



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, November 29, 2018
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), David Arakawa, Fred Atkins, Sean Dee, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura

MEMBER NOT PRESENT:

Micah Alameda, Benjamin Rafter, Kelly Sanders

HTA STAFF PRESENT:

Marc Togashi, Charlene Chan, Kalani Ka'anā'anā, Carole Hagihara, Caroline Anderson, Laci Goshi, Chika Miyauchi, Chris Sadayasu, Jadie Goo, Jennifer Chun, Lawrence Liu, Adrian Hanner, Chael Kekona, Maile Carvalho, Minh-Chau Chun, Isabella Dance, Noriko Sloan, Joseph Patoskie, Talon Kishi, Ronald Rodriguez

GUESTS:

Representative Richard Onishi, Mayor-Elect Michael Victorino, Teri Orton, Mari Tait, Noelle Liew, Lee Conching, Helene Feagaimaalii, Priscilla Texeira, Kevin Nakata, Katie Murar, Allison Shaefers, Patrick Dugan, Erin Khan, Jennifer Nakayama, Darlene Morikawa,

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:36 a.m.

Kalani Ka'anā'anā offered a pule to open the meeting.

2. Approval of the Minutes of the October 25, 2018 Board Meeting

Chair Fried asked for a motion to approve the minutes of the October 25, 2018 Board Meeting. George Kam made the motion, and Craig Nakamura seconded the motion, which was unanimously approved by all the Board members present.

3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS § 92-2.5(c)

Chair Fried asked the Board whether there were any permitted interactions to report. There were no reports of any permitted interactions between Board members since the last Board meeting.

4. Report Relating to Staff's Implementation of HTA's Programs During October 2018

Chair Fried recognized Marc Togashi to provide a report on the Staff's Implementation of HTA's Programs During October 2018. Mr. Togashi stated that on October 26, 2018, HTA staff met with Senators Glenn Wakai, Laura Thielen and Brian Taniguchi from the Senate Committee on Economic Development, Tourism, and Technology, and staff from the Senate Ways and Means Committee. Mr. Togashi reported that the parties to the meeting reviewed HTA's budget in preparation for the upcoming 2019 Legislative Session.

Mr. Togashi announced that, through an RFP process, HTA will provide funding support to 130 non-profits and community organization state-wide, through the Kukulū Ola, Aloha Aina, and Community Enrichment programs.

Hawai'i sponsored the Ironman Event in October and the Maui Jim Invitational Basketball Tournament in November. Both events generated widespread exposure. HTA will also sponsor the following upcoming events: 1) the Hawaii Open Tennis Tournament from December 21-23, 2018, 2) the Hawai'i Bowl on December 22, 2018 and 3) the Hawaiian Airlines Diamond Head Classic from December 23-25, 2018.

Chair Fried recognized Representative Richard Onishi and thanked him for attending the November 18, 2018 Marketing Committee Meeting. Chair Fried also recognized the Mayor-Elect of Maui, Michael Victorino, and thanked him for attending.

Fred Atkins noted that during the confirmation process for some of the current Board members,

the legislature had raised major concerns. Mr. Atkins asked whether the legislators that attended the October 26 meeting with HTA staff had expressed major concerns or if they now have a better understanding of where HTA stands on those issues. Mr. Togashi replied that he believed that the legislators had a better understanding and he stated that they expressed appreciation for progress made by HTA, particularly shifts in budgets to strengthen communities and manage the destination. Mr. Togashi stated that he could provide more detail offline.

David Arakawa asked which HTA staff members attended the meeting and Mr. Togashi responded that attendance had included Charlene Chan, Kalani Ka'anā'anā, Jadie Good, and Chris Sadayasu. Mr. Arakawa asked whether any Board members had attended and Mr. Togashi replied in the negative. Mr. Arakawa noted that the Board has a Legislative Committee and suggested that members of that committee should be invited to any follow-up legislative meetings. He also asked whether the legislators identified any upcoming issues or concerns that the Board should prepare for and whether major issues like Airbnb were discussed. Mr. Togashi responded that the discussion had been about HTA's general involvement with the legislature and what its positions would be. He stated that the legislators did not discuss their position on Airbnb but Mr. Togashi added that it was obviously an important topic.

