



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY**

Thursday, March 25, 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, Craig Nakamura, David Rae, Lorrie Stone, Denise Hayashi Yamaguchi

MEMBERS NOT PRESENT: Rick Fried

HTA STAFF PRESENT: Ron Williams, Daniel Nahoopii, Marc Togashi, David Uchiyama, Kelii Wilson

DEPUTY ATTORNEY GENERAL: Gregg Kinkley

GUEST: Barbara Ankersmith

1. Call to Order

Mr. Salā called to meeting to order 9:30 a.m.

2. Pule

Ms. Wilson offered a pule in Hawaiian.

3. Approval of Minutes of Prior Board Meeting

Mr. Atkins made a motion, which was seconded by Mr. Dee, to approve the minutes of the HTA board meeting held on February 26, 2015. All the Board members present without any revision or objection unanimously approved the motion.

4. Review of Recent and Upcoming Permitted Interactions

Since the last board meeting, Mr. Rae reported that he met with Mr. Salā to discuss strategic planning for HTA. Mr. Dee also reported that he met with Mr. Salā to discuss Grammy awards pertaining to Hawaiian music. Mr. Salā reported that he met with Mr. Dee and Mr. Rae, individually, to discuss the marketing updates. During each of the respective meetings, there were no commitments to vote by any of the Board member attending the meeting.

5. Report of the CEO Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staff's Current Assessments of the HTA's Programs

It was noted that a "Report of the CEO" was included a folder, which contained documents related to the agenda items for this board meeting and previously distributed to the Board members. The Report of the CEO provided February marketing reports from the marketing contractors in each of the major marketing areas. Mr. Williams distributed a handout entitled "2015 Legislative Session, HTA Bill Tracking List." He referred to a recent newspaper article regarding a legislative measure to increase HTA's administrative expenses. He asked whether Board members have questions or comments regarding any of the legislative measures discussed in the handout.

Mr. Atkins inquired as to the status of a bill authorizing \$40 million in revenue bonds to acquire a conservation easement in Turtle Bay. After Mr. Williams noted, "it died in the House," Ms. Stone responded that the bill "may still be alive" and Act 81, Session Laws Hawaii 2014 ("Act 81"), would still be the applicable law if the bill did not pass. She also noted that the deadline established under Act 81 to issue a bond would not be met. If the deadline could not be met, Act 81 may not be implemented and a new legislative measure would need to be started all over again. Ms. Stone stated her understanding that if the bond was not timely issued, there would be "no need to follow-up with due diligence" because there was no money to fund the purchase. Mr. Williams subsequently requested a board motion to "stop the due diligence." However, Deputy Attorney General Kinkley advised the Board that adopting such a motion may be a violation of the Sunshine Law because the public was not informed on the agenda of any action to be taken on this agenda item.

Mr. Williams proceeded to discuss a legislative measure increasing the Tourism Special Fund's allowance for HTA's administrative expenses from 5% to 6 ½ %. He noted that HTA is seeking an appropriation from Transient Accommodation Tax ("TAT") revenues to cover future expenses. Mr. Williams stated he "did not want to put us in a situation of not having funds when the need arises" and it was a "business decision" to prevent HTA from being "stymied." In response to a question from Mr. Rae regarding the initial establishment of the "administrative cap," Ms. Stone stated it was established by law to prevent "runaway costs in

government” when HTA was first established. She noted when the “administrative cap” was established, various indirect costs, such as a budget allocation for fringe benefits, were “unforeseen.”

In response to an inquiry from Mr. Atkins regarding the status of a legislative measure to allocate TAT revenues to the Department of Land and Natural Resources, Mr. Williams stated that the measure was “still alive.” In response to an inquiry from Mr. Corteway, Mr. Williams stated that the legislative measure to move the film office to the HTA is “still alive.”

6. Presentation and Discussion on Visitor Statistics

It was noted that the dashboards of key tourism economic indicators were included in a folder containing documents related to the agenda items for this meeting and were previously distributed to the Board members for consideration and discussion.

Mr. Nahoopii provided a PowerPoint presentation entitled “Current Visitor Data, February 2015” dated March 25, 2015. As an overview, he noted that although total arrivals grew 2.3% to 661,747 in February, visitors spent less as compared to the same time last year and reflected a \$53 million loss. Based upon recently approved higher targets, which were established to sustain the additional air seats in North America and Oceania, the key performance indicators for arrivals and spending were below targets. In regards to arrivals and length of stay on the neighbor islands, Mr. Nahoopii noted that Oahu, Kauai and Hawaii Island had missed its targets due to lower U.S. East and Japan arrivals. There was a 22% decline in Japan visitors going to Hawaii Island and day trips were down 10%.

