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December 21, 1993

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City Council
City Hall
Sacramento, California

APPROVED
BY THE CITY COUNCIL

JAN 4 1994

Honorable Members in Session:

OFFICE OF THE
CITY CLERK

**SUBJECT: Increase of Delegated Settlement Authority for
Tort Liability and Workers Compensation Cases**

LOCATION AND COUNCIL DISTRICTS:

CITY.

RECOMMENDATION:

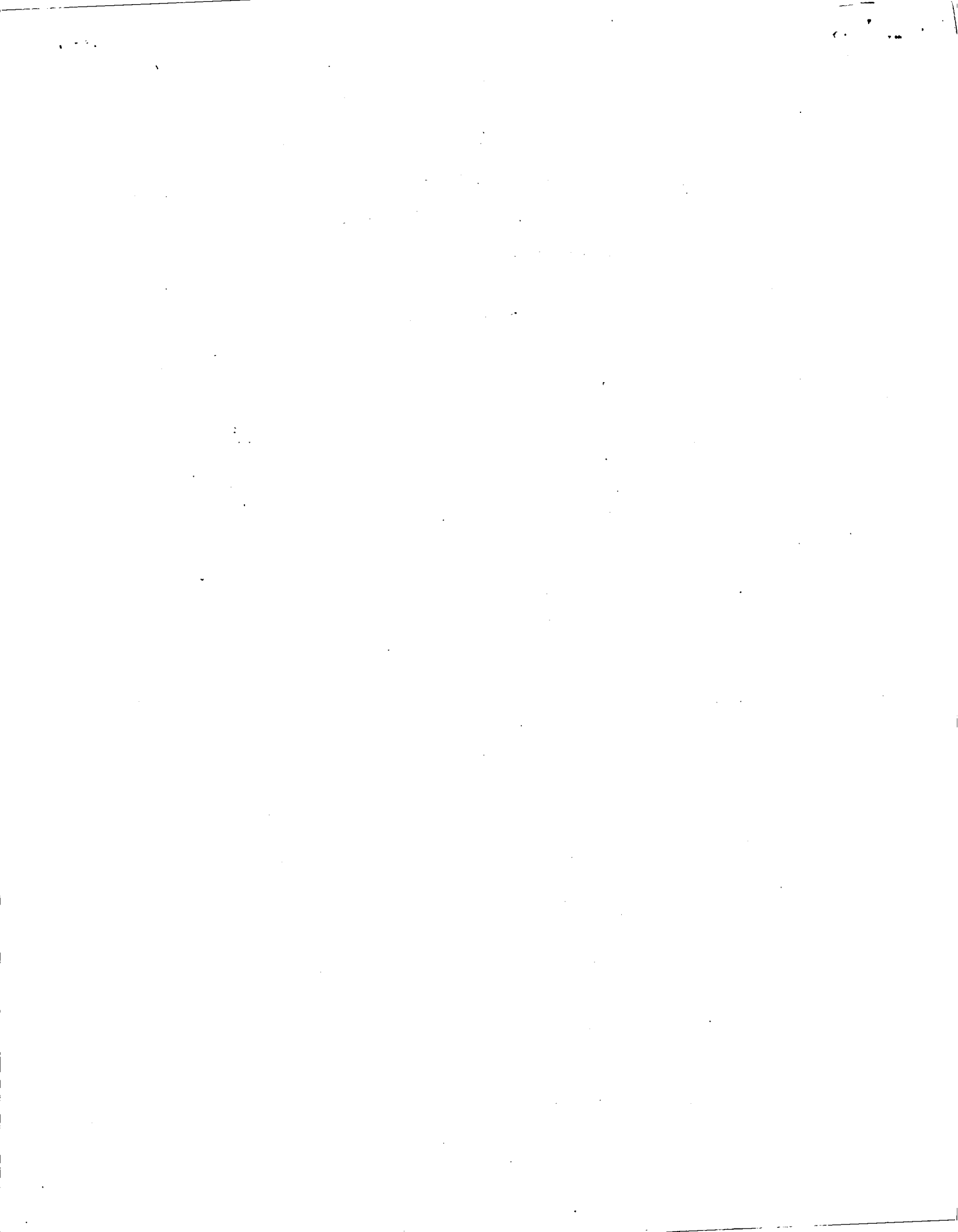
This report recommends adoption of the attached resolution, which would: (1) increase the tort settlement authority delegated by the Council from \$35,000 to \$50,000, (2) allocate tort settlement authority of up to \$15,000 to the third party tort claims administrator and from above \$15,000 to \$25,000 to the Risk Manager, (3) create a claims committee for approval of tort settlements exceeding \$25,000 up to \$50,000, (4) increase delegated workers' compensation settlement authority from \$20,000 to \$50,000 and (5) allocate the delegated workers compensation settlement authority in levels to the Workers Compensation Administrator, Risk Manager and Workers Compensation Claims Committee.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823.
Richard F. Antoine, Deputy City Attorney, 264-5346.

FOR COUNCIL MEETING OF:

January 4, 1994.



SUMMARY:

This report recommends adoption of the attached resolution, which increases to \$50,000 delegated settlement authority for tort (third party liability claims) and workers compensation cases. Settlement authority for tort claims was last increased on April 23, 1991. Settlement authority for workers compensation claims was last modified on March 8, 1983. The resolution also revives a claims committee structure for approval of a certain dollar range of tort claims, a practice which was utilized previously by the City. The Council is authorized by Government Code §935.4 to delegate by resolution, in tort matters, settlement authority of up to \$50,000. Delegation of settlement authority for workers compensation claims is consistent with past and present practice.

Presently for tort claims, the City's independent tort claims administrator has settlement authority up to \$7,500 and the City Attorney above that up to \$35,000. The proposed resolution allocates settlement authority of up to \$15,000 to the independent tort claims administrator; authority above \$15,000 up through \$25,000 to the Risk Manager; and authority exceeding \$25,000 up through \$50,000, to a claims committee comprised of the independent tort claims administrator, the Risk Manager, and the City Attorney or designee.

The current status for settlement of workers compensation claims allocates approval of claims up to \$15,000 to the Workers Compensation Administrator and authority above that up to \$20,000 to a claims committee comprised of the Workers Compensation Administrator, the Risk Manager and the City Attorney. The proposed resolution allocates to the Workers Compensation Administrator settlement authority up to \$15,000; above \$15,000 through \$25,000, to the Risk Manager; and authority exceeding \$25,000 up to \$50,000, to a claims committee comprised of the Workers Compensation Claims Manager, the Risk Manager and the City Attorney or designee.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

Tort Claims

Presently, the City's independent tort claims adjusting service has authority in its own right to settle claims in an amount up to \$7,500. The City Attorney's Office has settlement authority above that up to \$35,000. Settlements exceeding \$35,000 are negotiated with claimants as "proposed" or "recommended" settlements dependent upon approval of the City Council. The procedure for obtaining Council approval is time consuming for both the Council and staff. It



requires the preparation of a written report by staff and consideration of the proposed settlement by the Council in closed session. This commonly delays smaller settlements for ten days or more and can result in delays of three weeks or longer, dependent on the nature of the Council agenda.

In the context of current tort litigation and settlements, \$50,000 no longer represents major litigation or exposure. An increase of delegated settlement authority as requested will allow more expeditious handling of such matters. With the added protection of the claims committee procedure, there will be comprehensive staff review of proposed settlements.

For all proposed settlements which exceed \$50,000, the normal process of preparing staff reports and bringing the case for Council review and approval in closed session, will continue.

Workers Compensation Claims

The present authority hierarchy was established in March, 1983. In the context of current workers compensation litigation and settlements, \$20,000 no longer represents major litigation or exposure. Increasing delegated authority to \$50,000 will allow more efficient claims management.

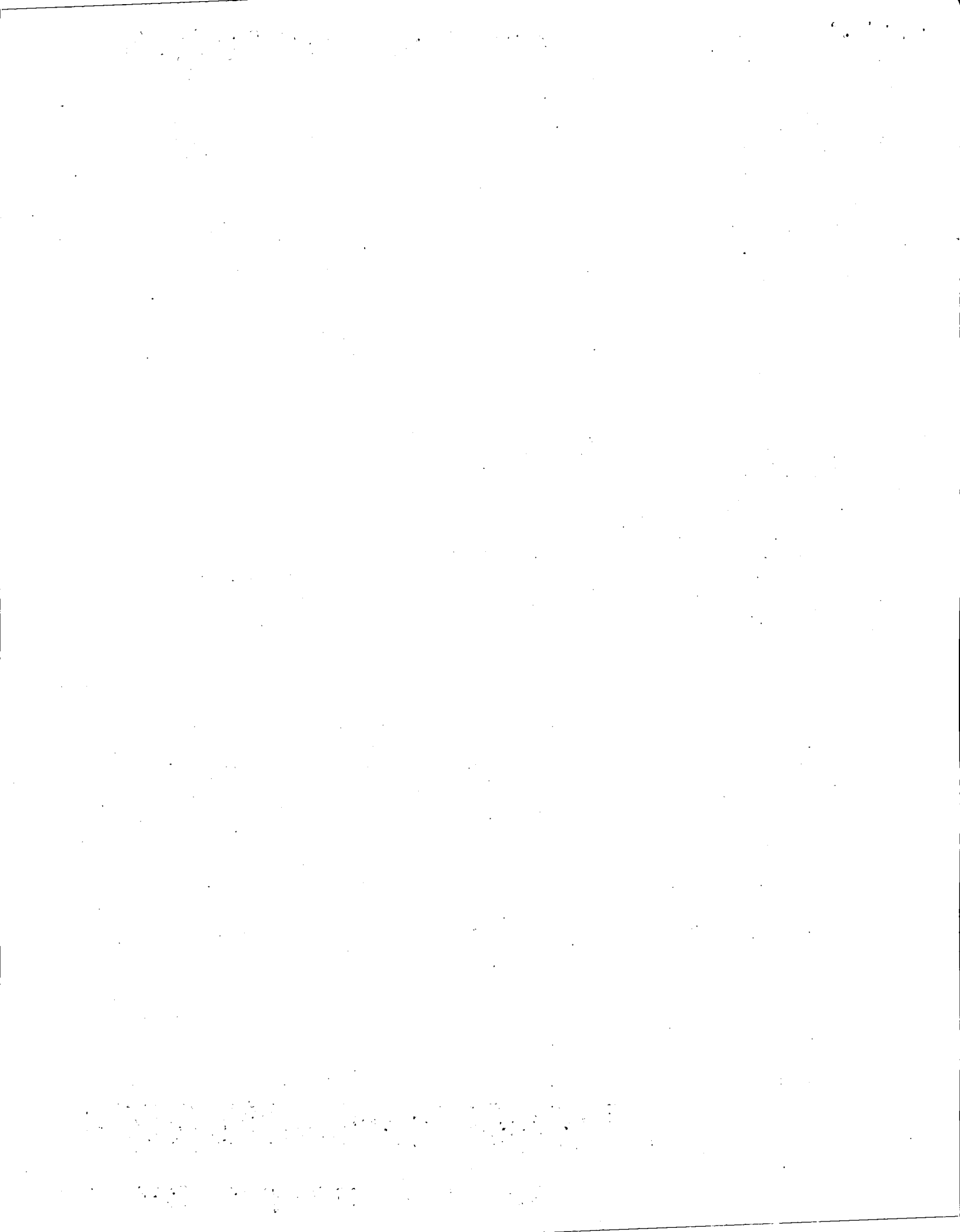
FINANCIAL DATA:

The proposed increase of delegated authority will have no direct fiscal impact on the City. Indirectly, the City may benefit in certain cases because immediate settlements may be negotiated without the delay associated with placing a proposed settlement on the Council's closed session agenda for approval. In certain cases, this will result in reduced defense costs to the City and/or more advantageous settlement terms.