Mr. Arakawa asked whether the legislators had discussed issues like the Transient Accommodations Tax (TAT). Mr. Togashi replied that they had not discussed anything specific about the TAT except that Senator Glenn Wakai had recommended that HTA advocate, if it was their position, for other departments and counties to receive their share of TAT. Mr. Ka'anā'anā noted that the majority of the discussion with the legislators consisted of program-specific questions regarding what was on the budget. Ms. Chan added that not all the members of the Senate Committee on Economic Development, Tourism, and Technology were present and that there will be a legislative informational briefing in January 2019. Mr. Arakawa noted that the "camera issue" is a county issue, asked whether the legislators talked about TAT funding to the counties, and asked whether the legislators provided positive or negative sentiment in that regard. Mr. Togashi responded that there was no negative feedback on that issue.

Mr. Fried noted that he had discussed with Mr. Togashi whether it was appropriate for him to attend the meeting and they had decided that he should not. He added that it makes sense that up to two members from the legislative committee attend future meetings.

Representative Onishi stated that he was not at the meeting, but he cautioned the Board that allocation of the TAT is a legislative issue, and that if HTA encourages allocations for the counties the question may arise of where that money should come from. Chair Fried noted that Representative Onishi's committee is expanding and will now be known as the Tourism, International Affairs, Arts, and Culture Committee.

Mr. Arakawa asked whether the Senate Committee understood that the Board approved the cancellation of the Southeast Asian Marketing Office within the budget. Mr. Togashi responded that it did and that HTA had articulated that there was Board discussion and approval on that point.

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

Chair Fried acknowledged Jennifer Chun to provide an update on current market insights. Ms. Chun directed the Board to the report in the Board Packet, which included both September and October information. She noted that October visitor stats showed a decrease in visitor spending of 0.7% even though arrivals increased by 4.4%. Europe, Oceania, Other Asia MMA (including China, Korea, and Taiwan) were down for both spending and arrivals. There was an increase from the mainland U.S. to O'ahu due, in part, to the American Dental Association (ADA) Conference.

Ms. Chun noted that earlier that week, HTA had released visitor satisfaction statistics for the first two quarters of 2018. The statistics now include island-specific information like what attractions and regions of the islands visitors are going to. Hotel statistics were published the prior week. Hotel occupancy in October was 76.4% for the state which represents a decrease of approximately 2.5 percentage points.

Mr. Atkins asked whether the decrease was across the state. Ms. Chun stated that O'ahu was down slightly and the island of Hawai'i was down significantly, but there was growth on Maui and Kauai. Sherry Menor-McNamara asked whether Ms. Chun knew why the numbers were down. Teri Orton stated that she believed it could be due in part to displacement from the ADA Conference. Ms. Chun posited that it could be due to the impact of natural disasters in Japan earlier in the year. Jadie Goo noted that there were approximately 4,400 fewer air seats from China (due to Hawaiian Airlines suspending service to Beijing, and Chinese carriers' aircraft issues) so fewer Chinese were able to visit, but that the decrease with Chinese carriers' was only for October, and would resume going forward. Mr. Atkins requested a report from HTA's major market areas if there is a continued downward trend. Mr. Kam requested that the report also include strategies for addressing the downturn. Mr. Dee stated that he would also like to know what is driving the drop in hotel occupancy rates and asked whether alternative accommodations could be included in the research.

Ms. Chun noted that in October, Maui's revenue per available room (RevPAR) was down for the first time since January 2016, mostly in Ka'anapali (because Wailea was up). She stated that HTA does a study on individually marketed vacation rentals every year, and the next one will be published in December 2018.

The Board recognized Mayor-Elect Victorino who offered his input on the downturn in RevPAR on Maui. He stated that Ka'anapali was adversely affected from recent hurricanes, fire, and flooding, as well as significant traffic issues. He expressed concern that measures to address a potential downturn in tourism should not be reactive. He also explained that his office will have a hospitality liaison and expressed a hope that the rest of the counties would work together to address a potential future downturn.

Ms. Kimura added that the impacts of the hotel workers' strike should also be examined. Ms. Chun responded that they are not able to see specific hotel data to determine the impact of the strike.

Mr. Atkins asked whether Airbnb voluntarily reports the number of room nights they sell. Ms. Chun responded that the alternative accommodation websites do not voluntarily provide that data but it is within HTA's budget to do that research and she has been researching potential capabilities, and is putting out an RFP to that effect.

Mr. Arakawa noted that one of the important takeaways from Mayor-Elect Victorino's and Ms. Kimura's comments is that HTA can talk to the counties to help interpret data. Ms. Chun expressed her appreciation for neighbor island support. Mayor-Elect Victorino stated that fire is still impacting the island, and there is flooding in the areas that usually offset the traffic in Ka'anapali.

