



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, August 30, 2018 at 9:30 a.m.**  
**Hawai'i Convention Center**  
**1801 Kalākaua Avenue, Honolulu Hawai'i 96815**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:**

Rick Fried (Chair), Fred Atkins, David Arakawa, Sean P. Dee, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Benjamin Rafter, Kelly Sanders

**MEMBERS NOT PRESENT:**

Craig Nakamura

**HTA STAFF PRESENT:**

George Szigeti, Marc Togashi, Charlene Chan, Kalani Ka'anā'anā, Carole Hagihara, Caroline Anderson, Jennifer Chun, Vengie Talaro, Michele Shiowaki, Naomi Sjoquist, Chris Sadayasu, Laurie Tam, Talon Kishi, Noriko Sloan, Laci Goshi, Lawrence Liu, Joseph Patoskie, Adrian Hanner, Evita Cabrera, Minh-Chau Chun, Chael Kekona, Ronald Rodrigues, Maile Carvalho

**GUESTS:**

Allison Schaefer, Katherine Stokoe, Jessica Zell, Jason Griffiths, Jose Tafola, Lei Ann Field, Jay Talwar, Katie Murar, Alvert Vargas, Representative Richard Onishi, Senator Glenn Wakai, Patrick Dugan, Erin Kinoshita, Lee Conching, Noelle Liew, Teri Orton, Ferd Lewis, Michael Colon, Christine Camp, Moani Nabarro, Manolo Morales, Pris Texeira, Vicky Takamine-Holt, Cheryl Park, Peter Honig (by phone)

**LEGAL COUNSEL:**

Gregg Kinkley

## **1. Call to Order and Pule**

Presiding Officer Rick Fried called the meeting to order at 9:30 a.m. Kalani Ka'anā'anā offered oli and shared an 'ōlelo no'eau.

## **2. Approval of the Minutes of the July 26, 2018 Board Meeting**

Chair Fried asked for a motion to approve the minutes of the Board meeting held on July 26, 2018. Ku'uipo Kumukahi made the motion, and Sherry Menor-McNamara seconded the motion, which was unanimously approved by all the Board members present.

## **3. Report of Permitted Interactions at an Informal Meeting or Presentation Not Organized by the Board under HRS section 92-2.5(c)**

Chair Fried asked if there were any reports of permitted interactions. No Board members reported any permitted interactions.

## **4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During July 2018**

Chair Fried acknowledged George Szigeti, who gave his report relating to the HTA Staff's implementation of HTA's programs during July 2018. Mr. Szigeti stated that it has been a challenging last six months, and through the Board's direction, HTA has had a successful start of the year. Mr. Szigeti stated it was an intense week due to the preparations and response for Hurricane Lane, including several briefings and meetings with the Governor and his staff. He reported that HTA opened its emergency command center in the Hawai'i Convention Center on Thursday, August 24, 2018, and HTA staff worked for 30 continuous hours and did a tremendous job. Mr. Szigeti thanked the HTA Staff for their work, as well as the Hawai'i Visitors Convention Bureau, the Hawai'i Lodging and Tourism Association, Hawai'i Tourism Japan, Anthology, AEG, and everyone else for coming together and rolling out information from the emergency command center to various government officials and tourism stakeholders.

Mr. Szigeti stated that on July 31, 2018, he attended on behalf of HTA dedication of the King Kamehameha III statue at Thomas Square. He also reported that he was asked by Representative Saiki to represent HTA at the Hawai'i-Japan Legislators' Friendship Association event on August 16, 2018, to meet with government and business leaders in Japan to discuss tourism in Japan, including how HTA and HVCB continue to address the volcanic activity on Hawai'i Island and the lower booking pace. He also attended the opening of Duke's Oceanfest. He reported that the event went well until it closed due to Hurricane Lane. Mr. Szigeti thanked Duke's Oceanfest's sponsors for helping coordinate and putting on the event.

Mr. Szigeti reported the most up-to-date visitor statistics. Hawai'i set new monthly records for visitors at 939,360, and total number of transpacific air seats at approximately 1.2 million.

Last, Mr. Szigeti reported that the annual Global Tourism Summit was five weeks away. He

stated that the Summit is expecting a minimum of 2,500 people to attend from 18 different countries. He stated that Paragon Events would offer a more detailed report on the Summit later in the meeting.

Sean Dee thanked the HTA Staff for its work in the emergency command center in response to Hurricane Lane. He explained that, as a hotelier, inquiries had tripled, and being able to direct customers to the official HTA site for the most accurate and up to date information made the job easier. He stated that the emergency command center had a large impact on customers, and that although hotels did suffer from cancellations due to Hurricane Lane, it helped that hotels had the best information available.

Fred Atkins asked whether the volume of calls had subsided since Hurricane Lane. He noted that, on his flight from Kaua'i to O'ahu, there were much fewer people than average. Mr. Dee responded that, it is difficult to measure how Hurricane Lane impacted prospective visitors who were considering coming to Hawai'i, but that he lost ten to fifteen points of occupancy for a two-week period. Kelly Sanders agreed with Mr. Dee, and stated that he saw dramatic cancellations going into Hurricane Lane and leaning into the current week, but expects the following week to pick back up.

## **5. Overview by the Office of Information Practices of the Sunshine Law and Uniform Information Practice Act**

Chair Fried acknowledged Cheryl Park, Director of the Office of Information Practices State of Hawai'i (OIP), to give an overview of the practices of the Sunshine Law and Uniform Information Practice Act (UIPA).

Ms. Park began her presentation by noting that, as a government agency with a budget of approximately \$80 million, HTA is under close scrutiny and accountability to the public. Ms. Park explained that OIP was given the responsibility of administering the State's Sunshine Law, providing public access to state meetings. She stated that OIP also implements the UIPA. Ms. Park explained that the penalty for an agency that fails to follow either the Sunshine Law or the UIPA could subject the Board to fines, or the Board action could be voided by a court of law. She also stated that Board members who intentionally violate laws could be subject to misdemeanor charges, lose immunity from civil or criminal liability, or be removed from the Board.

