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PAVING INFORMATION

This section includes the *HPPOA PAVING PLAN, ROADS SELECTION CRITERIA* and *FREQUENTLY ASKED QUESTIONS (FAQS) AND COMMON CONCERNS* about roads paving and the bond indenture. Information provided is believed accurate to the best of our ability. As events develop that pertain to this section, information will updated.

HPPOA PAVING PLAN

Phases Overview

Phase	Roads/Improvement	Total Bid Amount/ Contractor & Per Mile Bid Breakdown	Date Started	Date Completed	Final Total Cost & Per Mile Breakdown
I	9.5 Mi: 22nd Makuu-Shower, 7th Makuu to Kaloli, 27th Shower to Paradise, 19th Makuu to Paradise, 18th Kaloli 700' apron towards Paradise, K St to E St, E St to AlaKai, Alakai & C,E,&F stubs	\$2,808,551 Wm. Loeffler Construction Inc. \$280,855/mi	3/31/08	1/31/09	\$2,416,953 \$247,892/mi
II	3.7 mi: 1st Makuu to Paradise, 16th Makuu to Kaloli, 19th Paradise to Kaloli	\$868,880 Loeffler \$217,220/mi	6/13/09	8/13/09	\$898,284 \$242,779/mi
III	Lower Main Arterials Overlay + Shower, All aprons min 60' and all radius to be 25' throughout entire Pk	\$2,045,190 Loeffler Variable unit costs	9/8/09	TBD	TBD
IV	Undetermined at this time				

Current Plan/Schedule

PHASE III PLAN	Comment	Projected Date	Actual Date
1. Roads Determination		-	3/09
2. RFP Draft		-	done
3. Civil Engineer Review		-	done
4. Contractor consultations		-	done
5. RFP Board approval		-	done
6. RFP out for bid		-	4/12/09
7. Bids due back		-	5/5/09
8. Bid opening and analysis		-	5/20/09
9. Bid award – Board Approval		-	5/20/09
10. Start date	Upon completing Phase II	9/14/09	9/8/09
11. Completion date	In 80 days	12/2/09	TBD

ROADS SELECTION CRITERIA

The bond indenture does **not** specify the priority order for paving roads. The 2007/08 Road Paving Committee used various factors such as traffic counts, safety concerns, road maintenance experience, distances between paved surfaces in its road selection process. With an objective to best serve the entire community in Phase I, the Committee created a well-distributed cross road grid that would allow Maku'u to Kaloli travel on a paved surface throughout the subdivision. Roads for paving in **Phase II** were selected by the Board of Directors to honor road commitments made when the former Committee was in grid plan mode. The Board's decision to overlay lower main arterials in **Phase III** is primarily based on avoiding the cost of main roads replacement. Sections of these roads are classified as due to start to fail within six months to a year. Overlay repair is far cheaper than road replacement.

In the future, paving plans need to use the premise stated in a Private Placement Memorandum to Piper-Jaffray, **the bond broker**: "The priority order in which roads will be paved will be determined by the avoided cost of road maintenance, the amount of vehicular travel and the number of residences adjacent to the road." **Although the Board will use this as a starting point when assessing roads in its future paving planning, the Board will also consider other compelling rationales and needs as they evolve.** Special Note: The location of Board members' property has not been and will continue not to be a factor when selecting roads for paving.

**"BOND INDENTURE" (The Paving Bond)
FAQS/COMMON CONCERNS**

1. What are the legal and financial obligations of individual lot owners under the terms of the paving bond? Individual lot owners are not obligated beyond payment of their own road maintenance assessments under any circumstances.

2. What collateral was used for the paving bond?

The only collateral is our pledge to use our road fees for debt service through the year 2027.

3. What is the effect of the paving bond on annual road maintenance fees charged to owners?

The Board annually sets the road fees. The Bylaws do not allow more than a 10% increase annually. It is assumed that to meet the bond payback schedule *and maintain our non-paved roads* (which the indenture requires), the 10% maximum allowed annual increases will continue only through 2012/13. Thereafter, the Board will determine if annual increases are needed and at what percent to cover the remaining bond debt service and to continue maintenance of non-paved roads.

