



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii-tourism-authority.org

David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE
MEETING HAWAII TOURISM AUTHORITY
Tuesday, June 28, 2022, at 9:30 a.m.
Virtual Meeting**

MINUTES OF THE BUDGET, FINANCE & CONVENTION CENTER STANDING COMMITTEE MEETING

MEMBERS PRESENT:

Ben Rafter (Chair), Fred Atkins (Vice-Chair),
Micah Alameda, David Arakawa, Kyoko
Kimura

HTA STAFF PRESENT:

John De Fries, Keith Regan, Kalani
Ka'anā'anā, Marc Togashi, Maka Casson-
Fisher

GUESTS:

Representative Richard Onishi, Teri Orton,
Mari Tait

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Opening Protocol

Mr. Casson-Fisher did the opening protocol. Chair Rafter called the meeting to order at 9:32 a.m.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Regan did the roll call. All confirmed in attendance and were alone, except for Ms. Kimura, who had Mr. Glenn Yamasaki Kimura in the house.

3. Approval of the Minutes of the May 24, 2022 Committee Meeting

There were no questions or comments. Chair Atkins asked for a motion to approve. Mr. Alameda made a motion, and Mr. Arakawa seconded. Mr. Regan did the roll call and the motion passed unanimously.

4. Presentation, Discussion, and Action on the Hawai'i Convention Center's May Financial Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan

Chair Rafter recognized that Rep. Onishi was at the Zoom meeting.

Ms. Orton said May was a hectic month at the Hawai'i Convention Center (HCC). They previously budgeted for eight events, and nineteen materialized. Some of those events were over the course of two or three days. They hosted a city-wide event, the last city-wide event for the fiscal year, Material Research Society, with 4,378 attendees versus the 2,000 they had budgeted for. It generated \$350,000 in revenue for the HCC, \$26 million in state economic impact, and \$3 million in TAT for the state.

They also hosted a volleyball tournament and five graduations, all of which had more attendees than expected, with COVID restrictions lifted. For the fiscal year ending June 30, their re-forecast, despite the 37 event cancellations resulting in \$2 lost revenue, they are re-forecasting to close the fiscal year with a net loss of \$4.8 million, which is about \$704,000 better than the anticipated budget they had the previous year. Ms. Orton said they are improving their short-term business to fill where the city-wide business had left a gap. She highlighted the four city-wides they had at the HCC, from January, with a little over 17,000 attendees, \$58.7 million in total visitor spending, and \$6.8 million in tax generation for the city-wide groups.

The ROI for every dollar spent at the HCC to date as of May, was \$4.19 through the state, which is inclusive of the HCC's expenses as well as sales and marketing expenses at the bureau, and for local sales. On average, pre-pandemic, they would close the year from \$22 to \$23 ROI for every dollar spent at the HCC, so the lack of city-wide revenue and tax generation due to COVID has impacted the ROI to the state. She said they are all positive and looking forward to bringing the number back to what it was before.

The Beyond Monet exhibit is in-house, and they are anticipating 100,000 attendees. It was a slow start for the exhibit, and they hope to get traction as they move through July 2022. The Monet exhibit is anticipated to end in July 2022. The Joy of Sake was a sold-out event the previous weekend. It was a successful event and a repeat customer. They had the Hawai'i Active Senior Expo that took place, a repeat customer.

Ms. Orton mentioned upcoming local and city-wide events out of the fiscal year. The Pacific Rim Championships, a basketball event, and Goldschmidt Conference, the first city-wide event in the new FY2023, will have about 2,500 attendees.

Definite city-wide bookings for the remainder of the calendar year include the American Medical Association, with a smaller conference, and the House of Delegates, with 3,500 attendees. The tax generation is \$6.9 million, and the state economic impact is \$53.8 million. In the month of June, she said they had eighteen local business events. For July 2022, they have sixteen events coming up. For August 2022 they have nineteen events. She said the numbers keep growing every week, and they are getting calls to fill short-term business at the HCC. Local business has come back strong.

Ms. Orton turned it over to Ms. Tait for the update on the repair and maintenance (R&M) projects.

Ms. Tait said the full review for R&M projects, for the six-year report of current projects, is included in the FY2023 budget presentation. She spoke about Theater #310 where they did a partial upgrade of the carpet there. There was delamination in the old carpet. They put in new carpet tiles, which facilitates maintenance. If there are stains, they can change out the particular tile, and it does not involve replacing the entire carpet. It looks good and is not a safety hazard anymore. They did these on the lower level, right off the stage, and at the entry to the theatre. On the rooftop terrace, the deck, the larger scope was still pending, but they did have issues regarding leaks, so the condition of the planters was looking dismal and barren. They took on the project to upgrade the fourth-floor planters because the rooftop is still popular for events. This was done with the in-house staff. Engineering in-house also did an upgrade on the extension. Landscaping started in December 2021, and they finished up in May 2022.

There were no questions from the audience.

Mr. Regan said that for this item, HTA should recommend that the Board approve the financials as presented by Ms. Orton and her team, which includes the financials and the R&M update.

Chair Rafter asked for a motion. Ms. Kimura made a motion, and Mr. Alameda seconded. Mr. Regan did the roll call, and the motion passed unanimously.

5. Presentation and Discussion on Recommended Changes to the HTA Fiscal Year 2023 Draft Budget

Mr. Regan said this agenda would be a cooperative effort between him and Mr. Togashi. He said they wanted to discuss HB1147 being identified by the governor to be placed on the governor's intent to veto list. He said this had an impact on what they would be discussing relating to the budget. He shared that HB1147 included the \$60 million general fund appropriation for the HTA from an operational standpoint. It also had all the positions for the HTA and the ceiling of \$28.5 million for the HCC, which could be discussed later. He said that according to some of the discussions, the governor had mentioned that he would identify the American Rescue Plan Act funds (ARPA) that are unutilized and reallocate those funds to support the HTA. He said knowing that, he felt it was appropriate as it relates to the budget, that once they discuss that, and once the Board agrees or makes changes, a caveat or contingency could be placed on the recommendation to the Board that would tie in with the FY2023 budget into the funding provided by Gov. Ige in Budget and Finance. In addition, he mentioned that they need the support of the BFCC Committee and the Board to utilize some of the FY2022 ARPA monies the HTA currently has. This is to support payroll and general administration expenses that they will have in the initial phase of the fiscal year where allocations from the governor have not yet been received. This will be a protective measure to allow them to continue to operate.

Mr. Regan said about \$10 million to \$11 million of unutilized ARPA monies could be made available to the HTA team to support the payroll needs. He mentioned that as part of the process, certain things need to be in place to ensure operations continuity. He said in the FY2023 draft that a budget line item was identified as payroll, which includes the 25 positions at the HTA. The HTA needs to reestablish those positions by the BFCC acknowledging this.

Ms. Kimura asked if they were unsure whether they could secure \$60 million for the HCC.

Mr. Regan said that Rep. Onishi left the online meeting. Mr. Regan said they only knew what the governor stated publicly, and until they get the allocation, they will not know.

Chair Rafter said they would approve the budget as if the \$60 million was there, and then improve contingencies until they figure out how much there will be.

Mr. Togashi added that they also have a contingency plan for the HCC.

Mr. Atkins asked if the legislators could dictate any terms on an ARPA contract. He asked for confirmation that the legislators would not be changing anything, and Mr. Regan confirmed that as correct. He said every indication is that the governor supports getting the HTA at least \$60 million to support operations. He said it could potentially be more, but until it happens they have to place the contingency on the process.

Mr. Arakawa asked about the \$28 million for the HCC. Mr. Regan said they need to continue discussions with the governor's office. He said part of the \$28.5 million was a ceiling limitation, so the anticipation was to utilize funds in the HCC enterprise special fund to support HCC operations, support/maintenance, and all the needs at the HCC. He said they have \$11 million in ARPA monies allocated to the HCC and are working on reprogramming some of that, which will be shown in the upcoming presentation.