Ms. Park explained that the purpose of the Sunshine Law and UIPA were both enacted with a statement of purpose that discussions, deliberations, decisions and actions of government agencies must be conducted as openly as possible. She explained the law's intent is to protect people's rights to information, and that the law directs provisions requiring meetings to be liberally construed.

Ms. Park first presented a brief overview of the UIPA. She stated that the law recognizes that the policy of conducting government business must also adhere to the State Constitution's right

to privacy. She stated that the UIPA's purpose includes promoting public interest in disclosure; providing for accurate, relevant, timely and complete government records; enhancing government accountability through a general policy of access to government records; making government accountable to individuals in the collection, use, and dissemination of information relating to them; and balancing individual privacy interest and the public access interest, allowing access unless it would constitute a clearly unwarranted invasion of personal privacy. Ms. Park acknowledged that government records are broadly defined as information maintained by an agency in written, auditory, visual, electronic, or other physical form, and, given this definition, governmental agencies must disclose upon request certain specified records including minutes of public meetings, information collected and maintained for purpose of making information available to the public, such as brochures, specified employment information, as well as contracts, compensation, duration, and objectives, and government purchasing information, including bid results. She stated the UIPA also allows HTA to disclose information to any other agency. She noted that exceptions to the disclosure requirement include if disclosure constitutes a clearly unwarranted invasion of personal privacy, or if information must remain confidential in order for government to avoid frustration of legitimate government function. Ms. Park noted that HTA has its own exception to disclosure under Hawai'i Revised Statutes section 201B-7, allowing HTA to withhold competitively sensitive information, and another exception under section 201B-4(a)(2), regarding information relating to marketing plans and strategies.

Ms. Park then presented a brief overview of Hawai'i's Sunshine law. She stated that the Sunshine law requires a board and committees to conduct board business in public, with six days advance written notice and agenda. She added that board meetings must be open to the public and allow testimony, that the minutes must be posted online within forty days, with or without board approval, and that discussions, deliberations, and decision-making by more than two board members can only occur at open meetings. Ms. Park explained that, if a subject is on the board's agenda or will be on the board's agenda in the foreseeable future, it qualifies as board business that is subject to the Sunshine law.

Ms. Park stated that, if two board members are discussing board business outside of an open meeting, it can only be done as a permitted interaction under Sunshine law. She stated that permitted interactions include discussing board business so long as no commitment to vote is made. She explained that board members can use staff to coordinate an open meeting to discuss board business, and that staff reports can discuss general viewpoints and provide recommendations for actions, but cannot identify a board member's position. She noted that staff cannot be used to attempt to circumvent the Sunshine law requirements. Ms. Park then stated that Permitted Interaction Groups may be established by the Board so that two or more Board members may investigate a Board matter, provided that the Permitted Interaction Group is utilized via a minimum of three meetings. In order to create a Permitted Interaction Group, the Board must define the scope of the Board investigation and members' authority, and that the Permitted Interaction Group must then present its findings and recommendations to the Board. Ms. Park explained that a Permitted Interaction Group may be created in order to select the Board's officers, to meet with the Governor, or to meet with the head of the Department to

discuss administrative matters. She stated that, if a meeting must be canceled due to insufficient quorum, the Board should still receive testimony, but there must be no deliberation or decision-making. She stated that a Permitted Interaction Group also allows the Board to attend informational meetings on matters relating to Board business, such as the meeting of another entity or a legislative hearing, so long as the meeting is not specifically and exclusively organized for or directed to members of the Board.

Ms. Park stated that the Sunshine law permits the Board to hold closed meetings or executive sessions under particular circumstances, including considering the hiring, evaluation, dismissal, or discipline of an officer or employee. She noted that HTA has a special provision in Hawai'i Revised Statutes section 201B-4(a), allowing for the Board to hold an executive session when necessary for the Board to receive information that is proprietary to a particular enterprise, or if the disclosure of which might be harmful to a businesses' interest, or if it is necessary to protect Hawai'i's competitive advantage as a visitor destination. Ms. Park stated that HTA cannot go into a closed meeting to discuss the entirety of HTA's budget. Last, Ms. Park stated that the Sunshine law requires that an executive session can only be entered when there is an affirmative vote, taken at an open meeting, of two-thirds of the members present and a majority of the members to which the Board is entitled. She stated that, for HTA, it must have eight of the twelve members voting in order to go into an executive session. She stated further that an executive session's minutes may be kept confidential so long as their disclosure would defeat the lawful purpose of having the closed meetings, and that OIP can conduct an in camera inspection of executive meeting minutes.

David Arakawa asked whether there are rules requiring board materials to be distributed six days prior to a Board meeting. Ms. Park, in response to Mr. Arakawa's question, stated that whether board materials are distributed six days prior is each individual Board's decision, but that board materials must be available to the public upon request. Mr. Arakawa asked whether other governmental agencies distribute their board materials six days prior to the Board meeting, in which Ms. Park responded that some other governmental agencies distribute their board packets at least six days prior to the meeting. Mr. Arakawa asked whether it was appropriate that Board members attend meetings or events, such as the Global Tourism Summit, or other festivals or work-related events, where Board members are invited in their individual capacities. Ms. Park responded that attending events where multiple Board members will be in attendance is fine, so long as the Board members do not discuss board business. Mr. Atkins asked to clarify that Board members are allowed to discuss board business with more than one Board member so long as it is within a Permitted Interaction Group. Ms. Park, in response to Mr. Atkins, stated that Board members can discuss so long as they are within the Permitted Interaction Group. Mr. Atkins also asked whether multiple Board members can visit legislators or other governmental agencies. Ms. Park, in response to Mr. Atkins, stated that it is dependent on whether the Board members are discussing general information or if they are discussing board business. She stated that, in order to ensure compliance with the Sunshine law, the Board should consider setting up a Permitted Interaction Group, or that the Board utilize its staff. Kiyoko Kimura asked to clarify that, if a Board meeting only has seven of its members the Board cannot go into an executive session. Ms. Park responded to Ms. Kimura by

stating that HTA needs eight members to enter executive session. Mr. Arakawa asked whether a Permitted Interaction Group could be adopted for an issue raised at a Board meeting, noting that it may be valuable to create a Permitted Interaction Group to discuss legislative matters. Ms. Park, in response to Mr. Arakawa, replied that the Board could create a Permitted Interaction Group to discuss legislative matters, and that the Board must determine the type of Permitted Interaction Group in order to ensure that it can get business done timely.

## **6. Presentation and Discussion of Current Market Insights and Conditions in Key Major Hawai'i Tourism Markets**

Chair Fried acknowledged Jennifer Chun to deliver a presentation and discussion of current market insights and conditions in key major Hawai'i tourism markets. Ms. Chun stated that both June and July 2018 marketing insights are contained in the Board packets.

Ms. Chun stated that, through May 2018, the State has collected \$510.8 million in transient accommodations tax revenue, up 7.9 percent from last fiscal year. She stated that a hotel statistics report was released the previous day, and hotels statewide are at 83.8% occupancy with an ADR of \$296. She stated that the latest DBEDT forecast is included in the Board packets, which forecast arrivals at 9.96 million at the end of 2018 and 10.12 million at end of 2019. She stated that DBEDT forecasts expenditures at \$18.3 billion for 2018 arrivals by air, and \$18.9 billion for 2019 arrivals by air.

Mr. Atkins asked if the forecasts took into consideration the effect of volcanic activity on Hawai'i Island. Ms. Chun responded to Mr. Atkins in the affirmative, and noted that the forecasts are fairly conservative. Ms. Chun also noted that the forecasts did not take into account any effects of Hurricane Lane.

**Chair Fried recessed the meeting at 10:39 a.m.**

**Meeting reconvened at 10:51 a.m.**

## **7. Presentation, Discussion and Action on HTA's Financial Reports for April 2018 through June 2018**

Chair Fried acknowledged Marc Togashi to deliver a presentation, discussion, and action on HTA's Financial Reports for April 2018 through June 2018. Mr. Togashi stated that he would ask the Board to vote to approve the April 2018 through June 2018 financial statements at the next Board meeting to give the Board members an opportunity to review the financial statements. Mr. Togashi stated that, through June 30, 2018, HTA had approximately \$77 million in cash and equivalent in the Tourism Special Fund, including \$5 million in the Emergency Fund. Also as of the end of June 30, 2018, HTA has \$30.9 million in board allocations, including funds in reserve and funds set aside for specific obligations for HTA. He stated that the \$30.9 million was projected to decrease to approximately \$24.5 million by the end of fiscal year 2019. With regard to fiscal year 2018 budget, utilized \$82.5 million out of the \$88.4 million budget; \$1 million of the unspent amount is allocated to the Center for Hawaiian Music and Dance. With

regard to operating income for the three-month period, reported \$20.5 million in TAT, bringing total to \$82 million for the year. He also stated HTA incurred \$33 million in expenses during that period. Relating to the Convention Center Enterprise Special Fund, held \$20.8 million in cash and equivalents at June 30, 2018; represents \$20.8 million decrease, primarily due to paying bond debt obligation, \$16.9 million in cash with HTA's contractor specifically held for repair and maintenance and projects on the horizon, \$18.3 million allocated within CCESF for purpose of convention center operations and convention center repair and maintenance projects. With regard to HTA's budget for the year, HTA spent according to budget with exception of convention center operations coming in ahead of budget. Convention Center reported operating income of \$541,000, less than the projected \$1.3 million operating budget. Mr. Togashi stated again that he would ask for approval of those financial statements at the next Board meeting.

## **8. Presentation and Discussion on the 2018 Global Tourism Summit**

Chair Fried acknowledged Katherine Stokoe from Paragon Events to deliver a presentation and discussion on the 2018 Global Tourism Summit. Ms. Stokoe stated that the 2018 Global Tourism Summit currently had 783 registrations, compared to the previous year, which had around 926 registrations. The 783 registrations provide \$167,900 in income.

Ms. Stokoe stated that there would be an AI technology speaker on the Monday luncheon that will be announced shortly. She stated that there are 22 pending restaurants for the Aloha Reception and the Tourism Legacy Award luncheon. Ms. Stokoe stated that, for marketing, the Global Tourism Summit has approximately 32,000 page views, up from 15,000 to 20,000 from the previous year; further, there is an increase in user activity from the previous year. She stated that keynote speakers are constantly being updated on the website as the information becomes available. She added that the sponsor page has been updated as sponsors are contracted. Ms. Stokoe stated that the "Buy Hawai'i" and "Stay Hawai'i" page includes local partners providing discounts to visitors, including airline and hotel partners. Ms. Stokoe noted that the Global Tourism Summit has gained more traction on social media, as a result of this year's marketing partner's efforts to gear toward different audiences. She stated that, for integrated marketing, the Global Tourism Summit would have commercial coming out within a week. Ms. Stokoe stated that the Global Tourism Summit would have ads on KFVE and newspaper ads in Star Advertiser and on neighbor islands. Ms. Stokoe noted that the Global Tourism Summit would offer a special promotion code shortly as well.

Ms. Stokoe recognized that for sponsorships, the Global Tourism Summit is trending 30% more than last year. The Global Tourism Summit has currently generated \$300,000 from its attending sponsors and has also received \$134,500 of in-kind value, compared to the goal of \$325,000 of in-cash revenue from sponsorships for 2018. Confirmed sponsors include Hawaiian Airlines and Japan Airlines. Ms. Stokoe stated that out of the 53 total spaces available in the networking lounge, 35 booths have been rented by sponsors; further, 9 additional booths in the networking lounge are currently on hold.

