



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, February 26, 2015**  
**Hawaii Convention Center, Board Room A**  
**1801 Kalakaua Avenue, Honolulu, Hawaii 96815**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:** Aaron Salā (Chair), Fred Atkins, Jack Corteway, Sean Dee, Donna Domingo, Rick Fried, Craig Nakamura, David Rae, Lorrie Stone, Denise Hayashi Yamaguchi

**HTA STAFF PRESENT:** Ron Williams, Jennifer Chun, Michael Story, Marc Togashi, David Uchiyama, Kelii Wilson

**DEPUTY ATTORNEY GENERAL:** Gregg Kinkley

**1. Call to Order**

Mr. Salā called the meeting to order at 9:36 a.m.

**2. Pule**

Ms. Wilson offered a pule to begin the meeting.

**3. Approval of Minutes of Prior Board Meetings**

Ms. Domingo made a motion, which was seconded by Mr. Corteway, to approve the minutes of the meeting held on January 29, 2015. All the Board members present without any revisions or reservations unanimously approved the motion.

**4. Review of Recent and Upcoming Permitted Interactions**

Mr. Salā reported that he met with Mr. Corteway on February 18, 2015 to discuss the possibility of the Board members meeting on a “social” basis and get to know each member as a “human

being.” Mr. Salā also reported that he met with Mr. Rae on February 25, 2015 to discuss “North Shore developments.” In both occasions, there were no commitments to vote.

## **5. Presentation of AEG First Year Review and of AEG Corporate 1 Source Division**

Mr. Salā acknowledged Mr. Gessner, VP & General Manager of AEG Facilities, who provided a background of AEG’s desire to be the new general manager of the Hawaii Convention Center (“HCC”). He noted the biggest challenge was transitioning to be the new general manager in August 2013.

Mr. Gessner introduced Ms. Orton, HCC General Manager, who referenced a remark from Mr. Uchiyama when AEG became the new general manager that there is “no honeymoon period” and that AEG must “work with Meet Hawaii” to achieve HTA’s recommendations. Ms. Orton provided a PowerPoint presentation and highlighted the following events during AEG’s transition period: restructured the sales and marketing staff; recruited a general manager from Hawaii; and, rehired all of SMG’s staff. She also presented a “financial recap” by noting the following: there were 182 actual licensed events vs. 150 “budgeted”; HCC received \$12.8 million in gross revenues vs. \$12.1 million budgeted; revenues from local events was \$5.9 million vs. \$4.88 million budgeted; expenses incurred was \$14.9 million vs. \$15 million budgeted; and, the net operating loss was \$2.1 million vs. \$3.3 million budgeted. Ms. Orton stated it was the “best bottom line.”

In regards to 2015, Ms. Orton discussed the following: capital improvements of approximately \$10 million and primarily addressing the water features; and, phase 1 of the furniture and fixtures enhancements with the objective of enhancing the visitor’s experience at HCC by providing new furniture, charging stations, and new linens. She discussed an initiative referred to as the “refresh proposal for HCC.” The initiative would reflect the “outdoor/indoor environment” at HCC. She provided a pictorial presentation of new furniture with backrest, different colors, and how the furniture could be “flexible” or easily moved around. She also discussed the creation of “chat” pod stations and charging stations. She noted the current linens are approximately 10 years old and “need new colors.” The current waste and recycling receptacles should also be replaced. Ms. Orton requested an opportunity at the next Board meeting to present AEG’s sales and marketing initiatives with Meet Hawai’i and to also present its capital improvement initiatives.

In conclusion, Ms. Orton stated that the “transition is pau;” the “new team” has been acclimated; “2015 will be a strong booking year;” and, “2015 is a year of ‘evolution’ from ‘good to great’.”

In response to a question from Mr. Fried, Ms. Orton stated that it takes approximately “3 to 5 years to book” an event at the HCC. Mr. Corteway asked what has been AEG’s “biggest disappointment.” Ms. Orton responded that “recruitment” for sales and marketing at HCC has been difficult and will continue to be a long-term challenge.

## **6. Report of the CEO Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs’ Current Assessments of the HTA’s Programs**

Mr. Williams noted that the CEO Report was included in a “Board book” previously distributed to the Board members and also contained various documents related to the agenda items for today’s Board meeting, including the marketing contractors monthly report; the status of HTA’s actions to implement the Auditor’s recommendations; and, the contracts executed by HTA in January 2015. The Board members were asked to present any questions and concerns regarding the documents in the “Board book.”

