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SPECIAL BOARD MEETING
HAWAIʻI TOURISM AUTHORITY
Friday, September 13, 2024, 8:30 a.m.

Hybrid In-Person & Virtual Meeting

Hawaiʻi Convention center
Parking Level | Executive Boardroom A
1801 Kalākaua Avenue
Honolulu, Hawaiʻi 96815

MINUTES OF THE SPECIAL BOARD MEETING

MEMBERS PRESENT:	Mufi Hannemann (Chair), Mahina Paishon (Vice Chair), Kimberly Agas (Zoom), David Arakawa, Stephanie Iona, James McCully (Zoom), Blaine Miyasato, Roy Pfund, James Tokioka (Ex Officio, DBEDT Director), Mike White
MEMBERS NON-PRESENT:	Chris West
HTA STAFF PRESENT:	Daniel Nāhoʻopiʻi, Kalani Kaʻanāʻanā, Isaac Choy, Caroline Anderson, Iwalani Kūaliʻi Kahoʻohanohano, Talon Kishi, Carole Hagihara, Lindsay Sanborn
GUESTS:	Tyler Gomes, Laci Goshi, Krislyn Hashimoto, Kūhiō Lewis, Kumu Mina, Teri Orton, Alison Schaeffers, Mari Tait, Angela Vento (Zoom), Mr. Keith Vieira, Josh Hargrove (Zoom)
LEGAL COUNSEL:	John Cole

1. Call to Order

Chair Hannemann called the meeting to order at 8:37 a.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

Ms. Sanborn conducted the roll call, and all Board members except for Chris West were in attendance. Members who attended via Zoom were by themselves.

3. Opening Protocol

Mr. Kaʻanāʻanā conducted the opening cultural protocol with a chant.

4. Report of Permitted Interactions at Informational Meetings or Presentations Not Organized by the Board Under HRS section 92-2.5(e)

There was no input on Permitted Interaction

Chair Hannemann had invited some guests to share their *manaʻo* about the budget process with both Board members and members of the public viewing this Board meeting. He stated that the first guest would be Mr. Keith Vieira.

Mr. Vieira introduced himself as the Principal of KV and Associates Hospitality Consulting. He stated that his work consisted of reconstructing the visitor experience in Hawaiʻi, collaborating primarily with larger landowners, schools, and private equity companies. During his 40 years in the visitor industry, living and working in Waikīkī, he experienced numerous challenges and noticed that people and communities immediately came together during difficult times. For instance, within four days after the 9/11 attacks, three gas station owners in the State capital noticed that visitor numbers had decreased by 30%. They had not previously realized that visitors refueled at their stations. Although a 30% decrease might seem minor, with their profits based on the top 15-20% of sales, they experienced a significant income drop.

Mr. Vieira stated that spending appeared to have decreased by 10% and 15%, representing a loss from which small businesses would find it difficult to recover. He noted that Waikīkī was attracting more visitors from the West Coast and fewer higher-spending travelers from Asia, which harmed small businesses.

Mr. Vieira pointed out that for many years, spending on marketing had been approximately $100 million, including that for the HCC. In 2009, revenue from Transient Accommodations Tax (TAT) had been about $110 million, increasing to a billion dollars by 2019. He believed that it was logical to allocate between 10% and 15% of resources for marketing.

Marketing received $100 million In 2019, and the current target was $80 million. After deducting the amount allocated to destination management, approximately $50 million remained. However, marketing costs had increased by about 63% compared to 2019. This indicated that the amount available at present to drive visitor spending was only 20% of the amount previously allocated.

Mr. Vieira added that during the following week, he was to travel to Los Angeles for an activation campaign. This increase in marketing efforts was intended to ensure that Hawaiʻi would be visible in the marketplace. Many Hawaiʻi residents were unaware of the amount of money required for such campaigns. However, he added that if $10 million had been allocated for publicity in the Bay Area, for instance, industry partners would typically add about nine times that amount by promoting a Hawaiʻi special or contacting higher-spending travelers. Hotels in the Bay Area might also offer Hawaiʻi specials, turning the $10 million into $90 million.

Mr. Vieira believed that an investment of $10 million in marketing would drive approximately $80 million in visitor spending. If this amount had been entirely on the hotel side, it would have generated $16 million in TAT to replace the initial $10 million investment. This type of spending generated more tax dollars, and all the TAT was paid into the general fund to benefit the entire community.

One of Mr. Vieira's significant disappointments had been the lack of benchmarks relating spending to tax dollars. For instance, the benchmark could have been 15% of the TAT, with the requirement for an annual increase of this figure. This was measurable, and if not achieved, either the responsible individuals should be dismissed or the benchmark should be reduced.

Mr. Vieira stated that goals had to be attained in the private sector, focusing on visitor spending rather than on visitor arrivals. Increased spending did sometimes result from more arrivals, but the aim should be to attract wealthier travelers who would spend more money upon arrival.

He clarified that he aimed not to exclude low-budget travelers since first-time low-budget travelers often became repeat visitors, maintaining a balance in the market. However, in today's world, even the smallest competitor in Mauritius could share online stories about their visitors, which was a factor to consider.

Mr. Vieira urged Board members to vote for the additional $10 million. He also called on the visitor industry to increase their contributions to tourism in Hawaiʻi. He had been gratified by the assistance offered by the Marriott group. Their experience had made it easier to focus on Maui, but the issue affected the entire state. Maui, the price leader for luxury travelers, could not benefit from taking a share from the Big Island. Instead, the goal was to expand the overall market.

Chair Hannemann asked Mr. Vieira to share with Board members his information about the number of room nights for which Maui businesses were to be compensated due to loss in TAT.

Mr. Vieira responded that Maui had been helped to endure their nightmare due to the residents, the Army Corps of Engineers, and the builders. Approximately 260,000 room nights were generated between January 24 and June 10, 2024, when most residents left the hotels. Small groups of the Army Corps of Engineers had remained in each hotel, probably about 200 per day, but they would all have left by the end of the year. Thus, in addition to Maui having to start from zero, they had to make up those 260,000 room nights just to get back to the previous level. The room rates were not high, although the hotels provided food, usually by running it out of their kitchens like takeout, which was less costly. Most hotels were cleaning every third day, helping the hotel stay alive but not assisting the employees who needed to work. Visitors needed to be brought back so that employees could work every day. In one way, Maui had been fortunate to receive these room nights, but in another way, the community deserved a break.

Mr. Vieira mentioned that although the beach protesters had been peaceful, they had made people reluctant to visit Maui. The Mayor of Maui was urged to announce the following week that it was not just “okay“ to visit Maui but that visitors were welcome to come and celebrate without offending. It was important to respect the tragedies that Maui had undergone, but no visitor wanted to feel that they had to walk on eggshells.

Ms. Iona thanked Mr. Vieira and recalled being present about management and marketing techniques at his presentation. He had delivered the acute message that today’s failure to conduct marketing would affect the future.

Mr. Vieira stated that Hawaiʻi was about 93% a leisure destination, and booking pace was of vital importance. The booking pace in any hotel for the next three months would enable him to predict the occupancy of the following year. Increasing the booking pace was essential. The fact that traveling to Hawaiʻi was expensive meant that extra work had to be done to target the right pockets.

Industry partners, such as credit card companies or frequent flyer programs, knew the exact amounts customers spend on overseas travel, lodging, and food and beverages. Marketing partnerships were important for the HTA because while the State contributed a certain amount, the partners contributed a larger amount.

Mr. Vieira suggested that the HTA could approach Marriott and propose partnering with MasterCard and Visa to target the Bay Area in a similar program to the activation in Los Angeles the following week. He pointed to the necessity for a major marketing effort in the Pacific Northwest. San Francisco and Los Angeles were major markets.

Mr. Vieira advised that marketing campaigns should be rolled out across other major markets directly tied to airline airlift, such as Atlanta, Dallas, New York, etc. Unless these programs were continually pushed, the booking pace would not be achieved.

He explained that the summer and fall would also be lost if the booking pace did not pick up in the first quarter. The situation of some hotels in Maui whose guests were all Hawaiʻi residents was undesirable. A change of approach was needed. Visits to Maui or West Maui by $200 travelers were not helpful because these people would not visit all the 200 destinations presently available. Maui had to attract the $600 spender, and Wailea had to attract the $800 spender to match the programs in place.

Mr. Vieira pointed out that TAT revenues had increased by 1000% between 2009 and 2019, not because of more visitors, although that was a major aspect, but because of increased spending by visitors.

Mr. Vieira stated that in 2009, there had been 68,000 hotel rooms, timeshares, apartment condominiums, and a rental pool. In 2019, the total number was still 68,000, but the number of visitors had increased from 6.3 million in 2009 to 10.4 million in 2019, with many staying in short-term rentals (STRs). He acknowledged that while there were some positive aspects to this, there were also significant negative aspects.

For instance, a resident might have built a house in their backyard for their daughter and her children. Renting the house to visitors could provide an excellent experience of living with a local family for the visitors. However, it would be inappropriate for a group of five businesspeople to buy 50 condominiums in a new building in Koneyoi and list them on Airbnb. The condominiums were not intended for short-term rentals, and these should be in resort areas or similar locations. Mr. Vieira reminded Board members that the current situation could not continue due to the massive numbers involved, but he believed that a solution would eventually be reached.

Mr. Vieira recounted the experience of an acquaintance who had formerly rented out her property to a Canadian couple for $1,200 a month. In the present market, she could rent it for $750 a night, potentially earning $21,000 instead of $1,200. Naturally, she would prefer the higher amount she could use to support her grandchildren's college education. Mr. Vieira pointed out that this emphasized the need to regulate and manage the STR market. He also believed that the owners of many illegal STR were not paying TAT, or alternatively, their customers were paying it, but the owners were not remitting it.

Mr. McCully stated that he had read many of Mr. Vieira's writings over the years and observed that Mr. Vieira seemed to be addressing two subject areas: the HTA brand and management of the tourism industry and the political process. He inquired if Mr. Vieira could provide data to support the HTA's efforts to secure a $150 million budget to support the Hawaiʻi tourism industry. Such data would enable multiple points of support for the return on investment (ROI) to be presented to the legislature, which required tangible evidence of the need for industry and community funding.

Mr. Vieira advised against approaching the legislature without data. He mentioned that Ms. Chun had information on past expenditures. He explained that if the impact of expenditure could be quantified, particularly through social media or online marketing, specific ROIs could be obtained, whether in terms of touches, views, or actual bookings. Hotels have already conducted such processes to determine where and when money is most effectively spent. A hotel could see that certain expenditures with a particular wholesaler would drive a specific percentage of revenue. It was important for the HTA to set goals to demonstrate the effectiveness of their spending. Data was available, and if goals were not being achieved, then the leaders should not be in their positions.

Mr. McCully responded that he firmly believed that multiple sources of information would be necessary, not just the internal information generated by government departments. While this information was credible, data supported by the industry had a significant impact. Everyone at the HTA shared the goal of securing funding to return to the levels of support of 2009 or earlier. However, Mr. McCully believed that Mr. Vieira knew the political reality that the HTA was separated from TAT revenues. The HTA was dependent upon the release of government funds based on a funding amount agreed by the legislature. The HTA was no longer a governing board but a policy board that made recommendations. Mr. McCully appreciated Mr. Vieira's attendance and emphasized the importance of his support.

Mr. Pfund, following up on the need for credible financial information, mentioned that he was a member of the Hawaiʻi Business Round Table Tourism Committee. He had been advocating for the HTA to do exactly what Mr. Vieira suggested: to produce more precise numbers. Understanding how gross expenditure was distilled into tax revenue for the State was essential. The Chair of the Hawaiʻi Business Round Table, Mr. Bob Harrison, had stated the previous day that the association intended to develop an economic study model that would determine the total amount of visitor spending and how it filtered down into the economy through multiple layers. Visitors bought goods and services, and businesses bought goods and services, all contributing to income tax.

Additionally, fee income generated by the visitor industry and paid to the Department of Transportation, such as airline landing, concession, and harbor fees, needed to be incorporated. This approach would encompass multiple areas where tourism generated income. This included the provision of jobs, which was the focus of destination management. The Round Table survey would support any legislative or administrative request.

Mr. Vieira mentioned that Hawaiʻi had relied on wholesalers for marketing for years, and they had done an excellent job. However, he believed that future segmentation would involve consortia, direct marketing, and online travel agents. The HTA needed to adapt to these methods, whose unique aspect was the ability to measure response. The challenge was that this was expensive. Nevertheless, Mr. Vieira believed that social media were ideally suited to convey Hawaiʻi's beauty, experiences, and uniqueness. At present, the worst aspects of social media have been allowed to dominate, focusing on foolish actions or inappropriate comments or people who swam at Lahaina. There had been a failure to use influencers to leverage the positive and to take advantage of visitors' incredible memories of Hawaiʻi.

Mr. Vieira recalled that during the floods in previous years, visitors had been taken in by local families. He remarked that circumstances had changed, and people needed to act more sensibly, acknowledging that while it was possible to manage the situation, it would incur costs.

Dir. Tokioka mentioned that Mr. Vieira had raised the issue of hotel rates on Maui. Dir. Tokioka and the Lieutenant Governor had recently visited Korea and Japan to generate increased business from those countries. Representatives from both countries had expressed their desire to support Maui and restart their businesses in Hawaiʻi. JTB, JCB, and JAL were to collaborate to bring visitors back. However, the primary concern was the high rates, which the free independent travelers (FITs) and the leisure market could not afford. The representatives had requested that this concern be communicated to the Hawaiʻi visitor industry. Dir. Tokioka intended to address this at the forthcoming Hotel Round Table and inquired whether there were opportunities for promotions specifically targeted at Asian travelers, who were high spenders when they arrived in Hawaiʻi.

Mr. Vieira agreed that this was an excellent point and highlighted the dollar's strength against the yen. He had recently reviewed hotel rates in Japan, noting that there was nothing available for under $500, even considering the yen decline of the yen. Hawaiʻi would never be a low-cost destination, and it was important to demonstrate to the Japanese market that it offered added value. Some destinations' advantages were the availability of local experiences, such as street vendors. Mr. Vieira acknowledged that rates had increased significantly and urged that the message should be that, while Hawaiʻi would never be cheap, it could offer much better value.

Dir. Tokioka agreed with this statement and mentioned that he had used artificial intelligence (AI) to analyze room rates on Maui, pre-COVID, post-COVID, and present. He intended to share these findings at the Hotel Round Table. However, he noted that occupancy percentages had increased significantly after COVID. He thanked Mr. Vieira for his *manaʻo* on the visitor industry.

Chair Hannemann noted that Mr. Vieira had strongly supported the HTA saturation campaign in Southern California, followed by a Japan campaign to encourage visitors to return. The Chair also mentioned that even if funding had not reached the desired level, these campaigns would encourage the type of major cooperative partnerships that had taken place in the past. He asked whether there were other areas where saturation should be implemented.

Mr. Vieira responded that no West Coast resident was unaware of Hawaiʻi, but merely running an advertisement in the Sunday paper or on social media did not necessarily motivate travelers. What was effective was an industry-wide, state-wide cooperative effort. Mr. Vieira gave the example that the HTA could partner with Macy's for a fashion show featuring Hawaiian music and talented Hawaiian designers while simultaneously promoting Hawaiʻi or Maui during a

Rams football game. The HTA could also advertise in the *LA Times* or sponsor an editorial about the great hiking trails in Hawaiʻi, with the industry contributing four pages to give six pages about Hawaiʻi. Additionally, a Hawaiʻi campaign by the Southern California branch of AAA, with 59 million members, could promote a special Hawaiʻi month, while hotel chains could run promotions with their frequent travelers. This comprehensive approach would be effective and would be similar to the marketing methods used by the Caribbean and Mexico.

Mr. Vieira emphasized that there was a special reaction when people traveled and mentioned they were from Hawaiʻi, which was different from when travelers mentioned that they were from Mexico. The aim was to trigger that special emotion.

Mr. Vieira stated that spending was more important than the number of visitors. He emphasized that Hawaiʻi's problem could not be solved by increasing the number of visitors to 20 million. On the other hand, eliminating STRs might help achieve a balanced spending level. STR visitors typically bought steaks at Costco and sandwiches at the beach, which did not align with the targeted visitor profile. He argued that increasing visitor numbers was not feasible; instead, visitor spending should be increased. Hotels might raise their rates and create clubs, usually employing around 30 people in the bar and other areas. This would elevate average daily expenditure and increase working hours, thus benefiting Hawaiʻi.

Chair Hannemann commented that Mr. Vieira appeared to be advocating for an $80 million budget, while Mr. Vieira clarified that he was urging for a $150 million budget. The Chair explained that the Board was faced with two proposals: one for an $80 million base budget and the other for a $70 million base budget with additional supplements. The Chair asked whether private industry would support an $80 million base budget rather than a $70 million base budget.

Mr. Vieira responded that he wholeheartedly favored the larger figure and stated that he would make private industry accountable by "holding their feet to the fire." However, he questioned how much the HTA was doing to justify the additional $10 million. Mr. Vieira suggested that another $15 million should be contributed by private industry spending if the State were to spend an additional $10 million. He reminded the Board that they were comparing current amounts with those spent on marketing in the early 2000s when there were 4 million visitors. He was concerned about finding ways to get people back to work. During the previous year, hotels had informed him that the average union salary was $96,000 without tips. Mr. Vieira emphasized that those employees deserved every penny and needed to be put back to work. He recalled that his family had come off the plantation, and everything his parents did had been aimed at sending their children to college.

Mr. Vieira recalled that two weeks after the Maui fire, he had attended a West Maui employee meeting attended by 425 out of the total 550 employees. Ninety percent of them were Filipinos, with an average age of 68. The employees had expressed their desire to return to work as their families needed the money. He was shocked when he saw how hard hotel employees worked. He recalled that maids had received very small tips in the past, but he was glad to say that the amount had now increased to $9,000. Mr. Vieira continued to stress the importance of putting people back to work.

Mr. Miyasato underscored the discussion about funding, highlighting Mr. Vieira's unparalleled experience. He noted that some branding and marketing initiatives were intangible and involved feelings. He regarded Mr. Vieira as the State subject matter expert and advised Board members to take his comments seriously. He asked Mr. Vieira if it was true to say, "It takes money to make money."

Mr. Vieira responded that in today's market, it took *targeted* money. It was important to target cities from which people traveled to Hawaiʻi, focusing on the shortest air journeys and the high-spending visitors. There were various methods of targeted marketing to identify these visitors. Mr. Vieira agreed that the visitor industry understood the issues the legislature and administration faced. He recalled a period when the HTA Board consisted solely of industry people, with no outsiders. During the 1990s, destination management had not been an issue. He emphasized the need to create demand, especially since the pandemic and the Maui fires. Issues created by the fires had been different, as visitors stayed away to avoid upsetting residents. Consequently, their next trip might be to Tahiti.

Mr. Vieira noted that the shortfall was not unique to Hawaiʻi. Other destinations also saw 10% reductions. Advance bookings did not look promising, and destinations were not adding new products. He suggested that if the HTA received more money, the visitor industry would contribute more and allocate it where needed.

Mr. Miyasato remarked that marketing was a *kākoʻo* thing, and he believed that marketing and branding were more art than science. He emphasized the importance of emotion in the marketing strategy connecting people to the destination. He stated that if a location were targeted, everyone should be involved, and an analysis should finally be conducted to determine the strategy's effectiveness.

Mr. Vieira replied that the hotel industry conducted monthly operating reviews to assess the results of marketing spending. He repeated that booking pace was a key indicator. For instance, on the Monday following the Sunday of the Hawaiian Open, usually around January 11 or 12, travel operators expected a 700% increase in bookings. If this did not occur, it indicated a problem. East Coast customers, having watched the blue skies of the golf tournament, were eager to experience good weather in Hawaiʻi.

Mr. Miyasato pointed out that the major budget components submitted by the Branding Standing Committee included targeted installations, cooperatives, and coalitions. He agreed that "desperate times called for desperate measures."

Mr. Vieira remarked that the HTA was fortunate to have the best brand in the world from a marketing standpoint.

Mr. Arakawa thanked Mr. Vieira for taking his calls and answering his questions. He admired Mr. Vieira's presentation and his knowledge of tourism and the Hawaiʻi market. He was interested in hearing Mr. Vieira say that the HTA could use $150 million. Mr. Arakawa understood that Mr. Vieira was present to advocate for the $80 million base budget and inquired if he was aware of a proposal for up to $90 million, consisting of $70 million plus two additional $10 million increments. The overall cap was to be $84.3 million; from his standpoint, more funding was preferable.

Mr. Vieira agreed that more funding was necessary. While not wishing to appear greedy, he emphasized that the HTA had many responsibilities, as did the legislature. He pointed out that tourism was one of the few investments made by the State where the return on investment could be clearly seen. If an investment did not yield returns, then either the people in charge needed to be replaced or the approach needed to be changed. He believed it was straightforward to review what worked and what did not. Mr. Vieira also encouraged the visitor industry to join in and increase the total investment to $900 million.

The key point was that with sufficient funding, efforts could be targeted more effectively. He highlighted the success of cooperatives like Pleasant Hawaiʻi and Costco, which were significant players in the wholesale market and catered directly to consumers. This direct approach had changed the travel landscape, as travelers now preferred to book directly through Costco rather than through a retail travel agent.

Mr. Arakawa asked Mr. Vieira to share his opinion about the main priorities to be targeted in the budget.

Mr. Vieira identified consistency as the missing element. During the pandemic, investing money without possibly a return did not make sense. However, it had become clear over time that consistent efforts were crucial. For example, the HTA should target Los Angeles every September and explore beyond the usual venues, looking at the Dodgers, the California Angels, and South Coast Plaza, located in one of the wealthiest areas on the West Coast. There should be an annual program with these entities.

Mr. Vieira recalled that when he had participated in the HTA Hawaiʻi Revised Economic Council, the visitor industry had requested a three-year funding mechanism to enable long-term deals. This approach allowed for consistent marketing efforts. For instance, when Jack Richards planned a Pleasant Hawaiʻi schedule for September and discussed it with AAA, their plans could be aligned for simultaneous marketing. Mr. Vieira believed that consistency and repeated engagement with major metropolitan areas were essential for driving Hawaiʻi's business.

Mr. Arakawa expressed his gratitude and referred to the importance of consistency. He noted that Mr. Vieira worked with several major hotels and represented the owners. Mr. Arakawa mentioned that the fall was the “shoulder season” for the West Coast. Hotel owners had complained about the poor summer performance. Mr. Arakawa asked staff to prepare a program to address this issue and created an incremental fund. The HTA's presence at Rams events was due to hotel owners’ suggestions. They recognized the need to prepare for the shoulder season. Mr. Arakawa thanked Mr. Vieira for his suggestions and asked if he had other tips for the visitor industry apart from consistency and targeted markets.

Mr. Vieira responded that the Hawaiʻi brand was very strong. An example was the hula show organized by the Council for Native Hawaiian Advancement (CNHA). People had lasting memories from attending such events. Mr. Vieira also mentioned events on neighboring islands and vendors in Maui and Lahaina. More than 35,000 people attended the Made in Hawaiʻi Festival two weeks ago. Some vendors had told Mr. Vieira that they relied on such events for their livelihoods. He questioned why this could not be a year-round or six-month event. There was a demand for Made in Hawaiʻi products, which brought people together again. Mr. Vieira explained that this was exemplified by the involvement of local designers in the renovation of a hotel. He pointed out that the diversification of tourism created opportunities for residents to make money from the visitor industry, which would garner more support for the industry. Mr. Vieira recalled that during previous decreases in tourism, the CEO of the Bank of Hawaiʻi had led efforts to encourage visitors because he understood the business community’s needs.

Mr. Vieira’s previous discussions with the Japan Tourism Board and governors and mayors in Japan demonstrated the importance of the message that visitors wanted. He believed that everyone could share in the benefits of tourism by bringing more people to the table.

Mr. Arakawa summarized the discussion, highlighting the importance of consistent programs targeted at successful markets, building up the brand, and making the brand available. He asked whether Mr. Vieira knew that these priorities were included in the base budget. Mr. Vieira replied that he had not reviewed the budget proposals and was testifying at the Chair’s request.

Mr. Vieira suggested that the upcoming Maui Classic, the best pre-season basketball tournament in the US, should be extended beyond a three-day event. He suggested that it could be a two-week event since no one visited Maui for just three days. Mr. Vieira proposed a one-week Maui vendors’ campaign and suggested filming the artisans and their creations during the basketball tournament. It was important to provide startup or marketing money to support such initiatives. Mr. Vieira suggested that products sold at the Made in Hawaiʻi event should be available at every event, such as golf tournaments and basketball tournaments, to enhance the experience. He compared this to Tahiti, where the purchase of local products made visitors feel they were supporting residents.

Mr. Arakawa pointed out that events held at the Hawaiʻi Convention Center, such as a recent ethnic festival, usually incorporated sales of food and beverages. Mr. Arakawa asked whether the HTA had consulted Mr. Vieira and recommended that this be a good practice.

Mr. Vieira observed that there were opportunities for other community members to benefit financially from tourism, thereby challenging the notion that an influx of visitors was "a necessary evil." He believed that while most of the community supported tourism, this support should not be based on relatives working as maids and requiring income. Instead, he contended that tourism should be endorsed because it provides benefits to everyone in the community.

Mr. Arakawa commented that Mr. Vieira had not been consulted about the budget. He believed that the HTA needed to make more effort to hear new ideas.

Chair Hannemann responded that Mr. Vieira had received more than his fair share of telephone calls.

Mr. Arakawa did not want to cut off anyone else but was trying to ensure that Mr. Vieira's suggestions would form part of the budget so that next year, they would be better prepared. Mr. Vieira mentioned the importance of adding value, which could be discussed later. Mr. Vieira had also mentioned targeting programs and "holding the feet of private industry to the fire." Mr. Arakawa asked Mr. Vieira to explain what he had meant by this expression.

Mr. Vieira stated that any investment should yield a return, and the HVCB and other vendors should be aware of this. He had always considered it illogical to separate Japan from other Asian regions since managing one large entity was more efficient than managing four or five smaller ones. Additionally, the reallocation of funds was simpler within a single entity. If Japan were to face challenges due to the low value of the yen, it would become more difficult to reallocate funds from one country to another. During Mr. Vieira's tenure at the HTA, there had been five staff members, and at that time, it had been easier to hold the HVCB accountable, and not just for marketing. Everyone desired the HVCB's success, but Mr. Vieira was uncertain about their current accountability for the programs that they managed. Furthermore, accountability for smaller sums of money was more challenging.

Mr. Arakawa expressed his gratitude to Mr. Vieira. During the visit to the previous Board meeting by Dir. Salaveria of the Department of Budget and Finance (DBF) raised the ROI issue, and an emphasis was placed on justifying expenses.

Mr. Vieira remarked that determining the ROI was easier today than in the past.

Mr. Miyasato, in deference to Mr. Arakawa, clarified that Mr. Vieira was not testifying to Board members but rather educating them, and his presence was a tangible example of his educational role.

Chair Hannemann announced that Mr. Vieira was excused.

Chair Hannemann then invited Mr. Kūhiō Lewis, President and CEO of the Council for Native Hawaiian Advancement (CNHA), to share his *mana'o* in person. He remarked that Board members had just taken part in an extensive discussion on destination marketing. Mr. Lewis would provide updates on the need for destination stewardship and destination management. The CNHA convention was scheduled for the coming week, with most of his staff departing the following day. Traditionally, conventions had focused on issues related to Hawaiian culture, but in recent years, tourism has been incorporated into the agenda. The focus was to envisage all aspects of tourism from a community perspective.

Mr. Lewis mentioned that the forthcoming convention would feature an opening ceremony for which, for the first time in history, all of the six Hawaiʻi Island *moku* would come together. This would be the CNHA's inaugural convention on the island. Mr. Lewis highlighted this because these voices would be integral to the discussions on tourism. Historically, Hawaiians were only seen marching in protest, but this proactive approach reflected the capacity that the CNHA had brought to the HTA table. Mr. Lewis intended to continue to support and elevate this work. He expressed gratitude for the opportunity to participate in this Board meeting.

Mr. Lewis noted that it had been a year since the CNHA had been given the contract granting them destination stewardship responsibilities. This had been a compromise aimed at making progress and resolving issues. He knew numerous blessings and opportunities to strengthen the *kuleana* of the CNHA had emerged from this arrangement.

Mr. Lewis stated that, in many ways, the CNHA's potential and capacity had been underutilized by the HTA. Many of the most visible activities of the CNHA, such as the show at the Waikīkī Shell or working with the Honolulu City Council to revamp the beach, were not funded by the HTA but by the CNHA itself, which spent about $300,000 a month to support such activities. Other resources could have been utilized but were not permitted by their contracts. The CNHA hoped for an opportunity to discuss and recalibrate how they could move ahead.

The CNHA, like the HTA, allocated 7% of its budget to support the community and some smaller programs. The CNHA's other *kuleana* was messaging. They had been allocated $60,000 for marketing at airports, compared to when HVCB was controlling it. They did not have a way to convey a meaningful message.

Ms. Anderson pointed out that the feed from the HTA boardroom had frozen.

Mr. Lewis appealed to the HTA for support for destination stewardship and management.

Mr. Kaʻanāʻanā asked for a technical pause for a few minutes because some members on Zoom had no feed.

Chair Hannemann thanked Mr. Lewis for his presence at the Board meeting and asked him to elaborate on where more resources for destination stewardship should be added to the budget.

Mr. Lewis believed the Visitor Education Post-Arrival Marketing (VEPAM) budget needed to be increased significantly. Feedback from visitors and residents showed that the contract was insufficient to communicate effectively with visitors. The available finances limited the program to messaging in the airport baggage claim area. The budget was tight, and creativity was needed to stretch across a market as large as Hawaiʻi.

Mr. Lewis explained that, in the simplest form, the HVCB brought in visitors, and once they arrived, the CNHA assisted with hospitality and messaging. However, the CNHA lacked the funds to be effective, so they requested more VEPAM funds.

Chair Hannemann acknowledged the challenge before them and noted that the legislature had codified destination management as part of the HTA's responsibilities. This meant that the legislature would closely examine the HTA's activities, and destination marketing could not be the agency's sole focus. The next House speaker strongly advocated for destination stewardship and intended to speak on this topic at the forthcoming Hawaiʻi Tourism Conference.

Mr. Lewis emphasized that community projects needed technical assistance to support their brands. He regretted that this had been cut from the CNHA budget.

Vice-Chair Paishon thanked Mr. Lewis for his presentation and expressed her agreement with his statements. Technical capacity had to be improved to develop new experiences and products, particularly for startup businesses and businesses that were pivoting. Vice-Chair Paishon added that this aligned well with Mr. Vieira's comments.

She also noted that coordination with operators and business owners across the business environment was important. As a small business owner herself and a member of several chambers of commerce, she understood that small businesses required technical support to build their capacity. She regretted that the CNHA budget had been cut, but despite the cuts, the CNHA had generated a strong impact.

Vice-Chair Paishon referred to preceding discussions of ROI and noted the importance of increased investment in robust data systems. Assessing the return on investment was important, especially at the community and county levels. She asked Mr. Lewis to share the results that the present CNHA contract had brought to the visitor industry as a whole.

Mr. Lewis stated that the present contract had conferred many benefits on the islands. He noted that the grant program was not intended to be a perpetual initiative but was aimed at enabling businesses to become self-sufficient, even though this was not always possible. Technical resources were needed to assist grantees so that they did not keep returning for more funds but instead developed and diversified.

Mr. Lewis reminded Board members that the CNHA had developed the Qurator quality assurance program, which successfully ensured that certified businesses had direction and brand control. DBEDT was to join that effort to help drive the HTA's direction going forward.

The CNHA contract also enabled engagement with communities across the islands. This positive outcome had been exemplified by communication with community members who formerly opposed the existence of the HTA.

Mr. Lewis also commented that the CNHA contract had permitted capacity building by contractors whose growth had previously been limited. The existing contract limited the CNHA's other activities.

Ms. Paishon asked how the CNHA would use an increase in their budget if an $80 million budget were approved for the HTA.

Mr. Lewis responded that an increase in the CNHA budget would provide a greater ability to communicate with visitors after their arrival and an opportunity to recalibrate their contract. Some changes had elapsed since the contract was instituted. There were possibilities for a better synergy between the HVCB and the CNHA, and a more logical budget could be created.

Mr. Kaʻanāʻanā added that much had been learned during the previous year. He reflected on the stewardship framework that had been developed from the initial request for proposal (RFP). Mr. Kaʻanāʻanā called the Board's attention to two line items that were to be recommended for FY26:

- The community tourism collaboratives (CTCs) for which the HTA staff had originally requested $2.5 million were to be reduced to $1 million in the present budget request.
- The VEPAM for which $2.2 million had originally been requested but was now reduced to $1.2 million.

Mr. Kaʻanāʻanā understood that everyone had to make sacrifices. He referred to these line items to facilitate discussion later in the meeting.

Mr. Miyasato thanked Mr. Lewis for his thorough presentation and observed that enhancing the HTA brand within the community through the work of the CNHA was immeasurable and priceless. This discussion took place in relation to the value of the CNHA's original contract and its present value. Mr. Miyasato considered that budgeting was the end product of a plan, and it was driven by a strategy in which partners were consulted. He hoped that this open discussion of the FY26/FY27 budget would avoid previous errors. He thanked Mr. Lewis again for his timely presentation.

Mr. Arakawa thanked Mr. Lewis and appreciated his response to Mr. Arakawa's calls and questions. Mr. Arakawa was aware of several priorities, including airport advertising, destination stewardship and management in Waikīkī, and creating new venues to which visitors could be directed. He asked Mr. Lewis to explain what he meant by "new content."

Mr. Lewis explained that there was a need to create messaging to address two audiences. The right message had to be developed, which required capacity and the ability to contract the right people. Good messaging was not free, and the CNHA's ability to create the right content in collaboration with the HTA required resources. Up to the present, the CNHA has not had the opportunity to recruit creative talent to build up the brand by developing appropriate messaging.

Mr. Arakawa asked Mr. Lewis to explain what was entailed in diversifying offerings and whether the CNHA was engaged in this activity at present or planned to do so in the future.

Mr. Lewis responded that he did not envisage that the CNHA would conduct these activities directly but would rather assist other entities in building their capacity to do so. An example of this would be seen at the CNHA convention, which was to be transformed into a mini-experience. Curated bus tours would enable participants to experience Hawaiʻi Island from an intimate and authentic perspective, enriched by the presence of guides. He believed that visitors were eager to experience fishponds and Mālama ʻĀina projects. The challenge was how to develop such experiences and integrate them into the industry so that they became offerings. The practitioner and the farmer would form part of the ecosystem. Creation of such experiences within Waikīkī and other visitor industry areas would require resources and capacity building.

Mr. Arakawa referred to the CNHA's current contract and mentioned that some Board members had been drafting the HVCB and the CNHA contracts. He inquired whether broadening or revisiting those contracts would allow the CNHA to conduct their projects more effectively.

Mr. Lewis concurred and, referring to Mr. Kaʻanāʻanā's point, he noted that the CNHA had learned a great deal during the course of the present contract. The most important aspect was the possibility of participating in discussions about ineffective activities. He pointed out that any necessary adjustments could be made after such evaluations. He believed that revisiting and expanding the scope of the present contract would improve the CNHA's ability to fulfill its mission.

Mr. Arakawa understood that Mr. Lewis, like Mr. Vieira, was present at the Board meeting to recommend requesting a budget of $80 million. Still, he asked whether Mr. Lewis knew a budget of up to $90 million was possible.

Mr. Lewis responded that he had not been aware of this possibility and was not necessarily advocating for any specific amount but wished to inform the Board that more resources were needed.

Mr. Arakawa informed Mr. Lewis, Mr. Vieira, and the listening public that the budget committee believed that the HTA staff had recommended any cuts. The staff had been asked to recommend high-priority projects to be included in the base budget of $70 million, mid-priority projects to be included in Supplemental 1 of $10 million, and lower-priority projects in Supplemental 2 of $10 million. The 70,10,10 proposal was a recommendation, and any cuts made had been based on the advice of the HTA staff, not that of Board members. Mr. Arakawa emphasized the need for better communication and possible reevaluation of the scope of existing contracts.

Mr. Lewis responded that he realized that the CNHA would benefit from his more frequent attendance and information-sharing at the Board. The Board needed to know more about the activities of the CNHA, such as their present collaboration with the City and County of Honolulu to renovate Kuhio Beach. Mr. Lewis committed himself to updating the HTA Board more regularly.

Mr. Arakawa acknowledged that the HTA staff had worked hard with limited resources and time. The destination stewardship, marketing, planning, and administrative staff collaborated diligently on the budget. He stated that the budget committee would endeavor to discuss with Mr. Lewis, Mr. Vieira, and others in the industry to improve its focus on particular issues. If the current 70, 10, 10 proposals were submitted to the legislature, additional items could be requested. As the budget submission process continued, additional projects suggested by Mr. Vieira and Mr. Lewis could be added.

Ms. Iona reminded Board members that Mr. Lewis had “walked the walk” on several projects. She asked him to share with the Board the information that he had shared at the previous year’s convention about the success of popup Mākeke.

Mr. Lewis expressed his gratitude for the grant from the HTA, which had benefited the popup Mākeke project. Mr. Kaʻanāʻanā mentioned that $100,000 had been received during the pandemic. 600,000 products have been distributed worldwide, and the CNHA continued to help businesses with products and branding. Products had been brought to Waikīkī, and the popup had expanded into a significant asset, which was still generating funds. The customer base was mainly outside Hawaiʻi, and the project had been of great assistance.

Mr. Miyasato commented that, from a budget perspective, he noted that Mr. Arakawa had mentioned a $70 million base, $10 million in Supplemental 1, and $4.3 million in Supplemental 2. However, the Branding and Marketing and Hoʻokahua Standing Committees, the subject matter committees, recommended an $80 million base budget. He clarified that he did not suggest that every project was not important, but he wished to compare the 70, 10, 10 proposals with the $80 million proposal.

Mr. Lewis responded that he tried to stay out of policy discussions. However, he realized that the HTA was now in a better condition than when he had first been involved in it.

Mr. Miyasato agreed that he did not want to drag Mr. Lewis into policy discussions, but he wanted Mr. Lewis to be aware of the facts.

Chair Hannemann stated that he constantly communicated with Mr. Lewis and Mr. Vieira to obtain their points of view. This was vital because the HTA was now mandated to conduct destination management and marketing. He recalled that when Mayor Bissen requested recommendations from members of an advisory committee to help recover from the wildfires, Mr. Lewis was the first person that Chair Hannemann had suggested. The Chair and Vice-Chair Paishon knew Mr. Lewis's previous work in that area.

Mr. Lewis promised to speak with Archie Kalepa regarding social influencers to request his assistance. He also reminded Board members that the CNHA and Kilohana needed financial resources to fulfill their missions, which was related to the ROI. He thanked Board members and assured them that the CNHA maximized and leveraged all the funds they received from the HTA to make the most of the funding and secure additional resources.

Mr. Vieira applauded the HTA's efforts to unite people. The collaboration with the CNHA over the previous year highlighted the successes of the HTA and Mr. Lewis's team. He noted that the visitor industry often felt that a dollar for destination stewardship was a dollar away from marketing. However, it was important to communicate to the industry that destination stewardship was now part of the HTA charter. The HVCB had formerly funded many projects, but now everyone understood.

Chair Hannemann responded that dialogue was vital, and the HTA continued participating. He emphasized Mr. Vieira's point that both sides needed to understand how a partnership between the strengths of stewardship and marketing would benefit the whole of Hawaiʻi. He thanked both Mr. Vieira and Mr. Lewis for their contributions.

Dir. Tokioka reminded the Chair that he, Mr. Arakawa, and Ms. Agas, as well as some staff members, would have to leave the meeting at 10:30 a.m. to deliberate on an RFP with members from other state agencies.

Chair Hannemann asked the remaining guests to limit the duration of their remarks to three minutes.

Chair Hannemann introduced Ms. Angela Vento, the General Manager of Waimea Beach Resort, part of the Marriott family of hotels.

Ms. Vento stated that she knew some Board members very well, although she had not previously met others. She moved to Hawaiʻi 35 years ago and held various roles in sales and marketing, working with many hotel companies, including Starwood and Marriott. She noted that she had been the Director of Sales and Marketing when the first conference of the Native Hawaiian Association had taken place. She recalled the impact of that event in emphasizing the importance of a healthy future for tourism.

Her hotel employed about 600 people and had a significant island inventory. She provided statistics during regular quarterly meetings with the mayor. These figures had recently been sobering. A report from the HVCB projected double-digit declines in leisure destination bookings between 2023 and 2025, with the airlift to the islands down 9% at the start of 2025.

Group business was also declining. Ms. Vento emphasized that a destination was healthiest when it was not fully reliant on individual travel.

The Marriott group had been working hard to build 20%–25% of their large convention hotels on group business, hosting events like IMEX. Mr. Vieira also mentioned some of Marriott's initiatives. The Marriott CEO, Mr. Tony Capuano, had moved the meeting of his senior leadership team from Tokyo to Maui, and the Board of Directors' meeting was to take place there in February 2025. Several other key events were to take place in Maui.

As a company, Marriott had invested in these choices and was involved in the Los Angeles saturation program. They had also invested in digital media, and on the Marriott Bonvoy app, Maui and Hawaiʻi were amplified on every single search, with special offers and collaborations on marketing, digital media, and elite and membership programs.

Ms. Vento mentioned that CEO Capuano had recently spoken about Maui as a destination to 100,000 Marriott employees, and he had also appeared on Bloomberg TV to discuss the American economy, the Chinese economy, Maui, and cruises. Marriott invested all their resources in Hawaiʻi's recovery as a company. Wise investment required accountability and would generate revenue for stimulation and support, leading to an increased budget.

Ms. Vento recalled that Mr. McCully had asked Mr. Vieira for data, and Ms. Vento mentioned that with 9,000 hotels in 128 countries, she could obtain data through Marriott channels. Ms. Vento acknowledged that even a $90 million budget was not enough.

She believed that a strategic campaign targeting Los Angeles should be of longer duration, and it might cost Marriott between $8 million and $10 million. Key cities for a strategic campaign would be Los Angeles, San Francisco, and possibly Dallas. These were markets where demand could be created. She commented that she had taken 16 trips since the beginning of the year, and formerly, airlines had operated larger planes with redeye flights. However, United Airlines is currently flying a 737 to Los Angeles with no redeye flights. The major markets were places where demand could be generated, allowing flight access to be added.

Ms. Vento believed that an investment of $8 million to $10 million was needed for a market saturation campaign with at least four regular campaigns. Marketing efforts were business-to-business and business-to-consumer. She and her colleagues from Marriott and other colleagues on Maui were concerned about advocating for increased funding to support associates challenged by housing costs and work opportunities.

Chair Hannemann thanked Ms. Vento. She responded that she had tried to be succinct but was always available to answer specific questions.

Chair Hanneman introduced the next guest, Mr. Josh Hargrove, the General Manager of Western Maui Resort and Spa, and requested him to limit his testimony to three minutes.

Mr. Hargrove thanked the HTA Board for their diligent work and the productive discussions during the meeting. He expressed his support for the $150 million budget option or, alternatively, the $90 million budget option. Mr. Hargrove had traveled extensively since the fires on Maui. He had accompanied Ms. Vento on numerous trips to key markets, such as Los Angeles, San Francisco, Portland, Seattle, and Chicago, to convey the message that it was safe to travel to Maui.

In all these markets, he had encountered similar feedback that the media had initially covered the wildfires and the ensuing tragedy but then shifted focus to other global tragedies. There had been a lack of messaging from Hawaiʻi about welcoming visitors, and this was unlike marketing by other regions such as Mexico, the Caribbean, Europe, and Asia, which had well-designed and well-funded plans. Hawaʻi lacked visibility. Customers in the cities visited by Mr. Hargrove had inquired about the current situation and messaging. Despite Marriott's efforts, which represented the hotel rather than the destination, there was a need for collective action to communicate Maui's readiness to welcome visitors effectively.

Mr. Hargrove had been tirelessly working to help Maui residents regain their jobs. Still, his experience of walking through an empty airport, parking in an empty lot, and boarding a half-empty plane highlighted Maui's dire situation. He appreciated the opportunity to advocate for any support available. Maui's occupancy was around 40% to 50%, with no signs of improvement.

Mr. Hargrove had understood from the previous speakers that the HTA budget was projected at $70 million, from which, after the removal of destination stewardship funds, about $40 million to $50 million would remain for marketing. Even at 60% of $90 million, compared with the previous $100 million budget, this was far from the $150 million needed. Marriott properties on Maui had allocated a combined $30 million for sales and marketing. Mr. Hargrove believed that collectively, across Maui, there was an annual marketing budget of approximately $100 million. Increased contributions were necessary to help people return to work, and support from the HTA was crucial to attracting visitors back to the island.

When visitors return, rates could be increased, and all the programs needed for destination stewardship could be created. However, a revenue stream was needed so that people could return to work, earn a livelihood, and take care of their families.

Mr. Hargrove appreciated the work being done by the HTA and hoped that sufficient funding would be provided.

Chair Hannemann expressed gratitude for Mr. Hargrove's efforts.

Dir. Tokioka recalled that he had collaborated with Mr. Hargrove on various projects during the initial days of the fire and relocation, and he thanked the Board, the government, and the State for their promotional efforts. Dir. Tokioka asked for clarification about the current messaging, given that $5 million had been allocated from the emergency budget for marketing.

Mr. Hargrove explained that customer feedback indicated that messaging had not penetrated as intended as other destinations. Customers were generally reluctant to visit Maui, believing it was still closed. Mr. Hargrove emphasized that while the Board's efforts were commendable, the message did not reach the intended audience effectively. Maui's current occupancy rate was 50%, which should prompt a reevaluation of the HTA's strategies.

Dir. Tokioka concluded that resources should not be wasted on ineffective measures and that a reassessment of the marketing approach was necessary. He thanked Mr. Hargrove for his insights.

Chair Hannemann thanked Mr. Hargrove for his presentation.

5. Discussion and Action on Fiscal Year 2025 Budget BED 116 – Destination Management – DMAP (Destination Management Action Plans) Implementation Use

The Chair moved on to Agenda Item 5. He explained that this matter had already passed through two committees, and all that was needed was for Ms. Anderson to formulate the motion.

Ms. Anderson stated that the HTA staff was asking for approval to make expenditures for FY25 from line item BD116 to conduct activities such as community meetings, gathering input, and developing plans for DMAPs and other plans to be conducted by the HTA.

Vice Chair Paishon proposed the motion to approve the expenditure of $400,000 from BED 116, Destination Management Implementation, towards activities described in item 2. Ms. Iona seconded the motion.

There was no discussion.

The Chair asked Ms. Sanborn to conduct the roll call vote, and the motion was carried unanimously.

Chair Hannemann announced that they would be moving to Agenda Item 6 and proposed going into Executive Session because some budget-related matters concerned personnel and contracts. He asked Atty. Cole to provide his input.

Atty. Cole responded that the Executive Session was to take place pursuant to Sections 92-5(a)(8) and 201B-4(a)(2) to discuss information that should be confidential as a matter of law and which also needed to be confidential to protect Hawaiʻi's competitive advantage in the tourism industry.

Chair Hannemann asked for a motion, and Vice Chair Paishon proposed a motion to move into Executive Session. Ms. Iona seconded the motion.

Ms. Sanborn conducted the roll call vote, and the motion was carried unanimously.

6. Discussion and Action on HTA's Fiscal Year 2026 and 2027 Legislative Budget Proposal, Process, Issues, and Request

Chair Hannemann resumed the meeting, stating that nine members were present, thus establishing a quorum. He called Mr. McCully back and announced that there would be no executive session, but instead an open session.

Dir. Tokioka asked a clarifying question regarding whether the Board would return to the executive session after briefly entering it before some members left to attend the RFP meeting. Chair Hannemann confirmed that the Board would remain in open session.

Mr. McCully returned to the session, and Chair Hannemann repeated that a quorum was present. Moving on to Agenda Item 6, the Chair announced that they would remain in open session and were ready to vote. During their meeting the previous day, he called upon Mr. Arakawa to propose the motion approved by the Budget, Finance, and Convention Center (BFCC) Standing Committee.

Mr. Arakawa stated that the motion recommended by the BFCC was for a base budget of up to $70 million, with Supplemental 1 of up to $10 million and Supplemental 2 of up to $10 million, with all updates approved by the Branding and Hoʻokahua Standing Committees. Mr. McCully seconded the motion.

Mr. Miyasato asked for clarification since he believed that Supplemental 2 was $4.8 million.

Mr. Arakawa clarified that it was approximately $4.3 million, but in light of the discussions earlier in the Board meeting, it could be increased to $10 million. He explained that the submission process from DBEDT to DBF, to the Governor, and the legislature allowed for possible changes. Supplemental 2 of $10 million allowed the staff to add to the existing amount during the submission process based on the discussions of the present meeting and other developments.

Mr. Miyasato expressed concern about semantics, noting that both the Branding and Marketing and the Hoʻokahua Standing Committees had approved a base budget of $80 million. He highlighted the distinction between the base budget of $80 million and the 70, 10, 10 proposals to be voted upon. There was no disagreement about the need for a substantial budget. Still, Mr. Miyasato was concerned that Supplementals 1 and 2 did not reflect the requested figure and would make it easier to reduce the budget request.

Mr. Arakawa explained that information received the previous day from DBEDT and DBF indicated that it was permissible for Form A to include the entire amount, encompassing the base budget and the two Supplementals. It provides flexibility for adjustments as the process continues.

Mr. Miyasato continued to express his concerns, emphasizing the importance of accurately reflecting the budget in Form A. He explained that history had shown that whatever was requested on Form A had to be maintained. He asked Mr. Kishi how the budget would appear on Form A and whether Supplementals 1 and 2 could be listed along with the $70 million base budget.

Mr. Kishi confirmed that if $70 million were decided upon, it would be listed as such, with Supplementals 1 and 2 of $10 million each in parentheses. Boxes were available on Form A for further justification and explanation about the budget and its components. Mr. Kishi reassured Mr. Miyasato that Form A did not comprise just a single number.

Mr. Arakawa acknowledged Mr. Miyasato's excellent question and reiterated that Form A would include both the base budget and the Supplementals. He referred to page 51, which showed $69.9 million. He noted that Form B would also include the additional $9.9 million shown on page 52, Supplemental 2 $4.3 million and potentially up to $10 million on page 53, depending on approval by DBEDT and the Governor.

Mr. Miyasato asked for confirmation that the Board would vote for a base budget of $70 million along with Supplemental 1 of $10 million and Supplemental 2 of 10 million. Mr. Arakawa confirmed it.

Ms. Iona asked for further clarification, noting that if she submitted a base budget to her boss, this would be what she clearly needed. If she then asked him for a supplemental budget or wish list, it would not reflect what was essential. She believed that the legislature would perceive the $70 million base budget to comprise all that was actually needed. She wondered whether it was smart to ask for $70 million and hope for $10 million more.

Mr. Arakawa reminded Board members that they had submitted a request for $60 million the previous year and received $63 million.

Chair Hannemann corrected Mr. Arakawa that the HTA had requested $70 million, but the Governor and the legislature had awarded only $60 million. Afterwards, the Senate increased the amount by $3 million.

Mr. Arakawa agreed that when the Governor's budget reached the legislature, $60 million would be awarded.

Chair Hannemann repeated that the initial request was $70 million the previous year, and the Governor responded with $60 million, so the final budget was $10 million less than the initial request.

Mr. Arakawa responded that his point was proven. The HTA requested $90 million, and a request for $90 million should be sent to the Governor.

Chair Hannemann suggested that the base should be set at $90 million.

Mr. Arakawa stated that the HTA staff had worked diligently. He referred to Dir. Salaveria's presentation was at the previous Board meeting.

Ms. Iona asked Mr. Arakawa to confirm that the dialogue for this budget would be that the HTA needed \$90 million, with \$70 million as the base plus an additional \$20 million.

Mr. Arakawa responded that the request would be \$70 million plus \$10 million plus \$10 million, which would appear on Form A.

Mr. Miyasato replied that Form A was the issue. The previous year, the HTA requested \$70 million for Form A. There had been much discussion about requesting \$60 million, but VP Choy insisted on \$70 million. Using that same logic for Form A, Mr. Miyasato wanted to ensure that a base budget of \$70 million and Supplementals 1 and 2 of \$10 million each would not be interpreted the opposite way. He understood the base budget to imply the amount needed to conduct the agency's functions.

Chair Hannemann addressed Mr. Miyasato, stating that based on his experience with several budgets, the base amount was typically used as the foundation, with supplemental funds added in the second year if the initial request was not fully granted. He suggested that if the goal were \$90 million, it should be used as the base amount. If a supplement were needed, it should be requested when the base was reduced.

The Chair noted that when the staff of both the Branding and Hoʻokahua Committees were asked which budget they preferred or which would enable them to achieve the Board's objectives, they clearly indicated a preference for an \$80 million base rather than starting with \$70 million and requesting additions. He concurred with Mr. Arakawa that the staff deserved commendation for their hard work.

Mr. Pfund remarked that while \$70 million plus \$10 million plus \$10 million was one approach, it might be more logical to request \$90 million as the base and then attach a schedule to prioritize it if the Governor or the legislature decided to reduce the amount. From a practical standpoint, starting with \$90 million and prioritizing seemed more logical. He emphasized that this was a biennial budget, and the motion covered two years, not being tied to exact motion numbers.

Dir. Tokioka pointed out that present decisions could not bind future legislatures.

Mr. Arakawa explained that the initial draft budget had been prepared about a month previously and submitted for guidance to DBF Dir. Salaveria and DBEDT Dir. Tokioka. Following that, the staff separated the budget into indispensable projects and lower-priority projects. They followed the advice of the DBF and DBEDT directors regarding priority items, categorizing them as high priority (\$70 million), medium priority (\$10 million), and lower priority (\$10 million).

Mr. Miyasato was reluctant to argue but emphasized the importance of being factual. He noted that there was a difference between instructions to fit the budget into $70 million and taking advice from subject matter committees to build a plan based on requirements followed by submission of the necessary amount. Mr. Miyasato stated that the HTA staff had been instructed to “shoehorn” the budget into $70 million.

Chair Hannemann then called on Acting CEO Daniel Nāhoʻopiʻi.

Mr. Nāhoʻopiʻi explained that during budget development over three weeks, the staff had been asked to comply with the BFCC’s recommendation of $70 million. They had prioritized accordingly. However, after listening to presentations from DBF Dir. Salaveria, at the previous Board meeting, felt it was important to be honest about their needs, which led to the conclusion that $80 million was the critical amount required.

Without the final $10 million, the HTA could not conduct the saturation programs to stimulate bookings requested by the visitor industry. They could also not continue airport greetings, develop sports tourism, increase presence at major trade shows, and enhance workforce development. These programs, though initially prioritized lower, were realized to be critical.

Mr. Nāhoʻopiʻi suggested starting with $80 million and then adding $10 million. The return on the additional $10 million was estimated to be about $220 million in tax revenue based on campaign effectiveness studies and trade show returns. He reminded everyone that in FY24, the budget was only $56.7 million, despite the request for $70 million, resulting in their working at a deficit with limited programming. This was why major programs and campaigns had to be eliminated, making it difficult to induce recovery in bookings. As Mr. Vieira had mentioned, significant effort was needed both in the U.S. market and in redeveloping international markets.

Chair Hannemann then called on Mr. White.

Mr. White expressed his encouragement, noting that the budget proposals were significantly higher than their previous levels. However, what truly mattered was the outcome at the end of the legislative session. He highlighted the need for a concerted effort by the HTA, the visitor industry, and the community to present a unified case to the legislature.

Mr. White had observed two key points in Mr. Vieira’s comments. Firstly, he noted Hawaiʻi’s apparent lack of visibility at trade shows. Even with an $80 million budget, Hawaiʻi was still being outspent by other destinations, such as Puerto Rico, which had impressive trade show displays. Mr. White reminded Board members that trade shows were crucial to allowing Hawaiʻi to communicate directly with those selling the destination. He commented that two members of the Maui County Council, who had initially been unsupportive of the Maui Visitors’ Bureau’s expenditures, had been impressed after attending trade shows and witnessing the efforts required to generate business.

Mr. White’s second point referred to the saturation marketing campaign in Los Angeles. While the HTA could ask the industry to participate, the HTA itself was the campaign's core. He emphasized the need to communicate these efforts to the legislature and better demonstrate the return on investment from marketing campaigns. He assumed that the results of the saturation campaign in Los Angeles would be tracked. Combining data from previous marketing campaigns with current information could justify a more robust budget as long as the State could afford it. He expressed confidence that the legislature would allocate the necessary funds, focusing on the final outcome rather than the starting point. Finally, Mr. White stated that he hoped for a unanimous vote on the budget proposal.

Mr. Miyasato acknowledged the importance of Mr. White’s point, noting the Senate Ways and Means Committee.

Ms. Anderson commented that members were now requesting $150 million.

Mr. Kaʻanāʻanā reminded members that the session was public, and Mr. Arakawa thanked him for this timely reminder.

Mr. Nāhoʻopiʻi re-emphasized the importance of ROI, citing a campaign effectiveness study. He estimated that the investment of $4.4 million for the U.S. market and $722,000 for Japan, along with the IMEX booths, would collectively generate $220 million in State tax revenue.

Mr. McCully asked for confirmation of the amount mentioned by the previous speaker. Mr. Nāhoʻopiʻi confirmed that he had cited a total of $5.15 million and added that this contribution would yield a 43 to 1 return in State tax revenue. At the same time, actual visitor expenditure would exceed the generated tax revenue.

Mr. McCully asked about contributions from industry partners such as airlines and hotels. Mr. Nāhoʻopiʻi explained that, while exact figures for matching cooperatives were not available, partners’ contributions were typically in the range from 3:1 to 5:1, either in finance or in kind.

Mr. McCully expressed his confidence that the legislature would understand these figures, while Mr. Nāhoʻopiʻi stated the determination of the HTA staff to develop and report these statistics.

Mr. McCully responded that the current situation was an improvement, as it was now possible to track the effectiveness of marketing expenditures, unlike in the past when it was unclear which efforts had yielded results.

Dir. Tokioka stated that they had encountered this situation before. He emphasized that his position differed from that of the Board members because the final decision would ultimately come to him. His directive came from the Governor and Dir. Salaveria of DBF, who had addressed the Board at the previous meeting. Although there were different interpretations of the directive, it was clear that the administration, including all 17 agencies under DBEDT and other State government departments, the legislature, and the Ways and Means and Finance

Committees, were urging fiscal responsibility. The Governor's main priority was housing, managed by the Hawaiʻi Housing Finance & Development Corporation (HHFDC) under DBEDT. The question was whether to provide substantial funds for HHFDC, which focused on housing for local residents or to allocate an additional $16 million to the HTA to increase revenues.

While acknowledging Ms. Chun's excellent work, Dir. Tokioka noted the difficulty in reliably demonstrating the ROI for certain expenditures, a point raised by Mr. Miyasato. Dir. Tokioka's background was in the hotel industry, in which he had risen from a busboy to a general manager. Despite criticism, he had consistently supported the visitor industry at the State Capitol. However, he recognized that the current situation required adherence to his superior's directives.

Dir. Tokioka did not enjoy opposing a budget higher than the one that he had supported in the BFCC committee, but he appreciated Mr. White's remarks. Industry stakeholders wanted clear explanations of the goals of the HTA. Income tax relief needed to be funded, and revenue shortfalls had to be addressed. The Maui wildfires had resulted in expenditure of $480 million. Additionally, the State has not yet been reimbursed by the Federal Emergency Management Authority (FEMA) for the volcanic eruption that occurred in May 2018. The State would have to cover the costs for Maui, with potential reimbursement or de-obligation for Hawaiʻi. Dir. Salaveria was responsible for a five-year plan, and these were all important considerations for him.

Dir. Tokioka explained that while the fund balance was currently high, it would decrease after covering these expenses. He regretted that his responsibilities precluded him from being able to support a larger budget. He referred to the testimony from Mr. Hargrove, who reported not hearing any effective messaging despite the funds spent on programs. It was important to identify which programs were effective.

He and Mr. Nāhoʻopiʻi had observed good programs during their visits to Korea and Japan, but it was necessary to determine which actions were most effective. He appreciated the Board members' time and did not want to prolong the discussion, acknowledging that everyone was in the same situation. Still, he had to explain that his own perspective was different. He wished he could support a larger budget but had different responsibilities.

Mr. Pfund gave his opinion that the primary duty of HTA Board members was to the HTA and the visitor industry. Their focus must be on a budget that would support the industry. He agreed that there were external concerns regarding the overall state budget, but he believed that the first duty of Board members was to the organization. In his opinion, a higher budget amount was appropriate.

Mr. Arakawa expressed his concern about two issues. The first was that Mr. Nāhoʻopiʻi had begun expressing support for the $80 million budget with the phrase "to be honest." Mr. Arakawa had spoken with Mr. Nāhoʻopiʻi on the morning of the Branding committee meeting, and they had agreed on the 70, 10, 10 staff recommendations. Mr. Arakawa was surprised to hear about the $80 million figure afterward. The staff worked on high, medium, and low priorities for three weeks, which then changed within a couple of days.

Mr. Arakawa’s second issue concerned page 4 of the minutes from the previous Executive Session, which included testimony from Dir. Salaveria about the poor financial outlook for FY26/27 and lower tax collections.

Atty. Cole interrupted Mr. Arakawa on a point of order regarding the confidential nature of the Executive Session and its minutes.

Mr. Arakawa responded that everyone who quoted Dir. Salaveria referred to the same meeting. However, he agreed not to refer to the minutes. He recalled that Dir. Given the State's financial problems, Salaveria had discussed several financial issues and indicated that a $63 million base budget would be a significant advantage, given the State’s financial problems. Mr. Arakawa reminded Board members that some had been called to the fifth floor and advised them that trust was an issue. He suggested that if members’ allegiance were solely to the tourism industry and not to the State, their request should be for $150 million. He recalled being told that Board members’ loyalty should be to the State of Hawaiʻi, the administration, the legislature, and the counties, not just the tourism industry.

Mr. Pfund remarked that steps had to be taken to demonstrate the HTA’s ability to generate returns using the requested funds. Comparing the tourism industry to other departments, he noted that while other departments primarily used funds, the tourism industry generated tax revenues, income taxes from employees, and fees for airports, harbors, and highways. This revenue could help other departments and address shortfalls in State finances. He hoped that over time, the budget request could be increased.

Mr. Nāhoʻopiʻi responded to the issue of staff recommendations for the budget. He explained that after the previous board meeting, staff had consulted with each subject matter committee to determine the critical level of funding needed. The Branding and Hoʻokahua Committees had indicated that they required additional amounts. On the previous Wednesday, the staff had met again with leadership and managers. Based on what they had heard at the previous Board meeting, they decided that the base budget should be $80 million, possibly adding another $10 million.

Mr. Miyasato asked Mr. Nāhoʻopiʻi whether it was true that all the items discussed, including cooperation with other partners, were included in Supplemental 1 of $10 million. Mr. Miyasato noted that partners' contributions would be evaluated upon the team's return from the Los Angeles saturation campaign. A significant part of the Branding and Marketing budget was to facilitate such cooperation, in which the HTA would provide $10 million. In comparison, industry partners would match this with a $20 million contribution, which was not part of the base budget of $70 million. This supported a base budget of $80 million because base components were included within that range.

Mr. Nāhoʻopiʻi stated that it was necessary to maintain a base budget of $70 million for the U.S. market so that general brand awareness would continue at the same level as the present year. $1.5 million had been requested for an activation. Mr. Nāhoʻopiʻi believed that if regular activations were to be conducted, as Mr. Vieira had suggested, they should be financed from the base budget. Maintenance of the same level of brand awareness appeared not to have been effective over the previous year.

Chair Hannemann recalled that votes for special budget requests were not always carried unanimously by the Board. Including the necessary funds in the base budget would facilitate this issue.

The Chair emphasized that no one had a greater appreciation for the work of the director of DBEDT than himself, having previously held that position. He also understood the responsibilities of a chief executive, having served as a mayor. He acknowledged the competing interests and priorities that needed to be considered. In all his conversations with the Governor regarding the HTA budget, the Governor never suggested requesting a lesser amount. Both Gov. Green and Dir. Salaveria had indicated that the HTA should ask for the funds they required. Chair Hannemann concluded that the Governor and the legislature should be left to decide whether funds should be allocated to housing or tourism.

Chair Hannemann continued by stating that the responsibility of the HTA was to promote and support the State's largest industry, which had the greatest potential to generate revenue in both the short and the long term. This was why he would support a base budget of $90 million if presented. It was well understood that the initial budget request was likely to be reduced by the legislature, which had the authority either to increase or decrease the budget. While Chair Hannemann would have liked to follow the advice of Dir. Tokioka of DBEDT had to acknowledge the recommendation of the HTA staff. He stated that it was clear that without a budget of $80 million, none of the programs mentioned by Mr. Vieira and Mr. Lewis would be implemented.

Chair Hannemann called for the vote.

Mr. Arakawa proposed the motion to recommend the approval of the proposal of the BFCC Standing Committee, with a base budget of up to $70 million, Supplemental 1 of an additional $10 million, and Supplemental 2 of up to $10 million, to include the updates approved by both the Branding and the Hoʻokahua Standing Committees.

Dir. Tokioka seconded the motion.

Ms. Sanborn conducted the roll call vote as follows:

Chair Hannemann, Nay
Vice-Chair Paishon, Nay

Ms. Agas, Aye
Mr. Arakawa, Aye
Ms. Iona, Nay
Mr. McCully, Aye
Mr. Miyasato, Nay
Mr. Pfund, Nay
Dir. Tokioka, Aye
Mr. West was excused
Mr. White, Nay

Ms. Sanborn tallied the votes and announced that there were four Aye votes and six Nay votes. The motion was not carried.

Mr. Arakawa stated that there was no second motion.

Chair Hannemann proposed a motion to approve a base budget of $80 million, including the increases that the Branding Standing Committee had approved for marketing and Hoʻokahua Standing Committee for destination management.

Vice-Chair Paishon seconded the motion.

Chair Hannemann called for the roll call vote.

Ms. Sanborn conducted the roll call vote as follows:

Chair Hannemann, Aye
Vice-Chair Paishon, Aye
Ms. Agas, Nay
Mr. Arakawa, Nay
Ms. Iona, Aye
Mr. McCully, Aye
Mr. Miyasato, Aye
Mr. Pfund, Aye
Dir. Tokioka, Nay
Mr. West was excused
Mr. White, Aye

Ms. Sanborn tallied the votes and announced that there were seven Aye votes and three Nay votes. The motion was carried.

Chair Hannemann announced that the Hawaiʻi Tourism Conference was scheduled from September 30 to October 2. He asked Board members to encourage associates, workers, and friends to sign up, highlighting it as a great opportunity to unite everyone. The Governor, members of the legislature, and other leaders will be in attendance.

Secondly, the saturation campaign in Los Angeles was to begin shortly, with participation from Gov. Green and Mayor Bissen of Maui and several members of the State legislature.

A group of legislators was to travel to Japan as part of the HTA's efforts to redevelop the Japan market.

Mr. Miyasato expressed his appreciation for the honesty among Board members and extended his respect to those who supported the motion that was not carried out. He believed that the Board members collaborated well as a team.

Chair Hannemann requested members to consider suggesting slates for the Standing Committees, noting that when the committee had only four members, the absence of one member prevented the establishment of a quorum.

With no further business, the meeting was adjourned.

7. Adjournment

The meeting adjourned at 12:25 p.m.

Respectfully submitted,

Sheillane Reyes

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Sheillane Reyes
Recorder