

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: October 09, 2025

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
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Council File No.: 24-1480
Assignment No.: 25-09-0816

SUBJECT: Further Consideration of Direct Service Provider Contracting Pilot Program

SUMMARY

On August 27, 2025, the Housing and Homelessness Committee considered a CLA Report concerning City direct contracting with homeless service providers (C.F. 24-1480). Following discussion, the Committee instructed our Office to review this matter with the Mayor's Office, Los Angeles Housing Department (LAHD), and the Los Angeles Homeless Services Authority (LAHSA). In response, the CLA has met with these entities to discuss the questions posed during the meeting, and to learn about potential challenges to service provider direct contracting. In addition, the Committee instructed the CLA, in coordination with LAHSA and LAHD, to consider other programs to manage under a direct contracting Pilot.

In this memo, we discuss the key questions raised by the Committee; options to implement an alternative Pilot Program; and City departments' general concerns regarding the implementation of any pilot program.

BACKGROUND

The CLA report (C.F. 24-1480), dated August 20, 2025, concerns whether the City could directly contract with service providers currently managed by LAHSA on behalf of the City. The report did not recommend for the City to proceed with direct contracting but rather, should such a direction be chosen, to begin with a small subset of contracts that would be least difficult to extract from LAHSA management, and which could be a net benefit to service delivery. Should Council choose to proceed, the report suggests doing so with a Pilot Program to institute direct service provider contracting; the Inside Safe Program (ISP) service provider contracts were identified as a candidate for this Pilot.

Instituting ISP service provider contracting would be a viable program to serve as a Pilot Program candidate due to the following:

- Single funding source (City General Funds) with a dedicated administration allocation;
- Single Scope of Required Services (SRS) for a relatively small subset of contracts;
- Existing programmatic oversight of the ISP at the Mayor's Office;
- Consolidation of ISP Leasing and Service Provider Invoicing under a single City entity;
- Cashflow, and advance funding, directly to service providers.

DISCUSSION

This memo provides CLA notes from discussions with the Mayor's Office, LAHD, and LAHSA. Discussion focused on the following key questions:

- Is staffing capacity sufficient at the Bureau of Homelessness Oversight to implement such a Pilot Program?
- What would be the timeline to effectuate the Pilot Program?

Question	CLA Notes
Is staffing capacity sufficient?	<ul style="list-style-type: none">• Per Fiscal Year (FY) 2025-26 Adopted Budget Actions, the Bureau is to receive nine current positions to be transferred from the City Administrative Officer (CAO), as well as add seven new staff. LAHD requests that, should Council choose to proceed with a Pilot, this action be contingent upon LAHD fully staffing with the designated transfers and the hiring of the new positions, seeing as responsibility for Inside Safe invoice verification and payment processing, among other such substantial duties, are to be transferred from the CAO to the Bureau.• Unlike other homelessness programs managed by LAHSA on behalf of the City, ISP has a dedicated management team at the Mayor's Office for program oversight.• CAO noted at a subsequent Housing and Homelessness Committee Meeting that the processing of ISP invoices requires a generalist skillset that could be delivered by entry-level staff.• Should it be determined that additional staff are needed, administration funds for LAHSA ISP service provider contracts, allocated under the 26th HEA (C.F. 22-1545-S26), would be recaptured. These funds could be used to support staffing capacity for the Bureau to handle Invoicing/ Reconciliation.
Is there enough time to effectuate the Pilot in FY25-26?	<ul style="list-style-type: none">• The most significant challenge to implementation in FY 2025-26 is LAHD's ability to effectuate its Bureau staffing plan.• It may be possible to assign existing contracts with service providers from LAHSA to the City while new contracts are prepared.• ISP is funded by a single source of funds provided by the City General Fund, while other programs generally utilize multiple City funding sources and may leverage County service dollars in their implementation. A Pilot Program may result in expedited contracting.

There are other programs that could be considered in a direct service provider contracting Pilot Program, in lieu of ISP service provider contracts:

- The City Safe Parking Program
- Alliance-funded Interim Housing Sites
- City Navigation Centers

The grounds to proceed with either of these programs, in comparison to the ISP program, are contemplated below:

Grounds	ISP	Safe Parking	Alliance Sites	Navigation Centers
Single funding source	Yes	No	Yes	Yes
Single SRS for small subset of contracts	Yes	Yes	Yes	Yes
Programmatic Oversight	Yes	No	No	No
Consolidation of Program Invoicing	Yes	Likely	Yes	Likely
Timely Cashflow/ Advance Process	Yes	Yes	Yes	Yes

Safe Parking

Safe Parking is a viable option to pilot direct service provider contracting, as this program is structured under a single SRS, and there is a relatively small set of such contracts. Further, there would likely be a consolidation of leasing and service costs into a single City contract, and the advance process could be streamlined. However, according to LAHSA, there are multiple funding sources that support this program. Best practice would be for a Pilot Program to be a single program utilizing a single funding source. In addition, there is not an existing program oversight structure at the City for Safe Parking, which would likely require additional Bureau capacity to implement adequate program oversight.

Alliance Interim Housing Sites

Alliance-funded Interim Housing sites may also be a viable option to pilot direct service provider contracting. There is a small set of contracts associated with these sites. However, there is a lack of an existing program oversight structure at the City, which would likely require additional Bureau staff to implement. Nevertheless, challenges with service provider payments have been reported because of the multi-step process for the City to remit payment to service providers.

The County provides funds to the City for service provider costs accrued under the Alliance Settlement Agreement for certain Interim Housing sites. The City can only provide payment to service providers after payment has been received from the County. However, before the County's approval process for City invoices can begin, LAHSA and service providers who deliver services at Alliance Interim Housing must first undergo their own invoicing/payment process; this is then repeated between LAHD/CAO and LAHSA. These repeated reviews may

contribute to significant delays to service provider payment. To the extent that a Pilot Program could alleviate these challenges, it may be worth adding additional staff at the Bureau for program oversight to expedite funding. The Bureau may also avail itself of contractual services to hire additional staff to facilitate the payment process.


Navigation Centers

Navigation Centers may also be a viable option to pilot direct service provider contracting. There is a single SRS for this program subtype, a single funding source, and there is a relatively small set of such contracts. Further, there would likely be a consolidation of leasing and service costs into a single City contract, and the advance process could be streamlined.

However, there is not an existing program oversight structure at the City for Navigation Centers, so additional Bureau capacity to implement adequate program oversight would be required. Moreover, Navigation Centers are entry points to the CES, so program oversight would likely require more specialized knowledge of the CES than for the other potential Pilot Programs. Further, City administration of such direct CES functions may cause complications to the system.

Departmental Concerns

Per the Committee instruction, the CLA met with City Departments and LAHSA to discuss concerns about the implementation of a Pilot Program. In sum, City Departments raised concerns that implementation of a Pilot Program could hinder implementation of the Bureau of Homelessness Oversight in Fiscal Year 2025-26, pending the availability of staff resources to accommodate the heavy workload potentially associated with a Pilot. Instead, Departments advocated for maintaining existing contracting authority with LAHSA and seeking resolution of known contracting issues between the City and LAHSA prior to the implementation of any Pilot Program.



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