In regards to visitor expenditures, Mr. Nahoopii noted that although spending had increased slightly from U.S. West and Canada, spending from Japan and U.S. East had substantially declined. There was a \$43 million loss in spending from Japan and U.S. East as compared to the same time last year. In regards to year-to-date personal daily spending, there was a 6.4% decrease in spending, especially in the expenditure category for shopping and lodging. Visitors from Japan and U.S. East visitors had spent less on lodging at hotels and booking. Instead, they stayed at bed & breakfast, time-share, or rental units. Japan visitors are also traveling more as “FIT” (free independent traveler) and not as part of a group package.

In regards to air seat capacity, although there was a 4.9% air seat increase in February, domestic and international seats were down slightly due to a decrease in international charters (-79.9%). Mr. Nahoopii noted that when additional air service were provided in the “hub” areas

of San Francisco, Seattle, and Los Angeles, it also made more air service available for travelers coming to Hawaii from U.S. East and Europe.

On a monthly basis, visitor arrivals in February were below target despite a year-over-year increase in arrivals. Declines in monthly visitor arrivals were noted in the U.S. East, Japan and international cruise ship markets. It was noted that the large cruise ships port in Hawaii every other year. Although Canadian arrivals were down, they had spent more. After noting that Oceania visitor arrivals were up and arrivals from developing markets were down, Mr. Nahoopii stated that we are “in this transitional period to maintain what we achieved last year.” He also added that we are “still busier than we were last year” because our average daily census was up in February.

In regards to visitor arrivals from the various markets in February, Mr. Nahoopii noted that U.S. West was ahead of targets due to additional air seats being available; U.S. East was below targets because of a reduction in MCI visitors as compared to last year when there were two large conventions; Japan’s drop in arrivals was based on a belief that the Japan visitors are delaying their travel because of an anticipated drop in air fares due to lower cost of fuel; the current Canadian visitor are not your typical “snow bird” and many are now not staying in hotels; there were more Chinese visitors because lunar new year was in February this year; arrivals from Korea and Oceania were below expectations; Oceania remains positive due to a 45% increase in new air seats from New Zealand; and, Taiwan and Latin America did not meet expectations for February 2015.

In regards to hotel occupancy, January occupancy was down because fewer visitors stayed in hotels and more visitors were staying in condominiums and time-share units. Mr. Nahoopii noted a drop in occupancy in the “upper upscale class” of hotel units, which is the type of units “we have more of” in Hawaii. He anticipates occupancy in February to also show a drop in occupancy. In regards to hotel average daily rates, January was up only 2.4 %. Mr. Nahoopii noted there were “lower average hotel rates in Waikiki for the first time” and that the average daily rates for upper upscale hotel rooms also dropped.

Mr. Rae asked how a visitor landing in Oahu and immediately traveling to Kauai would be reflected in the visitor data. Mr. Nahoopii responded that the visitor would be reflected as traveling to Kauai and that the data is obtained from a survey completed by the visitor. Mr. Dee offered a suggestion for a presentation at the next meeting regarding the “value of the MCI guests” and knowing where they are staying, total spending and impact on the “tax base.”

In response to Mr. Dee's inquiry, Mr. Nahoopii provided PowerPoint slides depicting the differences in expenditures between the major markets as of February 25, 2015. Initially, in regards to visitor arrivals and visitor days, Mr. Nahoopii presented slides depicting the following: although U.S. West visitors continues to be a "dominant force" in the industry with "high arrivals," they are staying "shorter;" the U.S. East and Japan visitors "stay shorter" while Oceania and Canadian visitors "stay longer." In regards to spending categories by each market, he noted the following: food and beverage is a "big chunk" of expenditures for the U.S. West visitor; U.S. West, U.S. East and Japan spend a lot for lodging; Chinese visitors spend "big" on shopping; and, attractions is "big" for the Canadian visitors. In regards to per person per "trip" spending, which measures how long visitors stay and spend "per trip," he noted that visitors from China, Europe and Latin America are strong contributors towards spending per trip followed by Canada and U.S. East. In regards to total expenditures by market, reflecting the return on investment in marketing, U.S. West (30%) continues to lead in total expenditures followed by U.S. East (27%), Japan (13.3%), Canada (13.3%), Oceania (4.9%), China (3.1%), Korea (2.3%), and Europe (1.9%).

Mr. Nahoopii continued his PowerPoint presentation by presenting slides depicting visitor expenditures within various expenditure categories. In regards to expenditures for food and beverage, U.S. West visitors continue to be the "largest contributor" towards spending in this expenditure category and "follows with this market leading in total expenditures." U.S. East visitors spend the most for entertainment and recreation, especially for "activity spending." Visitors from U.S. West, U.S. East and Canada spend the most on transportation expenditures, including trips to the neighbor islands. Canadian expenditures for transportation reflect their frequency of travel to the neighbor islands. In regards to expenditures for shopping, Japan visitors continue to spend the most. Chinese visitors also "spend a lot" despite having a smaller number of visitors. U.S. West and Canadian visitors contribute the most towards lodging expenditures. Despite the large number of Japan visitors staying in hotels, their stays are shorter. Finally, Mr. Nahoopii noted many U.S. East visitors rely on cruise trips when traveling to Hawaii.

Mr. Dee stated it would be "good to look at this over time" and what visitors will contribute the most to transient accommodations tax revenues.

The meeting was recessed at 10:32 a.m.

The meeting was reconvened at 10:45 a.m.

7. Presentation of Resident Sentiment

Mr. Nahoopii introduced Barbara Ankersmith, President of Qmark Research, who conducted a survey of residents' opinions on tourism. The survey was a continuation of similar surveys conducted in 2010 and 2012. Ms. Ankersmith stated that the telephone survey was conducted during the period September 2014 through October 2014; that 1,664 interviews were conducted and each interview was approximately 15-16 minutes long; that there is a 2.4% margin of error or a 95% level of confidence; and, that the results were weighed to reflect the population on each island. She provided a PowerPoint presentation, entitled "HTA Resident Sentiment Study, March 2015," and offered various findings comparing the opinions of residents obtained from surveys in 2010, 2012 and 2014 using mean ratings of 10 (highest) to 0 (lowest).

She noted that the overall "perception of the tourism industry in Hawaii remains stable with a mean rating of 8.06." She noted that more residents not in the tourism industry have a more favorable opinion of tourism than those residents in the tourism industry. In response to a question on how you would rate the overall impact tourism has on you and your family, 45% of residents responded that tourism has been "mostly positive." Neighbor island residents have a more favorable response.

Ms. Ankersmith continued her presentation by showing slides depicting the mean ratings in 2014 for the following statements on tourism benefits: creates many well paying jobs for residents (6.78); creates shopping, restaurants, and entertainment opportunities for residents (7.63); creates jobs that have opportunities for advancement (7.0); helps to preserve Native Hawaiian culture and language (5.63); helps to sustain Hawaii's natural resources, parks, and cultural sites (6.21); is an industry that enhances residents quality of life (6.46); sponsors festivals, activities and sports events for residents and visitors (7.04); and, makes me feel more connected to my community (5.0).

The survey also indicated that 64% of residents "strongly" or "somewhat agree" that tourism has brought more benefits than problems. Ms. Ankersmith noted residents younger than 35 years old and visitor households were less likely to agree that tourism brought more benefits than problems. In response to a question from Ms. Stone whether other "charts" could support the "overall" findings, Ms. Ankersmith stated there are other detailed findings in "165 additional tables" that have not been presented and will support the overall findings presented in the PowerPoint presentation. In response to Mr. Rae's question whether the residents' responses could be "crossed checked" by zip code, Ms. Ankersmith stated that the responses could only be compared by region, such as the windward region.

Ms. Ankersmith also reported that 56% of the residents responded in the 2014 survey that "this island is being run for tourists at the expense of local people." She continued her presentation with tables depicting resident mean ratings in response to the following statements: "tourism in Hawaii increases traffic problems" (6.92), and reflected Maui and Kauai residents were more likely to agree with this statement while residents born in Hawaii were less likely to agree; "tourism results in a higher cost of living" (6.71); and, that "my island's economy is too dependent on tourism" (7.28) that reflected a rating which had dropped in 2014 and that

residents from Maui and Kauai and within the visitor industry were more likely to agree with the statement.

Ms. Ankersmith reported that residents provided a 5.3 mean rating of agreement to the statement that “tourism currently presents Native Hawaiian culture in an authentic manner.” The “less educated and affluent” were more likely to agree with the statement while neighbor island residents were less likely to agree. Mr. Salā expressed his strong sentiment that Native Hawaiians should present the Native Hawaiian culture in an authentic manner and it should not be the tourism industry. The tourism industry does not define the Native Hawaiian culture nor is it responsible for promoting the culture. Mr. Nahoopii acknowledged Mr. Salā’s sentiment but noted that the HTA strategic plan identifies the tourism industry as being responsible for promoting the Native Hawaiian culture. Mr. Salā suggested that this question regarding the promotion of Native Hawaiian culture should be revised.

Ms. Ankersmith continued her presentation and reported on the resident mean ratings on their agreement to the following statements: “tourism is consistent with community values on this island” (5.83); “tourism should be actively encouraged on my island” (7.26); “funds should be spent to promote tourism in Hawaii” (6.85); “tourism makes me feel special because people travel to see my island’s unique features” (6.46); “I feel like I have a voice in my island’s tourism development decisions (4.26); and, “tourism in Hawaii reminds me that we have a unique culture to share with visitors (7.7).

Finally, Ms. Ankersmith reported on “new questions” that were asked in the 2014 survey and related to the Hawaii Tourism Authority (“HTA”). Initially, she reported that “three in four residents had heard of HTA prior to taking part in the study” and there was more awareness of HTA by higher income and educated residents. When residents who were aware of HTA and asked to provide their own responses to what they perceived were the duties of HTA, the residents provided the following overall (all islands) responses: “promote tourism” (70%); “don’t know” (9%); “bring money into State/benefit economy” (6%); “market research/data collection” (5%); and, “assist tourists in need/help in emergencies, crisis” (5%). She also reported on the resident mean ratings on their agreement to the following statements regarding what the HTA should do: “market and promote tourism in Hawaii” (7.57); “maintain communications between the community and the tourism industry” (6.13); “seek solutions to tourism issues in the community” (6.34); “increase the number of routes and the number of air seats into Hawaii” (6.79); “encourage authentic portrayal of Native Hawaiian culture” (6.26); “provide a safe visitor experience” (7.11); “develop quality tourism products” (6.91); and, “increase the amount of quality jobs, managerial development, and career pathways in tourism” (6.37).

Mr. Nahoopii stated the various resident sentiment surveys over the past years continue to reflect that “when we are in a down market,” the survey tends to favor tourism, and when we are in a “up market,” the survey tends to be unfavorable to tourism. He summarized “what we have learned” from the 2014 survey as follows: residents support tourism, especially on the neighbor islands; residents understand the “story of tourism;” that residents know tourism “is

important;” and, that tourism brings money in, but “need to balance the impact” of tourism on the resident’s quality of life. Ms. Ankersmith added that on an “overall basis,” the resident’s sentiment on tourism “is positive.”

In response to a question from Ms. Stone regarding the distribution of the resident sentiment survey to the public, Mr. Nahoopii confirmed that a summary would be prepared for the media.

Mr. Salā emphasized again his position that it is not tourism’s responsibility to present Native Hawaiian culture. Instead, HTA is responsible for collaborating with the Native Hawaiian community to promote tourism.

The meeting was recessed at 11:21 a.m.

The meeting was reconvened at 11:27 a.m.

8. Presentation, Discussion and Approval of HTA’s Financial Reports

Mr. Togashi reported on the HTA’s financial statements as of February 28, 2015 for the Tourism Special Fund and Convention Center Enterprise Special Fund. (The financial statements were previously distributed to the Board members.)

In regards to the Tourism Special Fund, he reported the following as of February 28, 2015: that there is \$69.8 million in cash and investments; that of the \$92.3 million allocated to the FY 2015 budget, \$58.2 million has already been contracted or committed; and, that the Fund received \$6.8 million in TAT revenues in February for a year-to-date total of \$54.7 million. In regards to the Convention Center Enterprise Special Fund, he reported the following as of February 28, 2015: that there is \$31.5 million in cash and investments; that there is \$2.8 million in accounts receivable; that \$13.3 million is 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; that the Fund received \$2.75 million in TAT revenues in February for a year-to-date total of \$22 million; and, that the year-to-date operating loss for the convention center is \$2 million. Currently, the projected operating loss is \$3.1 million in comparison to the budgeted operating loss of \$3.54 million.

Mr. Togashi found that “spending was according to budget, except for positive variances from convention center operations.” Mr. Corteway made a motion to approve the HTA financial statements as of February 28, 2015. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present without any objection.

9. Update on President and CEO Search Process

Mr. Salā updated the Board on the search process for the President and CEO. He reported that the vacancy and hiring announcement was advertised in the Honolulu Star Advertiser, Pacific Business News, the Business Wire and social media. The application deadline was February 4, 2015. Among the 23 applicants, 7 applicants were on a short list and asked to provide a mission

and vision statement. All 7 applicants on the short list will be interviewed to determine 3 final candidates. The 3 final candidates will not know they were selected as finalists. The goal is to present “one name” to the Board for approval. At this time, there is no final timeline for the selection of the President and CEO.

10. Adjournment

The meeting was adjourned by consensus at 11:35 a.m.

Recorded:

A handwritten signature in black ink, appearing to read 'W. Pong', written in a cursive style.

Winfred Pong
Recorder