



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY**

June 28, 2012

**Hawai'i Convention Center, Parking Level, Executive Board Room A
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Ron Williams (Chair), Kelvin Bloom, Patricia Ewing, Victor Kimura, Mike Kobayashi, Craig Nakamura, Sharon Weiner, Leon Yoshida

MEMBERS NOT PRESENT: Douglas Chang, Patrick Fitzgerald, L. Richard Fried, Jr., Aaron Salā

HTA STAFF PRESENT: Mike McCartney, Momi Akimseu, Caroline Anderson, Lynn Bautista, Minh-Chau Chun, Cy Feng, Jadie Goo, Grace Lee, Chika Miyauchi, Daniel Nāho'opi'i, Winfred Pong, Roann Rakta, Angela Rodriguez, Michael Story, Marc Togashi, David Uchiyama, Keli'i Wilson

GUESTS: Haunani Apoliona, Cha Thompson

LEGAL COUNSEL: Deputy Attorney General Gregg J. Kinkley

1. Call to Order

Presiding Officer Ron Williams called the meeting to order at 9:40 a.m.

Mr. McCartney introduced Ms. Haunani Apoliona, who offered a Pule.

Mr. Williams recognized outgoing board members Douglas Chang, Sharon Weiner, and Leon Yoshida and former board member Cha Thompson and thanked them for their hard work and years of service on the board.

2. Approval of Minutes (May 31, 2012)

Mr. Bloom made a motion to approve the minutes of the meeting conducted on May 31, 2012. Ms. Ewing seconded the motion, which was unanimously approved without objection.

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 Area

Mr. McCartney asked Mr. Uchiyama to share some insights from his latest trip.

Mr. Uchiyama reported that he attended JumpStart in Sacramento in early June, which is primarily a domestic carrier meeting. He said that growth will continue to be seen out of the West Coast, with flights from Allegiant and Alaska Airlines, and out of the international markets as well, with the frequency of flights out of China with China Eastern. He shared that there may be another carrier in the market by the end of this year or the beginning of next year and possible charter service out of China toward the end of this year. He reported that Asiana and Hawaiian Airlines have begun daily service out of Korea, with four (4) daily flights and that charter service will be added to the scheduled service that already exists out of Japan. He mentioned that we have been working very hard toward finding a carrier out of Southeast Asia and he thinks that "we are getting very close," but things are still at the discussion stage, so it is too early to make any comment on it. He reported that pace continues to be good and looking future-forward, the months of June, July, and August are all pacing very well. He said that O'ahu is very strong, but there is still some availability. He shared that discussions have taken place with all of the contractors to focus on distribution to the neighbor islands, as "we are nowhere close to capacity in terms of room inventory." Mr. Uchiyama also shared that he is going to spend some time on cruise to try and increase that component and thinks that once we get that in better alignment, there will be some growth there as well. He said that all in all, the direction in which we are headed is good and that things in the market are all very positive right now.

Mr. McCartney asked Ms. Wilson to present and share some information on the Ma'ema'e program. Ms. Wilson explained that the Ma'ema'e program was created to be a resource for our marketing partners and our partners in the industry – media, wholesalers, tour operators, and travel agents. She said that it was created in two (2) forms – online and through a USB drive that the wholesalers, tour operators, and travel agents have said is one of the best ways for them to receive information. She added that there is also an updated Style and Resource Guide that includes information about the destination; an image usage guideline that provides for the types of images that should be used, stereotypical images, and how collateral for wholesalers and tour operators can be improved; and information about each of the islands, cultural information, and what makes each of them unique. She mentioned that this is the first version of the program, which has also been translated into Chinese and Korean and was released and very well

received at the Asia Mission and Aloha Down Under in Oceania. She added that we are currently working on translating the program into Japanese and German versions.