Mr. Arakawa asked if the Attorney Generals (AG) objected to HB1147, and asked if that is the reason for the veto. Mr. De Fries said two and a half weeks ago he met in gov. Ige's office with Mr. McCartney, and at the time AG Holly Shikata had not completed her analysis on HB1147 but expressed an initial concern that it could be subject to legal challenge.

Chair Rafter said there were no other questions.

Mr. Togashi spoke about the changes to the budget worksheet due to the events that unfolded the previous day from HB1147. The meeting packet version needed to be updated. For general funds, the HTA would not be required to pay for fringe benefits out of the \$60 million appropriations. With the potential of HB1147 being vetoed, the primary change would be to add back the cost of the fringe because general funds will no longer fund them. He showed some of the changes in the spreadsheet. He said the area focus is the five columns. Since the original budget was submitted in May 2022, they have met with Board members in 2x2 meetings. As a result of the meetings, staff took recommendations, comments, and questions from the Board and reflected them as changes to the proposed budget.

Mr. Togashi highlighted a few changes and grouped them into two categories. The first is the markets. One of the key changes they wanted was to reduce the funding for the Chinese market and, as a result, increase the HTA's funding for Canada, Korea, and Oceania. Another change was that if the HTA were funded with general funds, the HTA would not have to pay for fringe benefits out of the \$60 million appropriations. They took the fringe allocation and reallocated it, resulting in the remainder of the changes reflected on the spreadsheet.

He spoke about the additional shifts due to having to reinstate the fringe benefits into their \$60 million budget. The HTA restored the employee fringe cost and reduced the programs that they initially increased because of the fringe. He noted that when HB1147 was going through the legislative process, the HTA had a chance to meet with legislators. It was determined that the total administrative payroll governance costs for the HTA will be \$5 million, assuming the HTA will pay for fringe. That amount came down when the HTA no longer had to pay for fringe, but now that the HTA is restoring fringe into the budget, they have to reflect a total of \$5 million. After adding the fringe, they proposed to make certain adjustments, including a \$315,000

decrease in federal compliance support that the HTA intended to contract. They still have the funds in the FY2022 ARPA funds, and he proposed they use the funds still available.

Mr. Togashi spoke about restoring the fringe at \$1.3 million. The original amount of \$1 million was at a significantly reduced fringe rate, and the reason is that they had the original indication that the HTA would not have to pay for the fringe from the \$60 million, so they purposefully included fringe at a lower level, but the HTA is now restoring it at the true amount that they have to be responsible for. Mr. Togashi said the worksheet represents all the changes to the budget amounts on one page, and all dollar amount changes are included.

Mr. Togashi spoke about the monthly Music Series, with the original budget proposed at zero in May 2022, but after discussions with the Board, they have proposed to increase it by \$150,000 to reinstate funding for the program. Now because of HB1147, they have to include fringe into the budget, so they are proposing to reduce the amount back to zero.

He spoke about the community-based tourism programs with a proposed amount of \$800,000 between all four programs in the May version of the budget. As a result of Board discussions, they made two changes. One, they reduced the funding for O'ahu, and placed it into the Maui County line item to provide additional support for community-based tourism, particularly for Maui. They also proposed increasing each of the budgets by \$100,000. This resulted in a \$400,000 increase in the combined amounts of the four programs. As a result of HB1147, they are proposing to remove the additional \$100,000 in each line item.

Mr. Togashi spoke about reducing the HTA's investment in China to \$120,000 yearly and reallocating it into Canada, Korea, and Oceania markets. He said there was a discussion with Chair Atkins at the Branding Standing Committee meeting. Chair Rafter said his understanding was moving it to zero, but there was some testimony to suggest keeping it at a very low level.

Mr. Ka'anā'anā said that the intention is for \$120,000 for calendar 2023, which is \$10,000 per month.

