

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: September 23, 2026

TO: Honorable Members of the City Council

FROM: Sharon M. Tso
Chief Legislative Analyst

Council File No.: 24-0536-S1
Assignment No.: 26-05-0333

SUBJECT: Homelessness Contracting: Fiscal Year 2026-27 Advance Payment Model

SUMMARY

On May 1, 2026, the Council approved Motion (Raman – Soto-Martinez) regarding a report on an administrative workout plan to effectuate timely processing of invoices from homeless services providers. One component of the requested report concerns advance payments to service providers funded by the City who are managed by the Los Angeles Homeless Services Authority (LAHSA). Accordingly, the Motion instructed our Office, the City Administrative Officer (CAO), and the Los Angeles Housing Department (LAHD), to report on the advance payment model for Fiscal Year 2026-27 that will be adopted to ensure LAHSA has sufficient cashflow to compensate service providers for their work; and to establish firm deadlines for submission of proof of expenditures and to complete the reconciliation process at the end of the year.

In response, LAHSA, LAHD, and the CAO developed an advance payment model that considered both City payments to LAHSA, as well as LAHSA payments to City-funded service providers. This report provides an overview of that advance payment model, which is anticipated to provide LAHSA with the necessary liquidity, i.e., cash on hand, to provide advance payments and pay service providers for services rendered in a timely manner. In this process, LAHD and the CAO will ensure that LAHSA has sufficient cash on hand to render payment to service providers in a timely manner, while LAHSA will oversee payments to service providers, inclusive of monitoring and reconciliation, to ensure that service providers deliver the required services with these advances and payments. This process is detailed in the report.

It should be noted that this report does not include recommendations for Council approval. Rather, the advance payment model described in this report is of an administrative nature, the structure of which is allowable under the applicable City Charter and Administrative Code sections, as detailed in the background section of this report. For additional context, this report also provides background information concerning the over two-year history of the development of this payments model, which is reflected in the memoranda attached to this report.

RECOMMENDATION

That the Council note and file this report, in as much as the advance payment model can be implemented administratively.

BACKGROUND

Charter Section 262 (“Approval of Demands on the Treasury”) stipulates that “the Controller shall, prior to approval of any demand, make inspection as to the quality, quantity and condition of services, labor, materials, supplies or equipment received by any office or department of the City, and approve before payment all demands drawn upon the Treasury if the Controller has adequate evidence that: [...] (2) the goods or services have been provided, *except that* advance payment may be authorized by ordinance for specified categories of goods and services; [...].” As such, Charter Section 262 provides for advance payments for particular categories of goods or services.

Relative to specific categories of goods and services authorized for advances, Administrative Code Section 5.47 (“Authorization to Make Payments”) stipulates that, “the Controller may, however, approve advance payments for any goods or services which are customarily required to be paid for in advance and which it is not possible to acquire without advance payment, including; [...] services performed through grants and General City Purpose (GCP) agreements awarded by the City.”

Administrative Code Section 5.47 thus specifies that this authority extends to advance payments for goods or services that are customarily required to be paid for upfront and cannot be acquired otherwise, in addition to services performed under grants and GCP funding. The record of untimely and delayed payments to homeless service providers, as noted below, shows that these services cannot be funded in arrears, without causing significant burden to the providers of those services. Further, Homeless Services are grant and GCP-funded in all cases.

As a result, this Charter Section, as further defined in the administrative code, provides the necessary authorization for the City to issue advance payments to homeless services providers. This authority is reflected in Section 301 of City-LAHSA funding agreements (“Compensation and Method of Payment”), which allows for advance payments in a manner and on a schedule determined by the City, provided that all costs incurred are allowable/reasonable and billed on a regular basis. The manner and schedule of these payments is detailed in the report.

Legislative and Administrative History

On May 15, 2024, Council adopted Motion (Raman – Soto-Martinez; C.F. 24-0536) to instruct LAHD to report with recommendations on how to shorten homeless services provider contracting and invoicing processes so that payments would be reliably made on time, and to ensure that all existing overdue payments have been resolved within that same time period. The Motion notes that, as a result of delays to payments for services rendered, homeless services providers often use lines of credit to cover costs associated with performing the required services. Our Office independently verified several such instances of service provider borrowing as a means to bridge services until the City provides payment.

In response, LAHD issued a series of inter-departmental memoranda, dated respectively, July 19, 2024, April 24, 2025, and October 15, 2025. These memos are included as Attachment I to this report, and relate to various processes for advance of City funding to LAHSA, enabling LAHSA to compensate its service providers in a timely manner. Pursuant to the July 2024 memo, LAHD instituted a policy by which the City would pay LAHSA 20 percent of the contract amount in four

quarterly installments, with 3rd and 4th quarter advances dependent upon LAHD's receipt of expense documentation and verification of those expenses.

Pursuant to the April 2025 memo, the City instituted changes to this process for Fiscal Year 2025-26, including a 25 percent advance of the contract amount upon contract execution, rather than the previous 20 percent. In addition, second and third quarter advances would be contingent upon LAHD receipt of an advance funding request memo. The fourth quarter advance would then be dispersed in a similar manner, but subject to a 60-day reconciliation period, during which any unused funds would be returned to the City. This process also required LAHSA to return advance funding via wire transfer if the advance exceeded actual expenses.

Pursuant to the October 2025 memo, it was clarified that repayment of unused funds should occur within ten working days after the quarterly reconciliation, and that advances could be delayed if unspent cash was not returned to LAHD. This required LAHSA to return "unused funds" on a quarterly basis. Further, this memo stated that "any supplemental invoices for a quarter will be paid after unspent funds for that quarter are returned to LAHD." In addition, this memo states that LAHSA agreed to implement monthly advances to service providers by the 25th of each month. However, our Office understands that service provider advances were not able to effectuate in Fiscal Year 2025-26.

In addition, the October 2025 memo included specific language clarifying advances related to a one-time cash flow loan from the General Fund to cover 2nd Quarter expenditures. This loan was necessary as the City received State grant funding on a significantly delayed timeline (C.F. 20-1524-S9) in Fiscal Year 2025-26. For this, LAHSA was also required to return any unused funds to the City, pursuant to the quarterly reconciliation, though this process was catalyzed by administrative delays at the State level.

DISCUSSION

On September 4, 2026, LAHD issued a memo related to the advance process for Fiscal Year 2026-27. This memo is included as Attachment II to this report and covers the City-LAHSA advance process.

City-LAHSA Advance Model

As previously noted, the Fiscal Year 2025-26 Advance Model provided for quarterly advances of up-to 25 percent of the contract amount, at LAHSA's request. Based on quarterly reconciliation, the City could withhold subsequent advances until balances from previous advances were returned to the City. The model described below seeks to revise procedures to improve distribution of funds to service providers, strengthen financial oversight and accountability within the City, and provide a more predictable funding process.

Fiscal Year 2026-27 Advance Schedule

LAHD intends to provide LAHSA with a 25 percent up-front advance of the Fiscal Year 2026-27 Adopted Budget to LAHSA, upon contract execution, in order that LAHSA has cash on hand to cover contract costs of its providers. The 25 percent advance will only be available upon the receipt of an advance request from LAHSA prior to 45 days of the advance release dates. LAHD will provide payment to LAHSA within either 30 days of the request or the stated payment date,

whichever is first. Federal grants which prohibit advances, such as the Emergency Solutions Grant (ESG), will not be included in this process and will continue federal reimbursement requirements.

Subsequent advances will also be 25 percent of the total contract amount. There will be a total of four advances of up to 25 percent of the fiscal year budget. The advance will be provided upon contract execution between the City and LAHSA, funding availability, and receipt of advance request from LAHSA.

The advance schedules for the General Fund; Alliance; Homeless Housing, Assistance, and Prevention program; Measure A; and Inside Safe Program contracts can be found in Attachment II.

Billing and Reconciliation

The LAHD memo, dated September 4, 2026, states that LAHD will continue to reconcile advances within 60 days of the end of the quarter. If LAHD requires additional supporting documentation, LAHSA will need to provide the requested information to complete the quarterly reconciliation. The memo states that LAHD reserves the right to request additional documents, to verify expenditures, to conduct financial reviews, and to take actions as needed to ensure compliance. LAHD will provide LAHSA with the fourth advance without reducing the advance based on LAHSA's cash balance. The reconciliation for this quarter will be done with the fiscal year closeout process.

Monthly Financial Reporting

LAHSA will submit monthly financial reports to LAHD that include cash activity such as:

- Beginning bank and cash balance
- Advances received
- Amount disbursed to service providers
- Total expenditures
- Remaining cash balance
- Amount owed to service providers
- Amount of outstanding cash request to LAHD

The LAHD memo states that the monthly reporting is not a substitution or replacement for the regular invoicing submission process. It is a tool for LAHD to monitor and manage the administration of the advances.

Recoupment and Retention

The LAHD memo, dated September 4, 2026, states that any unspent advance that remains with LAHSA at the end of the fiscal year will be returned to LAHD as part of the fiscal year closeout process. The fiscal year closeout timeline is specific to the contract, but generally falls in the month of September after the end of the fiscal year.

LAHSA will conduct a final reconciliation at the end of the fiscal year and return any unspent funds in accordance with the contract and City requirements.

Supplemental Invoices

If a contract amendment takes place and is executed, LAHSA will need to provide LAHD with supplemental requests in the 90-day submission period. Supplemental funding requests will need to be communicated to the service providers as well.


David Wimsatt
Analyst
Pranita Amatya
Analyst

Attachments:

I. Los Angeles Housing Department Memos

- a) July 19, 2024
- b) April 24, 2025
- c) October 15, 2025

II. Los Angeles Housing Department September 4, 2026 Cash Advance Memo

Ann Sewill, General Manager
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

City of Los Angeles



Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
Los Angeles, CA 90026
Tel: 213.808.8808

housing.lacity.org

INTER-DEPARTMENTAL MEMORANDUM

TO: Lourdes Castro Ramirez, Chief Housing and Homelessness Officer, Office of Mayor Karen Bass
FROM: Ann Sewill, General Manager, Los Angeles Housing Department
CC: Matt Szabo, City Administrative Officer
DATE: July 19, 2024
RE: City Cash Advance Procedures for Los Angeles Homeless Services Authority (LAHSA)

PURPOSE:

The City has heard heightened concerns from homeless services providers who subcontract with the Los Angeles Homeless Services Authority (LAHSA) regarding payment delays affecting the providers' operations and the ability to ensure uninterrupted service. The various City departments and offices involved in the contract development, execution, administration, and payment processes have been working to streamline invoice payment, which is part of the overall contract process. There are systemic challenges with the contracting process overall, in part because the contracts are based on a reimbursement model, and responsibility for contract development and management are lodged in various City departments and offices. Recognizing that it will take longer to address these systemic issues, this memorandum outlines improvements to the existing cash advance process that can be implemented quickly to allow advances to be made to LAHSA more efficiently while still providing necessary oversight. Improvements to the overall contracting process are essential to the long-term functionality of the system, and the Los Angeles Housing Department (LAHD) will provide recommendations for such improvements in a separate memorandum.

This memorandum outlines the existing City cash advance procedures pertaining to the contracts between the City of Los Angeles and LAHSA. It describes improvements to the existing process, including the modification of LAHD's advance process to align with the cash advance process used by Los Angeles County for LAHSA contracts. Please note that the revised advance process would not apply to the General Fund Inside Safe and ESG-funded contracts. The specific contracts affected include: (1) the General Fund Base Contract, (2) the New Roadmap Base Contract, (3) the Alliance Base Contract, and (4) the HHAP Base Contract.

PROCESS CHANGE SUMMARY:

As described in more detail below, the streamlined cash advance process would occur as follows: Upon contract execution for the fiscal year and subject to funding availability, the City would provide LAHSA with an automatic advance of 25%, based on 80% of the contract amount at the start of the fiscal year (July), followed by a second 25% advance at the start of the second quarter (October). Subsequent quarterly advances will only be issued once the expenses for the previous quarters have been documented and reconciled according to a specified schedule. The advanced amounts for the third and fourth quarters are dependent on the reconciled amounts of the first two advances (for the first and second quarters).

BACKGROUND AND EXISTING PROCESS:

LAHD currently can make quarterly advances of 25% on each of the four contracts listed above to LAHSA according to Directive 23-01 Cash Advance Procedures. The General Fund Base Contract C-140706, New Roadmap Base Contract C-144656, Alliance Base Contract C-141840, and HHAP Base Contract C-135650 all state in Subsection 301, COMPENSATION AND METHOD OF PAYMENT, that the Contractor can be paid on either a cost reimbursement or advance basis. The contract states that if the contractor were to receive advance funds, it must execute a City-approved special bank account agreement before the receipt of funds and shall comply with all contract and regulatory requirements for safeguarding advance funds. The City may request at any time in writing, changes to the content and format of the invoice and supporting documentation. The City also reserves the right to request additional supporting documentation to substantiate costs. An officer of the Contractor must sign all invoices under penalty of perjury that the information submitted is true and correct. The City is not allowed to advance federal funds, therefore advances are not allowed for the ESG Base Contract C-145617.

The advance is issued upon LAHSA's request for the advance, which can only occur after the applicable contract is executed and the funds are transferred by the Controller's Office to Fund 10A - LAHD General Fund Program. These steps occur after the beginning of a new fiscal year. After the initial advance for the fiscal year, LAHSA's subsequent advance requests must be submitted along with expenditure reports in the cash request package. These expenditure documents are submitted to LAHD, along with LAHSA's General Ledger, for the corresponding period covered by the advance. The expenditure reports allow LAHD to determine how much of the advance was liquidated in the corresponding quarter. LAHD's goal is to reimburse LAHSA for all eligible expenditures in any given quarter while allowing LAHSA to maintain adequate working capital for its subrecipient agency(ies) and program(s). The expenditures for a quarter for which an advance was made are required to be fully reconciled before any further advances can be issued. As described below, this is a complex process, which can result in significant delay for subsequent advances, particularly as new contracts and work ramp up at the beginning of each fiscal year.

