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**ADMINISTRATIVE AND BUDGET COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Tuesday, April 25, 2023, at 1:00 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, Mahina Duarte (Zoom), Mike White
NON-VOTING MEMBER:	David Arakawa
MEMBER NOT PRESENT:	James McCully
HTA STAFF PRESENT:	John De Fries, Daniel Nāho'opi'i, Kalani Ka'anā'anā, Isaac Choy, Caroline Anderson, Ilihia Gionson, Carole Hagihara, Talon Kishi
GUESTS:	None
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Kam called the meeting to order at 1 p.m. Mr. Casson-Fisher did the opening cultural protocol where he honored Edith Kanaka'ole in celebration of the Merrie Monarch festival in early April 2023.

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. Gionson did the roll call, and all members were confirmed in attendance except for Mr. McCully, who was excused. Mr. Arakawa, the non-voting member, also joined the meeting. Members who attended via Zoom were by themselves.

3. Approval of the Minutes of the March 20, 2023, and March 28, 2023, Committee Meetings

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

4. Update and Discussion Regarding the Audit Action Plan

Mr. Choy said that HTA would be doing a Yellow Book single audit for the current year. This means they must comply with the minimum federal auditing standards. HTA also has an ongoing Hawaii State legislative audit, which he is working on. The third item is HTA must be cognizant of the federal audit standards, which means any recipients of the federal funds can be audited for any use of the federal funds. He currently wants to focus on the state legislative audit that started in February 2018. There were deficiencies noted in that audit, mainly, a lack of oversight, and little accountability in procurement. In September 2022, the legislative auditor re-audited HTA and still found the deficiencies were not satisfactorily addressed. Mr. Choy studied the comments in detail and agreed with the state auditor. Mr. Choy believes the state audit in 2018 sent a message to HTA, and HTA did not receive that message.

The Audit Action Plan requires these steps:

The first step to better financial audits is good quality control. He said the HTA is a government entity, and adherence to compliance must be number one. The second step is resources. He said HTA must get the human resources infrastructure in place. Additional accountants must be trained, and continuing training must be obtained by current staff. This continuing education is important because the rules change often. The third thing is the agency's performance procedures. Checklists must be used to ensure that the work is done properly and accurately. Checklists can also be used to catch and track errors. A checklist should be modified and expanded as the processes evolve. Fortunately, practice aides are available commercially, so he can buy the commercial checklists without recreating the wheel. That can save HTA time and money. Fourth monitoring and inspection should be formally done. Monitoring is an ongoing process and inspections are done at a point in time.

Mr. Choy said the federal regulations are onerous, but a great exercise in quality control and having great processes. He has been on both sides of a federal audit, as an auditor and as part of an organization. He said the HTA has a lot of work to do and is excited about it. Chair Kam said they want to support Mr. Choy in his work. He said Mr. Choy must let them know what they can help with to outsource to support him in the right way.

Mr. De Fries said that the HTA has been looking at the audit, trying to defend themselves, so instead of picking up the clear messages that the auditor is sending, they immediately either agree or disagree and if they disagree, they start a debate. Mr. De Fries said that Mr. Choy pointed out that the goal has to be a statement by an auditor where there are no findings from his side. It made him realize that the team they were playing against was the referee.

Mr. Ching asked about Mr. De Fries' comment about opinion, and it all being black and white. Mr. De Fries said there needs to be distinctions between the mistakes that are made. Mr. De Fries said they need to respond in a way to make the HTA right and ensure there are no findings. Mr. Choy said auditors look at standards, and they look at the work to ensure the standards are followed. There were no further questions.

Mr. Gionson recognized that Mr. Sadayasu joined the call.

5. Presentation, Discussion, and/or Action Regarding the Monitoring and Measurement of HTA Programs

Ms. Anderson elaborated on the evaluation of the HTA's programs. She said it is essential to have metrics and measures to be input quarterly and annually to see if the program works and to determine what needs to be refined. For their Strategic Plan, they measure resident sentiment for satisfaction. Visitor satisfaction and spending are also being tracked every year. Their programs and outcomes are measured in short, medium, and long-term evaluations. They also take into account the goals they want to achieve.