POLICY CONSIDERATIONS

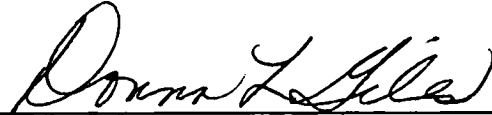
The proposed resolution allows implementation of the first step of a new third party tort liability management program developed by the third party tort claims administrator, the Department of Human Resources and the Office of the City Attorney. These three entities are combining their respective resources and expertise in a complimentary fashion in an effort to produce a more modern and dynamic third party claims management system to address and resolve claims in the most efficient, cost-effective manner practicable.

The resolution increases delegated tort settlement authority to \$50,000 from the present level of \$35,000 by enabling the establishment of a committee specifically created to oversee third party settlements. With respect to workers compensation claims, the resolution increases settlement authority to a figure that is compatible with the present workers compensation claims environment.



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Cases which, in the judgment of either claims committee, present unique or critical issues regardless of reserve levels, will continue to be presented to the Council on an advisory basis.



DONNA L. GILES
Director of Human Resources



WILLIAM P. CARNAZZO
Acting City Attorney

Att.

Recommendation Approved:



WILLIAM EDGAR
City Manager

December 27, 1993
All Districts

The first part of the document
 discusses the importance of
 maintaining accurate records
 and the role of the
 auditor in this process.

The second part of the document
 discusses the importance of
 maintaining accurate records
 and the role of the
 auditor in this process.

RESOLUTION NO. 94-011

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF JANUARY 4, 1994

APPROVED
BY THE CITY COUNCIL
JAN 4 1994
OFFICE OF THE
CITY CLERK

**A RESOLUTION RELATING TO SETTLEMENT AUTHORITY
IN TORT CASES AND WORKERS COMPENSATION CASES
AND REPEALING RESOLUTION NOS. 91-283 AND 83-168**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO that Resolution Nos. 91-283 and 83-168 are hereby repealed.

BE IT FURTHER RESOLVED that:

1. The Workers Compensation Administrator is hereby authorized to approve on behalf of the City of Sacramento the settlement of workers compensation claims when such settlement is in the amount of \$15,000 or less.

2. The Risk Manager is hereby authorized to approve on behalf of the City of Sacramento the settlement of workers compensation claims when such settlement exceeds \$15,000 but is not greater than \$25,000.

3. A committee to be known as the Workers Compensation Claims Committee is hereby established, to be comprised of the Workers Compensation Administrator, the Risk Manager and the City Attorney or designee and is hereby authorized to approve on behalf of the City of Sacramento the settlement of workers compensation claims when such settlement is more than \$25,000 but does not exceed \$50,000.

4. The City Council shall approve the settlement of workers compensation claims when such settlement exceeds \$50,000.

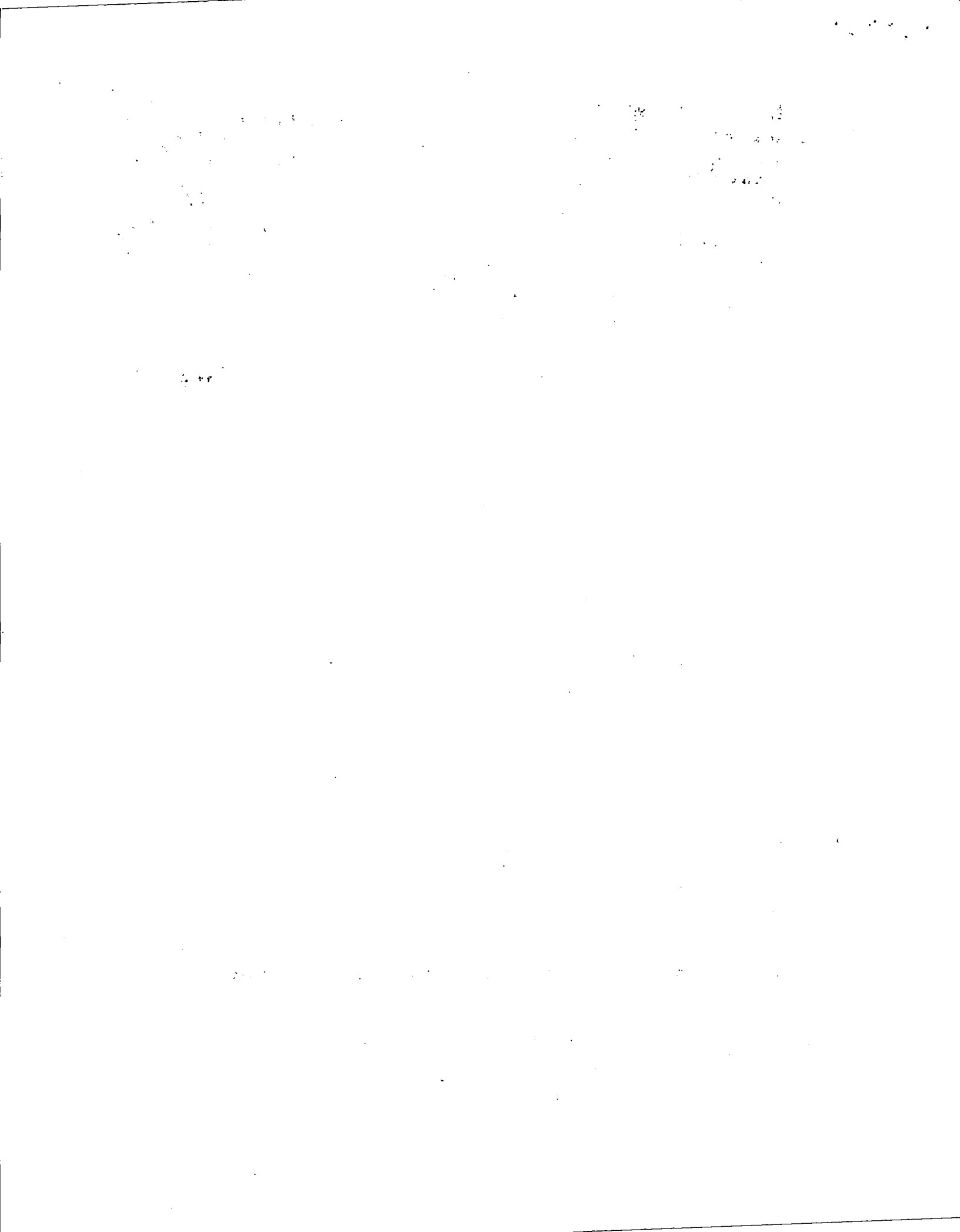
5. The third party tort claims administrator is hereby authorized to approve on behalf of the City of Sacramento the settlement of tort claims when such settlement is in the amount of \$15,000 or less.

6. The Risk Manager is hereby authorized to approve on behalf of the City of Sacramento the settlement of tort claims when such settlement exceeds \$15,000 but is not greater than \$25,000.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



7. A committee to be known as the Tort Claims Committee is hereby established, to be comprised of the third party tort claims administrator, the Risk Manager and the City Attorney or designee and is hereby authorized to approve on behalf of the City of Sacramento the settlement of tort claims when such settlement is more than \$25,000 but does not exceed \$50,000.

8. The City Council shall approve the settlement of all tort claims when such settlement exceeds \$50,000.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

