



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, September 26, 2019**  
**Hawaii Convention Center**  
**1801 Kalākaua Avenue, Honolulu, Hawaii 96815**

**MINUTES OF REGULAR BOARD MEETING**

<b>MEMBERS PRESENT:</b>	Rick Fried (Chair), Micah Alameda, David Arakawa, Daniel Chun, George Kam, Kyoko Kimura, and Kimi Yuen
<b>MEMBER NOT PRESENT:</b>	Fred Atkins, Ku'uipo Kumukahi, Sherry Menor-McNamara, Benjamin Rafter, and Kelly Sanders
<b>HTA STAFF PRESENT:</b>	Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Marisa Yamane, Jadie Goo, Kalani Ka'anā'anā, Jennifer Chun, Carole Hagihara, Chris Sadayasu, Joseph Patoskie, Laci Goshi, Lawrence Liu, Maile Carvalho, Minh-Chau Chun, Ronald Rodriguez, Maka Casson-Fisher, Evita Cabrera, Deann Howa, and Tracey Fermahin
<b>GUESTS:</b>	Representative Richard Onishi, Senator Glenn Wakai, Guy Sibilla, Jon Itomura, Lynn Miyahara, John Monahan, John Knox, Randall Tanaka, Mari Tait, Lee Conching, Erin Kahn, Nathan Kam, Malia Sanders, Roth Puahala, David Baronfeld, Allison Schaefer, Trisha Watson, Brandon Askew, Kehau Pe'a, Dan Gluck, and Michelle Phelps.
<b>LEGAL COUNSEL:</b>	Gregg Kinkley

**1. Call to Order and Pule**

HTA Board Chair Rick Fried called the meeting to order at 9:38 a.m. Kalani Ka'anā'anā introduced Maka Casson-Fisher, who gave a chant to open the meeting.

Mr. Casson-Fisher introduced Kehau Pe'a, who gave a presentation to the Board on the history of pā'ū riding. Ms. Pe'a informed the Board that she would ride in the Aloha Festival as the pā'ū queen and that she has participated in a pā'ū unit in the Aloha Festival parade for several years. She explained that within a single pā'ū unit, there are seven riders: a princess, who is the only person allowed to weave the road on horseback, a page, female attendants, and male outriders.

Ms. Pe'a also provided the Board with a brief history of the tradition. She explained that the history of the tradition dates back to 1793, when Captain James Vancouver gifted Kamehameha I with black longhorn cows, and in 1803, Richard Cleveland gifted Kamehameha I with horses. Kamehameha I placed a kapu on the black longhorn cows and horses so that no person was allowed to kill them.

## **2. Approval of Minutes of the August 22, 2019 Board Meeting**

Chair Fried requested a motion to approve the minutes of the August 22, 2019 Board meeting. George Kam so moved and Benjamin Rafter seconded the motion, which was unanimously approved by all 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, and there were none.

Chair Fried took this time for announcements. He announced that Karen Hughes' last Board meeting was today. He thanked several legislative aids, Representative Richard Onishi, and Senator Glenn Wakai for being present. He also thanked Mr. Kam for bringing food to the Board meetings.

## **4. Report Relating to Staff's Implementation of HTA's Programs During August 2019**

Chair Fried acknowledged HTA CEO Chris Tatum to provide a report on HTA's activities in August 2019. Mr. Tatum said that HTA worked with the University of Hawai'i to sponsor their football game against the University of Washington. He stated that the total budget for the promotion was \$50,000. Activities included the University of Hawai'i and University of Washington cheerleaders visiting Seattle's Children's Hospital, which was then taped and played during the game in front of the entire stadium. He said that on Friday night during an event, a representative from the University of Hawai'i's President's office and football head coach Nick Rolovich both expressed their appreciation of HTA's support of the University of Hawai'i's athletics. Mr. Tatum added that he hoped this event would be a benchmark to continue working with University of Hawai'i's athletics program to achieve HTA's goals.

Mr. Tatum added that HTA was working with the University of Hawai'i Shidler Business School

to improve their scholarship program and will present the plan to the HTA Board upon its completion.

Mr. Tatum acknowledged the Association of Volleyball Professionals' (AVP) beach volleyball tournament was held recently in Waikiki. He added that players held clinics in different areas in the State. Mr. Tatum said that HTA will evaluate the event's impact, but that he received positive feedback regarding the event.

