



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, December 21, 2017**  
**Hawaii Convention Center**  
**1801 Kalākaua Avenue, Honolulu, Hawaii 96815**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:**

Rick Fried (Chair), Fred Atkins, Sean P. Dee, Gerald De Mello, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura, Denise Hayashi Yamaguchi, George Kam

**MEMBER NOT PRESENT:**

Donna Domingo, Kelly Sanders

**HTA STAFF PRESENT:**

George Szigeti, Randy Baldemor, Marc Togashi, Charlene Chan, Jadie Goo, Kalani Ka'ana'ana, Leslie Dance, Minh-Chau Chun, Ronald Rodriguez, Laci Goshi,, Evita Cabrera, Chris Sadayasu, Lawrence Liu, Jennifer Chun, Carole Hagihara, Chika Miyauchi, Raphael Betelli, Lauren Fetherston, Kehau Meyer, Victoria Roy, Iwalani Kualii'i-Kaho'ohanohano

**GUESTS:**

Brad Gessner, Nathan Kam, Patrick Dugan, Priscilla Texeira, Debbie Zimmerman, Teri Orton, Noelle Liew, Mari Tait, Representative Richard Onishi, Lee Conching

**LEGAL COUNSEL:**

Gregg Kinkley

**1. Call to Order and Pule**

Presiding Officer Rick Fried called the meeting to order at 9:34 a.m. Mr. Fried acknowledged Iwalani Kualii'i-Kaho'ohanohano, who presented Oli.

## **2. Approval of the Minutes of the November 30, 2017 Board Meeting**

Mr. Fried requested a motion to approve the minutes of the Board meeting held on November 30, 2017. Mr. Dee made a motion. Mr. Nakamura seconded the motion, which was unanimously approved by all the Board members present.

## **3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board under HRS Section 92-2.5(c)**

There were no reports of any permitted interactions between Board members since the last Board meeting.

Mr. Fried noted that he had a productive meeting with the CEO of Scoot. Mr. Fried explained that Scoot's entire fleet is comprised of Boeing 787 aircraft and expressed that he was very impressed with Scoot's CEO. Mr. Fried also noted that Mr. Dee and Mr. Szigeti, along with himself, met with the Governor and seven industry representatives the week of December 11 to discuss a number of tourism issues. In particular, Mr. Fried explained that they discussed the issue of Airbnb TAT collections. Mr. Fried added that he received another proposal for medical tourism for HTA's review. Mr. Fried concluded by reporting that Dean Aviam Soifer of the William S. Richardson School of Law expressed that Hawai'i could be a good location for international arbitration sited at the East-West Center at the University of Hawai'i at Mānoa.

## **4. Report of the CEO Relating to Staff's Implementation of HTA's Programs during November 2017**

Mr. Fried acknowledged Mr. Szigeti, who presented the CEO's report. Mr. Szigeti noted that Hawai'i's brand is seen as safe, clean, welcoming, and exciting. Mr. Szigeti referred to the Report of the CEO in the Board meeting information packet previously distributed to the Board members online.

Mr. Szigeti reported that HTA will release the Hawai'i Hotel Performance Report for November 2017 and added that HTA hopes to finish the year out strong. Mr. Szigeti noted that after the November Board meeting, HTA staff attended the annual board meeting of the Hawai'i Island chapter. Mr. Szigeti added that HTA staff has attended all of the neighbor island annual board meetings for 2017.

Mr. Szigeti went on to report that Scoot Airlines will bring in close to \$80 million in visitor spending to Hawai'i and an additional \$9.3 million in tax revenue. Mr. Szigeti noted that Senator Wakai and Representative Onishi attended the meeting with Scoot and thanked them for their participation.

Mr. Szigeti reported that increasing air access has been a huge part of HTA's strategy. Mr. Szigeti indicated that an additional 10 to 12 million seats to the islands have been added this year. Mr. Szigeti added that Sun Country Airlines will also be commencing a flight to Honolulu

from Minneapolis via Los Angeles in spring 2018.

Mr. Szigeti moved on to report that sports events in Hawai'i have been great in 2017. Mr. Szigeti listed a number of the successful HTA-partnered sporting events: the Hawaiian Airlines Diamond Head Classic, the Hawai'i Bowl, the Century Tournament of Champions on Maui, the Sony Open on O'ahu, and the Mitsubishi Open on Hawai'i Island. Mr. Szigeti also reported that HTA is proud to support the Polynesian Bowl, to be held on January 20, 2018, which showcases the young football players of Polynesia and Polynesian heritage.

