



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, May 29, 2014
Hawaii Convention Center
1801 Kalakaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:	Ron Williams (Chair), Patricia Ewing (Vice Chair), Jack Corteway, Rick Fried, Patrick Fitzgerald, Craig Nakamura, Aaron Salā, Lorrie Stone
MEMBERS NOT PRESENT:	Kelvin Bloom, Michael Kobayashi, Victor Kimura, David Rae
HTA STAFF PRESENT:	Caroline Anderson, Mike McCartney, Lynn Bautista, Laci Goshi, Grace Lee, Brian Lynx, Angela Rodriguez, Michael Story, Jadie Goo, Doug Murdock, Daniel Nahoopii, Roann Rakta, Marc Togashi, David Uchiyama, Miki Wakai, Kelii Wilson
DEPPUTY ATTORNEY GENERAL:	Gregg Kinkley
GUEST:	Kainoa Daines

1. Call to Order and Pule

Presiding Officer Ron Williams called the meeting to order at 9:36 a.m. He introduced Kainoa Daines, Oahu Visitors Bureau, who shared a short story regarding the historical significance of King Kamehameha and the holiday that was established for all the Kings of Hawaii. Mr. Kainoa proceeded to offer a pule.

2. Approval of Minutes of Prior Board Meetings

Mr. Salā moved to approve the minutes of the regular board meeting conducted on April 24, 2014. Ms. Ewing seconded the motion, which was unanimously approved by all the board members present and without any revisions or reservations.

3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs' Current Assessments of the Major Market Areas

It was noted that a written CEO Report dated May 29, 2014 was in a board folder containing documents related to the various items on the agenda for this board meeting. The board folder was previously distributed to the board members. The CEO Report included the Marketing Reports from the marketing contractors in each MMA for April 2014; the HTA staff report on implementing the Legislative Auditor's findings and recommendations; and, a listing of contracts executed by the HTA.

5. Presentation and Discussion with Marketing Partners for International Markets

(This agenda item was discussed out of order.)

Mr. Uchiyama introduced the following representatives of the various marketing contractors from each major market area (MMA): Claire Li (Hawaii Tourism China), Ivy Gao (Hawaii Tourism China), Emily Kim (Hawaii Tourism Korea), Megan Hornblow (Hawaii Tourism Oceania), Ashlee Galea (Hawaii Tourism Oceania), Eric Takehata (Hawaii Tourism Oceania), Ryuta "Luke" Teramoto (Hawaii Tourism Japan), Leandro Rattazzi (Hawaii Tourism Latin America), Andrew Koh (Hawaii Tourism Taiwan), Inga Dockendorf (Hawaii Tourism Europe). He also introduced Teri Horton and Brad Gessner from AEG as the contractor for the operation and marketing of the convention center.

Mr. Uchiyama noted that the marketing contractors are in Hawaii to discuss the brand management plans for 2015 and to experience various tourism products.

8. Presentation, Discussion and Approval of Major Market Area Procurement Plans

(This agenda item was discussed out of order.)

Mr. Fitzgerald made a motion to go into executive session for the purpose of discussing information that must be kept confidential to protect Hawaii's competitive advantage as a visitor destination under section 201B-4(8), Hawaii Revised Statutes. Ms. Ewing seconded the motion, which was unanimously approved by all the Board members present.

The meeting was recessed to go into executive session at 9:41 a.m.

The meeting was reconvened at 9:52 a.m.

Mr. Murdock referred to the staff report in the Board folder containing documents relevant to this agenda item and was previously distributed to the Board members. Staff is seeking Board

approval to exercise the contract options extending the contract term ending December 31, 2014 with Aviareps Tourism and Hawai'i Visitors & Convention Bureau. He stated staff's belief that the benefit of extending the contracts outweighs any benefit that might be gained from competition at this time.

Mr. Fitzgerald made a motion to exercise the three-year contract option with Aviareps Tourism for the Europe MMA. Mr. Salā seconded the motion, which was unanimously approved by all the Board members present.

Mr. Fitzgerald made a motion to exercise two one-year contract options with the Hawaii Visitors & Convention Bureau for the North America MMA and leaving a one-year option remaining. Mr. Sala seconded the motion, which was unanimously approved by all the Board members present.

4. Review of Recent and Upcoming Permitted Interactions

Mr. Williams reported that he and Mr. Sala participated in a meeting of the "Committee on Homelessness" with various tourism representatives. Mr. McCartney stated that concerns were expressed in the meeting that before funds are committed there should be a state-wide plan to address the homeless problem, which is not just a Waikiki problem but is a statewide problem. He noted that homeless activity on private property and on federal land can be addressed immediately because a private landowner can rely on the trespass laws, which cannot be used for homeless activity on public sidewalks.

9. Presentation, Discussion and Approval of HTA Plans and the Fiscal Year 2015 Budget (This agenda item was discussed out of order.)

Mr. McCartney stated that the purpose for presenting the budget for fiscal year 2015 at this time is get input from board members and to request board approval at a second board meeting. However, if the board is satisfied with the proposed budget, it may decide to approve the budget at this time. He noted that staff intends to discuss a budget worksheet that contains confidential competitive information and the disclosure of this information will cause harm to Hawaii's competitive advantage. Non-confidential information is intertwined with information that is deemed to be confidential so that the discussion of the non-confidential information cannot be discussed without a discussion of the confidential information.

Mr. Fitzgerald made a motion to go into executive session to discuss information in the budget worksheet that must be kept confidential to protect Hawaii's competitive advantage as a visitor

destination under section 201B-4(8), Hawaii Revised Statutes. Mr. Sala seconded the motion, which was unanimously approved by all the Board members present.

The meeting was recessed to go into executive session at 10:02 a.m.

The meeting was reconvened at 11:50 a.m.

Mr. Uchiyama discussed the process for evaluating the numerous programs that have received funds from HTA, including the final reports submitted by a program for staff's review. The final reports should also be given to the Board for discussion. A blank copy of the "Final Evaluation Form" was distributed to the Board. Mr. Corteway stated that the Board "should have an opportunity to challenge the evaluation." Mr. Fitzgerald requested that the Board should also have a "history of past evaluations."

Mr. Nahoopii discussed the various budgeted expenditures for research that will use to obtain data related to visitor pre-arrival, community impact, promotional impact, and program impact.

Mr. Fitzgerald moved to approve the HTA FY 2015 Budget (May 28, 2014 version), subject to the concerns expressed by the Board during the executive session related to the Food & Wine Festival. Ms. Ewing seconded the motion, which was unanimously approved by all the Board members present. (Ms. Stone was not present at the meeting at this time and not available to vote.)

The meeting was recessed at 11:55 a.m.

The meeting was reconvened at 12:05 p.m.

Ms. Stone was present at this time.

Mr. Togashi discussed a document previously distributed to the Board entitled "Turtle Bay Conservation Easement Special Fund, FY 2015 Budget." He noted that as a result of the enactment of Act 81 during the 2014 Legislative Session, HTA would be authorized to issue \$40 million in revenue bonds and the proceeds would be used to purchase a conservation easement. HTA would be allocated \$3 million of Transient Accommodations Tax revenues to be used to pay the debt service on the revenue bonds. The deposit and debt service payments on the revenue bonds would be made through an established Turtle Bay Conservation Easement Special Fund. Act 81 would reduce TAT allocation to the Convention Center Enterprise Special Fund from \$33 million to \$26.5 million and would also require the Department of Budget & Finance ("B & F") and HTA to restructure the Hawai'i Convention Center bond debt obligation to not more than \$16.5 million.

Mr. McCartney discussed the need for an appraisal and the performance of a due diligence opinion on the purchase of the easement. An attorney would be hired by the HTA to provide a due diligence opinion. Mr. Fitzgerald asked whether HTA would be liable “for its due diligence when issuing the bond.” Mr. McCartney responded that there would be further discussion with the Board on this matter once HTA hires an “independent contractor,” who will assist HTA on this matter. There was a discussion on the cost for hiring a contractor to provide a due diligence opinion and that the cost will depend on the scope of work to be performed. Mr. Murdock noted that by approving the “transaction,” HTA would have a budget line item to “put funds in once HTA receives TAT revenues for this purpose.”