Mr. Tatum stated that HTA sponsored the Council for Native Hawaiian Advancement (CNHA) Conference at the Hawai'i Convention Center. He added that HTA was the title sponsor for over one-thousand attendees over three days. He added that the CNHA allowed him to speak at the event, during which he expressed HTA's appreciation for CNHA's focus and that culture was a major pillar for HTA's success. Mr. Ka'anā'anā added that attendees told him that they appreciated HTA's President and CEO speaking earnestly, and that no other person from HTA had ever addressed the community in that way. He added that HTA moved the needle of addressing concerns of HTA's authenticity in presenting Hawaiian culture in the tourism industry.

Mr. Tatum stated that Ms. Hughes had done a great job in reorganizing HTA's marketing efforts and doing requests for proposals (RFPs) for the Asia markets. He added that HTA was finalizing the project within the next week and would have presentations on the topic.

Mr. Tatum said that HTA led a bus tour on the west coast of the United States, from San Diego to Washington State. He added that the bus tour was solely to market Hawai'i Island. Mr. Ka'anā'anā added that there was great inclusion of Hawaiian practitioners in the marketing effort.

Mr. Tatum addressed that the Los Angeles Clippers were arriving the following week. He stated that there were multiple clinics planned, and HTA would ensure that local children would attend the games.

Mr. Tatum said he was invited by Brand U.S.A. to attend a China Tourism Summit. He said that tourism from China has slowed down nationwide and not just in Hawaii. He added that the Summit addressed the reason Chinese visitors have declined has been due in part to the fact that the U.S. has not taken more efforts to welcome Chinese travelers. The facts that the U.S. market does not have people in the visitor industry and Chinese credit cards do not work in the U.S. were primary reasons why visitors from China have slowed down in recent years. Mr. Tatum stated that the idea that trade wars between the U.S. and China have slowed down the Chinese visitors industry is a misperception.

## **5. Presentation by the Hawaii State Ethics Commission Regarding an Overview of the State Ethics Code for State Board Members**

Chair Fried acknowledged Dan Gluck, Director of the Hawaii State Ethics Commission, to

present an overview of the State's Ethic Code for State Board members. Mr. Gluck began his presentation by stating that the Ethics Code applies to every person with a state title, with the exception of judges and justices. The Ethics Code applies even to volunteers and elected officials.

Mr. Gluck stated that the Ethics Code prohibits the disclosure of confidential information. Further, State employees may not use confidential information for their own or others' benefit.

Mr. Gluck stated that the Ethics Code prohibits the acceptance of gifts if it is reasonable to infer that the gift is offered to influence or reward an official governmental action. Mr. Gluck explained that gifts are defined as anything of value, which can include plane tickets, concert tickets and food. He added that gifts are considered using three factors: 1) value; 2) relationship of the donor and recipient; and 3) whether the gift benefits the State. Mr. Gluck clarified that it is acceptable to accept items that are part of a negotiated contract, for example, if a sponsorship gives tickets for promotional purposes. However, the tickets should only be used if the recipient is attending the event in their capacity as a State employee, i.e., to ensure that the contract is being fulfilled. Mr. Gluck also discussed receiving free airfare for work purposes. He said that this most frequently happens when a State employee is invited to a trade show, and that these situations are typically acceptable so long as the organization is not a lobbying group. He added that the State Ethics Commission has forms available to accept airfare or other gifts. Last, Mr. Gluck stated that the Ethics Code requires employees to report gifts from the same donor if the value of those gifts over time is equal or greater than \$200.00.

Mr. Gluck stated that the Ethics Code requires fair treatment of all State employees. He stated that State employees cannot engage in financial transactions with any subordinates. In line with these rules, private fundraising is prohibited because it may be considered coercive to coworkers who may feel obligated to donate due to their working relationship. He stated that the exception to this rule is for State-sanctioned fundraisers, such as for Aloha United Way. Mr. Gluck further stated that the Ethics Code prohibits the use of State resources for private business purposes.

Mr. Gluck stated that the Ethics Code requires State employees to avoid transactions that pose a conflict of interest. He said that there are three basic rules to determining whether a conflict of interest exists. The first is that a State employee cannot be on both sides of a single transaction. The second is that a State employee cannot create new conflicts, for example, accepting an engagement with a party that has an agreement with the State. The third is that a State employee cannot represent any person or entity on a matter before a governmental agency on a matter he or she worked on while employed by the State.

Mr. Gluck stated that the last consideration is that the Ethics Code is the bare minimum standard of conduct and that agencies are permitted to create stricter rules.