4. What is the Board's assessment of the option to use the remaining bond funds to pay back the bond with a penalty fee, abandon current planning, and rethink how we are going to go forward?

The Board is checking with the bond owner, Dexia, to see if this is possible and will then make an assessment.

5. Explain the paving bond costs to HPPOA in direct and simple terms:

BOND LOAN PRINCIPAL	\$12,085,000	
Amount of principal useable to pave roads		\$10,876,500
Amount of principal kept in reserve		\$1,208,500
TOTAL INTEREST PAYABLE FOR THE BOND	\$11,619,939 (6.92% fixed rate)	
TOTAL BOND PAYBACK	\$23,704,939	
OTHER FEES CHARGED DURING THE LIFE OF THE BOND	Annual investment fees @ .2% of the fund declining balance (example: \$24,000 fee on balance as of July 09)	
PAYBACK SCHEDULE END DATE	1/1/2027	

6. Provide a summary of HPPOA's projected operating cash flow for the 09/10 fiscal year:

PAVING BOND			
INCOME/EXPENSE PROJECTED for 7/1/09-6/30/10			
Income: Bond funds interest earnings		Expense: Bond interest payable, investment fees and professional fees	
\$300,000		\$865,782	
ALL OTHER			
INCOME/EXPENSE PROJECTED for 7/1/09-6/30/10			
Income: Road and non-road	\$1,912,656	Expense: Road and non-road	\$1,036,650
TOTAL INCOME	\$2,212,656	TOTAL EXPENSE	\$1,902,432
NET INCOME	\$310,224		

7. Where is the bond money held until we draw on it to pave roads and is it earning interest there?

The money is held with Union Bank at California earning current market interest rates.

8. List some of HPPOA's key obligations under the terms of the bond?

- Make all bond payments on time from road maintenance fees
- Use funds only to pave roads and thereby help reduce future maintenance costs
- Maintain \$1,208,500 in reserve
- Maintain an overall income to expense ratio of 110% (income divided by expenses)
- Continue maintenance of non-paved roads

9. What was stated in the referendum mailed to all owners in January 2007 proposing paving of HPP roads? Go BACK to view the referendum information sheet and response form. Response total was: 1201 respondents with 82.2% voting in favor of paving the roads.

10. Were other paving program financing options considered before deciding on the bond indenture? When were details explained to the membership?

Yes, go **BACK** to view the PAVING FINANCING HISTORY TIMELINE.

11. Can HPPOA members read the Bond Indenture records?

The records may be viewed in the HPPOA Office in accordance with administrative procedures.

**"ROADS PAVING"
FAQS/COMMON CONCERNS**

1. Who is responsible for developing the Paving Plan?

Previously, the volunteer Paving Committee formed by the Board in August 2007 was responsible. That committee was dissolved in September 2008 by the Board. Since then, the volunteer Board has been responsible for developing the Paving Plan.

2. Besides asphalt concrete, what other road surface options have been considered and why was asphalt chosen for our roads paving project?

Chipseal was also considered. HPPOA's civil engineer advised this method would not hold up and recommended asphalt concrete as the preferred long term option.

3. What were asphalt costs when we applied for the paving bond--and how have costs changed?

WHEN HPPOA APPLIED FOR THE PAVING BOND	Recent costs then were \$65 per ton in place
WHEN PHASE I CONTRACT WAS AWARDED	Awarded bid was \$135 per ton in place
WHEN PHASE II & III WERE AWARDED	Awarded bids were \$131-\$135 per ton in place

4. What criteria are being used to select roads for paving?

See "Roads Selection Criteria" under the HPPOA PAVING PLAN.

5. Why is paving being done in incremental phases instead of as a continuous project?

Multiple phases using separate bidding provides more flexibility and eliminates being obligated to a single contractor for the entire project at one time. Also, it allows for adjustment to changes in traffic pattern and other evolving needs.

6. What provisions for paving maintenance are included in our roads maintenance plan?

Possibly tar crack sealing or fog thin layer in 5-10 years.

7. What primary material specs are used for our roads paving?

Generally our crossroads specs call for a leveling course of 3/4" base rock up to 2" depending upon the compaction and a width of 20' with 2" thickness asphalt county code mix #4.