The invoice and expenditure documentation, required in the current process, is designed to compare the cash advanced by the City against LAHSA's cumulative expenditures to ensure that LAHSA is fully compensated for allowable expenditures made in any given quarter. For example, if the invoice and expenditure documents provided show that LAHSA's expenditures exceeded the amount advanced, LAHD would reimburse the amount that exceeded the prior advance and, assuming LAHSA requested an advance for the next quarter, would also issue the next 25% advance, unless budget restrictions exist. However, if the expenditures were less than the amount advanced, the amount to be disbursed as the next advance would be correspondingly reduced. This process ensures that LAHSA is fully reimbursed for incurred eligible costs during the quarter, while minimizing idle cash. LAHD may require LAHSA to submit partial or full documentation of any expense item reported during the fiscal year. Such documentation may include, but not be limited to, canceled checks, vendor/subrecipient invoices, and payroll registers. LAHD informs LAHSA throughout the program year if additional supporting documents are required.

PROCESS IMPROVEMENTS:

There are process improvements that can be implemented now to enable advances to be provided to LAHSA in a more streamlined way, while still ensuring that expenditures are properly tracked and documented. Aligning our advance process with the County process would result in streamlining for the City as well as consistency in payment timing and processing for LAHSA and its subrecipients.

The County currently provides LAHSA a quarterly cash advance on a specific day of the month before the start of each quarter. That amount is based on prior year expenditures. LAHSA, in turn, provides a monthly advance of funds to its providers on a specific day of each month for their anticipated homeless initiative-related expenditures. The County still requires LAHSA and its providers to continue providing monthly invoices to support the use of cash advances and to facilitate regular expenditure reconciliations. The County reconciles the advances on a quarterly basis as well as through a final reconciliation at the end of the fiscal year. The County believes the current process they adopted will help facilitate

more adequate cash flow to LAHSA and their providers in a timely manner. This cash advance procedure is expected to cover projected expenditures while balancing the fiscal accountability of LAHSA and its providers.

LAHD proposes to implement a similar advance policy, with some adjustments to make administration of the advances more straightforward within the City's structure. Under the improved process, the City would provide a quarterly advance of 25%, for the first and second quarters, based on 80% of the annual contract amount. The first quarterly advance would be made after contract execution at the beginning of each fiscal year, given that an executed contract is a prerequisite to issuing advances on that contract. This first quarter advance would be automatic and based on 80% of the total contract amount, as opposed to the County's advance process, which bases the first quarter advance on prior year expenditures. This automatic calculation will ensure that there is no delay in issuing the first advance because of the reconciliation of prior year expenditures. The subsequent advances for the second, third, and fourth quarters would be made on a specifically agreed upon date at or near the start of each subsequent quarter.

To receive the second quarter advance, LAHSA must submit proof of expenditures, including Expenditure Reports, General Ledger, and Payroll Register for the first two months of the fiscal year. This information would be required by the end of the first quarter. As long as this information is received, the City will issue a 25% advance for the second quarter. That percentage is also based 80% of the total contract amount.

The third and fourth quarter advances will require expenditure documentation to be provided and reconciled for the previous quarters before the advances can be made, to ensure both that LAHSA is being fully compensated for all eligible expenses and that cash is not sitting idle. Because the third and fourth quarter advances would be based on expenditures for the previous quarters, the amount advanced in those quarters could differ from the standard 25% advance. The amount received by LAHSA as an advance and reimbursement for prior quarter expenses could be more or less than the 25% depending on whether LAHSA had expenses that exceeded or were less than the amounts advanced for a previous quarter. As noted above, if LAHSA had allowable expenses for the prior quarter that exceeded the advance, LAHD would reimburse those expenses and issue the next 25% advance. However, if LAHSA's expenses were less than the amount advanced for the previous quarter, meaning advanced cash was still in LAHSA's account, LAHD would reduce the amount of the next quarter's advance by a corresponding amount so that LAHSA had access to the equivalent of a 25% advance.

For the third quarter advance, LAHSA must submit proof of expenditures for all previous months (including the last month of the first quarter and all months of the second quarter) by January. Before the fourth quarter advance can be issued, LAHSA must submit proof of expenditures for all months of the third quarter. Assuming expenditure documentation is submitted on an on-going basis during the quarter, reconciliation of expenses at the end of the second and third quarters can be streamlined to ensure advances are issued in a timely manner. The final payment of 20% of the total contract amount will be released once all expenditures from the fiscal year are documented. This holdback can help minimize any risk of misuse of funds and ensure the City is holding LAHSA accountable for its contractual responsibilities while ensuring services are being rendered without interruption because of payment delays.

The timing and documentation submittal requirements for the quarterly advance process are set forth in the table below. LAHD will document this process in an updated directive to be issued to LAHSA.

SCHEDULE FOR ADVANCES AND REQUIRED DOCUMENTATION:

Advances are based on 80% of the total contract amount for any fiscal year, therefore the quarterly advances noted below are 25% of 80% of the total contract. The remaining 20% of the contract is reserved for a final payment at the end of the fiscal year. The City and LAHSA currently enter into one-year contracts, so this process would apply to each fiscal year as new contracts are executed for the fiscal year.

TABLE 1: Advance and Expenditure Documentation Schedule

Quarterly advances based on 80% of total contract amount for fiscal year (25% of 80% of contract)

Payment Released to LAHSA	LAHSA submits proof of expenditures
July - First 25% advance issued to LAHSA (July-Sept expenses)	September - LAHSA submits proof of expenditures for July and August
October - Second 25% advance issued to LAHSA (October-December expenses)	December - LAHSA submits proof of expenditures for Sept-November
January - Third 25% advance issued to LAHSA (January-March expenses) IF July-November expenses are documented	March - LAHSA submits proof of expenditures for December-February
April - Fourth 25% advance issued to LAHSA (April-June) IF December-February expenses are documented	June - LAHSA submits proof of expenditures for March-May
Fiscal Year End - Final 20% payment of the contract annual amount for the prior FY year IF all expenses are documented through June	Fiscal Year End - LAHSA submits proof of expenditures for June

City of Los Angeles

Attachment 6: Los Angeles Housing Department Memo Regarding City Cash Advance Procedures for Los Angeles Homeless Services Authority

Tiena Johnson Hall, General Manager

Tricia Keane, Executive Officer



LOS ANGELES HOUSING DEPARTMENT

1910 Sunset Blvd, Ste 300

Los Angeles, CA 90026

Tel: 213.808.8808

housing.lacity.gov

Karen Bass, Mayor

Anna E. Ortega, Assistant General Manager
 Luz C. Santiago, Assistant General Manager
 Craig Arceneaux, Acting Assistant General Manager

INTER-DEPARTMENTAL MEMORANDUM

TO: Dr. Etsemaye Agonafer, Deputy Mayor of Homelessness & Community Health, Office of Mayor Karen Bass, Matt Szabo, City Administrative Officer, Matt Hale, Deputy Mayor of Finance, Operations and Innovation

FROM: Tiena Johnson Hall, General Manager, Los Angeles Housing Department

DATE: April 24, 2025

RE: City Cash Advance Procedures for Los Angeles Homeless Services Authority (LAHSA)

PURPOSE:

Following our meeting with LAHSA, the Mayor's Office, and the CAO on September 17, 2024, LAHD staff reviewed several key measures to improve the efficiency of homelessness contracts and address payment processing delays. These delays have significantly impacted service providers' cash flow and operational stability.