Additionally, they have added visitor experiences and stakeholder engagement to measure the four pillars of the Strategic Plan. She elaborated on the outcome measures, the change, and the behavior. It also measures the 'Āina Aloha outcome measures.

She spoke about the 'ĀAEF and said they are measuring that as well. She showed the slide with each pillar and the programs with the levels. They have the 'Āina Aloha program and the Sustainable Tourism Association of Hawai'i program.

Ms. Anderson spoke about the short-term, mid-term and long-term outcomes and what they want to see in that change. She spoke about the full arching goal. Mr. Nāho'opi'i asked for some examples. Ms. Anderson said the 'Āina Aloha program's purpose is to support community initiative programs that preserve and protect 'āina. The short-term outcome they want is a high level of satisfaction, for residents and visitors, and a high-level sense of accomplishment from the participants.

Mr. Downing asked if that program is being implemented at the moment, and Ms. Anderson confirmed that it is. Mr. Downing asked if they have reached the goals, and Ms. Anderson said

she would elaborate on that. Ms. Anderson said they could do a better job at setting targets, and right now they are tracking.

Mr. Ka'anā'anā said the RFPs just went out, and he said what Ms. Anderson was describing was programmatic measures versus the individual project KPI's that are measured for each one. They help them support the programmatic goals, and some respects the specifics to the projects funded. Mr. Downing mentioned the monitoring of the projects as being important. They also need to have benchmarks that they work towards.

Ms. Anderson spoke about the mid-term outcomes, the natural resources being improved or maintained to benefit the community. She said they are tracking the measures through resident sentiment. For long-term outcomes, tourism helps fund the stewardship of Hawaii's natural resources, and the arts and cultural sites from a resident sentiment survey. All of that will roll up into the Aloha 'Āina outcome measures. The visitor sector in Hawai'i supports the vibrant city and the integrity of Hawaii's environment, land, ocean, water, sky. That rolls over to the highest level which is the Strategic Plan goal.

Ms. Anderson spoke about the 'ĀAEF. For natural resources they did an assessment, and they feel they are moving towards 'Āina Aloha, number 3, but where they want to get to is number 5. With the programs they continue to implement under natural resources, they are moving towards leading 'Āina Aloha. She showed the slide with the measures they are using to track the natural resources programs. The team is still compiling the data for 2020 and 2021, and eventually all the data will be shown so they can see progress on how the programs are making progress. She spoke about the output data. The team is still collecting data for a number of on-island and off-island residents, and out of state visitors. They also assess each pillar. With regards to collecting data, they are also doing research, and building out the program monitoring system. They will be using the MS access database, so it will be easy for the team to input the data and then generate reports. The next step is to connect it to an online dashboard so that at any time, the public and the Board, or legislators can see where they are at for the programs in terms of outcomes and progress. For reporting, they hope to get it down to monthly or quarterly reporting.

Chair Kam asked Ms. Anderson to share more on the 'ĀAEF and said the co-authors could also share. Ms. Anderson said they are incorporating the 'ĀAEF scale in the evaluation within the HTA. It is also one of the goals of each of the pillars. Ms. Duarte applauded Ms. Anderson and everyone for the work and said it was exciting and positive. She said this helps to foster trust and accountability in everyone by being transparent. She said that with this, their industry partners could visibly see how the HTA is trying to support and lead toward a more regenerative tourism model. Ms. Duarte gave an additional suggestion to think through part of

the success of 'Āina Aloha and continue to encourage everyone as they have conversations with communities, etc., and to think of ways to collect ongoing feedback and input for reporting and data collection, to help them see where they are achieving their goals or missing the goals. Ms. Duarte said they should also try to figure out how to get industry and community partners to utilize the tools everyone is working on and for them to report and share their input. This makes the tourism model real, tangible, and measurable for everyone.

Mr. Ka'anā'anā spoke about the community piece. He said that as co-authors, it is always about engaging the community. The impetus was during the pandemic when the grassroots community was not involved in decisions related to recovery conversations taking place. For the transformation of tourism in Hawai'i, those voices need to become an integral part of the journey, whether it is integration into the resident sentiment survey, or a separate tool to understand that. Being present and in person is also a way to build trust and accountability.

Mr. Nāho'opi'i added that he brought the item to the committee as this is where the process is currently at and for Board action later. Then they can start setting the targets, and the Board can decide which to uphold or watch on the dashboard.

Chair Kam said they need to ensure there is balance in the process and policies. Mr. Choy said they need to be realistic; setting their budget, expectations, programs, goals and initiatives are important. The HTA must make and keep its promises from the legislators' perspective; it is the expert in branding, marketing, and destination management. The HTA must send the particular goals and objectives aligned with the available funding. Nobody else should be doing that for the HTA, as the HTA are the experts.

Chair Kam said they must be able to deliver on their promises. Mr. Ka'anā'anā said they must manage the outcomes of the cycles they are on, as they all differ. Mr. Choy added that the commitment they should make is the process. Mr. Nāho'opi'i said that is the logic model Mr. Anderson showed with the outputs and the outcomes. They hold themselves accountable to the outputs knowing that the HTA, as experts, know that the model will create those outcomes.

Mr. Arakawa thanked Mr. Choy for his presentation. He said he supports Mr. Choy's improvement of the HTA's processes. He said Mr. Choy and his team need to monitor the work they do at community groups. He said they need to ensure the processes are all correct and improved. He said they were not keeping track of their federal funds, and they need to start doing that. He asked if Mr. Choy could do a monthly update on his progress. Mr. Choy said he would gladly send them monthly reports.

There were no further questions.

6. Discussion and/or Action Regarding a Governance, Strategic Organizational Design, and Business Process Review Study

Mr. Nāho'opi'i introduced the topic that there had been much discussion about a governance study, both at the legislature and internally. As they made that intentional advancement to be a destination management organization that includes Destination Stewardship, Marketing, and Branding, they need to see what structure will give them true authority to take action. He said Chair Kam had some suggestions. He said the Board might want them to fund a study internally.

Chair Kam elaborated on the governance study. He said they are looking to see if they can introduce it where the HTA can do it themselves. He read from what they compiled together for a more effective structure for the HTA. "Two separate efforts to restructure the governance of the HTA where this legislative session grew questions and thoughtful consideration of the best possible way to govern Hawaii's top economic driver. A variety of actions in recent years have weakened the HTA's ability to get much-needed change for their islands. Unless a new direction is chartered, the HTA is on a path of becoming an authority without much authority. As Hawai'i tourism leaders, we have an opportunity and kuleana to lead the discussion across the islands to define and recommend the rightful role of the HTA. We propose that the HTA creates an open, transparent process to examine and consider thoroughly and ultimately recommend a new governance structure that empowers the HTA first to meet the community needs, support improvements for our natural and cultural treasures, connect with mindful Hawai'i travelers and build trust. To those who are saying that Hawaii's tourism authority governance structure must change, let us say we agree. We have heard your concerns; this is an opportunity to conduct a thoughtful examination, consider global best practices for tourism governance, air the views of all the key players and communities, and then provide a recommendation. I believe the HTA will benefit greatly from elevating the entire discussion about governance to a different plane. Let us step beyond what we think we know to explore what we don't know yet. Our goal will be to determine the right and appropriate level of authority for the HTA to deliver on its mission. I recommend embracing a process with the following components to accomplish that goal. Conduct a thorough review of global best practices for tourism governance and organizational design. Our islands are unique, but we can draw inspiration and lessons from ways others facing challenges have succeeded or failed. Compare these best practices against a thorough review of the practices we have in place today to identify new opportunities that can benefit Hawai'i and engage a dialogue with the state legislature and develop a working relationship where the subject matter cares. Thoroughly engage our residents, state and county agencies, and stakeholders of this conversation through surveys, listening sessions, or small group meetings to ensure all voices are heard and that concerns and ideas are aired in the light

of day across our islands. And then to ensure that this recommendation is community driven and represents all of Hawai'i. I also propose that this process be overseen by an independent steering committee representing a range of interest in this important discussion. Among the most important questions we must ask throughout the process is this, representing a full range of interest in this important discussion. Among the most important questions we must ask throughout the process is this. How can we sort trust? To direct this process with this discussion to the higher plane, I believe it will be vital to engage the services of outside expertise whose only interest is to achieve a positive outcome for Hawai'i Tourism. Finally, to honor and continue the important work already underway to shape tourism as a regenerative force for Hawai'i, it will be essential to secure expertise from an organization/s committed to the value of destination stewardship and regenerative tourism."

Mr. Ching asked about the document's intent and if it would be distributed. Chair Kam said he wants the committee to recommend it as a study they need to do and present it to the Board. Mr. Nāho'opi'i said the study could determine what alternative tourism governances are necessary, and they could do that by looking at what is working and what is not. They have identified that in the past Strategic Plan. For the DMAP implementation activities the HTA wants to do, they have difficulty ensuring that those get accomplished by the other departments. He asked whether they represent enough community and industry interest. The consultants could meet independently to discuss what has been working to help make decisions for their representation. Apart from the main government structure, the determination of the governance system, but also once that is determined they should look at the optimal organizational structure for implementation. They have already been pushed to restructure their staffing to implement activities they want to accomplish. For both recommendations for governance and structure, it would be better if someone started at the beginning of July. They could drive recommendations by September, have an additional review, and then a final report in November for the Board. The staff can then decide if it is necessary to go to the legislature to request appropriation.

Chair Kam said they, as a committee, can give the kuleana to Mr. Nāho'opi'i with Mr. Choy to look into the best process for moving forward. It is important to get it done sooner rather than later. They could present their recommendations to the Board and work out the best way forward. Mr. White said he liked the idea of not just asking for a study of best practices but going out to the community to get their input, as that will give the HTA a better sense of the various attributes they need to put together in their governance to respond and reflect what is going on in their communities.

Chair Kam said it needs to be custom-made for Hawai'i, and it needs to be community-led. Mr. Choy said they should look at HTA's original structure and see how much they have modified. They should study what the HTA is currently doing. Most important about the governance study is the adoption and how they can receive the transition.

Chair Kam asked what Mr. Nāho'opi'i needed for the recommendation. Mr. Nāho'opi'i said that since it is an internal study, the action would be that the Board should recommend that the staff set aside up to a certain amount for a governance study over the next six months. Mr. Choy said the Board should agree with the concept to proceed with a study. They could develop an outline and budget to recommend to the Board the following month. If the Board could entertain the concept, they could proceed with the study.

Mr. Cole was happy with the language and motion. Mr. White also concurred. He said he is very excited and spoke about moving ahead with individuals in each county for the HTA to supervise the two new contractors. This study will assist the HTA in making the right decisions, and they could incorporate questions about whether or not the community supported the HTA having secure funding to maintain the progress over time.

Chair Kam asked for a motion. Mr. Downing made a motion, and Ms. Duarte seconded. Mr. Ching asked who would be selecting the steering committee. Chair Kam said he would head that up with Mr. Nāho'opi'i, and they will come back with how it will be done. Mr. Downing said that it was just permission to go forward right now. Mr. White said they must also consider the challenges with the legislatures where they think of the HTA as a "do nothing" committee. Mr. Gionson did the roll call, and the motion passed unanimously.

7. Adjournment

Mr. Downing made a motion to adjourn, and Mr. Ching seconded. The motion passed unanimously. Chair Kam adjourned the meeting at 2:19 p.m.

Respectfully submitted,



Sheillane Reyes
Recorder