



**Chief
Executive
Office.**

COUNTY OF LOS ANGELES

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CHIEF EXECUTIVE OFFICER

Fesia A. Davenport

June 18, 2024

To: Supervisor Lindsey P. Horvath, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Fesia A. Davenport 
Chief Executive Officer

REPORT BACK ON POTENTIAL ALTERNATIVE PAYMENT MODELS FOR HOMELESS SERVICE PROVIDERS (ITEM NOS. 27 AND 96-A, AGENDA OF MAY 21, 2024)

On May 21, 2024, the Board of Supervisors (Board) adopted a motion (Item No. 27) directing the Chief Executive Officer, the Executive Director of the Chief Executive Office - Homeless Initiative (CEO-HI), and the Chief Executive Officer of the Los Angeles Homeless Services Authority (LAHSA), to provide a verbal report back with the following three homeless services providers — HOPICS, Los Angeles Family Housing, and The People Concern — to the Board on May 21, 2024, focused on the financial health of LAHSA. The verbal report included: the total amount of cash on hand; the total amount of outstanding invoices (unpaid and past due) to providers; the status of pending contract amendments preventing providers from billing for work completed; the required monthly funding to pay all submitted invoices, payroll, and other obligations; and the amount of past due funding from the County of Los Angeles (County) and other funders. The Board motion also directed the Auditor-Controller (A-C) to provide a verbal report on May 21, 2024, on the status of the financial audit of LAHSA ordered by the Board on February 27, 2024, and the timeline for completion and final analysis.

During the verbal report, the Board directed the CEO and the Executive Director of CEO-HI to: 1) urge County departments to use the Homeless Emergency Declaration to expedite payment of invoices submitted by LAHSA; and 2) report back to the Board with a strategic plan (including a timeline that identifies the steps to address the funding issues) and expedite payment to providers.



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On May 21, 2024, the Board also adopted a motion (Item No. 96-A) directing CEO-HI to: 1) report back to the Board in 21 days with potential alternative models to fund homeless services providers that would replace the existing reimbursement model and prevent delays to providers from having to perform contracted services until those services are provided; and 2) provide a verbal report to the Board on the recommendations at the June 18, 2024, Policy Presentations Board meeting.

In response to the Board's directives to report back with potential alternative funding models and to expedite payments, CEO-HI engaged and met with the A-C, County Counsel, CEO-Budget and Operations Management Branch, LAHSA, homeless service providers, and the City of Los Angeles to identify potential models, obtain input on those models, and seek feedback on CEO-HI's recommended model. Overall, the proposed models represented variations on the same concept which involves advancing a portion of the total allocation with reconciliation occurring at varying points during the fiscal year.

Based on meetings with the stakeholders and feedback, it is recommended that the County provide a quarterly cash advance of Measure H funds to LAHSA on a specific day of the month prior to the start of each quarter and based on prior year expenditures. LAHSA will, in turn, provide a monthly advance of Measure H funds to its providers on a specific day of each month for their anticipated Homeless Initiative-related expenditures. This funding model is expected to provide adequate cash flow to LAHSA and its providers to cover projected expenditures for Homeless Initiative-funded programs before costs are incurred, while also balancing the fiscal accountability requirements of both the County and Measure H revenue. LAHSA and its providers will be required to continue providing monthly invoices to support the use of the cash advances and facilitate regular expenditure reconciliations. We will work closely with LAHSA and service providers to make any adjustments as needed.

The current claim reimbursement model requires LAHSA to submit invoices after costs are incurred for services. The claims are typically processed within 30 to 45 days and LAHSA is reimbursed from funds allocated in its annual operating agreement with the County. In addition, LAHSA has an \$82.5 million working capital advance of Measure H funds from the County which reflects approximately 31 percent of its Fiscal Year (FY) 2023-24 Measure H allocation from CEO-HI. LAHSA and its service providers have indicated that the current working capital advance is insufficient, and the reimbursement model has caused ongoing cash flow pressures. The proposed alternative funding model, which provides payments prior to expenditures, is expected to alleviate these pressures.

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Lastly, the Board-directed audit of LAHSA is currently underway. The audit results, along with continued monitoring of LAHSA's cash flow needs, will inform the need for additional adjustments or refinements to the payment model. The audit results will also help determine the timeline and process for recoupment of the \$82.5 million working capital that was advanced to LAHSA.

We will implement the alternative payment plan beginning with FY 2024-25 and are working with County departments that administer CEO-HI funds and contract with homeless services providers to implement the same or similar payment methodology. In addition, CEO-HI will continue to provide support to County departments to maximize use of the expedited contracting and purchasing authority available under the Homeless Emergency and will monitor timely payments to homeless service providers.

Should you have questions concerning this matter, please contact me or Cheri Todoroff, Executive Director of Homeless Initiative and Affordable Housing, at (213) 974-1752 or ctodoroff@ceo.lacounty.gov.

FAD:JMN:CT
DJ:sh

c: Executive Office, Board of Supervisors
County Counsel
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Los Angeles Homeless Services Authority