Mr. Togashi spoke about the safety and security lifeguard program. Initially, the proposed budget was zero, but after Board discussions, it was proposed to increase to \$200,000. They are proposing to remove that increase, resulting in proposed funding of zero for the FY2023 due to adding back the fringe benefits. He spoke about the community industry outreach and public relations services initially budgeted at \$200,000. As a result of Board discussions, it was going to be \$350,000, but the HTA proposed a reduction to \$200,000 because of the fringe benefits. He noted that the HTA's current contract with the anthology is about \$200,000.

Mr. Togashi spoke about Hawaiiitourismauthority.org, which was initially budgeted at \$75,000, but now there is a proposed budget of \$50,000 for the FY2023. He reiterated the \$315,000 proposed decrease resulting from reducing the funding for federal compliance support and internal audit purposes. He spoke about general Board governance. The HTA is proposing to reduce the amount by \$48,882. The reason is that the HTA had initially increased the budget by \$100,000, looking at FY2022 versus FY2023. He said he and Mr. Regan discussed that if they return to hybrid types of meetings in the larger meeting room, they will increase the budget. He said there is room to reduce it by the recommended proposed amount.

Mr. Togashi spoke about employee fringe, the theme of the discussion. They initially budgeted for \$1 million, but upon discussions with BNF, they will reduce it down to zero if funded with general funds, but now with the veto of HB1147, they will add back that amount of about \$1,355,973.

Mr. Togashi spoke about payroll. He included in the HTA's budget an amount of \$230,000 to pay for vacation payouts for any departing employees. He reduced that amount by about \$67,000, leaving a balance of \$170,000, which would be sufficient. Mr. Regan added that for column 931, it is important to note that the update is due to HB1147 and to add the information back in fringe.

Ms. Kimura proposed to take money out of the U.S., which was \$17 million, and from the Japanese market, \$6.5 million, and put it into the Opportunity Funds so that it is more flexible and can be used for anything later. She said that in July the previous year, they made a mistake by assuming that all international markets would return by the end of the year, but the market remains unpredictable.

Chair Rafter asked if Japan came back strongly and if they could allocate it back to Japan, and Ms. Kimura confirmed that as correct. Chair Rafter asked how much money is in the Opportunity Fund, and Mr. Ka'anā'anā said in the FY2023 budget, there is no Opportunity Fund budgeted for. Chair Rafter asked if they approved Japan and the U.S. as is and allocated all the money. He wondered if the money was committed. Mr. Ka'anā'anā said there was flexibility in FY2022 ARPA unspent monies, and they also could redirect the ADA funds, the \$4 million that was proposed. He said that \$17 million and \$6.5 million are already reduced amounts for the core markets the HTA needs, so restricting them further is not the right choice, but flexibility is important.

Chair Rafter said they had an issue the previous year where they wanted to move money but could not, and he did not want that to happen again. Ms. Kimura said that if the money is movable but already spent, it cannot be moved.

Mr. Arakawa asked Mr. Ka'anā'anā about the available funds and if they could move them as part of the budget into an Opportunity Fund, \$1 million. Mr. Ka'anā'anā said the recommendation is that the \$500,000 and other \$500,000 is not mixed, so Mr. Togashi and the finance team recommended not merging the funds into FY2023 from FY2022. The flexibility to spend it is there. Mr. Arakawa said he supports the idea of the Opportunity Fund. He said it would be prudent to create the Opportunity Fund, and the money could go back to Japan or the U.S. market. Ms. Kimura noted there was an Opportunity Fund before, so there is no need to create a new one. Mr. Ka'anā'anā confirmed that as correct.

Mr. Atkins suggested leaving the \$6.5 million where it is, and coming up with a budget on what they want to do with the \$6 million; then if needed to use the rest of the \$500,000, they would need to check in with staff and the Branding Committee. He asked if North America could \$500,000 be moved into another major market area. Mr. Ka'anā'anā said his recommendation to the Board is not to restrict the \$17 million and the \$6.5 million. Headwinds are ahead, and increased competition will be closing in on 2022 and 2023. He said there is some recovery in Japan, about 232% representing 36,120 Japanese travelers for 2022, but there is a long road ahead in recovering the Japanese market. He said there is some managing to be done on the U.S. side. They are up 10.7% year to date over 2019, for U.S. travelers, with 3.7 million arrivals through to 2026, so there is work to be done. Each market has different challenges.

Chair Rafter reiterated the question, if the HTA budgeted for \$6 million, but \$6.5 million was approved and encumbered, could the HTA move the remaining \$500,000 should the market not come back. Mr. Togashi said the one way to accomplish that is to contract at \$6 million. Then if the HTA decides to utilize the remaining \$500,000 at the direction of the Board, they will make a supplemental contract for the remaining monies. Mr. Regan concurred with that and said the HTA does have unspent ARPA monies that exist, and because there are a few years to expend those monies, the funds could be reprogramed and utilized for what Ms. Kimura suggested.

Mr. Arakawa asked if HTJ or U.S. MMA opposed that, but Mr. Ka'anā'anā said he had not asked them directly. Mr. Atkins said in the last Branding Standing Committee meeting that no one was concerned about North America and Japan, but Chinese people objected to lowering the funds. Mr. Atkins asked if Japan were spending all the funds allocated to them, but Mr. Ka'anā'anā said he would get back to him with the information. Mr. Atkins wondered whether the money would become ARPA monies and could it be rolled over, and Mr. Ka'anā'anā said that for FY2022 ARPA, it could be rolled over. Mr. Atkins asked about FY2023 monies roll over, and Mr. Togashi said they would have to discuss that with the BNF to ensure they would support the request. Mr. Regan said preliminary discussions had leaned towards allowing the HTA additional time. Mr. Atkins said the biggest challenge is to have the flexibility to move it from

one column to another. Chair Rafter concurred with Ms. Kimura's comments about Japan. Mr. Togashi said the HTA would maintain the flexibility with the EDA funds that the HTA has available to spend.

Mr. Arakawa asked if there would be flexibility to spend the money with the HB1147 veto. Mr. Regan said nothing was guaranteed, and they would support what the Board decides. Mr. Ka'anā'anā came back with the year-to-date spend for Japan, from January 2022 to May 2022, at \$2.4 million, leaving them with \$6.5 million. Chair Rafter reiterated that they could not move the remaining \$6.5 million, which will go back to the general fund. Chair Rafter asked if Ms. Kimura wanted to put forward a motion. Ms. Kimura motioned to move \$500,000 from the Japan market Branding line item to 380, Opportunity Fund, and recommend it to the Board. Mr. Arakawa seconded. Mr. Atkins asked if there would be governance with the Board about how the money is spent from the Opportunity Fund. He also asked how long it takes for the MMAs to come back once the budget is passed.

Mr. Atkins questioned the wording in the motion for the \$6 million if it is for an exact spend of the monies. Mr. Ka'anā'anā said they do not always spend the exact amount allocated, and in terms of the BMPs, they are tied to the RFPs for the year. He said all the international markets that had one-year contracts because of 862 are all up for the RFP. While dealing with the RFP 22-01 for the U.S., his team had drafted five separate RFPs for the remaining markets, including Canada, Japan, Korea, Oceania, and China. He said they would not see BMPs until the procurements were done, but they are months out.

Mr. Regan did a roll call. Ms. Kimura asked what the timing is of the RFPs, but Mr. Ka'anā'anā said he does not have that answer yet, and they are working hard on getting them streamlined, but they will not be able to issue the RFPs until the Board approves the budget and they secure the funds or have a reasonable expectation that the funds would be received, before issuing the procurements, that being the first step. The second step was to make sure the funding method was settled and done before they could issue it. He expected that to be in August 2022.

Mr. Regan did a roll call, and the motion passed unanimously, but Mr. Atkins and Mr. Arakawa had reservations because Mr. Ka'anā'anā did not recommend them going ahead but said he was hoping the flexibility fund would be overseen tightly. Ms. Kimura expressed her concern about taking \$40,000 away from O'ahu and putting it into Maui, but if Ms. Anderson is confident about that, she will support it.

Mr. Kinkley had a procedural legal question about item 5, a PDA for all the changes. He asked for a more general motion as well. Chair Rafter said he would have someone make a motion except the \$500,000 from Japan, to approve the recommended changes for the HTA FY2023

draft budget. Mr. Kinkley concurred with that. Mr. Regan added a proviso, which would be contingent upon the funding being provided by the governor.

Mr. Atkins asked about the overall budget and said they had appropriated enough money to run the outer islands in 2023, and said it was for operations and overheads through to the end of the year. His question and concern were because of the RFP and asked what money the HTA had between now and the end of the year. He asked where the money would come from for all the programs they worked on. Mr. Ka'anā'anā said his recommendation to the Board would be to allocate \$1.5 million to the island chapters through December for programmatic funding. He said Mr. Atkins was alluding to the \$2.4 in the island chapter contract, which was for staffing, overhead, or fixed costs. It did not include money for them to participate in the international GMT blitzes or any activities in the international market. Without the leisure contracts, they are left without funding to do activities in the U.S. market on an island basis, which would come from the FY2022, line item 321, the U.S. market, and it would be moved to the island chapter line 320. Mr. Atkins said it must be addressed in the session. Mr. Regan said they do not have an agenda item to reallocate funds on the agenda, so he deferred to Mr. Kinkley for permission.

Mr. Kinkley said they could vote to amend the agenda to include the reallocation. Mr. Atkins said the island chapters have a contract with HVCB that runs to the end of the year, but there was no funding as of June 30, so he was questioning how the Board would address that and get it on the agenda. Mr. Ka'anā'anā suggested they go ahead with the items that are on the agenda. At the end, the committee could amend the agenda in the meeting, a budget reallocation as described. Mr. Kinkley said the concern is how it would be presented and amended in the Board meeting, which would require eight people present to amend the agenda. Mr. Regan said agenda item 5 could be considered as part of the motion to allow for the use of the FY2022 ARPA monies in FY2023 as part of the budget to support programmatic operations of the island chapters. Mr. Kinkley said he was satisfied with that.

Mr. Regan suggested the motion should be to allow for the use of the FY2022 ARPA monies in the amount of \$1.5 million for the FY2023 budgetary and operational needs related to neighbor island chapters. Chair Rafter concurred with the motion. Mr. Arakawa made a motion, and Ms. Kimura seconded. There was no further discussion or testimony. Mr. Regan did the roll call, and the motion passed unanimously. Chair Rafter asked for a motion to recommend to the full Board acceptance of the changes to the HTA FY2023 draft budget with the two approved motions, subject to funding from the governor's veto HB1147, and to recommend as part of the motion to re-establish the 25 positions that are attained under the payroll line item, as well as to permit the staff members to utilize FY2022 unspent ARPA funds to support payroll and general administrative costs until funds become available. Ms. Kimura made a motion to

recommend the budget amendment to the Board with two items. One, to move the \$500,000 from HTJ to the Opportunity Fund, and two, to allocate \$1.5 million from 2022 ARPA funds to island chapters and approve the rest of the recommended budget and reestablish the 25 positions that applied under the BLI for payroll, as well as to allow for the HTA's use of the FY2022 unutilized ARPA monies to support payroll and general administrative costs up until the funds are received from the governor to support the HTA's operations. Mr. Arakawa seconded. Mr. Regan did the roll call, and the motion passed unanimously.

6. Presentation, Discussion, and Action on the Convention Center's Fiscal Year 2023 Budget

Mr. Regan said the HB1147 had the \$28.5 million expenditure ceiling for the HCC, and they have a contingency proposal for discussion. He turned it over to Mr. Togashi.

Mr. Togashi said that the potential veto of HB1147 required them to come up with a contingency plan. They do not have funds if HB1147 is vetoed to operate in FY2023 in the absence of the \$28.5 million cap. The contingency they are proposing is to utilize the \$11 million in FY2022 ARPA funds that they had already budgeted for, where the Board approved it, primarily for use toward major R&M. He showed the previously approved budget, that the Board approved for \$9,995,655 and \$1 million towards the HTA allocations costs that included property insurance, studies, and payroll, all totaling \$11 million. They contracted the \$9,995,655 with ASM and they are proposing to amend the budget that would allow them to enter into a supplemental agreement that would amend the existing contract with ASM to use it for the purposed outline in the reallocated budget request. \$968,300 would be used for local sales and marketing, \$5,406,900 for facility operations, \$2,970,455 for R&M, \$1,654,345 for the HTA allocation, a \$650,000 increase from what they previously approved, which was to fund FY2023 insurance as well as other costs for studies they may have to do, leaving the remaining three items for them to be able to amend AEG's contract. All are necessary for the HCC to continue operations in FY2023. Mr. Togashi turned it over to Ms. Orton to provide more information.

Ms. Orton agreed with what Mr. Togashi mentioned. She said it reduces R&M funds and the impact of using ARPA funds on their end, requiring them to revisit their 6-year calendar for R&M projects and re-prioritize projects using the existing funds for some projects earmarked to use ARPA funds. That was a significant change for them.

Mr. Arakawa asked if there was an opportunity that some of the R&M projects could be restored in 2023, or if the governor gives a budget, could they ask for more. Mr. Regan said that deferred maintenance at the HCC has been a huge concern of the HTA for a long time. The longer they move projects down the road, the more expensive they will become, the more

potential damage it will cost, and the more impact they will have on the conventions being held at the HCC. He said the HTA has intended to work through the R&M projects as much as possible. He recommends that the HTA goes back to the governor to ask him to consider allocating some of the unspent ARPA monies to support the R&M projects they cannot do. Mr. Regan also mentioned that Ms. Orton had not had a chance to reconstruct the presentation for the budget, but if it is permissible, he recommends that it must be introduced and accepted as the proposed budget for FY2023. Mr. Togashi pointed out that the item that had changed in Ms. Orton's presentation was for the \$2.9 million R&M projects.

Ms. Orton proceeded with items that were not R&M projects. She spoke about the sales budget and operating budget. She presented the sales and marketing budget. She said the FY2023 is \$968,000, which will bring them in line with pre-COVID expenses for sales and marketing. She spoke about the changes. Local sales revenue has been the solid base for the HCC since the start of COVID. Pre-COVID in 2019, sales and marketing revenue was slightly over \$8 million and in 2020 it was \$6.6 million, primarily due to the three state agencies they were able to have in the building, which helped them bring in revenue. In FY2022, the local forecast reached just below \$6 million. In FY2023, they are looking to budget an increase of revenue of \$9 million which exceeds the pre-pandemic levels of 2019. They are confident that the revenue will increase to \$9 million, which would be 60%-70% of their anticipated budgeted revenue for FY2023.

Mr. Orton said some of the changes were salary and benefits, and they are requesting a 4% cost of living increase which all the staff has not had for the last three years since 2019. She said the staff was working hard and doing more work. She said the request to reinstate their performance incentives for all the managers based on KPIs and contractual obligations they meet for the incentive to be paid out. Mr. Regan asked that it be reduced by 50%, which runs from 2.5% to 10% of anyone's management salary based on the management level.

Ms. Orton noted an increase in promotions, advertising, and marketing, and said they are looking at increasing public relations from the decrease of the contract they had during COVID. They will need to add more money to marketing. They are looking at hosting three HCC cultural events for which they need start-up money. They have about \$150,000 for three events, looking at \$15,000 for startup advertising operation funds. They have a holiday concert they are partnering with, looking to do another Mother's Day brunch with a partner, and a two-day Hawai'i music festival with the intent to grow to a three-day festival with a partner. She said these were all in negotiations. All three events were anticipating a positive cash flow, so the initial seed money would be returned to the HCC in revenue.

Ms. Orton spoke about the other expenses in sales and marketing, restoring some of the sponsorships to local events, where they sponsor tables that are booked at the HCC. They use the sponsorship to bring new clients to have a site inspection and see an event in motion.

There were no questions from the audience.

Ms. Orton moved on to the facility budget. FY2023 reflects \$13 million in gross revenue and \$18.4 million in gross expenses with a loss of \$5.4 million. Gross revenues are putting them in line with their current fiscal year budget with a net loss. She noted that the number of events was almost equal to pre-pandemic levels, and they are hoping the momentum of sales will come in line with the calendar year 2019 with the number of actual events.

She gave a breakdown of revenue from three primary areas: rent, food and beverage, and event-related revenue: equipment rental, billed labor, event security, first aid, etc. The \$13 million includes twelve offshore city-wides and a mix of association corporate and sports events. Outside the twelve city-wide events, they are forecasting 188 global events, bringing them to the 200 events pre-pandemic levels. Pre-pandemic, the revenue split was the opposite; offshore events generated 60% to 65% of gross revenue, but now it is local sales and short-term business. Many city-wides pushed their events out to a future year, but not all of them fell in 2023; it was more for 2024 and beyond.

She spoke about expenses. She said staff would ebb and flow according to events, but they need to bring skilled labor back as they are extremely short-staffed in management in hourly staff to support the food and beverage facility and housekeeping departments to maintain customer service levels. She spoke about three expenses in more detail. Salary and wages, for FY2023, the budget brings their full-time employees back to 87 employees. Of the 87, 27 are for security, increased security to service event needs with additional staffing. She said there are six open positions they struggle to fill in security. In 2019 they had 86 employees, so one extra staff member was added, compared to 2019. She noted that in 2019, although they had 86 staff members budgeted for, they closed the year at 78 because they struggled to fill hourly positions. She reiterated for salary and benefits they are also requesting a 4% increase for cost-of-living adjustment. She said they are increasing their line-level employees by 34 full-time, mainly for housekeeping facilities and security. They are asking to adjust the wages they are currently paying for those departments for hourly positions only. Through market research, they found they were not compensating their hourly staff, which is why staffing agencies struggled to fill positions. They ran into some challenges when they brought on a secondary staffing agency to fill primary positions, and they were paying their hourly staff higher wages than the HCC was paying their staff. She said they are asking for adjustments to be made. They have the RFPs for food and beverage and operating staffing agencies, and they anticipate they

will come back with an increase in hourly rates. The wage adjustment will help them better recruit and fill positions. She said utilities had increased significantly with gas and electricity prices increasing.

Mr. Regan said they would come back with more detail on Ms. Tait's R&M report later.

There were no questions or comments from the audience.

Chair Rafter asked for a motion for a recommendation approval of the FY 2023 budget for the HCC, utilizing FY2022 ARPA funds as described and detailed by Mr. Togashi's presentation that identified the \$11 million. Mr. Arakawa made a motion, and Ms. Kimura seconded. Ms. Kimura said she would like more effort towards city-wides and local events. Chair Rafter, Mr. Ka'anā'anā, and Mr. Arakawa concurred.

Mr. Regan did the roll call, and the motion passed unanimously. Mr. Atkins asked if they could bring the budget the HTA just passed to the governor to show what the HTA had to cut out, \$1,355,000 since it would be vetoed and see if the governor can raise the budget to either \$61 million or \$62 million to bring back to the communities the monies they had to take out. Mr. Kinkley said they could discuss that offline.

7. Adjournment

Chair Rafter asked for a motion to adjourn. Mr. Arakawa made a motion, and Chair Rafter seconded. The motion passed unanimously. Mr. Regan adjourned the meeting at 11:50 a.m.

Respectfully submitted,



Sheillane Reyes

Recorder