Mr. Williams acknowledged Mr. Story, who provided a presentation on HTA’s sports initiatives. Mr. Williams noted that Staff would be providing a more detailed discussion of various HTA’s programs and initiatives at each meeting as a means of assisting Board members to “evaluate” how HTA has been spending its money. It was noted HTA staff provided a presentation on HTA’s marketing initiatives at last month’s Board meeting.

Mr. Story provided a PowerPoint presentation entitled HTA’s “Sports Program, February 2015.” First, he discussed the “Research” being conducted by HTA, through its contractor, Repucom International, to provide necessary and relevant information about the unique visitor characteristics within each major market as related to sports, such as “most popular sports” of greatest interest, “most likely fan base to have taken an overnight leisure trip by air,” “most likely fan base to consider sports when making vacation plans,” and “most popular sports” to participate. Second, Mr. Story discussed the “Process” used by HTA to respond to the research information. Primarily, HTA would issue “request for proposals” (“RFP”) to implement the recommendations obtained through its research. If HTA receives an “unsolicited proposal” from a potential contractor, it may be “transferred” to a RFP if it is supported by the research. Mr. Story emphasized the creation of a “facilities guide,” which provides “valuable” information to promoters, sponsors and the public regarding an “inventory” of the various facilities in Hawai’i that may be available as a sports venue. HTA would also work with its travel partners to “create packages,” which includes prices, for sports promoters to use as a reference when evaluating a venue in Hawai’i.

Third, Mr. Story discussed the “analysis” or evaluation performed by HTA on a sports event supported by HTA. The components used by HTA to analyze an event includes the following: exposure, market penetration, highlight of “State’s diversity,” highlight of “host culture,” support of “intrinsic events,” community involvement, and economic impact.” HTA would also evaluate the full “value” of its sponsorship, including total media market value calculated by the number of Hawai’i exposures and the duration of each exposure. The market value would also include the number of times Hawai’i was mentioned during a broadcast and the number of “postcards” of Hawai’i tourism imagery was displayed. The evaluation would also be used to “negotiate future contracts” with the event sponsor. HTA has funded sports programs for golf, triathlon, basketball, football, running, and surfing. Mr. Story stated he has “high expectations” for rugby in Hawai’i and that volleyball has a “very high interest in Hawai’i.”

Finally, Mr. Story discussed HTA’s efforts for “prospecting” sports events by asking “what else can and should Hawai’i host?” He identified various sports events that do not “fit Hawai’i” and others are currently “in negotiations.” The most significant challenges being faced by sports promoters are the lack of appropriate facilities and the cost to conduct the event. Mr. Story noted HTA’s desire to provide “transparency” of its sports initiative by being readily available to discuss HTA’s initiatives with the media. In regards to the University of Hawai’i athletics, he clarified that HTA’s funding was not a subsidy. Instead, HTA’s funding was a “marketing program” with the University to introduce Hawai’i as a travel destination to potential visitors in the markets represented in the Big West Conference and the Mountain West Conference schools. The marketing initiatives included “tactical programs on the ground,” such as marketing exposure through court signage, public announcements, “360 degree LED rings,” and media timeout promotions during the Big West Conference tournament held at the Anaheim Honda Center. The marketing initiatives were in conjunction with Hawai’i’s travel partners, such as Hawaiian Airlines and Courtyard Marriott. Mr. Story discussed the marketing exposure obtained through HTA’s marketing initiatives at the Big West Conference basketball tournament.

Mr. Fried asked whether HTA was providing funds to UH as a subsidy. Mr. Uchiyama responded that HTA’s funding was based on providing marketing support to reach “new markets.” HTA bought “media in the market.” There was a “misunderstanding on UH side” when it was stated that \$575,000 was used by UH as a subsidy and not as a media buy. Mr. Story added that HTA has supported the Hawaii Bowl and the Diamond Head Classic through its relationship with ESPN. These sporting events support the UH football and basketball team and also provide a venue to market Hawaii.

Mr. Dee stated that AEG can “bring other assets to the table at HCC” and asked if we can “leverage AEG” for “iconic sporting events.” He noted that the county’s tourism authority supports the “new football bowls.” Mr. Story responded that the challenges faced by sports promoters in Hawaii are the lack of “sport facilities and money.” During his many communications with “teams and partners,” this seems to be the “same challenges.”

Mr. Salā noted that the presentation by Mr. Story of HTA's sports program is in response to a request by the Board to know the processes used by HTA and whether the goals are being achieved. This will also "educate" the Board on HTA's "internal function." He encouraged Board members to "talk with staff" to "learn" more about what staff is doing.

The meeting was recessed at 10:31 a.m.

The meeting was reconvened at 10:43 a.m.

