



**MICHAEL N. FEUER**  
CITY ATTORNEY

REPORT NO. R 22 - 0 3 8 8  
NOV 0 7 2022

REPORT RE:

**ESTABLISHMENT OF SEPARATE ACCOUNT FOR OPIOID  
SETTLEMENT FUNDS**

**CITY OF LOS ANGELES V. PURDUE PHARMA L.P., ET AL.  
CASE NO. 1:18-OP-45601-DAP**

The Honorable City Council  
of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

Council File No. 21-1240

Honorable Members:

On November 24, 2021, this Honorable Body approved the City's participation in national opioids settlements with Amerisource Bergen, Cardinal Health, McKesson, Johnson & Johnson, Janssen Pharmaceuticals, Inc., Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica, Inc. (the "National Settlements").

As a result of these settlements, the City is expected to receive payments of between \$29 million and \$53 million over the next 18 years, starting with payments this calendar year of at least \$3.29 million, and likely more. The City is also likely to receive additional funds, as the City's claims against additional manufacturers, distributors and retailers are resolved either through bankruptcy proceedings, settlement, or trial.

Anticipating the receipt of settlement funds this fiscal year, the Unappropriated Balance Fund for this fiscal year's budget contains a line item for \$3.29 million in opioid settlement

funds. Settlement funds, however, must be segregated from the General Fund so that they can be tracked, appropriated, and reported pursuant to the requirements of the settlement agreements.

The Chief Administrative Officer has advised that additional actions from this Honorable Body will be necessary in order to establish a separate trust fund and accounts thereunder so that the Chief Administrative Officer may perform the City's tracking, allocation and reporting obligations.

Based on discussions with the City Administrative Officer, we respectfully request that this Honorable Body authorize the Controller to:

1. Establish a new trust fund, entitled "Opioids Settlement Funds." The Fund will be administered by the Office of the City Administrative Officer. It will be used to receive and disburse the settlement funds from the National Settlements, as well as any additional funds obtained through the resolution of the City's claims against defendants in *City of Los Angeles v. Purdue Pharma L.P. et al.*, Case No. 1:18-OP-45601-DAP, including claims resolved through bankruptcy proceedings (the City's "Opioids Claims").

2. Establish separate accounts within the Opioid Settlement Fund, as determined necessary by the City Administrative Officer, in order to allow the City Administrative Officer to take receipt of and track the various payments obtained through resolution of the City's Opioids Claims and to ensure that those funds are spent in accordance with the terms of applicable laws, settlement agreements, bankruptcy plans, and this Honorable Body's directions. Such accounts may include, at the City Administrative Officer's discretion, but are not limited to, accounts entitled:

- a. Various Opioids Settlement Agreements Fund;
- b. Litigating Subdivisions Fund; and
- c. Abatement Fund

3. For Fiscal Year 2022-23, upon deposit in the General Fund of payments from the National Settlements previously estimated to be at least \$3.29 million, transfer up to \$3.29 million from Unappropriated Balance Fund No. 100, Department No. 58, Account No. 580388, Opioid Settlement to the newly created Various Opioids Settlement Agreements Fund account in the newly created Opioid Settlement Funds trust fund, Department 10.

As the exact amount of settlement funds the City will receive this fiscal year is still unknown (although it is anticipated to exceed the \$3.29 million in the Unappropriated Balance), the Chief Administrative Officer recommends this Honorable Body also authorize the Controller to:

4. Allow all additional opioid settlement funds received by the City to be deposited into the newly created Various Opioid Settlement Agreements Fund, and allow, this fiscal year, up to \$1.42 million to be transferred to the newly created Litigating Subdivisions Fund and up to \$5.2 million to be transferred to the newly created Abatement Fund.

We also respectfully request that this Honorable Body adopt the draft ordinance transmitted herewith, which is approved as to form and legality, for the establishment of the "Opioids Settlement Funds" trust fund, and any necessary accounts, as described above.

Council Rule 38 Referral

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to the Office of the Chief Administrative Officer. The draft ordinance incorporates that Office's comments.

If you have any questions regarding this matter, please contact Managing Senior Assistant City Attorney Michael Bostrom at (213) 978-1867. He, or another member of our Office, will be present when this Honorable Body considers this matter.

Sincerely,

MICHAEL N. FEUER, City Attorney

By



MICHAEL J. BOSTROM  
Senior Assistant City Attorney

MJB:pj  
Transmittal

cc: Honorable Eric Garcetti, Mayor  
Matt Szabo, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst