

MOTION BY SUPERVISORS LINDSEY P. HORVATH
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May 21, 2024

Financial Health of the Los Angeles Homeless Services Authority (LAHSA)

On January 10, 2023, the Board of Supervisors (Board) unanimously passed the Proclamation of a Local Emergency on Homelessness (ED), to provide streamlined authorities in support of expedited contracting and hiring protocols, and to prioritize Los Angeles County resources for the administration of a more effective, integrated response to the homelessness crisis. Much of the work of this response is contracted through the Los Angeles Homeless Services Authority (LAHSA) as the lead for the Los Angeles Continuum of Care. LAHSA is a joint powers authority of both the County and City of Los Angeles and serves as the administrator of hundreds of millions of dollars of funding from the local, state, and federal governments.

LAHSA’s financial health and competency are critical for the operation of an effective homeless service response system. LAHSA’s most fundamental role is to get funding into the hands of service providers that directly provide the unhoused population with lifesaving interventions such as interim and permanent housing, street outreach and engagement, and a network of supportive services. To be effective in this role, it is

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imperative that LAHSA be transparent about challenges they encounter in their role as system administrator.

Due to payment being provided only on a reimbursement basis, however, agencies contracted to provide these services are facing a financial crisis that is impacting their ability to perform. The issue is compounded by a complicated system of reimbursement and funding that requires providers to wait for payment from LAHSA while LAHSA waits for payment from its funders. Although the County of Los Angeles has worked tirelessly with LAHSA and the provider network to create a more just, efficient, and effective system of payment (including but not limited to monetary reimbursement advances), the interdependency of multiple funders (County and City of Los Angeles, State of California, federal government) impacts LAHSA's ability to reimburse service providers in a timely manner, which impacts the cash flow and ability of the providers to fully fund staff and services. Providers are often placed in a difficult position to potentially cut staff and services in order to cover their costs.

It is critical that the Board of Supervisors understand the current challenges impacting LAHSA, especially with regard to its contracted providers, so the governing stakeholders (LAHSA Commission, County of Los Angeles, City of Los Angeles) can be accountable for the use of public funds and can consider an alternative model of payment that will both sustain the homeless service system and allow it to scale to meet the tremendous need of this emergency.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct the Chief Executive Officer, Fesia Davenport; CEO Homeless Initiative Executive Director, Cheri Todoroff; and the Los Angeles

Homeless Services Authority (LAHSA) CEO, Dr. Va Lecia Adams Kellum, to provide a verbal report back with the following three homeless service providers, HOPICS, LA Family Housing, and The People Concern, to the Board of Supervisors on May 21, 2024, focused on the financial health of LAHSA, including: the total amount of cash on hand; the total amount of outstanding invoices unpaid and past due to providers and vendors; the status of pending, incomplete contract amendments that prevent providers from billing for work completed; required monthly funding to pay all submitted invoices, payroll, and other bills; and the amount of funding past due from the County of Los Angeles and its additional funders.

- a. The verbal report back should include a written summary of the previous six months of LAHSA's financial position and grants management, addressing LAHSA's ability to forecast spending and to alert funders of the challenges that led to this impending crisis.
- b. The verbal report back should also include written reports of LAHSA's cash-flow plan for the next six months and its ability to pay past due provider/vendor invoices, fund payroll, and pay other bills.
- c. The verbal report back should also propose alternative payment models for the Board of Supervisors to consider that represent a fundamental shift from the current reimbursement-based payment model to fund LAHSA and the providers in the homeless service system.

2. Direct the Auditor-Controller, Oscar Valdez, to provide a verbal report back to the Board of Supervisors on May 21, 2024, on the status of the LAHSA financial audit requested by the Board of Supervisors on February 27, 2024, including the projected timeline to completion and final analysis.

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