenue, an employee tax credit that they received from the IRS, ASM, and their corporate office work with ADP, their payroll processor, to obtain this credit. She said it was a nice added unexpected revenue received.

She spoke about the facility forecast for the FY2022, which reflects a net loss of \$5.2 million, \$309,000 better than their budget.

Ms. Yuen asked if Ms. Anderson would add the information about the impact to the state economy, as she said it is important that there is a bigger impact than just the facility net income loss.

Ms. Anderson said for the next meeting, she will do this and have a year to date – accumulative, so they can see the end results.

She added that the budgeted room nights included Best Western, which was moved. She said it was budgeted for 2022, but moved to 2023. She said the room nights were roughly about

7,110. This was not a loss; it was just moved out to 2023. She said that the variance of 13,000 includes the 7,110 room nights that they lost in their budget but will be picked up in the FY2023.

She spoke about the slide showing cancellations due to the pandemic; however, there are 48 events of definite business on the books including two city-wide for the remainder of the FY2022. There are also two First Option events which will probably turn definite.

She highlighted recent local events – The Association for Asian Studies was March 24 to 27, with about 3,200 attendees. She mentioned Mufi Hannemann’s Hawai’i Hotel and Restaurant show on March 30, bringing in 2,000 plus attendees in two days. The UH College of Engineers Annual Banquet brought in about 800 attendees.

Ms. Orton updated definite business on the books, with local revenue for April, May, and June 2022. She noted highlights from February 2022: NCIS filming, a local volleyball tournament and in March, a second local volleyball tournament, and a packet pickup for a 10 km run. They had Kawaii Kon, another volleyball tournament, and Hapalua half marathon packet picked up in April. In May they have various commencement ceremonies, which they picked up due to the pandemic. A lot of high schools use their Convention Center for commencement ceremonies and have decided to stay with them – The Damien Memorial, Kalani High School, and a few other schools.

She mentioned they have a Hawaiian Na Kupuna Nights concert in the month of May 2022. In June, they have Joy of Sake. Beyond Monet Exhibit are in June, July, and August. She said they are looking forward to hosting that event. Previously they shut the event down earlier due to the pandemic, so they hope they can make up for the revenue loss.

Some of the tentative business they are looking to turn definite is the Hawai’i prayer breakfast, another piece of business picked up during the pandemic. They have several events each year. She mentioned Material Research coming in Spring in May with about 4,000 attendees. This would be their third actual MCI piece of business for 2022. She said the Hawai’i Technology Academy commencement, a cheerleading convention in May.

She spoke about PR and advertising scheduled for the next few months. She had an article interview with Pacific Business News, where they asked questions about coming out of the pandemic and some of the changes in business at the Convention Center. She said they did an advertisement placement, advertising that the Convention Center is open for business with no restrictions and trying to garner more local businesses to fill their short-term calendar. She asked if there were any questions before turning the floor over to Ms. Tait, but there were no questions.

Ms. Tait updated the six-year Repair and Maintenance (R&M) project plans. She spoke about the ongoing trellis project. She said they have all of the light fixtures on site and are moving along very well. They are hoping to complete it by the end of May 2022. This would include installing the lights, getting everything connected, and putting in the final pieces to be fully operational.

She highlighted the ARPA-funded project. She said they have been working with Mr. Regan and Mr. Togashi, but the PowerPoint had not been updated yet.

She spoke about the reallocation of funds from R&M to other expenses, one being the continuation or the update of the Futures Study. She said relocating for insurance costs is coming up. She said they proposed to defer the ballroom and meeting room wallpaper replacement project, item number 025, and have that funded by the HTA health CIP funds and reduce the budget for the air wall repairs. She said all the documents would reflect correctly in next month's meeting.

She spoke about the completed projects. She said they closed out the January 2022 leak repairs.

Ms. Anderson commented on the last R&M that Ms. Tait noted for the leak repairs. She said it was \$396,000, for the December 2021 and January 2022 flash floods. She said the total leak repairs were due to the rooftop repairs not being completed. She noted that every time there is a flash flood, it costs R&M to fix rooms to return to order for use, but not fixing the actual leak source. She wanted to let everyone know the extent of the funds they put out to return the rooms to inventory. She said it was a flash flood that took place during Thanksgiving. They had to fix it quickly for International Dairy Queen, and then a day before arrival, there was a second flash flood. They had to move their rooms around and start on a secondary repair for all the rooms they just finished. This was almost \$400,000 in R&M funds they used for this.

Chair Atkins asked how they held up during the recent light, normal rains. Ms. Orton said they had some leaks, which had to be repaired, but fortunately not in the meeting rooms.

Chair Atkins asked if that was part of the \$400,000, but Ms. Orton said that it was an additional amount.

Mr. Arakawa asked what the average R&M cost is to fix storm damage and prevent mold. Ms. Orton said it was around \$200,000 plus on average. She said the first one was \$250,000. Ms. Tait agreed with the amount. She said it also depends on which areas get damaged and how much damage is caused.

Mr. Arakawa asked that if they did the roof repairs that CIP requests, would that mean they do not have to spend \$250,000 every time there is a severe storm or rain incident, and Ms. Orton confirmed that to be correct. She said most of the repairs are all from the rooftop terrace deck.

Chair Atkins said Mr. Arakawa raised a good question about the mold. When they're doing emergency repairs, he asked if they have the time to dry everything out and mitigate any kind of mold, as it is more expensive than replacing drywall.