A primary focus of the discussion was developing a new process to expedite payments without compromising necessary oversight. The necessity of rolling over funds from the previous fiscal year has contributed to delays, affecting current operations. To mitigate this delay, LAHSA agreed to implement monthly advances to providers by the 25th of the preceding month, starting in the 2nd quarter of the fiscal year (Q2). Due to funding availability constraints, particular contingencies will be in place for the first quarter (Q1). Establishing a predictable payment schedule for service providers was emphasized, as it will help alleviate financial burdens and improve operational efficiency.

The City is also responding to growing concerns from homeless services providers subcontracting with LAHSA, who are facing payment delays that threaten their ability to maintain continuous service. Various City departments and offices are working to streamline the invoice payment process, a critical part of the overall contract management system. While addressing these broader systemic issues will take time, this memo outlines immediate improvements to the existing cash advance process. These enhancements are designed to facilitate more timely advances to LAHSA while maintaining the necessary oversight. This collaborative effort is essential for ensuring the continued stability and effectiveness of homelessness services across the City.

This memorandum outlines the existing City cash advance procedures related to the contracts between the City of Los Angeles and LAHSA. It describes improvements to the existing process, including modifying LAHD's advance process to better align with the cash advance process used by Los Angeles County for LAHSA contracts. The revised advance process does not apply to Inside Safe and ESG-funded contracts. Inside Safe advances will be limited to up to 25% of the approved budget for the quarter, as approved by the City Council and Mayor. As such, this memo does not pertain to Inside Safe payments. The specific contracts affected include (1) the General Fund Base Contract, (2) the New Roadmap Base Contract, (3) the Alliance Base Contract, and (4) the HHAP Base Contract.

PROCESS CHANGE SUMMARY:

LAHD Cash Advance Procedure

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As described in more detail below, the streamlined cash advance process would occur as follows:

- Upon contract execution for the fiscal year and subject to funding availability, the City will provide LAHSA with an automatic up to 25% of the total fiscal year budgeted amount for Q1 or as soon as funding is available. Subsequent quarterly advances will be issued every quarter.

BACKGROUND AND EXISTING PROCESS:

According to Directive 23-01 Cash Advance Procedures, LAHD can make quarterly advances to LAHSA of up to 25% on four contracts. The General Fund Base Contract C-145627, New Roadmap Base Contract C-144656, Alliance Base Contract C-141840, and HHAP Base Contract C-135650 all include Subsection 301, COMPENSATION AND METHOD OF PAYMENT, which states that the Contractor can be paid on either a cost reimbursement or advance basis. The contract states that if the contractor receives advance funds, it shall comply with all contract and regulatory requirements for safeguarding these funds. The City may request at any time in writing, changes to the content and format of the invoice and supporting documentation. The City is not allowed to advance federal funds, therefore advances are not allowed for the ESG Base Contract C-145617.

Currently, the advance is issued upon LAHSA's request for the advance, which can only occur after the applicable contract is executed and the funds are transferred by the Controller's Office to Fund 10A - LAHD General Fund Program. These steps occur after the beginning of a new fiscal year. After the initial advance for the fiscal year, LAHSA's subsequent advance requests must be submitted along with expenditure reports in the cash request package. These expenditure documents are submitted to LAHD (along with LAHSA's General Ledger) for the corresponding period covered by the advance. The expenditure reports allow LAHD to determine how much of the advance was liquidated in the corresponding quarter. LAHD's goal is to reimburse LAHSA for all eligible expenditures in any given quarter while allowing LAHSA to maintain adequate working capital for its subrecipient agency(ies) and program(s).

PROCESS IMPROVEMENTS:

To address the delays in payments and improve financial stability for providers, LAHD proposes aligning the City's advance process with the County's while introducing improvements tailored to the City's structure:

- The City will provide a quarterly advance of up to 25% based on 100% of the fiscal year budgeted amount within 15 days of LAHSA submitting the advance request memo. This is a change from the previous proposal of using 80% as the advance basis.
- Reconciliations of each quarter's advance must be completed within 60 days of the quarter's end, but advances for the current quarter will not be delayed by reconciliation of the previous quarter.
- A clear separation will be established between prior year invoices and the new process to avoid using new advances to cover past disputes or reconciliations.
- At the end of each fiscal year, any unspent or unjustified funds must be returned to the City and will not be deducted from future payments to prevent audit and closeout complications.
- LAHSA will be encouraged to shift its payment structure to align with this advance model, which will benefit providers' financial stability.
- LAHSA will submit monthly claims to LAHD demonstrating the advances and payments issued to providers.

- In the event provider expenses increase and the quarterly advance is projected to be insufficient, LAHSA will submit an additional Advance request supported by the monthly claims.
- LAHSA will return quarterly advances via wire transfer balance if the advance exceeds actual expenses.

PROCESS CLARIFICATION:

- To avoid delays in issuing advances, it was clarified that while the invoice template and budget modification processes remain necessary, these documents should not serve as prerequisites for requesting advances. This adjustment ensures that service providers receive timely advances each quarter without being held up by these procedural steps, which can be completed in parallel. LAHSA will draft a funding request memo that includes the contract number, and dollar amount. LAHSA will draft a funding request memo that includes the contract number and dollar amount. The up to 25% advance of the fiscal year budgeted amount will be applied equally across all program categories, and expenditures will be reconciled according to the agreed-upon schedule outlined in this memo.

The County currently provides LAHSA a quarterly cash advance on a specific day of the month before the start of each quarter. That amount is based on prior year expenditures. LAHSA, in turn, provides a monthly advance of funds to its providers on a specific day of each month for their anticipated homeless initiative-related expenditures. The County still requires LAHSA and its providers to continue providing monthly invoices to support the use of cash advances and to facilitate regular expenditure reconciliations. The County reconciles the advances on a quarterly basis as well as through a final reconciliation at the end of the fiscal year. This cash advance procedure is expected to cover projected expenditures while balancing the fiscal accountability of LAHSA and its providers.

LAHD proposes implementing a similar advance policy, with some adjustments to make administration of the advances more straightforward within the City's structure. The following is an outline, per quarter, of the improved process.

Q1 advance

- The first quarterly advance would be made after contract execution and funding availability at the beginning of each fiscal year, given that an executed contract is a prerequisite to issuing advances.
- This first quarter advance would be issued after LAHSA submits the advance request and based on up to 100% of the total fiscal year budgeted amount, as opposed to the County's advance process, which bases the first quarter advance on prior year expenditures. This will ensure that there is no delay in issuing the first advance because of the reconciliation of prior year expenditures.
- The subsequent advances (also based on up to 25% of 100% of the fiscal year budgeted amount) for the second, third, and fourth quarters would be made on a specifically agreed-upon date at or near the start of each following quarter.

*Q1 funding typically will not be available until the end of September or the beginning of October due to the timing of fund transfers to LAHD from City Controller

Q2 advance

- To receive the second quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff. This memo would be required by the end of the first quarter. As long as this is received, the City will issue an up to 25% advance for the FY second quarter. That percentage is also based on up to 100% of the total fiscal year budgeted amount.

**Q2 funding typically will not be available until the end of September or the beginning of October due to the timing of fund transfers to LAHD from City Controller

LAHD Cash Advance Procedure

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Q3 advance

- For the third quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff by the end of the second quarter. As long as this is received, the City will issue an up to 25% advance for the second quarter. That percentage is also based on up to 100% of the total fiscal year budgeted amount.

Q4 advance

- For the fourth quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff by the end of the third quarter. As long as this is received, the City will issue the final up to 25% advance based on up to 100% of the total fiscal year budgeted amount. Quarter 4 will not require reconciliation before payment is released. However, there will be a 60-day reconciliation period after the advance, during which any unused funds must be returned to LAHD.

The City reserves the right to claw back or adjust for program advances paid out but subsequently removed from the contract. The timing and documentation submittal requirements for the quarterly advance process are set forth in the table below. LAHD will document this process in an updated directive to be issued to LAHSA.

TENTATIVE SCHEDULE FOR ADVANCES AND REQUIRED DOCUMENTATION:

Advances are based on up to 100% of the total fiscal year budgeted amount for any fiscal year, therefore the quarterly advances noted below are 25% of 100% of the total contract. The City and LAHSA currently enter into one-year contracts, so this process would apply to each fiscal year as new contracts are executed for the fiscal year.

Roadmap Contract C-144656		Total Contract Amount: \$150,806,184		
Amendment Executed Date: 08/04/2024 FY 24-25 Budgeted Amount : \$69,366,562 (Amendment 4)				
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	County/General Fund Fund 63Q Fund 10A	17,341,640.50	9/25/24*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	County/General Fund Fund 63Q Fund 10A	17,341,640.50	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	County/General Fund Fund 63Q Fund 10A	17,341,640.50	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	County/General Fund Fund 63Q Fund 10A	17,341,640.50	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

LAHD Cash Advance Procedure

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**See footnote for Q2 in "Process Improvements" section

General Fund C-145627		Total Contract Amount: \$46,253,817.00		
Amendment Executed Date: 06/28/2024		FY 24-25 Budgeted Amount \$46,253,817.00 (Base)		
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	General Fund	\$11,558,281.25	9/11/24*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	General Fund	\$11,563,454.25	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	General Fund	\$11,563,454.25	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	General Fund	\$11,563,454.25	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

Alliance C-141840		Total Contract Amount: \$18,062,501		
Amendment Executed Date: 0723/2024		FY 24-25 Budgeted Amendment \$5,373,727 (Amendment 4)		
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	HHAP/General Fund	\$1,286,259.25	8/13/2024*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	HHAP/General Fund	1,343,431.75	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	HHAP/General Fund	1,343,431.75	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	HHAP/General Fund	1,343,431.75	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

LAHD Cash Advance Procedure

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*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

HHAP Contract C-135650			Total Contract Amount: \$258,021,607.80	
Amendment Executed Date: 07/18/2024 FY24-25 Budgeted Amendment \$93,512,139 (Amendment 19)				
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	HHAP	23,378,034.75	Est. October*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	HHAP	23,378,034.75	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	HHAP	23,378,034.75	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	HHAP	23,378,034.75	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

City of Los Angeles



Karen Bass, Mayor

Tiena Johnson Hall, General Manager
Luz C. Santiago, Acting Executive Officer

Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager
Craig Arceneaux, Assistant General Manager

LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
Los Angeles, CA 90026
Tel: 213.808.8808

housing.lacity.gov

INTER-DEPARTMENTAL MEMORANDUM

TO: Dr. Etsemaye Agonafer, Deputy Mayor of Homelessness & Community Health, Office of Mayor Karen Bass, Matt Szabo, City Administrative Officer, Matt Hale, Deputy Mayor of Finance, Operations and Innovation

FROM: Tiena Johnson Hall, General Manager, Los Angeles Housing Department

DATE: October 15, 2025

RE: City Cash Advance Procedures for Los Angeles Homeless Services Authority (LAHSA)

PURPOSE:

Following our meeting with LAHSA, the Mayor's Office, and the CAO on September 17, 2024, LAHD staff reviewed several key measures to improve the efficiency of homelessness contracts and address payment processing delays. These delays have significantly impacted service providers' cash flow and operational stability.

A primary focus of the discussion was developing a new process to expedite payments without compromising necessary oversight. The necessity of rolling over funds from the previous fiscal year has contributed to delays, affecting current operations. To mitigate this delay, LAHSA agreed to implement monthly advances to providers by the 25th of the preceding month, starting in the 2nd quarter of the fiscal year (Q2). Due to funding availability constraints, particular contingencies will be in place for the first quarter (Q1). Establishing a predictable payment schedule for service providers was emphasized, as it will help alleviate financial burdens and improve operational efficiency.

The City is also responding to growing concerns from homeless services providers subcontracting with LAHSA, who are facing payment delays that threaten their ability to maintain continuous service. Various City departments and offices are working to streamline the invoice payment process, a critical part of the overall contract management system. While addressing these broader systemic issues will take time, this memo outlines immediate improvements to the existing cash advance process. These enhancements are designed to facilitate more timely advances to LAHSA while maintaining the necessary oversight. This collaborative effort is essential for ensuring the continued stability and effectiveness of homelessness services across the City.

This memorandum outlines the existing City cash advance procedures related to the contracts between the City of Los Angeles and LAHSA. It describes improvements to the existing process, including modifying LAHD's advance process to better align with the cash advance process used by Los Angeles County for LAHSA contracts. The revised advance process does not apply to ESG-funded contracts. The specific contracts affected include (1) the HHAP Base Contract C-135650, (2) the General Fund/Inside Safe Base Contract C-140706, (3) the Alliance Contract Base C-141840, (4) the New Roadmap Base Contract C-144656, (5) the Mayfair Base Contract C-145331, (6) the General Fund 24-25 Base Contract C-145627

PROCESS CHANGE SUMMARY:

As described in more detail below, the streamlined cash advance process would occur as follows:

- Upon contract execution for the fiscal year and subject to funding availability, the City will provide LAHSA with an automatic up to 25% of the total fiscal year budget amount for Q1 or as soon as funding is available. Subsequent quarterly advances will be issued every quarter.

BACKGROUND AND EXISTING PROCESS:

According to Directive 23-01 Cash Advance Procedures, LAHD can make quarterly advances to LAHSA of up to 25% on the eight contracts. The HHAP Base Contract C-135650, General Fund/Inside Safe Base Contract C-140706 (with Council approval), Alliance Base Contract C-141840, New Roadmap Base Contract C-144656, Mayfair Base Contract C-145331 (with Council approval), and General Fund 24-25 Base Contract C-145627, General Fund 25-26 Base Contract C-202650 all include Subsection 301, COMPENSATION AND METHOD OF PAYMENT, which states that the Contractor can be paid on either a cost reimbursement or advance basis. The contract states that if the contractor receives advance funds, it shall comply with all contract and regulatory requirements for safeguarding these funds. The City may request at any time in writing, changes to the content and format of the invoice and supporting documentation. The City is not allowed to advance federal funds, therefore advances are not allowed for the ESG Base Contract C-145617.

Currently, the advance is issued upon LAHSA's request for the advance, which can only occur after the applicable contract is executed and the funds are transferred by the Controller's Office to the applicable LAHD fund account based on the funding source. For most contracts except HEA funded (Inside Safe & Mayfair), these steps occur after the beginning of a new fiscal year. After the initial advance for the fiscal year, LAHSA's subsequent advance requests must be submitted along with expenditure reports in the cash request package. These expenditure documents are submitted to LAHD (along with LAHSA's General Ledger) for the corresponding period covered by the advance. The expenditure reports allow LAHD to determine how much of the advance was liquidated in the corresponding quarter. LAHD's goal is to reimburse LAHSA for all eligible expenditures in any given quarter while allowing LAHSA to maintain adequate working capital for its subrecipient agency(ies) and program(s).

PROCESS IMPROVEMENTS:

To address the delays in payments and improve financial stability for providers, LAHD proposes aligning the City's advance process with the County's while introducing improvements tailored to the City's structure:

- The City will provide a quarterly advance of up to 25% based on 100% of the fiscal year budget amount within 15 days of LAHSA submitting the advance request memo. This is a change from the previous proposal of using 80% as the advance basis.
- Reconciliations of each quarter's advance must be completed within 60 days of the quarter's end.
- A clear separation will be established between prior year invoices and the new process to avoid using new advances to cover past disputes or reconciliations.
- At the end of each fiscal year, any unspent or unjustified funds must be returned to the City and will not be deducted from future payments to prevent audit and closeout complications.

- LAHSA will be encouraged to shift its payment structure to align with this advance model, which will benefit providers' financial stability.
- LAHSA will submit monthly claims to LAHD, demonstrating the advances and payments issued to providers.
- In the event provider expenses increase and the quarterly advance is projected to be insufficient, LAHSA will submit an additional Advance request supported by the monthly claims.
- LAHSA will return quarterly advances via wire transfer if the advance exceeds actual expenses within 10 working days after the quarterly reconciliation. Cash advances could be delayed if unspent cash is not returned to LAHD.
- Any supplemental invoices for a quarter will be paid after unspent funds for that quarter are returned to LAHD.

Special Advance – General Fund

Pursuant to Council File 20-1524-S9, Item XX, and the motion adopted by Council on September 26, 2025, the City will issue LAHSA a one-time special cash flow loan from the General Fund in the amount of **\$9,620,151** to cover quarter two funding needs. This advance shall be:

- Limited exclusively to Q2 expenditures as identified in LAHSA's cash request.
- Subject to repayment by LAHSA from its available proceeds, with repayment to occur no later than June 30, 2026.
- Reconciled during the regular quarterly reconciliation process, with any unused or unallowable funds to be returned to the City.
- Restricted from being applied to prior year obligations, disputed invoices, or expenditures outside of the authorized program scope.
- In the event funds are not available to replenish the loan, LAHD will be unable to cover **Q4 General Fund expenditures** unless the CAO identifies alternative funding sources

This special advance authority is being provided to align with the Council motion and to ensure the continuity of provider operations pending the implementation of broader process improvements.

PROCESS CLARIFICATION:

- To avoid delays in issuing advances, it was clarified that while the invoice template and budget modification processes remain necessary, these documents should not serve as prerequisites for requesting advances. This adjustment ensures that service providers receive timely advances each quarter without being held up by these procedural steps, which can be completed in parallel. LAHSA will draft a funding request memo that includes the contract number, and dollar amount. The up to 25% advance of the fiscal year budget amount will be applied equally across all program categories, and expenditures will be reconciled according to the agreed-upon schedule outlined in this memo.

The County currently provides LAHSA a quarterly cash advance on a specific day of the month before the start of each quarter. That amount is based on prior year expenditures. LAHSA, in turn, provides a monthly advance of funds to its providers on a specific day of each month for their anticipated homeless initiative-related expenditures. The County still requires LAHSA and its providers to continue providing monthly invoices to support the use of cash advances and to facilitate regular expenditure reconciliations. The County reconciles the advances on a quarterly basis as well as through a final reconciliation at the end of the fiscal year. This cash advance procedure is expected to cover projected expenditures while balancing the fiscal accountability of LAHSA and its providers.

LAHD proposes implementing a similar advance policy, with some adjustments to make administration of the advances more straightforward within the City's structure. The following is an outline, per quarter, of the improved process.

Q1 advance

- The first quarterly advance would be made after contract execution and funding availability at the beginning of each fiscal year, given that an executed contract is a prerequisite to issuing advances.
- This first quarter advance would be issued after LAHSA submits the advance request and based on up to 100% of the total fiscal year budget amount, as opposed to the County's advance process, which bases the first quarter advance on prior year expenditures. This will ensure that there is no delay in issuing the first advance because of the reconciliation of prior year expenditures.
- The subsequent advances (also based on up to 25% of 100% of the fiscal year budget amount) for the second, third, and fourth quarters would be made on a specifically agreed-upon date at or near the start of each following quarter.

*Q1 funding typically will not be available until the end of September or the beginning of October due to the timing of fund transfers to LAHD from City Controller

Q2 advance

- To receive the second quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff. This memo would be required by the end of the first quarter. As long as this is received, the City will issue an up to 25% advance for the FY second quarter. That percentage is also based on up to 100% of the total fiscal year budget amount.

**Q2 funding typically will not be available until the end of September or the beginning of October due to the timing of fund transfers to LAHD from City Controller

Q3 advance

- For the third quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff by the end of the second quarter. As long as this is received, the City will issue an up to 25% advance for the third quarter. That percentage is also based on up to 100% of the total fiscal year budget amount.

Q4 advance

- For the fourth quarter advance, LAHSA must submit an Advance Funding Request Memo to LAHD program staff by the end of the third quarter. As long as this is received, the City will issue the final up to 25% advance based on up to 100% of the total fiscal year budget amount. Quarter 4 will not require reconciliation before payment is released. However, there will be a 60-day reconciliation period after the advance, during which any unused funds must be returned to LAHD.

The City reserves the right to claw back or adjust for program advances paid out but subsequently removed from the contract. The timing and documentation submittal requirements for the quarterly advance process are set forth in the table below.

TENTATIVE SCHEDULE FOR ADVANCES AND REQUIRED DOCUMENTATION:

Advances are based on up to 100% of the total fiscal year budget amount, therefore the quarterly advances noted below are 25% of 100% of the total budget amount for the current fiscal year. The City and LAHSA may enter into one-year or multi-year contracts, so this process would apply to the current fiscal year as new contracts are executed for the fiscal year.

Amendment Executed Date: 08/04/2024 FY 24-25 Budget Amount: \$69,366,562 (Amendment 4)
Contract end date 12/31/2025

	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q4	County/General Fund Fund 63Q Fund 10A	17,341,640.50	9/25/24*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4 additional funds advance	County/General Fund Fund 63Q Fund 10A	\$859,587.60	9/12/25*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				Contract expiration date 12/31/2025

General Fund C-202650		Total Contract Amount: \$50,646,566.00		
Amendment Executed Date: 07/10/25		FY 24-25 Budget Amount: \$50,646,566.00 (Base)		
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	General Fund	\$12,661,641.50	9/15/25	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	General Fund	\$12,661,641.50	Est: 9/25/25	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	General Fund	\$12,661,641.50	Est. January	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	General Fund	\$12,661,641.50	Est. April	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

Alliance C-141840		Total Contract Amount: \$33,084,836.36		
Amendment Executed Date: 07/29/2025		FY 25-26 Budget Amount: \$14,625,883.00 (Amendment 7 - 3rd A&R))		
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA

Q1	HHAP/General Fund	\$3,656,470.75	8/13/2024*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	HHAP/General Fund	\$3,656,470.75	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	HHAP/General Fund	\$3,656,470.75	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	HHAP/General Fund	\$3,656,470.75	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/ Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

HHAP Contract C-135650			Total Contract Amount: \$390,957,923.00	
Amendment Executed Date: 07/18/2025			FY25-26 Budget Amount: \$124,550,815 (Amendment 25)	
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	HHAP	31,137,703.75	Est. October*	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	HHAP	31,137,703.75	Est. October**	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	HHAP	31,137,703.75	Est. Dec	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	HHAP	31,137,703.75	Est. March	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

*See footnote for Q1 in "Process Improvements" section

**See footnote for Q2 in "Process Improvements" section

Measure A Contract C- 202658	Total Contract Amount: \$54,929,640.00
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Amendment Executed Date: 08/28/2025 FY25-26 Budget Amount: \$54,929,640.00				
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1	GCP	\$10,815,315.00	<i>Est. October*</i>	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2	GCP	\$10,815,315.00	<i>Est. October**</i>	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3	GCP	\$10,815,315.00	<i>Est. Dec</i>	April 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q4	GCP	\$10,815,315.00	<i>Est. March</i>	July 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

ISP Contract C-140706 Total Contract Amount: \$35,918,190.00 (6-months Jul-Dec for FY25-26)				
Amendment Executed Date: 07/28/2025 FY25-26 Amount Amendment \$35,918,190.00 (Amendment 1)				
	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
Q1 Jul-Sept	General Fund/ISP	4,489,773.75	<i>Est. September</i>	November 30th (Includes expenditure Reports, General Ledger, Payroll Register)
Q2 Oct-Dec	General Fund/ISP	4,489,773.75	<i>Est. September</i>	February 28th (Includes expenditure Reports, General Ledger, Payroll Register)
Q3 Jan-Mar	General Fund/ISP	TBD	<i>Est. January</i>	May 31st (Includes expenditure Reports, General Ledger, Payroll Register)

Q4 Apr-Jun	General Fund/ISP	TBD	Est. April	August 31st (Includes expenditure Reports, General Ledger, Payroll Register)
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

City of Los Angeles

Tiena Johnson Hall, General Manager
Luz C. Santiago, Executive Officer



LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd., Ste 300
Los Angeles, CA 90026
Tel: 213.808.8808

Anna E. Ortega, Assistant General Manager
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Craig Arceneaux, Assistant General Manager

housing.lacity.gov

Karen Bass, Mayor

MEMORANDUM

TO: Janine Lim, Acting Chief Financial Officer

FROM: Emilyzen Cervantes, Assistant General Manager

DATE: September 4, 2026

REGARDING: Cash Advance Procedures for Los Angeles Homeless Services Authority (LAHSA) Contracts

PURPOSE

This memorandum establishes the Los Angeles Housing Department's (LAHD) revised cash advance procedures for eligible contracts with the Los Angeles Homeless Services Authority (LAHSA). The revised procedures are intended to improve the timely distribution of funds to service providers, strengthen financial oversight and accountability, and provide a more predictable funding process while ensuring compliance with applicable contractual, fiscal, and regulatory requirements.

The revised process applies to all eligible LAHSA contracts administered by LAHD that permit advance payments. Federal grants that prohibit advances, including Emergency Solutions Grant (ESG) funded contracts, are excluded from this process and will continue to follow applicable federal reimbursement requirements.

PROCESS CHANGE SUMMARY

The revised cash advance procedures are intended to improve the timeliness and predictability of payments while strengthening financial oversight and accountability. Key changes include:

Advances: LAHD will continue to provide 4 advances up to 25% of the current fiscal year budget, subject to contract execution, funding availability, and receipt of a timely advance request. A request is considered timely if submitted approximately 45 days prior to the agreed upon advance release dates.

Advance Requests: LAHSA shall submit advance funding requests **45 days prior to the stated payment date in the tables below to allow sufficient time for City review and process. The City will release payment in accordance with the dates indicated in the tables below.**

Monthly Financial Reporting: LAHSA shall submit monthly financial reports documenting cash activity, including:

- Beginning bank balance and cash balance in MIP (LAHSA Financial System)
- Advances received from LAHD

- Total amount disbursed to service providers
- Total expenditures to date
- Remaining cash balance
- Amount owed to service providers (AP Report)
- Amount of outstanding cash request submitted to LAHD

Quarterly Reconciliation: LAHD will continue to reconcile advances within 60 days following the close of each quarter using monthly disbursement reports and any supporting documentation requested by LAHD.

Fourth Advance: LAHD will issue the full fourth- advance without reducing the advance based on remaining cash balances. Any unspent or unsupported funds shall be reconciled and returned to LAHD as part of the fiscal year closeout process.

Supplemental Funding Requests: After an amendment is executed. LAHSA must submit all supplemental requests within the 90-day submission period. The 90-day cut off date and all submission requirements must be clearly communicated to service providers and incorporated into LAHSA's Service Provider Training materials.

Financial Oversight: LAHD reserves the right to request additional supporting documentation, verify expenditures, conduct financial reviews, and take appropriate action to ensure compliance with contract requirements and applicable fiscal policies.

CASH ADVANCE PROCEDURES

LAHD may issue cash advances to LAHSA for eligible City-funded contracts that authorize advance payments, subject to contract execution, funding availability, and compliance with the requirements outlined in this memorandum. Federal grants that prohibit advances, including Emergency Solutions Grant (ESG) funded contracts, are excluded from these procedures and will continue to follow applicable federal reimbursement requirements.

The purpose of the cash advance process is to provide LAHSA with sufficient working capital to support timely payments to subcontracted service providers while maintaining appropriate financial oversight and accountability for the use of public funds.

To improve the predictability of funding and reduce payment delays, LAHD has revised its advance procedures to better align with key elements of the County of Los Angeles' advance model while incorporating additional reporting and monitoring requirements that support the City's fiscal controls.

Under the revised process:

- LAHD will issue 4 cash advances, with each advance being up to 25% of the current fiscal year budget, subject to contract execution, funding availability, and receipt of a complete advance funding request. Actual amounts released to service providers will be subject to the availability of funds.
- LAHSA shall submit an Advance Funding Request Memorandum approximately 45 days before the stated payment date to allow sufficient time for review and processing. LAHD will remit payment to LAHSA

within 30 days of receipt of the funding request memo or the stated payment date whichever is first, subject to funding availability.

- Monthly financial reports shall be submitted to document cash activity, provider disbursements, expenditures, and remaining cash balances. These reports will be used by LAHD to monitor available cash and determine ongoing funding needs.
- Supplemental advance requests may be submitted when documented provider expenditures exceed the quarterly advance amount, or if additional funding has been added to the contract or if additional cash is available within the funding authority. Requests must be supported by the required monthly financial reporting and any additional documentation requested by LAHD.
- LAHD reserves the right to request supporting documentation, verify expenditures, perform financial reviews, and require corrective action when reporting deficiencies or unsupported expenditures are identified.
- Any unspent or unsupported advance funds remaining at the end of the fiscal year shall be returned to LAHD as part of the fiscal year closeout process. These procedures are intended to improve provider cash flow while ensuring that advances are administered in a transparent, accountable, and fiscally responsible manner consistent with City policies and contractual requirements.

MONTHLY FINANCIAL REPORTING AND RECONCILIATION

To ensure the timely distribution of funds and maintain effective financial oversight, LAHSA shall submit a monthly financial report to LAHD for each eligible contract receiving cash advances. Monthly reporting enables LAHD to monitor available cash, verify the use of advance funds, assess future funding needs, and support timely reconciliation of advances.

Monthly reports shall be submitted by the agreed-upon reporting deadline each month and shall include, at a minimum:

- Beginning bank balance and cash balance in MIP
- Advances received from LAHD
- Total amount disbursed to service providers
- Total expenditures to date
- Remaining cash balance
- Amount owed to service providers
- Amount of outstanding cash request submitted to LAHD
- Any additional documentation requested by LAHD

Monthly reporting does not replace invoice submission or any other documentation required under the contract. Rather, it serves as an ongoing cash management and monitoring tool to support the administration of quarterly advances.

Advances shall be reconciled within 60 days following the end of each quarter using the monthly financial reports, supporting documentation, and any additional information requested by LAHD. Any discrepancies, unsupported expenditures, or reporting deficiencies identified during the reconciliation process shall be resolved before subsequent advance requests are processed, unless otherwise approved by LAHD.

At the conclusion of the fiscal year, LAHSA shall complete a final reconciliation of all advances and return any unspent, unsupported, or otherwise unallowable funds to LAHD in accordance with the contract and applicable City requirements.

TENTATIVE SCHEDULE FOR ADVANCES AND REQUIRED DOCUMENTATION:

Advances are based on up to 100% of the total fiscal year budget amount; therefore, the quarterly advances noted below are 25% of the total budget amount for the current fiscal year. The City and LAHSA may enter into single or multi-year contracts. The process described in this memo would apply to the current fiscal year.

General Fund C-202650		Total Contract Amount: \$49,390,781.00		
Amendment Executed Date: xx/xx/26		FY 26-27 Budget Amount: \$49,390,781.00 (Base)		
	Funding Source	Amount	Date Released	Monthly Submission by LAHSA
1st Advance	General Fund	\$12,347,695.25	Est. August 2026	- Cash Balance in MIP (LAHSA Financial System) - Advances received from LAHD; - Disbursement report includes both service providers and LAHSA operation expenses - Zero-Dollar cash request with year-to-date expenditures - Any additional documentation requested by LAHD
2nd Advance	General Fund	\$12,347,695.25	Est. September 2026	
3rd Advance	General Fund	\$12,347,695.25	Est. December 2027	
4th Advance	General Fund	\$12,347,695.25	Est. March 2027	
Closeout/Fiscal Year End				September 30th (LAHSA remits any unspent advance)

Alliance C-141840		Total Contract Amount: \$114,410,177.38		
Amendment Executed Date: xx/xx/2026		FY 26-27 Budget Amount: \$50,801,825.02 (Amendment 12 - 8th A&R)		
	Funding Source	Amount	Date Released	Monthly Submission by LAHSA
1st Advance	HHAP/General Fund	\$12,700,456.26	Est. August 2026	- Cash Balance in MIP (LAHSA Financial System) - Advances received from LAHD; - Disbursement report includes both service providers and LAHSA operation expenses - Zero-Dollar cash request with year-to-date expenditures - Any additional documentation requested by LAHD
2nd Advance	HHAP/General Fund	\$12,700,456.26	Est. September 2026	
3rd Advance	HHAP/General Fund	\$12,700,456.26	Est. December 2027	
4th Advance	HHAP/General Fund	\$12,700,456.24	Est. March 2027	
Closeout/Fiscal Year End				September 30 th (LAHSA remits any unspent advance)

HHAP Contract C-135650			Total Contract Amount: \$495,173,620.07	
Amendment Executed Date: 09/4/2026			FY26-27 Budget Amount:	\$76,969,844.76 (Amendment 28)
	Funding Source	Amount	Date Released	Monthly Submission by LAHSA
1st Advance***	HHAP/GCP	\$19,242,461.19	September	- Cash Balance in MIP (LAHSA Financial System - Advances received from LAHD; - Disbursement report includes both service providers and LAHSA operation expenses - Zero-Dollar cash request with year-to-date expenditures - Any additional documentation requested by LAHD
2nd Advance	HHAP/GCP	\$19,242,461.19	End of September**	
3rd Advance	HHAP/GCP	\$19,242,461.19	Est. December 2027	
4th Advance	HHAP/GCP	\$19,242,461.19	Est. March 2027	
Closeout/Fiscal Year End				September 30th (LAHSA remits any unspent advance)

***\$49,261,434.00 was advanced in June 2026 for HHAP-2, HHAP-3, & HHAP-4 rounds

Measure A Contract C- 202658			Total Contract Amount: \$54,725,376.00	
Amendment Executed Date: 9/04/2026			FY26-27 Budget Amount:	\$54,725,376.00
	Funding Source	Amount	Date Released	Monthly Submission by LAHSA
1st Advance	County of Los Angeles	\$13,681,344.00	Est. August 2026	- Cash Balance in MIP (LAHSA Financial System - Advances received from LAHD; - Disbursement report includes both service providers and LAHSA operation expenses - Zero-Dollar cash request with year-to-date expenditures - Any additional documentation requested by LAHD
2nd Advance	County of Los Angeles	\$13,681,344.00	Est. September 2026	
3rd Advance	County of Los Angeles	\$13,681,344.00	Est. December 2027	
4th Advance	County of Los Angeles	\$13,681,344.00	Est. March 2027	
Closeout/Fiscal Year End				September 15th (LAHSA remits any unspent advance)

ISP Contract C-140706 Total Contract Amount: Up To \$66,247,500 (July-June for FY26-27)

Budget Amount: \$59,622,750

	Funding Source	Amount	Date Released	Expenditure Submission LAHSA
1st Advance	General Fund/ISP	\$14,905,687.50	<i>Est. Sept 2026</i>	- Cash Balance in MIP (LAHSA Financial System Advances received from LAHD; - Disbursement report includes both service providers and LAHSA operation expenses - Zero-Dollar cash request with year-to-date expenditures - Any additional documentation requested by LAHD
2nd Advance	General Fund/ISP	\$14,905,687.50	<i>Est. September 2026</i>	
3rd Advance	General Fund/ISP	\$14,905,687.50	<i>Est. December 2027</i>	
4th Advance	General Fund/ISP	\$14,905,687.50	<i>Est. March 2027</i>	
Closeout/Fiscal Year End				September 30th (LAHSA remits any unspent advance)

****Additional Advances:** Additional advances may be issued based on the availability of cash and are subject to approval by the Mayor's Office.