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

BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAIʻI TOURISM AUTHORITY

Wednesday, March 24, 2025, at 2:00 p.m.

Virtual Meeting

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

MEMBERS PRESENT:	David Arakawa (Chair), Kimberly Agas (Vice-Chair), Stephanie Iona, Roy Pfund, Mike White
MEMBERS NOT PRESENT:	James McCully, James Tokioka (Ex Officio, DBEDT Director),
NON-VOTING MEMBERS:	Todd Apo, Lisa Paulson
HTA STAFF PRESENT:	Kalani Kaʻanāʻanā, Isaac Choy, Talon Kishi, Caroline Anderson
GUESTS:	Terri Orton
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Mr. Kishi called the meeting to order at 2:03 p.m. The Chair apologized for not arranging a cultural opening protocol for today's meeting.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Kishi conducted the roll call. All confirmed that they were in attendance and by themselves, except for Chair Arakawa, who was in the HTA conference room.

3. **Approval of the Minutes of the February 19, 2025 Committee Meeting**

Chair Arakawa proposed the motion to approve the minutes, and Vice Chair Agas seconded it. There were no further discussions or questions, and the motion was carried unanimously.

Chair Arakawa said the committee would adopt the process AG Cole had advised: that the committee members could voice their objections or abstentions. If none of those were heard, the motion could pass unanimously.

4. **Motion, Presentation, Discussion, and Action on the Hawaiʻi Tourism Authority's (HTA) February 2025 Financial Report; Recommend Approval**

Chair Arakawa proposed a motion to recommend approval of the HTA's February 2025 Financial Report, and Vice-Chair Agas seconded it.

Mr. Kishi presented the February 2025 Financial Report.

The presentation included a detailed review of the fiscal year 2025 (FY25) tourism budget. During the eight-month period from July 1, 2024, to February 28, 2025, $19.466 million had been paid out. The remaining encumbrance balance was $28.859 million, and an unused budget was $14.693 million. Mr. Kishi asked for comments or questions from committee members or members of the public.

Chair Arakawa explained that the bottom of the third column showed the budget the State legislature had approved for the period from July 1, 2024, to June 30, 2025.

Mr. Kishi added that all the encumbered funds had to be used before June 30, 2025; if not, these funds would lapse and be returned to the general fund.

Chair Arakawa explained that the encumbrance policies for government agencies, such as State and County bodies, were different from those of private organizations. The Chair asked Mr. Kishi to explain how funds could be encumbered.

Mr. Kishi responded that once the contract had been executed, the money could be encumbered, and Chair Arakawa repeated that this was with respect to an executed contract.

Mr. White asked whether the $6.3 million released by the Governor was all to be allocated to Branding and Marketing, Program ID BED114.

Chair Arakawa reminded members that the money had not yet arrived.

Mr. White asked whether the $6.3 million was 10% of the total $63 million budget.

Chair Arakawa responded that when the Governor released $6.3 million, he held back 10% of the $63 million budget.

Mr. Kishi explained that the 10% was to be spread out across all six budget programs as follows:

- BED113 Administration and Governance
- BED114 Branding and Marketing
- BED115 Sports and Signature Events
- BED116 Destination Management
- BED117 Regenerative Tourism
- BED118 Workforce Development

Mr. White repeated that he believed the $6.3 million was to be allocated to branding and marketing. However, he questioned whether this meant that the program ID definition was to be compromised and asked whether the $6.3 million had to be distributed across all the areas.

Mr. Kishi responded that the funds had initially been released into the six different program IDs. Subsequently the HTA would have to apply for permission to move the money into branding and marketing.

Chair Arakawa added that emergency procedures would be used since the $6.3 million was supposed to go to the Maui Emergency Plan (MEP). However, because the money had been designated for the MEP, the HTA would apply for permission from the Governor not to spend 10% in each of the six budget categories. 10% had been held back in each of the six budget categories and was to be returned in each, but the HTA was to request the amounts to be combined for branding based on the emergency proclamation.

Mr. White responded that it had been his understanding that the funds would be distributed between all six budget categories, and he had been surprised to see a larger number in the marketing budget.

Chair Arakawa reiterated that approval would be required, but once approval had been given, it would be shown in the accounts. The Chair thanked Mr. White for this important question since government budgeting was not the same as budgeting for private organizations.

The HTA Vice President for Finance, Mr. Isaac Choy, expressed his hope that the $6.3 million payment would soon be regularized.

Mr. Kishi presented a comparison of the FY24 budget with the FY25 budget for Sports and Signature Events budgets and pointed out that there had been no change from the previous month.

Mr. Pfund, as Chair of the Branding Standing Committee (BSC), asked whether a return on investment (ROI) was available for basketball and football. He noted that obtaining the best possible measurements of ROI had been the subject of much discussion.

Chair Arakawa responded that, at present, no ROIs were available for most of these events, although ROIS might have been specified in the golf contract.

Mr. Kaʻanāʻanā mentioned that he would happily provide final reports as they were submitted. Some sports reports, such as those for the Clippers, were due shortly, and he would present them first to the Hoʻokahua Hawaiʻi Standing Committee (HHSC) and then to other committees later, as required.

Chair Arakawa thanked Mr. Kaʻanāʻanā and pointed out that although it was not part of their regular budget, the Board had approved the use of emergency funding for the Chaminade vs. University of Hawaiʻi (UH) game on Maui. The Chair added that he would like to see the statistics on that game and asked whether there had been a contract for it. This game was related to expending all the emergency money, and although it might not be related to the present list, his first question was whether tourists would go to Maui to watch the Chaminade/UH game.

Mr. Kaʻanāʻanā responded that he would defer to Ms. Anderson, the contract manager on the Chaminade/UH activation under the emergency funding.

Mr. Kishi presented a pie chart showing the distribution of various budget categories and a bar chart comparing FY25 with FY24. There were no changes from the previous month. He also presented the FY25 budget for the Hawaiʻi Convention Center, for which the legislature allocated a $34 million operating budget.

Chair Arakawa referred to the pie chart, noting that Mr. Pfund had raised arguments about the budget of the entire State. The Chair asked Mr. Kishi to produce a slide showing how the entire transient accommodations tax (TAT) for the State was spent, although he realized that this was not strictly part of the HTA finance report. He asked Mr. Kishi to work with the Department of Business, Economic Development, and Tourism (DBEDT) to produce a pie chart showing how much of TAT was allocated to departments other than tourism.

Mr. Pfund thanked Chair Arakawa and stated that he had spoken to congressional staff regarding how the funds were allocated once they entered the general fund. He had initially considered involving the DBEDT economists to analyze the total value of the visitor industry, as he believed the industry's overall value had been underestimated. Mr. Pfund noted that revenues such as airport landing fees, concession revenues, rental revenues, and hundreds of millions of dollars in special funds were utilized to operate the airport, with most of these funds originating from the visitor industry. He emphasized that these areas were not adequately represented in assessments of the overall economic benefit of the visitor industry. Similarly, he remarked that the average daily expenditure did not accurately reflect the trickle-down effect to secondary or tertiary layers of economic activity generated by the visitor industry, including tour activities, restaurants, and agriculture. He suggested that DBEDT economists should attempt to track these aspects and develop a more precise model.

Chair Arakawa noted that airport landing fees were allocated to the airport rather than the HTA or the general fund. He added that the issue was complex and that further input could be provided by Ms. Chun of DBEDT during the offline discussion.

Mr. Kishi responded that Ms. Chun had previously mentioned this issue, but accessing certain information had remained challenging. Once funds entered the general fund, tracking them became difficult.

Chair Arakawa proposed deferring this discussion to a subsequent occasion.

Mr. Kishi referred to the FY24 Tourism General Fund expenditure of $7.874 million, with a remaining fund and encumbrance balance of $350,000. He noted that the Tourism Special Fund (TSF), which had been repealed on January 1, 2022, had a year-to-date expenditure of $339,000, with year-to-date income from the interest of $317,000, a cash balance of $8.386 million, and an encumbrance balance of $595,000.

Chair Arakawa asked Mr. Kishi to elaborate on the significance of the repeal and the resulting restrictions of the TSF.

Mr. Kishi explained that formerly, all TAT allocated to the HTA had been deposited into the Tourism Special Fund, which functioned as the HTA's personal bank account, allowing funds to be rolled over from one fiscal year to the next. Legislative approval had been required to utilize funds from the TSF, subject to an expenditure ceiling. Once the legislature grants consent, amounts up to the designated ceiling can be expended. However, the TSF had been repealed on January 1, 2022, and no further TAT had been deposited into the fund. Consequently, funds that had not been encumbered as of January 1, 2022, could no longer be spent. Mr. Kishi clarified that the only remaining funds available for expenditure amounted to $595,000.

Chair Arakawa inquired about the cash balance of S8.4 million in the TSF.

Mr. Kishi responded that most of this money was inaccessible and would probably be returned to the general fund.

Chair Arakawa confirmed that the return of funds to the general fund was handled by the Department of Budget and Finance (B&F). He requested Mr. Choy to address and resolve the matter. Mr. Choy stated his belief that the money would revert to the general fund after five years, with the anticipated date being December 31, 2027. Mr. Kishi noted that B&F would instruct him to execute the transfer.

Mr. White asked whether there was any reason to retain the remaining funds, given that the HTA could not encumber them.

Chair Arakawa agreed and remarked that returning the funds could help clean up the HTA's financial records and potentially earn credit from the legislature. Mr. White reiterated that since the money could not be utilized, there was no justification for holding on to it. Chair Arakawa suggested that the remaining funds could be returned to the general fund while simultaneously requesting additional allocations.

Mr. Apo expressed that requesting the legislature to encumber the funds might be easier than voting for new appropriations. Reflecting on possible federal challenges during the upcoming year, Mr. Apo noted that special sessions could allow the HTA to collaborate with DBEDT to utilize the funds instead of having them reallocated.

Chair Arakawa noted that as Chair of the legislative Permitted Interaction Group (PIG), Mr. Apo was ideally fitted to address these matters. Chair Arakawa suggested returning the unused TSF to mitigate the anticipated negative audit report. Mr. Apo could also request the legislature to reopen the TSF, although this could be challenging given that the legislature had previously repealed it. However, Chair Arakawa asserted that anything was possible and agreed that this approach might be quicker.

Mr. Choy expressed his doubt about the legislature's reenactment of the TSF in light of its previous repeal but acknowledged the potential for change. Chair Arakawa agreed, stating that reenacting a repealed statute would be unlikely.

Mr. Kishi provided details on the Tourism Emergency Special Fund (TESF) expenditures to date, reporting that $4.84 million was spent on Maui emergency response initiatives between August 2023 and February 2025. The financial report gave additional detailed information on this expenditure. Mr. Kishi also provided an update on the EDA-ARPA State Tourism Grant, with year-to-date expenditures of $3.356 million, remaining funds totaling $8.2 million, and an encumbrance balance of $5.144 million.

Chair Arakawa requested Mr. Kishi explain TESF, which is typically a $5-million-dollar fund reserved for emergencies.

Mr. Kishi described the fund's purpose, emphasizing that expenditures could only be made following the governor's declaration of a tourism emergency. He recounted that following the Maui wildfires in 2023, the Governor had issued an emergency proclamation, including a tourism emergency declaration. This led to the HTA Board's development of a 5-million-dollar emergency response plan for Maui, of which $4.84 million had been spent to date.

Mr. Pfund inquired about possible changes in federal funding and their potential impact on the HTA's activities.

Chair Arakawa responded that the discussion should focus on TESF for the time being. He noted that approximately $159,000 remained in the fund and requested clarification regarding its intended use.

Mr. Kishi explained that the remaining funds were to be allocated to the Visitor Education Post Arrival Marketing (VEPAM) program, although he was uncertain about the specific details of the Maui VEPAM initiative. Responding to Chair Arakawa's expression of confidence that the remaining $159,000 would be fully expended, Mr. Kishi confirmed that the program was almost complete, and paperwork was being finalized to pay the vendor.

Chair Arakawa inquired whether an additional $5 million would be provided once the current allocation was fully spent. Mr. Kishi reported that a request to refill the TESF had been submitted but was still pending.

Ms. Iona asked if this was the 5-million-dollar allocation that had been discussed in the July 2024 Board meeting and whether its replenishment had been pending since then.

Mr. Kishi confirmed this was the case, noting that a request had been submitted in December but remained unanswered.

Ms. Iona referred to previous statements from Dir. Salaveria of B&F indicated that the $5 million would be automatically reimbursed and asked whether a new request would be required in 2025.

Chair Arakawa acknowledged that legislation was pending and emphasized that fund replenishment was not yet certain. He noted that this had been an unprecedented situation, with no clarity on whether funds would be administratively deposited directly from the TAT or require legislative appropriation. The law lacked specificity in the replenishment process.

Mr. Choy acknowledged the possibility of replenishing the $5 million from the TAT fund but referred to the fact that this was a situation that had not previously occurred, leaving the exact mechanism of replenishment unclear.

Chair Arakawa thanked Ms. Iona for her question and proposed drafting a memorandum on the subject to Dir. Salaveria of B&F.

Mr. Choy pointed out that Chair Hannemann had previously requested the funds twice and remained persistent in his efforts. Chair Arakawa suggested that perhaps the third request might prove successful and inquired whether any legal issues were involved.

Chair Arakawa noted that Mr. Pfund had raised a question regarding the EDA-ARPA State Tourism Grant and asked the HTA Dir. of Plan, Ms. Caroline Anderson, to explain the purpose of this grant.

Ms. Anderson responded that the non-competitive EDA ARPA State Tourism Grant had been awarded to the HTA to revitalize travel, tourism, and outdoor recreation adversely affected by COVID-19. She explained that the HTA and the Department of Land and Natural Resources (DLNR) were engaged in seven projects and a collaboration between the HTA and the Hawaiʻi Visitors and Convention Bureau (HVCB) on supplemental marketing programs and travel trade initiatives. The HTA aimed to expand agritourism within the State and invest in urban trail projects, such as the Waikīkī Historic Trail program, for which surfboard trail markers would be refurbished.

In response to a question from Chair Arakawa, Ms. Anderson confirmed that agritourism fell under the community tourism collaborative.

Chair Arakawa then asked Ms. Anderson for more details on the types of programs that had already been funded by the EDA-ARPA Federal Grant, and how the HTA had utilized those funds. The Chair expressed his belief that there was a low probability of similar programs receiving federal funding in the future. He asked Ms. Anderson to confirm the inclusion of the urban trail project in the EDA-ARPA Federal Grant.

Ms. Anderson confirmed this and stated that the Waikīkī Historic Trail project had been funded through DMAP and EDA-ARPA funds. She explained that the DMAP funds had been allocated for developing digital content, while EDA-ARPA funds had been designated for refurbishing trail markers. Ms. Anderson explained that content development was almost complete, and once it was finalized, the refurbishment of the surfboard markers would proceed.

Chair Arakawa asked for an explanation of the term "surfboard wraps" and Ms. Anderson clarified that the surfboards served as markers for the historic trail.

Chair Arakawa asked whether the additional marketing and travel trade initiatives undertaken by the HVCB had been funded by Federal money. Ms. Anderson responded that these activities had been completed the previous year and were fully paid for.

Chair Arakawa asked for information about the EDA-ARPA-funded DLNR projects.

Ms. Anderson responded that one of the DLNR initiatives aimed to re-establish coral in specific locations. DLNR was still identifying suitable sites, and the project had not yet been completed.

Chair Arakawa recalled a project measuring coral growth, but Ms. Anderson clarified that the project focused on growing coral. Chair Arakawa noted that such projects were more appropriately managed by DLNR and asked whether there were also projects involving buoys.

Ms. Anderson explained that the coral restoration project sought to cultivate coral and establish new sites for residents and visitors to experience coral. She stated that DLNR was conducting outreach to determine optimal site locations. However, she acknowledged difficulties in procuring a contractor to carry out the work, although the project remained on track. Ms. Anderson, Mr. Choy, and Mr. Kishi visited the coral nursery to observe coral cultivation as part of their ongoing monitoring of DLNR activities.

Chair Arakawa requested Ms. Anderson to circulate the list of EDA-ARPA projects to committee members. Responding to Mr. Pfund's inquiry, the Chair noted that the current administration's continued funding for coral growth was somewhat uncertain. Ms. Anderson clarified that the grant remained valid until 2026, requiring the completion of all projects within that timeframe.

Chair Arakawa inquired whether the EDA-ARPA funding could be revoked. Ms. Anderson acknowledged that it was a possibility but noted that, as of that day, the EDA representative had not informed them of such an action. She explained that she communicated with the representative, who had promised to notify her if any changes occurred. Meanwhile, the HTA and DLNR were proceeding with their projects.

Chair Arakawa requested Ms. Anderson to provide a comprehensive list of all projects funded by EDA-ARPA.

Mr. Kishi reported on the Hawaiʻi Convention Center (HCC) funds, highlighting the general balance and encumbrance balance of $2.078 million in the HCC General Fund. The HCC

Enterprise Special Fund had a year-to-date revenue of $13.297 million, consisting of $11 million in TAT, $1.235 million from HCC operations, and $1.061 million in interest. This contributed to a cash balance of $46.206 million, including $11 million reserved for transfer to B&F for FY24 operations. Mr. Kishi explained that this was because, during FY24, the HTA had been provided with an unofficial operating budget of $11 million by B&F, which had agreed to allocate the funds as the operating budget for HCC, necessitating the transfer of $11 million from the special fund.

Chair Arakawa clarified that, due to the absence of an approved ceiling for the HCC operational budget in 2024, B&F had loaned the center $11 million, which now had to be repaid.

Regarding the rooftop repair project, Mr. Kishi noted that Act 248 SLH 2022 had appropriated $15 million for temporary rooftop repairs, while Act 230 SLH 2024 allocated $64 million for the overall rooftop repair project. He reported year-to-date expenditures of $2.292 million, a fund balance of $75.7 million, and encumbrances amounting to $17.746 million.

Chair Arakawa asked Mr. Choy to update the committee on the status of the rooftop repairs.

Mr. Choy explained that the project was in the procurement phase, and this restricted the details he could share. However, he stated that a new request for proposal (RFP) was scheduled to be released by the end of the month. A significant challenge had arisen since the original intention had been to close the HCC for one year, but all the proposals submitted so far required a closure period of 20 months, which was beyond the HTA's control. He affirmed that the project remained on schedule and within budget. Although contractors' final estimates had not yet been received, he had been assured by the engineers, architects, and consultants that they were on track. He expected to give further updates by the end of the month.

Chair Arakawa asked if there were questions, objections, or abstentions, and hearing none, he called for a roll-call vote on the financial statement. Mr. Kishi conducted the roll-call vote, and the motion was carried unanimously.

5. Motion, Presentation, Discussion, and Action on the Hawaiʻi Convention Center's (HCC) February 2025 Financial Report and Update on the HCC's 6-Year Repair and Maintenance Plan; Recommend approval

Chair Arakawa proposed a motion to recommend the approval of the Hawaiʻi Convention Center's (HCC) February 2025 Financial Report and an update on the HCC's 6-year Repair and Maintenance Plan. Ms. Agas seconded the motion. The Chair then invited the General Manager of the HCC, Ms. Teri Orton, to present her report.

Ms. Orton reported that the budget called for 16 licensed events for February, of which 14 had occurred. She noted that 13 of the 14 events had been returning clients, including a Citywide group called Tandem. Tandem hosted simultaneous meetings for two different organizations. It attracted 4,800 offshore participants, generating $1.3 million in revenue for the HCC, $43 million in economic impact, and approximately $5.1 million in tax revenue for the state.

Ms. Orton stated that the total facility revenue for February amounted to $2.7 million, falling just $12,000 short of the budget, with a net income of $563,000. Ms. Orton forecasted that HCC would close FY25 on June 30, 2025, with a net loss of $1.8 million, $1.3 million better than the budgeted loss of $3.2 million. She anticipated that the remaining eight Citywide events to be hosted before the end of the fiscal year would bolster revenue, noting a busy schedule over the next few months that could improve the bottom line further. While breaking even might not be achievable this year, the HCC is expected to come close, with hopes of higher-than-forecasted revenue and ancillary expenses from the remaining events.

Ms. Orton stated that, based on the ten Citywide events already hosted as of February, including the HVCB Meetings, Conventions, and Incentives (MCI) expenses, the HCC ROI was $11.34 for every dollar spent. Ms Orton anticipated that the ROI would further increase with the remaining eight Citywide events. She reported 18 Citywide events for the current fiscal year, generating tax revenue of $45.4 million and an expected economic impact of $388 million. She described 2025 as another successful year, expressing optimism that the final eight Citywide events would result in higher-than-expected revenue.

Ms. Orton highlighted three recent events:

- NDIA, a repeat Citywide client................2,400 participants
- the Honolulu Festival 2025...................15,000 participants
- Kawaii Kon..20,000 participants

This had made March a busy month.

Ms. Orton mentioned that upcoming events included the Entrepreneurs' Organization 2025 Leadership Conference, with an estimated attendance of 1,500 participants, as well as the

Hawaiʻi Summit on Preventing, Assessing, and Treating Trauma Across the Lifespan (IVAT), which was a repeat event with about 1,400 participants. The Honolulu Open Pickleball Tournament would be the second pickleball event at the HCC and would feature the new pickleball equipment. Over 800 players had registered for the tournament, which was expected to attract thousands of spectators and would be televised on ESPN Honolulu. Ms. Orton explained that there would be five food and beverage points of sale, including three concessions within the exhibit halls, a VIP location in the lobby area, and two satellite bars. Ms. Orton confirmed that the Convention Center would provide the food and beverages.

Ms. Orton outlined the next three months of local and Citywide events:

- March 2025...............19 events............ including one Citywide
- April 2025..................22 events............ including one Citywide
- May 2025 ....20 events…………..including three Citywides

Ms. Orton highlighted the carbon offset program, noting the planting of 509 trees and offsetting 491.14 metric tonnes of CO_2. She remarked that many international and local organizations had opted into the program.

Referring to the slide displaying definite Citywide and local events for the next three months, Chair Arakawa inquired whether the HCC had been directly responsible for managing Citywide events prior to 2019.

Ms. Orton confirmed that HCC had overseen Citywide bookings between 2003 and 2019, but this responsibility had been transferred to the HVCB in 2020.

Chair Arakawa asked how many Citywide events had been hosted before 2019 and suggested that Ms. Orton might present a slide illustrating this during a subsequent meeting.

Ms. Orton stated her belief that, on average, there had been approximately 25 to 28 Citywide events per year and added that the HVCB Vice President for Global MCI Sales, Ms. Lynn Whitehead, had identified 28 annual Citywide events as her long-term goal.

In response to a question from Chair Arakawa, Ms. Orton explained that the criteria for a Citywide event included utilizing two or more hotels, a minimum of 1,000 room nights, and most attendees being offshore visitors, either from the mainland or international destinations.

Chair Arakawa inquired about the current average number of Citywide events and the projected number for the following year in light of Ms. Whitehead's goal of 28 Citywide events per year,

Ms. Orton responded that the COVID-19 crisis had significantly impacted Citywide business, with many events postponed to future years or lost entirely. She noted that the marketing team had been active in all market segments, including corporate and association sectors, working diligently to rebuild the business post-COVID.

Ms. Orton also mentioned that the Maui fires had posed additional challenges and acknowledged that the State had generally been navigating difficult times. However, she stated that 2024 and 2025 had been relatively strong years, averaging 18 to 20 Citywide events annually. However, from 2026 onwards, as detailed in the PACE report, bookings had not met expectations, prompting the decision to schedule renovations for 2026, as only six Citywide events had been booked for that year. For 2027, Ms. Whitehead and her team managed to increase bookings from single digits to 12 Citywide events. Ms. Orton noted that bookings for 2028 remained in single digits, with all efforts focused on selling events for 2028 and beyond.

Chair Arakawa thanked Ms. Orton and apologized for repeating matters that had previously been addressed at meetings of the Branding Standing Committee but acknowledged the budgetary impact of these issues.

Ms. Orton presented a slide displaying the total bookings per year for the upcoming decade. She emphasized that diligent efforts were underway to secure bookings from 2028 onwards, and it was her conviction that once the construction was completed and the new roof was installed, bookings would increase.

Mr. Pfund inquired whether the probable extension of the construction period from 12 months to 20 months would impact the ability to increase bookings from 2027 onwards.

Ms. Orton explained that the same strategy would be adopted for 2027 as defined for 2026. In case of extended construction timelines, the team would strive to salvage business for 2027. Ms. Orton clarified that no business had been lost for 2026, as events had either been postponed to future years or were to be self-contained within headquarter hotels, such as the Sheraton or Hilton Hawaiian Village. Ms. Orton explained that the strategy 2027 would be to request clients either to reschedule their events for future years or to self-contain at headquarter hotels. The primary objective would be to avoid losing business by collaborating with organizers to institute alternatives.

Ms. Orton added that a further strategy might be to exchange venues with other cities. For example, if a group intended to hold an event in Seattle in 2028 and Hawaiʻi in 2027, the HCC team would negotiate with the group to exchange cities. Ms. Orton explained to members that she, Ms. Whitehead, and the sales team had been closely collaborating with the hotels to deal with such situations. Ms. Orton added that while the prolongation of the construction phase had not yet been confirmed, a recent consultation had clarified that contractors would not be able to complete the project within ten months or a year.

Mr. Apo referred to a discussion at a previous Board meeting on a request for funding incentives for incoming groups and asked whether the matter had been resolved.

Ms. Orton responded that the immediate need for Daito for the current year had been resolved internally while discussions were underway on how the needs for 2026, 2027, and 2028 might be addressed.

Chair Arakawa reminded the members that Mr. Apo had been referring to the Maximum Flexibility Fund (MFF).

The Chair noted that part of the reason for the proposed 20-month construction period was the installation of a new canopy for the roof. The contractors had explained that adding the canopy would enable the facility to conduct significantly more business.

Ms. Orton added that the canopy would enhance the utilization of the rooftop space, which had not been fully maximized at that time. She mentioned that the ballroom had been the primary rented space in the building, receiving more usage than any other area. Ms. Orton explained that the rooftop canopy would transform the 35,000 square feet of space into a covered outdoor area equipped with electrical supply, lighting, and sound infrastructure. The space would be extremely useful for all occasions, particularly Citywide events. She added that the canopy would allow the HCC to target markets such as weddings and festivals without incurring the expense of renting tents.

Mr. Choy remarked that the original plan had included a pergola covering more than 50% of the rooftop space, which would have been considerably more expensive. He emphasized that the canopy was a more cost-effective alternative to the pergola.

Chair Arakawa asked whether the center would remain open for weekend and holiday events in 2026 despite many rooms being unavailable due to rooftop construction.

Ms. Orton assured committee members that the facility would not be completely closed during construction, although some restrictions would be in place. The exhibit space and the Makai wings of the building would be available to host events in the evenings and on weekends and holidays.

Mr. Choy added that the contractors' primary concern was not the installation of the roof canopy but extensive rust beneath the existing roof structure. The contractors were uncertain about what they would uncover upon opening the ceiling, which contributed to the extended timeline.

In the absence of the Director of Operations at the HCC, Ms. Mari Tait and Ms. Orton presented updates on repair and maintenance. She explained that to accommodate the surfboard exhibit referred to in previous meetings, the Green Rabbit Island painting had been relocated from the third floor to the lobby in front of Exhibit Hall 3. Ms Orton added that the cabinetry for the surfboard exhibit was being installed on the third floor.

Ms. Orton explained to committee members that scaffolding had been erected over the parking entrance ramp due to falling drywall and fire suppression structures caused by recent rains. The renovation project for the Kalākaua planters above the entry ramp involved excavating dirt to waterproof the planters. However, heavy rains had led to water saturation without dirt, resulting in falling drywall below the planters. Scaffolding had been installed with a false ceiling to catch any additional drywall or fire suppression debris as repairs continued. She assured members that as soon as the planter repairs were completed, the scaffolding would be removed and the ceiling replaced.

Ms. Orton reported that more than half of the lighting in the center had been upgraded to LED lights. New lighting, sound, and carpeting would only be installed in the Makai meeting rooms when those rooms were returned to inventory upon completing the rooftop repairs.

Ms. Orton stated that painters were actively working across the building, with most of the front and the Kalākaua side already painted. She added that an RFP for interior painting was being developed, and a contractor would shortly be awarded the project.

Ms. Orton presented a list of current projects categorized into those aimed at improving guests' experience, enhancing the building, and optimizing departmental efficiency. She provided updates on major projects, including the LED lighting upgrade, exterior light improvements, parapet roof repairs, and the resolution of leaking rooftops throughout the building, such as on the fourth floor.

Ms. Orton presented the six-year capital improvement project list, which included estimated project costs, completion dates, and details indicating that some projects had been distributed across several fiscal years, with total amounts provided. She also provided a list of projects completed in recent years, along with their associated costs. Ms. Orton explained that it was hoped that the modified event schedule for 2026 and 2027 would enable the execution of larger projects during this period without the need to navigate numerous events.

For example, Ms. Orton mentioned that the escalators frequently broke down, and there were plans to replace them. Additionally, upgrades to certain concession areas, such as 1801, the lobby area, and the third-floor Italy Café, were being considered, including installing a Grab-and-Go concession stand.

Mr. Choy noted that the House Finance Committee was considering allocating $50 million for the following year to fund repairs and maintenance while the center was closed. He expressed his hope that the Senate would view the matter similarly, especially in addressing renovations of the elevators and escalators.

Chair Arakawa stated that House Bill 300, the State budget bill, had incorporated the $50 million allocation for repairs during the rooftop construction period. He thanked Ms. Orton and her staff for diligently preparing the report.

Ms. Orton responded that she and her team were hoping for a favorable outcome.

Chair Arakawa reminded members that the motion for approval had been moved and seconded. He requested Mr. Kishi to conduct a roll-call vote, which resulted in the motion being carried unanimously.

Chair Arakawa noted that no further motions requiring a vote remained on the agenda.

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

Chair Arakawa informed committee members that Agenda Items #6 and #7 were to be discussed because these were issues upon which the HTA had previously been audited, or upon which the legislature, Board members, vendors, or consultants had raised questions.

a. Status Update on the Fiscal Biennium 2025–2027 Budget Request to the Legislature

Mr. Kishi reported that a budget request had been made, and numerous details were involved.

Chair Arakawa stated that they would begin from the present position and noted that Board members could access additional details online or by telephone. He requested Mr. Kishi to provide updates.

Mr. Choy reported that, at that moment, House Bill 300 (HB§300) had allocated $63 million to the HTA. Chair Arakawa reminded members that this information was included in their handouts.

Mr. Choy explained that the legislature had replicated the $63 million budget from FY25. He noted that, in the worksheet for HB§300, the HTA had requested three Program IDs instead of six, but the legislature had retained the original six Program IDs. He added that the Finance Chair was open to reducing the number of program IDs to three or potentially reverting to a single program ID. At that time, HB§300 remained at $63 million.

Chair Arakawa explained that the six distinct BED numbers were the Program IDs to which Mr. Choy had referred, and these restricted the HTA's ability to allocate funds. He reminded committee members that the law required permission from B&F to modify the contents of any "bucket." Such changes could only be made in cases of emergency funding, provided the Governor had issued an emergency proclamation overriding the six program IDs. The Chair emphasized that having one or three program IDs would grant the HTA significantly greater flexibility. He noted that the Senate requirement for the HTA to justify its expenditures had led to the implementing six program IDs the previous year.

Mr. Choy added that discussions were ongoing regarding whether funds could be reallocated within program IDs. He mentioned that he had sought clarification from the Chair of the Ways and Means Committee (W&M), who had indicated that the implications were still under consideration. Mr. Choy stated that the administrative processes for general funding would be made simpler for the HTA if they operated under a single program ID since this arrangement would allow the staff and the Board greater freedom to develop an expenditure list. He expressed his hope that their request would be approved.

No questions were raised. Chair Arakawa noted that W&M had scheduled a hearing on the matter but acknowledged that a resolution was unlikely to be reached shortly.

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

Chair Arakawa believed the Governor had recently issued a memorandum, and Mr. Kishi confirmed that there had been two recent memoranda regarding budget amendments. The first memorandum had stated that the Governor had allocated $3 million to the

HTA for the Japan market and $3 million for the U.S. market for FY26 for Branding and Marketing, along with an additional $3 million for the Japan market for FY27.

Mr. Kishi referred to a second memorandum relating to a Destination Stewardship program, which he believed pertained to airport screening, allocating $1 million for FY26 and $750,000 for FY27.

Chair Arakawa asked Mr. Kishi to include a summary of these memoranda in the materials for the subsequent Board meeting. Chair Arakawa asked about the source of the $6 million for Japan and U.S. marketing for FY26, noting that it had not been included in the budget.

Mr. Kishi explained that the funds had not yet been disbursed as they required legislative approval.

Chair Arakawa responded that the legislature's HB§300 had allocated $63 million, but the Governor had sent a memorandum to the legislature requesting an additional $6 million for marketing. This additional $6 million increased the $63 million budget to almost $70 million. The Chair stated that HB§300 was under consideration by the Senate, along with the Governor's request for an increase of $6 million for FY26 and $3 million for FY27. Chair Arakawa asked Mr. Kishi to distribute a summary of this information to Board members. He suggested that Dir. Tokioka and Chair Hannemann might have been in communication with the Governor to secure this favorable outcome.

Mr. Choy added that by March 31, 2025, it would be known whether HB§300 had passed.

Mr. Kishi confirmed that there were no questions from members or online participants.

c. 2023 Legislative Audit Pursuant to HRS 23-13

i. Status and Budget, Finance, and Accounting Issues

Chair Arakawa reported that the legislative audit was not yet completed. Mr. Nāhoʻopiʻi had been asking about the outcome, but so far, there had been no statement from the auditors. The Chair added that the audit was the *kuleana* of the Audit and Administrative Standing Committee (AASC). Under HRS§23-13 the HTA was to an operational audit conducted by the State Auditor every five years. He noted that this was one reason for removing some privileges from the HTA during the previous audit. It was important for the HTA to hear the conclusion of this audit, and he hoped that the audit would be more favorable in the future.

There were no questions on the administrative audit.

d. Tourism Emergency Special Fund

i. Status of Use of the Tourism Emergency Special Fund

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

Chair Arakawa reminded members that these issues had already been discussed.

e. Wildfire Incremental Budget Requests

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

Mr. Kishi stated that nothing had been prepared for this meeting because updates on ROI had been provided at previous meetings.

Chair Arakawa stated that Ms. Iona had a question but had difficulty connecting with her. In the meantime, she planned to connect by telephone.

Mr. Choy informed members that Dir. Tokioka had asked him about three weeks earlier to conduct a complete and detailed audit of the Los Angeles Activation; however, he had been too busy then. He indicated that he might address the issue during the following month.

Chair Arakawa asked whether there had been a contract for the L.A. Activation.

Mr. Choy replied that this might be problematic since program managers were still negotiating with the HVCB. Chair Arakawa remarked that if there had been no contract, no agreed-upon ROI, and nothing in writing, it posed significant issues, and Mr. Choy agreed.

Chair Arakawa asked who had been the project manager for this matter, and Ms. Anderson stated that she had taken over the project after Ms. Kahoʻohanohano had left. Ms. Anderson added that she was attempting to finalize the supplemental agreement for the $1.5 million allocation at present.

Chair Arakawa thanked Ms. Anderson for her efforts in taking over the matter and stated that he supposed that the contract for the activation might have been an oral contract. The Chair asked Mr. Choy if he had requested a formal opinion on oral contracts.

Mr. Choy stated that he had not received a formal ruling, but AG Cole had advised him that oral contracts were not binding. Mr. Choy added that possible procurement violations might be a concern, and it might be necessary to inform the procurement office that the project had been executed without a contract, based solely on an oral agreement, which was neither binding nor enforceable. Mr. Choy questioned whether the contractor could be paid under these circumstances.

Ms. Anderson stated that she had understood that the activation had been approved by the Board and was part of their scope of work. She added that the contractors had not engaged in unauthorized activities, and she had been informed that activations were part of their plan.

Chair Arakawa questioned whether the Board had approved the activation without a contract. Ms. Anderson responded that the Board had approved the L.A. Activation at some point during the previous summer.

Chair Arakawa emphasized that the law required the HTA to have written contracts and questioned whether the Board had explicitly approved proceeding with the plan without a written contract.

During its July meeting, Ms. Anderson replied that the Board had approved the $1.5 million fall activation activity. Chair Arakawa inquired whether the Board had approved conducting the activity without a written contract, violating procurement law. Ms. Anderson reiterated that the Board had approved the activity.

Chair Arakawa remarked that when the Board approved an activity, there was an assumption that the law would be adhered to and a written contract would be executed. He questioned whether the Board needed to explicitly stipulate that the procurement law requiring written contracts must be followed. He argued that they could not conclude that because the Board had approved the activity, it was permissible to proceed without a contract. He added that the Board could not have approved proceeding with the L.A. Activation without a written contract. The Chair asked AG Cole whether that had been the case.

AG Cole responded that he did not believe Ms. Anderson had meant to imply that. He acknowledged that there should have been a contract or a contract amendment to address the matter, but this had not occurred. He stated that efforts were underway to determine how to address the issue. AG Cole noted that only the State Procurement Office could determine whether this constituted a procurement violation. However, he emphasized that they were working on the most effective solution to address a contract amendment that had not been prepared before the activation.

Mr. Pfund asked whether there was a contract that had to be amended and noted that AG Cole had answered this question. What had to be done now was to discover how to remedy the situation.

Chair Arakawa expressed his satisfaction on learning that the L.A. Activation fell within the scope of the base contract, meaning that one argument could be that the contractor could do the work without a contract. However, the issue was the funding and its source. The Chair hoped the issue could be resolved so that the contractor could be paid and the ROI measured.

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

Chair Arakawa stated there was a pending investigation by the Finance Procurement Division into this issue.

f. HTA Budget & Finance Issues, Policies and Procedures

Chair Arakawa stated that a question had been asked earlier regarding why this item continued to appear on the agenda. He noted that the item had been on the agenda for over a year, possibly two years, and had been removed when the budget was being discussed. He further remarked that four procurement violation investigations had recently emerged. The public was aware of these procurement violations since they were available on the website, and this implied that the HTA should be prepared to address them.

Chair Arakawa referred to the first violation, which involved the Bishop Museum requesting $30,000 for computer hardware to carry out work for the HTA. He understood that the work had been completed without purchasing the computer hardware. After the close of the contract, the Bishop Museum requested to be reimbursed for the equipment purchase.

Mr. Choy noted that the HTA had not made any payment for the equipment, and therefore, the State Procurement Office ruled that no further action was necessary since no payment had been made. Chair Arakawa remarked that the work had been completed without needing the equipment and suggested reviewing policies and procedures.

Mr. Choy stated that part of the violation pertained to after-the-fact payment. He explained that, as mentioned during the Board meeting, he had not anticipated this outcome. He had intended to pay the Bishop Museum for the purchase of the hardware and had hoped for approval for after-contract payment to ensure the Bishop Museum was reimbursed. However, he acknowledged the necessity of complying with the ruling of the State Procurement Office.

Chair Arakawa suggested that policies and procedures should be reviewed. He proposed that the AASC might consider whether contracts should be entered into with contractors who indicated that they lacked the equipment required to fulfill the contract. However, he requested the HTA to fund the equipment purchase for the project, with the organization retaining the equipment afterward. He was doubtful whether this should become policy in the future.

Mr. Apo disclosed his conflict of interest, stating that he was a Board of the Bishop Museum member. He respectfully corrected Chair Arakawa's statement that the equipment had not been needed for the project and clarified that it was also inaccurate to suggest that the equipment had been purchased after the contract had been completed. Mr. Apo explained that the submission of the request for payment after the contract had expired created a procurement violation situation. He expressed appreciation for Mr. Choy's efforts to secure payment for the Bishop Museum and acknowledged the relevance of the situation to procurement law. However, he had felt compelled to correct statements that might have reflected poorly on the vendor.

Chair Arakawa thanked Mr. Apo and accepted his clarification that the equipment had not been purchased after the contract had expired, although the payment request had been submitted late.

Mr. Kishi confirmed that the request for payment had been submitted after the completion of the contract and that the equipment had been purchased to carry out the contract. Chair Arakawa acknowledged the validity of Mr. Apo's remarks.

Mr. Kishi stated that the Fiscal Department would triple-check the matter and noted that the situation might not have arisen if the distinction had been understood earlier. Chair Arakawa promised to assist in following up on this matter.

Mr. Choy stated that the second procurement violation should be addressed before discussing policies and procedures. He explained that this violation had also involved work being completed after the contract had expired. Mr. Choy informed committee members that the HTA had entered into a contract for VEPAM, which had expired, leading the Procurement Office to determine that this constituted a violation. He explained that when a contract approached expiration with additional work remaining, the HTA staff were expected to extend the contract. However, on this occasion, the HTA staff member failed to extend the contract, and the contractor subsequently performed work under the expired contract. Consequently, the Procurement Officer ruled that the Comptroller could approve an after-the-fact payment, and the contractor was compensated.

Mr. Choy remarked that the Procurement Office had issued differing rulings on these two violations and added that while it was essential for the HTA to maintain precise procedures to ensure that transactions were accurate and specific, the inconsistency in these rulings created challenges in establishing a precedent regarding payments made after the contract period.

Chair Arakawa emphasized that the HTA wished to compensate its vendors for completed work. He stated that if actions by HTA staff caused the Procurement Office to rule against vendor payments, it would be necessary to develop policies and procedures to ensure the timely and proper execution of transactions. Referring to the Bishop Museum situation, Chair Arakawa suggested that HTA staff might have advised the Museum to request reimbursement in a timely manner. He proposed examining whether an alternative process could be implemented to facilitate such payments.

Regarding the VEPAM contract, Chair Arakawa observed that a violation had been identified, but the Procurement Office had determined that an after-the-fact payment could be processed.

Chair Arakawa noted that no ruling had yet been issued on the third violation involving a similar issue. In this case, the Global Support Services contract with HVCB had expired, and the HTA staff responsible for extending or renewing it had failed to do so. Despite this, HVCB GSS staff had completed work under the expired contract.

Mr. Choy responded that the procurement ruling on the HVCB GSS contract violation has been undetermined so far. He then highlighted the fourth violation concerning modifications for the Council for Native Hawaiian Advancement (CNHA) contract, which were to have been executed before December 31, 2024. Supplemental agreements #1, #2, and #3 had already been negotiated, while supplemental agreement #4 was expected to be completed within the next few days. Mr. Nāho'opi'i had previously handled this project, but Mr. Choy could not obtain updates before Mr. Nāhoʻopiʻi's departure.

Ms. Anderson stated that she believed the supplemental agreement details were with Ms. Fermahin, the Procurement Manager. Mr. Choy confirmed that the supplemental agreements would be finalized shortly, even though the work should have been completed before December 31, 2024.

Chair Arakawa remarked that this violation pertained to work without a contract. He noted that the CNHA had performed the work and underscored the HTA's commitment to ensuring fairness for its contractors.

The Chair informed members that the fifth procurement violation pertained to the L.A. Activation, which had already been discussed. He stated that, based on AG Cole's advice or ruling, there might be additional oral contracts, each of which could result in a procurement violation. Chair Arakawa explained that this issue was being actively addressed and promised that there would be further discussions to ensure that all future contracts were executed in writing.

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

Chair Arakawa requested Mr. Choy to provide a brief update on this matter and asked for a written report to be submitted later.

Mr. Choy reported that the HTA was delinquent in payments related to the HVCB, CNHA, and VASH contracts. He emphasized the need to strengthen policies and procedures to ensure timely payments. Chair Arakawa, who had attended a meeting with the HVCB, noted that the organization claimed $780,000, or possibly more, in interest charges to be reimbursed by the HTA.

Chair Arakawa inquired about the total outstanding amount, and Mr. Choy estimated it to be approximately $4–5 million, possibly more. The Chair asked how far back the invoices were extended, and Mr. Choy responded that the situation with the HVCB was not too severe.

Chair Arakawa remarked that the Fiscal Department could provide a detailed report later. He noted that, for the HVCB, the outstanding amount was approximately $5 million or more. When payments were delayed, the HVCB had to secure loans, resulting in an expectation that the HTA would cover $700,000 in interest.

Chair Arakawa inquired about the total outstanding amount for the CNHA. Mr. Kishi reported that, as of December 2024, the debt was approximately $2 million.

Chair Arakawa requested the Fiscal Department to prepare a detailed report, and Mr. Choy reported that the CNHA's payments were up to date.

Chair Arakawa asked about the oldest invoice, and Mr. Choy stated that it dates back to November 2023. Chair Arakawa expressed concern that some invoices had remained unpaid for over 400 days and emphasized the need to resolve this issue. He inquired why Anthology had not been mentioned and asked about the amount owed to them. Mr. Choy reported that Anthology was owed approximately $25,000.

Chair Arakawa noted that VASH was owed approximately $250,000, and Mr. Choy stated that he had personally ensured that this payment was brought up to date. Chair Arakawa requested the Fiscal Department compile a detailed list of outstanding payments and recommendations. Mr. Choy emphasized the importance of improving policies and procedures in the future.

Mr. Apo raised a question regarding the interest claimed by the HVCB, asking whether there was a specific contract provision addressing interest on late payments.

Mr. Choy responded that no such provision existed and explained that this matter was being discussed. He noted that the HTA would have been obligated to pay the interest if a specific contractual agreement had been in place. He added that negotiations were ongoing, and if it was ultimately determined that interest payments were required, Board approval would be sought, and a comprehensive explanation would be given.

Chair Arakawa thanked Mr. Apo for raising this question and suggested that future contracts should include provisions addressing the issue.

Mr. Choy pointed out that timely payments would have prevented such problems, and Chair Arakawa acknowledged that while the HTA was responsible for many contracts, only a few were in a delinquent position. He thanked Mr. Apo for his question and noted that the HVCB had not demanded the interest payment but had merely discussed it.

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

Chair Arakawa stated that this had already been discussed and asked if there were additional issues.

Mr. Choy responded that staff were working through problems and had discussed contract modifications at the leadership meeting earlier that day, emphasizing the importance of ensuring that these modifications were made on time to avoid procurement violations. Another issue concerned how payments could be made without a contract. Mr. Choy believed that Board members were beginning to appreciate the work likely to face staff in the future.

Chair Arakawa asked about the $60,000 CNHA contract for VEPAM, and Mr. Choy responded that the State Procurement Office's ruling on this issue had already been discussed.

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

Chair Arakawa stated that he believed that this was a non-issue which, however, should be examined because Ms. Anderson and Mr. Choy were the only members of the executive team who had no bonus.

Mr. Choy responded that he recommended that, now that there were new offices, all executive employees should have contracts.

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

Chair Arakawa stated that Mr. Choy would be addressing this matter.

Mr. Choy informed committee members that two Federal findings had been concerning the HTA financial audit. The first finding pertained to the non-submission of a report. Mr. Choy acknowledged that he had been responsible for submitting the report but had not realized its necessity. He explained that this had been a single-number report in which the HTA was to report the disbursement of $7.5 million of EDA-ARPA funding to the DLNR. This had not been done.

The second finding, with which Mr. Choy did not entirely agree, involved the process of drawdowns. He explained that when drawdowns were requested, the funder asked for the submission of invoices. Upon receipt, the funder physically approved the payments to the HTA. However, the auditor believed additional audit work should have been conducted beyond submitting invoices for drawdowns. Mr. Choy emphasized that both findings were reporting issues and did not involve any questioned costs or improper payments. He indicated that these issues would be reported at an upcoming Board meeting.

Chair Arakawa inquired if there were any additional findings, and Mr. Choy confirmed that there had been no further findings from the Federal audit.

Mr. White asked for clarification that discussions and presentations could continue without a quorum as long as no decisions were made. AG Cole confirmed that this was correct.

Chair Arakawa reminded members that he had stated at the beginning of Agenda Items #6 and #7 that no further votes would be required. He repeated his question to Mr. Choy regarding additional audit findings.

Mr. Choy responded that there had been one further finding relating to space use. He reported that substantial efforts had been made to revise policies and procedures concerning space use at the Convention Center. He added that this issue was to be addressed during the special Board meeting scheduled for the following day to discuss the audit.

Chair Arakawa confirmed that the special meeting would focus on space use issues.

Mr. Choy again reassured committee members that the two financial findings were reporting errors. He acknowledged failing to submit the first report and stated that the second finding involved more detailed procedures than customary. He stressed that neither finding involved questioned costs or financial consequences.

Chair Arakawa expressed a different opinion, noting that he had always believed that certain EDA-ARPA projects should not fall under HTA supervision.

Mr. Choy responded that this was not the issue in question. He explained that the auditors had required additional evidence to verify the disbursement of $7.5 million to DLNR. Chair Arakawa agreed that the funds had been paid to DLNR but argued that DLNR should have been subject to the audit comment since they had received the funds.

Chair Arakawa asked whether there were further questions.

Ms. Iona inquired about the timeline for completing payments to the HVCB, and Chair Arakawa affirmed the relevance of the question.

Mr. Choy stated that efforts were ongoing to address the matter, noting a transition between Ms. Kahoʻohanohano and the new brand manager. While he expressed regret for not being able to provide a definitive timeline, he indicated that further negotiations were likely to be necessary before the HVCB would be made whole.

Chair Arakawa inquired whether any HVCB invoices could be processed for payment.

Ms. Anderson responded that she was working as quickly as possible to finalize the supplemental agreements for the $1.5 million allocation for the HVCB contract for the leisure U.S. Major Market Area (MMA) contract. She noted that the first payment for calendar year 2025 had been submitted, and the next payment was scheduled for April. She affirmed that payments for the calendar year 2025 were up to date.

Chair Arakawa asked whether a check had been issued. Ms. Anderson clarified that a check had not yet been issued but was being processed within the system.

Ms. Iona asked about MCI payments.

Mr. Choy stated that he had unresolved questions regarding the MCI payments, which amounted to approximately $2 million. He explained that he had initially withheld these payments but had since released them.

Mr. Kishi confirmed that the payments were now being processed. Mr. Choy expressed his intention to discuss the MCI program with Ms. Iona offline to review the progress being made. He noted concerns about the program and was awaiting additional information. He remarked that the MCI performance for future sales appeared below the expected metrics and emphasized the importance of ensuring that vendors delivered the required performance before being paid.

Chair Arakawa commented that MCI had previously been managed under the HCC, which had formerly administered both the structure and the marketing of the center, hosting up to 28 Citywide events per year. The Chair explained that the HTA CEO had decided to assign the MCI marketing contract to HVCB in 2019. He noted that the resulting situation had prompted Senator Donna Kim to suggest returning the marketing contract to HCC. However, he observed that no legislative bill addressing this issue had been introduced during the present session.

Mr. Choy stated that the matter was a performance issue. As the program manager for the center, he held multiple meetings to address the issue and emphasized the need to reach a resolution.

Chair Arakawa acknowledged the importance of paying vendors promptly but agreed with Mr. Choy’s assertion that payments should be contingent on performance.

Mr. Choy clarified that the outstanding balances for the HVCB had only recently become Ms. Anderson's responsibility. Ms. Anderson confirmed this, stating that she had only taken over these contracts during the previous month. Chair Arakawa expressed his gratitude to Ms. Anderson for her excellent work.

Mr. Choy emphasized that the efforts to address outstanding balances by the Fiscal Department were unrelated to Ms. Anderson's responsibilities. Chair Arakawa thanked Ms. Anderson for her presence at the meeting and for providing clarifications.

Chair Arakawa invited additional questions or comments and reminded Mr. Apo, Ms. Paulson, and the committee members that they could contact Mr. Choy or himself with further inquiries.

v. Discussion and Action on New Policies and Procedures

g. Hawaiʻi Convention Center Budget & Finance Issues

7. Adjournment

Chair Arakawa proposed a motion to adjourn the meeting, and Ms. Iona seconded it. The meeting adjourned at 4:15 p.m.

Respectfully submitted,

Sheillane Reyes

Sheillane Reyes
Recorder