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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Thursday, March 21, 2024, at 1:00 p.m.**

Virtual Meeting

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

MEMBERS PRESENT:	David Arakawa (Chair), Kimberly Agas (Vice-Chair), Jame McCully, James Tokioka (Ex Officio, DBEDT Director)
MEMBERS NOT PRESENT:	Blaine Miyasato, Mike White
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Isaac Choy, Caroline Anderson
GUESTS:	Teri Orton, Mari Tait
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Arakawa called the meeting to order at 1:05 p.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. Kishi conducted the roll call. All confirmed in attendance and that they were alone. Mr. Miyasato and Mr. White were excused.

3. Approval of Minutes of the February 20, 2024, Budget, Finance, and Convention Center Standing Committee Meeting

Chair Arakawa made a motion to approve the February 20, 2024, minutes, and Dir. Tokioka seconded. There were no comments from the committee members nor the public; Mr. Kishi conducted the roll call, and the motion passed unanimously.

4. Presentation, Discussion, and Action on the Hawai'i Tourism Authority (HTA's) February 2024 Financial Report; Recommend Approval

Chair Arakawa proposed a motion to recommend approval of the HTA's February 2024 Financial Report, and Ms. Agas seconded it.

Mr. Kishi presented the February 2024 Financial report. The income for February totaled \$293,000, consisting mainly of interest and income from the investment program.

The expenses for the month totaled \$5,850,000. Mr. Kishi stated that the major expenditure was \$4.4 million for branding, with \$618,000 being disbursed for destination management and \$205,000 for perpetuating Hawaiian Culture in addition to \$232,000 for salaries and wages.

The year-to-date income showed a total of \$84 million, which comprised general fund appropriations of \$70.7 million, transient accommodations tax (TAT) revenue from the HCC of \$11 million, and \$1.2 million from the HCC operations revenue as well as \$1.1 million in other income, mainly Convention Center operations. \$765,000 was designated as employee retention credit.

Year-to-date expenses showed \$40.5 million, including \$23.5 million for branding, \$5.8 million for destination management, and \$2.5 million for HCC marketing, which included marketing conventions and incentives (MCI) and local sales marketing. \$900,000 was disbursed for the HCC operations, and \$1.9 million was paid into the Convention Center repair and maintenance fund. In addition, \$1.3 million was spent on Hawai'i Culture programs and \$1.5 million on salaries and wages.

In reply to a question from Chair Arakawa, Mr. Kishi explained that \$36.8 million in unused ARPA funds had been transferred to the Department of Budget and Finance.

Responding to a question from committee members, Mr. Kishi stated that for future meetings, it would be possible to provide a detailed breakdown of the specific contracts that were included in branding line items.

Dir. Tokioka inquired how much had been spent on the Maui Mākaukau commercial and for how long it would continue to be broadcast. Mr. Nāho'opi'i promised that this information would be provided at the next Board meeting.

Mr. Kishi presented a balance sheet showing that at the end of February, the Tourism General Fund contained \$27.9 million and the Tourism Special Fund \$14.1 million. The HCC General Fund stood at \$7.8 million, the HCCSF at \$47.6 million, and the HCC roof repair general

obligation bonds at \$14.8 million. \$2.3 million remained in the Tourism Emergency Special Fund, and the EDA grant stood at \$13.5 million.

Responding to a question by Dir. Tokioka about a receivable of \$250,000, Mr. Kishi stated that this was the amount of the immediate Maui wildfire response providing shelter to victims, 90% of which was to be reimbursed by FEMA. In subsequent reports, the amount will be updated to \$225,000.

Mr. Kishi detailed the following encumbrances: Tourism General Fund, \$26.3 million, Tourism Special Fund, \$7.1 million; Convention Center Enterprise Special Fund, \$3.5 million; and Convention Center general obligation bond program, \$670,000. No encumbrances were needed for the Tourism Emergency Special Fund because checks were disbursed from the Bank of Hawai'i business checking account. Regarding the EDA grant, \$6 million was encumbered with the DLNR.

Chair Arakawa asked whether any other funds need to be encumbered, and, if so, how this would be done. Mr. Kishi informed him that the funds still had to be encumbered, were not large, and were mostly from the Tourism General Fund.

Mr. McCully asked the committee to acknowledge the work done by Ms. Lorinda Wong-Lau of HiEMA and Mr. Choy to calculate the expenses incurred for room rental and shelter after the wildfire. The total amount incurred by the HTA was \$250,300, of which about \$225,000 would be reimbursed by FEMA. FEMA had also accepted 90% responsibility for \$340,000, resulting in a reimbursement of \$290,000, which had not yet been entered on the balance sheet. This implied that the total eventual reimbursement from FEMA would be about \$540,000. Chair Arakawa thanked the staff of DBEDT and the HTA for their work to manage these expenses.

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

5. Motion, Presentation, Discussion, and Action on the Hawai'i Convention Center's February 2024 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan; Recommend Approval

Chair Arakawa proposed a motion recommending approval of the HCC February 2024 Financial Report, and the motion was seconded by Ms Agas.

The General Manager of the HCC, Ms. Teri Orton, presented a detailed report on activities during February. The HCC had hosted 17 licensed events, two more than the 15 budgeted. One was a city-wide sporting event, and the others were local events. The total revenue for

February was more than \$1.4 million, including \$163,000 of other income. This was \$599,100 more than budgeted. The posted net loss was \$191,100, \$485,900 less than expected.

Ms. Orton projected that by the end of the fiscal year, the total facility gross revenue was likely to exceed \$25 million, including \$1.5 million in interest, with a net income of \$34,100, versus the budgeted gross revenue of \$18.5 million and a net loss of \$5.3 million. Ms. Orton stated that if this trend were to continue, it would result in savings to the State of \$5.3 million in subsidies. The Convention Center was experiencing a good positive cash flow.

Strong city-wide bookings were a major contributor to the center's financial health, and 21 city-wide events were to be hosted during the year, expected to generate \$387.6 million in economic impact and \$45.3 million in tax revenue. Apart from the city-wide events, the center was to host 234 local events. This was a strong year for both kinds of events.

The report showed the return on investment (ROI) for the fiscal year to date. The estimated revenue from 12 city-wide events, visitor spending, and tax amounted to \$272.8 million. Subtracting the convention center's operating expenses and the HVCB MCI budget prorated by month, totaling \$19.6 million, gave a return on investment of \$13.94 for every dollar spent at the HCC. Mr. Choy promised that the detailed calculation method of return on investment would be explained to Board members during the next meeting.

There were no questions or discussions from committee members or the public, so Chair Arakawa called for a vote on the motion. Mr. Kishi conducted the roll-call vote, and the motion was carried unanimously.

Ms. Orton gave further updates on the HCC, highlighting recent events, including the city-wide NDIA 2024 Pacific Operational Science and Technology Conference, with 1700 participants, the Pickup for the King's Runners 10K race, and the Honolulu Festival.

Forthcoming events included Kawaii Kon, at which 18,000 participants were expected, the Paradise Tournament Series, the Hapalua Marathon Pickup, and the city-wide AAG 2024 (American Association of Geographers), with about 8,500 participants. A major local event was the Mother's Day Brunch and Show to be held in May. A further nine city-wide events were to be hosted before the end of the fiscal year.

The HCC was part of a carbon offset program for which participating organizations had contributed a total of \$23,929, equating to the planting of 294 trees and the offsetting of 286.5 metric tons of carbon dioxide.

Ms. Tait gave updates on the HCC R&M program and the 6-year capital investment program (CIP). Committee members were presented with photographs of recent projects, details of

large repair and maintenance projects, and equipment purchases over \$50,000. These included upgrading the security camera, replacing transformers, new food and beverage equipment, a new walk-in refrigerator, and installing new kitchen flooring.

Repair and maintenance projects were divided into three categories: improving guest experience, improving the building, and improving department efficiency with new equipment.

The projects underway were at various phases of procurement and execution. The selection of colors for the exterior painting was in progress. The replacement of the chiller was going well, and the following week, two of four new chillers were to be lifted into place. The contract for the LED lighting upgrade had been awarded, and a demonstration was scheduled for the following day, after which the contractor would install lighting in one room before continuing with the remainder of the building. Three proposals had been received for the escalator modernization project, and the evaluation committee was reviewing them.

An architectural design firm had been engaged to assist with selecting contractors for certain construction projects.

Ms. Tait provided a detailed 6-year plan, showing cash flow and priority projects that had been assigned to the property management company.

Mr. Choy noted that Attorney Cole had enabled the HTA to obtain 100% of their desired result during negotiations with architects about the roof project. An architect had been engaged, and discussions would now take place about the roof's design. The project was going ahead on schedule.

Chair Arakawa stated that the approval of the update on the HCC 6-Year CIP Plan would be discussed at the next Board meeting.