Mr. Dee asked how many registrations were tied to sponsorships. Ms. Stokoe responded to Mr. Dee's question by stating that approximately 225 comp codes have gone to the Global Tourism Summit's current sponsors. Mr. Szigeti added that the Global Tourism Summit will be thought-provoking and asked that attendees devote their time to engaging in the Summit. Mr. Szigeti added that a wide-scope of interested parties from the private sector, including technology, engineers, students, and hoteliers would attend to discuss their vision for the future.

**9. Subject to Board Approval, the Suggested Additions and Deletions for the Nomination, Selection and Appointment of Board Members for the Following Committees: Audit Standing Committee (David Arakawa to Replace Donna Domingo), Marketing Standing Committee (Kyoko Kimura to Replace Denise Hayashi Yamaguchi), Convention Center Planning Investigative Committee (George Kam to Replace Denise Hayashi Yamaguchi), Legislative and Governmental Affairs Investigative Committee (Sean Dee will Step Down to be Replaced by Ben Rafter, David Arakawa to Replace Gerald De Mello), Visitor-Related Infrastructure Investigative Committee (Micah Alameda to Replace Donna Domingo, No Replacement for Denise Hayashi Yamaguchi)**

Chair Fried stated that he would go through the suggested additions and deletions for the nomination, selection and appointment of Board members for various committees with a single motion. He stated that, subject to the Board's approval, David Arakawa would replace Donna Domingo on the Audit Standing Committee; that Kyoko Kimura would replace Denise Hayashi Yamaguchi on the Marketing Standing Committee; that George Kam would replace Denise Hayashi Yamaguchi on the Convention Center Planning Investigative Committee; that Ben Rafter and David Arakawa would replace Sean Dee and Gerald De Mello on the Legislative and Governmental Affairs Investigative Committee; and that Micah Alameda would replace Donna Domingo on the Visitor-Related Infrastructure Investigative Committee.

Ms. Kumukahi moved to approve the suggested additions and deletions for the nomination, selection, and appointment of Board members as stated by Chair Fried. Mr. Sanders seconded the motion, which was approved by all members present.

**10. Nomination, Selection and Appointment of the 2nd Vice Chair of the Marketing Standing Committee (George Kam)**

Chair Fried asked for a motion to appoint George Kam as the 2nd Vice Chair of the Marketing Standing Committee, to replace Denise Hayashi Yamaguchi. Mr. Dee so moved, and Mr. Atkins seconded the motion, which was approved by all members present.

**11. Update on the Status of the 2018 Audit Action Plan**

Chair Fried acknowledged George Szigeti to provide an update on the status of the 2018 audit action plan. Chair Fried noted that this agenda item would be discussed at every future Board meeting. Mr. Szigeti stated the 2018 Audit Action Plan was sent to Board members, and that during August, HTA was able to move the status of two items from 'in progress' to 'completed.'

He stated that HTA Staff's focus, now that the budget has been passed, is to review HTA's internal policies and procedures.

## **12. Update of the Search for HTA's President and CEO, HTA Chief Administrative Officer and HTA VP of Marketing and Product Development**

Chair Fried stated that an impressive number of candidates applied for the open positions of President and CEO, Chief Administrative Officer and VP of Marketing and Product Development. He noted that there were 106 applicants for CEO; 56 for Chief Administrative Officer, and 137 applicants for VP of Marketing and Product Development. He noted that after the bidding process, the choice of selecting Inkinen & Associates was easy, given that the cost for selecting candidates for the three open positions was significantly less than previous years in which HTA sought candidates for just the CEO position.

Chair Fried stated that there were nine members of the Permitted Interaction Group, including five Board members and four community members, and that the Permitted Interaction Group planned to meet after the Board meeting. He acknowledged that Mr. Sanders is the head of the Permitted Interaction Group.

Chair Fried explained the process of evaluating the candidates. He explained that Inkinen & Associates is tasked comparing resumes with the job description, verifying education, as well as employment within the past five years, and contacting at least three references submitted. Chair Fried stated that the names of candidates that would be provided for the Chief Administrative Officer and VP of Marketing and Development would be produced by the end of day on September 7, 2018. He stated that it made sense that the next CEO should be involved in the hiring decision of the new Chief Administrative Officer and VP of Marketing and Development. Chair Fried added that interviews could start as soon as the beginning of September.

Mr. Atkins stated that some legislators had approached him and asked whether HTA would select the next CEO by only bringing one name to the Board for approval. He stated that one legislator in particular was very upset with the fact that HTA only brings one candidate to the Board, despite the involvement of four community members in the Permitted Interaction Group. He stated that he would discuss these rules with the Permitted Interaction Group and would seek feedback from community members who do not sit on the Board. In response to Mr. Atkins' statement, Chair Fried acknowledged that some applicants do not want the fact that they have applied for the position to be public, and if the Permitted Interaction Group brought several names of candidates forward, it would harm applicants who are not selected for the position in their respective jobs. Mr. Atkins agreed that he believed that it would be best for the applicant if the fact that they have applied for the position was private. Mr. Atkins suggested that perhaps Ms. Park or another person from OIP could assist the Permitted Interaction Group with how to bring the names of several candidates to the Board while maintaining the candidates' privacy. Mr. Kinkley interjected that the Permitted Interaction Group must avoid having quorum or else it will be subject to disclosure. Mr. Arakawa suggested that perhaps the

HTA Board could go into executive session and discuss or even interview the top three candidates for the CEO position. Mr. Arakawa stated that he discussed this possibility with Ms. Park from OIP, and that he has asked whether Ms. Park could sit in on the Permitted Interaction Group's meeting to discuss different options on bringing more than one candidate to the Board. Mr. Kinkley, in response to Mr. Arakawa, stated that there was nothing improper about Mr. Arakawa's proposal, and reminded the Board that the decision to bring more than one candidate's name to the Board, by itself, is not a legal matter involving the sunshine law but is within the Board's discretion, and that now would be the proper time to continue those discussions if they wish to do so.

