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Josh Green, M.D.
Kia'aina Governor

John De Fries
Pelekikena & Luna Ho'okele
President and Chief Executive Officer

**ADMINISTRATIVE AND AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Monday, March 20, 2023, at 3:00 p.m.**

Hybrid In-Person & Virtual Meeting

MINUTES OF ADMINISTRATIVE AND AUDIT STANDING COMMITTEE MEETING

MEMBERS PRESENT:	George Kam (Chair), Kimberly Agas (Zoom), Dylan Ching (Zoom), Keone Downing, James McCully (Zoom)
NON-VOTING MEMBER:	Mahina Duarte (Zoom), Ben Rafter (Zoom)
HTA STAFF PRESENT:	John De Fries, Daniel Nāho'opi'i, Kalani Ka'anā'anā, Ilihia Gionson, Maka Casson-Fisher, Carole Hagihara
GUESTS:	None
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Kam called the meeting to order at 3:05 p.m. Mr. Casson-Fisher did the opening cultural protocol.

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

Mr. Gionson did the roll call, and all members were confirmed in attendance, except for Mr. Rafter who was excused. Members who attended via Zoom were by themselves.

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

Chair Kam asked for a motion. Mr. Downing made a motion, and Mr. McCully seconded. Chair Kam did a roll call, and the motion passed unanimously.

4. Discussion, Recommendations and/or Action Regarding the Annual Evaluation of the HTA President & Chief Executive Officer's Performance

Mr. Nāho'opi'i spoke about the President and CEO evaluation.

Proposed evaluation process:

1. Administrative and Audit Standing Committee to finalize evaluation form and evaluation team members (3/20)
2. CEO will do a self-assessment and present it to the Evaluation Team if necessary. CEO should include examples within each main category to provide evidence of accomplishment.
3. Evaluation Team will score their evaluation sheets and submit them to the HTA CAO.
4. CAO will compile results and present them to the Administrative and Audit Standing Committee (3/28/2023)
5. Administrative and Audit Standing Committee will make a recommendation for action (renewal of contract, salary adjustment, etc.) and bring it before the HTA Board (3/30/2023).
6. Board will approve recommendations or decide on their own action.

Proposed Evaluation Team:

1. All current Board members.
2. Past Board members (2021, 2022).
3. Community representatives.
4. Industry representatives.
5. Staff representatives (at least one direct report and one other staff member).

Mr. Nāho'opi'i described the evaluation tool. He spoke about the scoring mechanism across the top, and the dimensions down the side, which is important to measure the progress. Leading has a score of 5, Practicing has a score of 3, Movement Towards has a score of 1, and No Movement has a score of zero. Leading means that the CEO supports a positive system change in the dimension, practicing means there is a significant improvement, movement towards means the CEO has made some incremental improvement, and no movement means the CEO did not impact the condition described. The key is at the bottom of every page.

There is a reference code:

SP - Strategic Plan

'ĀAEF - Aloha 'Āina Economic Futures

MM - Mālama Mandate

PD - Position Description

DMAP - Destination Management Action Plans

He spoke about the pillars of the Strategic Plan.

Natural Resources:

SP - Dedicate resources to programs that enhance and support Hawaii's natural resources and cultural sites to improve the quality of life for all of Hawaii's residents and to enhance the visitor experience.

‘ĀAEF- Support Hawaii's people and communities and their efforts to mālama ‘āina.

MM - Implement joint initiatives to advance the Aloha+ Challenge and UN Sustainable Development Goals

MM - Partner with the UN Local2030 Initiative and Global Island Partnership to scale and accelerate island-led solutions to global challenges.

Hawaiian Culture:

SP - Ho'oulu the uniqueness and integrity of the Native Hawaiian culture and community through genuine experiences for both visitors and residents.

SP - Strengthen the relationship between the visitor industry and the Hawaiian community.

‘ĀAEF - Form community partnerships to ensure Native Hawaiian culture integrity.

SP - Support internal processes and initiatives and external programs that help to revitalize and normalise ‘Ōlelo Hawai‘i.

Community:

SP - Addressed broad tourism issues by shifting resources into destination management.

DMAP - Established framework for the adoption and implementation of community-generated Destination Management Action Plans.

SP - Worked to make sure residents and local communities benefit from tourism, placing residents' interests and benefits first.

SP - Strengthen relations between residents and visitors, and works toward improving resident sentiment. 65% of residents think tourism has brought more benefits than problems.

SP/‘ĀAEF - Support programs valued by the community and aligned with Hawaii's brand, collaborative efforts that provide visitors with genuine and meaningful experiences in Hawai‘i.

SP/‘ĀAEF – Form partnerships to build a resilient tourism workforce, committee to build kama‘āina capacity to ultimately increase the percentage of Hawai‘i residents in management and leadership positions in the visitor industry.

Branding:

SP - Took the lead in protecting and enhancing Hawaii's globally competitive brand in a way that is coordinated, authentic, and market-appropriate while managing the destination.

SP - Worked toward improving average daily visitor spending and total visitor spending. Achieve total spending of \$17B and PPPD of \$250.

SP - Worked toward improving visitor satisfaction. Improve each market satisfaction by 1% from 2019 level.

'ĀAEF - Targeted markets that have a high probability of alignment with the goal of cultivating a regenerative visitor industry.

MM - Adopted and perpetuated the value of mālama to catalyse the system-level transformation needed to achieve local and global sustainability goals.

Administrative:

PD - Board of Directors: Scheduled, developed agenda for, and attended meetings of the Board of Directors and provided the Board with information, comments, and recommendations on a wide range of subjects of concern to the HTA.

PD - State Government: Represented the HTA in communication with the Governor and the Legislature.

PD - Contract Negotiations: Represented the HTA in contracts and negotiations with entities, such as destination marketing businesses.

PD - Direct Studies: Directed staff and consultants in developing and/or studying proposals, including economic feasibility, financing requirements, and arrangements, and the costs, benefits, and risks inherent in the specific projects of project proposals.

PD - Procurement: Oversaw and directed, as necessary, the preparation of requests for proposals, solicitations for bids, and other activities related to acquiring professional services. Evaluated responses and recommended accepting or rejecting such proposals and bids to the HTA's Board of Directors. Directed the drafting of requests for services, memoranda of understanding, and contract documents.

PD - Program and Resource Management: Supervised and participated in developing critical path analysis and established work schedules and programming resources to carry out programs and projects approved by the HTA's Board of Directors.

PD - Community and Industry Relations: Maintained close working relations with public and private organizations involved in efforts to attract, support and develop tourism for Hawai'i.

PD - Public Relations: Provided information to the public about the HTA and spoke before private and public groups to share information and obtain comments and suggestions.

PD - Program Evaluation: Participated in identifying problems, issues, objectives, and criteria for evaluating the effectiveness of contracts and programs as approved by the HTA. Provided policy recommendations on appropriate actions to revise programs. Keep accountability of all contractors.

PD - Directed the drafting and updating of the HGA's bylaws, administrative rules and

development rules.

PD - Developed internal policies and procedures governing the staff's work.

PD - Developed and implemented approved budgets for the HTA's operations and for its projects.

PD - Directed and participated in the preparation of periodic and special reports, including the HTA's annual report for the Governor and Legislature.

PD - Coordinated fiscal business management matters with DBEDT's Fiscal Office and with appropriate state agencies.

PD - Initiated and directed other activities required to ensure the proper operation of the HTA.

Mr. Nāho'opi'i said they added a section on the specific goals of the CEO. The Overall Rating is a form with leading, practicing, the movement towards, and no movement. The score would be totalled on the page before. Each one would determine if the CEO fell within one of the four areas. The CEO rating would be discussed at the next meeting.

Chair Kam asked about the total scores after adding everyone's scores. Mr. Nāho'opi'i said scores are at the bottom of each page and on the reach goals. Mr. Downing asked about the dates of the evaluation period. Mr. Nāho'opi'i said that from September 15, 2020, until the following week.

Mr. McCully asked if there is a standard for a minimal evaluation period in the agency reviews. Chair Kam suggested Mr. McCully put his start date as a Board member because the HTA has a range of Board members at different start dates. Mr. Nāho'opi'i said he would put the evaluation period for each past and current Board member's terms on the last page.

Mr. Ching asked Mr. Nāho'opi'i to elaborate on the initiatives. Chair Kam asked for a few examples. Ms. Duarte suggested assessing internal culture, e.g., how the staff is doing, or management of staff, etc. Chair Kam asked for that to be added.

Mr. Rafter asked if this was all a new format, and Chair Kam confirmed it was new based on the Strategic Plan. Mr. McCully asked about the prior approaches to the reviews as he had previously requested. Chair Kam said it was unattainable, and they had searched for it but could not find anything on file. Chair Kam said he would send the draft they found based on what the state required from their executives.

Mr. De Fries informed the committee that he had seen the presentation for the first time, and it would have been inappropriate for him to engage in the formulation of the criteria

and the format of his evaluation. He spoke about when he was elected and received his contract for review and signature, and he remembered someone saying that his contract had been the same as his predecessor's. He did not make any revisions to the contract, as there was fairness and balance. He was grateful to the group who put it together, as it may become the way future contracts for future candidates will be structured. Mr De Fries said there is a lot to learn from it, and suggested looking into the KPIs and how it is factored in. He said the evaluation criteria are important moving forward.

Mr. McCully said there is an interim along the line between the binary choice and the complex, highly developed system of scoring, which tends to answer itself in how scores average out. Chair Kam asked Ms. Agas to elaborate. Ms. Agas said they were asked to print and review the document, and a lot of times the results that were accomplished was a reflection of Mr. De Fries.

Mr. Ching said that reading through the documents was longer and more complicated than he would prefer. From a private side versus sort of public, there is more that needs to be put out there. He said it is a complicated evaluation.

Chair Kam spoke about the initiatives. He asked if they had to eliminate the initiatives would help or hinder the process. Mr. Nāho'opī'i said the initiatives did not have to be added now but could be done later the following year. Chair Kam suggested removing the initiative section for the time being. Mr. Ka'anā'anā said he does not recall the Board setting specific initiatives and directions for Mr. De Fries, but the conversation was about how they reopen safely, how they recover, and how they pivot toward regenerative tourism. Chair Kam said those three were good initiatives to add but did not want it to get too complicated.

Mr. De Fries said the reach for him was the reach for everybody. The circumstances between 2020 and 2022 were defined by things out of their control. He said the numbers the HTA was achieving in terms of visitor spending, and tax revenue generation, he thought it would take four to five years, but they got there in 2022. It is not a stabilized result yet.

Mr. Downing asked how they developed the pieces within the HTA's structure. He said all their goals change, and looking forward; they need to look at their goals and how they change. Mr. Nāho'opī'i said they could discuss proper weighting today and wanted to know the focus. Mr. Downing asked if they needed four natural resources or if they should focus on what is true to what they are trying to accomplish if they are getting there. Chair Kam said administrators should stay a separate entity. Ms. Agas agreed with Mr. Downing but needed to understand how they break up the percentages with the administrative section against the rest. Mr. Ching said simpler is always better. He said Mr.

Downing's point is well taken, and he would like to see an even number of questions for each category to be weighted the same. He said he is more interested in the overall essence of where the HTA is at or where they are going. Mr. Rafter concurred with Mr. Ching, and said it is slightly cumbersome. He said there is also the assumption that there is a binary goal, like communication with somebody, as an example. The right answer would be, has it gotten better or worse. The tendency would be to say they are practicing. He said they need to start somewhere with a review, so some of it is a good starting point. Chair Kam said they should simplify the forms.

Mr. Ka'anā'anā said one of the things that he was reviewing with the KPIs included resident satisfaction, per person per day spend, and total expenditures. He spoke about page three, the third box: *strengthening relations between residents and visitors workforce, improving resident sentiment and 65% of residents, state tourism, more profit, more benefits, and problems*. He said 65% is a very high mark. For spending KPIs, in the second box of the branding section: *work toward improving average daily visitor spending and total visitor spending, and total visitor spending of \$17 billion, per person per year, \$250,000*. He said that they need to be more specific. Is the \$250,000 average for all markets? He said that looking back at 2022, they achieved total visitor expenditures in excess of \$17 billion. Chair Kam said he would need the Board's help to provide that information, on where they were, where they are now, and what they are asking, for some context.

Mr. Nāho'opi'i agreed and said there may be some adjustments necessary for 2023. Mr. Ka'anā'anā said that for the sentiment survey; the current questions may be edited in future fieldings. Chair Kam said they need to remain consistent with their metrics. He said branding is key. The community, natural resources, and Hawaiian Culture is some component of that. He asked what the proper weighting would be. Mr. Nāho'opi'i said those mentioned were the four pillars. He said they should look at the Strategic Plan. Mr. Ka'anā'anā said he would defer to the Director of Planning, but he does not recall the weighting of the pillars. They were on the same foundation and were described as interacting pillars. When drafting the document, they landed on natural resources, online culture, community, brand marketing, and the presentation in the plan. They felt that natural resources should come first. And culture, being unique to Hawai'i, should come next. Then the community and how they tell their story. As he recollected, it was in the plan, but not one was more important.

Chair Kam said that for kuleana, the HTA is the only organization for branding. There are other entities and agencies that work in the Hawaiian Culture and natural resources. He said they have to start somewhere, and the administrative side was more quantitative but maybe not as prominent. He was open to other members' opinions.

Mr. Nāho'opi'i spoke to Mr. Downing's suggestion and said they could even up the number in each of the main pillars. Then from that point, they could discuss it further. Chair Kam said he would like it to be completed in the meeting. He said four for natural resources and four for Hawaiian culture. For the community, there would be six, and branding would have five.

Mr. Nāho'opi'i spoke about the proposed form after all the recommendations.

Each pillar, such as natural resources, Hawaiian Culture, community, branding, and administrative, will be rated. Those would be indicators, so each line would not be rated; instead, they would have a score for natural resources. Each of those would be 20%. So, each square does not need to be filled in, but just a rating listed below each section. They also changed the wording of the scoring mechanism. Instead of leading, practicing, and moving towards, [01:07:32.17] exceeds needs and does not need. So just a three score, and the last column for zero would be removed. Under the administrative section, an additional indicator will be added later, covering the corporate culture or internal culture and employee satisfaction. They will reword that and send it out. They will also look at the description they currently use at the state level.

Chair Kam asked if everyone was happy with the changes. Mr. Downing asked what was happening with the reach goals. Mr. Nāho'opi'i said they will take that section out for the current round, and in the future, they will decide if they want to add that to the open space next year.

Mr. Rafter said they do not spend the same money across all five pillars. Chair Kam agreed with Mr. Rafter's comment. Mr. Rafter said it does not have to be exactly proportional because there is more future investment for some pillars. He was not sure why they are weighted equally. Chair Kam asked if Mr. Rafter could propose something. Mr. Rafter said branding and marketing is more than half of the budget. Mr. Ka'anā'anā said he would have to look at the budget breakdown, but Mr. Rafter is probably right in that it is closer to 60%, but he would double-check that. Chair Kam asked if they would change the number for branding based on that. Mr. Rafter said a lot of that would fall into the administrative part. He said Mr. De Fries leads the teams that execute on all the other areas, and so the administrative area becomes outsized, even though it is different. Mr. Rafter said he would go along with anything but questioned whether all five of them should be weighed the same. Chair Kam asked if Mr. Rafter had any recommendations, but he did not. Chair Kam said he had the same thought. Mr. McCully said Mr. Rafter's suggestion was valid. He wanted to revisit their calendar. Given its past due date, he felt compelled to move

the audit to Mr. De Fries' benefit as soon as possible. And given everything that they were going through as an authority. He was curious as to what the underlying statute or administrative role was that required this. He asked if it provided any context to what they were doing. He was unsure how he would be able to process that by Wednesday or Friday the following week. Chair Kam confirmed that the timeline would be Monday, March 27. On March 28, they have another administrative meeting where they discuss the findings and the recommendation from the HTA. On March 30, at the Board meeting, they will discuss with the entire Board what the Administration Committee did or did not recommend at that time, which could be finalized in the Administrative Committee meeting on March 28 or deferred to the Board meeting on March 30.