Chair Arakawa introduced item 6 consisting of a number of short items forming part of the effort to keep track of budget and controls finance policies and procedures.

6. Presentation, Discussion, and Action on HTA Budget Issues, Comments, and Suggestions Raised by Legislators, Board Members, Staff, Stakeholders, etc., including:

a. FY 25 Budget Request to Legislature: Discussion and Presentation on Latest Proposal to the Legislature

Mr. Nāho'opi'i reported that before the beginning of the year, the HTA had submitted an official department budget request, "Form A," requesting \$69.9 million in operational funds and 38 staff positions. On January 3, 2024, a special Board meeting presented detailed budget

line items in prioritized order. These requests were also shared with the Finance and the Ways & Means Committees during the course of two meetings. In response, the House Finance Committee issued HD 1800-HD1, showing \$60 million in operating budget and 25 positions. Mr. Nāho'opi'i noted that this statement was available online.

In their administrative package, the Governor and the Department of Budget and Finance recommended \$60 million and 25 positions, as well as \$64 million in general obligation bonds for roof repairs and a ceiling for the HCC Enterprise Fund of \$25 million, comprising \$14 million operating budget along with \$11 million which had previously been borrowed and was to be returned from FY24. This was similar to HD 1800 HD 1 in providing \$60 million and 25 positions and \$25 million in ceiling for the special fund.

Mr. Nāho'opi'i noted that there was an adjustment in the budget in relation to insurance which was paid biennially. For FY25, \$500,000 would not be needed since the insurance would be paid in FY26.

The House Ways & Means Committee had taken testimony but would decide on the budget only during the following week. Mr. Nāho'opi'i and Chair Arakawa had met with the relevant committee chairs to discuss the budget, and they had also answered questions from both House and Senate regarding projects and positions. It was noted that finance was to include \$64 million for the roof repair and a ceiling of \$25 million.

b. Communications Regarding the HTA Budget and Hawai'i Convention Center, Including the Legislature

i. Status of Recent Communications Regarding FY 25 HTA Budget

Mr. Nāho'opi'i stated that there had been no direct information from the State regarding the request for additional positions. Analysts from the two committees concerned had requested clarification about projects and contracts.

ii. HTA Response to House Tourism Chair Quinlan's Review Comments on FY 2024 Operating Budget: Status, Policies, Procedures and Board Approval

Chair Arakawa thanked Mr. Nāho'opi'i for preparing the response but stated that the discussion would be postponed until the next meeting since committee members had not yet studied the material.

iii. HTA Policies and Procedures for Communications Regarding HTA Budget, including Prompt Transmittal to Board, Timely Responses, and Follow-up Actions

Mr. Nāho'opi'i was working on policies and procedures to define the time scale of these communications. Mr. Choy pointed out that requests from the legislature usually had a deadline of 48 hours, and this was not always feasible. Chair Arakawa praised the HTA staff for their fast response to these requests and pointed out that while policies must be flexible, it was important for Board members to be kept informed since they often received phone calls from legislators asking for information. Mr. Nāho'opi'i added that requests sometimes came through government departments, thus adding a further administrative level to the response.

c. 2023 Legislative Audit Pursuant to HRS 23-13

i. Status and Budget, Finance and Accounting Issues

Chair Arakawa asked for comments from Mr. Nāho'opi'i and Mr. Choy on this ongoing process. Mr. Nāho'opi'i replied that staff continued to have interviews with the auditors, both as individuals and in relation to contract processes. Meetings were still being scheduled. The HTA administration and staff had been responsive and had complied with the auditors' requests for information and meetings.

d. Tourism Emergency Special Fund

i. Status of Use of the Tourism Emergency Special Fund

Chair Arakawa pointed out that this topic had frequently been discussed in previous meetings. Mr. Kishi presented a spreadsheet showing the contracts for which the Tourism Emergency Special Fund had been used. So far, \$250,000 has been disbursed for immediate Maui wildfire response and \$2.6 million for the U.S. Maui Marketing Recovery Plan #1, undertaken in collaboration with the HVCB. Other contracts had already been executed, with payments being processed by the Fiscal Department, or were still in the procurement or development process. Up to the end of February, approximately \$2.8 million had been used from the Tourism Emergency Special Fund. Some contracts had been carried out during March, as well as the production of the Maui Mākaukau commercial about which Dir. Tokioka inquired.

