



## Council Agenda Report

Item 6g

**Department:** Attorney  
**Cost Center:** 1501  
**For Agenda of:** 9/2/2025  
**Placement:** Consent  
**Estimated Time:** N/A

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**SUBJECT:** APPROVE PARTICIPATION IN MULTIPLE NATIONAL OPIOID LITIGATION SETTLEMENT AGREEMENTS

### RECOMMENDATION

1. Approve City participation in the nationally negotiated opioid related settlement agreements with Purdue Pharma L.P. & Sackler Family ("Purdue and Sackler"); and
2. Approve City participation in the nationally negotiated opioid related settlement agreements with eight opioids manufacturers, Alvogen, Amneal, Apotex, Hikma, Indivior, Mylan, Sun, and Zydus (the "Manufacturers"); and
3. Approve City participation in all future nationally negotiated opioid related settlement agreements; and
4. Authorize the City Manager and City Attorney to execute documents as needed to participate in the above-specified and all future nationally negotiated opioid related settlement agreements; and
5. Authorize the City Manager and City Attorney to elect direct allocation of the settlement funds to the City; and
6. Authorize the City Manager to vote on the Purdue bankruptcy plan, in consultation with the City Attorney (including abstention if the City Manager determines abstention is in the best interest of the City.)
7. Authorize staff to submit required annual opioid settlement expenditure reporting forms to the Department of Health Care Services.

### POLICY CONTEXT

Over the last several years, nationwide litigation has resulted in a series of landmark settlements with opioid manufacturers, distributors, and retailers accused of fueling the opioid crisis through deceptive marketing and inadequate oversight. These settlements allow states, counties, and cities—including those not directly involved in the litigation - to opt in and receive dedicated funding to support local opioid abatement efforts.

Participating in these agreements provides the City with a non-General Fund resource to help address opioid misuse, addiction, and related public health and safety impacts.

These efforts align with the City's adopted Major City Goals and broader commitments to community well-being, fiscal sustainability, and regional collaboration.

## DISCUSSION

### Background

Since 2021, the City Council has approved participation in five national, class-action opioid settlements (See Previous Council Action), and the City received approximately \$370,000 in direct allocations from the settlements since 2024. Two new proposed nationwide settlement agreements ("Settlements") have been reached to resolve ongoing prescription opioid litigation brought by numerous states, local political subdivisions, and special districts.

### ***Purdue Pharma L.P. & Sackler Family Settlement***

The first settlement concerns litigation against Purdue Pharma L.P. and the Sackler Family ("Purdue and Sackler") and is being implemented through Purdue's bankruptcy proceedings. The Settlement<sup>1</sup> includes two components:

- The *Estate Settlement*, which settles Purdue's claims against the Sacklers and other parties, and
- The *Direct Settlement*, which resolves direct claims by states, local governments, and other creditors.

Actual payments will depend on rate of subdivision participation. However, it is estimated that the two Settlements will require the Sacklers to pay up to \$6.5 billion over 15 years, including a \$1.5 billion payment on the Effective Date (expected in 2026), in addition to nearly \$900 million available from the Purdue estate.

The Settlement also includes injunctive relief, requiring Purdue's successor to adopt safeguards to prevent opioid diversion, and restricting certain Sacklers from engaging in opioid-related activities.

Cities and counties that opt in will be eligible for funding under the Direct Settlement (commonly referred to as the "GESA") and may be eligible to vote on the bankruptcy plan governing the Estate Settlement. Opting out of the Direct Settlement would preclude the City from receiving any funds and would leave individual litigation as the only alternative—a costly and resource-intensive path with uncertain outcomes. The deadline to submit the Participation Form and California State-Subdivision Agreement (Attachment A), without alterations, is September 30, 2025.

Voting on the bankruptcy plan is separate from opting into the Direct Settlement. On a previous opioid bankruptcy (Endo), the City abstained from voting on the plan (since staff determined it was unlikely the City would have any basis for objecting to the plan) and opted out of the release of claims (since staff was informed this would not waive any claim

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<sup>1</sup> View the full terms of the proposed Purdue and Sackler Settlement Agreement here: <https://nationalopioidsettlement.com/purdue-sacklers-settlements/>

to proceeds if the plan were approved.) Staff does not yet have information on the Purdue bankruptcy, nor has the implementation administrator confirmed whether the City is even eligible to vote on the bankruptcy plan. If the City is deemed eligible to vote on the plan, staff recommends that the Council authorize the City Manager to do so, including to abstain from the plan and opt out of the releases if the facts of the Purdue bankruptcy are sufficiently similar to the Endo bankruptcy. Staff believe this conservative approach will best protect the City's rights without waiving its claim to any proceeds from the bankruptcy if the plan is approved.

***Additional Manufacturer Settlements (Alvogen, Amneal, Apotex, Hikma, Indivior, Mylan, Sun, Zydus)***

The second set of proposed settlements<sup>2</sup> would resolve claims against eight additional opioid manufacturers—Alvogen, Amneal, Apotex, Hikma, Indivior, Mylan, Sun, and Zydus (collectively, the “Manufacturers”). These Settlements would provide up to \$720 million nationwide for opioid abatement, a portion of which would be available to California and its participating subdivisions, including the City of San Luis Obispo.

Depending on participation, the Manufacturers will contribute both cash and product-based remedies over multiple years. For example:

- Mylan will pay up to \$290 million over nine years;
- Amneal will pay up to \$74 million and contribute up to \$177 million in generic Narcan;
- Other manufacturers will contribute a mix of immediate payments and naloxone or buprenorphine products in lieu of cash.

These Settlements also include injunctive relief, requiring manufacturers to change marketing, distribution, and sales practices to prevent future opioid misuse.

The City must opt in to each of the individual manufacturer settlements by October 8, 2025, to be eligible for any share of the settlement funds.<sup>3</sup>

**City Participation and Use of Funds**

Since 2021, the City has participated in five national opioid settlements (See Previous Council Action) and has received approximately \$370,000 in direct allocations since 2024<sup>4</sup>, which currently funds two Licensed Psychiatric Technicians contracted through the County of San Luis Obispo to support the City's Mobile Crisis Unit and Community Action Teams. These new settlements, if approved, could provide continued or expanded funding for those positions or other eligible opioid abatement activities.

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<sup>2</sup> View the full terms of the proposed Manufacturers Settlement Agreements here: <https://nationalopioidsettlement.com/additional-settlements/>

<sup>3</sup> The Participation and Release forms for the Manufacturers settlements were not yet available to the City at time of publication of this report.

<sup>4</sup> Prior to 2024, the City's allocation of annual opioid settlement payments was deferred to the County.

Failure to act before the respective deadlines—September 30, 2025 for Purdue and October 8, 2025 for the Manufacturer Settlements—would render the City ineligible for any of the allocated funds. Staff recommends City Council authorize participation in both settlements and direct staff to complete and return the required participation forms once issued by the Implementation Administrator.

Participation in litigation, including a settlement of class-action litigation, requires authorization of the Council. This is the fourth time staff have sought authorization to participate in class-action opioid settlement agreements. Participation in these agreements is very low-risk to the City, since it is unlikely the City will have the resources and/or basis to pursue individual litigation against any particular opioid defendant or group of defendants, and the benefits are substantial. The settlement funds have paid the entirety of the City's costs of the two Licensed Psychiatric Technicians (LPTs) within the Mobile Crisis Unit and Community Action Team under contract with the County. Fire and Police have identified several other potential uses of the opioid remediation funds to combat the opioid crisis in our community. Staff recommends authorization by Council to opt-in to future class-action settlement agreements if the settlement terms are substantially similar to those previously approved by the Council (see Previous Council Action below) and if the City Manager and City Attorney agree it is in the best interests of the City to do so.

Direct recipients of opioid settlement funds are required to submit [annual reporting to the Department of Health Care Service](#) (DHCS). Since the City is a direct recipient of several existing settlement funds and is seeking authorization to opt-in to additional settlements as a direct recipient, the City is required to report on its use of settlement funds by September 30<sup>th</sup> of each year (including this year) until all funds from the respective settlements are expended. Staff is therefore seeking authorization to complete this annual reporting without returning to Council for further approval.

### **Previous Council or Advisory Body Action**

**December 7, 2021** – Council approved the City's participation in the settlement agreements with pharmaceutical distributors, McKesson, Cardinal Health and Amerisource Bergan ("Distributors") and with manufacturer Janssen Pharmaceuticals and its parent company Johnson & Johnson ("Janssen").

**April 4, 2023** – Council approved the City's participation in the settlement agreements with pharmacies CVS, Walgreens, and Walmart ("Pharmacies"), and with pharmaceutical manufacturers Teva and Allergan ("Manufacturers").

**July 16, 2024** – Council approved the City's participation in the settlement agreements with supermarket pharmacy Kroger Co. ("Kroger"). Council also directed the City Manager and City Attorney to evaluate the aggregate national opioid settlement amounts to be allocated to the City each year and the administrative burdens of direct allocation and, if warranted, to change the distribution to direct allocation. The City Manager thereafter opted in to direct allocation in August 2024.

**Public Engagement**

None. Not applicable since this involves a settlement of litigation to which the City was not a direct party.

**CONCURRENCE**

The Police and Fire Chief, Community Development and City Administration Departments concur in the recommendation.

**ENVIRONMENTAL REVIEW**

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Section 15378.

**FISCAL IMPACT**

Budgeted: No

Budget Year: 2026-2041

Funding Identified: N/A. Settlement agreement would provide funds to the City, not require funds to be paid out.

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

The amount of funds that would be received by the City under the settlement agreements cannot be estimated at this time. The final pay-out amounts will be determined by the percentage of local jurisdictions that elect to participate in the agreements. Any revenue received will be deposited into the City's Opioid Settlement Fund (Fund 217) to help support the annual contracts with the County for two Licensed Psychiatric Technicians serving the MCU and CAT programs. Beginning in FY 2027-28, the annual cost of these contracts will exceed the ongoing opioid settlement revenue currently forecasted; the additional revenue from the new Settlements would help offset the shortfall.

**ALTERNATIVES**

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***Do not approve the City's participation in the settlement agreements.*** It is unlikely the City will have the capacity to pursue individual litigation against these opioid defendants. Failure to participate in the nationally-negotiated settlement agreements will deprive the City of funds it is otherwise entitled to as a class member.

***Approve the City's participation in the settlement agreements with Purdue and Sackler, and with the Manufacturers, but require staff to seek authorization for participation in future settlement agreements.*** Staff anticipates being well-suited, in close consultation with the City Attorney, to evaluate future settlement agreements and determine whether class participation is in the best interest of the City, but Council may direct staff to return for authorization to participate in future agreements with new defendants.

### ATTACHMENTS

A – Participation and Release Form (Purdue and Sackler)