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Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, November 20, 2014
Hawaii Convention Center, Executive Board Room A
1801 Kalakaua Avenue, Honolulu, Hawaii 96815**

MINUTES OF REGULAR BOARD MEETING

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

MEMBERS NOT PRESENT: Rick Fried

HTA STAFF PRESENT: Mike McCartney, Michael Story, Doug Murdock, Daniel Nahoopii, Angela Rodriguez, Marc Togashi, Keli'i Wilson

DEPUTY ATTORNEY GENERAL: Gregg Kinkley

GUESTS: Noland Conjugacion, Teri Orton, Ronald Williams

1. HO'OMAKA

CALL TO ORDER AND PULE

Mr. Salā called the meeting to order at 9:35 a.m. He acknowledged Ms. Wilson, who introduced Mr. Conjugacion ("Brother Noland") to offer a greeting. Mr. Conjugacion expressed his feelings about the many friendships he has developed over the years, especially with Mr. McCartney. As a means of demonstrating how music can reach out to everyone, he proceeded to sing a medley of songs. He also sang the song "Great Hawaiian Man" for Mr. McCartney.

Mr. Salā introduced Mr. Fred Atkins as a newly appointed Board member.

2. 'AE MO'O'ŌLELO

APPROVAL OF MINUTES OF PRIOR BOARD MEETINGS

Mr. Salā offered an amendment to the minutes of the Board meeting conducted on October 2, 2014. He stated that in Section 1 of the minutes referencing the "Call to Order," the minutes

should reflect that Mr. Kihi Nahale-a was a member of Project Kuleana. Mr. Corteway moved to approve the minutes of the Board meeting conducted on October 2, 2014, as amended by Mr. Salā. Ms. Yamaguchi seconded the motion, which was unanimously approved by all members present without any reservations or objections.

3. *MANA'O PELEKIKENA*

REPORT OF THE CEO RELATING TO THE IMPLEMENTATION OF THE STATE TOURISM STRATEGIC PLAN INITIATIVES AND/OR STAFFS' CURRENT ASSESSMENTS OF THE HTA PROGRAMS

Mr. McCartney discussed his experiences as the President and CEO of the Hawaii Tourism Authority ("HTA"). He noted that the establishment of the HTA began while he was a member of the Governor's Hawaii Tourism Revitalization Task Force and during his "days at the Legislature." The purpose for establishing the HTA was based on a need for an entity that was both "independent and accountable." Mr. McCartney emphasized to the Board members that HTA must not only continue to be independent and accountable, but must also remember "we work for the people of Hawaii."

The written CEO Report, dated November 20, 2014, was previously distributed to the Board members for consideration and discussion. The CEO Report contained the status of staff's efforts to implement the Hawaii Tourism Strategic Plan and the HTA budget; the marketing contractors' monthly marketing report as of September 2014; Staff's efforts to implement the Legislative Auditor's recommendations; and, the execution of contracts for tourism-related activities.

4. *HŌ'IKE LĀLĀ*

REVIEW OF RECENT AND UPCOMING PERMITTED INTERACTIONS

Upon request by Mr. Salā, Mr. Murdock restated the legal requirements under the Sunshine Law for the Board members to discuss board matters at an open meeting and that an exception would be when two board members engage in a permitted interaction outside a meeting but reports that discussion at a subsequent meeting.

Mr. Atkins reported that he and Mr. Salā had discussed the background of HTA and its strategic plan. Mr. Salā reported that he met individually with each Board member regarding HTA policies. In both cases, there were no commitment made by any Board member to vote on any matter.

5. *HŌ'IKE NOI'I*

PRESENTATION AND DISCUSSION ON VISITOR STATISTICS

Mr. Nahoopii provided a PowerPoint presentation of "Current Visitor Data September 2014," dated November 20, 2014. He began his presentation with an "Overview" by stating that on a "Year-to-Date" basis, visitors contributed \$11.1 billion to Hawaii's economy and \$40.6 million statewide per day; and, that while visitor expenditures were up 2%, arrivals were flat at .5%. For the month of September 2014, total expenditures were up slightly by 1.4% or \$1.1 billion; arrivals grew by 4.1% with increases primarily from the U.S. West (6.9%) and U.S. East (1.9%); and, that

there was positive growth in arrivals from Japan (.9%) and Canada (.4%). Mr. Nahoopii noted that Japan visitor arrivals reflected the arrival of visitors attending the concerts of the Japanese singing idol group, Arashi, and that may have “displaced” other Japan visitors who would have traveled to Hawaii during “silver week.”

Mr. Nahoopii continued his presentation by displaying charts depicting the following visitor arrival data: although arrivals to O’ahu exceeded the revised targets, the arrivals at other islands were short of targets primarily because visitors were not staying longer on the other islands; that the island distribution targets to Lāna’i and Hawai’i Island would need to be “relooked” because the targets were previously established in 2008 with a desire to “push out” visitors to the neighbor islands.

In regards to visitor expenditures, Mr. Nahoopii displayed charts depicting the following: that although total expenditures were slightly ahead of last year, the long term trend may be a concern; that seasonally adjusted expenditures for the third quarter have not “surpassed previous high levels in December 2012 and January 2014;” that total personal daily spending for shopping reflected positive growth despite currency concerns and new shopping trends by Japan visitors; that expenditures for lodging are still increasing since 2009; and, that expenditures for food and beverage showed a slight increase over 2013 levels.

In regards to air seat capacity, total capacity increased by 5.6% in September and that growth was seen in air seats to all airports. Arrivals in September increased 4.1% and was led by U.S. West because of the increase in air seat capacity. Mr. Nahoopii indicated that “we have entered another surge in growth starting from May 2014” despite a “step back” in August 2014. However, the increase in arrivals was offset by shorter length in stay.

Mr. Nahoopii discussed the visitor data for each major market and emphasized the following: U.S. West was “doing really well” because of more airlift; U.S. East was slightly below target; Japan arrivals is trending to be below targets towards the end of the year and that the Arashi concert took seats away from Silver week; the targets for China and Korea were adjusted down to reflect how they travel; that Oceania “lags” over last year, which was a banner year, because of cuts in air service; and, that Europe will reflect a slower trend after targets were adjusted.

Finally, Mr. Nahoopii displayed charts depicting that hotel occupancy in September was up 2.5% but that the year-to-date average was flat. Daily hotel room rates were more than what it was in 2013 but the rate of growth was “moderate.” He noted that the average daily hotel room rates in 2007 and 2014 were \$236 and \$241, respectively. The daily room rates are still increasing but at a slower pace and that 2014 should be a “record year.”

The dashboards of HTA’s key performance indicators were in the Board folders previously provided to Board members and containing documents related to the agenda items for this Board meeting. There were no questions or comments presented by Board members.

Mr. Salā asked how many Japan visitors attended the Arashi concert as “F.I.T” and how many as

part of a “package.” Mr. Nahoopii responded that more information must be obtained because many visitors arriving through a package for the first concert also bought tickets for the second concert in Hawai‘i. Mr. Salā clarified that he was interested in the number of packages sold.

Mr. Corteway asked when would we be having occupancy data for time-share and bed and breakfast units. Mr. Nahoopii responded that a time-share study is currently in the process of being completed. He noted that approximately 23% of all time-share units are being used for transient visitors and sold as part of a package. In regards to bed and breakfast, it has been difficult to obtain information from its “association.”

Mr. Corteway also inquired whether there were any new marketing initiatives being implemented because of the snow storms currently being experienced on the mainland.

In response to a question from Mr. Rae whether the expenditure data were adjusted for inflation, Mr. Nahoopii responded that when compared to 2007 “we have not made up the amount” in 2014.

The meeting was recessed at 10:22 a.m.

The meeting was reconvened at 10:30 a.m.

6. *HŌ‘IKE MO‘OHELU*

PRESENTATION, DISCUSSION AND APPROVAL OF HTA FINANCIAL REPORTS

Mr. Togashi discussed the new HTA financial system that was implemented in July and August. This new financial system will make financial information gathering more transparent and allows staff to electronically access the budget immediately. There are no paper checks and payment can be made directly to a financial institution. Mr. Murdock added that HTA can now look at encumbrances from contracts executed in the previous years and that the financial statements are kept in the “cloud.” Mr. Togashi stated that staff is no longer maintaining financial statements in an excel format.

Mr. Togashi discussed a PowerPoint presentation entitled “Financial Statement Summary, July-October 2014.” He also noted that the HTA financial statements for the Tourism Special Fund and the Convention Center Enterprise Special Fund for the months of May, June, July, August, September, and October 2014 were in the Board folder previously distributed to Board members. He expressed a desire for the Board to approve the financial statements covering the months of May and June (ending FY 2014) and that approval will be requested at the next Board meeting for the months of July to October. The November financial statements will also be presented to the Board at the next meeting.

Mr. Togashi provided the following “highlights” of the Tourism Special Fund as of October 31, 2014: there is currently \$61.5 million in cash and investments; that \$12.5 million of encumbrances from contracts in prior years have not yet been spent; that a \$18 million reserve has been “earmarked” to fund FY 2015 expenditures and for other liabilities, such as “EUTF, ERS,

accrued vacation, and HCC incentives.” In regards to the HTA’s FY 2015 budget of \$92.3 million, he stated that as of October 2014, \$34.1 million has been recorded as being contracted or committed; that HTA has expended \$21.3 million; and, that TAT revenues received was \$27.3 million. On a statewide basis, TAT revenues collected from July to August was \$73 million and reflected \$8.5 million more than the previous year.

In regards to the Convention Center Enterprise Special Fund, Mr. Togashi offered the following “highlights” of the financial statements as of October 31, 2014: that there is \$23.5 million in cash and investments and that this reflects an increase of \$8.7 million from June primarily due to the receipt of revenues from TAT and convention center operations but was offset by the payment of \$4.4 million for convention center operations and sales and marketing expenditures; that there is \$10.9 million in cash with AEG or DAGS for specific repair and maintenance projects; and, that \$2 million is set aside as a reserve and the remaining amounts have been encumbered or budgeted for specific projects. He also noted that \$13.3 million has been reserved for repair and maintenance “and other uses,” and that this reserve is anticipated to decrease to \$11 million by June 2015. The convention center operating loss as of October 2014 was \$250,000 and that the budgeted loss for FY 2015 was \$3.54 million.

In response to a question from Mr. Corteway, Mr. Togashi stated that the external financial audit of the Convention Center Enterprise Special Fund should be completed by the end of the year.

Mr. Corteway made a motion to approve the HTA financial statements for the Tourism Special Fund and the Convention Center Enterprise Special Fund for the months ending May and June 2014. Ms. Yamaguchi seconded the motion, which was unanimously approved without any reservations or objections by all the Board members present.

Mr. Togashi confirmed that the Board should review for approval the financial statements for the months of July to October 2014 at the next meeting. The November 2014 financial statements will also be presented to the Board for approval at the next meeting.

7. *KŪLANA PELEKIKENA NO KĒIA WĀ ‘ĀNŌ* PRESENTATION, DISCUSSION AND APPROVAL OF INTERIM PRESIDENT AND CEO

Mr. Murdock reported that the Administrative Standing Committee had met and recommended the appointment of Mr. Ronald Williams as the interim President and CEO for the HTA.

Ms. Stone made a motion to appoint Mr. Williams as the interim President and CEO, subject to his approval of the terms and conditions in the contract, which will include a term ending June 30, 2015, a termination clause, and provisions related to conflict of interests. Ms. Yamaguchi seconded the motion.

Mr. Murdock stated that Mr. Williams would continue his employment with Atlantis Adventures. Mr. Corteway emphasized a need to have a succession plan in place to address this situation in the future.

The motion was approved unanimously without any reservation or objection any of the Board members present.

**8. KI'INA HAI KŪLANA PELEKIKENA MANAWA PIHA
PRESENTATION, DISCUSSION AND APPROVAL OF PRESIDENT AND CEO SEARCH PROCESS**

Mr. Murdock distributed a Staff Report to the Board requesting the creation of a search investigative committee to guide the search for the next President and CEO. He cited state statutes and HTA Bylaws for the authority to establish an investigative committee, which would allow no more than 6 Board members to be committee members and can be present at any committee meeting. Any recommendation of the investigative committee must first be presented to the Board at a public meeting before the Board can take action on the recommendation at a subsequent public meeting.

The Staff Report included the following attachments: a "Search Investigative Committee Charter," which established the purpose and scope of the committee's responsibilities; an "Affidavit, President & CEO Search" to be executed by Board members to maintain the confidentiality of the candidates; "Selection Criteria" establishing the criteria and weights to evaluate candidates; "CEO Search Process" providing a timeline for the final selection of the CEO; "Position Announcement-Hawai'i Tourism Authority, President and Chief Executive Officer," which would be published to announce the vacancy; "President and CEO, Hawai'i Tourism Authority, Annotated Position Description (Unofficial), Position No. 107900," which is the current job description for the position; and, various documents related to the priorities, work plan and budget, and scope of services provided by Search Wide, who was the executive search firm hired by the HTA in 2009. (Mr. Salā referred to the Staff Report and its attachments as "the package.")

Mr. Corteway made a motion to establish a Search Investigative Committee to implement the purpose and scope of the committee's responsibilities stated in the "Search Investigative Committee Charter," and to delegate to the Administrative Standing Committee the authority to appoint the committee's members. Ms. Yamaguchi seconded the motion, which was unanimously approved without any reservation or objection by all Board members present.

In response to a question from Mr. Atkins, who asked whether "community members" would be in addition to the 6 Board members appointed to the committee, Mr. Murdock stated that the Administrative Standing Committee would decide how to select community members to the investigative committee. Mr. Salā requested that Board members may provide any input on "the package" directly to Mr. Murdock for consideration by the Administrative Standing Committee. Mr. Dee asked when would the Administrative Standing Committee appoint members to the investigative committee. Mr. Salā expressed the hope that it should not take more than 8 days after the Administrative Standing Committee "gets feed back."

At this time, Mr. Ron Williams attended the meeting and was introduced as the interim President and CEO.

Mr. Salā clarified his request that the Board members review the Staff Report with attachments (the package) and offer any comments or suggestions to Mr. Murdock no later than November 28, 2014. The selection process should be as open as possible but sensitive to the internal process of the need to maintain the confidentiality of all potential candidates.

**9. *NĀ LULA PAPA ALAKA’I*
PRESENTATION, DISCUSSION AND APPROVAL OF BOARD MEETING POLICY**

Mr. Murdock distributed a document entitled “Board of Directors Meeting Policy,” which reflected a proposed amendment to the current HTA Policy # 100-04 related to “Board Operations & Oversight.” Generally, the proposed amendment provided a schedule of major Board activities that the Board would be considering at its meetings during each fiscal year. Mr. Murdock also distributed a document entitled “HTA Master Planning Calendar for HTA Policy # 100-4.” The calendar reflected a proposed timeline for the Board to discuss a specific Board activity each month.

Ms. Stone clarified with Mr. Murdock that the Board policy was not a new policy but an amendment to an existing policy, which would include meetings to consider amendments to the strategic plan. In response to an inquiry from Mr. Corteway whether the policy would include a process for the presentation of goals and objectives by the President & CEO, Mr. Murdock stated that the calendar includes an opportunity for the Board to evaluate the President & CEO. Mr. Murdock also responded to an inquiry from Mr. Salā by stating that the evaluation of programs are also included in the calendar and would allow the Board to focus on specific programs each month. Meetings or visits to the neighbor islands have also been incorporated into the proposed calendar.

Mr. Salā stated that the proposed policy would be subject to further discussion and action at the next Board meeting.

The meeting was recessed at 11:04 a.m.
The meeting was reconvened at 11:25 a.m.

**10. *HE LEO ALOHA*
RECOGNITION OF SERVICE OF MIKE MCCARTNEY**

Mr. Story and Ms. Wilson presented a staff tribute to Mr. McCartney in recognition of his service to HTA upon his resignation to assume the duties and responsibilities as the Chief of Staff for Governor-Elect David Ige. Mr. Story expressed the staffs’ sentiment that “it is not goodbye because he will always be part of the HTA family.”

Ms. Orton (Hawaii Convention Center/AEG) and Mr. Murdock offered a tribute by referring to Mr. McCartney’s frequent expression of “sharing the pie.” Ms. Orton suggested that instead of

naming a room at the convention center after Mr. McCartney, they decided to name a “pie shelf” after him. Ms. Orton provided Mr. McCartney with a white chef coat and hat. A book of pie recipes was also provided to him. Ms. Rodriguez read a congratulatory letter from David Uchiyama, who was out of town.

Ms. Wilson presented Mr. McCartney with a papa ku’i ‘ai (wooden board) and a pōhaku ku’i ai (rock pounder) to represent “sustenance for the people of Hawaii.” Individual staff members proceeded to personally present Mr. McCartney with leis and congratulations.

Mr. McCartney expressed his “Mahalo” to the staff and Board members. He stated that he will “never forget what you have taught me” and that he “choose his next journey not wanting to leave here but wanted to help someone with a pure heart to help Hawaii.”

Mr. Salā stated to Mr. McCartney that it was an “honor to know you.” He thanked Mr. McCartney’s family for sharing him with HTA. Mr. Salā added that Mr. McCartney’s new position “is a testament” of his character and wished him well.

11. HO’OKU’U

ADJOURNMENT

Mr. Corteway made a motion to adjourn the meeting. The motion was seconded by Ms. Yamaguchi and unanimously approved.

The meeting was adjourned at 11:35 a.m.

Recorded:



Winfred Pong

Recorder