STAFF REPORT

DATE: AUGUST 20, 2026

TO: MAYOR AND CITY COUNCIL

FROM: GREG GRAMMER, CITY MANAGER
JESSICA SLAWSON, ASSISTANT TO THE CITY MANAGER

SUBJECT: PROPOSED WILDFIRE LIABILITY REFORMS

OVERVIEW

For City Council overview and discussion are wildfire liability reforms proposed by the Governor that shift liability for utility-caused fires to taxpayers and local governments.

BACKGROUND AND ANALYSIS

The League of California Cities (Cal Cities), along with cities throughout the state, is urging the Legislature to reject proposed wildfire liability reforms that would limit a public agency's ability to recover costs resulting from utility-caused wildfires. Cal Cities prepared a Wildfire Liability Coalition Fact Sheet (Attachment A) that outlines the in-depth concerns about the proposal.

Specifically, the Governor's reform package would:

- Limit damage claims for public property and infrastructure to the depreciated value of the asset, rather than the full replacement cost.
- Eliminate emergency response and mutual aid costs as recoverable damages from the utility
- Eliminate lost property tax revenue as a recoverable cost from the utility.

As a result, utilities would not be responsible for the full cost of replacing essential water and sewer infrastructure, fire stations, schools, parks, libraries, and other public facilities damaged by a utility-caused wildfire.

Cal Cities has also authored a Local Government Sign-On Letter (Attachment B), which provides additional information about the proposal and its potential impacts to local communities. With this proposal being advanced by the Governor in the final weeks of the legislative session, there is limited time for public review; therefore, timely City Council consideration is needed if the City desires to take a position before the Legislature acts.

RECOMMENDATION

It is recommended that the City Council discuss the proposed wildfire liability reforms and direct staff to express the City's opposition to the Governor's proposal by joining the Cal Cities Local Government Sign-On Letter.

Attachments:

A. Wildfire Liability Coalition Fact Sheet
B. Local Government Sign-On Letter

Reject Reforms That Limit Public Agency Recovery from Utility-Caused Wildfires

What you need to know: The Governor's is proposing a last-minute, gut-and-amend package negotiated behind-closed-doors on wildfire liability reforms would limit public agency recovery from utility-caused wildfires. The proposal bails out electric utilities, undermines community rebuilding efforts, and wrongly shifts costs to wildfire victims, taxpayers, and local governments.

How does the proposal negatively impact public agencies?
The Governor's proposed wildfire liability reforms will have devastating consequences for public agencies and wildfire victims already struggling to rebuild their communities. The proposal would:

- **Limit damage claims on public property or infrastructure** to the depreciated value of the asset that the utility who caused the wildfire would need to pay. Utilities would not have to pay for the full replacement costs of essential water, sewers, fire stations, schools, and libraries that are damaged.
- **Remove emergency response and mutual aid costs** as a recoverable cost from the utility.
- **Eliminate property tax loss revenue** as a recoverable cost from the utility. Limiting public agency recovery will only shift costs to taxpayers and leave public agencies financially stranded.

The Problem
When wildfires strike a community, public agencies, firefighters, EMS, and police are on the front lines. ***If cities, counties, and public agencies cannot recover costs from negligent utilities, local taxpayers and the very survivors whose community burned will foot the bill.***

This is a big change from the way the system now works. When utility equipment causes a wildfire, utilities are currently held accountable through strict liability and negligence standards. They are required to fully compensate for property damage.

The Solution
The state must focus on stopping utility-caused fires and protecting the safety of our communities — not shift accountability and costs to victims, cities, and taxpayers.

The Legislature must **oppose limits to public agency recovery for utility-caused wildfires**. This must be removed from the wildfire liability reform proposal.

The state must **strengthen community wildfire mitigation efforts** through:
- Increasing the frequency of fire hazard severity zone map updates in local responsibility areas (every five years) to reflect the best available science;
- Streamlining administrative processes and permitting fuel reduction projects;
- Tightening the link between wildfire mitigation efforts and fire insurance accessibility.

