

BUDGET AND FINANCE COMMITTEE REPORT relative to proposed strategies to mitigate liability claims payments.

Recommendations for Council action:

1. INSTRUCT the Office of the City Administrative Officer (CAO) to release its biennial actuarial study on liability payouts to the City Council upon completion.
2. REQUEST the City Attorney and INSTRUCT the CAO to report to Council with the following:
  - a. An analysis and recommendations on the potential use of specific areas of insurance coverage to mitigate the City's litigation payouts, as a prioritized recommendation for completion.
  - b. An analysis and recommendations to increase accountability for departments with a history of significant liability risks, including options that create incentives for departments to reduce liability payouts.
  - c. Proposed staffing plans for their respective Offices to centralize liability mitigation oversight and ensure that those efforts increase the use of best practices Citywide, and help the City to direct budgetary resources to address known liabilities, as a prioritized recommendation for completion.
3. REQUEST the City Attorney, with the assistance of the CAO, to report to Council on opportunities to ensure that the City is making all feasible efforts to share the costs of claims settlements and payouts with any other responsible parties.
4. ADOPT a capital plan that incorporates liability mitigation as a primary criterion for a project's inclusion, identifies outcome metrics for all asset classes that will result in risk reduction, incorporates current and future projects to commit the City to address major liabilities over the course of the plan, and identifies funding for all projects based on projections across all funding sources.

Fiscal Impact Statement: None submitted by the City Attorney nor the CAO. The Chief Legislative Analyst has not completed a financial analysis of this report.

Community Impact Statement: None submitted

#### SUMMARY

At a Special meeting held on April 13, 2026, your Budget and Finance Committee considered the joint City Attorney and CAO report, dated March 27, 2026, relative to proposed strategies for the mitigation of liability claims payouts to reduce the likelihood of future liability risks. The recommended steps to improve risk mitigation practices and reduce liability costs consist of improving projection methods for the next year's liability claims funding requirement to reduce budget instability, considering the use of insurance for specific classes of liability to reduce annual volatility, increasing department accountability for excess payouts through incentives and litigation reduction strategies, centralizing liability mitigation efforts, sharing liability with other responsible parties by actively tendering claims to third parties and making use of subrogation opportunities, and adopting a capital plan that incorporates liability mitigation. The Committee, CAO, and City Attorney representative discussed prioritization of the recommendations presented in said joint City Attorney and CAO report to mitigate the liability claims payouts. After discussion and having provided an opportunity for public comment, the Committee moved approval of the recommendations contained in the joint City Attorney and CAO report, as detailed above, noting that the City Attorney and CAO prioritize completion of the report with an analysis and recommendations on the potential use of specific areas of insurance coverage, and the report on centralizing liability mitigation oversight and management. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
YAROSLAVSKY:	YES
BLUMENFIELD:	YES
HUTT:	YES
McOSKER:	YES
HERNANDEZ:	ABSENT

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**