4. Presentation of Visitor Data and Dashboards for May 2012

Mr. Nāho'opi'i presented Visitor Data for May 2012. He reported that Year to Date (YTD), expenditures collected in the State total approximately \$38.5 million per day as compared to the average in 2011, which was about \$34.5 million per day. He said that YTD visitor expenditures are up 16.8 percent to \$5.85 billion, exceeding the set targets by about 9.7 percent. He said that total arrivals reached 3.26 million, and when considered in terms of the Daily Census, we are still going strong with a 10 percent growth rate and exceeding our targets by 6 percent.

He said that the first five (5) months were very strong, with some great increases in the new markets, pick up from Japan, and strong growth out of the US West. He reported that May was a record-breaking month, as it was the highest May total for both visitor expenditures and arrivals compared to the peak in 2007. He reported that the Per Person Per Day (PPPD) spend in the US East is slightly lower than it was last year, but that spending overall is still strong.

Mr. Nāho'opi'i reported that total arrivals in May rose 12.5 percent and in particular, there were double-digit increases in the growth of the international markets, such as Japan, Asia, and Oceania. He shared that we are exceeding our expenditure targets by 10 percent and arrivals target by 9.5 percent, as compared to the spending and arrivals targets set by the board last September. He said that this is driven mainly by growth in arrivals and also a slightly longer length of stay than year over year. He mentioned that daily spending is flat and about 1.9 percent over our estimated targets, and that Airlift is at pace and where we expected it to be for this time of year. He reported that with regard to island distribution, we are on track for our visitor distribution across the various islands in terms of days, with Maui slightly higher than what had been targeted. Mr. Nāho'opi'i explained that one of the issues is that the length of stay on Maui is growing faster than had been anticipated. He said that while Maui is down in terms of arrival targets, it is actually up when looking at the targets for visitor days.

Mr. Nāho'opi'i said that we are anticipating to exceed the summer peak set back in 2007 for airlift service. He explained that much of that growth is coming from new service for the Asia markets; unanticipated additional lift out of the Los Angeles market; and the increases from Oakland and San Jose that were added in from various carriers. He said that the total air seats for May was up 5.6 percent, with Kaua'i getting the largest increase at 12.6 percent and Honolulu and Kahului also showing positive increases. He mentioned that there was a slight adjustment in the charter seats, with an 11.7 percent decrease in charter seats overall, mainly with smaller planes. He said that a large increase of charter flights out of Japan is anticipated for the month of June.

He shared that scheduled air seats in the US West rose 3 percent for May and increases were seen from Oakland, San Jose, and Anchorage; however, there was some decrease in terms of lift from Salt Lake City, San Diego, and Seattle. He reported that a decline of US East seats was noted for the first five (5) months, but said that with the addition of service out of Dulles and JFK in June, increases out of that market are anticipated. He said that scheduled seats out of Japan increased by a total of 21 percent due to the Osaka and Nagoya routes, as well as the recent addition of the Fukuoka route. He added that there was additional lift from Vancouver and there is continued lift out of Oceania, which showed a 13 percent increase.

He reported that expenditures rose 17.5 percent in May. He shared that we have exceeded our targets in every month and that there was approximately \$1.07 billion in expenditures for the month of May. He said that much of the increase came out of the US West, up 5 percent and Japan, up 6.6 percent. Mr. Nāho'opi'i stated that there was an increase in Food and Beverage among the four (4) largest markets, particularly in restaurant food purchases. He said that there was a 4 percent gain in Shopping in the Japan market and that the US West market is gaining in shopping. He explained that a 14 percent increase is being seen in terms of Shopping, but total purchases out of the US West market are smaller than the Japanese market. He mentioned that an increase in Lodging was seen mainly in the Japan market and that there was a scaling back in Entertainment and Recreation in the North America market – mainly the US West, US East, and Canada, while the Japan market spent less on Attractions. He also shared that the North American market purchased less transportation, which may be a result of direct inter-island service, shrinking the need for inter-island transportation; however, the Japanese spent more on transportation than all of the categories, particularly inter-island and ground transportation.

Mr. Nāho'opi'i stated that all major market areas show positive growth, with particularly strong growth out of the US West market, especially in March and April. He said that Canada also showed strong growth for the first part of the year, but with regard to May specifically, it is still similar to the point at which it was last year. He said that the US East has been struggling, showing a slight drop in New England, but strong growth in Texas. He said that with regard to the smaller markets, Oceania is showing very strong growth and has exceeded the expected targets. He mentioned that growth out of that market has almost doubled in the first quarter and continues to increase in the second quarter. He reported that growth out of Europe has been strong and that the Korean market is stronger than last year, riding just at the range of our expected targets. He pointed out that the China market is not showing strong growth. He explained that while it has been increasing, it is slightly underperforming based on the targets that were set last September. Mr. Nāho'opi'i shared that the targets will be revisited based on current performance and that those should be available by the next board meeting.

He reported that YTD occupancy is at 78.4 percent for the first 4 months, which also shows that there is still room to grow. He said that Statewide occupancy for the month is 72.4

percent, which is up 3.8 percent from last year. He explained that we are still having positive growth, but it is still at 70 percent. He reported that YTD, O'ahu is up 84 percent, Maui is at 78 percent, Kaua'i is at 68 percent, and Hawai'i Island is at 65 percent. He reported that the Average Daily Rate (ADR) has somewhat flattened over the last couple of months, but is up 5.7 percent over the same time last year. He said that the average ADR for the month of May was \$202.00, which resulted in revenue per available room (RevPar) being up 11.6 percent. He said that while growth is still strong, it is slowing down.

The meeting was recessed at 10:45 a.m.

The meeting was reconvened at 10:52 a.m.

5. Action to Approve HTA's Financial Reports for May 2012

Mr. Togashi presented an Executive Summary of the budgets for the HTA Special Fund and the Convention Center Enterprise Special Fund (CCESF). He reported that as of May 31st, the HTA Special Fund had \$4.9 million in cash and investments and \$5 million in Trust. He explained that the \$40.9 million is a decrease of approximately \$5.2 million from the prior month, due primarily to expenditures totaling \$8.5 million in May and is partially offset by the receipt of \$3.2 million in TAT receivables from the prior month. He said that there is \$2.3 million in the unencumbered reserve, which is unchanged from last month and there is \$4.1 million in prior year encumbrances that remains unspent as of May.

Mr. Togashi reported that there is \$75.9 million in the FY 2012 budget, of which \$75.1 million is either contracted or committed and that there will be no additional receipt of TAT revenue for the rest of the year, as the \$69 million cap was reached in April.

Mr. Togashi stated that the CCESF has approximately \$16.7 million in cash and investments, which represents a \$5.8 million decrease for the month of April. He explained that the decrease can be attributed to the expenditure of \$14 million during the month of May, which includes an \$11.7 million bond payment. He said that this amount is partially offset by the CCESF receiving \$4.7 million in April receivables and transfers from the HTA Special Fund in the amount of \$3.6 million for sales and marketing of the Convention Center. He stated that there is \$13.4 million in cash either with SMG or the Department of Accounting and General Services that has been earmarked for repair and maintenance and capital improvement projects, and explained that of this amount, \$2 million is held for emergency reserve purposes and approximately \$10.9 million has been encumbered or budgeted for specific projects. Mr. Togashi made a correction to the CCESF summary, stating that the amount of \$10.3 million listed within the second bullet should read \$10.9 million, instead. He reported that at the end of May, the CCESF held \$8 million in reserve, which is earmarked to fund capital improvement projects. He stated that at the end of the fiscal year, this fund is expected to hold approximately \$10 million after all payments have been made and considering the TAT revenue that exceeds the \$33 million cap that we had anticipated and for which we had budgeted.

Mr. Togashi pointed out that the Convention Center is projected to operate at a loss of approximately \$4.7 million, which is in line with the budget. He said that overall, we are spending in accordance with the budget and to date, the fund has received \$32.2 million, which is approximately \$1.2 million more than at this point in time last year.

Mr. Bloom made a motion to approve the financial reports for May 2012, as corrected by Mr. Togashi. Ms. Ewing seconded the motion, which was unanimously approved without objection.