Mr. McCully said if they make the timeline, he does not want them to err on the side of haste. He asked if it was appropriate for them to interview Mr. De Fries individually. Chair Kam said that is allowed. Mr. McCully said that when they score, they need to be comfortable with their scoring. He would like to spend more time with Mr. De Fries to gain insight. Chair Kam said they could go into an executive session for a one-on-one with Mr. De Fries. He said the current meeting was an open discussion for the criteria. Once they had the final, they could go into Executive Session to discuss one-on-one and then more at the Board meeting where the whole Board was reviewing Mr. De Fries in private before it went public. Mr. De Fries said he welcomed that.

Mr. De Fries asked what the final evaluation looked like and what the deliverable document would be. Chair Kam said that would be discussed on March 28, and the deliverable document would be presented on March 30 at the Board meeting, but that is tentative depending on if they agree. Chair Kam said the document is a comprehensive report validating all the input from the current Board members, past Board members, and some industry people from the community or county, to get a comprehensive 360-degree view as best as possible, based on the criteria.

Ms. Duarte said what Mr. Rafter brought up is valid, and it is also valid to remove the whole stretch goal portion, given the timeline they are trying to undertake. If they were to consider a new weighting system that would give more weight to one category than the other, she wondered if they could use some of the KPIs that had been established. She would hope it would be based on some metric they are already working towards. That would be something they could assess because there is a baseline. Chair Kam said they could send out the evaluation criteria based on that and discuss it once they had all the results on the appropriate weighting for each category.

Mr. Ka'anā'anā said that in the branding section indicators, three of the four HTA KPIs

reside within that section. So if three of the agency score goals or KPIs are there, it probably makes sense, but they need to think about it first. Chair Kam mentioned that earlier too, but maybe the best way is to send the criteria they have to get the best feedback for discussions in the next meeting. They could then come up with a recommendation from the Administrative Committee, along with other Board committee members present, and recommend that at the Board for an open discussion if in agreement with what the industry committee is recommending, or what to add, change or revise. He asked if that sounded appropriate to everyone. Everyone agreed.

Mr. Rafter said the KPI is a great point. Mr. Downing mentioned the weighting section, and asked if there was a better way of creating the numbers. Mr. Nāho'opi'i reiterated that he changed that section to exceeds, needs, and does not need. Mr. Downing asked what the points are. Mr. Nāho'opi'i said it would be up to 20%. Chair Kam asked if the criteria was clear to everyone. Ms. Duarte said looking at past progress, and the current progress, for community members that might be listening in, or might review this particular meeting at another time, it does not necessarily represent where they are headed, because they know that they are trying to strengthen and augment destination stewardship, with their community partners. She said the scores do not necessarily reflect where they are heading as an agency trying to help support regenerative tourism in Hawai'i. Chair Kam said it was a great point and agreed it is about stewardship.

Mr. Nāho'opi'i said they need to decide on the weighting for the next meeting. The weighting is based on their expectations during the time period they were evaluating and the expectation of the CEO. Coming out of a pandemic, other specific needs to be met at the time.

Mr. Nāho'opi'i went over the recommendations. First, they had a proposed evaluation process and their proposed evaluation team. On the evaluation form, they recommended that the scoring would be Exceeds, Meets, or Does Not Meet, in the areas. They recommend that the Board rates the five pillar areas, Natural Resources, Hawaiian Culture, Community, Branding, and Administrative. The narratives below are the suggested indicators for them to rate, but they would only be rating at that grade level in terms of the pillars. They will not have the Initiatives or Reach Goals in the form. It will be removed. Under Administrative, they will add one more indicator related to internal climate, internal culture, and staff satisfaction. At the next meeting, set for March 28, the Board committee will decide if there needs to be a weighted scoring system or how they want to combine the scores, but they will put together the averages for the Board to review.

There were no further questions. Chair Kam asked for a motion to approve and move

forward. Mr. McCully made a motion, and Mr. Downing seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

5. Adjournment

Chair Kam adjourned the meeting. Mr. Casson-Fished concluded the meeting at 4:32 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder