



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, February 25, 2016
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, Donna Domingo, Kuuipo Kumukahi, David Rae, Gerald DeMello, Craig Nakamura, Lorrie Stone, Denise Hayashi Yamaguchi

MEMBER NOT PRESENT: George Kam

HTA STAFF PRESENT: George Szigeti, Charlene Chan, Jennifer Chun, Roann Rakta, Chris Sadayasu, Marc Togashi, Miki Wakai

LEGAL COUNSEL: Gregg Kinkley

GUESTS: Brad Gessner, Jessica Rich, Pono Shim, Teri Orton

1. Call to Order

Presiding Officer Rick Fried called the meeting to order at 9:35 a.m.

2. Pule

Mr. Fried acknowledged Mr. Shim and expressed appreciation for attending the meeting and to offer a pule. Mr. Shim shared a “thought” he developed through the creation of a draft vision statement for the “Comprehensive Economic Strategy for Hawaii.” After conveying a story of how a “master lei maker” inspected the back of a lei he had sewn, he noted that just as the “back of a lei” may determine the quality of the lei, it is also “important to know the background of the vision statement.” Similarly, “tourism” is the “backbone” of Hawaii’s economy. He offered a prayer expressing appreciation for the Eddie Aikau surfing contest, the safety of the surfers, and the many things that make Hawaii a special place.

3. Approval of the Minutes of the January 28, 2016 Board Meeting

Mr. Atkins moved to approve the minutes of the board meeting held on January 28, 2016. Ms. Domingo seconded the motion, which was unanimously approved by all the members present without any revision.

4. Review of Recent and Upcoming Permitted Interactions

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

5. Report of the CEO Relating to the HTA's Programs

Mr. Fried reported that he attended the recent women's tennis Fed Cup at Kailua Kona and observed it to be "very successful." He expressed hope that the Davis Cup would also be held in Hawaii.

Mr. Szigeti apprised the Board that the current HTA organization chart and a legislative report of current legislative measures being monitoring by HTA may be viewed at the HTA Office 365 website. The CEO Report may also be viewed at the website and a hard copy was distributed to the Board for its consideration.

(Ms. Yamaguchi was present at this time.)

Mr. Szigeti reported that HTA provided testimony in opposition to a legislative measure allowing the transfer of funds from the Tourism Special Fund (TSF) to support travel expenses for the University of Hawaii athletics program. Mr. Rae asked to reaffirm the Board's opposition to any reallocation of funds from the TSF that should be used for tourism related activities and expended by HTA. Messrs. Corteway and Atkins both expressed concurrence with Mr. Rae's position. Ms. Stone noted that whenever there is a need for money, the TSF is always being looked as a source. Mr. Fried added that the TSF should not be used as a source of funds by a "scattering" of entities.

Mr. Szigeti expressed the need to "protect Hawaii's brand," and to anticipate future unforeseen economic or world health related events impacting travel to Hawaii as a visitor destination. Financial support of "key cultural programs" on all the islands must also be maintained. Mr. Dee noted that providing testimony at the Legislature would be a "good opportunity for HTA to show up and demonstrate HTA's leadership in promoting efforts to support the numerous activities and programs funded by HTA." Ms. Kumukahi added that "if funds are taken" from the TSF, there would be less funds available for "Hawaiian culture programs supported by HTA."

Mr. Szigeti reported that the process for hiring the Hawaiian culture staff position at HTA is continuing. Mr. Kam and Ms. Kumukahi are assisting in that process.

Mr. Szigeti expressed appreciation to Mr. Atkins during recent meetings with the Kauai Economic Development Board and the Kauai Mayor's office. Mr. Atkins responded that Mr. Szigeti was "very effective" in discussing the need to protect the TSF and to not "cut funds" to support any HTA programs.

At this time, Mr. Fried acknowledged the presence of Jessica Rich, President & CEO of Visitor Aloha Society of Hawaii. He expressed appreciation for her efforts and to "keep up the great work."

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

Mr. Fried acknowledged Ms. Chun, who referred to a handout entitled "Market Insights-January 2016" and dashboards of key performance indicators in each major market area. The handouts were previously distributed to the Board for consideration. Ms. Chun stated that the "HTA Monthly Market Insights" reflects a report on the most recent key performance indicators that HTA uses to measure success in achieving its forecasted goals. She noted that the various charts depict the actual data in comparison to the 2016 forecasts presented by Daniel Nahoopii at the HTA board meeting in October 2015.

Ms. Chun referred to the January 2016 results and observed that they "were on target" with the forecast. She highlighted Oceania to note that arrivals were slightly below forecast. China and Korea were also highlighted to note a 2.8% increase in arrivals year-over-year in China and a 27.8 % increase in Korea arrivals from last January due to new service from a low cost airline that started operating in Hawaii in late December 2015.

Finally, Ms. Chun referred to a handout entitled "2016 PATA/TTRA Outlook & Economic Forecast Highlights." She discussed the various 2016 visitor travel forecasts presented by the Hawaii Chapters of Pacific Asia Travel Association and the Travel and Tourism Research Association during an annual joint Outlook & Economic Forecast Forum in February. It was noted that for the first time in the last 30 years, inflation-adjusted visitor expenditures exceeded 1984 levels. Hospitality Advisors forecasted a statewide 2016 occupancy of 78.7% and an average daily rate (ADR) of \$252. The Activities & Attractions Association of Hawaii, Hawaii Restaurant Association, Retail merchants of Hawaii, and Paul Brewbaker all noted that while 2015 had more visitors and increased expenditures, it did not translate to increased spending for most of Hawaii's businesses because of high room rates. However, attractions on all islands and in all categories are projecting revenue increases for 2016.

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

Mr. Togashi reported that he is requesting Board approval of the financial reports for November and December 2015 previously distributed at the January meeting. The January 2016 financial reports are available online at the HTA's 365 website. He also stated that a "detailed mid year budget analysis" will be presented at the next board meeting.

Mr. Rae moved to approve the financial reports for November and December 2015. Mr. Corteway seconded the motion, which was unanimously approved by all the Board members present without any objection.

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

Ms. Orton was acknowledged and provided a PowerPoint presentation entitled "February 2016 HTA Board of Directors Update." In regards to a "2016 Facility Update," she highlighted data indicating that January 2016 occupancy was 3% better than the January average in 2014 and 2015. Based on January data, the net loss is forecasted to be \$133,500 below the budgeted net loss. In regards to food and beverage, Ms. Orton reported that January "was not a high revenue generating month" and that "we could do better when there is more volume in the house." The "percentage flow through" was 21% in January compared to the actual flow through of 45% in 2015. She discussed the various upcoming events in March and noting the Honolulu Festival and First Hawaiian International Auto Show as large public events.

In regards to the January return on investment, Ms. Orton stated, "for every dollar spent by HCC, we returned \$.66 to the state." In regards to a HCC facility and sales update, she reported that the Charter Properties Casualty Underwriters booking was closed and reflected an increase in room nights from 25,000 to 40,000. Active recruiting is continuing for a Mid West Sales Director and a Marketing/Sales Servicing sales position.

Ms. Orton reported that a strategic sales plan is being finalized for prospecting contractors, who are our "lead generators." Once goal setting for 2016 is finalized, it will be presented to HTA for review.

In response to a question from Mr. Dee, Ms. Orton stated that various "huge" and "strong" tentatives are being closed by HVCB because they have a relationship with the bookings. Mr. Dee also requested "more discussion" at the next board meeting on how to increase attendance at the "Hawaii Tourism Summit."

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

Ms. Orton reported that her presentation on this agenda item would include a discussion of AEG sales initiatives. Ms. Yamaguchi made a motion for the Board to go into an executive session pursuant to 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. Corteway seconded the motion, which was unanimously approved by all the Board members present without any objection.

The meeting was recessed for the board to conduct an executive session at 10:12 a.m. The meeting was reconvened at 10:28 a.m.

The Board met in executive sessions to discuss AEG event initiatives, such as potential events and its performance.

In response to a question from Mr. Atkins regarding the cruise ship industry, Mr. Baldemor reported that during his trips to visit cruise ship officials, he has become aware that traveling between the islands by cruise ship is “a very complicated situation.” He discussed the challenges arising from the Jones Act, which would require a cruise ship to find an international port prior to docking in Hawaii. Mr. Baldemor also noted “fuel and logistics” are another concern for the cruise industry. He is working with the Department of Land and Natural Resources and the Department of Transportation. Finally, he reported that cruise industry business is currently down. However, there is great interest in Hawaii and the satisfaction levels expressed by cruise ship passengers are “very high.”

11. Adjournment

Mr. Atkins moved to adjourn the meeting. Ms. Domingo seconded the motion, which was unanimously approved by all the Board members present.

The meeting was adjourned at 10:35 a.m.

Respectfully submitted,



Winfred Pong
Recorder