6. Action to Approve the Hawai'i Tourism Authority Strategic Plan: 2013-2014

Mr. Pong recounted that at the May board meeting, the Strategic Plan was presented and distributed to the board and included some competitive information that related to some short- and long-term tactical plans to implement it. He explained that the plan describes what we do, the guiding principle, strategic goals, market conditions, our targets for calendar years 2013 and 2014, the various strategic objectives, strategies, and directives, and the measures of success.

Mr. Kobayashi made a motion to approve the Hawai'i Tourism Authority Strategic Plan: 2013-2014. Mr. Kimura seconded the motion, which was unanimously approved without objection.

7. Action to Approve the Brand Sustainability & Execution Plan

Mr. Pong explained that in December 2011, the staff provided a full public presentation of the Brand Sustainability Plan to the board that was well received, and said that at the meeting on May 31st, the plan was referenced with the budget as a guiding document for the development of the 2013 budget.

Mr. Kimura made a motion to approve the Brand Sustainability and Execution Plan. Mr. Kobayashi seconded the motion.

Ms. Ewing cited the two (2) bulleted goals under the "Career Development Execution Plan" on page 17 of the document and asked for more clarification, specifically with regard to how the term "workforce" was used and to whom it was referring. Mr. Uchiyama said that the first bullet is about cultivating our workforce, which is directed toward what we are trying to do with the Department of Education (DOE), which is to introduce the tourism industry and the DOE through Community Colleges and the UH-TIM School and the second bulleted goal is directed toward the industry itself. Ms. Ewing suggested standardizing the verbiage regarding how the goals are stated because there are inconsistencies throughout the document and from one plan to another. She said that some of the goals are expressed in the present tense and others are in the past tense.

Mr. McCartney proposed the adoption of the plan with staff then going back into the document to further refine it and address the concerns brought up by Ms. Ewing. Ms. Ewing stated that she was all right with that as long as everyone on the board was in agreement. She said that the most obvious one was the goal stated for Hawaiian Culture on page 13, which states, "Leverage visitor industry resources to perpetuate the Hawaiian Culture." She said that is not the goal and instead, the goal is to perpetuate the Hawaiian Culture by leveraging the visitor industry resources. She said that it is a small detail, but believes that it is important that we are consistent with how the goals are stated.

The motion was unanimously approved without objection.

8. Action to Approve the HTA FY 2013 Budget, Budget Execution Policies, and Budget Narrative (FY 2013 Action Plan)

Mr. Pong stated that at the meeting on May 31st, the board was presented with a draft budget that included discussion in executive session about some competitive tactical information. He said that there are no budget execution policies that will be accompanying this budget, but explained that in the past, a standard budget execution policy was the delegation of authority to staff to solicit the procurement of proposals and award and execute contracts. He stated that the board adopted HTA policies that formally authorized staff to implement the budget by executing contracts and soliciting awards and that all of that is consistent with the statutory authority authorizing staff to award and execute contracts. He said that as a result, it is not necessary to adopt a budget execution policy. He said that there are other budget execution policies that the staff would like to present to the board for consideration, but at this point, it is not necessary and that the board would be consulted at subsequent meetings on any need for additional budget execution policies.

Mr. Bloom made a motion to approve the HTA FY 2013 budget and budget narrative. Mr. Nakamura seconded the motion, which was unanimously approved without objection.

9. Action to Approve the HTA FY 2013 Budget from the Convention Center Enterprise Special Fund

Mr. Pong stated that at the last board meeting, the board was presented with a draft of the FY 2013 Convention Center Enterprise Special Fund budget that included some competitive and sensitive information related to the marketing of the Convention Center.

Mr. Pong explained that there have been some revisions to the initial draft that was presented and pointed out the following specific expenditure line categories for the board's reference:

- Line 37, Total Gross Expenditures - \$12,730,900;
- Line 40, MFF/Sales & Marketing - \$3,520,000;
- Line 42, HTA Administrative Allocation - \$850,000; and

- Line 44 Bond Debt Service - \$26,431.

