



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY**

Thursday, May 28, 2015

**Hawai'i Convention Center, Executive Board Room A
1801 Kalakaua Avenue, Honolulu, Hawai'i 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Aaron Salā (Chair), Fred Atkins, Jack Corteway, Sean R. Dee, Donna Domingo, Rick Fried, Craig Nakamura, David Rae, Lorrie Stone, Denise Hayashi Yamaguchi

HTA STAFF PRESENT: George Szigeti (President & CEO), Daniel Nahoopii, Michael Story, Marc Togashi, Keli Wilson

DEPUTY ATTORNEY GENERAL: Gregg Kinkley

1. Call to Order

Mr. Salā called the meeting to order at 9:37 a.m. and a pule was offered by Ms. Wilson.

2. APPROVAL OF MINUTES OF PRIOR BOARD MEETINGS

Mr. Fried moved to approve the minutes of the regular board meeting on April 30, 2015 and the special board meeting on May 12, 2015. Ms. Yamaguchi seconded the motion, which was unanimously approved by all the Board members present without any revision or comment.

3. REVIEW OF RECENT AND UPCOMING PERMITTED INTERACTIONS

There was no report of any permitted interactions by any Board member.

4. PRESENTATION, DISCUSSION AND/OR ACTION ON APPROVAL OF CEO/PRESIDENT EMPLOYMENT AGREEMENT

Ms. Stone made a motion to go into executive session pursuant to HRS section 92-4 for the purpose of considering the hiring of an employee where consideration of matters affecting privacy will be involved. Mr. Fried seconded the motion, which was unanimously approved by all the Board members present.

The meeting was recessed at 9:45 a.m. to go into executive session.
The meeting was reconvened at 10:06 a.m.

Mr. Salā noted that the Board approved the terms and conditions of Mr. Szigeti's contract during the executive session. He introduced and acknowledged Mr. Szigeti as the newly appointed HTA President and CEO.

5. Report of the CEO Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staff's Current Assessments of the HTA's Programs

Mr. Salā acknowledged Mr. Szigeti for a report of the CEO. Mr. Szigeti stated he is honored and privileged to work with the HTA Board and the "team" at HTA. He appreciated the opportunity and recognized the responsibility he has for the people of Hawai'i. Since he was only recently hired, Mr. Szigeti referred to the CEO report previously distributed to the Board members in the board folder containing documents relevant to the agenda items for this meeting and asked for any questions from the Board.

Ms. Stone asked whether we are discussing the tourism strategic plan or assessing HTA programs. If we were discussing the tourism strategic plan, she would like to request Mr. Rae to provide an update of the strategic plan. Mr. Rae stated that the tourism strategic plan is currently being updated. A draft would be distributed to the Board members for comments that would be collected by staff. The comments collected by staff would be considered by the strategic planning committee prior to an initial presentation to the full board for consideration and approval at a subsequent meeting.

Mr. Szigeti distributed a copy of a report he prepared for the Hawai'i Lodging & Tourism Association (HLTA) and related to the 2015 legislative session. He offered the report as a template of a report he can give to the Board. His goal is to keep the report simple and to communicate with the Board. Mr. Nakamura stated it was an "excellent report," especially when communicating on legislative matters. During a discussion of the type of assistance Mr. Szigeti utilized at HLTA, Mr. Nakamura noted that Mr. Szigeti has the ability to consider the use of a lobbyist.

Ms. Stone expressed a need to have legislative updates almost on a weekly basis during session because of the "short time lines" for testimony. Mr. Rae suggested increasing the number of board meetings to more than one meeting a month during the legislative session. Mr. Szigeti offered to provide a "flash report" to board members during the legislative session.

6. Discussion and Approval of DLNR Legislative Action

Mr. Salā reported that this agenda item would be deferred.

7. Presentation and Discussion on Visitor Statistics

Mr. Nahoopii provided a PowerPoint presentation entitled "Current Visitor Data Through April 2015," dated May 28, 2015. He noted that the visitor data for March 2015 was distributed to the public and posted online.

As an overview, he reported on a year-to-date basis that while visitor days and visitor arrivals were up slightly, visitor expenditures were flat. Visitor arrivals were impacted by a drop in cruise ship visitors. During the month of April 2015, total arrivals grew 4.1% to 665,654 and visitor days were up 2.1% to 5.9 million. Visitors spent more in April by 5.4%. The average daily spending rose 3.2% to \$196 per person.

Mr. Fried asked why there has been a decline in cruise ship arrivals. Mr. Nahoopii responded that the larger ships are not arriving this year and the manner in which berth space can be committed has limited arrivals. He discussed the current efforts to develop an "automated scheduling" system, which would allow a cruise ship to plan for arrivals.