Mr. Togashi referred to the Convention Center Enterprise Special Fund Budget FY 2015 that was previously distributed to the Board. He noted the following additional expenditures in FY 2015 from the special fund: \$2.5 million will be expended for major repair and maintenance at the convention center; funds would be allocated to the Center for Hawaiian Music & Dance and for the Turtle Bay Conservation Due Diligence Costs; and, \$458,000 for the Marketing Flexibility Fund/Sales & Marketing to cover additional costs for incentives given to events booking at the convention center.

Mr. Togashi emphasized that the anticipated savings by restructuring the current convention center bond debt obligation to B & F from \$26.4 million to \$16.5 million will be used to pay for the Center for Hawaiian Music & Dance and for the Turtle Bay Conservation Due Diligence costs. Mr. Williams asked whether the bond debt obligation would be restructured with B & F by June 30, 2014. Mr. Murdock responded that “a new budget” will be presented to reflect the final restructured obligation.

In response to a question from Mr. Fitzgerald whether the current allocation for the Center for Hawaiian Music & Dance reflects the total cost, Mr. Murdock stated that the amount is only a “budgeted amount” and do not know the exact amount. Mr. Fitzgerald also asked if the Board would be reviewing the convention center’s cost of operations. Mr. Togashi noted that an itemization of the cost of operations is provided in numerous financial reports totaling almost 62 pages. He distributed a financial report entitled “Hawai’i Convention Center, January 1, 2015 to December 31, 2015, Lead Income Statement, Budget” that identified the major expenditure categories of operating expenses for the convention center.

Mr. Fitzgerald suggested that an amount of \$100,000 currently allocated for the Turtle Bay Conservation Due Diligence “is not enough.” Ms. Stone stated that “as a buyer, we would want to know what is being bought, especially with all the legal issues that affected the property,” and that “it is up to the State to determine what information is required.” She offered that an

amount of “\$240,000 may be enough but HTA needs to know what it wants.” Mr. Fitzgerald asked “who is liable for proper due diligence.” Ms. Stone responded that HTA should “hire a firm with a high E & O insurance for an opinion on the proper due diligence” that should be conducted.

Mr. Fitzgerald was not present at the meeting.

Mr. Togashi recommended a revision to the amount allocated for the Center for Hawaiian Music & Dance from \$3,330, 000 to \$3,180,000 and the amount allocated for the Turtle Bay Conservation Due Diligence would be revised from \$100,00 to \$250,000. As revised, the “Total CCEF Expenditures, Gross” will be \$43,854,842.

Mr. Corteway moved to approve the Convention Center Enterprise Special Fund Budget FY 2015 (May 28, 2014 version) as revised by Mr. Togashi. Ms. Ewing seconded the motion, which was unanimously approved by all the Board members present. (Mr. Fitzgerald was not present.)

Mr. Salā moved to approve the Turtle Bay Conservation Easement Special Fund FY 2015 Budget. Ms. Ewing seconded the motion, which was unanimously approved by all the Board members present. (Mr. Fitzgerald was not present.)

In response to Mr. Murdock’s recommendation for the Board to approve the Brand Management Plan 2015, Mr. Williams stated that the Board should discuss the Plan at the next Board meeting where they can “vent it.” Mr. Uchiyama noted that the marketing contractors would be moving forward with its marketing plans based the current version of the Brand Management Plan and that any changes to this version of the Plan would impact the marketing plans for a major market area. Mr. Williams expressed the belief that any possible change the Brand Management Plan would not significantly impact the marketing plans. Mr. Kinkley objected to a suggestion that Board members would submit changes to the Brand Management Plan within 10 days. He noted that the Board would not need to conduct a meeting to approve any changes to the Plan.

6. Presentation and Discussion on Visitor Statistics

It was noted that the dashboards of key visitor data for March 2014 was presented for the Board’s consideration. Mr. Nahoopii proceeded to provide a PowerPoint presentation entitled “Current Visitor Data, April 2014” dated May 29, 2014. A copy of the PowerPoint presentation was distributed to the Board.