Mr. Szigeti reported that HTA is proud to support the Pacific Rim Cup, a professional soccer event coming to Aloha Stadium on February 8-10, 2018. Mr. Szigeti noted that there will be two teams from Japan and two teams from the North American Major League Soccer in attendance. Mr. Szigeti added that tickets for the event are very reasonably priced in order to encourage local families to attend.

Mr. Szigeti concluded his representation by thanking everyone on the Board for contributing to a great year in 2017. Mr. Fried congratulated Mr. Dee on the excellent work he has done with the Marketing Standing Committee.

## **5. Presentation and Discussion of Current Market Insights and Conditions in Key Major Hawai'i Tourism Markets**

Mr. Fried acknowledged Ms. Chun, who noted that, because of the early Board meeting this month, visitor statistics for December 2017 would not be presented at this meeting; HTA will be releasing its visitor statistics on Thursday, December 28.

Ms. Chun next presented Hotel Market Insights. Ms. Chun noted that the hotel market forecast is located on page two of the Hotel Market Insights in the Board packet. Ms. Chun explained that this forecast indicated that all markets statewide are projected to increase in 2018. Ms. Chun also noted a slight decrease in O'ahu in 2017.

Mr. Dee noted that HTA has been working hard to diversify and utilize neighbor islands for branding. Mr. Dee indicated that this forecast is showing that HTA is starting to see the positive results of its hard work, which is fantastic for the State. Mr. Dee went on to note that on the back of page 1, the Forecast shows that Mexico's tourist markets have seen explosive growth for 2018. Mr. Dee indicated that this is due to Mexico spending a lot of resources on tourism; Mexico is Hawai'i's direct competition.

## **6. Discussion of HTA Travel Upgrade Fines by the Ethics Commission**

Mr. Fried opened discussion by explaining that HTA staff and Board members' acceptance of free upgrades, which was a common practice in the industry, has stopped immediately upon being notified by the State Ethics Commission as being an issue.

Mr. Atkins requested clarification as to whether staff and Board members are allowed to upgrade using their own money or airline miles. Mr. Fried confirmed that, while they are only entitled to flights in coach seats, HTA staff and Board members may use their own money or airline miles to upgrade.

Mr. Baldemor added an apology to the Board for any impacts this situation may have on the organization. Mr. Baldemor noted that the HTA staff members' main intent is to represent HTA in the best possible way.

#### **7. Nomination, selection and appointment of second position of Vice-Chair of the Hawai'i Tourism Authority Board of Directors**

Mr. Fried nominated George Kam, head of the Legislative Committee, to the second position of Vice-Chair of the Hawai'i Tourism Authority Board of Directors.

Mr. Fried asked for a motion to approve the appointment of Mr. Kam to the second position of Vice-Chair of the Hawai'i Tourism Authority Board of Directors. Mr. De Mello so moved. Ms. Kumukahi seconded the motion, which was unanimously approved by all the Board members present.

#### **8. Presentation, Discussion and Action on HTA's Financial Reports for October 2017**

Mr. Fried acknowledged Marc Togashi for discussion of HTA's financial reports for October 2017. Mr. Togashi referred the Board members to the financial reports located in tab 8 of the Board packet and explained that he would not seek approval from the Board of these reports until the next Board meeting.

#### **9. Update from the Audit Standing Committee Regarding the FY2017 Financial Audit**

Mr. Fried acknowledged Mr. Nakamura, who reported that the Audit Standing Committee met with HTA's financial auditors, CW Associates, on December 14, 2017. CW Associates indicated that the financial audit was a clean opinion and had no major issues to report. Mr. Nakamura added that the report is in the process of being finalized by the auditors and will be presented to the Board as soon as it is completed.

Mr. Nakamura concluded by thanking CW Associates and HTA staff members for all of their hard work in preparing the financial audit.

Mr. Fried announced that Mr. Szigeti and he were interviewed at length yesterday by the State auditors in regards to the legislatively-mandated management audit. Mr. Fried indicated that the auditors raised no issues in the interview.

#### **10. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives**

Mr. Fried acknowledged Brad Gessner and Teri Orton of AEG, who provided an update of the Hawai'i Convention Center (HCC) Recent Operational Activities and Sales Initiatives. Ms. Orton reported on the financials for November 2017. Ms. Orton noted that there were three major offshore events held at HCC in November 2017: the American Medical Association Interim Meeting of the House of Delegates; the Aflac National Convention; and the Homeaway, Inc. Summit.

Ms. Orton also reported that HCC generated \$22 million in visitor spending and an additional \$2 million in state tax revenue through November 2017 TYD. Ms. Orton added that HCC is forecasted to generate a net income of \$1.1 million for 2017, which is significantly better than the budgeted \$1.7 million loss that HCC experienced in 2016. Ms. Orton noted that the increase in forecasted net income is related to HCC hosting five corporate group events as opposed to the normal one to two groups that HCC usually retains. Ms. Orton added that these five groups had higher average spending habits on food and beverage; each group spends on average approximately \$1 million. Ms. Orton indicated that HCC will focus on marketing towards this category of groups moving forward.

Ms. Orton then reported on the 2017 Food and Beverage forecasting. Ms. Orton noted that HCC is expecting to finish the year with \$12.7 million in revenue for food and beverage sales. Ms. Orton added that the flow through is 51%, which indicates that HCC is maximizing profitability.

Ms. Orton next reported HCC's Return on Investment projection for 2017. HCC is projected to close the year with a return of \$18.74 to the State of Hawai'i for every State dollar that was spent. Ms. Orton thanked HTA staff members for all of their help crafting incentive packages to help HCC remain competitive with mainland competitors.

Ms. Orton then reported on the HCC's 2017 Sales and Marketing activities. Ms. Orton noted that HCC is anticipated to close the year at 72% of the annual goal for room nights; projected filled room nights for 2017 are 167,288 of the 232,000 goal. Ms. Orton added that HCC is working to close as many groups as it can before the end of the year, noting that meeting planners tend to close contracts towards the end of the fiscal year. Ms. Orton reported that HCC has prepared \$150,000 in signing bonuses to get these meeting planners to commit to Hawai'i for 2018. Ms. Orton noted that HCC has also added an additional 8,500 room nights to the tentative pipeline as her team looks for future opportunities.

Ms. Orton reported that the HCC is in the process of implementing its Client Advisory Board. HCC has hired David Kleiman, the same facilitator that HTA previously contracted for its Client Advisory Board. The Client Advisory Board will hopefully meet twice a year in October and March. Ms. Orton noted that HCC has sent out invitations to over thirty A-list meeting planners; to-date, HCC has received eight positive RSVP commitments. Ms. Orton indicated that the new Client Advisory Board will assist HCC in overcoming challenges and help guide HCC to better sell HCC and Hawai'i as a destination point for meeting planners.

Ms. Orton then reported on the Hotel General Managers Update meeting. Ms. Orton noted the first meeting will take place in January 2018. HCC has sent invitations to all Honolulu hotel general managers. At the meeting, HCC will give the managers an overview of HCC's "Meet Hawai'i" incentives. Ms. Orton noted that HCC is attempting to secure better incentive packages from hotel managers in order to incentivize MCI business for the HCC. Ms. Orton added that HCC hopes to have at least two meetings per year and will hold additional meetings as necessary.

Mr. Nakamura asked whether neighbor island general managers would be invited to the meeting in January. Ms. Orton explained that this meeting is targeted for city-wide MCI businesses. As such, HCC focused on the Waikiki properties where this target MCI audience will be staying. Ms. Orton indicated, however, that this meeting is just a starting point for HCC and they expect to expand to the neighbor islands in the near future.

Mr. Nakamura noted that he spoke to a former general manager on Maui who indicated that HTA did not seem interested in promoting Maui businesses for HCC. Ms. Orton responded by indicating that HCC will continue to work on developing neighbor island single property meetings. Mr. Nakamura thanked Ms. Orton for her feedback.

Mr. Fried noted that HCC has mentioned a single-property meeting with Asia and asked for additional details. Ms. Orton explained that single-property meetings are broken out from the city-wide meeting to reflect their different needs. Mr. Orton also explained that HCC is working to put together a single-property meeting for the International Market and indicated that Priscilla Texeira would have more information on the subject.

Ms. Texeira explained that HCC's Industry Partner and Stakeholder Meetings with HCC's Global MCI General Advisory Board are composed of members from all of the Hawaiian Islands that represent hotels, airlines, and all others businesses specifically related to MCI businesses. Additionally, there are sub-committees of this board for specific markets, such as Asia. The members on the Asia sub-committee represent markets in Japan, Korea, and China. Each market has its own unique characteristics and requirements. Ms. Texeira reported that there is an additional English-speaking sub-committee for single properties. Ms. Texeira explained that MCI sales and marketing activities with regards to single properties are very different than sales and marketing for city-wide MCI. Additionally, Ms. Texeira reported that the third sub-committee is a city-wide committee, which includes all of the hotels and ground companies that deal with off-shore, MCI-specific business for the HCC.

Ms. Texeira noted that the five-year MCI Strategic Planning Committee that is made up of members of all the other sub-committees. The role of this committee is to prepare a strategic plan for the MCI market for 2019-2023.

Mr. Fried inquired as to what Asia properties are represented. Ms. Texeira explained Asia properties are not represented; Hawai'i properties and other providers that market to the MCI

markets in Asia are represented on the sub-committee.

Ms. Orton introduced Brad Gessner, Senior Vice President of AEG Facilities. Mr. Gessner thanked the Board for allowing him to speak and remarked that the HCC facility looks great and has been enhanced since he last visited. Mr. Gessner reported that exit evaluations from AEG clients have confirmed this opinion. Mr. Gessner also reported that HCC's financial results speak for themselves, remarking that, although it is not AEG and HTA's main priority to increase profits, it is nice to see such great results anyway.

Mr. Gessner added that HCC needs to focus on increasing hotel room nights. Mr. Gessner explained that HCC has collaborated more with HTA and hotel partners in order to meet this goal. Mr. Gessner noted that Mr. Orton's general managers meeting is targeted towards Waikiki hotels due to the fact that HCC is having difficulty securing better room locks and rates in order to compete with the likes of San Diego, Los Angeles, Anaheim, Moscone and other MCI destinations.

Mr. Gessner introduced Lee Conching as HCC's new Vice President of Meet Hawai'i city-wide sales. Mr. Conching will be negotiating with hoteliers to meet HCC's room night goals. Mr. Gessner noted that HCC appears to be hitting its stride four years in to the shift in management and is excited for the next four years to come.

Mr. Dee thanked Ms. Orton and her team and added his impression that the challenges of attracting and retaining MCI business in the current market are very real. Mr. Dee expressed his excitement for the future of HCC and HTA.

Mr. Szigeti agreed with Mr. Dee's assessment and thanked Ms. Orton for being open to listening to the Board.

Mr. Fried concluded by noting that the Board will not enter into Executive Session at today's meeting.

#### **11. Report of, discussion and request for funding approval of programs recommended by the Marketing Standing Committee**

Mr. Dee reported that there was no Marketing Standing Committee meeting for the month of December, but the Committee members are working with HTA staff on a communication strategy.

Mr. Kam thanked the Board, Chair Fried and all of HTA's contractors for all of their hard work. Mr. Kam then thanked all HTA staff members for the time and passion that they have put into HTA. Mr. Kam noted that HTA has a Senate Ways and Means Committee informational budget briefing on January 10, 2018, and a House of Representatives Finance Committee informational budget briefing on January 11, 2018. Mr. Kam wished everyone a happy holidays.

Mr. Atkins thanked Rep. Onishi for attending the meeting. Mr. Fried also thanked Rep. Onishi for all of his support and counsel and thanked Gregg Kinkley for his legal advice.

Ms. Kumukahi thanked all in attendance for their sensitivity to Hawaiian culture and added thanks for HTA's continued support of Kalani Ka'ana'ana's work to ensure that Hawaiian culture permeates throughout all of HTA's programs. Ms. Kumukahi noted that the consciousness of the Hawaiian culture is reaching a new level, thanked Mr. Ka'ana'ana, and ended by stating "let's keep it Hawaiian."

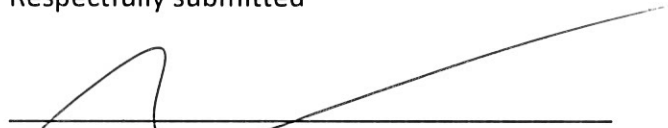
Mr. Fried added that bringing the Hawaiian programs in-house has really helped HTA achieve its goals and added his thanks to Mr. Ka'ana'ana.

## **12. Adjournment**

Mr. Fried requested a motion to adjourn the meeting. Mr. Kam so moved. Mr. De Mello seconded the motion, which was unanimously approved by all the Board members present.

The meeting was adjourned at 10:30 a.m.

Respectfully submitted



Jacob L. Garner

Recorder