Mr. Atkins asked if "anyone is telling the community about the cruise ships future arrivals" and how HTA is educating the visitor industry. Mr. Nahoopii responded that the Tourism Conference sponsored by HTA is often used by HTA to educate the visitor industry. As plans and programs are developed, they would be "rolled out" at that time. Mr. Nahoopii added that he would need to consult with Mr. Uchiyama regarding Mr. Atkins inquiry as to whether "anyone was driving the cruise ship business."

Mr. Nahoopii continued with his presentation of the April 2015 visitor data. He noted that the year-to-date April results were "short" of targets. The growth in visitor arrivals is coming from the U.S. market and the Asia market is not growing as fast. We had also projected more spending and cruise ship arrivals. In regards to island-distribution, Mr. Nahoopii stated that there was a decline in multi-island trips by Japan and Canadian visitors. There was an increase in day trips and may be a reason for length of stay by international travelers being shortened. The length of stay may be impacted by the cost of lodging and currency exchange.

Mr. Fried asked for a status on the Kona Airport being an international destination. Mr. Nahoopii responded that there has been no change. Senator Hirono's office is pushing for pre-clearance in Japan and is similar to Canada. Mr. Rae asked who is coordinating the effort. Although the Governor's Office is the lead entity, Mr. Nahoopii would need to consult with Mr. Uchiyama on whether anyone at HTA is pushing this effort. Ms. Stone discussed her understanding of efforts by Ford Fuchigami, Director of Transportation, who is burdened with his current workload and may not be in a good position to "push" this initiative forward. Mr. Rae asked whether HTA could perform a "coordinating role." Mr. Nakamura suggested the same initiative for the Maui Airport.

In regards to April 2015 visitor spending, Mr. Nahoopii referred to PowerPoint slide and noted that spending "hit targets" but the island distribution did not achieve targets. This was primarily because the airlines had shifted the type of flights to Hawai'i. Mr. Fried inquired as to the cause for the drop in the Japan market. Mr. Nahoopii responded that the Japan arrivals are up because "packages are cheaper" despite a drop in spending due to exchange rate issues.

Ms. Stone asked “how does HTA determine, as a Board, when to evaluate the contractor.” She further asked, “Who makes the determination that the market is down because of currency exchange and not because of contractor performance.” We do not know “where the blame lies” and “why” a market is down. Is it because of contractor performance? If so, do we wait until the end of the contract term to evaluate a contractor or should we begin to evaluate during the year. Although it may be in Mr. Uchiyama’s “head,” we do not have any “privity” between the contractor and the Board to know what is happening with the contractor.

Ms. Hayashi Yamaguchi wanted to know “performance outcomes” for contractors. Mr. Corteway asked how we could determine whether the contractor will achieve the goals in each market. He suggested that the Board may consider re-allocating funds between markets. Ms. Stone also suggested that moving forward, we need to be provided a list of contractors in each major market area and the “current terms of existing contracts,” including the option periods.

(Mr. Dee was present at this time.)

Mr. Nahoopii continued with his PowerPoint presentation and discussed the April 2015 visitor data and highlighted the following: the per person per day spending reflected lower spending for shopping and lodging; air seats increased primarily from the North America market but offset by a decline in international seats; arrivals were “shy” of targets due to a drop in cruise arrivals; and, March 2015 arrivals reflected a “new high peak” that was greater than the summer period and primarily driven by the U.S. market. He continued with a discussion of each major market area and whether arrival targets were met.

Mr. Nahoopii discussed March statewide occupancy and noted that occupancy was up 1.6 percentage points but O’ahu was “flat.” He also noted that hotel use has not increased while use of “other lodging units” has increased. Mr. Fried asked if these units pay transient accommodations tax (TAT). Mr. Nahoopii responded that he obtains data from Smith Travel Research (STR) that includes data from larger condos and entities. Ms. Stone asked whether HTA should be looking at the large amount of unlicensed vacation rental and bed & breakfast rentals. Mr. Szigeti initiated a discussion of current legislative measures regulating vacation rentals and the various efforts used by each county to address this matter.

Mr. Dee asked how we could do a better job at tracking occupancy at time-share units and vacation rentals that are not collected by STR. Ms. Stone concurred and noted that time-share units are more than 10% of the market. Various hotels collect data used as time-share and pure hotel units. Mr. Nahoopii will provide data on “alternative rentals” and registered time-share units. Mr. Corteway noted that the counties have the lead to regulate the “alternative rentals.” Mr. Rae added that paying the transient accommodations tax is the best scenario to obtain the best data.

It was noted that the dashboards of key performance indicators on a statewide basis and for each major market area were included in the Board folder containing documents relevant to the agenda items and previously distributed to the Board members. Mr. Nahoopii stated he is working with a new

consultant to determine a new type of dashboard or standard evaluation form for the Board to review. A draft of the “strategic plan” will also be distributed next week.

