

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 16, 2026

CAO File No. 0220-06434-0000

Council File No. 26-0906-S12

Council District: 14

To: City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **LINEAGE FIRE MITIGATION FUND**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. AUTHORIZE the Controller to APPROPRIATE \$5,000,000 from the Unappropriated Balance Fund No. 100/58, Account No. 580196, Reserve for Mid-Year Adjustments, to a new account entitled "Lineage Fire Mitigation Response" within the General City Purposes (GCP) Fund No. 100/56.
2. INSTRUCT the City Administrative Officer (CAO) to serve as the administrator of the Lineage Fire Mitigation Response Account within the General City Purpose Fund.
3. INSTRUCT the CAO to establish a process for departmental requests for reimbursement of incurred costs directly attributable to the Lineage Logistics fire response and cleanup activities described in this report.
4. INSTRUCT the Community Investment Department (CID) to present to Council the programmatic and administrative requirements for the business assistance program, including eligibility requirements, verification of business impacts, eligible uses of funds, the methodology for calculating and distributing awards, documentation and records-retention requirements, reporting and monitoring requirements, audit access, and other controls necessary to document the distribution and use of City funds.
5. AUTHORIZE the CAO to prepare Controller instructions to effectuate transfers from General City Purpose Fund No. 100/56, Lineage Fire Mitigation Response Account, in accordance with the established process for the reimbursement of eligible costs incurred for the Lineage Logistics fire response and AUTHORIZE the Controller to implement those instructions
6. DETERMINE that any unrestricted, uncommitted balances remaining in the Lineage Fire Mitigation Response Account on June 30, 2027 will revert to the Reserve Fund at year-end.
7. AUTHORIZE the CAO to and make any necessary technical adjustments consistent with the Council and Mayor actions on this matter.

SUMMARY

On June 17, 2026, a fire occurred at the Lineage Logistics cold storage facility in Boyle Heights. The incident resulted in City response and mitigation activities and impacts to surrounding residents and businesses. The Council subsequently considered actions related to the incident, including environmental mitigation, community assistance, support for affected businesses, and recovery of City costs. As part of these actions, the Council instructed the CAO to report on the feasibility of establishing a Lineage Fire Mitigation Response Fund (Fund) of up to \$10 million and to identify potential funding sources and an administrative structure for the Fund. The contemplated Fund would provide a mechanism to address costs arising from the City's response to the Lineage Fire and provide potential assistance to businesses affected by the incident. The amount identified in the Council instruction represents the maximum amount contemplated for the Fund and does not assure the full \$10 million is required or available for expenditure. The amount ultimately depends on actual departmental over-expenditures, the structure and participation level of a business assistance program, and the availability of other resources.

Due to the short-term nature for the use of the proposed funding and the administrative burden of creating a new special fund in the City's financial system, this Office recommends creating a temporary account within the General City Purposes Fund (GCP) for the intended purpose of providing a centralized mechanism to administer these costs, rather than creating a special fund. This approach is similar to GCP accounts established to fund response and recovery efforts to other emergencies such as COVID-19 and the Pacific Palisades wildfire, which were also established via one-time sources of funds. Establishing a designated the Lineage Fire Mitigation Response Account (Account) within the GCP provides the most efficient and expedited administrative mechanism to support the City's response and recovery efforts.

Relative to the funding amount for transfer into the Account, based on the funding requirements and expenditure information currently available, this Office recommends a transfer of \$5 million from the Unappropriated Balance (UB), Reserve for Mid-Year Adjustments Account to the new Account within the GCP. The recommended amount reflects unbudgeted departmental overtime and expenses as of September 18, 2026, preliminary information relative to the impacts to businesses in the immediate area, existing resources already available for the Lineage Fire response, including \$940,000 in Los Angeles County Fire Additional Assistance Grant funds administered through CID, available assistance through Los Angeles County and other sources, and recognizing the need to retain General Fund resources for other current-year and longer-term obligations. The use of the UB Mid-Year Reserve for Mid-Year Adjustments Account for this purpose would result in a General Fund impact, as the \$5 million would no longer be available to address departmental shortfalls to maintain current City operations, emergencies, or other unanticipated needs during the fiscal year.

Increasing the amount for the Account may be considered based on actual expenses and needs, however, this Office recommends revisiting any increase after it has reported on the overall finances of the City via the Financial Status Reports (FSR). The First FSR is expected to be released at the end of October 2026.

Should the Council and Mayor adopt the recommendations in this report, the Account would support three components of the City's response: (1) provide resources for actual costs incurred by departments that were directly attributable to the Lineage Fire response and cleanup activities described in this report, (2) provide resources for a business assistance program administered by the Community Investment Department (CID), and (3) establish the CAO as the administrator of the Account, responsible for developing a reimbursement and funding request process.

DISCUSSION

Account Establishment

Due to the short-term nature for the use of the proposed Fund, this Office recommends establishing a new Lineage Fire Mitigation Response Account within the GCP. This will reduce the administrative burden of creating and administering a separate special fund in the Financial Management System, while meeting the intended requirements set forth in the Council instruction. The establishment of the Account in the GCP will provide a centralized mechanism to receive and account for additional resources that may subsequently become available to support businesses impacted by the Lineage Fire. If the City receives or is awarded additional grants, donations, or other non-General Fund resources, the Council and Mayor may, at the time those funds are accepted, authorize the Controller to deposit and appropriate the funds into the Account and designate the intended use of the funds. These additional resources may supplement the initial General Fund allocation and increase the amount available to support eligible, impacted small businesses and site cleanup without requiring additional General Fund dollars.

Account Administration

The CAO will serve as administrator of the Lineage Fire Mitigation Response Account and maintain centralized fiscal oversight of this Account. The CAO's responsibilities will include establishing the process for departmental funding requests, reviewing supporting documentation, determining the amount eligible for transfer, monitoring commitments and available balances, and preparing the budgetary and Controller instructions necessary to effectuate the authorized transfers.

The CAO will monitor the amount available for distribution, cumulative transfers and commitments, expenditures, and the remaining account balance. The CAO will also prepare and transmit Controller instructions necessary to effectuate transfers consistent with the purpose and authority approved by the Council and the Mayor. The Account will remain temporary and specific to the Lineage Logistics incident. If the Council and Mayor adopt the recommendations in this report, the Lineage Fire Mitigation Response Account will sunset on June 30, 2027. Any uncommitted balance remaining at that time would revert to the Reserve Fund or to its original funding source, unless otherwise authorized by the Council and Mayor.

Business Assistance Component

CID provided preliminary information regarding businesses potentially affected by the Lineage Logistics incident. An initial WorkForce Center survey and canvassing effort identified approximately 300 brick-and-mortar businesses in the affected area. Separately, based on

preliminary data, approximately 1,133 small businesses were identified as negatively impacted within the Boyle Heights area. The preliminary count of 1,133 businesses excludes government offices and agencies, police and other public agencies, schools and educational institutions, churches and religious organizations, nonprofit and social-service organizations, hospitals and large medical centers, larger institutional healthcare organizations, banks and Automated Teller Machines (ATMs), franchises and major chains, and fast-food or limited-service restaurants.

These estimates provide information regarding the potential size of the affected business population; however, the information currently available does not identify the degree of economic impact experienced by each business. The available data does not distinguish between businesses that experienced a complete shutdown, a substantial interruption in operations, reduced customer access, reductions in revenue or operating hours, workforce impacts, or a more limited operational inconvenience. The information also does not fully account for variances among business types and their ability to continue operating during the affected period. These distinctions are relevant to the administration of a business assistance program. For example, the impact to a brick-and-mortar business that was unable to receive customers may differ from the impact to a mobile business that retained the ability to relocate its operations. Similarly, a business that experienced a complete closure may have experienced a different level of economic impact than a business that remained operational, but experienced reduced customer activity.

This report instructs CID to present programmatic and administrative requirements of a business assistance program, including the overall development, implementation, administration, and oversight of the program. The program should include how participating resource centers will administer individual applications and awards, the criteria used to determine whether a business experienced an eligible impact from the Lineage Fire, and the methodology used to determine the amount of assistance provided. This should also include consideration of the nature and duration of the impact, business type, ability to continue operations, available documentation, and other factors necessary to distinguish among differing levels of economic impact. CID will also need to establish the methodology for distributing the limited funding available for the program. The methodology could account for factors such as complete or partial closure, reductions in operating hours or business activity, workforce impacts, access restrictions, the ability to relocate or otherwise continue operating, and the availability of other assistance. The purpose of the methodology is to provide a consistent basis for allocating assistance according to the verified impact of the Lineage Fire on business operations.

Initial Funding Amount

This Office reviewed the funding requirements currently identified for the Lineage Logistics response and the availability of unrestricted General Fund resources. Based on this review, this Office identified \$5 million within the UB Reserve for Mid-Year Adjustments Account to fund the establishment of the Lineage Fire Mitigation Response Account in the GCP. While the UB Reserve for Mid-Year Adjustments Account is set aside for the purpose of addressing fiscal-year shortfalls, transfers from the Account may be made subject to the approval of the Council and Mayor.

While the recommended amount is less than the \$10 million ceiling contemplated by Council, this Office finds that \$5 million reflects currently-identified departmental expenditures, preliminary

information regarding the number of businesses impacted and the availability of other resources, which is further detailed in this report. The use of \$5 million from the UB Reserve for Mid-Year Adjustments Account results in a General Fund impact inasmuch as resources would no longer be available during the fiscal year to address departmental over-expenditures in maintaining City operations, revenue shortfalls, emergency requirements, liability costs, or other unanticipated General Fund needs. The proposed allocation therefore represents a commitment of resources that would otherwise remain available for budgetary adjustments throughout the year.

