



MEMORANDUM

Date: March 17, 2015

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Proposed Legislation Regarding Payment Standards for Pothole Claims**

Legislation has recently been introduced to require the County to spend 80 percent of Highway User Revenue Funds (HURF) for road repair, maintenance, construction and reconstruction. I am confident that we already do so based on a large payment we make for HURF bonds that are used exclusively for road reconstruction and the amount of funds spent annually for roadway maintenance within the Department of Transportation. The legislation is simply an excuse to avoid a difficult discussion regarding the adequacy of transportation financing in Arizona.

The legislation also requires jurisdictions to pay pothole claims without investigation, which is fiscally irresponsible. The amount of claims paid by the County in the past for potholes and those that could be paid if the legislation is successful is identified in the attached March 12, 2015 letter from our Risk Manager, Lauren Eib. Clearly, payment of claims related to potholes has not been a major issue in the past and is not anticipated to be so in the future unless this legislation is approved.

As indicated in Ms. Eib's letter, over the last 15 years, the County has paid, on average, about 20 percent of the total claims filed each year. In 2014, 31 claims were received and five were accepted, with a total payout of \$1,981. Given the poor condition of our roadways, this is not currently a major fiscal issue for the County.

The proposed legislation is a bad idea to address a problem that does not exist.

CHH/anc

Attachment

c: Tom Burke, Director, Finance and Risk Management
Lauren Eib, Risk Manager, Finance and Risk Management



DEPARTMENT OF FINANCE AND RISK MANAGEMENT

Thomas E. Burke, Director

March 12, 2015

Chuck Huckelberry
Pima County Administrator
130 W. Congress
Tucson, AZ 85701

RE: County Roads, Repairs and Damage Reimbursement

Mr. Huckelberry:

The proposed legislation introducing a new payment standard for pothole claims does not give an entity enough time to investigate nor to question the information submitted by the claimant. The cost of claims would increase substantially as drivers realize public entities will more or less be required to pay all claims submitted. Last year the City paid out over \$50,000 in pothole related claims as opposed to the County's total of \$1,981. One difference – the County investigates and denies claims and the City pays all pothole claims.

The County investigation includes determination regarding both liability and reasonable repair costs. Currently the County pays only on claims where the investigation finds the County at fault. Risk Management also reviews the cost estimates and the damage to the vehicle for appropriateness. Looking at the past 15 years, the County on average paid out 20% payout of total claims filed. The major reason for a denial is lack of notice to the County of the pothole.

Based on historical data for pothole claims from 2000 to 2014:

- On average 18.6 claims were filed annually during this period.
- The County pays out on average \$1,862 per claim.
- Currently Risk Management pays 19% of total claims received.
- In 2014 the County received 31 claims requesting a total of \$29,000 for damages. Of the 31 claims received, 5 claims were accepted with a total payout of \$1,981.

For the first 2.5 months in 2015 the County received 34 claims requesting \$12,000 in reimbursement; more claims than any year since 1995. If the increase in claims continues the County could receive over 160 claims for 2015. Based on these assumptions and if we are required to pay all claims, we could expect to pay as much as \$284,963 or as low as \$30,557 per year until the roads are fixed.

Respectfully,



Lauren Eib
Risk Manager