Mr. Rae asked that the Board be given a “short form” of any proposed contract with the marketing contractors before it is approved or extended. Ms. Stone restated a desire to be provided a list of contractors with the respective term of its contract, especially since the term for each marketing contract varies for each contractor. The Board should be involved in determining whether a contract should be terminated or extended.

The meeting was recessed at 11:26 a.m.

The meeting was reconvened at 11:36 a.m.

9. Presentation, Discussion and Approval of HTA’s Financial Reports

(There was no objection to Mr. Salā’s request to address this agenda item out of order.)

Mr. Togashi referred to the financial reports for the Tourism Special Fund and the Convention Center Enterprise Special Fund as of March 31, 2015 that were in the Board folder. He provided a PowerPoint presentation entitled “Financial Statement Summary, March 31, 2015.” He highlighted the following for the HTA Tourism Special Fund as of March 31, 2015: the fund has \$67.3 million; there is \$1.2 million in prior year encumbrances not yet spent; the projected reserves is currently at \$8.3 million at fiscal year end; the fund received \$6.8 million in TAT revenues in March and \$61.5 million year-to-date; and, the fund incurred \$50 million in expenditures year-to-date.

In regards to the Convention Center Enterprise Special Fund, Mr. Togashi provided the following highlights for the fund as of March 31, 2015: the fund has \$33.1 million; \$10.9 million has been provided to AEG or DAGS for repair and maintenance; \$13.3 million is in reserve for future repair and maintenance; \$2.2 million in prior year encumbrances have not yet been spent; the fund received \$2.75 million in TAT revenue and \$25 million year-to-date; the convention center has incurred \$2 million in losses year-to-date; and, the current projected year-end loss is projected to be \$3 million vs. the budgeted loss of \$3.54 million. He especially noted the positive variances for convention center operations and administrative costs.

Mr. Togashi also noted that when the FY 2015 budget was approved, it included the purchase of the Turtle Bay conservation easement. As a result of the HTA not being responsible for the purchase, HTA would be allocated more TAT revenues and HTA would have to pay more for the convention center bond debt. Mr. Togashi indicated that that HTA FY 2015 budget would need to be amended to reflect an increase in debt service. In response to a question from Ms. Stone, Mr. Togashi stated that he is unclear at this time whether HTA would be given credit for expending funds to complete a Turtle Bay conservation due diligence study.

In response to a question from Mr. Nakamura whether HTA would be expending funds for the Center for Hawaiian Music and Dance, Mr. Togashi stated there are no funds available for the Center with the sunset of Act 81, SLH 2014. Mr. Rae initiated a discussion on the outstanding bond payments for the convention center. Based solely on his recollection, Mr. Togashi could not provide accurate information regarding the original amount of the bond debt and how many years

were left to pay off the bond. Ms. Stone noted that the current bond requirements have prevented the convention center from engaging in commercial activity.

Mr. Fried made a motion to approve the financial statements for the Tourism Special Fund and the Convention Center Enterprise Special Fund as of March 31, 2015. Mr. Atkins seconded the motion, which was unanimously approved without objection by any of the Board members present.

8. Presentation and Discussion of Interim Budget Measures for July and August FY 2016

Mr. Salā acknowledged Ms. Stone, who made a motion to go into executive session pursuant to HRS sections 92-4 and 201B-4(a)(2) for the purpose of discussing information that must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination. Ms. Hayashi Yamaguchi seconded the motion, which was unanimously approved without objection by any of the Board members present.

The meeting was recessed to go into executive session at 11:55 a.m.
The meeting was reconvened at 12:30 p.m.

It was noted that the Board met in executive session to discuss interim budget measures that must be kept confidential to protect Hawai'i's competitive advantage.

10. Adjournment

Mr. Salā reminded the Board to complete the required Ethic's Commission disclosure form.

Mr. Corteway asked why the agenda item related to an "approval of DLNR legislative action" was deferred. Mr. Salā acknowledged Ms. Wilson, who stated that with only one month left to spend the FY 2015 funds, DLNR would be providing a plan for FY 2016. Ms. Stone noted that DLNR should align its plan with the HTA Strategic Plan. Mr. Atkins asked whether the \$3 million not spent in FY 2015 would go back into the general fund. Ms. Wilson responded that the unspent \$3 million would be lost but that DLNR would "get another \$3 million in FY 2016."

Mr. Szigeti acknowledged the HTA Brand Managers for meeting with him to discuss current issues in each major market area and the Pro Bowl. He has also been meeting with industry partners, including Boyd Gaming.

Upon a motion made by Mr. Dee and seconded by Ms. Hayashi Yamaguchi, the meeting was adjourned at 12:39 p.m.

Respectfully submitted,



Winfred Pong