



The Imperial Hawaii Vacation Club 2024 Budget Presentation

Club Budget	
Revenue	
	IHVC
Assessment Income - Operations	8,711,978
Hotel (FIT) Income	7,611,317
Front Office Income	1,084,682
Interest/Fees Income	918,862
Administration Income	745,281
Other Income	457,364
Tax Collected	1,753,567
Total Revenue	21,283,051
Expenses	
Reservations & Marketing Expenses	1,621,421
Administration Expenses	583,610
Front Office Expenses	1,680,907
Housekeeping Expenses	3,528,350
Repairs & Maintenance Expenses	1,006,912
Accounting Department Expenses	405,829
Employer's Taxes & Burdens	763,729
Office Expenses	192,208
In-Suite Expenses	397,898
Other Project Expenses	251,720
Utility Expenses	347,582
Bank and Credit Card Fees	117,250
Insurance Expenses	328,737
Professional Expenses	170,121
Taxes/Pass Through Expenses	3,618,436
Waiver/Write Off Expenses	340,408
Depreciation Expense	174,480
Allowance & Extraordinary	184,210
Master Association Assessments	6,384,683
Sub-Total Expenses	22,098,491
Total Net Revenue From Above	21,283,051
Earnings (Loss) before Income Tax	
Expense	(815,440)
Income Tax Expenses	(100,000)
Income (Loss) From Operations	(915,440)
2024 Reserve Funding	
Reserve Interest Income	840
Reserve Income	0
Reserve Expense	0
Total Net Reserve Change	840

Master Association Budget	
Revenue	
	AOAO
Assessment Income - Operations	7,522,317
Interest/Fees Income	49,380
Other Income	86,180
Tax Collected	1,620
Total Revenue	7,659,497
Expenses	
Housekeeping Expenses	164,650
Repairs & Maintenance Expenses	255,990
Other Project Expenses	84,840
Utility Expenses	2,272,289
Bank Fees & Expenses	5,524
Insurance Expenses	380,353
Administration Expenses	780,398
Professional Expenses	74,000
Taxes/Pass Through Expenses	3,707,952
Waiver/Write Off Expenses	173,676
Depreciation Expense	12,000
Allowance and Extraordinary Exp	-
Sub-Total Expenses	7,911,672
Total Net Revenue From Above	7,659,497
Earnings (Loss) before Income Tax	
Expense	(252,175)
Income Tax Expenses	(20,000)
Income (Loss) From Operations	(272,175)
2024 Reserve Funding	
Reserve Interest Income	780
Reserve Income	250,000
Reserve Expense	(72,000)
Total Net Reserve Change	178,780

Assessment is Due January 1, 2024

The 2024 Assessment is a 5% increase over the 2023 Assessment

THE IMPERIAL HAWAII VACATION CLUB - 2024 ASSESSMENT

Annual Assessments are Due and Payable by January 1, 2024. A 5% Cash Discount is only available for payments made by check, cash or money order and must be received in our office no later than November 30, 2023. Thereafter, only a 3% Cash Discount is available for payments made by check, cash or money order and must be received in our office no later than January 1, 2024.

Unit Type	Total Assessment	Unit Type	Total Assessment
Ohia =	\$ 957.46	Ohia =	\$ 909.59
Banyan =	\$ 1,437.32	Banyan =	\$ 1,365.45
Palm =	\$ 1,523.33	Palm =	\$ 1,447.16
Koa =	\$ 1,566.34	Koa =	\$ 1,488.02
Hala =	\$ 1,783.64	Hala =	\$ 1,694.46

Unit Type	Total Assessment	Unit Type	Total Assessment
Ohia =	\$ 957.46	Ohia =	\$ 928.74
Banyan =	\$ 1,437.32	Banyan =	\$ 1,394.20
Palm =	\$ 1,523.33	Palm =	\$ 1,477.63
Koa =	\$ 1,566.34	Koa =	\$ 1,519.35
Hala =	\$ 1,783.64	Hala =	\$ 1,730.13

A Message to our Owners

IHVC PRESIDENT'S ANNUAL MESSAGE

The Imperial and most all other businesses continue to deal with high and persistent inflation that is still increasing but at a lower rate than twelve months ago. Inflation is the underlying issue for every business and the Imperial is no exception but the 2023 land lease rent is the largest single increase in our budget in over ten years. The 10-year renegotiation cycle of the land lease which began in June of 2022 was concluded via arbitration hearings in late 2023. The current operating budget approved prior to resolution of the land lease arbitration included a provisional adjustment for a substantial increase in lease payments starting in January 2023. This provisional increase was reflected in the 2023 owner assessments. However, the arbitration awarded lease payment of \$3,008,000 was almost 30% above our provisional estimate therefore requiring an additional \$677,000 makeup payment to the lessor for the 2023 land lease payments. The attached assessment increase of 5.0% is necessary to meet the increased lease rent payments and the increased operations costs beyond the immediate control of the Board of Directors or the Imperial Staff. In the prior lease arbitration in 2012 the Imperial benefited from a low point in the real estate market just prior to the lease rent determination. However, the recent high real estate valuations and transactions coupled with high inflation and interest rates may have had the opposite effect in the current cycle of lease arbitration. The Presidents address at the October 13, 2023, IHVC Board of Directors meeting contains additional information and is posted on the Owners section of the Imperial website.

