



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 25-618

Meeting Date: 1/20/2026

TITLE:

APPROPRIATION OF OPIOID SETTLEMENT FUNDS

DEPARTMENT: CITY MANAGER OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

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RECOMMENDATION:

Authorize the appropriation of past and future Opioid Settlement Funds to subsidize eligible expenses including legal fees and opioid remediation services for people experiencing homelessness.

BACKGROUND:

In 2021, nationwide settlements ("2021 National Settlements") were reached to resolve all opioid litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors, McKesson, Cardinal Health, and AmerisourceBergen ("Distributors") and against manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (collectively, "J&J"). The 2021 National Settlements have been finalized, and payments have already begun. In all, the Distributors and J&J will pay up to \$26 billion over 18 years, with the City of Costa Mesa's ("City") allocation projected at \$1,839,901 over 15 years.

In late 2022, settlement agreements ("2022 National Settlements") were announced with three pharmacy chains, CVS, Walgreens, and Walmart and two additional manufacturers, Allergan and Teva. In January 2023, each of those pharmacy chains and manufacturers confirmed that a sufficient number of states had agreed to the settlements to move forward with finalizing the agreements. The 2022 National Settlements have been finalized, and payments have already begun. In all, the pharmacies and manufacturers will pay up to \$18.52 billion over 15 years, with the City's allocation projected at \$2,780,265 over 15 years.

The City's total projected allocation from the 2021 and 2022 National Settlements is \$4,620,166. As outlined in both settlement agreements, at least 85% of the funds going directly to participating states and subdivisions must be used for abatement of the opioid epidemic, with the overwhelming bulk of the proceeds restricted to funding future abatement efforts by state and local governments. As stipulated in the 2021 and 2022 National Settlements, 15% of all Opioid Settlement Funds received shall be set aside to pay for services rendered by attorneys appointed to represent participating subdivisions (i.e., Costa Mesa) in litigation against the opioid manufacturers and distributors.

To date, the City has received a total of \$1,660,063 in Opioid Settlement Funds (OSF) and has outstanding attorney fees totaling \$167,137.19.

ANALYSIS:

OSF Allowable Expenditures

The 2021 and 2022 Settlement Agreements bifurcate allowable expenditures of OSF money into two (2) categories: High Impact Abatement Activities (“HIAA”) and Approved Opioid Remediation Uses (“Approved Uses”).

1. High Impact Abatement Activities - No less than 50% of the OSF money received in each calendar year must be used to:
 - a. Provide matching funds or operating costs for substance use disorder facilities approved for funding within the Behavioral Health Continuum Infrastructure Program (BHCIP).
 - b. Create new or expanded substance use disorder (SUD) treatment infrastructure.
 - c. Address the needs of communities of color and vulnerable populations (including sheltered and unsheltered homeless populations) that are disproportionately impacted by SUD.
 - d. Divert people with SUD from the justice system into treatment, including by providing training and resources to first and early responders (sworn and non-sworn) and implementing best practices for outreach, diversion and deflection, employability, restorative justice, and harm reduction.
 - e. Implement interventions to prevent drug addiction in vulnerable youth.
2. Approved Uses - OSF recipients must choose from an extensive list of strategies aimed at opioid remediation, including:
 - a. Naloxone or other FDA-approved drug to reverse opioid overdose.
 - b. Opioid-related treatment.
 - c. Expanding services to pregnant/post-partum women and their unborn children.
 - d. Expansion of warm hand-off programs and recovery services.
 - e. Treatment for incarcerated population.
 - f. Prevention programs.
 - g. Syringe service programs.

OSF Synergy with Costa Mesa’s System of Care

The City has developed a comprehensive system of care for people experiencing homelessness, including those facing opioid-related challenges. This system includes Community Outreach Workers who address the needs of people without shelter, and Shelter Case Managers who work with people enrolled at the 100-bed Costa Mesa Bridge Shelter. The services provided by both groups satisfy the

HIAA requirement in that they “address the needs of communities of color and vulnerable populations (including sheltered and unsheltered homeless populations) that are disproportionately impacted by SUD.” Further, the services provided by both Outreach Workers and Case Managers satisfy the Allowable Uses requirement in that they expand warm hand-off programs and recovery services, including the provision of comprehensive wrap-around services to individuals in recovery and those diagnosed with Opioid Use Disorder (OUD). Specific services include, but are not limited to, emergency housing (shelter), access to recovery/specialty housing, transportation, education, job training, case management, and connections to community-based services. While these are eligible activities and uses presently provided by the City that may be offset by future use of the OSF, the City Council may identify additional eligible services and programs for use of the funds.

Appropriation of current and future OSF money to pay legal fees and subsidize opioid remediation services for people experiencing homelessness will allow the City to continue providing the highest level of service to our most vulnerable community members.

ALTERNATIVES:

The City Council can authorize the appropriation of OSF money to pay past and future legal fees, and direct staff to develop an alternative plan for expenditure of OSF money on strategies aimed at opioid remediation.

FISCAL REVIEW:

To date, the City has received a total of \$1,660,063 in Opioid Settlement Funds and has outstanding attorney fees totaling \$167,137.19. Further, the City is projected to receive ongoing allocations of OSF money totaling approximately \$4,620,166 over the next 15 years. Appropriation of these funds in the Opioid Settlement Fund (Fund 227) will assist with payment of legal fees, as well as subsidize opioid remediation services for people experiencing homelessness.

LEGAL REVIEW:

The City Attorney has reviewed this report and approves it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item achieves the following City Council goals:

- Diversify, stabilize and increase housing to reflect community needs.
- Strengthen the public’s safety and improve the quality of life.

CONCLUSION:

Staff recommends the City Council authorize the appropriation of past and future Opioid Settlement Funds to subsidize eligible expenses including legal fees and opioid remediation services for people experiencing homelessness.