Chair Arakawa asked Mr. Kishi to prepare a detailed response to be forwarded through Mr. Choy and Mr. Nāho'opi'i to Dir. Tokioka and other Board members. Board members needed to be aware of the excellent Maui Mākaukau commercial.

ii. Policies, Procedures, and Reports Relating to Use of the Tourism Emergency Special Fund

Chair Arakawa stated that this agenda item would be postponed to the next meeting. He asked Mr. Nāho'opi'i to document any relevant issues and to suggest an agreed process for use of the Tourism Emergency Special Fund. Mr. Nāho'opi'i was to work with DBEDT and the Department of Budget and Finance to prepare a draft for the next meeting. Mr. Nāho'opi'i pointed out that the HTA was already following the existing provisions for emergency procurement, but the internal procedures needed to be enhanced.

e. Wildfire Incremental Budget Requests (\$8,525,000 million)

i. Update on Campaign Effectiveness, Cost/Benefit Ratio, and ROI for Wildfire Incremental Budget Requests

The HTA staff had prepared a report on campaign effectiveness, cost-benefit ratio, and return on investment for the wildfire incremental budget requests. Mr. Nāho'opi'i stated that work was continuing on this report, which would be updated after completing the second phase of the U.S./Canada Maui Marketing Recovery Plan during the next quarter.

ii. Status of Contracts and Payments for all Wildfire Branding Incremental Requests

Mr. Nāho'opi'i reported that the Fiscal Department informed him that all the contracts had been signed.

iii. Status of Federal Reimbursement for Wildfire Incremental Budget Requests

The status of the federal funds had been detailed in the financial statement.

Chair Arakawa noted that the following topic would have been categorized as: Sub-item iv, Policies, procedures, and reporting processes relating to incremental budget requests.

Regarding the wildfires, the HTA had agreed to add \$8.5 million to existing contracts but then had to go through an exercise to determine which contracts were to be increased and which were reduced. There had been two meetings dealing with this topic, and Chair Arakawa suggested that an open discussion between staff and Board members could request input from U.S., Japan, and Canada contractors on how they would adjust existing contracts to address the wildfire emergency. He pointed out that comments from internal and external sources had

suggested that adjusting existing contracts might be a better solution than adding and subtracting. Mr. Nāho'opi'i responded that this had been done to some extent during discussions on marketing and branding contracts.

Chair Arakawa stated that this topic would be discussed in the next meeting.

f. HTA Budget & Finance Issues, Policies and Procedures

i. HTA Past Due Accounts: Status; Budget & Finance Policies, Procedures and Reporting

Mr. Kishi stated that the HVCB was due \$1.5 million, and resources and management were in the process of resolving this. A contract monitoring system was implemented, enabling the Fiscal Department to detect this issue.

There have been positive comments from contractors about the cooperation of the Fiscal Department to ensure the approval of their reports and invoices when they are submitted. At present, the process seems to be working well.

ii. HTA Contract Modifications: Status and Discussion; Budget & Finance Policies, Procedures, Board Approval and Reporting

Chair Arakawa stated that sometimes contracts or contractors faced challenges, and a proposed solution was to amend the contract. However, the Chair reminded the committee that if vendor contracts were amended, or if key performance indicators were removed, or if requirements were removed or inserted, the approval process had to be followed through, involving approval by the Branding Committee and detailed explanations, as well as presenting the situation to the Board.

iii. HTA Executive Employment Contracts and Bonuses: Status and Budget & Policies, Procedures, Board Approval, and Reporting

The Administration and Audit Committee were managing this. The previous Board meeting had approved the removal of the bonus clause from existing contracts that contained a bonus provision. The Administration and Audit Committee was currently working to revise contracts. The concern of the present committee was the impact on the budget.

iv. HTA Travel Policies: Status and Discussion on Budget & Finance Policies, Procedures, Approval, and Reporting

Work was in progress on these policies and procedures.

g. Hawai'i Convention Center Budget & Finance Issues

Mr. Choy stated that the House budget had a \$24.5 million ceiling, adding \$20 million for repairs and replacements for the HCC. Ms. Orton's report had been encouraging.

Delinquent payments by renters and a possible policy and procedure for receivables could be considered in a future meeting. However, it was clear that a renter who was delinquent should not be given another contract.

Chair Arakawa pointed out that certain budget and fiscal issues could be considered in the ongoing governance study. The consultant would be asked to investigate and give recommendations. The study was to be completed by May, and most of the research would be finished during April.

There were no questions or comments from committee members or the public.

7. Adjournment

Chair Arakawa thanked the committee members and the HTA staff and proposed adjournment.

The meeting adjourned at 2:07 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder