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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Wednesday, January 24, 2024, at 9:30 a.m.**

Virtual Meeting

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

MEMBERS PRESENT:	David Arakawa (Chair), Kimberly Agas (Vice-Chair), Jame McCully, Blaine Miyasato, James Tokioka (Ex Officio, DBEDT Director), Mike White
NON-VOTING MEMBERS:	Dylan Ching
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Caroline Anderson, Talon Kishi, Maka Casson-Fisher
GUESTS:	Teri Orton, Mari Tait
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Arakawa called the meeting to order at 9:30 a.m., and Mr. Casson-Fisher conducted the opening 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

Chair Arakawa conducted the roll call. All members confirmed in attendance and that they were alone.

3. Approval of Minutes of the November 20, 2023 Budget, Finance, and Convention Center Standing Committee Meeting

Chair Arakawa proposed a motion to approve the minutes of the November 20, 2023, Budget, Finance, and Convention Center Standing Committee Meeting. The motion was seconded by Ms. Agas and carried unanimously.

4. Presentation, Discussion, and Action on the Hawai'i Tourism Authority (HTA's) December 2023 Financial Report; Recommend Approval

Chair Arakawa proposed a motion to approve the Hawai'i Tourism Authority's December 2023 Financial Report. Mr. McCully seconded the motion.

Mr. Kishi summarized the main activities of the HTA during December 2023, and presented a statement showing the revenue, expenditure, and the changes in fund balances during December 2023 and the year to date.

During the year to date, \$25.4 million has been spent on tourism programs, including \$7.2 million in December.

During the year to date, \$3.4 million has been spent on Convention Center operations, but there has been no expenditure on Convention Center operations during December because the positive net income for the previous two months had been used to finance operations at the HCC. \$11 million in Transient Accommodations Tax (TAT) had been collected for the Convention Center Enterprise Special Fund. During December, \$2.3 million was expended from the Tourism Emergency Special Fund.

Mr. Kishi presented a balance sheet showing the bank balances for the Tourism General Fund and the Tourism Special Fund, which were \$36 million and \$1.4 million, respectively. For the HCC, there was \$8.5 million in general funds and \$47.3 million in the Convention Center Enterprise Special fund.

There were no questions, and the motion was carried unanimously.

5. Presentation, Discussion, and Action on the Hawai'i Convention Center's December 2023 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan; Recommend Approval

Chair Arakawa proposed a motion to approve the Hawai'i Convention Center's December 2023 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan. Mr. Miyasato seconded the motion.

The General Manager of the Convention Center, Ms. Orton, presented a detailed report on the center's operations during December. This had been a successful month during which 20 licensed events were hosted, four more than had been scheduled the previous year. These were all local events, half of which were repeat clients such as the Honolulu Marathon and the Honolulu Board of Realtors.

The total revenue for the facility during December was more than one million dollars, \$180,000 more than had been budgeted. There was a net loss of \$640,100, \$86,200 less than anticipated.

Ms. Orton stated that during the previous months, the repair and maintenance advance deposit funds had been transferred from the savings account into the government treasury obligation bond, which was yielding a significant return of interest of 4.96%, and this interest made up the majority of the "Other Income" line total of \$174,500.

For the fiscal year ending on June 30, 2024, a total facility gross revenue of \$24 million was projected, including \$1.5 million of interest and a net loss of \$788,000. This was an improvement on the budgeted figures of net revenue of \$18.5 million and a net loss of \$5.3 million.

December 2023 had been the highest-grossing revenue month since the opening of the HCC. If this trend continued, by June 2024, the State would have saved \$4.5 million in subsidies to operate and manage the facility. Ms. Orton stated that the main contributing factor to this record year was the greater number of Citywide events. By the end of the fiscal year, the HCC would have hosted 20 Citywide events, generating \$370 million in economic impact and \$43 million in Transient Accommodations Tax (TAT). The HCC was recovering well from the impact of the pandemic; calendar year 2024 and fiscal 2025 were expected to be strong years for the center, with Citywide business building back up to pre-pandemic levels.

The local sales team had been actively filling up booking calendar gaps within 13 months. Ms. Orton forecasted that by June 30, 2024, the HCC would have hosted 233 events, with 20 Citywide events and the remainder local events. The local market segment supported the effective business model of the center. During the past year, revenue had been excellent. Ten years ago, the revenue from local businesses had been around \$4 million, but it was now over \$11 million, a significant increase. The sales team was continuing to seek out new opportunities for both Citywide and local events.

Mr. Miyasato drew the committee's attention to the slide showing the return on investment since this was a frequent target for scrutiny by the public and the legislature. Seeing a return on investment in the HCC of \$18.52 for every dollar invested was encouraging. Ms. Orton explained that return on investment was calculated by subtracting the Convention Center and

Hawai'i Convention and Visitors' Bureau (HCVB) sales, marketing, and operating expenses of \$14.3 million from the total Convention Center, State, and tax revenue of \$265.4 million.

Mr. McCully commented on the current interest environment and asked about the funds shift from the savings account. Ms. Orton responded that this change had been conducted on the advice of the Bank of Hawai'i and was yielding an interest rate of almost 5%.

Ms. Orton highlighted some recent events, including the Sony Open Gala Dinner, the Hawai'i Royale Winter '24, and the Transpacific Volleyball Championships 2024, which 12,000 athletes and fans attended. Upcoming events included the Hawai'i Dental Convention, the Hawaiian AAU Grand Prix 2024, and the Joy of Sake.

The record revenue of the Convention Center was featured on the front pages of several newspapers. The new chef, Brooke Tadena, was also featured in the media. The Convention Center's carbon offset program allowed Citywide and local events to reduce the carbon footprint of their meetings by participating in the reforestation project in which more than 9000 legacy trees had already been planted.

Mr. Ching congratulated the Convention Center team on their hard work.

Ms. Tait presented a detailed spreadsheet showing repair, maintenance, and replacement projects that were planned or were already being executed. Substantial progress had been made during January on some major projects, such as replacing the wallpaper in the main ballroom on the fourth floor. Some of the original transformers had been replaced, and it was hoped that this would result in increased energy efficiency and savings in utilities. The exterior camera installation had been upgraded with the intention of reducing damage to the lawns caused by vehicle incursions.

Planning sessions had been held with the contractors to carry out exterior painting and repairs. Chiller replacement was progressing on schedule, including cutting an opening in the outside wall a few days previously to allow the new equipment to be installed. There had been no complaints from neighbors about disturbance from this work. Scaffolding would be erected to facilitate the installation of the new chillers. Ms. Tait noted that the cooling tower upgrade, which was completed a few years ago, had already increased the efficiency of energy use in the center.

Two major programs that would save a significant amount of energy, the upgrade of both the house sound system and the LED lighting system, were in the final stages of procurement and presentation of proposals.

An RFP had recently been issued for the modernization of the present escalator original to the building. The center management team was working closely with the service company.

The rooftop terrace repair was moving on schedule and the HTA had selected an architectural design firm working on the RFP. Mr. Miyasato underscored Mr. Ching's comments and congratulations, and Ms. Orton responded by appreciating the hard work of her team as well as the good customers who came back to the center repeatedly.

Mr. Miyasato reminded the meeting that this was the first time the Convention Center had performed so well since the beginning of its existence. There had been positive cash flow during 2016 and 2017, but the present year was on track to break even. The center had made huge gains during the recovery from the pandemic, and he recommended that the HTA develop some means of publicly promoting and celebrating this improved performance. Both Ms. Orton and Ms. Tait appreciated these comments.

Chair Arakawa expressed the hope that the CEO and the Chief Information Officer of the HTA would do their best to act on this recommendation. Several bills were progressing through the legislature with uncertain impacts on the Convention Center, but good numbers would speak for themselves.

Mr. Kishi conducted the roll-call vote, and the motion was carried unanimously.

6. Adjournment

Chair Arakawa thanked the committee members and the members of the public who had taken part in the meeting and called for adjournment. The meeting was adjourned at 10:03 a.m.

Respectfully submitted,



Sheillane Reyes
Recorder