**PROTECT PUBLIC INFRASTRUCTURE. SAFEGUARD EMERGENCY RESPONSE.
PROTECT TAXPAYERS FROM THIS UTILITY BAILOUT.**

LEAGUE OF CALIFORNIA CITIES

CSAC

RCRC
RURAL COUNTY REPRESENTATIVES OF CALIFORNIA

[INSERT CITY AND COUNTY LOGOS]

August XX, 2026

The Honorable Monique Limón
Senate President pro Tempore
California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas
Assembly Speaker
California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

Dear Senate Pro Tem Limon and Assembly Speaker Rivas,

On behalf of the League of California Cities and the undersigned cities, we are calling on you to **reject efforts to limit public agency recovery** from utility-caused wildfires in the Governor's proposed wildfire liability reforms as prompted by the SB 254 Report.

This proposal will wrongly shift costs to taxpayers and force devastating consequences on public agencies and wildfire victims already struggling to rebuild their communities. The proposal relies on the false hopes that public property, infrastructure and emergency response costs can be recovered from FEMA or insurance. Limiting public agency recovery will only shift costs to taxpayers and leave public agencies financially stranded – or even worse, bankrupt. **<u>We strongly oppose the following reforms and urge the Legislature to reject them outright from being included in any wildfire package that will advance this legislative session.</u>**

1. **Limiting Public Property and Infrastructure Damages Imperils Public Agencies Tasked with Rebuilding their Communities**

The proposal will have negligent utilities pay just pennies on the dollar to rebuild critical infrastructure and public facilities that are destroyed. Limiting such costs to the mere depreciated value of the public facility or infrastructure will impact the rebuilding of:

- Public facilities and buildings
- Water, sewer, roads, communication, and traffic signal infrastructure
- Parks, schools, libraries, and fire stations

When a utility causes a wildfire, they are required to fully compensate for property damage. Public agencies cannot rebuild damaged infrastructure on recovery dollars that only cover the depreciated value of an asset. Rebuilding public facilities and infrastructure is not a luxury - it is an essential public service for homeowners, businesses, and communities to return home.

2. **Limiting Recovery for Emergency Response and Mutual Aid Forces Public Agencies to Absorb Costs and Increase Financial Risk, Waiting Years For FEMA Reimbursement While Communities Struggle to Recover**

The proposal prevents public agencies from recovering emergency response and mutual aid costs from the very utilities who cause these devastating wildfires and inappropriately suggest FEMA as the solution. Limiting emergency response cost recovery will be catastrophic for small jurisdictions and fracture our mutual aid system upon which the state and communities rely on. There is a federal obligation to pursue negligent parties per the Stafford Act. This will create ambiguity when negligent parties must meet that requirement and will jeopardize federal reimbursement. FEMA has strict rules on recoverability, and some events aren't even eligible for FEMA reimbursement. Since FEMA is a reimbursement model, funds must be spent upfront. Interpretations in FEMA change from Administration to Administration, creating uncertainty whether future relief will even be available for these incidents.

3. **Eliminating Property Tax Losses Leaves Communities Financially Stranded**

Schools, cities, counties, and special districts rely on property taxes to fund basic needs in our communities. The proposal will financially strand public agencies by eliminating the ability to bring claims for lost property taxes. This has tremendous consequences for essential public services, including fire, police, social services programs, drinking water, public infrastructure, and drastically risks school closure.

There is no evidence in the SB 254 Report to suggest that public agency claims are unreasonable or unjustified. **Public agency damages amounted to merely 4% of the total wildfire claims that utilities paid from 2017 to 2024.** Public infrastructure, lost tax revenue, emergency response, and mutual aid are necessary and critical for local governments to function while struggling to rebuild their communities.

If public agencies cannot recover costs from negligent utilities, local taxpayers will pay more instead. The very survivors whose community burned will foot the bill which is NOT an equitable approach to socializing wildfire risk.

While we oppose these provisions from being in the wildfire package, we support the state's efforts to **strengthen community wildfire mitigation efforts.**

However, if public agencies cannot recover costs from negligent utilities, local taxpayers will pay instead. The very survivors whose community burned will foot the bill, which is NOT an equitable approach to socializing wildfire risk. We respectfully request the Legislature to protect public infrastructure, safeguard emergency response and our mutual aid system, and protect taxpayers from this utility bailout – and to reject the Governor's proposal to limit public agency recovery from utility-caused wildfires.

Sincerely,

League of California Cities
California State Association of Counties
Rural County Representatives of California

[LIST SIGNATORIES]

cc: The Honorable Governor Gavin Newsom
Members, California State Senate
Members, California State Assembly