**The Board meeting recessed at 11:02 a.m.**

**The Board meeting reconvened at 11:18 a.m.**

**6. Presentation and Discussion of Current Market Insights and Conditions in Hawaii and Key Major Hawaii Tourism Markets, Including the United States, Japan, Canada, Oceania, Other Asia, Europe, and Cruise**

Chair Fried acknowledged Jennifer Chun to provide the current market insights for July 2019 and August 2019. Ms. Chun stated that HTA's visitor statistics were published the morning of the meeting. She stated that expenditures were approximately \$1.5 billion, and total visitor arrivals were at 928,178 visitors, up 9.8% from August 2018. She stated that no out-of-state cruise ships visited Hawai'i in the month of August and that total visitor days increased 7.6%. She stated that spending increased from the previous year on all islands except Moloka'i, and air seats increased by 4.3% to approximately 1.2 million.

As of Thursday, September 19, 2019, RevPar was at \$244, up 10.7%, ADR at \$190, up 3.4%, and occupancy at 84.3% up 5.5% from the previous year. Ms. Chun added that the increase in statistics were in part due to Hurricane Lane's negative impact on tourism in August 2018.

Ms. Chun stated that HTA engaged with Omnitrak Group to survey State residents on different aspects of the tourism industry, and that the survey would have the same questions as the previous year except for questions pertaining to the public's perception of HTA. Kyoko Kimura asked whether there were questions on the primary drivers of public perception on tourism. Ms. Chun responded that in the previous year, Omnitrak's driver analysis found that HTA could improve by having the public have a voice in decision-making, presenting Hawaiian culture in an authentic manner, and working to preserve Hawaiian culture and language. She added that in previous years, the largest driver for public perception on tourism has been the economy, and that public opinion changes from year to year. Ms. Kimura asked whether there would be questions on illegal vacation rentals on the survey. Ms. Chun responded that part of the survey would be what people think about illegal vacation rentals, and her perception was that residents are most concerned on illegal vacation rentals' impact on the average cost of living. Mr. Fried asked why the Leadership Team decided to remove questions pertaining to the public's perception of HTA. Ms. Chun replied that the questions on HTA and what the public knew about HTA were not important, and cutting those questions would improve the survey by making it shorter with more segmentation of specific questions. Mr. Tatum added that he believed the questions on HTA were self-serving, and that whether the community's support of HTA is not important to measure compared to the community's support of tourism.

Representative Onishi stated that the public's perception of HTA is important to the Legislature because it is a factor which drives some of the State's policies. He said that previously, the public perception was that HTA was not involved or engaged in the community, but that the perception has improved over time. He added that he still believed that a gauge on public perception of HTA would be beneficial.

Ms. Kimura asked whether cruise ships were contributing to expenditures. Ms. Chun replied

that for cruise ships, average spending per person tends to be lower because visitors have paid a significant amount to be on the cruise. She added that, more significantly statistics showed lower spend per day from Japanese visitors.

## **7. Presentation, Discussion and Action on HTA's Financial Reports for August 2019**

Chair Fried acknowledged Keith Regan, whom provided financial reports for August 2019. Mr. Regan explained that over the next eight to nine months, the Board will become more familiar with the budget statement. He explained that the budget breaks out larger categories to give the reader an easier time understanding how funds are allocated and distributed. He added that the reader can notice that as HTA begins to allocate funds, each budget category will include more information on how funds have been allocated to specific programs. Mr. Regan stated that in August HTA did not issue any contracts but would issue several in the month of September.

Mr. Regan pointed the Board to the next tab in the financial statements, showing HTA's reallocation for major budget categories. Mr. Regan added that on average \$6.6 million in transient accommodation tax transfers to the tourism special fund and based on HTA's projection HTA expects to have 27.5% of funds unallocated or unassigned at the end of June 2020. He added that this amount will continue to change overtime.

## **8. Update on the Status of the 2018 Audit Action Plan**

Chair Fried acknowledged Mr. Regan to provide an update on the status of the 2018 Audit Action Plan. Mr. Regan stated that HTA has been actively working on a new procedure for procurement and that HTA's financial procurement team reviewed the procedure and had no specific changes. He added that although the update in the Board packet states that the procedures are only 75% complete, it is close to being complete. The remaining items in the Audit Action Plan address HTA's administrative expenses as addressed by the auditor. He stated that for this task, HTA would continue to work with the Attorney General's office and the State Legislature. However, due to the nature of the issue, it was difficult to commit to a date for when these items will be accomplished. He added that HTA will look toward the chairs of the House and Senate Tourism Committees to address these issues.

David Arakawa asked whether there was a procedure to request an opinion from the Attorney General's office. Gregg Kinkley replied that the best way would be to send a letter to the Attorney General's office.

## **9. Report of the Strategic Plan Investigative Committee's Activities**

Chair Fried recognized Strategic Plan Investigative Committee Chair Kimi Yuen to discuss the committee's recent activities. She thanked HTA's Leadership Team for their many hours of reviewing the first draft of the next Five-Year Strategic Plan. Ms. Yuen stated that the committee has been going through each overarching goal and the vision under the four pillars

of brand marketing, community, culture and natural resources. She added that they are discussing the strategic plan with over forty stakeholders.

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

Chair Fried acknowledged Teri Orton to present the update of the Hawai'i Convention Center's recent operational activities and sales initiatives for the month of August. Ms. Orton said that thirteen events were held in the month of August, generating a total of \$14.6 million in revenue and \$1.4 million in tax revenue to the State. Ms. Orton explained that the bottom line results are a net loss of \$329,000 for the month of August. She added that the year-to-date reforecast reflects gross revenue at \$15.8 million and a net loss of \$2.7 million.

Ms. Orton stated that some initiatives to close the gap of revenue loss include picking up a corporate piece of business with approximately 800 delegates, spending \$75,000 in rent and \$50,000 and food and beverage. She further stated that they are also looking at hosting more local events in their vacant spaces, including a Pa'ina Christmas package for local corporations to host their holiday events at the Convention Center.

Ms. Orton stated that for August, food and beverage revenue came in at \$754,700, with a net income of \$250,200. She added that the year-to-date reforecast is revenue of \$10.2 million with a net income of \$3.7 million. The total revenue generated by the Hawai'i Convention Center in 2019 is \$218.1 million, with a return on investment (ROI) of \$14.58 for every dollar spent to the State.

Ms. Orton acknowledged Mari Tait for an update on capital improvement projects in the Hawaii Convention Center. Ms. Tait provided the following updates on certain capital improvement projects. The project for boiler replacement is currently in permitting and has a target installation of December 2019. AEG issued an addendum to the RFPs for the cooling tower replacement project. The project for the Ala Wai waterfall repair has been awarded and the contractor was issued a notice to proceed. AEG awarded a contract for improvements to facility equipment, and the target delivery for that project is February 2020. AEG issued an RFP for the camera, network video recording, and access control, with the deadline for proposals being the end of September. AEG issued an RFP for the trellis renovation project, with proposals due in mid-October. Last, AEG plans to issue an RFP for the ADA lift replacement project in the month of October.

Ms. Orton stated that the Hawai'i Convention Center planned a new initiative for the holiday season. The Hawai'i Convention Center will host a Winter Wishes Holiday Festival from November 29 through December 24, 2019.

Orton acknowledged Lee Conching to provide a report on recent sales initiatives. He informed the Board that for the HCC pace report there are still gaps for years 2021 and 2023, but they have had recent activity that will increase the definite and tentative room nights between 2021

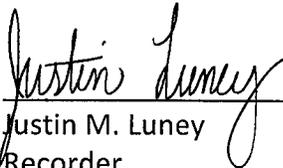
and 2024. Mr. Conching stated that their sales team attended an annual meeting at the American Society of Association Executives in Columbus, Ohio, and secured nine leads. He said that they also attended the Connect Market Place held in Louisville, Kentucky, which is a trade fair that brings together planners from the meetings and events industry markets. He said that their representative had thirty-seven appointments, which led to securing three leads.

Last, Ms. Orton acknowledged Michelle Phelps to provide the Board with information regarding their holiday event, Winter Wishes. She explained that the Hawaii Convention Center partnered with Olympic figure skater Kristi Yamaguchi's Always Dream Foundation, and proceeds from ticket sales will go toward her foundation. She added that they are looking for corporate sponsors as well, and that one of their sponsors, Matson, Inc., donated the shipping cost for the skating rink as part of their sponsorship. She added that the Convention Center reached out to the market to help promote the Winter Wishes event.

## 11. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Kam made a motion and Ms. Yuen seconded the motion, which was unanimously approved by the Board. The meeting was adjourned at 12:18 p.m.

Respectfully submitted

  
Justin M. Luney  
Recorder