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## MEMO

**To:** Honorable Members of the Los Angeles City Council

**From:** Paul Rubenstein, Deputy Chief External Relations Officer 

**Date:** April 11, 2024

**CC:** Nathaniel VerGow, Deputy Chief Program Officer

**Re:** Report on Financial Projections Associated with the Demobilization of the LA Grand Hotel and the Opening of the Mayfair Hotel (Council File 20-0841-S40)

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### Introduction

This document outlines the financial projections associated with the demobilization of the LA Grand Hotel. The financial projections reflect potential savings associated with the demobilization and the transfer of some participants to the Mayfair Hotel. Actual financial outcomes will vary depending on the number of individuals residing at the LA Grand and the Mayfair as demobilization progresses.

### The Demobilization Plan

The service provider for both the LA Grand and the Mayfair is the Weingart Center Association. LAHSA is collaborating closely with Weingart to ensure successful and complete demobilization of the LA Grand by June 30th. LAHSA convenes weekly meetings with the Mayor's Office, Weingart, and other partners to maintain consistent communication, troubleshoot issues that arise, and ensure demobilization efforts do not meet with any delays.

The demobilization plan follows a three-phased approach:

- Phase 1. Initiated on February 7<sup>th</sup>, this phase will focus on exiting participants who have existing links to Housing Navigation, Time Limited Subsidies, and other Permanent Housing resources.
- Phase 2. This phase commences on April 22<sup>nd</sup> and prioritizes individuals with no linkages to Permanent Housing resources, including Housing Navigation. The goal for this cohort is to connect them to Interim Housing resources for which they are eligible. Once matched to an Interim Housing bed, LAHSA will work to transport them to the site on their scheduled transfer date.
- Phase 3. The final phase begins on May 1<sup>st</sup> and focuses on participants transferring to the Mayfair.

Each phase will persist once activated until the conclusion of the demobilization process on June 30<sup>th</sup>. For example, when Phase 2 begins on April 22<sup>nd</sup>, the focus will shift to individuals without Permanent Housing resources; however, those paired with some form of Permanent Housing resources (Phase 1) will continue to be assisted.

### LAHSA Contracts and Cost Reimbursement Model

LAHSA's contracts establish operational start and end dates, marking the initiation and conclusion of a program. Concurrently, budget start and end dates delineate the period during which agencies can bill for ramp-up and ramp-down costs against their contract. The budget period exceeds or matches the



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operational period, with the ramp-up and ramp-down typically spanning two to six weeks, depending on program size. A program is considered operational as soon as participant intake begins.

LAHSA's service contracts utilize a cost-reimbursement model. The total funding allocated to an agency to operate an Interim Housing program is determined based on the number of beds provided by that program; however, agencies are compensated based on allowable billable costs incurred, rather than bed occupancy rates. Since fixed costs such as staffing are the primary expense for providers, fluctuations in bed occupancy typically do not significantly impact service costs. Additionally, during ramp-up and ramp-down periods, agencies may incur various other expenses that are not directly correlated to the provision of a bed service. These costs can include activities such as a facility clean up during a ramp-down phase or the onboarding and training of new staff during a program ramp-up. If the service provider does not spend the entire allocated funding amount, there will be savings in the contract that can then be reallocated to another program or returned to the funder.

### **Expected Cost Savings Due to Staffing and Participant Transfers**

As the LA Grand demobilization progresses, Weingart is expected to either release staff or transfer them to the Mayfair or another program, thereby ceasing billing and payment for those costs at the LA Grand and potentially reallocating them to the Mayfair. Therefore, LAHSA expects some cost savings as staffing costs are reduced at the LA Grand and increased at the Mayfair. While service costs will transfer as staff are transferred, there is not a 1:1 relationship between the number of participants at each location and the number of staff. Weingart will only be able to transfer staff from the LA Grand to the Mayfair once enough client transfers have taken place, and there will still need to be staff at both locations while client transfers are active.

Additionally, fixed costs for room charges were negotiated by the City and are not included in this expected cost savings analysis because they are not included in the LAHSA contract.

### **Cost Projections and Expenditures for the LA Grand and the Mayfair**

The accompanying spreadsheet includes LAHSA's monthly cost projections for the Mayfair for the period of May 2024 – May 2025, actual expenditures for the LA Grand for the period of June 2023 – January 2024, and cost projections for the LA Grand for the period of February 2024 – July 2024. The monthly cost projections for the Mayfair reflect expected occupancies of 190 participants in May and 308 participants (full capacity) in June. The cost projections for the LA Grand reflect the expected occupancies of 450 participants in March, 400 in April, 210 in May, 160 in June, and 0 in July.

The budgets for the Mayfair and the LA Grand include personnel supportive services, non-personnel supportive services, and operating costs. Personnel supportive services include the staffing costs for administrative staff, case managers and other additional supportive staff. Non-personnel supportive services include costs to support the needs of participants, such as hygiene products. Operating costs include parking, security, training, internet, and other miscellaneous costs. Altogether, these costs result in an average nightly rate of \$106.08.



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As mentioned earlier in this report, LAHSA's contract with Weingart follows a cost-reimbursement model. Therefore, it should be noted that these cost projections are based on *expected* occupancies and staffing levels at each location and are likely to vary depending on actual occupancy and staffing needs in the upcoming months. Further, Weingart's total annual allocation for the Mayfair is \$11,925,697, and they may spend up to the full award amount depending on staffing and other costs throughout the year. Weingart's total allocation for the LA Grand is pending an amendment from the Mayor's Office, which would add an additional \$6 million to the budget for the months of February 2024 – July 2024, to support the demobilization process.

## LA GRAND ANTICIPATED FUNDING TERM SPENDDOWN (6/1/23 - 7/31/24)

## Program

1. Projected ramp down cost or funding need for unbilled months (Feb 2024 to Jul 2024) is \$4,569,736.
2. Weingart is anticipated to expend \$11.6M (77%) of the total award amount (\$15.1M) through 7/31/24.
3. The additional \$6.1M is still pending and has not been added to the contract (via amendment).
4. Based on the detailed budget provided by Weingart, the monthly expenditure for Feb - Apr is \$1.2M, and \$980,829 for May - July (not in the analysis above).
5. The nightly rate for 481 participants is \$33,674.31 (366 days).
6. Future monthly expenditures are based on what Weingart included in their detailed budget.

7. The July expenditure is based on 0 active enrollments and the projected expenditure is limited to include operations costs (divided into three months and inclusive of 1 phone/monitor, mobile plan, office needs, mileage, and the admin rate divided by 3). The total 1 month cost determined the July expenditure for operations is \$81,835 with no anticipated active enrollments or program staffing or services related costs.

Weingart Center Association				MAYFAIR ANTICIPATED FUNDING TERM SPENDDOWN (5/1/24 - 5/1/25)																
City Inside Safe Program				1	2	3	4	5	6	7	8	9	10	11	12	13	Total Est. Expenditures	Est. Remaining Budget	% Est. Used	
Agneey Name	Component	Funding Source	Allocation	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May 1st, 2025				
Weingart Center Association	City Inside Safe Program	City General Fund	\$ 11,925,697	\$ 624,811	\$ 980,179	\$ 1,012,852	\$ 1,012,852	\$ 980,179	\$ 1,012,852	\$ 980,179	\$ 1,012,852	\$ 1,012,852	\$ 914,834	\$ 1,012,852	\$ 980,179	\$ 32,673	\$ 11,570,146	\$ 355,551	97%	
			Estimated Enrolled Participants	190	308	308	308	308	308	308	308	308	308	308	308	308	308			
				31 days	30 days	31 days	31 days	30 days	31 days	30 days	31 days	31 days	28 days	31 days	30 days	1 day				
Supportive Services - Personnel			\$ 1,659,456																	
Supportive Services - Non-Personnel			\$ 2,320,780																	
Total Supportive Services			\$ 3,980,236																	
Operational Costs			\$ 6,861,307																	
Indirect Cost (10%)			\$ 1,084,154																	
			\$ 11,925,697																	
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- NOTES**
- 1 Projected ramp up cost is contingent on the projected number of participants that will be enrolled in each of the first three months (May 2024 to Jul 2024).
  - 2 Weingart is projected to expend \$961,456 per month over 12 months (365 days), not including 5/1/25.
  - 3 The nightly rate for 308 participants is \$31,699.03 (considering 365 days, 5/1/2024 to 5/1/2025, inclusive).
  - 4 The average nightly rate [based on actuals and projections] per participant is \$106.08 (methodology: projected total expenditure/365 days/308 participants).
  - 5 Weingart self reports they will expend the full award amount (\$11,925,697) and their detailed budget aligns with the projected amounts in this analysis.
  - 6 Weingart notes their budget is for 12 months (\$11,925,697), representing 365 days (5/1/2024 to 5/1/2025).