Mr. Pong pointed out that the total amount of \$43,531,900, as reflected in Line 46, Total CCESF Expenditures, Gross, is inclusive of these additional line expenditure items and is part of the motion that staff would be recommending for the adoption of the FY 2013 for the CCESF.

Mr. Williams mentioned that there is an Investigative Committee that will be formed that will work with the Convention Center as we move forward.

Mr. Bloom asked for clarification on the handwritten notes on the budget pages and their significance. Mr. Togashi explained that the handwritten notes provide for guidance regarding the location of the detail behind that number. He explained that the handwritten numbers listed on the pages direct you to a page within the budget that provides more detail. As an example, he said that for Line Item No. 1, Rent – the detail behind that line item is found on page 9, which is part of the same packet, but marked as confidential and proprietary.

Mr. Bloom made a motion to approve the FY 2013 Budget for the Convention Center Enterprise Special Fund. Mr. Kimura seconded the motion, which was unanimously approved without objection.

0. Discussion and or Action to Adopt the Recommendations of the Administrative Standing Committee Relating to the Contractually Required Annual Review and Evaluation of the President and CEO

Mr. Pong stated that the Administrative Standing Committee is recommending to the board, a favorable evaluation of Mr. McCartney's performance during CY 2011 based upon receiving a total weighted score of 4.75 out of 5 by utilizing performance measurements at weights of Overall Strategic Direction with a weight 50 percent; Internal Policy Management with a weight of 15 percent; External Strategic Policy with a weight of 20 percent; and External Outreach and Communication with a weight of 15 percent. He said that the process involved Mr. McCartney providing his work plan for CY 2011 and based upon the work plan, the evaluation criteria was utilized and each committee member provided their respective scores.

Ms. Weiner asked who was on the Administrative Committee and whether the board was solicited in terms of evaluating Mr. McCartney. Mr. Williams said that they were not and that he would like to have a discussion in executive session if any of the board members would like to discuss the committee's scoring.

Mr. Williams stated that he would like to excuse Mr. McCartney and staff and go into executive session to allow the board to discuss the Administrative Committee's findings and scoring.

Mr. Kinkley responded that Mr. William's request seems to be rationally rooted in HRS § 92-5 (a) (2) and the pertinent part to consider being the evaluation of an officer or employee where consideration of matters affecting privacy will be involved. He said that is correct if there is an indication that is actually going to be the burden of the conversation in executive session.

Mr. Bloom made a motion to go into executive discussion to discuss and consider an evaluation of the President and CEO. Mr. Kimura seconded the motion.

The meeting was recessed to go into executive session at 11:29 a.m.
The meeting was reconvened at 11:50 a.m.

Mr. Bloom made a motion to adopt the recommendation of the Administrative Standing Committee relating to the favorable evaluation Mr. McCartney's performance during CY 2011 based on a total weighted score of 4.75 out of 5. Mr. Kimura seconded the motion, which was unanimously approved without objection.

Mr. Pong stated that pursuant to Mr. McCartney's contract, the board is authorized, at its sole discretion, to grant an incentive payment to Mr. McCartney based upon a favorable evaluation of his work performance. He said that the Administrative Standing Committee is recommending a motion to authorize an incentive payment to Mr. McCartney based upon his favorable performance in CY 2011 in an amount of THIRTY-THREE THOUSAND TWO HUNDRED FIFTY AND NO/100 DOLLARS (\$33,250.00).

Mr. Bloom made a motion to grant an incentive payment to Mr. McCartney based upon the Administrative Standing Committee's favorable evaluation of his performance in CY 2011 in an amount of THIRTY-THREE THOUSAND TWO HUNDRED FIFTY AND NO/100 DOLLARS (\$33,250.00). Mr. Kimura seconded the motion, which was unanimously approved without objection.

Mr. Kimura asked if the executive session minutes from the meeting conducted on May 31, 2012 were going to be approved. Mr. Williams responded that those minutes would be approved at the next executive session.

Adjournment

The meeting was adjourned at 11:52 a.m.

Recorded:


