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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING  
HAWAII TOURISM AUTHORITY**

**Tuesday, April 15, 2025, at 1:30 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, James McCully, Roy Pfund, James Tokioka (Ex Officio, DBEDT Director), Mike White

**NON-VOTING MEMBER:** Todd Apo, Mahina Paishon

**HTA STAFF PRESENT:** Isaac Choy, Talon Kishi

**GUESTS:** Noelle Liew, Mari Tait

**LEGAL COUNSEL:** John Cole

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

Mr. Kishi called the meeting to order at 1:45 p.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**

Mr. Kishi conducted the roll call. All members confirmed they were in attendance and were by themselves, apart from Chair Arakawa, Mr. McCully, and Dir. Tokioka who were in the HTA conference room.

### **3. Approval of the Minutes of the March 24, 2025 Committee Meeting**

Chair Arakawa proposed a motion to approve the minutes, and Dir. Tokioka seconded it. There were no further discussions or questions, and the motion passed unanimously.

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

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

Mr. Kishi presented the HTA March 2025 Financial Report, showing that the amount spent from the Fiscal Year 2025 (FY25) tourism budget up to March 31, 2025, amounted to \$23.256 million, with encumbrances of \$27.299 million, leaving an available balance of \$12.443 million.

Mr. Kishi presented a slide illustrating sports and signature events and noted that the comparison of FY24 and FY25 showed no changes from the previous month. A pie chart illustrating the breakdown of the FY25 budget by six categories was also presented and was identical to the last month's information. Similarly, the bar chart comparing the operating budgets of FY25 and FY24 showed no differences from the preceding month.

Mr. Kishi reported that the FY25 operating budget for the Hawai'i Convention Center (HCC) was on track to fully utilize the allocated budget of \$34 million.

Mr. Kishi explained that the FY24 Tourism General Fund (TGF) had recorded year-to-date expenditures of \$7.883 million, with a fund and encumbrance balance of \$341,000.

He reminded committee members that the Tourism Special Fund (TSF) had been repealed on January 1, 2022, thus ending annual transient accommodations tax (TAT) allocations to the fund and suspending spending from the fund. However, funds encumbered as of June 30, 2021, remained available for expenditure until June 30, 2026. Mr. Kishi reported that year-to-date expenditures totaled \$362,000 and year-to-date interest income amounted to \$317,000, with the cash and encumbrance balances at \$9.362 million and \$572,000, respectively.

Chair Arakawa inquired about the composition of the \$572,000 encumbrance. Mr. Kishi responded that the financial statements contained the details, but he believed that more than half of the amount had been allocated to branding, specifically for the China market, along with some additional expenditure.

In response to a query from Chair Arakawa, Mr. Kishi confirmed that the expenditure for the China market had been part of a multi-year contract. Chair Arakawa further noted the existence of ongoing multi-year contracts that were being finalized, although expenditure from the TSF had been suspended. Mr. Kishi confirmed this.

Chair Arakawa asked when the \$572,000 encumbrance would be spent, to which Mr. Kishi replied that it was difficult to determine but suggested it might occur in the following fiscal year after June 30, 2025.

Mr. Kishi presented a slide for the Tourism Emergency Special Fund (TESF), noting that the HTA had prepared a \$5 million Maui tourism recovery plan under sections HRS 201B-9 and 201B-10. He added that once this program was completed, the cash balance was expected to be approximately \$103,000. The financial statements contained details of the program, and Mr. Kishi presented a table outlining the details of expenditures for the various components of the program.

Chair Arakawa noted that Mr. Kishi referred to the \$5 million emergency fund and mentioned that the HTA had written to the Department of Budget and Finance (B&F) three times to request replenishment but had not yet received a response. Mr. Kishi confirmed this.

Chair Arakawa emphasized the importance of continuing to request replenishment, stating that while another emergency was no one's wish, it was important for the HTA to be on record as requesting replenishment of the fund in the hope that the Governor would eventually respond.

Referring to the EDA-ARPA grant, Mr. Kishi explained that on December 8, 2021, the U.S. Department of Commerce Economic Development Administration (EDA) had awarded the HTA a grant of \$14 million, valid until May 31, 2027, with final payments to be completed by September 30, 2027. This included a sub-award to the Department of Land and Natural Resources (DLNR) amounting to \$7.2 million, and at present, the grant has a fund balance of \$8.2 million. The financial statement contained detailed notes with a table showing each program's budget, including those assigned to DLNR.

Chair Arakawa thanked Mr. Kishi for the table of budget information and noted that the items involving DLNR were outside the control and expertise of the HTA. He referred to complaints from auditors during previous audits, acknowledging that the HTA had learned its lesson and that the HTA would manage non-HTA-related matters differently in the future.

Mr. McCully asked about the Program IDs of the EDA-ARPA budget items, and Chair Arakawa explained that the absence of Program IDs was due to the fact that this was not part of

the State budget. The Governor's office and the HTA had collaborated with other departments, such as DLNR. The grant was a federal grant donated to the HTA, with instructions to forward part of it to DLNR, resulting in this part of the grant being outside the *kuleana* of the HTA.

Mr. McCully asked whether the HTA received a fee for administering the grant. Mr. Kishi responded that some money had been allocated to the HTA for wraps and administrative costs.

Chair Arakawa acknowledged that this was a good question, while Mr. Kishi added that the table showed an entry for "Overheads" of \$1.3 million.

Referring to HCC funds, Mr. Kishi noted that the FY24 HCC general fund encumbrance was \$2.078 million, equal to the fund balance. He added that those funds had been used to finalize the calendar year 2024 (CY24) accounts, and once those had been completed, the final payments could be issued from the FY24 HCC general fund.

Mr. Kishi noted that he had already reviewed the expenditures of the HCC Enterprise Special Fund (ESF). He commented that year-to-date revenue for the ESF amounted to \$14.486 million, including \$11 million from TAT, \$2.424 million from operations, and \$1.061 million in interest income from the State investment program. The cash balance stood at \$30.753 million, with \$11 million reserved for transfer to B&F for FY24 HCC operations.

Chair Arakawa asked when the \$11 million owed to B&F would physically leave the HCC account. Mr. Kishi stated that he expected the transfer to occur in FY26, with the request currently being approved.

Discussing the Rooftop Repair Project, Mr. Kishi reminded members that Act 248 SLH 2022 had appropriated \$15 million for temporary repairs, and Act 230 SLH 2024 had appropriated \$64 million for the full rooftop repair project. He commented that year-to-date expenses for professional services amounted to \$2.292 million, with lapsed funds from Act 248 SLH 2022 totaling \$12.761 million. He stated that the fund balance was \$62.939 million, and the encumbrance balance was \$4.985 million.

Mr. McCully began to ask a question, but Chair Arakawa clarified that it was not part of the current explanation. There were no further questions, and Mr. Kishi concluded his presentation.

Chair Arakawa asked for further questions or objections, and, hearing none, the Financial Report was approved for recommendation to the full Board.

Mr. Isaac Choy, the HTA CAO, explained that two months' financial reports were to be presented at the subsequent Board meeting, and Chair Arakawa confirmed that this was the case.

**5. Motion, Presentation, Discussion, and Action on the Hawai'i Convention Center's (HCC) March 2025 Financial Report and Update on the HCC's 6-Year Repair and Maintenance Plan; Recommend Approval**

Chair Arakawa proposed a motion to approve the Hawai'i Convention Center's (HCC) March 2025 Financial Report and Update on the HCC's 6-Year Repair and Maintenance Plan. Vice Chair Agas seconded the motion.

Chair Arakawa introduced Ms. Noelle Liew, who greeted the members and presented a report, apologizing on behalf of Ms. Orton, the HCC General Manager, who had a prior commitment.

Ms. Liew began with a financial update for March 2025, noting that historically, March was a busy month, and March 2025 had been no exception. 25 licensed events had been hosted, exceeding the budgeted number of 24, and more than 67,000 guests had passed through the center. Ms. Liew highlighted several major events, such as:

- NDIA, a citywide event being hosted for the second consecutive year;
- the return of Kawaii Kon and the Honolulu Festival;
- the Hapalua Anniversary;
- three sporting events, and several other local events.

Ms. Liew reported that the total facility operating revenue during March 2025 amounted to \$2.415 million, with other income contributing \$139,000, for a total revenue of \$2.554 million—over \$500,000 more than budgeted. She stated that net income for March had been \$317,000, which was \$453,000 better than expected. Most of this revenue came from hosting NDIA, which generated even more revenue than the previous year's event.

Ms. Liew presented the reforecast for the full year, with an expected total of 245 events and total facility revenue of \$27.335 million, compared with the budgeted \$24.168 million—an improvement of \$3.1 million. She expressed the hope that this figure would increase further. The reforecast projected a net loss of \$1.3 million, an improvement of \$1.9 million compared with the original forecast of \$3.242 million.

Ms. Liew noted that when sales and marketing were included, the net loss was \$2.3 million, compared with the budgeted \$4.8 million, representing a saving of \$2.4 million against the subsidy.

Ms. Liew highlighted the return on investment (ROI) up to the end of March, based on 12 citywide events during the fiscal year to date. For this period, \$290 million in revenue was generated, including HCC, state, and tax revenue. HCC and Hawai'i Visitors and Convention Bureau Meetings, Conventions, and Incentives (HVCB MCI) expenses had amounted to \$25.6 million, resulting in an ROI of \$11.36 for every dollar spent. Six more citywide events were scheduled for the three months up to June 30, 2025.

Ms. Liew presented a table showing an anticipated economic impact of \$388 million and \$45 million in tax generation for the eighteen citywide events scheduled for the remainder of the fiscal year.

She highlighted some recent events, including the Entrepreneurs' Organization with 1,676 participants and the Honolulu Open Pickleball Tournament held the previous weekend. The tournament had been televised and was deemed successful.

Chair Arakawa asked Ms. Liew about facility-related issues that needed improvement. Ms. Liew agreed that there were aspects in which improvement was needed but stated that the team learned from every event and would strive to improve next time. She noted that this was their second pickleball tournament and they expected it to improve further. Chair Arakawa remarked that he had heard many positive comments about the event.

Ms. Liew mentioned that the HCC was to host six citywide events during the next three months, including the 2025 Pediatric Academic Societies Annual Meeting with 7,000 participants, Immunology2025 with 3,300 participants, and the ISMRM 2025 Scientific Meeting and Exhibition with 6,500 participants.

Ms. Liew presented a list of the events to be hosted up to the end of the fiscal year as follows:

Month	Number of local events	Number of citywide events
April 2025	26	2
May 2025	23	3
June 2025	15	1

Ms. Liew noted that April and May 2025 were expected to be busy months for the HCC. She reminded committee members that most events participated in the HCC carbon offset program, which, as of February 2025, had planted 514 legacy trees and had offset a total of 496.58 metric tonnes of CO<sub>2</sub>.

Ms. Liew introduced the HCC Director of Operations, Ms. Mari Tait, who presented information on repair, maintenance, and replacement (RMR) programs. Ms. Tait noted that Mr. Choy had addressed a large audience during a second site visit by contractors interested

in bidding for the request for proposal (RFP) of the rooftop deck repair (RTDR) Project. Ms. Tait stated that several new companies had attended, and Mr. Choy explained all the project details to ensure contractors understood how to prepare their proposals. Some contractors had already submitted proposals.

Ms. Tait reported that the HTA had scheduled an additional site visit by appointment the following day to provide contractors with a further opportunity to examine the site in detail. To date, one contractor has requested a visit. Proposals were due on the 12, and the process was proceeding smoothly.

Ms. Tait referred to the Papa He'e Nalu Exhibit on the history of surfing in Hawai'i. She reminded committee members that the Green Rabbit Island painting had been relocated to the Lobby to accommodate the new mahogany museum cases being constructed for the new exhibit, which would also include an audiovisual component.

Ms. Tait stated that the long-awaited ADA Lift installation for Theater 320, sourced from Canada, had finally arrived and was being installed. This lift featured innovative technology that allowed greater flexibility for repairs. Ms. Tait noted that the HCC had recently changed their vertical transportation service provider, and the newly installed unit would be capable of being maintained by their new provider.

Ms. Tait presented a slide showing painters at work on exterior cleaning and painting around Theater 310. She commented that the painting team endeavored to plan their work in different areas of the building to coordinate with scheduled events. She noted that painting had been temporarily suspended in some parts of the building. These areas would be revisited once events were allowed, and the team had been creative in identifying areas that could proceed.

Ms. Tait presented a list of current projects divided into three main categories: improving guest experience, enhancing the building, and increasing departmental efficiency. Many projects were already in progress, some were in the contracting phase, and a few remained at the procurement stage.

Ms. Tait highlighted the following four major RMR projects:

- **Escalator modernization:** The contract with Schindler Elevator was being finalized. The plan for phasing unit replacements, logistics, and storage had been completed, ensuring that events could still take place. The modernization project was planned in three phases, with four units replaced per phase.
- **Ballroom gutter project:** Work was ongoing with the architect, who had presented conceptual drawings and suggestions for the Ballroom foyer. A few selections had been

made, and detailed options were being prepared. The project was scheduled for the 2026/2027, alongside the escalator modernization project in the lobby.

- **Slate tile repair:** An RFP had been issued for repairs on the Ala Wai Patio, the Third Floor, and various areas on all levels. Design specifications included improved waterproofing in response to questions raised by contractors during the original RFP process. Replacement tiles had been ordered, and the appointment of the contractor was pending.
- **Exterior planters:** Efforts to improve the exterior planters were ongoing in collaboration with LDA architects, who had presented several design options.

Ms. Tait presented a two-page spreadsheet summarizing the six-year capital improvement plan. She also provided a list of all the projects completed between 2020 and the present date.

Chair Arakawa asked for any objections. Hearing none, he declared the report approved for recommendation to the full Board.

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

Chair Arakawa introduced a series of items related to the ongoing audit and preparations for a forthcoming audit. Mr. Choy explained that the performance audit was still in progress but was expected to be finished shortly.

Chair Arakawa explained that the current agenda items related to issues that might be brought up during the audit. The Chair believed that if the HTA could improve upon these issues, they would begin to win back the trust of the legislature, the public, and the visitor industry.

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

Chair Arakawa stated that Mr. Apo had kept the HTA informed about this issue, but at present, they were waiting for the decision of the conference committee upon the budget, which presently stood at \$63 million with an additional \$17 million proposed in HB504, which awaited approval. Mr. Choy confirmed that this was the case.

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

Chair Arakawa asked Mr. Choy for updates but was informed that there were none at present.

**c. 2023 Legislative Audit Pursuant to HRS 23-13**

**i. Status and Budget, Finance, and Accounting Issues**

Mr. Choy stated that the legislative audit was ongoing, and he believed that Mr. Kondo, the State Auditor, was likely to finish in a few weeks' time.

**d. Tourism Emergency Special Fund**

**i. Status of Use of the Tourism Emergency Special Fund (TESF)**

Chair Arakawa commented that this had already been partially reported to the Board. Mr. Choy reminded members that details could be seen in the monthly financial statement.

Chair Arakawa added that this agenda item related partly to the status of the fund and partly to issues of incorrect disbursement of funds.

Mr. Choy commented that the HTA was curious about replenishing the emergency fund. He believed that the issue was related to the fact that this was a new program and that B&F was developing a suitable method for reimbursement.

Chair Arakawa noted, and Mr. Choy confirmed, that the TESH was a \$5 million fund.

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

**e. Wildfire Incremental Budget Requests**

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

Mr. Kishi stated that there was nothing to report.

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

**f. HTA Budget & Finance Issues, Policies and Procedures**

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

Chair Arakawa introduced the subject of past-due accounts, and Mr. Choy responded that Dir. Tokioka had been very concerned about this issue. Mr. Choy had

taken part in a recent meeting with the HTA Interim CEO/President, Ms. Anderson, and Mr. Ka'anā'anā, during which the issue had been partially resolved.

Mr. Kishi confirmed that work addressing past-due accounts was in progress, but Mr. Choy explained that additional work was needed to develop modified policies and procedures for future use. Mr. Choy added that he and Ms. Anderson were reviewing current procedures.

Chair Arakawa inquired about the status of the outstanding past-due accounts. Mr. Choy responded that it had been reported that approximately \$11 million was owed to HVCB, but he believed that this amount had been reduced to about \$6 million. He added that an additional \$2 million in MCI payments was outstanding.

Mr. Choy explained that the \$11 million was not overdue by 400 days but only about 90 days, so while the HTA was slightly behind, the delay was not grave. Mr. Choy noted that the fiscal department was working hard to catch up.

Mr. Choy thanked Chair Arakawa for raising this matter and emphasized that it highlighted the issue of interest charges from HVCB. He commented that HVCB had submitted an invoice including interest, which had been paid without the interest. Mr. Choy recommended referring the issue of interest to AG Cole since the contract did not include interest charges. Mr. Choy added that he did not believe there was an obligation to pay the interest, but he was aware of a statute calling for the payment of interest on overdue payments. He noted the complexity of determining when the interest should start—whether from the deliverables completion or the contract payment date. He repeated that the fiscal department was working through the details to clarify HTA's legal obligations.

Chair Arakawa remarked that the HVCB had warned the HTA over a year earlier about overdue payments, which had totaled several million dollars at that time. HVCB had also warned that they would begin charging interest.

Mr. Choy added that at one point, the contract of the Council for Native Hawaiian Advancement (CNHA) was 400 days overdue.

Speaking on behalf of the members of the HTA Board, Chair Arakawa asked Mr. Choy to explain the procedure for handling invoices from major contractors such as the HVCB, CNHA, or Anthology.

Mr. Choy explained that Anthology had already been paid and outlined the payment procedure: program managers reviewed the invoice to verify the deliverables, and once verified, the invoice was processed by the program managers and forwarded to

the Fiscal Office for payment. Asked about the timeline in the Fiscal Office, Mr. Choy explained that his office usually processed invoices within 24 hours, although after that, the actual payment process was likely to take approximately 20 working days or 30 calendar days.

Chair Arakawa specified that his reference to policies and procedures pertained to the front office. Mr. Choy explained that program managers were required to input the invoice into a microsystem and verify the deliverables, stressing the importance of checking deliverables to ensure that contractors and vendors had fulfilled their contract specifications.

Chair Arakawa suggested the creation of a chart to track invoice progress, which could be consulted by Board members and the public.

Mr. Choy responded that various mechanisms were already in place to track receivables and payables. He acknowledged that Ms. Anderson intended to implement policies and procedures for payment and monitoring. Upon reviewing these procedures, Mr. Choy concluded that it was necessary to outline more specific consequences for non-compliance since, although procedures existed, no penalties for non-compliance were specified. He expressed the hope that greater transparency could be promoted by shifting the organizational culture to implement deadlines for deliverables.

Chair Arakawa mentioned that he had understood that \$11 million was owed in interest, but he was corrected by Mr. Choy and Mr. Kishi, who pointed out that the interest amounted to \$780,000.

Dir. Tokioka commented that he did not want to intervene in the discussion, but vendors had appealed to him to expedite their payments. Dir. Tokioka had held discussions with Mr. Choy to review the situation, and as had been mentioned in a previous meeting, Mr. Choy had resolved the CNHA balance due over two weekends. However, Dir. Tokioka explained that the process was less straightforward than some might assume since the program managers had to ensure that deliverables were verified, and this had been Mr. Choy's focus during those two weekends. Dir. Tokioka commented that HVCB's attempt to charge the HTA \$700,000 in interest presented a significant problem that many Board members had been unaware of. However, Dir. Tokioka believed everyone would agree that such a situation should never have arisen. He had scheduled a meeting with Mr. Choy, Mr. Nāho'opi'i, Mr. Ka'anā'anā, and others, during which it had been agreed that the CNHA needed to be paid, and the payments had subsequently been made.

Dir. Tokioka expressed his satisfaction that the debt had been reduced from \$11 million to \$6 million but stressed the importance of effective contract management to ensure timely payments since such issues would ultimately fall under his responsibility. Dir. Tokioka had convened meetings to guarantee that payments were made but continued to emphasize that the situation should never have occurred.

Referring to the \$6.3 million approved for additional Maui marketing support, Mr. Pfund raised concerns about the timely payment of this contract to avoid similar complications. He suggested that Mr. Choy should be involved in the deliverables process to quantify obligations and expedite marketing programs before the summer visitor season.

Mr. Choy acknowledged that problems existed in multiple areas, including terms of contracts, specification of deliverables, monitoring of contracts, and processing of payments. He noted that many of these issues originated from vendor negotiations and required clarification. Issues of monitoring and timing also needed to be addressed to ensure that staff understood vendors' expectations and that the HTA's requirements were clearly communicated to vendors. Mr. Choy believed it would take several months to resolve these challenges, but he expressed confidence that improvements would be achieved once alignment was complete.

Dir. Tokioka commented on the unfortunate reality that the funds had been available, and Mr. Choy confirmed this.

Ms. Iona reminded Chair Arakawa of previous statements about the HTA being short-staffed and asked whether filling vacant positions would help streamline processes.

Mr. Choy responded that staffing could be a factor but emphasized the importance of maximizing the efficiency of existing personnel. He intended to assess the processes followed by staff members to ensure productivity and effectiveness, along with providing training and standardization. Before requesting additional staff, he explained that he wanted to determine whether existing operations could be optimized. He would only propose hiring additional staff if tasks remained incomplete, even when efficiency was deemed satisfactory. He added that it might be necessary to reconsider whether certain tasks should be undertaken since he believed that it should not be done at all if a task could not be done well.

Chair Arakawa remarked that he and Dir. Tokioka was aware that Mr. Choy had taken two weekends to resolve CNHA invoices that were overdue by 400 days. Chair

Arakawa was convinced that the issue required a focus on training existing personnel to perform their duties effectively rather than on recruiting additional staff. The Chair assured Ms. Iona that more staff would be hired if necessary, but he had been encouraged by Mr. Choy's successful efforts over two weekends.

Mr. Choy humorously commented on his age and lack of personal commitments.

Chair Arakawa responded to Mr. Pfund by highlighting the division between clearing contracts' front and back processes. He explained that the current discussion pertained to the back process, which occurred after vendors such as HVCB had submitted invoices, including the \$6.3 million invoice for the Maui emergency program. He acknowledged that issues existed in the front process and suggested that these challenges could be addressed by the present committee and the Branding Standing Committee.

Chair Arakawa stated that he had heard from a hotel consultant that day that hotels and wholesalers had significant disagreements with the HVCB on fundamental aspects of the additional Maui marketing support program. The Chair noted that such disagreements hindered the program's progress and suggested that the Branding Committee might need to intervene. Chair Arakawa expressed interest in further discussions on the matter offline.

Mr. Pfund thanked Chair Arakawa and acknowledged he had not realized there was a conflict, although he had been aware of efforts to resolve the details of the program. He expressed hope that progress could be made, as this was a critical aspect.

Chair Arakawa stated that he had intended to discuss the matter with Mr. Pfund offline but had decided to share it with the committee since Mr. Pfund had raised the issue.

Mr. McCully inquired whether a slush fund could pay the interest accumulating on past-due billings. He was aware that the HTA had no profit margin to absorb the cost and questioned where the money would come from if the interest had to be paid. Mr. Choy responded that there was leftover programmatic money tied to the program.

Mr. McCully asked whether the amount could be as much as \$750,000, and Mr. Kishi confirmed that such an amount would have to come out of the program budget.

Mr. McCully asked what it would mean for the program if money from the budget were used to pay the interest. He concluded that the result would be that other

activities would not be completed to cover the interest payment. Mr. Kishi confirmed this would be the case if the decision was made to pay the interest.

Mr. McCully asked who would decide which parts of the program would be cut, given that the contract stipulated that certain activities must be conducted. Chair Arakawa commented that every contract included the clause, "Subject to funding," but Mr. McCully responded that, in practical terms, such a clause could not be applied in the real world.

Chair Arakawa noted that, in reality, if the HTA did not pay the HVCB the interest, the HVCB could sue the HTA and would likely win in court. The Chair emphasized that the Board should carefully consider whether to pay some portion of the interest, as a judge would likely award a significant amount in such a lawsuit. Under the contract, payments were supposed to be made within 90 days.

Chair Arakawa asked whether there were any further discussions on past-due accounts. Mr. Choy assured committee members that he would provide monthly reports on the progress being made in addressing these payments.

Chair Arakawa remarked that vendors to whom the HTA owed money often communicated with legislators and the administration and stressed that paying off the past-due accounts was a critical step in regaining public trust.

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

Chair Arakawa stated that this agenda item referred to procurement issues.

Mr. Choy explained that contract modifications presented a challenge that had to be addressed and supervised. He noted that the HTA had been known to undertake work without a formal contract and expressed his belief that AG Cole could apply his method of creating retroactive contracts to resolve the contractual aspect of such issues. However, even if this were done, Mr. Choy emphasized that procurement violations would still exist. He clarified that he would report to the Board on the resolution of the procurement and retroactive contract violations. He distinguished these as two separate and distinct matters.

During a subsequent meeting, Chair Arakawa inquired whether AG Cole would feel more comfortable addressing these issues.

AG Cole replied that he would not object to addressing the committee immediately. He reported that he had conferred with Ms. Anderson and other staff about handling the situation where work had been conducted without the required

contract amendment. The contractor had completed the work, so they were obligated to be paid, regardless of whether the agreement was formalized as an amendment or considered an oral contract. AG Cole stated that he had considered various methods of resolving the issue, but after consultation with other attorneys general and the Attorney General, it was concluded that a retroactive contract would be the best solution. AG Cole explained that if the contractor took the HTA to court, there was a high probability that the contractor would recover the payment. Therefore, a retroactive contract was deemed the most effective method of addressing the issue.

AG Cole added that he was uncertain whether a procurement violation had occurred, although the contract had not been amended, and the work should not have been performed without the amendment. He understood that some confusion regarding budgeting had contributed to the situation. Whether a procurement violation had occurred would need to be determined by either the Procurement Office or another agency, but not by him.

Dir. Tokioka commented that he had discussed the issue for an hour in the Procurement Office and believed there had been a violation. However, he was uncertain about the severity of the infraction. He emphasized that procurement issues fell under his purview and was committed to resolving the matter and moving forward.

Addressing Board members and the public, Chair Arakawa explained that part of the problem stemmed from the well-defined methods by which State agencies conducted business. He stated that contractors should not be asked to perform work without a contract, nor should they be asked to undertake tasks for which funds were unavailable. He identified this issue as relevant to the L.A. Rams contract.

Chair Arakawa stated that procurement issues were to be referred in advance to the State Procurement Office for a ruling. Mr. Choy reminded committee members that Dir. Tokioka was the head of procurement.

Chair Arakawa added that Dir. Tokioka could refer the matter to the State Procurement Office. The Chair explained that he and AG Cole had determined this would be the safest way to determine whether a procurement violation occurred.

AG Cole responded that the determination could be obtained from Ms. Kahakui, the Chief Procurement Officer.

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

Chair Arakawa stated that this agenda item could be discussed at a subsequent meeting, but he had been asked why some employment contracts had bonuses, and others did not.

Mr. Choy responded that he would be reviewing employment contracts over the following several weeks.

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

Chair Arakawa explained that Mr. Choy was still working on travel policies, and there were no updates.

**v. Discussion and Action on New Policies and Procedures**

Chair Arakawa stated that, following the recent audit and the auditor's findings regarding the use of facilities, complimentary food, and services, there were questions about the conditions for industry partners to become sponsors in partnerships. During discussions with the consultant responsible for arranging the HTA conferences, it was revealed that vendors paid sponsorship fees based on a list specifying amounts and benefits corresponding to sponsorship levels. Chair Arakawa had, however, been concerned to discover that three major organizations listed as premier sponsors had paid no fees. The Chair had consulted AG Cole and the State Auditor, who had agreed to examine the situation further. The Chair noted that several local businesses, including airlines, had paid their sponsorship fees and had their names included in the program.

Mr. McCully asked whether the issue was related to the tourism conference held the previous October, and Chair Arakawa clarified that he was referring to both the Fall and the Spring conferences. However, the Fall conference was the one currently under review.

Chair Arakawa identified the premier sponsors as HVCB, Hawai'i Lodging and Tourism Association (HLTA), and Kilohana. Asked whether these sponsors had paid, Chair Arakawa confirmed that every other sponsor had paid, but these three organizations had not done so.

Chair Arakawa stated that further investigation would be conducted to gather as much information as possible. He emphasized that the HTA was not an investigative bureau but would forward any relevant information to the auditors, who might determine whether this issue warranted referral to the ethics commission.

Mr. McCully asked about the nature of the sponsors' contracts, questioning whether they were open contracts. Chair Arakawa replied that a PowerPoint presentation outlining "Partnership opportunities" and citing sponsorship levels and corresponding benefits was available to the public. He noted that major sponsors were styled as "Premier Sponsors" in the presentation.

Mr. McCully remarked that he was familiar with the process of sponsorship, as he was sometimes asked to sponsor events such as golf tournaments or non-profit activities by filling out a sponsorship form and submitting a check.

Chair Arakawa agreed, stating that this was how the process should function. He added that industry entities that had inquired about becoming premier partners had consulted an industry consultant who had revealed that the three "premier sponsors" had not paid, whereas all other sponsors had either paid or donated in kind. Chair Arakawa explained that he and Mr. Kishi had reviewed the accounts with the auditors, who advised reporting the matter.

Dir. Tokioka asked about the payment required to be designated as a Premier Sponsor. Chair Arakawa replied that no specific amount had been assigned and informed the committee that he had emailed Mr. Choy for clarification.

Dir. Tokioka inquired whether Mr. Choy's office had monitored the sponsorship of the tourism conference. Mr. Choy stated that his office had not done so.

Chair Arakawa explained that the consultant responsible for organizing the conference collected all sponsorships, with the funds contributing to event costs. The vendor then invoiced HTA for the event's expenses. The Chair pointed out that the auditors had been informed, and it would be advisable to wait for their feedback.

Chair Arakawa noted that he had discussed the matter with Vice Chair Agas, who had raised several questions, which she would submit later.

Ms. Iona asked about in-kind contributions, referring to the lighting changes during different speeches at the conference. She inquired whether the lighting or other audiovisual effects might have been staged by Kilohana and suggested examining any in-kind contributions to the conference that might not have been accounted for.

Chair Arakawa acknowledged Ms. Iona's point, stating that the list supplied by the consultant had recorded sponsorships as "in-kind" for some sponsors. The Chair admitted that no audiovisual company had been credited, leading him to consider

the possibility of Kilohana's contribution being in-kind. He expressed his commitment to ensuring appropriate acknowledgment of in-kind contributions.

Vice Chair Agas supported Ms. Iona's observation and recommended introducing a checklist for future events to provide additional oversight for contributions. She questioned whether the focus would be collecting fees from past sponsors or turning the matter over to the audit process.

Chair Arakawa explained that two initiatives were underway. First, procedures were being reviewed to prevent such questions from arising in the future. He noted that it was possible that certain contracts might carry automatic sponsorship status. Second, information would be forwarded to the auditors or the relevant government agency for investigation. Upon completing their investigation, the auditors would report their findings to the HTA. Meanwhile, the Chair emphasized the importance of improving the system for future operations.

Chair Arakawa stated that a member of the visitor industry had asked why some entities paid sponsorship fees while others did not. He emphasized that this question needed to be addressed, whether from an ethical perspective or otherwise, but noted that the HTA could improve future procedures.

Dir. Tokioka inquired whether any of the HTA staff members participating in the present Zoom meeting, such as Ms. Anderson or Mr. Ka'anā'anā, might have answers to these questions, but they appeared not to be online.

Chair Arakawa acknowledged that while the situation might be understandable, the conference consultant had indicated that three sponsors had not paid, with undefined reasons for this omission. The Chair noted that other sponsors had either paid in cash or donated in kind and suggested reviewing the standard processes over the previous few years to identify areas for improvement.

Dir. Tokioka inquired whether Chair Arakawa had spoken to the auditor or the ethics commission. Chair Arakawa replied that he had not spoken to the ethics commission, explaining that he had spoken with the auditor earlier that afternoon. He anticipated seeking the auditor's advice, as the auditor had indicated that the matter might warrant referral to the ethics commission.

Dir. Tokioka stated that the decision to refer the matter to the ethics commission would rest with the Board once all necessary information had been gathered.

Chair Arakawa agreed and noted that the information could be submitted to the auditor and the ethics commission.

**g. Hawai'i Convention Center Budget & Finance Issues**

**7. Adjournment**

Chair Arakawa adjourned the meeting at 2:58 p.m.

Respectfully submitted,

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

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Sheillane Reyes  
Recorder