6. Presentation, Discussion, and Action on HTA's Financial Reports for September and October 2018

Chair Fried acknowledged Marc Togashi for a presentation and discussion on HTA's financial reports. Mr. Togashi stated that the financial reports were included in their Board packets, including an executive summary of the report. He stated that there was nothing significant to report. Chair Fried asked for a motion to approve the September and October 2018 budgets. Mr. Kam made a motion and Mr. Atkins seconded the motion. The motion was approved by the Board.

7. Update on Status of the 2018 Audit Action Plan

Chair Fried asked Mr. Togashi to provide an update on the 2018 Audit Action Plan. Mr. Togashi directed the Board to information provided in the Board packet. Mr. Arakawa asked whether HTA has a procurement policy, whether it has been reviewed by the state procurement officer, and whether there were any objections to working with the State procurement officer on the procurement policies. Mr. Togashi responded that he believes that that is a question for the Chief Administrative Officer and the new leadership team, but that the auditor is aware that HTA has a procurement policy and that it was reviewed as part of the audit. He added that HTA is always looking for ways to improve and that it has no objections to working with the procurement office.

Chair Fried asked whether the procurement policy was discussed at the legislative meeting or whether mostly budget was discussed. Mr. Togashi responded that mostly budget was discussed.

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

Chair Fried recognized Teri Orton to give a presentation on Hawai'i Convention Center (HCC)

operational activities and sales initiatives. Ms. Orton began by presenting HCC's new "sizzle video" for the Ho'omaluo campaign.

Ms. Orton presented the Hawai'i Convention Center sales updates. She reported that the American Dental Association meeting was held in October, with 16,000 delegates, \$100M in spending, and \$11M in state tax revenue. The American Dental Association meeting, the Global Tourism Summit, the Hawai'i Food and Wine Festival, and 18 other events rounded out a very busy month. HCC grossed \$1.8M in revenue.

Turning to HCC's reforecast numbers, Ms. Orton stated that they are now projected to close the year at approximately 30% occupancy, gross revenue at \$13.5M, and gross expenses at \$15.9M. Ms. Orton noted that the losses this year are due to cancellations and rescheduling.

Ms. Orton provided an update on HCC's Food and Beverage department. HCC is expecting to close the year at \$8.4M which is approximately \$1.8M less than what was anticipated. Ms. Orton stated that the downturn in revenue is attributed to the groups that either rescheduled to 2019 or 2020, or that chose another city. Chair Fried asked what percentage chose another city as opposed to rescheduling. Ms. Orton estimated that about half chose another city. Chair Fried asked what a possible reason for that was and Ms. Orton responded that the reason was probably price, including airfare, exhibit costs, and hotel room rates. She added that these are corporate events that book on a shorter timeline.

Mr. Dee noted that 2017 was a strong year with approximately 50% flow through, and asked what Ms. Orton sees for the future and what is driving the erosion of flow through. Ms. Orton responded that it is driven by the type of business being brought in. She stated that last year there was more corporate business, which spends more in general because they are incentive groups. Next year is anticipated to be a stronger year because there are more corporate pieces than on this year. Ms. Orton also noted that availability next year is low, and there are very few dates available because of the high number of bookings already on the books. The team is now focusing on 2022 to 2026, because there is not as much business on the books during those years. A considerable loss of business was due to high hotel rates and inventory. There is more competition from other cities including secondary cities and "up-and-coming" cities that have new facilities. HCC is working on creative offers to differentiate Hawai'i and make it more affordable and palatable to planners.

Chair Fried asked how HCC was doing in regards to the use of the sports courts. Ms. Orton stated that that market segment is a "slam dunk" and noted that a futsal tournament, the first year of a four-year agreement, was beginning that weekend. A majority of teams participating in the tournament are international teams. She noted that one of the goals of the four-year agreement is to use some of HCC's marketing dollars to grow participation in Asia.

Mr. Kam asked about how the sporting events do in terms of food and beverage. Ms. Orton stated that food and beverage for sporting events is mainly concessions. HCC has opened an additional pop-up lobby kiosk concession stand which is helping to increase revenue. During the first week of the American Dental Association conference, the additional pop-up concession

helped HCC gross \$25,000 in revenue out of the lobby kiosk.

Chair Fried asked whether futsal was a derivation of soccer. Ms. Orton stated that it is five-on-five indoor soccer, and the tournament has five courts set up. Ms. Orton then discussed HCC's return on investment. For October, HCC's return on investment for every dollar spent was \$21.269 to the State.