Ms. Orton said they hired a company to do the mold remediation, and they will return for a test for moisture once the repairs are done. She said it is a safety issue for staff if it is not fixed properly.

Ms. Yuen asked how many rooms were impacted, and Ms. Tait said it was five rooms, but several of the rooms have three different rooms – A, B and C, and A and B. She said it was mainly the rooms located right under the rooftop.

Ms. Anderson recalled that it was just under ten rooms. She said there was a lot of damage at the back of the house.

Chair Atkins asked if any water made it through another level that went down to other floors.

Ms. Orton said it was just the third-floor meeting rooms as far as she knew. She said there were 20-foot sections of meeting rooms where the ceiling tiles fell out, which was not just a drip leak, but a lot of water.

Mr. Arakawa reiterated that a lot of these questions were to motivate the legislature to approve \$64 million for the roof fix. He said they are trying to determine the amount of damage it causes without the repaired roof, as well as the costs involved.

Ms. Orton agreed and said it is also reputational damage, as the leak and repair issue had been reported in the newspaper. Meeting planners were also asking about the repairs and leaks before planning their meetings. She reiterated the incident at International Dairy Queen where they had to rearrange rooms to accommodate the event.

Ms. Orton also mentioned The Transom Glass Project, where drywall was falling from the beams down to the third floor, is a safety hazard. She had to ask her team to stanchion off that entire area that was at risk for ceiling tiles falling from the fourth floor to the third.

Chair Atkins said that The Dairy Queen was a decent-sized group, but they could accommodate twice the size in the Convention Center. If this leaking happened with a bigger group, relocating them would have cost a few hundred thousand. He said the best year to fix it would be 2024/2025. He hopes the legislators will understand the impact.

Ms. Orton said the hotels also lose out if companies relocate to another city – thousands of room nights for hotel partners are lost. This is important for the State to generate TAT, and impacts everyone.

Chair Atkins spoke about generating TAT again. He said before it was almost up to \$700 million, so looking at the big picture of \$64 million for a working Convention Center helps generate TAT.

Mr. Regan said there were no questions from any of the attendees.

Chair Atkins asked for a motion to approve the financial statements for the Hawai'i Convention Center, and the six-year CIP overview.

Mr. Arakawa made a motion, and Mr. Alameda seconded. Mr. Regan did the roll call, and the motion passed unanimously.

6. Presentation, Discussion, and Action on Proposal to Reallocate FY22 Convention Center American Rescue Plan Act Funds from Major Repair and Maintenance to Insurance in the Amount of \$419,345 to Support Convention Center Insurance for Property Coverage of the Convention Center

Mr. Regan said this was an ask for the reallocation of funds to support their insurance needs to cover the Convention Center. This is something they have to fund on an annual basis. If something were to happen to the Convention Center, HTA could get it repaired through their insurance coverage. He said it is a very important request for funding. He asked Mr. Togashi to share some context.

Mr. Togashi gave perspective on the type of coverage. He said it covers any real and personal property relating to the building, or physical loss. This would include anything from windstorm, flooding, earthquake, terrorism, and machinery if any of these types of events happen. He said there are various deductibles depending on the type of loss, but it is a program that is administered by the State Risk Management Office for all state buildings. He said they come up with their annual premium every year that they pay and allocate it out to different departments.

Mr. Regan asked Mr. Togashi to speak what HTA has spent in the past on insurance historically. As he recalled, this year was an increase in insurance costs.

Mr. Togashi said they spent anywhere from \$150,000 to \$200,000 in the past years due to the significant increase of the cost of business, which they had anticipated, and it has more than doubled.

He said they are asking for this re-allocation because they had budgeted for the use of those funds out of the FY2021 budget. So, they had encumbered those funds as part of their Board resolution funds at the end of FY2021. He said they learned, due to certain procedural matters, that they cannot do so and apply or utilize what they had encumbered for that particular purpose. He said, unfortunately, they could not use FY2021 for this purpose. He said it required them to ask for this reallocation of funds within their FY2022 Convention Center ARPA funds. He noted that it does not have any net result. All it means is that the funds that HTA had initially encumbered out of the CCEF, out of the Board Resolution funds, will remain in the CCEF until HTA can spend it upon the legislature's approval CCEF ceiling. So, on a net basis, it is a net-zero impact, it is not an increase concerning anything they expected.

Mr. Regan noted that it is coming out of risk management. He said HTA are being presented something from another department stipulating what they owe for insurance. He said it is a requirement by the State. He asked for everyone's support. He said the insurance coverage had helped them recently when they had vandalism on the building, with some window damage. The cost was about \$20,000 to \$50,000 per window.

Chair Atkins asked if the State's insurance policy spills out toward the Convention Center. He said that he is not sure it would be covered because of the pre-existing problems. He said it is important to check what is covered by the policy. He said it would be good for the Senator to know what is really in the policy.

Mr. Togashi said he would look into it, but he thinks that they are wrapped into the larger State policy.

Mr. Regan said there were no comments from the public.

Chair Atkins asked for a motion. Ms. Kimura made a motion, and Mr. Alameda seconded.

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

7. Adjournment

Chair Atkins asked for a motion to adjourn. Mr. Alameda made a motion, and Ms. Yuen seconded. The motion passed unanimously. Mr. Regan concluded the meeting at 2:12 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder