



JOHN CHIANG
California State Controller

April 11, 2014

Lee Lindsey, Vice President of Administrative Services
Redwoods Community College District
7351 Tompkins Hill Road
Eureka, CA 95501

Dear Mr. Lindsey:

The State Controller's Office reviewed the costs claimed by the Redwoods Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2006. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2003 in the review period because the statute of limitations to initiate a review has expired. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$230,988 for the mandated program. Our review found that \$192,741 is allowable and \$38,247 is unallowable. The costs are unallowable because the district understated offsetting savings realized as a result of implementing its IWM plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation.

For the fiscal year (FY) 1999-2000 through FY 2000-01, and FY 2004-05 through FY 2005-06 claims, the State made no payments to the district. Our review found that \$139,552 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State paid the district \$6,088 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$53,189 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$47,101, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

Lee Lindsey
Vice President of Administrative Services

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April 11, 2014

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

Attachments

RE: S14-MCC-916

cc: Garry Patrick, Director of Maintenance and Operations
Redwoods Community College District
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 16,624	\$ 16,624	\$ —
Indirect costs	6,557	6,557	—
Total direct and indirect costs	23,181	23,181	—
Less offsetting savings ²	(76)	(3,708)	(3,632)
Total program costs	<u>\$ 23,105</u>	19,473	<u>\$ (3,632)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 19,473</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 33,989	\$ 33,989	\$ —
Indirect costs	14,078	14,078	—
Total direct and indirect costs	48,067	48,067	—
Less offsetting savings ²	(916)	(10,056)	(9,140)
Total program costs	<u>\$ 47,151</u>	38,011	<u>\$ (9,140)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,011</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 45,543	\$ 45,543	\$ —
Indirect costs	17,598	17,598	—
Total direct and indirect costs	63,141	63,141	—
Less offsetting savings ²	(1,327)	(9,952)	(8,625)
Total program costs	<u>\$ 61,814</u>	53,189	<u>\$ (8,625)</u>
Less amount paid by the State ³		(6,088)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,101</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 43,273	\$ 43,273	\$ —
Indirect costs	16,400	16,400	—
Total direct and indirect costs	59,673	59,673	—
Less offsetting savings ²	(2,811)	(9,687)	(6,876)
Total program costs	<u>\$ 56,862</u>	49,986	<u>\$ (6,876)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 49,986</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 31,738	\$ 31,738	\$ —
Materials and supplies	1,244	1,244	—
Total direct costs	32,982	32,982	—
Indirect costs	11,885	11,885	—
Total direct and indirect costs	44,867	44,867	—
Less offsetting revenues and reimbursements	(2,811)	(2,811)	—
Less offsetting savings ²	—	(9,974)	(9,974)
Total program costs	<u>\$ 42,056</u>	32,082	<u>\$ (9,974)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 32,082</u>	
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 171,167	\$ 171,167	\$ —
Materials and supplies	1,244	1,244	—
Total direct costs	172,411	172,411	—
Indirect costs	66,518	66,518	—
Total direct and indirect costs	238,929	238,929	—
Less offsetting revenues and reimbursements	(2,811)	(2,811)	—
Less offsetting savings	(5,130)	(43,377)	(38,247)
Total program costs	<u>\$ 230,988</u>	192,741	<u>\$ (38,247)</u>
Less amount paid by the State		(6,088)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 186,653</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

**Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2006**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷ 73.14%		
Allocated diversion percentage		—	34.18%		
Tonnage diverted	×	—	× (298.15)		
Statewide average landfill fee per ton	×	—	× \$36.39		
Offsetting savings, FY 1999-2000	\$ (76)	\$ —	\$ (3,708)	\$ (3,708)	\$ (3,632)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	73.14%	÷ 83.99%		
Allocated diversion percentage		34.18%	29.77%		
Tonnage diverted	×	(298.15)	× (585.95)		
Statewide average landfill fee per ton	×	\$36.39	× \$36.39		
Offsetting savings, FY 2000-01	\$ (916)	\$ (3,708)	\$ (6,348)	\$ (10,056)	\$ (9,140)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	57.68%	÷ 57.85%		
Allocated diversion percentage		86.69%	86.43%		
Tonnage diverted	×	(152.25)	× (153.30)		
Statewide average landfill fee per ton	×	\$36.83	× \$38.42		
Offsetting savings, FY 2003-04	\$ (1,327)	\$ (4,861)	\$ (5,091)	\$ (9,952)	\$ (8,625)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	57.85%	÷ 52.61%		
Allocated diversion percentage		86.43%	95.04%		
Tonnage diverted	×	(153.30)	× (124.00)		
Statewide average landfill fee per ton	×	\$38.42	× \$39.00		
Offsetting savings, FY 2004-05	\$ (2,811)	\$ (5,091)	\$ (4,596)	\$ (9,687)	\$ (6,876)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	52.61%	÷ 52.22%		
Allocated diversion percentage		95.04%	95.75%		
Tonnage diverted	×	(124.00)	× (122.10)		
Statewide average landfill fee per ton	×	\$39.00	× \$46.00		
Offsetting savings, FY 2005-06	\$ —	\$ (4,596)	\$ (5,378)	\$ (9,974)	\$ (9,974)
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2006</u>	<u>\$ (5,130)</u>	<u>\$ (18,256)</u>	<u>\$ (25,121)</u>	<u>\$ (43,377)</u>	<u>\$ (38,247)</u>

¹ See Attachment 3, Finding and Recommendation.

Attachment 3— Finding and Recommendation July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2006

**FINDING—
Understated offsetting
savings**

The district reported \$5,130 in offsetting savings for the review period. We found that the district realized savings of \$43,377 from implementation of its integrated waste management (IWM) plan. The district understated offsetting savings by \$38,247.

We informed Lee Lindsey, Vice President of Administrative Services, of the review finding via email on January 17, 2014. On March 19, 2014, we provided Mr. Lindsey with documentation supporting the finding. We did not receive a response from the district.

The following table summarizes the understated offsetting savings by fiscal year:

<u>Fiscal Year</u>	<u>Offsetting Savings Reported</u>	<u>Offsetting Savings Realized</u>	<u>Review Adjustment</u>
1999-2000	\$ (76)	\$ (3,708)	\$ (3,632)
2000-01	(916)	(10,056)	(9,140)
2003-04	(1,327)	(9,952)	(8,625)
2004-05	(2,811)	(9,687)	(6,876)
2005-06	—	(9,974)	(9,974)
Total	<u>\$ (5,130)</u>	<u>\$ (43,377)</u>	<u>\$ (38,247)</u>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program’s parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for Writ of Mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges’ cost savings (e.g., avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims, cost savings realized as a result of implementing their plan.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs. The parameters and guidelines (section VIII. Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purpose of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. As the district had reduced or avoided costs realized from implementation of its IWM plan that it did not remit to the State, the district should have identified and offset this savings from its claims.

Offsetting Savings Calculation

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8–CSM hearing of September 26, 2008) states:

. . . cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b)(1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then multiplied the total by the avoided landfill disposal fee, as follows:

$$\begin{array}{rcccl}
 & & \text{Allocated Diversion \%} & & \\
 & & \begin{array}{c} \text{Maximum} \\ \text{Allowable} \end{array} & & \text{Avoided} \\
 \text{Offsetting} & & & & \text{Landfill} \\
 \text{Savings} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times & \text{Disposal Fee} \\
 \text{Realized} & & \text{Diversion \%} & \times & \text{(per Ton)} \\
 & & & \times & \\
 & & & \text{Tonnage} & \\
 & & & \text{Diverted} &
 \end{array}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculation is presented in Attachment 2 – Summary of Offsetting Savings Calculations.

Allocated Diversion Percentage

Public Resource Code 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts that exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2006, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

Tonnage Diverted

The tonnage diverted is solid waste that the district recycled, composted, and kept out of a landfill.

For calendar years 2000 through 2006, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

Avoided Landfill Disposal Fee

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at a landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation supporting a different disposal fee.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the IMW Program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of its IWM plan.