Mr. Nahoopii provided an "Overview" of visitor data for April 2014 by stating that: on a year-to-date basis, visitors contributed \$40.8 million per day to Hawaii's economy; visitor expenditures were down 2.9%; and, arrivals declined 2.6%. For the month of April 2014, expenditures were down from the U.S. East market and arrivals declined due to the lack of cruise visitor arrivals. Visitor arrivals from Japan (-1.6%) showed a marked decline because of a change in consumption tax laws that caused potential Japan visitors to buy large ticket items in Japan before the law went into effect. Visitors from Oceania also had marked decline (-7.1%) because of less carriers serving the market and new travel packages were more costly.

Mr. Nahoopii proceeded to highlight the following visitor data in April 2014: that arrivals and spending were pacing slower against targets, especially daily spending by the U.S. East visitor; although fewer visitors are coming, they are staying longer on the neighbor islands; there was a negative growth in expenditures over the last eight months, including a 2.2% decline in April; although there was a 5% decline in U.S. West visitors, spending from that market increased by 5.5% while noting that spending by U.S. East visitors decreased by 8%; as of August 2013, the seasonally adjusted expenditures since January 2002 indicate that expenditures had "plateau" since August 2013; that spending for shopping (+0.2%) and food & beverage (-0.1%) were flat; and, spending for lodging (-0.9%) declined slightly.

In regards to spending for transportation, there was a slight decline (0.5%) in spending. Mr. Nahoopii responded to a previous information request from Mr. Williams by stating that he "did not know yet whether visitors are spending less on rental rates or number of cars" were the primary cause for a decline in visitor spending for transportation. Although Mr. Nahoopii was awaiting further information from the Department of Taxation, Mr. Williams suggested contacting "CATRALA" for information.

In regards to access to Hawai'i, Mr. Nahoopii highlighted the following: although there was no growth in air seats for April 2014, there was growth (+1.4%) over the first four months of 2014; there were no charters in April, but expects growth in the later part of the year due to increased flights to the neighbor islands by Canada Air. There will be less service from Oceania.

In regards to overall arrivals, the cruise ship arrival segment was down (-22.2%). Mr. Nahoopii noted that cruise ships were coming only every other year because of a lack of demand and the size of the ships are smaller (600 passengers vs. 1,000 passengers). However, he expects visitor arrivals "will be improved over 2014." The total average daily census (air arrivals only) showed no growth in April, but it was down (-1.7%) on a year-to-date basis.

In regards to visitor data for each major market area, Mr. Nahoopii noted: U.S. West visitor arrival has been declining (-1.4%) since August 2013; the decline in Japan visitors was anticipated due to the consumption tax; Canadian visitors increased 16.3% due to air seats going directly to the neighbor island, which reflected in "more day trips to O'ahu" (62% increase over last year); China is not meeting expectations due to the "sluggish market," but the Hawaiian Airlines flights will increase travel from that market; Korea is also not meeting expectations because of competition in the honeymoon market; Oceania visitor arrivals were down because of the "pricing on air seats and packages"; although Taiwan arrivals "almost doubled," almost fifty percent of the arrivals were from Vietnam and other South East Asian countries.

Mr. Fitzgerald was present at the meeting.

In regards to occupancy, Mr. Nahoopii noted: statewide occupancy showed no positive growth for the past 11 months; the hotel room occupancy for March 2014 was 74.8%; hotel room rates were at a record high at \$237, which after preliminarily adjusting for only labor, fuel and utility costs indicate that the hotel rates appear to have "come back to pre-recession rates" (\$199.70); and, occupancy for the neighbor islands "saw losses."

7. Presentation, Discussion and Approval of HTA's Financial Reports

Mr. Togashi referred to the executive summary and financial reports as of March 31, 2014 that were previously distributed to the Board. He reported that there were "no anomalies."

Mr. Fitzgerald moved to approve the HTA financial statements as of March 31, 2014. Ms. Ewing seconded the motion, which was unanimously approved by all the Board members present.

9. Adjournment. The meeting was adjourned by consensus at 1:20 p.m.

Recorded:



Winfred Pong
Recorder