Additional Funding Considerations

Any additional funding requests above the \$5 million amount will be evaluated through a future Financial Status Report (FSR). The FSR process provides a broader review of the City's financial position, including expenditures, remaining appropriations, salary and expense savings, internal transfer opportunities, reimbursements, revenues, and other available resources at a City-wide level. This approach would allow the Lineage Fire Mitigation Response Account to address the immediate and identifiable fiscal impacts associated with the Lineage Fire response, while preserving the City's existing fiscal monitoring process for subsequent departmental over-expenditures.

Regarding the business assistance component, additional resources have been identified for workers and businesses affected by the Lineage Fire. CID was authorized to reallocate up to \$940,000 in Los Angeles County Fire Additional Assistance Grant funds to the Boyle Heights WorkSource Center for Lineage Fire recovery (C.F 26-0906-S13). The funding is intended to serve a minimum of 100 workers and 50 businesses through services that include training, transitional employment, emergency supportive services, wage support, employment and reemployment assistance, layoff-aversion services, and business consulting resources. The funding is separate from the proposed Fund and does not have a General Fund impact.

Assistance is also available through Los Angeles County for businesses affected by the Lineage Fire. Under the County program, eligible commercial brick-and-mortar businesses may receive grants of up to \$3,000, while eligible home-based businesses with a customer presence, sidewalk vendors, and mobile businesses may receive grants of up to \$1,000. County eligibility includes location within the designated impact area and operation at the applicable location for at least 30 days before the incident. The availability of County assistance is relevant to the structure of the proposed City program because the amount of City funding necessary to address business impacts depends, in part, on assistance available from other sources. The proposed Lineage Fire Mitigation Response Fund would therefore operate in conjunction with existing resources and provide an additional mechanism to address documented needs associated with the Lineage Fire.

Distribution of Funds to City Departments

The existence of an expenditure related to the incident will not automatically result in a transfer from the Lineage Fire Mitigation Response Account in the GCP to any department. Departments requesting funding will be required to demonstrate the expenditure incurred, the activity performed, the period in which the cost was incurred, the applicable budget appropriation account, and the extent to which the expenditure contributes to an identified departmental over-expenditure. The

CAO review will provide a mechanism for distinguishing the financial impact of the Lineage Fire response from departments' standard operations before additional General Fund resources are provided. Departments must identify the salary and overtime expenditures attributable to the incident, the applicable accounts and period of expenditure, and the extent to which these costs result in a General Fund over-expenditure. Funding from the Account will be limited to the verified amount attributable to the Lineage response that cannot be supported by departments' existing funding sources.

Funding from the Account for departmental expenditures is also time-limited. The expenditure estimates contained in this report reflect the currently-identified response period and anticipated level of activity. If departmental costs continue beyond the period and expenditure levels identified in this report, or if a department experiences a remaining year-end shortfall after available Lineage Fire Mitigation Response resources are applied, the additional funding requirement will be evaluated through a future FSR. However, expenditures that are unrelated to the Lineage Fire response will remain the responsibility of the departments' current year budget.

Distribution of Funds for Business Assistance

For the business assistant component, CID will make a request to the CAO for funds in accordance with the Council approved business assistance program. The amount ultimately required for business assistance will depend on actual and eligible applications and the program methodology established by CID. The amount distributed through the program may be less than the balance available in the Lineage Fire Mitigation Response Account. Based on program metrics and on the City's financial position, increasing the amount for the Account may be considered, however, this Office recommends revisiting any increase after it has reported on the overall finances of the City via the FSR. The First FSR is expected to be released at the end of October 2026.

Any unspent balance in unrestricted funds at the end of the fiscal year, shall revert to the Reserve Fund at year-end. Any additional General Fund request that exceeds available resources in this Account would require separate Council and Mayor consideration, based on the City's financial condition and other available resources at that time.

FISCAL IMPACT STATEMENT

The recommendations in this report will result in a General Fund impact of \$5 million through the transfer of funds from the Unappropriated Balance, Reserve for Mid-Year Adjustments Account to establish the Lineage Fire Mitigation Response Account in the GCP. The transfer will reduce the amount available in the Mid-Year Reserve, which is used to address other current-year expenditure shortfalls, unanticipated expenses, emergencies, and other General Fund obligations. Actual expenditures from the Lineage Fire Mitigation Response Account may be less than \$5 million and would depend on verified departmental over-expenditures attributable to the Lineage Logistics fire and expenditures associated with the business assistance program administered by CID.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that the proposed Lineage Fire Mitigation Response provides one-time funding for temporary costs associated with the Lineage Logistics fire. The City's Financial Policies provide that one-time resources be used primarily for one-time expenditures that have a defined termination associated with completion of the identified purpose. The proposed Mitigation Response Account is limited to costs associated with a specific incident. Any uncommitted balance will revert to its original funding source on June 30, 2027.

MWS:BC:JL:AIC:01270028h