## **7. Presentation and Discussion on Visitor Statistics**

It was noted that the January 2015 dashboards of HTA's key performance indicators were previously distributed to the Board members by its inclusion in the "board book" containing documents related to the agenda items. Mr. Salā acknowledged Ms. Chun, who proceeded to provide a PowerPoint presentation entitled "Current Visitor Data, January 2015."

She provided an "overview" of the January 2015 visitor data by noting the following: visitors contributed \$1.4 billion to Hawaii's economy and spent \$44.9 million statewide per day; arrivals were down slightly due to a decline in the cruise market that was slightly offset by a small increase of visitors traveling by air; and, that the length of stay increased slightly to 10.72 days. The current outlook is for a 5.8% increase in air seats for 2015.

In regards to HTA's key performance indicators and comparing actual with targets, as approved by the Board on August 2014, on a year-to-date basis, Ms. Chun stated, "2015 was off to a slow start with arrivals and spending below targets." Visitor days and airlift were "at target." Targets for the neighbor islands to achieve island distribution were met for visitor days while O'ahu's performance "was soft." The January expenditures did not meet targets when the increased spending by U.S. West and Canadian visitors could not offset the declines in spending by the Japan and U.S. East visitors. She noted that HTA had targeted an increase in expenditures of 2.5% while DBEDT "forecasted" an increase of 1.4%.

In regards to the personal daily spending categories, Ms. Chun stated there were "lower spending in the shopping and lodging" categories. It was noted for "the first time since 2014 that lodging has been down." Ms. Chun discussed the visitor arrival data for January 2015 from each major market area ("MMA") and noted the following: North America was ahead of targets; Japan 2015 arrivals were lower than it was in January 2013; China exceeded targets; Korea, Oceania and Europe "were below expectations;" and, Taiwan and Latin America did not meet expectations. Ms. Chun described the 75% hotel occupancy rate for 2014, on a statewide basis, as being "good." The average hotel daily rate was up 8.5% for December and 5.5% year-to-date. In comparison to other competitive destinations, Hawaii's hotel room rates had "good growth" since 2011 while the growth in the other destinations have declined or had only gradual increases.

## **8. Presentation, Discussion and Approval of Revised 2015 Targets**

Mr. Salā referred to a worksheet entitled “HTA 2015 Targets, Proposed Revisions,” dated February 23, 2015, that was included in the board book and previously distributed to the Board members. He acknowledged Mr. Uchiyama, who presented staff recommendations to revise the HTA targets previously established in August 2014. He noted the following in support of staff’s recommendations: there will be more air seats in the U.S. West and East due to the drop in oil prices and the domestic market doing well; there will be low cost carriers entering the Canadian market and expects continued growth; the Japan market would remain “flat” due to a drop in airlift, which may change if the Kona Airport “opens,” and will respond to the flat market by launching an online campaign; the Korea market will “get interesting” because of Jin Air entering the market; the “hope” is to “build” and “increase” the China market, especially with a new online campaign; there will be “continued growth” in Oceania with Jet Star making things “very interesting” and changes in the air fare “pricing structure;” previous projections for the European market “was aggressive” and will now be “backing down;” the Taiwan market is going to be a “tough market especially when we lost Hawaiian Airlines and no new carriers have entered the market;” and, the Latin America market would reflect a “tough year because of the World’s Cup and no one was traveling.”

Ms. Domingo made a motion to approve the revised HTA 2015 targets, as reflected in the worksheet dated February 23, 2015. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present without objections.

## **9. Presentation, Discussion and Approval of HTA’s Financial Reports**

Mr. Togashi presented the HTA’s financial reports as of January 31, 2015 that were in the board book and previously distributed to the Board members. Initially, Mr. Togashi noted the assistance and support provided by his staff. He acknowledged Irene Iha, Maile Carvalho, and Bridgette Relphord. In regards to the HTA Special Fund, there is \$64 million in cash and investments, due to the receipt of TAT revenues for December and January, and will be used to fund prior year encumbrances and a reserve for “EUTF, ERS, accrued vacation and HCC incentives.” HTA has currently contracted or committed \$55 million based on its \$92.3 million FY 2015 budget. It was noted that HTA has collected \$12 million more in TAT revenues as compared to the same time last year.

In regards to the Convention Center Enterprise Special Fund, Mr. Togashi stated there is currently \$29.6 million in the Fund; that \$10.9 million is with AEG or with DAGS for various repair and maintenance projects; that there is \$13.3 million in reserve and earmarked to fund future repair and maintenance projects, large equipment purchases, unexpected future convention center shortfalls, operating capital, and convention center incentives; and, that the convention center operating loss year-to-date on a fiscal year basis is \$1.6 million . The projected FY 2015 operating loss is currently \$3.1 million as compared to the budgeted FY 2015 loss of \$3.5 million. Spending from the Fund is according to budget, except for positive variances from convention center operations.

Mr. Atkins asked where the funds would come from to pay “for upgrades” at the convention center. Mr. Togashi stated that \$10.9 million has already been given to AEG and the Department of Accounting and General Services for repair and maintenance and for “capital projects.” Another \$4 million may be added in future budgets. He further stated that a lot of the money budgeted for “capitol projects” may also be considered “repair and maintenance.”

Ms. Stone questioned the “upgrades” and whether they are “need to have” or “want to have.” She expressed her belief that an upgrade to the “look” of the convention center is a “want to have,” and we “need to focus” instead on “need to have fixes first before we upgrade look.” Mr. Togashi responded that staff would be presenting this topic to the “investigative committee” for further discussion.

Mr. Williams noted his understanding that there is “about \$1 million in the pipeline now for upgrades that have been approved and in the RFP process now.” Ms. Stone expressed a need to have a “renewed look” for these expenditures that must “correlate to new business.” She does not believe “that new furniture will bring new business” and that we are “not talking about fixing a roof;” instead, we are discussing a request for “new furniture” and “cosmetic fixes” when “we don’t have the business.” Mr. Togashi responded that staff “will segregate nice to have and need to have.”

In response to Mr. Corteway’s inquiry whether there has been any change in the “current status” regarding a reduction in the bond interest rate for the convention center, Mr. Williams stated that there would be no change “in the short term at this time.” Mr. Togashi added that “Act 81” included a requirement that the Department of Budget & Finance would meet with HTA to reduce the bond interest rate. Mr. Corteway expressed a desire to meet with Mr. Togashi to obtain further details.

Mr. Domingo made a motion to approve the HTA financial statements as of January 31, 2015. Mr. Corteway seconded the motion, which was unanimously approved by all the Board members present without any objection.

The meeting was recessed at 11:23 a.m.

The meeting was reconvened at 11:36 a.m. (Deputy Attorney General Gregg Kinkley was present at this time.)

#### **10. Establish Investigative Committee for Act 81**

Mr. Williams referred to a copy of H.B. No. 2434, enacted into law as Act 81, Session Laws of Hawai’i 2014 (“Act 81”), that was included in the board book and previously distributed to the Board members.

Mr. Nakamura made a motion, which was seconded by Mr. Rae, to establish an investigative committee for Act 81.

Mr. Salā expressed his desire to “devise how we begin the evolution towards implementing the Act.” Mr. Williams added that we need to develop a “position” and make the best decisions on Act 81, especially when HTA is required to issue a bond and perform its due diligence on the conservation easement and property rights proposed to be acquired. It was noted that HTA has been working with the Department of Land and Natural Resources and the Department of Budget & Finance. Mr. Salā expressed his desire to appoint Messrs. Nakamura, Atkins, Rae and Corteway, and Ms. Stone to the investigative committee. Ms. Stone would serve as the Chair. The investigative committee would obtain information gathered through the process of implementing Act 81 and make presentations to the Board.

Ms. Domingo requested that the investigative committee should have the responsibility “to understand the law” and “what are the requirements of the law.” Ms. Domingo added that since “the law is being imposed on us,” she expressed the desire that the investigative committee should “know what this law means.” In response to an inquiry by Mr. Atkins regarding the current status on implementing Act 81, Mr. Williams stated that staff has “managed” the requirements of the law.

After a discussion by Deputy Attorney General Kinkley regarding the statutory requirements for establishing an investigative committee under the Sunshine Law, Ms. Domingo made a motion to establish an “Act 81 Investigative Committee;” that the Committee members shall consist of Ms. Stone, who would serve as Chair, Mr. Atkins, Mr. Nakamura, Mr. Corteway, and Mr. Rae; and, that the scope of responsibility for the committee and its members shall be (a) to gather information obtained through the required due diligence being performed and any additional due diligence that may be necessary, (b) educate the Board on the requirements of Act 81 and make any necessary recommendations, (c) perform all necessary analysis of the requirements described in Act 81, and (d) make any recommendation on the form and content of a report to the Legislature. Mr. Atkins seconded the motion, which was unanimously approved by all the Board members present and without any objection. (No action was taken on the previous motion made by Mr. Nakamura.)

Mr. Fried noted the provisions of Act 81 is “severable” and if any provision of the Act is “invalid,” then “the entire Act is invalid.”

## **11. Adjournment**

Upon a motion made by Ms. Hayashi Yamaguchi, and seconded by Mr. Nakamura, the meeting was adjourned by consensus at 11:58 a.m.

Respectfully submitted,



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Winfred Pong