Current inflation continues to run almost 4% annually (see last year's 2023 Assessment Letter comments) and expectations are the Federal Reserve may raise interest rates again and keep rates longer attempting to reduce inflation. The Imperial Board of Directors expects on-island costs will continue to escalate above the current 4+% as the Federal Reserve's actions may have a small effect on the current high on-island inflation rates even into the beginning of 2025. To control costs, our Imperial Staff maintains discipline in materials purchasing using competitive bids and obtaining purchase discounts whenever possible. State taxes and other non-controllable costs have increased 20% over 2022 and the 2024 budget includes an estimated further increase of these costs. However, the substantial land lease rent is the primary mover in the 2023 and 2024 assessment increases. But since the lease rent will again be constant for nine more years the land lease will not contribute to additional increases in future assessments and budgets until 2032.

The IHVC Board of Directors has once again approved the 5% discount for cash payments paid by CASH, CHECK or MONEY ORDERS received prior to **November 30, 2023**, and a 3% discount for cash payments received after **November 30, 2023** and before **January 1, 2024**. The 5% cash discount if received by **November 30, 2023**, can reduce your 2024 assessment by \$45 - \$85 depending on the type of unit you own. Please see the payment discount schedule on the reverse side for the unit(s) you own. It is important that IHVC members do not delay remitting their 2024 assessments to take advantage of the special 5% discount being offered for CASH, CHECK or MONEY ORDERS in the month of November 2023. We recognize there are circumstances that may not allow all owners to take advantage of these options and encourage owners to discuss payment options with our accounting staff. Please note that some payment options may effect an owner's immediate use of their interval until the 2024 use year assessment is paid in full.

Overall, 2023 has been an excellent tourist year. The Imperial 2023 occupancy level has remained high, and our hotel operations free independent traveler (FIT) revenue has been a vital part in funding Resort operations. Our forecast is for this trend to continue in 2024 barring some existential upset, global crisis, or a severe recession. There remains a much pent-up demand for the "travel experience" utilizing discretionary personal income.

2024 will be a year of different challenges but the Staff and I are totally dedicated to successfully managing the Imperial Hawaii Resort within the approved budget for 2024 and providing you with the best vacation experience the Islands of Hawaii can offer. I hope to see you soon and wish everyone safe travels. Aloha to All

J. Preston James, IHVC President

IHVC TREASURER'S ANNUAL MESSAGE

Management continues to closely monitor expenses using cash flow analysis, both actual and forecast and we will continue to work with Management in reviewing these monthly profit/expense summaries and balance sheets to ensure efficient cash flow. Currently our analysis on income and expenses shows a manageable profit for the December 31, 2023, year-end. The Consumer Price Index (CPI) numbers continue to decline and may drop to around four percent, but the Federal Reserve is keeping interest rates high to cool inflation and thus continues to increase our costs. Subsequently, we met with our bank representatives to provide strategic insight on the best interest gain opportunities with our bank deposits & investments to maximize income and to take advantage of the current rate of return which sits roughly at around five percent.

For the 2024 budget, the Board of Directors along with Management, approved an assessment increase of 5.0%. Many factors are included in this assessment, but the greatest impact is the January 1, 2023, Lease Rent increase which went to arbitration. A decision was provided to us on October 10, 2023, which almost tripled our annual lease rent from \$1,073,432 to \$3,008,000, for the next ten years. Another relative concern is that the Crude oil prices continues to remain high which unfortunately is largely attributed to the continuing war in Ukraine and now Israel. As a result, AOA's Utility costs continue to escalate. While some may see this as an AOA expense, the important thing to note here is that the IHVC is responsible for 89% of the AOA costs, which has direct effects on our IHVC operational costs. Having said that, we did not levy a reserve fund contribution from 2021 to 2024 due to these increasing operations cost. However, due to our successful prior year operations management, the December 31, 2022, profits contributed \$1.3 million for necessary IHVC 2023 capital expense projects.

The board approved again this year a 5% discount on cash prepayments made before **November 30, 2023**, and 3% on cash funds paid before **January 1, 2024**. The continuance of this discount opportunity has had a positive effect on our assessment receipts as the Board and Management continue to push through current economic strife.

John A. Tokarcsik, IHVC Treasurer

2024 BOARD CANDIDACY STATEMENTS

The 2024 Annual General Meeting will be held on **Tuesday, March 12, 2024**. There are three (3) AOA and two (2) IHVC Board positions to be filled. Please let us know if you are interested in running for either BOTH the AOA and/or the IHVC Boards by submitting a candidate statement of 100 words or less stating your reasons and qualifications. We are seeking applicants, who, first and foremost, are regular vacationers at The Imperial Hawaii Vacation Club. Whatever your background, a board member must work well in a team environment and be prepared to represent and be accountable in the best interests of all owners. This requires a significant time commitment to attending board and committee teleconference meetings. Your candidate statement must be received at The Imperial by **Friday, January 5, 2024**, on/or before 4:30 PM (HST) in order for your name to be placed on the Proxy and Ballot and for your 100-word statement to be printed in the newsletter. Additionally, to be fair to all candidates, if a statement is longer than 100 words, we will only print the first 100 words. You may also send a more complete resume to be disseminated to owners who request more information regarding your qualifications. You may send your 100-word statement and a more complete resume to The Imperial's mailing address or to the Imperial's Executive Assistant at msales@imperialofwaikiki.com.