



City of Huntington Beach

File #: 22-420

MEETING DATE: 6/21/2022

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Sean Joyce, Interim City Manager

VIA: Brittany Mello, Administrative Services Director

PREPARED BY: Brittany Mello, Administrative Services Director

Subject:

Adopt Resolution No. 2022-33 Amending the Settlement and Award Authority of the Risk Manager Related to Workers' Compensation Agreements

Statement of Issue:

Since 2003, the Risk Manager has been authorized to settle workers' compensation claims up to \$50,000. However, the existing resolution regarding settlement authority does not distinguish between types of workers' compensation agreements. Additionally, the cost of providing medical services to injured workers has steadily increased over the past eighteen years. Staff is seeking City Council authorization to establish separate settlement and award authority for two types of workers' compensation agreements: (1) non-discretionary Stipulations with Request for Award, and (2) discretionary Compromise and Release Agreements. As proposed, the Risk Manager would be able to authorize all non-discretionary Stipulations with Request for Award up to \$150,000, while the discretionary Compromise and Release Agreements would remain at the existing \$50,000 limit. Workers' compensation agreements above these amounts would continue to be presented to the City Council for authorization.

Financial Impact:

Not applicable.

Recommended Action:

Adopt Resolution No. 2022-33, "A Resolution of the City Council of the City of Huntington Beach Establishing Settlement and Award Authority of the Risk Manager and City Attorney."

Alternative Action(s):

Do not approve the resolution and continue with the current policy established in Resolution No. 2003-92.

Analysis:

The City commonly enters into two types of workers' compensation agreements with injured

employees to resolve claims. The first type is a Stipulation with Request for Award, which sets a statutory, non-discretionary amount of permanent disability as rated by the State of California's Disability Evaluation Unit. The second type is a Compromise and Release Agreement, which is a final, discretionary settlement of the future medical care of the injured worker related to a claim.

In December 2003, the City Council adopted Resolution No. 2003-92, establishing the settlement authority of the Risk Manager and the City Attorney related to general liability claims, and the settlement authority of the Risk Manager related to all workers' compensation claims. Pursuant to this resolution, the settlement authority for all workers' compensation claims is \$50,000. Any proposed settlements above this amount are brought to the City Council in Closed Session for approval. Resolution No. 2003-92 does not specifically address Stipulations with Request for Award.

The proposed resolution would distinguish between non-discretionary Stipulations with Request for Award and discretionary Compromise and Release Agreements, and establish separate settlement and award authorities accordingly.

For Stipulations with Request for Award, the State of California's Disability Evaluation Unit sets the amount that the employer must compensate the injured worker based on their evaluation of the medical reporting. This is not a negotiated amount to determine a settlement; rather, it is the amount that the employer is obligated to pay based on the State's requirements. Since these amounts are non-discretionary, the proposed resolution would set a separate award authority to allow administrative approvals of these awards up to \$150,000. While higher award amounts are still dictated by statute, awards above \$150,000 would be brought to the City Council for situational and budgetary awareness of outlying cases.

An internal survey of comparable cities in our market confirmed that the vast majority do not seek City Council approval for Stipulations with Request for Award, including Anaheim, Santa Ana, Irvine, Garden Grove, Orange, Fullerton, and Newport Beach; only Costa Mesa requires City Council authorization.

For Compromise and Release Agreements, an amount is negotiated to buy out future medical exposure related to a workers' compensation claim, in addition to the amount of Permanent Disability that is paid out, as rated by the State's Disability Evaluation Unit. Because these agreements are negotiated, they are discretionary by nature.

The Risk Manager is authorized to enter into Compromise and Release Agreements up to \$50,000. Staff is not proposing any changes to this existing settlement authority.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Non Applicable - Administrative Item

Attachment(s):

1. Resolution No. 2022-33
2. Resolution No. 2003-92 with tracked changes

3. Resolution No. 2003-92