



Ke'ena Kuleana Ho'opipa O Hawai'i  
1801 Kalākaua Avenue  
Honolulu, Hawai'i 96815  
**kelepona** tel 808 973 2255  
**kelepa'i** fax 808 973 2253  
hawaii tourism authority.org

**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING  
HAWAII TOURISM AUTHORITY  
Monday, November 20, 2023, at 1:30 p.m.**

**Virtual Meeting**

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

<b>MEMBERS PRESENT:</b>	David Arakawa (Chair), Kimberly Agas (Vice-Chair), Blaine Miyasato, Mike White
<b>MEMBERS NOT PRESENT:</b>	Jame McCully, James Tokioka (Ex Officio, DBEDT Director)
<b>NON-VOTING MEMBERS:</b>	Dylan Ching, Stephanie Iona
<b>HTA STAFF PRESENT:</b>	Daniel Nāho'opi'i, Kalani Ka'anā'anā, Isaac Choy, Caroline Anderson, Talon Kishi, Ilihia Gionson, Maka Casson-Fisher
<b>GUESTS:</b>	Teri Orton, John Reyes
<b>LEGAL COUNSEL:</b>	John Cole

**1. Call to Order and Opening Protocol**

Mr. Kishi called the meeting to order at 1:31 p.m. Mr. Casson-Fisher opened the meeting by analogizing the moon phases and saying that traditional knowledge helps guide the Board members.

**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 did the roll call. All confirmed in attendance, and that they were alone.

### **3. Approval of Minutes of the October 25, 2023, Budget, Finance, and Convention Center Standing Committee Meeting**

Chair Arakawa made a motion to approve the October 25, 2023, minutes, and Ms. Agas seconded. There were no comments from the committee members nor the public. Mr. Kishi did the roll call, and the motion passed unanimously.

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

Chair Arakawa made a motion to recommend the approval of the HTA's October 2023 Financial Report, and Ms. Agas seconded.

Mr. Choy said the financial statement is standard for the month, with the same format as used before. They are spending slightly more money. Funds are still the same. Nothing on the balance sheet or income statement is unusual. There were no questions.

Mr. Choy said the only cash movement was the Emergency Fund, which had not been spent as of October 31, 2023. \$4 million is sitting in the Bank of Hawaii's investment account. \$1 million is with Mr. Kishi in the Bank of Hawai'i account, which Mr. Kishi has control over. Mr. Miyasato said the committee responsible for allocating the Emergency Funds has been meeting weekly and putting in a lot of effort. He understood they had already selected a firm, SMS, to help them with data. The price tag is \$75,000. He asked if that came out of the Emergency Fund. Mr. Choy said he had heard no word of that.

Chair Arakawa said the process is that the appropriate staff handling the contract would send the contract, invoice, or paperwork to the accounting office, Mr. Kishi and Mr. Choy. Therefore, they would not know that until the staff responsible sent them the information. Mr. Miyasato said he was led to believe that the funding would come out of the Emergency Fund. Mr. Ka'anā'anā said the \$250,000 is for the various expenses related to the shelter, FedEx, etc. Mr. Choy said these were for all transactions through October 31, 2023. The items Mr. Ka'anā'anā spoke about are in November 2023 and will be reported in the following month. Ms. Anderson said the SMS contract is \$99,000 from the Maui DMAP budget line item. Mr. Miyasato noted that the request to issue the study came out of the Disaster Response PIG. Ms. Anderson said she thought she could not use the \$5 million yet, so she used the DMAP funds. Mr. Choy said the governor removed the \$64 million for the HCC roof repair. It will go to the Maui wildfire recovery efforts. He said there is no cause for concern as the BFCC has included \$64 million in their ask for capital improvement funds in the next legislature. The project is not in jeopardy and is still on budget and schedule. They will be using the leftover money from the \$15 million bond funds for the consultants. The timeline has not changed. The project manager and

construction manager have been contracted. They are looking for an architect for the plans. They should have the working plans ready to bid by June 2024, when they enter into contracts with the contractor. This will probably take another year for permits and supplies. They will begin construction at the end of 2025, which should be done by mid- or late 2026. Chair Arakawa said they asked all the presenters to do a bullet sheet.

Mr. Miyasato asked if Mr. Nāho'opi'i could figure out a way from a PR perspective to encapsulate what Mr. Choy had just said. Mr. Choy said it was clearly articulated in this morning's newspaper. Mr. Nāho'opi'i said the media reached out for comments and provided the same information that Mr. Choy mentioned. Chair Arakawa said they can elaborate on the bullet point summary before the BOD. There were no further questions. Mr. Kishi did the roll call, and the motion passed unanimously.

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

Chair Arakawa made a motion to recommend the approval of the HCC October 2023 report and update the HCC 6-year CIP plan. Ms. Agas seconded. Chair Arakawa opened the floor for discussions.

Ms. Orton said that the HCC saw a mix of citywide conventions and local bookings for October. She welcomed back two citywide events, the American College of Chest Physicians and National Pest Management. They hosted thirty-five licensed events in October, which is ten more than initially budgeted. In addition, they continued to house the Department of Economic Development and the Federal Emergency Management Association in support of the Maui fires. The total facility revenue exceeded \$2.6 million, which included \$176,000 of other income, which Mr. Choy asked them to keep separate. The net income was \$353,500 for the month. It is the fourth consecutive month of hosting positive bottom-line revenue.

She highlighted the other income from transferring R&M funds from the savings account into a government treasure obligation, which yielded higher returns, almost 5%, meaning a \$1 million interest income for the year. She spoke about the HCC FY reforecast versus budget. For FY2024 they are reforecasting gross revenues of \$22.7 million, the highest grossing revenue the HCC has seen since opening. This includes a \$1.1 million interest income mentioned and a facility net loss of \$2.4 million, which is \$3 million under budget. Even adjusting for removing the \$1.1 million interest, they forecast a very strong financial year compared to the budget. ROI is \$23.16. The historical ROI has increased since having citywides in-house.

Ms. Orton highlighted recent HCC events. The 2023 Fall Honolulu National College Fair has about 5,000 attendees. The Hawai'i Food & Wine Festival had about 700 attendees. The Society for Social Studies of Science Annual Meeting had over 1,000 attendees. Upcoming events include the Honolulu Mineral, Fossil, Gem & Jewelry Show, a repeat event with about 10,000 attendees. They are hosting Applied Materials FTC 2023, a citywide event with nearly 1,300 attendees. The forecast for food and beverage is peaking at \$1 million. They are repeat customers. The 2023 Honolulu Marathon Expo takes place at the end of the year. She shared a video about food and beverage for the sales team to get more business in the HCC.

Ms. Orton spoke about the Carbon Offset Program. The last two citywide conferences participated in the program. Participating events included:

- CHEST 2023 (42 trees)
- 2023 International Conference on Machine Learning (36 trees)

Local events included:

- 2023 Made in Hawai'i Festival (12 trees)
- 2023 Okinawan Festival (11 trees)

The program is an opt-out program, and they share the benefits of participating in the programs with the meeting organizers. It is based on rentable space. The more space they use, the more trees they plant. Some CHEST physicians went out and planted the trees themselves.

She highlighted R&M programs on behalf of Ms. Tait. The top project was the exterior building painting. They have received two proposals and are working with the project management company to map out logistics. They will hopefully complete evaluations by the end of November. The replacement chillers have arrived on the island, and the permit applications have been submitted. They are targeting installation in Q2 of 2024. The third-floor exterior planter project includes the third-floor planters on the Kalākaua Avenue and Ala Wai Canal side of the building, all the planters in the parking lot, and the eye-level grand staircase area. The RFP was awarded to D&D Construction, and they are in the middle of finalizing the contract. The escalator replacement has been an ongoing struggle to keep them up and running during events in the convention center. The project was moved out because they were focused on the leak repair projects, but since then, they have moved it up. The RFP is in the final stages of review, and they are aiming to issue the RFP by the end of the year to start phasing the replacement of all the escalators in the building, which are mostly twenty-five years old. House sound and LED lighting upgrade proposals, are due mid-December. They hope to get those projects moving as well. They will issue a design bid and bill RFP for the ballroom and lobby glass project and the Kalākaua exterior wall repair for the next month or two. They will request qualifications for architectural services as well. Mr. Kishi did the roll call, and the motion passed unanimously.

## **6. Presentation and Discussion Regarding an Update of the Meetings, Conventions and Incentives Market Activity and Pace Report, and Hawai'i Convention Center Activity and Local Sales**

Mr. Reyes said there was \$600,000 towards Maui's recovery. He gave an update. They identified four strategic partnerships. One was with North Star Meetings, a premier global travel industry publication. Destination Hawai'i was held on November 7 through November 9 in Maui. They had over thirty-eight customers and were able to upgrade their sponsorship. They did a global webinar on Maui promoting the visitation to Maui for meetings, conventions, and incentives, and it was run the previous week with great attendance. They are going to formalize two additional strategic partnerships. Many people have spoken about the importance of corporate. CEEMA will reach the end-user on the corporate side. He said they are one of three sponsors in Philadelphia and Boston, presenting to 30 and 35 corporate event marketers to discuss Maui. Incentive businesses account for 38% of the total room night production, and many customers attend the Incentive Research Foundation. They are looking to form a strategic partnership with them. He said that they saved two groups for Maui through the retention dollars. One is the need for transportation, and the other one is the Maui Gym Invitational, which was important. It is coming back to Maui the following year. They had to ensure the invitational did not go to California or North Carolina.

For Sales Production, the two reports are for a new volume of events and room nights for any future year. Consumption is what is on the books and where they fall through the year. Room nights on a monthly perspective are down 19%, but they still had good definite room night production for October compared to 2022. Definite room nights from 2023 to 2022 are over 78%, with 106,000 definite room nights that fall into different years. The exciting part is the opportunity for tentative room nights, up by 53%. From a Future Pace consumption, they are 128% ahead of pace in 2024. That means that based on historical forecasting, they should be at about 68,205 but are at 87,000, so they are ahead. Regarding booking trends, the good news is that they have added one new event for 2024, 2025, and 2027. They went from fifty-nine events the previous month to sixty-two events. He reminded the committee that the HCC is about collaborating on production and event goals. For 2024, they have introduced individual event goals to ensure they focus on room nights and events. They are targeting tentative events for 2026, 2028, and 2029. From a future-paced definite event, they have fourteen events on the books, with their target being nine. They are 56% ahead. They want to book more events, and their goal is to book 28 citywide events, so they have 14 left to book. 2026, 2028, and 2029 show that they have to be focused as a team in those areas. For 2024, they are trying to close four events; for 2025, they want five events; and for 2026, they want to close three events.

Chair Arakawa asked Mr. Reyes to elaborate on the Marketing Opportunity Fund and why it is important in helping to close major deals. He said that is the MFF, the Marketing Flexibility Fund. They wanted to ensure they were using that incentive fund to close business. Every major destination has an incentive fund, but as a citywide team, they use it when they are up against other destinations. Three significant obstacles are the perception of a Las Vegas destination, the cost of having a citywide event through logistics and tradeshow, transportation of goods through freight, and the length of planning. They have a budgeted MFF per year, and they review it. There is a worksheet formula where they must have a minimum of four times return to the state, or the center has to make money. The MFF allows them to be competitive. There is currently \$850,000. Mr. Ka'anā'anā noted that the MFF was reduced in the FY2024 budget and FY2025, and the constraints with their budget have continued to force many of the budget lines to become smaller.

Mr. Miyasato said he supports prioritizing from a budget perspective, spending with ROI attached. He asked if there is a correlation between booking trends and FIT. Mr. Reyes said there is a strong correlation between the two.

Ms. Agas asked about insights for the drop in 2026. Mr. Reyes said it was because customers had to postpone events. He said the team is positive about 2025 because customers are behind schedule, and there is a better opportunity to book more events for 2026. San Diego is an aggressive competitor as it is getting a new convention center and hotel.

Chair Arakawa suggested working on a message to go out to the public about bookings on time and within budget and that repairs will not be delayed. However, the money has been adjusted, and the source is different. He said third-party validation is helpful. Ms. Orton said that after the first article in Pacific Business News she received a lot of calls from concerned meeting planners. She said factual information needs to be obtained with assurances that funding will take place and the project will move forward as planned; it will put the minds of a lot of meeting planners at rest.

Mr. Nāho'opi'i said they rely on their contractors to push out to the industry level. Mr. Gionson said Mr. Monahan had requested a letter to that effect on Friday. Chair Arakawa mentioned Form B. He asked about the status of hiring the corporate citywide seller. Mr. Reyes said they have an all-star they are talking to at the moment. Mr. Ka'anā'anā said the incremental funding related to hiring that person and the programmatic funds tied to it depends on Board action on November 30. Once that is done, they can proceed with contract paperwork.

## **7. Discussion and/or Action on Funding of the Additional Marketing Services Approved by the Board to Address Recovery in FY24**

Mr. Kishi shared the file, which was also posted on the website. Chair Arakawa said for those branding incremental requests they need to look at how they will be funding them. Some will be from money that has not been spent yet, from program savings, and some from program cuts. There were comments about sporting event spending. He said the staff and members of the Branding Standing Committee agreed that they should save funding for major sports events that showcase and bring people to Hawai'i. The Branding Standing Committee asked that they look at the timing of certain events to save funding for certain events. The program cuts were discussed in the Branding Standing Committee meeting. Chair Arakawa recommended a motion to support the recommendations of the Branding Standing Committee on the incremental requests, savings, cuts, and sources list. Ms. Agas seconded. Mr. Nāho'opi'i suggested an amendment. Since they are in the BFCC, they are looking at only the fiscal year 2024 funding and the cash flow. Anything outside the FY2024 should not be included in the request and put it into the FY2025, which will be shown at the Board meeting as well. Mr. Kishi did the roll call, and the motion was passed unanimously.

## **8. Presentation, Discussion, and Action on Form A (FY 25 Supplemental Budget Request to DBEDT) and Form B (B&F and Governor's Budget to Departments)**

Form A asks for \$69 million for the HTA. Mr. Choy elaborated. Form A is the departmental budget. For Form B, the BNF Director and governor will take Form A and modify it. In December, they will have an opportunity to modify the budget at the next Board meeting. That testimony will go to the legislative branch of government. They are currently going through this exercise in the executive branch of government. The budget starts with the House of Representatives, which will deliberate on that and may change it. After that, it goes to the Senate, and the HTA will have another opportunity to see the changes the House made and testify for the amount. Both chambers then go into a conference and come out with the final say. By that time, they will know the budget. The governor will get that request and could still line item or veto the budget. Until July, they will not know what the exact budget will be.

Chair Arakawa said that Form B includes \$64 million for the roof within the process. They will be discussing offline how to inform the relevant stakeholders. Mr. Miyasato said they need to spend time discussing this section in the BOD meeting. Chair Arakawa said they need to prioritize the \$69 million. There were no further comments.

## **9. Presentation, Discussion, and Action on HTA Budget Issues, Comments, and Suggestions Raised by Legislators, Board Members, Staff, Stakeholders, etc., Such as:**

**a. Status of Use of the Tourism Emergency Special Fund**

Chair Arakawa said this is a status report. He said the Branding Standing Committee and the BFCC voted on the worksheet, and Ho'okahua Hawai'i still has to do it. It is open for discussion at the full Board. There were no further comments.

**b. Status of Response to House Tourism Chair Quinlan's Review Comments on FY 2024 Operating Budget**

Chair Arakawa said the staff is working on the response. Mr. Nāho'opi'i said he had a meeting with Rep. Quinlan the following day.

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

Mr. Nāho'opi'i said they will ensure these issues are covered in the contracts for incremental increases. He said that now that they are finalizing the scope, they will also be doing the calculations for the existing programs. The staff is collecting the information and summarizing it. They should have some information at the full Board meeting and will need a bit more time to gather final information. Mr. Miyasato added that for the 2025 budget heavy lifting, they must understand programs across the Board and the ROI and have as much data as possible. Mr. Nāho'opi'i said it is part of their tasks and is structured into how they develop the tourism management plan every year. They need to finish collecting more information as some programs are starting to wrap up. Chair Arakawa said they could ask for future Branding Standing Committee meetings to bring up the incremental proposals and ongoing contracts to see if the ROIs or KPIs should be revised. There were no further comments.

**d. Status of HTA Past Due Accounts**

Chair Arakawa said he was contacted by two large vendors about outstanding amounts, but they have all been paid now. The staff is working on policies and procedures to ensure no outstanding funds in the future. Mr. Choy said the past due accounts at the HTA were systemic, and they will have to find a systemic solution. Some staff commented that they were behind on the work they had to do. Mr. Choy said he is monitoring the invoices now. Mr. Nāho'opi'i said increased monitoring also includes increased staffing. Chair Arakawa said they will try to standardize the agenda for every meeting to save on meeting times. Mr. Choy said they need to prepare better for meetings to save staff time. Mr. White added that in addition to a staff shortage, they are increasing the number of committee meetings and the extra PIGS. The Board has to respect the amount of time the staff has for this job and their own jobs. Every time there is another meeting, there is an extra workload. Mr. Miyasato reiterated that they have a staff shortage. Mr. Miyasato said they could discuss



how to streamline all the meetings. Chair Arakawa said that should end up in the Administrative Audit Committee meeting. There were no further comments.

**e. Status of Contracts and Payments for all Branding Incremental Requests**

Chair Arakawa said work on the U.S. market had been done, and there was a first payment on the invoice. He said that sometimes work gets done before the contract gets signed, but they must work on the contract process in the future.

Mr. Ka'anā'anā clarified that one of the existing processes is the retroactive memo. If a contract has to be executed after the work has begun or is finished, there is a memo signed by the CEO and deputy AG for that retroactive work, as in the \$2.6 million contract that was done. He added that the contract was recently executed, and the initial payment of \$2.34 was going through FY for processing. The final payment is the 10%, which is \$260,000, and it will be processed after they receive deliverables. Chair Arakawa said it is not good practice to require the contractor to start work before they have a contract. They must not let that happen again.

Mr. Ka'anā'anā said that for the remaining contracts that were discussed under the earlier agenda item, number 7, the Board's action pending on November 30 will help them finalize and get the contract for the remaining incremental programs.

**f. Status of Executive Employment Contracts and Bonuses**

Mr. Nāho'opi'i said information has been sent to the Administrative Committee Chair White.

**g. Status of Communication for any Outside Requests About the Budget, Including the Legislature**

Chair Arakawa said that at the last meeting at the legislature, Ms. Agas said she did not receive the letter. Mr. Miyasato said they would ensure everything was sent to the members. Mr. Nāho'opi'i said it is all a work in progress. Mr. Miyasato will work with the vice-chair to coordinate the Board, communications, organizations, etc. Mr. Choy said they received a good audit report from the legislative office.

**h. Status and Discussion on Travel Policies and Procedures**

Mr. Nāho'opi'i said they are participating with the DBEDT deputy and director. The DBEDT department has recorded a travel report log. Since DBEDT approves travel, they are tracking the information and prepared to give a report and spreadsheet from the legislature if needed. The governor delegates to the DBEDT director, and the director delegates to the CEO of the HTA. All overseas travel goes through the DBEDT director.

**i. Status and Discussion on Contract Modifications Policies and Procedures**

Mr. Choy said this is another issue with processes and the shortage of employees. Chair Arakawa said this is a work in progress and will be sorted out. It has been brought up in a few instances. He said they must talk with the contractors to ensure no unintended consequences to the contracts.

**10. Adjournment**

Chair Arakawa adjourned the meeting at 3:28 p.m.

Respectfully submitted,



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Sheillane Reyes  
Recorder