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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING  
HAWAII TOURISM AUTHORITY  
Friday, May 17, 2024, at 9:30 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), Jame McCully, Blaine Miyasato, James Tokioka (Ex Officio, DBEDT Director)
<b>MEMBERS NOT PRESENT:</b>	Mike White
<b>HTA STAFF PRESENT:</b>	Daniel Nāho'opi'i, Kalani Ka'anā'anā, Isaac Choy, Tallon Kishi, Maka Casson-Fisher
<b>GUESTS:</b>	Teri Orton, Mari Tait
<b>LEGAL COUNSEL:</b>	John Cole

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

Chair Arakawa called the meeting to order at 9:43 a.m. Mr. Casson-Fisher did the Opening Protocol with Pule Na Mauiola Ke Akua.

**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. Ms. Agas was excused.

**3. Approval of Minutes of the April 22, 2024, Budget, Finance, and Convention Center Standing Committee Meeting**

Chair Arakawa made a motion to approve the minutes, and Mr. McCully seconded. Mr. Kishi did

the roll call, and the motion passed unanimously.

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

Chair Arakawa motioned to approve the HTA's April 2024 Financial Report, and Mr. Miyasato seconded.

Mr. Kishi reported FY24 Tourism funds, to date, the HTA has spent \$37,736,000 and is on track to utilize approximately \$59,700,000 of the \$60 million provided by the Governor's Appropriation in Act 164 SLH 2023. The \$59 million includes encumbrances that will be spent in the next fiscal year.

For the HCC, the HTA has spent \$8,730,625 and is on track to utilize the full \$11 million provided by the Governor's Appropriation in Act 164 SLH 2023.

Mr. Arakawa clarified that Act 164 from 2023 was the act that gave the governor \$200 million for the HTA to use however they saw fit. The HTA did not get a budget from the legislature. This is the money the legislature gave the governor, and the governor gave the HTA their portion.

Mr. Kishi spoke about the TSF. To date, the HTA has spent \$1,920,896. The HTA has \$6,962,048 funds encumbered in the TSF. To date, the fund has earned \$561,365 in interest through the State's Investment Pool Program, which is directed to the Department of Budget and Finance (B&F). For the CCESF, to date, the HTA has spent \$3,243,400. The HTA has \$525,999 encumbered in the CCESF. To date, the HTA has earned \$1,016,303 of interest through the State's Investment Pool Program. To date, the HTA has received \$1,223,284 net profit from the HCC operations.

For the TESH, to date, the HTA has spent \$4,311,060 and is on schedule to spend \$5,000,000 by June 30, 2024. There were no questions or comments.

Chair Arakawa asked for a roll call vote. Mr. Kishi did the roll call, and the motion passed unanimously.

**5. Motion, Presentation, Discussion, and Action on the Hawai'i Convention Center's April 2024 Financial Report and Update on the Hawai'i Convention Center's 6-Year Repair and Maintenance Plan; Recommend Approval**

Chair Arakawa made a motion to recommend approval of the HCC April 2024 Financial Report update and the HCC 6-year R&M plan. Ms. Agas seconded.

Ms. Orton said they do not have the financials for April completed yet, but they will present them at the upcoming Board meeting. She gave a recap on the financial reforecast. They are slated to hit a bottom line of over \$1 million surplus compared to the budget, which was negative at \$5.3 million.

In May, they will have five conventions in the building and 19+ local events. For the reforecast for the remainder of the fiscal year, they are looking to close a strong financial bottom line for the HCC, which is probably the highest they have done since the HCC opened. She said they will probably have over \$26 million in gross revenue.

She gave the highlights for April and May events. There are 3,500 delegate conference in-house at the moment. Another Delta Sigma is moving in, so the HCC is very busy. Amid all the rain and leaks they are dealing with, they are having a good April and May. She mentioned that the meeting packet listed the updates on the R&M projects. She said about five or six meeting rooms are leaking at the moment, so they are putting out fires and moving clients around. The storage rooms and loading dock are also underwater.

Chair Arakawa and Ms. Agas withdrew the original motion. He made a new motion to recommend the approval of the update on the HCC 6-year R&M plan as presented by Ms. Orton. Ms. Agas seconded. There were no questions, comments, or discussions. Mr. Kishi did the roll call, and the motion passed unanimously.

## **6. Motion, Presentation, Discussion, and Action on Fiscal Year 2024 Budget Reallocations**

Chair Arakawa made a motion to approve the FY2024 budget reallocations. Ms. Agas seconded. Chair Arakawa gave the floor to Mr. Kishi. The budget summary was in the handout.

He gave a brief overview. He presented budget reallocations to rebalance the budgets for the end of the year because he needed to allocate funds for some payments that were initially intended to be funded with ARPA funds. When BNF brought back the funds on July 1, 2023, the staff had to identify all the payments initially funded with ARPA funds and then allocate funds from the FY2024 budget to cover those payments. For the most part, they did a good job in identifying those payments, but some slipped through the cracks, so he has been working on rebalancing the budget since then. He did not bring that to the Board as he was not ready then and did not have a solution. Since then, he has identified some solutions. He has been working with leadership and respective staff to figure out ways to rebalance the budget. This is the solution he will present section by section.

Chair Arakawa asked for the total amount to be rebalanced. Mr. Kishi said they would focus on the sub-totals on the sheet as everything nets out to zero. Chair Arakawa said they had to pay some funds for FY2023 because some of those items were to be paid by ARPA, and BFCC called those back as some of the FY2023 invoices had to be paid by FY2024 funds, so they would be short for FY2024. Mr. Kishi found some savings to make the adjustments. Mr. Kishi said this happened when they transitioned from the existing funds when they got the \$60 million from the governor.

Mr. Kishi started with the Administration section. They are adding \$7,000. For Branding, they are adding \$958,000 primarily to cover the final payment for the U.S. MMA previous contract. For Destination Management they are adding \$527,000 to cover calendar year 2023 services for various DMAPs. They were not ready to make the payments at the time due to services provided and deliverables that were not ready for submission.

Mr. Choy asked Mr. Kishi to explain budget line items 219, 655, 702, and 705. Mr. Kishi said the reason for those significant adjustments is that the budget line items at the beginning of the year were placeholders because they knew they had to earmark funds, but they were not sure which were allowed to be used at the time. Since then, he worked with the staff to come up with budget allocations to reallocate the funds to the appropriate places.

Mr. Choy asked about the programs that did not happen. Mr. Kishi said that there were multiple programs within that section, so they just used an umbrella at the time. Once they had worked out which programs they would work on, they could reallocate the funds from the bucket into specific areas. Mr. Nāho'opi'i added that on the programmatic side, the broad categories, those funds, and the intent of those programs were moved into the Kilohana contract, so there are increases in other areas. He reminded everyone that the first budget was done before the contract was approved, and then the pieces were moved into the Kilohana program. Certain areas increased while others decreased. Mr. Choy said he only brought this to the forefront because those adjustments would not be possible the following year.

Dir. Tokioka asked about the DMAP category. He asked Mr. Kishi if it was broken down according to who made the contracts or if it was in-house. Mr. Kishi said within the DMAP category, the majority is for Kilohana, about \$12 million, but some are for the previous DMAP contracts such as the DMAP/Community Enrichment/Signature Events, so it is a mixture by the majority of the \$13.5 million. Dir. Tokioka mentioned Mr. McCully's point at the last Board meeting, regarding Kilohana programs and asked if anyone had scheduled a presentation for Kilohana to discuss the status of the programs. He said he is comfortable that they are doing what it was intended to do but said it would be good to get an update.

Mr. Nāho'opi'i said they have been scheduling periodic updates and alternating between the major contracts. They had the HVCB U.S. marketing contract do their updates on advertising at the last meeting, so the agenda for the Board meeting will include Kilohana. Dir. Tokioka said they all need exposure to it as not all the Board members are aware of what each program is. They need to have knowledge about this for community questions. Mr. Nāho'opi'i said they also do summaries within the CEO report, but since a lot of the project is different from the past, they should continue to inform and educate the Board. They have other programs they will put out in the coming Board agenda.

Chair Arakawa suggested talking to the committee chairs, but the HVCB and Kilohana contracts are the major contracts that use a large budget, so they should also have those presentations. Mr. Nāho'opi'i asked if Mr. Ka'anā'anā could review what is coming up in the Ho'okahua meeting. Then the committee chairs can decide what to bring to the Board's agenda. Mr. Ka'anā'anā said they have Kilohana updates at the next Ho'okahua meeting on May 20. The agenda has been distributed to members of the committee. He said it would be helpful if he had a panelist link to help answer questions. Chair Arakawa said that even though Kilohana would give a presentation at the Ho'okahua meeting, he asked if all parties were happy to give a summary at every Board meeting. Mr. Ka'anā'anā said they were happy to do that. Mr. McCully said he appreciated Dir. Tokioka's reference to his comment at the previous Board meeting. He emphasized that after 20-plus years of the HVCB being the sole contractor for the HTA, with a new contractor and defining of interest between the two contractors, Kilohana must have a position of reporting at each meeting. He would have appreciated having more information and presentations nine months into the contract. Chair Arakawa agreed that it is an excellent point. Ms. Agas supported that as well.

Ms. Agas had a question for Mr. Choy about the fact that he said they will not be able to do what they are doing now in the next FY budget. Mr. Choy said he would present that issue at the next agenda item.

Mr. Kishi circled back to certain questions. He said they did experience some cost savings. In the previous DMAP, Community Enrichment, Signature Event contract with the HVCB, he estimated that he would save about \$600,000 to \$700,000, although this has not been confirmed yet. A lot of those events were canceled due to the Maui wildfires, so there were some cost savings. They also discontinued one of the programs in the Kilohana contract. He asked Mr. Ka'anā'anā to elaborate. Mr. Nāho'opi'i said he referred to Smart Tourism, where they adjusted the scope in the current FY. Chair Arakawa said this could be discussed at the Ho'okahua meeting.

Mr. Kishi continued with his presentation. He spoke about Governance and Org-Wide. They will move \$60,000 from Governance to support Branding Destination Management and HVC marketing.

He spoke about the HCC marketing. They are adding \$787,000 to recover costs for calendar year 2023 services. There were no questions.

Mr. Kishi spoke about Perpetuating Hawaiian Culture. To utilize the full funding, they reallocated \$633,000 from this area, primarily from Hawaiian Culture projects that were not identified during the year.

Chair Arakawa mentioned that the middle column clarifies where all the money goes.

Mr. Kishi spoke about Planning and Evaluation. The funds for the governance study were originally placed in BLI509 Tourism Strategic Plan Update, but this is a misnomer, so he reassigned the money to governance and org-wides since it is a governance study. The DMAPs experienced significant delays due to the Maui wildfires, so DMAP planning and implementation were postponed. Instead, an evaluation of each DMAP will be conducted. Evaluation results will be used to determine the extent to which the DMAP actions were accomplished and to plan for the next iteration of the DMAPs. Mr. Nāho'opi'i added that the details of the program adjustments will come up at the subject matter committees. So, the \$1 million cost saving is being used to support Branding, Destination Management, and HCC marketing.

Mr. Kishi spoke about Resident and Communication Outreach. As previously discussed, they are moving \$435,000 from there to the various programs,

(1) The Spring Tourism Update was a stream-only event, so there were cost savings for that budget.

(2) Communication contracts are being evaluated for greater efficiency and effectiveness.

Chair Arakawa asked for the date and terms of the communication contract. Mr. Kishi said they are on a calendar basis.

For Safety and Salaries, there were no budget reallocations.

For Sports, there was a \$52,000 cost savings from the previous contract as the contract came in under budget, so they could save money from sports and set some aside for travel.

For Workforce Development there was no budget reallocation.

Dir. Tokioka asked if LPGA is zeroed out. Mr. Kishi said there was money allocated there, but after the November Board meeting, they decided to reallocate the funds for the Maui wildfire services and the branding incremental budget. Mr. Nāho'opi'i elaborated and said LPGA was supposed to be in FY2024, but it has been moved to August, so it will be in the FY2025 budget. He said there is a narrative at the end of the budget summary. There were no questions or comments.

Chair Arakawa said the motion is to recommend approval of the reallocation that was presented for FY2024. Further details would be discussed in the Ho'okahua meeting. Mr. Kishi did the roll call, and the motion passed unanimously. Mr. Kishi added that the recommendation is adopted.

Mr. Choy asked how often they must report the reallocations to the BFCC chair and Board, and what kind of approval system they want to see. Chair Arakawa said they could make that a BFCC agenda item, but maybe in the third quarter, they will know what to reallocate, so a good time might be the fourth quarter to take stock of what they are short on, etc. Mr. Choy said the third quarter is a bit late, but they could discuss that in the future.

Mr. Choy asked if the 2024 budget is closed. Chair Arakawa said it is a recommendation for the Board for now. Mr. Choy said the presentations take a lot of time for Mr. Kishi and asked if they need this granular presentation for the future as they are short-staffed. Chair Arakawa said this could be discussed, but the full presentation is very helpful. Chair Arakawa thanked them for their hard work and noted that they could continuously improve the policies and procedures.

Mr. McCully said the HTA must not lose its focus on the four pillars, must follow the procurement rules and regulations, and stay within the confines of good fiscal policy. He said the point that needs to be made to the legislature is that it has restricted HTA's future flexibility. The legislature needs feedback, and Mr. McCully thought good documentation of what HTA did and reallocations is a valuable point to make.

## **7. Motion, Presentation, Discussion, and Action on Fiscal Year 2025 Hawai'i Tourism Authority Operating Budget**

Mr. Choy said a motion is not needed. Chair Arakawa said they would have a discussion. He asked Mr. Nāho'opi'i to elaborate. Mr. Nāho'opi'i reminded everyone about the Special Board meeting on January 3, where the Board had approved the detailed budget. They had submitted Form A in the calendar year 2023 with details of what they thought were appropriate budgeted projects. They were based on existing contracts with an Opportunity Fund of about \$10 million.

Some contracts would be coming up for readjustment. The amount was \$69 million. They also presented it in a prioritized order to get to the \$69 million. They continued to work with the Finance and Ways and Means chairs and the Tourism subject matter chairs to explain those areas. The result was \$63 million. They convinced the legislators that the core was critical to their functioning. Some things desired by the legislature that had not been identified before were additional sports and signature events since they had been successful. That was part of the Opportunity Fund. They also called more for the Smart Tourism Destination management app, partially because it was part of the previous Kilohana contract. Mr. Nāho'opi'i also consulted with staff when making adjustments. Any changes were presented to the legislature or the PIG of the relevant committees.

Chair Arakawa spoke about the DMAP bill, and Mr. Nāho'opi'i said that DMAP and Smart Tourism have also been in the programs in the budget line items for the last year. They continue to support the intent and the type of work that is needed. So that is still seen as a solution for what the HTA is responsible for.

Mr. Miyasato made an observation. He recalled it as Mr. Nāho'opi'i articulated that the full Board approved the baseline budget, and what was below that line was discretionary if they got further funding. He said it was all out in the open. The added observation was that Mr. McCully had put it out to vote on when they made the resolution. The HTA will be presented by a CEO and the Chair of the Board. Chair Arakawa recollected the same as well. He said they also submitted Form A to DBEDT, which goes to BNF and the governor. The governor then submits it to the legislature. It came out to \$60 million, less than Form A, but then they asked for permission to lobby for \$69 million, the original amount as voted in January. He also mentioned that the voice of the HTA should not be kept secret by the CEO and the Chair. It is a matter of transparency for everyone. They are not challenging the authority, but if certain members of the Board had the information, they would be better positioned to help with decision-making, etc.

Mr. Miyasato clarified that they are in a fight to justify the existence of the HTA via budget, so it has become a political exercise. For a resolution to happen, he identified who those people should be. He said he is a firm believer in the sunshine law. He clarified that they gave the responsibility and kuleana to the CEO and Chair. He agreed that nothing should be hidden.

Mr. Choy said he was not involved in substantive budget talks until the end. He said HB1800, HB1, SD1, and CD1 have passed, which is the budget bill. The budget worksheet has not come in yet, but it was promised to come in on Monday, so still awaiting that. \$63 million is the amount appropriated for the HTA budget. They have \$64 million in CIP for the roof. They have \$34 million extra for R&M for the HCC. He spoke about restrictions and earmarks. When they got the \$60 million the previous year, Mr. Luis Salaveria told him they would not be subject to



the restrictions. In the current year, they are funded but will be subject to restrictions, which come in the budget memorandum. It is 5% permanent (definite) and 5% contingency restrictions. Right off the top, they will lose \$3.1 million and up to \$6.2 million in restrictions. This is not an HTA issue but is right across the board for all the departments. They should have put an extra 5% in their budget. Mr. Choy said they have an earmark of \$3.5 million for Rep. Quinlan's Destination Management application, which was negotiated. They are down from \$60 at a minimum of \$3.6 million to \$9.5 million from the \$63 million that was allocated. More importantly, the exercise they went through that morning with Mr. Kishi's reallocation sheet, a portion of that, is where they will have to make decisions on how they will take the 5 and 5 restrictions away from the contract. He said he understands that it has to be line by line. There were no questions on restrictions or earmarks.

Mr. Kishi noted that Mr. McCully and Dir. Tokioa excused themselves. Mr. Choy moved on to program IDs, a new phenomenon for the HTA. The budget is program-based. There are six new program IDs. This is important because programs are buckets of money that the legislature gives them to spend in a certain timeframe in a certain bucket. The buckets are Administration and Governance, Branding and Marketing, Sport and Signature events, Destination Stewardship and Community, Regenerative Tourism Development, and Workforce Development. The one thing is that the monies cannot be moved between program IDs. Chair Arakawa said that seemed harsh and asked who confirmed this fact. Mr. Choy said it is in the budget proposal HB 1800. HB1800 is a bill, and the provisions are part of that Bill, and the Bill that is passed is the law.

Mr. Miyasato said his understanding in prior years was that they could lump sum funding and were not subject to program IDs. He said it appeared they could move money around the previous year. Mr. Choy confirmed that it changed in the current year. Mr. Miyasato asked about exemptions. Mr. Choy said they never had exemptions. He said the legislature did this by themselves. Some departments have lump sum funding and some guidance from the legislature. The intent of the legislature was clear. They wanted to ensure they stayed in the lanes that the HTA said they would stay in and to see if they would execute the programs within those lanes. Mr. Miyasato said this was not clear other than HB1800. He said one of the key components of an independent Board was lumpsum funding. He said he asked the Chair many times whether they had lost lump sum funding, and the Chair said time and again that they had not lost lump sum funding. Mr. Choy said this is the first year, as they only had one program ID BED113, and now they have an additional six. Sen. Dela Cruz created the program IDs, and it was all in HB1800 and the House agreed to it. Chair Arakawa said that for the past two years, under Gov. Ige the HTA got money from him, and it did not have those restrictions, but the previous year, they got the \$60 million from Gov. Green without restrictions. That is why they were able to do reallocations. Mr. Miyasato said that the \$63 million comes with restrictions and attached strings that they did not have before. Mr. Choy had argued against it, but he was

shut down. He said he is taking it positively, and they will prove that the HTA can be trusted. Mr. Nāho'opi'i said that he and Mr. Kishi did work on the impact statement, and they had mentioned that the six separate programs are the HTA's preference, so they made it clear in their response to the Bill.

Mr. Choy asked about moving money around within programs, which he had asked Sen. Dela Cruz. He asked the Budget Director the same question. The Senator was clear that the line items within the program IDs are another restriction on their spending. During that morning, they went through the budget allocations for 2024, so they have restrictions on the program IDs and on exactly what the budget worksheet will dictate to the HTA. Having researched the different opinions on whether movement within the program ID is lawful or mandated, he looked again at the governor's budget execution policies, and it is clear in the policies that the governor is saying that everything in the budget is provisional and worksheets, which must be allocated to each contract or program they do. That leads him to believe that everything stated in the worksheet is something they have to adhere to. That was verified by Sen. Dela Cruz. The budget management is crucial, and they must ensure they hit the mark. In between program IDs, he believes movement will be restricted from the research he did and the conversations he had.

Mr. Miyasato asked for clarification on whether program IDs align with the budget submittal the Board approved in the previous January. Mr. Choy confirmed this as correct. Mr. Nāho'opi'i said it is similar to what Mr. Kishi put on the budget description in 2024. The legislature looked at each line item they submitted and classified them into different types.

Mr. Choy said there is a rumor that the HTA has a recurring budget. He says this is, in fact, correct because it does not state that the budget is non-recurring, but looking deeper, they have the contracts and the program IDs that will be recurring. He is not sure this is a good thing. He said they should start with blank paper the following year. An example of a non-recurring expense would be the HCC R&M funding. Chair Arakawa asked whether the legislature could bind all future legislatures. Mr. Choy said the future legislature can change this. Mr. Choy said that because they use program-based budgeting, the words recurring and non-recurring are academic exercises. The following year, they will start with a program-based budget. There were no questions.

Mr. Choy spoke about strategy for the coming year. They had parameters they had to work by and mentioned all the work done by Mr. Kishi and Mr. Nāho'opi'i. Chair Arakawa mentioned that a Bill in the legislature took away some planning power from officer state planning and gave it to the HTA. There is a question of whether the HTA has the employees and funding to do that. Mr. Choy said they do not have the funding for it, and whether they have the staffing is up to the staff. Chair Arakawa said this adds stress to the budget. They had additional planning

responsibilities the following year, which they had never had before. DBEDT, or Office of State Planning, moved the responsibility to the HTA, and they have their employees and budget, but the HTA did not get any extra budget or employees to do the job that the Office of Planning is doing. If they keep it next year, they will ask for more budget. Mr. Choy said laws can be strictly construed, and he plans to strictly construe the requirements of HB1800. He asked the Chair if he has a reporting requirement or something saying they should stray from it. He asked about Chair Arakawa's feelings. Chair Arakawa said they have to follow the law and the interpretations of the law, as well as the legislature. He said it is for the full Board to decide. He asked Mr. Choy if he had confirmed his interpretations of the issues with WAM, and Mr. Choy confirmed that he did. He also confirmed it with Budget and Finance but not with DBEDT. Unless they have a clear exemption under the law, they should strictly follow the program IDs. They are trying to build trust with the legislature and must follow the law.

Chair Arakawa shared with the committee that there were three bills the previous year where major state departments came in and proposed that the legislature approve the Bill to move money. Program IDs were established for the Department of Transportation and the Department of Public Safety, and one more department had a Bill. He said he would send the three bills to Mr. Cole. Mr. Choy said the important thing to know is that the concept of the legislature putting in program IDs was not only the HTA. They did it to other departments as well. Mr. Miyasato asked about the agencies that continue to have lump sum funding and do not have to do program IDs. He asked who they were and if they were addressed in HB1800. Mr. Choy said he could confirm later. Usually, a lumpsum funding feature would go with a sole source funding feature. He cannot see the legislature giving general funds on a lump sum basis. Chair Arakawa said there has been a lot of transformation in the last ten years, and the more they follow the law, the better it will be for the HTA. Ms. Agas agreed with Chair Arakawa and said they must clarify this during the full Board meeting. She said everything must be aligned, and the committees must know where their budgets are and start building up from there so that everyone is clear on what can be done and what restrictions apply. She thanked Mr. Kishi and the team for all the hard work.

Mr. Choy said his strategy is to ensure their shop is pristine and stay on track to earn back the exemption for procurement and sole source funding. He does not believe it is doable within the next legislative session, but perhaps two or three years down the line, they can get this done. Chair Arakawa said he and vice-chair Agas concur with Mr. Choy's comments. He said they will start with the 2026 budget in July or August.

## **8. Adjournment**

Chair Arakawa adjourned the meeting at 11:38 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes".

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Sheillane Reyes  
Recorder