Ms. Orton recognized Lee Conching to provide an update on HCC's sales. Mr. Conching stated that the sales team is focusing on closing business for the remainder of the year. He noted that there is tentative business on the books and the current focus is to get that business signed by the end of December 2018. Mr. Conching added that the "Million Miles" promotion is gaining traction and is helping to incentivize planners to sign contracts by the end of the year. Mr. Conching recently attended a conference in Bangkok, Thailand, of meeting planners in the Asia Pacific region. He stated that he believes there is opportunity in this region, and some of the planners he met there are already in talks for booking business in the future.

Ms. Orton provided an update on HCC's initiatives to open communication among stakeholders: the Customer Advisory Board and the General Managers' Forum. The next General Managers' meeting is scheduled for February 22, 2019 and Ms. Orton invited Board members to attend. Ms. Orton stated that the agenda will include updates on the markets and information on the groups that HCC is bidding. Mr. Conching discussed the Customer Advisory Board Meeting, which is scheduled to be held from February 20 to 22, 2019. The Customer Advisory Board is made up of approximately 20 of HCC's top clients. The board is invited to visit, share their insights, and provide feedback about what HCC is doing well and what could be improved. He stated that one of the biggest clients is American Dental Association, who is represented by Jim Goodman. He added that the hotel strike caused some anxiety with Mr. Goodman because he felt the strike targeted the ADA meeting. This February's meeting will be attended by about about twelve Advisory Board members. Mr. Conching invited HTA Board members to attend the Advisory Board meeting, and Ms. Orton stated that she would send out invitations. Ms. Orton added that three to four Advisory Board members are also invited to the General Managers' meeting to provide direct feedback to the general managers.

Mr. Dee offered an observation that HTA is considering major repair and maintenance expenditures so it would be important for the legislature to hear the concerns of the Customer Advisory Board. Ms. Orton agreed and stated that that information can be shared with subcommittee members. Craig Nakamura noted that HTA has a convention center committee, a permitted interaction group, that has met to focus on repair and maintenance projects. Included in attendance was a consultant who was involved in the original design and construction of the convention center. He added that he hopes that that consultant can attend the next board meeting to provide background on some of the issues that HCC is currently having.

Ms. Menor-McNamara asked what Ms. Orton believed HCC's strengths and weaknesses are based on the comments that she has received. Ms. Orton responded that she has heard, from Jim Goodman for example, that the building is beginning to look "tired," and that it is time to

change the chairs, carpet, and curtains. She noted that hotels refresh every 4-5 years and HCC is competing more and more with new and refurbished convention centers.

Mr. Arakawa asked what the criteria are for the Customer Advisory Board. Mr. Conching responded that they receive recommendations from their hotel partners and sales team. He stated that they try to ensure that it is a diverse group made up of members from across the country as well as different markets. Mr. Arakawa asked if there were a certain number of attendees from an organization's event that flagged its consideration for membership on the Customer Advisory Board. Mr. Conching stated that HCC aims at having at least 12 members able to attend each Customer Advisory Board meeting, which requires approximately 25 total members. Mr. Arakawa asked whether HCC pays for the members to attend. Mr. Conching stated that HCC pays for economy airfare and HCC's hotel partners put the members up.

At 10:49 a.m. Chair Fried recessed the meeting for a break. Chair Fried resumed the meeting at 11:04 a.m.

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

Chair Fried recognized Mr. Dee to report on various funding approvals for programs recommended by the standing committee. Mr. Dee provided a brief recap of the previous day's Marketing Committee meeting. He noted that there had been public testimony by the National Scuba Association which gave a presentation and a GoHawaii.com.

Mr. Dee stated that there had been an update regarding the LA Rams program, and that the Marketing Committee approved the contract with the Rams contract several meetings ago on the condition that it was concurrent with the Rams' Aloha Stadium contract. The Rams' Aloha Stadium agreement was executed on or about November 9, 2018. On November 11, the Rams executed their first "Hawai'i Day," which announced the preseason game to be played in 2019.

Mr. Dee stated that the Marketing Committee also discussed the LA Clippers agreement, noting that the Clippers have asked for consideration for a change in the date and opponent for one of the preseason games, with more details to be provided at a later date. He noted that the consideration would not constitute a budget change. Mr. Dee thanked the HTA team for negotiating the LA Clippers agreement, which added approximately \$200,000 to the media program at no additional cost to the state.

Mr. Dee stated the committee briefly went into executive session, noting that HTA's contract with sports marketing consultants Ascendent has expired and the staff recommendation is to wait until the new leadership team comes on board to make a decision on a new sports marketing consultant contract.

Ms. Kimura added that the committee also asked staff to confirm whether HTA had ownership of the relevant international "Go Hawai'i" domain names.

Mr. Arakawa stated that recently he had received an email from Senator Wakai regarding an upcoming Florida Central University (FCU) football game to support their recently-injured quarterback from Hawai'i, McKenzie Milton. He asked whether the Marketing Committee had plans to do anything for either the FCU game or for the Hawai'i Bowl. Mr. Dee responded that he is meeting with HTA staff after the Board meeting to discuss what can be done for the FCU game given the short notice. He also stated that HTA is a sponsor of the Hawai'i Bowl. Chris Sadayasu added that HTA awarded two of ESPN's signature events through RFP, the Hawai'i Bowl and the Diamond Head Classic.

10. Discussion and Action on the Recommendation of the CEO Search Committee, Reported to the Board at its September 27, 2018 Meeting, on the Selection of a New CEO for the Hawai'i Tourism Authority

Chair Fried discussed the selection process for the CEO and the selected candidate's qualifications and professional background. Chair Fried announced that the selection for the new CEO is Chris Tatum, and that he is anticipated to be on staff by the next HTA Board meeting. Mr. Tatum is the area general manager for the Marriot and has been with the organization for 37 years. Mr. Arakawa noted that Mr. Tatum is a graduate of Radford High School. Chair Fried requested a motion to approve Mr. Tatum as the new CEO. Mr. Kam made the motion and Mr. Arakawa seconded it. The motion was approved by the Board.

11. Discussion and Action to Appoint an Interim CEO for the Hawai'i Tourism Authority, to Serve Until the New CEO Commences Employment

Chair Fried announced that, because of the hotel strike, Mr. Tatum would need to remain at the Marriot a little longer and HTA would require an interim CEO in the meantime. Chair Fried requested a motion to appoint Mr. Togashi as interim CEO. Mr. Arakawa made a motion and Mr. Kam seconded it. Mr. Arakawa noted that, normally, there would be a concern because as acting CEO Mr. Togashi would be hiring the Chief Administrative Officer (CAO) and then, when Mr. Tatum begins as CEO/President, Mr. Togashi would return to his former role and would technically be under the supervision of the person that he hired as CAO. However, in this situation, the CAO will be recommended by the Board and a selection subcommittee. Mr. Kinkley, in his role as legal counsel, agreed with Mr. Arakawa's assessment. The Board voted unanimously to appoint Mr. Togashi as the interim CEO until the day Mr. Tatum starts as CEO.

12. Discussion and Approval of the Board Ratifying Any and All Documents Signed by HTA's Vice President, Finance and Director of Communications from November 1, 2018 through November 28, 2018

Chair Fried also asked for the Board's approval to ratify all documents signed by HTA's VP of Finance from November 1 through November 28, 2018. Mr. Kam made the motion and Mr. Craig seconded the motion. Mr. Arakawa asked whether there was a list of contracts and their amounts. Mr. Togashi responded that he had not distributed a list but that he could do so,

and that all the expenditures were in accordance with HTA's budget. The motion was approved.

13. Report of the Search Committee for HTA's Chief Administrative Officer and HTA Vice President of Marketing and Product Development

Chair Fried thanked the members of the search committees, especially Ms. Menor-McNamara, Ms. Kimura, and Mr. Dee, for their work in vetting and selecting candidates. He stated that the selections are currently being vetted by Mr. Tatum and, because the vetting process is still underway, he cannot disclose the selections. He noted that there were more than 100 candidates for VP of Marketing and more than 80 candidates for CAO. Mr. Arakawa stated that the selections were recommended unanimously, but that there was robust discussion during the selection process. Mr. Kinkley stated that the selection committee is a permitted interaction group (PIG), and the Board can take action at the third meeting of the PIG. Mr. Kinkley clarified that this agenda item constituted an update.

Mr. Dee acknowledged Chair Fried's work, patience and leadership during the selection process.

14. Adjournment

Chair Fried asked for a motion to adjourn the Board meeting. Ku'uipo Kumukahi motioned and Mr. Dee seconded the motion, which was approved by all Board members present.

The meeting was adjourned at 11:29 a.m.

Respectfully submitted

Janjeera Hail
Recorder