



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, December 17, 2015
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Rick Fried (Chair), Fred Atkins, Jack Corteway, Sean R. Dee, George Kam, Kuuipo Kumukahi, David Rae, Gerald DeMello, Craig Nakamura, Lorrie Stone

MEMBERS NOT PRESENT: Donna Domingo, Denise Hayashi Yamaguchi

HTA STAFF PRESENT: George Szigeti, Randy Baldemor, Carolina Anderson, Jennifer Chun, Daniel Nahoopii, Ronald Rodriguez, Marc Togashi, Miki Wakai, Kelii Wilson, Roann Rakta

LEGAL COUNSEL: Gregg Kinkley

GUESTS: Brad Gessner, Teri Orton

1. Call to Order

Presiding Officer Rick Fried called the meeting to order at 9:32 a.m.

2. Pule

Ms. Wilson offered a pule that expressed gratitude during the holiday season and to do good work for the HTA. She also introduced Ms. Kuuipo Kumukahi as the newly appointed Hawaiian culture board member. Ms. Kumukahi expressed her honor for being appointed to the Board and to “see tourism” from a different perspective. She provided a brief background of her work and Hawaiian cultural experiences, especially in providing a Hawaiian sense of place. She would also like to make education an essential part of her efforts.

3. Approval of Minutes of the November 19, 2015 Board Meeting

Ms. Stone moved to approve the minutes of the November 19, 2015 board meeting. Mr. Atkins seconded the motion, which was unanimously approved by all the board members present.

4. Review of Recent and Upcoming Permitted Interactions

There were no reports of any permitted interactions.

5. Report of the CEO Relating to the HTA's Programs, Including Introduction of Anthology as 2016 Communications and Public Relations Support

Mr. Szigeti referred to the CEO Report included in the board folder and previously distributed to the Board members. The CEO Report included the monthly marketing report for November from each major marketing area ("MMA") contractor, including the meeting convention and incentive market, and the various contracts executed by HTA in November. He also announced the hiring of Anthology as HTA's new communications and public relations support contractor.

6. Presentation and Discussion Regarding an Update from the Legislative & Governmental Affairs Investigative Committee

Mr. Kam reported on a meeting of the Legislative & Governmental Affairs Investigative Committee. The Committee recommended that HTA's "intent" for the 2016 legislative session would be to focus on HTA's execution of plans and strategies; to emphasize HTA being a "streamlined organization" that is run efficiently; to support bills consistent with HTA's strategic interests; and, to protect HTA's share of the transient accommodations tax ("TAT") revenues so that HTA can effectively support tourism in a manner in line with HTA strategic plans and values. He also reported that the law firm of Cades Schutte, which already has a system in place, was hired to review all legislation and to provide updates to the Board.

Mr. DeMello expressed the need to "hold on" to previous allocations "to keep what we have and to not ask for more." Mr. Szigeti concurred.

7. Presentation and Discussion of Market Insights and Current Market Conditions

Mr. Nahoopii referred to the handout in the board folder previously distributed to Board members entitled "Market Insights-October 2015." He reported that the handout was a report on key performance indicators used by HTA to measure success and included visitor data for October previously released in November and was posted online. The November visitor data will be released on December 29. Mr. Nahoopii asked that any questions or comments may be directed to him personally or by email.

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

Mr. Togashi noted the early meeting date of this Board meeting as the cause for the untimely distribution of the financial reports for the period ending October 31, 2015. The financial

reports were included in the board folder previously distributed to the Board. Since the Board may not have sufficient time to review the financial reports, staff is requesting the Board to defer taking action until the next board meeting.

In response to an inquiry from Mr. Corteway, Mr. Togashi reported there were “no unusual variances.”

(Mr. Nakamura was present.)

9. Presentation and Discussion by AEG Regarding an Update of Hawaii Convention Center Recent Activities

Ms. Orton provided a PowerPoint presentation, entitled “December 2015, HTA Board of Directors Update,” that included slides depicting the convention center financials for November; the return on investment; sales initiatives; and, room night production.

In regards to convention center financials, Ms. Orton highlighted the reforecast of gross revenues for calendar year end 2015 to be \$13,964,100, which reflected “record revenues.” The net loss is forecasted to be \$643,000. She noted an “additional pick up for Christmas” and increases in revenues from bookings. There were also increases in delegates attending events that resulted in increased space and more food and beverage requirements. Ms. Orton stated that the reduction in net loss is “good news” and is “confident that in 2017 we will be in the black.” Food and beverage revenues are “almost hitting \$1 million every month.”

In regards to sales and marketing, Ms. Orton reported that the focus would be on closing the remaining “tentative” citywide bookings by year-end. She expressed confidence that the remaining 159,128 tentatives will be “signed” by year-end. She provided an update on her China visit and noted that Amway China remains interested in returning to Hawaii after being here in 2013. However, VISAs for its delegates remains a problem. Amway China indicated that 10% of its delegates were declined VISAs and it wanted the convention center to guarantee VISA approval. Airlift from China is also a problem. She expects a decision in 2-3 months.

Ms. Orton also reported that Jason Hull would be “completely committed to Hawaii with no additional expense to HTA” and that he would be paid by AEG. He would be prospecting the database to find leads. Two additional AEG sales contractors, Rochelle Uechritz and Patrick Blangy, will also work on promoting sales for the convention center.

In regards to sporting events, Ms. Orton reported that HTA has approved the purchase of courts and she is conducting research on the pricing and floor plan layout. At this time, it appears that there could be 20 basketball courts and 30 volleyball courts in the exhibition hall. The cost could be approximately \$800,000 to \$900,000. Ms. Orton believes if there were courts at the convention center, “more youth groups will come.”

In regards to AEG efforts under Meet Hawaii, Ms. Orton reported that the “signing” of “strong tentatives” would result in AEG achieving 133% of its goal by year-end. She also reported the Hawaii Visitors and Convention Bureau (HVCB) would still be working together with AEG until the end of the year when AEG would focus on only sales at the convention center and HVCB would conduct city-wide sales.

In summary, Ms. Orton reported that AEG is “on target to achieve” the highest city-wide room night production at 270,058 room nights; the highest grossing revenue at \$13.9 million; the best net operating income at \$643,000; and, the best food and beverage “flow through percentage” at 42%. She also reported that occupancy was improved by 6.8% over the past 4-year average. Occupancy is currently at 31% and AEG will be focused “to increase use of the convention center.” She reported on the return on investment as of October by relying on the convention center revenue, “state revenue” and tax revenues after deducting expenses. The resulting return on investment was that the convention center returned approximately \$25.00 for every dollar spent by the convention center.

Finally, Ms. Orton provided a capital improvement project update by reporting that a request for proposals has been issued for gutter trough and roof repairs through DAGS. The project is estimated to cost \$6.4 million. Once the contract has been awarded, AEG would “take over” and hire a construction/project manager. She also reported on the 16 events held at the convention center in December.

Mr. Dee congratulated AEG on the “positive notes” after noting the growth in delegates attending meetings at the convention center. Mr. Gessner noted only three convention centers “anywhere” have shown positive financial results. He also noted that the convention centers in Los Angeles and San Diego have a food and beverage “flow through” of only 18% and 30%, respectively.

In response to a question from Mr. Atkins, Ms. Orton stated that the courts would be stored at the convention center and money to purchase the courts would come from the capital improvement project budget. In response to an inquiry from Ms. Stone whether the courts would achieve “quality standards,” Ms. Orton stated that “Sports Court” has been retained to ensure quality standards and is part of AEG’s “due diligence.” Mr. DeMello noted that table tennis is a potential event from Asia that could be held at the convention center. Mr. Corteway expressed appreciation for AEG’s efforts to have basketball courts at the convention center. Ms. Orton noted that after attending “Team Expo,” it is her belief that many middle and high school students would be interested in attending and that they would bring their parents.

10. Presentation and Discussion by AEG Regarding an Update of Sales Initiatives and Hawaii Convention Center Performance

Ms. Orton provided updates on sales initiatives in the previous agenda item and there were no further update to discuss under this agenda item in executive session.

11. Presentation and Discussion of Market Insights on Competitive Destinations

Mr. Nahoopii reported he would be presenting a PowerPoint presentation, entitled "Competitive Destination Analysis," that include information which must be kept confidential to protect Hawaii's competitive advantage as a visitor destination.

Ms. Stone made a motion to go into executive session under HRS section 201B-4(a)(2) for the purpose of discussing information that must be kept confidential to protect Hawaii's competitive advantage as a visitor destination. Mr. DeMello seconded the motion, which was unanimously approved by all the Board members present.

The meeting was recessed for the Board to meet in executive session at 10:21 a.m.
The meeting was reconvened at 11:41 a.m.

It was noted that the Board met in executive session to discuss information related to competition in the major market areas.

12. Adjournment

Mr. Corteway moved to adjourn the regular meeting. Ms. Stone seconded the motion, which was unanimously approved by all the Board members present. The meeting was adjourned at 11:42 a.m.

Respectfully submitted:



Winfred Pong
Recorder