Sherry Menor-McNamara stated her agreement that the Board members should decide who the best candidate for the position of CEO is. She asked to clarify that the Permitted Interaction Group's goal is to select the CEO first and then select the Chief Administrative Officer and VP of Marketing and Development. Chair Fried, in response to Ms. Menor-McNamara, stated that he would like that to be the case, and that the Permitted Interaction Group would have to ultimately decide when it wishes to begin conducting interviews for candidates of each position.

Mr. Arakawa recommended that, because the Permitted Interaction Group has only five Board members, and is permitted to have an additional Board member, to add a female Board member to the Permitted Interaction Group. Mr. Arakawa stated concern that all Board members of the Permitted Interaction Group were men. Chair Fried acknowledged Mr. Arakawa's concern, and added that three of the community members in the Permitted Interaction Group were women.

Mr. Kinkley stated that adding a sixth Board member to the Permitted Interaction Group was legal, but he expressed concern as to whether the discussion on adding a Board member to the Permitted Interaction Group was on the agenda or if was a dramatically different item.

**Chair Fried recessed the meeting at 11:29 a.m.**

**The meeting reconvened at 11:45 a.m.**

Chair Fried acknowledged Mr. Arakawa to continue discussion on whether the Board had authority to add another Board member to the Permitted Interaction Group. Mr. Arakawa stated that the Board minutes from the previous Board meeting did not include the number of members on the Permitted Interaction Group or the names of the members of the Permitted Interaction Group, and that he considered that the matter was still pending. He stated that he would nominate Kyoko Kimura, having served previously on HTA's Board and involved in the selection of a previous CEO.

Mr. Kinkley stated that the fact that the previous Board minutes did not state the names or number of the members who were put on the Permitted Interaction Group may reflect a deficiency in the minutes; if the Board did not declare the names and number of members of the Permitted Interaction Group, then the Permitted Interaction Group was not established

because it did not meet its statutory minimum. Mr. Arakawa, in response to Mr. Kinkley, stated that after review of the minutes, the minutes did state the names of the Permitted Interaction Group's members.

Mr. Arakawa moved to add Kyoko Kimura to the Permitted Interaction Group. Ms. Kumukahi seconded the motion, which was approved by all members present.

### **13. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives**

Chair Fried acknowledged Teri Orton from AEG to deliver a presentation regarding an update of Hawai'i Convention Center recent operational activities and sales initiatives. Ms. Orton stated that she would be presenting for the months of June and July.

Ms. Orton stated that the Convention Center held 14 events in the month of July. Ms. Orton reported that the Convention Center had a net loss of approximately \$112,000 in the month of July. She also reported that the 2018 reforecast projected a net loss of \$2,659,300, higher than the previous budgeted 2018 loss of \$1,959,300. She explained that the loss was due to a number of event cancellations in the last two to three months. She explained that one of the events that cancelled was a corporate group that moved from 2018 to 2019, which resulted in a projected loss of \$600,000 in food and beverage revenue; she stated that cancellations of a youth basketball tournament and corporate group also attributed to the net loss. Ms. Orton explained that the percentage of flow through for food and beverage dropped from the projected 42% to 35%. She stated that, under current statistics, for every dollar spent by the Hawai'i Convention Center, \$19.19 is generated to the State.

Chair Fried asked if it was possible to pick the percentage of flow through up for the year, or if it was too late. Ms. Orton replied that it is likely too late in the year to pick the number up, and that the Hawai'i Convention Center would have to generate approximately \$2 million in addition to its current projection. She added that she has been approaching meeting planners to incentivize signing for events before the end of the year by using incentive offers with hotel partners.

Mr. Dee asked whether upcoming events were expected to experience higher than usual wash. Lee Conching responded to Mr. Dee's question by replying that the upcoming events for the Hawai'i Convention Center were still on pace with previous projections. Mr. Dee commended AEG for having a successful last two previous years of margin control, and added that every dollar counts in mitigation control.

Mr. Atkins asked whether the projected net loss in food and beverage is hard revenue or forecasted revenue. Ms. Orton responded that the \$2 million projected loss in food and beverage revenue is only a forecasted amount, and that she did not have a hard dollar amount for revenue loss at the time.

**Chair Fried recessed the meeting at 12:02 p.m.  
The meeting reconvened at 12:27 p.m.**

#### **14. Nomination, Selection and Vote of the Chairperson of the Hawai'i Tourism Authority Board of Directors**

Chair Fried stated that the nomination, selection and vote of the chairperson for HTA did not occur to him until Senator Wakai mentioned it to him. Chair Fried thanked the Board members for their support in the last two years. He thanked the Board for their support when he informed them that he wished to remain in his position until the end of his term. Chair Fried stated that his only interest and agenda has been to improve HTA and move Hawai'i forward.

Chair Fried acknowledged Mr. Arakawa, who wished to share his thoughts on the nomination, selection and vote of a new chairperson. Mr. Arakawa stated that, when he saw this item on the agenda, he called Chair Fried. Mr. Arakawa stated that Chair Fried's position is different than other Board members because he voluntarily withdrew his name from nomination, and that Chair Fried is continuing to serve HTA until the Governor's office nominates and the Legislature confirms a replacement. Mr. Arakawa stated that, given the upcoming Global Tourism Summit, selection of a new CEO, and other important issues, he recommended that the Board defer election of a new Board Chair until Chair Fried's term is up or the Governor nominates another Chair. He stated that, given Chair Fried's work, his recommendation is to keep Chair Fried aboard and defer a vote of a new Board chair. Mr. Arakawa acknowledged that the Board has many qualified candidates who could serve as Chair, but that given the circumstances, deferring the vote made the most sense.

Chair Fried asked the Board if anyone disagreed with Mr. Arakawa's statement. Mr. Kinkley asked Mr. Arakawa to clarify that his recommendation was to defer this matter until Chair Fried's term ends. Mr. Arakawa agreed, in which Mr. Kinkley responded that deferring the matter is the functional equivalent of voting Chair Fried in as Chair. Mr. Arakawa acknowledged that he understood Mr. Kinkley's comment.

Mr. Arakawa moved to defer the nomination, selection and vote of the Chairperson of the HTA Board of Directors. Mr. Dee seconded the motion, which was approved by all members present.

#### **15. Discussion and Approval of the 2019 HTA Brand Management Plan**

Chair Fried acknowledged Marc Togashi for discussion and approval of the 2019 HTA Board Management Plan. Mr. Togashi stated that the HTA Staff requested a motion to approve the 2019 Board Management Plan, which was previously distributed at the last HTA Board meeting.

Chair Fried asked for a motion to approve the 2019 HTA Brand Management Plan. Ms. Kumukahi so moved, and Mr. Sanders seconded the motion. Chair Fried opened up the matter for discussion.

Mr. Atkins stated that some initiatives of the Brand Management Plan were different than previous discussions. He stated that at some point later in the year, he would like the Board to discuss how certain initiatives are being implemented. Mr. Togashi stated that he agreed with Mr. Atkins' suggestion, and that any guidance that the Board provides is useful for HTA Staff. Chair Fried asked if there was any reason why the Brand Management Plan should be passed now, opposed to the next Board meeting. Mr. Togashi, in response to Chair Fried's question, stated that HTA Staff would like to show the Brand Management Plan during the 2018 Global Tourism Summit. Mr. Atkins acknowledged the work and thought that went into constructing the 2019 Brand Management Plan.

Mr. Dee stated that, in theory, the Brand Management Plan guides the entire organization and will guide new Board members. He stated that he had similar concerns to Mr. Atkins that not all shifts in the Brand Management Plan were vetted through the Board. He asked whether the Board could consider the Brand Management Plan as a working plan to give authority to continue moving forward, while giving the new executive team authority to finalize pieces of the Plan. He stated that new executives should have some ownership of the 2019 Brand Management Plan. In response to Mr. Dee's concerns, Mr. Togashi stated that the Brand Management Plan was understood to be fluid, and that the new CEO, Chief Administrative Officer, and VP of Marketing and Product would have input into implementation of the plan. He stated that if the Board's recommendation was to defer official approval but use the current Brand Management Plan as a working plan, it would be acceptable to HTA Staff.

Mr. Kinkley stated that, if the Board is not approving the plan but wishes to provide guidance through the current document, the shortest route appeared to be to approve the 2019 Brand Management Plan and amend it at a later Board meeting. In response to Mr. Kinkley's comment, Mr. Dee stated that typically, the Board's process was to amend the plan once a year. Mr. Arakawa stated that amending the plan later in the year was for good reason, given that new executive management would be stepping in. Mr. Atkins stated that the initiatives contained in the Brand Management Plan are necessary, but the only concern that new executives may have are the sources of funding, and that the HTA Staff worked to address all of the Board's concerns in detail.

Ms. Kumukahi made a motion to approve the 2019 Brand Management Plan, with the stipulation that when new executives are chosen for the positions of CEO, Chief Administrative Officer and VP of Marketing and Sales, that the Brand Management Plan is apt to change. Mr. Kam seconded the motion, which was approved by all members present.

#### **16. Report of, Discussion and Request for Funding Approval of Programs Recommended by the Marketing Standing Committee**

Chair Fried acknowledged Mr. Dee to provide the report of, discussion and request for funding approval of the programs recommended by the Marketing Standing Committee. Peter Honig of Ascendant Sports Marketing Group joined the discussion by phone. Mr. Dee stated that, prior to discussing any proprietary information, the Board would discuss as much in open session as

possible before entering executive session to discuss specific deal terms. Mr. Dee stated that the Marketing Standing Committee examined twelve of HTA's current events, looking at economic impact, impact on travel change, resident sentiment, etc. He stated that the events ranged in size and impact, but his takeaway from the information was that events typically drive incremental economic impact, and that residents like the fact that HTA spends money on public events. He also acknowledged it was clear that some events were not winners, and examining more events will help HTA make decisions in future years.

Mr. Dee acknowledged Peter Honig to deliver an update on discussions with the L.A. Rams. Mr. Honig stated that discussions with the L.A. Rams about bringing a game to Hawai'i have been ongoing for approximately one year. He acknowledged and thanked the representatives from the L.A. Rams that flew into Hawai'i to discuss the proposal. He stated that the L.A. Rams have agreed to a significant reduced cost, and that it shows the L.A. Rams willingness to enter into an agreement. Mr. Honig added that the event is projected to be the largest revenue generator for Aloha Stadium in 2019. He added that the L.A. Rams have agreed to reinvest sponsorship feedback, which will benefit local providers. He reinforced that he believed this program makes sense for the State and HTA. He recognized value in promoting the State of Hawai'i in one of its critical feeder markets throughout the season, and assured that media elements are part of the deal, which will help drive the State's market objectives. He also added that the L.A. Rams are a team on the rise.

Mr. Dee acknowledged Jason Griffiths, VP of Partnerships for the L.A. Rams. Mr. Griffiths stated that the L.A. Rams are exciting about coming to the State of Hawai'i in 2019. He stated that data has shown that 4.5 million L.A. Rams fans would pick Hawai'i as their destination for a vacation in the next year. Mr. Griffiths stated that when the Rams were in Los Angeles originally, Hawai'i was "Rams country" and would like to see that again. He noted that the L.A. Rams have a unique opportunity to capitalize and get Hawai'i residents to visit Los Angeles.

Mr. Dee asked Mr. Griffiths to discuss the some of the terms of the proposed agreement, including risk allocation, revenue generating, and the opportunity to see beyond 2019. Mr. Griffiths, in response to Mr. Dee's question, stated that the Rams will benefit from ticketing and have incentive to drive interest in the State by marketing the game throughout the 2018-19 season. He stated that Aloha Stadium would benefit from all concessions. He stated that there are additional events the L.A. Rams would like to propose before the preseason game, including training camp, to engage with the State. As for long-term interest, Mr. Griffiths stated that there is certainly interest in continuing a relationship past one year, depending on how the initial one-year deal plays out.

Mr. Szigeti asked that, as the NFL expands its global reach, whether the L.A. Rams sees engaging in the State of Hawai'i as an opportunity to expand to other countries in the Pacific. Mr. Griffiths responded absolutely, and that being in Los Angeles is an opportunity to expand to many international markets. He noted that the L.A. Rams would be playing one of its home games in Mexico City this coming season.

Mr. Dee stated that there are specific deal terms that needed to be discussed with the Board, and that because those terms were proprietary information, that the Board would need to enter into executive session.

Mr. Dee stated that the Board needed to enter into Executive session for the remainder of this topic, to discuss specific deal terms, in order to protect Hawai'i's competitive edge as an international destination. Mr. Dee added that Executive Session is allowed by Hawai'i Revised Statutes sections 201B-4(a)(1)&(2). Chair Fried requested a motion to enter Executive Session. Mr. Dee moved for an Executive Session and Mr. Atkins seconded the motion, which was approved by all Board members present.

**The meeting was recessed for an Executive Session at 12:58 p.m.**

**The Board moved out of Executive Session at 1:12 p.m.**

Mr. Dee acknowledged Mr. Griffiths and Mr. Tafola to discuss some of the information, including benefits of the deal and community engagement, in public session. Mr. Griffiths stated that every month the L.A. Rams office takes a day off to spend time in the community, and that the L.A. Rams players a large part of the initiative. He stated that the L.A. Rams spend much of their time in Inglewood, a community that has struggled for a while, and that the L.A. Rams want to see how the community can be involved in the development happening in Inglewood. Mr. Griffiths stated that the L.A. Rams want to make sure that when they come to Hawai'i that they are sure to be a part of the community to show that the L.A. Rams care about the State as a whole as much as what is happening on game day.

Mr. Dee asked for a motion to authorize Ascendant to finalize the contract with the L.A. Rams, noting that it is critical that ultimate negotiations involve a deal acceptable to Scott Shannon and the Stadium Authority. Mr. Sanders so moved, and Mr. Atkins seconded the motion, which was approved by all Board members present.

## **17. Discussion and Approval of the FY19 Convention Center Budget**

Chair Fried acknowledged Mr. Togashi to begin discussion on the FY19 Convention Center Budget. Mr. Togashi stated that, like any portfolio, there must be some diversification. Mr. Togashi acknowledged that, although the State continues to have a strong leisure market, there is no guarantee that it will continue, and so it was important for HTA to balance its portfolio by continuing to invest in MCI, and offset any decline in the leisure market if it should occur. Mr. Togashi explained that the Board has been given a draft version of the Convention Center Enterprise Special Fund for FY2019. He noted that the Board should save any confidential or proprietary information to a time in which the Board goes into executive session. He also noted that he has separated confidential information in its own packet.

Ms. Orton began her presentation by stating that HTA has outlined five pillars for budget and goals for the Hawai'i Convention Center. She stated that these five pillars include: (1) increase room nights and occupancy; (2) increase revenue and manage expenses; (3) create new events

and find new business for the Hawai'i Convention Center; (4) aligning goals and initiatives in collaboration with HTA; and (5) tying in Hawaiian culture and community events. Ms. Orton acknowledged Lee Conching, who was recently appointed to VP for Sales and Marketing for the Hawai'i Convention Center, for further discussion.

Mr. Conching shared a chart showing room night goals versus actual numbers. He stated that for 2018, Hawai'i Convention Center currently supported 68,000 room nights, and he believes that they will be able to reach 163,000 by the end of the year. In terms of pace, Mr. Conching noted that 2023 is a low year compared to other years, but that he is currently in negotiations to book an event with Farm Bureau in the year 2023, which is expected to have 60,000 attendees.

For sporting events, Mr. Conching noted that 2019 has two definite events and seven tentative events, and that the Hawai'i Convention Center is looking at having nine sporting events per year. He stated that the Hawai'i Convention Center has four-year contracts for volleyball and indoor soccer leagues. He also stated that Hawai'i Convention Center has worked to create attractive incentive packages for travelling teams, noting that thousands of family members travel to watch high school basketball or volleyball. Mr. Conching also stated that the Hawai'i Convention Center is looking at esports as a potential market, as esports is growing in popularity and has sold out arenas and convention centers.

Mr. Conching stated that the Hawai'i Convention Center has created incentive packages for closing business in 2018. He stated that one of those incentive packages includes a million miles promotion, initially introduced in Chicago. He added that the million miles promotion provides one million miles to an account for an association if that association signs a convention by the end of the year. Mr. Conching stated that he has met with counterparts for an AEG facility in Puerto Rico, and that he believes Hawai'i Convention Center could have synergy with such facilities, and that there would be no competition between the two because they have different calendar years. He added that they are looking to have a joint event in Las Vegas to bring clients in to network. Ms. Orton added that the Puerto Rico facility is nearly identical in capacity to the Hawai'i Convention Center.

Mr. Dee asked how the goals are set for the room nights generated in the pace report, noting it unusual to have a goal of 175,000 in perpetuity. Ms. Orton, in response to Mr. Dee's question, stated that the goal was set several years ago, and that setting a new goal has been continuously deferred as management changes. Mr. Dee asked whether accountability for setting a new goal would be with the new VP of Marketing and Product for HTA. Mr. Togashi, in response to Mr. Dee's question, stated that setting a new goal would definitely be in collaboration with HTA's VP.

Mr. Conching stated that Hawai'i Convention Center is continuing to target major trade shows, including medical and dental groups. He added that, within that particular market segment, there is a high level of success because those groups can afford the extra expense to travel to

Hawai'i, and that those groups also have international members who wish to attend. Mr. Conching added that he would like to hold a "May Day" event in Chicago and Washington DC.

Mr. Conching stated that the corporate market segment is the most lucrative. Mr. Conching acknowledged Priscilla Texeira, who runs the program Aloha Connects, and she manages all of the global marketing partners across the world, with collaboration with her, Hawai'i Convention Center gets exposure in markets that are more difficult to breach. He added that Debbie Zimmerman runs the 'Elele program, she recognizes champions in the local community that can help bring conventions to Hawai'i.

Mr. Conching stated that, for international market initiatives, HCC has tried prospectors, but that it does not help because they do not reach the actual client. Instead, HCC has decided to work with the organization called PCMA, Professional Convention Management Association, which recently bought ICESAP, an Asia-based organization. He noted that PCMA is having its annual convention in November in Bangkok, and that Hawai'i Convention Center plans to have a presence there to reach new potential clients.

Mr. Conching stated that, for Asia-specific initiatives, some groups have had success. Mr. Conching stated that they are having discussions with one group, Prime, on how to bring Asian and U.S. Associations together for a joint meeting in Hawai'i. Mr. Conching also stated that they are looking on bringing their executive chef to provide dinner for JTB corporate accounts and making a pitch on coming to Hawai'i.

Mr. Conching noted that Hawai'i Convention Center is also looking at local business events, including the Okinawan Festival.

Ms. Orton stated that, for 2019 sales and marketing budget is \$6 million, \$892,000 less than 2018 sales and marketing budget. Mr. Togashi stated that, for context, Ms. Orton's team works on a calendar-year basis, whereas HTA operates on a fiscal year basis; therefore, some of the numbers which Ms. Orton may be referring to does not line up with HTA's budget. Ms. Orton also noted that there was a \$200,000 salary variance. Ms. Orton stated that her and Mr. Conching would be looking into different representatives and accounts to determine whether their current representatives are penetrating their account base and prospecting through their leads in their territory. She stated that the additional \$200,000 is room to bring an additional member, if needed.

Mr. Sanders asked how AEG determines salaries, and how AEG determines if sellers are making their particular goals. Ms. Orton, in response to Mr. Sanders, stated that AEG needs to look at their current sellers and determine whether those sellers are accessing their base, and see if they can incentivize them to bring new business into lead years.

Ms. Orton stated that, for facility budget, she is expecting \$15.7 million in gross revenue, with a net loss of \$2 million. She stated that the net loss is due to three groups having either cancelled

or moved to 2019, which subsequently has affected the Hawai'i Convention Center's food and beverage revenue.

Ms. Orton stated that, for capital improvement, the Hawai'i Convention Center's management team on the property have completed one project and is moving to rooftop repair. She stated that the Hawai'i Convention Center also is hoping to receive approval on facility initiatives in the near future, including upgrading banquet chairs, dinnerware, serving dishes, sound system replacement, key access system, and digital display walls. Ms. Orton added that the Hawai'i Convention Center has been recently awarded LEED Gold Certification, and that her team would continue to work on recycling efforts.

Mr. Atkins asked whether there was enough money in the current budget for maintenance. Ms. Orton, in response to Mr. Atkins' question, stated that they have funding but need a project manager to ensure completion. Mr. Togashi added that AEG does not have a preventative repair budget set aside.

Ms. Kimura asked whether AEG has tracked room night goals for neighbor islands. Ms. Orton, in response to Ms. Kimura's question, stated that AEG only tracks room nights on Oahu, explaining difficulty of tracking whether visitors go to neighbor islands. Mr. Dee suggested that surveys could be used as a tool to track whether visitors go to neighbor islands. Jen Chun added that, although HTA has data for how long attendees stay, they do not know pre and post stay. Mr. Sanders suggested that, when booking a large convention, the Hawai'i Convention Center could offer a discounted rate for neighbor island stays.

Pris Texeira stated that, there is some information on how major conventions affect neighbor island visitors because, when looking at the four days prior and four days after the convention, business increased on neighbor islands. She added that some events had workshops and seminars on neighbor islands that were tied to the main convention.

Mr. Atkins asked whether the Hawai'i Convention Center is required to pay real property tax. Mr. Togashi replied that they do not.

Mr. Kam stated that, as for Hawaiian culture, it was important that AEG continue to do things pono, because whenever there is a Hawaiian culture event, there is as much backwash as blessing and endorsement. Mr. Kam suggested that AEG continue to make sure it invests in the community and make sure that the Hawai'i Convention Center is doing things the right way. Mr. Kam stated that, long-term, it is more important to invest in the community and ensure that the Hawai'i Convention Center is doing things the right way, rather than trying to make up quickly for lost sales. Mr. Ka'anā'anā added that hula competitions are incredibly sensitive and complicated subjects, and that HTA needs to continue to be mindful of their involvement.

Mr. Togashi asked the Board to look over particular line items in the budget. He stated that the budget included \$5.4 million for infrastructure to maintain Hawai'i Convention Center as a first-class facility, which was approximately a \$1.1 million increase over the prior year. Mr. Togashi

stated that approximately \$6.9 million was budgeted for Sales and Marketing. He added \$875,000 was budgeted for governance, which included payroll costs for some HTA employees, for management and oversight of the Hawai'i Convention Center operations, as well as cost for insurance for the Hawai'i Convention Center. Mr. Togashi stated that, as for the bond debt service, HTA no longer had to pay the bond debt thanks to the Legislature. Mr. Togashi stated that, after considering all revenue and all expenses, the proposed budget has a net income of approximately \$1 million. He stated that the \$1 million represents a reserve for future repair and maintenance, per Mr. Dee's advice. He further stated that the \$1 million represents approximately 4% of gross expenditures.

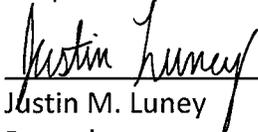
Mr. Togashi asked the Board for a motion to accept the the FY19 Convention Center Enterprise Special Fund budget with approving gross expenditures of \$25,222,869. Chair Fried asked the Board for a Motion. Mr. Sanders so moved, and Ms. Kumukahi seconded the motion, which was approved by all members present.

### **18. Adjournment**

Chair Fried asked for a motion to adjourn. Mr. Kam made the motion, and Ms. Kumukahi seconded the motion, which approved by all the Board members present.

**The meeting was adjourned at 2:10 p.m.**

Respectfully submitted

  
Justin M. Luney

Recorder