



**JOHN CHIANG**  
**California State Controller**

June 17, 2013

Yulian Ligioso, CPA, MBA  
Vice President of Finance and Administration  
Solano Community College District  
4000 Suisun Valley Road  
Fairfield, CA 94534-3197

Dear Mr. Ligioso:

The State Controller's Office reviewed the costs claimed by Solano Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2007. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$99,807 for the mandated program. Our review found that \$34,341 is allowable and \$65,466 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its integrated waste management 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) 2000-01, FY 2003-04, and FY 2004-05 claims, the State paid the district \$65,215 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$21,394 is allowable. The State will apply \$43,821 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2005-06 and FY 2006-07 claims, the State made no payment to the district. Our review found that \$12,947 is allowable. The State will pay that amount, contingent upon available appropriations.

We informed Patrick Killingsworth, Director of Fiscal Services, of the review results via email on April 25, 2013. Following our email, we made several attempts to set up a meeting with Mr. Killingsworth to discuss this adjustment. We did not receive a response from Mr. Killingsworth.

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](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

Attachments

RE: S13-MCC-939

cc: Patrick Killingsworth, Director of Fiscal Services  
Solano Community College District  
Jeffery Lehfeltd, Vehicle and Equipment Mechanic  
Solano 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, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 14,225	\$ 14,225	\$ —
Indirect costs	2,674	2,674	—
Total direct and indirect costs	16,899	16,899	—
Less offsetting savings <sup>2</sup>	—	(4,708)	(4,708)
Total divert solid waste/maintain required level	16,899	12,191	(4,708)
All other activities:			
Direct costs:			
Salaries and benefits	5,113	5,113	—
Indirect costs	961	961	—
Total all other activities	6,074	6,074	—
Total program costs	\$ 22,973	18,265	\$ (4,708)
Less amount paid by the State <sup>3</sup>		(22,973)	
Allowable costs claimed in excess of (less than) amount paid		\$ (4,708)	
<u>July 1, 2003, through June 30, 2004</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 16,938	\$ 16,938	\$ —
Indirect costs	2,235	2,235	—
Total direct and indirect costs	19,173	19,173	—
Less offsetting savings <sup>2</sup>	—	(22,634)	(22,634)
Subtotal	19,173	(3,461)	(22,634)
Adjustment to eliminate negative balance	—	3,461	3,461
Total divert solid waste/maintain required level	19,173	—	(19,173)
All other activities:			
Direct costs:			
Salaries and benefits	1,355	1,355	—
Indirect costs	179	179	—
Total all other activities	1,534	1,534	—
Total program costs	\$ 20,707	1,534	\$ (19,173)
Less amount paid by the State <sup>3</sup>		(20,707)	
Allowable costs claimed in excess of (less than) amount paid		\$ (19,173)	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 17,615	\$ 17,615	\$ —
Indirect costs	2,325	2,325	—
Total direct and indirect costs	19,940	19,940	—
Less offsetting savings <sup>2</sup>	—	(23,958)	(23,958)
Subtotal	19,940	(4,018)	(23,958)
Adjustment to eliminate negative balance	—	4,018	4,018
Total divert solid waste/maintain required level	19,940	—	(19,940)
All other activities:			
Direct costs:			
Salaries and benefits	1,409	1,409	—
Indirect costs	186	186	—
Total all other activities	1,595	1,595	—
Total program costs	<u>\$ 21,535</u>	1,595	<u>\$ (19,940)</u>
Less amount paid by the State <sup>3</sup>		(21,535)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (19,940)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 5,970	\$ 5,970	\$ —
Indirect costs	2,263	2,263	—
Total direct and indirect costs	8,233	8,233	—
Less offsetting savings <sup>2</sup>	—	(24,025)	(24,025)
Subtotal	8,233	(15,792)	(24,025)
Adjustment to eliminate negative balance	—	15,792	15,792
Total divert solid waste/maintain required level	8,233	—	(8,233)
All other activities:			
Direct costs:			
Salaries and benefits	4,936	4,936	—
Indirect costs	1,870	1,870	—
Total all other activities	6,806	6,806	—
Total program costs	<u>\$ 15,039</u>	6,806	<u>\$ (8,233)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,806</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 9,790	\$ 9,790	\$ —
Indirect costs	3,622	3,622	—
Total direct and indirect costs	13,412	13,412	—
Less offsetting savings <sup>2</sup>	—	(26,010)	(26,010)
Subtotal	13,412	(12,598)	(26,010)
Adjustment to eliminate negative balance	—	12,598	12,598
Total divert solid waste/maintain required level	13,412	—	(13,412)
All other activities:			
Direct costs:			
Salaries and benefits	4,483	4,483	—
Indirect costs	1,658	1,658	—
Total all other activities	6,141	6,141	—
Total program costs	<u>\$ 19,553</u>	6,141	<u>\$ (13,412)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,141</u>	
<u>Summary July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2007</u>			
Divert solid waste/maintain required level:			
Direct costs:			
Salaries and benefits	\$ 64,538	\$ 64,538	\$ —
Indirect costs	13,119	13,119	—
Total direct and indirect costs	77,657	77,657	—
Less offsetting savings <sup>2</sup>	—	(101,335)	(101,335)
Subtotal	77,657	(23,678)	(101,335)
Adjustment to eliminate negative balance	—	35,869	35,869
Total divert solid waste/maintain required level	77,657	12,191	(65,466)
All other activities:			
Direct costs:			
Salaries and benefits	17,296	17,296	—
Indirect costs	4,854	4,854	—
Total all other activities	22,150	22,150	—
Total program costs	<u>\$ 99,807</u>	34,341	<u>\$ (65,466)</u>
Less amount paid by the State		(65,215)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (30,874)</u>	

<sup>1</sup> See Attachment 3, Finding and Recommendation.

<sup>2</sup> See Attachment 2, Summary of Offsetting Savings Calculations.

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

**Attachment 2—  
Summary of Offsetting Savings Calculations  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2007**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷	73.78%	
Allocated diversion percentage		—	33.88%		
Tonnage diverted	×	—	×	(381.85)	
Statewide average landfill fee per ton	× \$	—	×	\$ 36.39	
Total offsetting savings, FY 2000-01	\$ —	\$ —	\$ (4,708)	\$ (4,708)	\$ (4,708)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	75.99%	÷	74.59%	
Allocated diversion percentage		65.80%	67.03%		
Tonnage diverted	×	(417.20)	×	(486.30)	
Statewide average landfill fee per ton	× \$	36.83	×	\$ 38.42	
Total offsetting savings, FY 2003-04	\$ —	\$ (10,110)	\$ (12,524)	\$ (22,634)	\$ (22,634)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	74.59%	÷	71.47%	
Allocated diversion percentage		67.03%	69.96%		
Tonnage diverted	×	(486.30)	×	(419.05)	
Statewide average landfill fee per ton	× \$	38.42	×	\$ 39.00	
Total offsetting savings, FY 2004-05	\$ —	\$ (12,524)	\$ (11,434)	\$ (23,958)	\$ (23,958)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	71.47%	÷	69.90%	
Allocated diversion percentage		69.96%	71.53%		
Tonnage diverted	×	(419.05)	×	(382.65)	
Statewide average landfill fee per ton	× \$	39.00	×	\$ 46.00	
Total offsetting savings, FY 2005-06	\$ —	\$ (11,434)	\$ (12,591)	\$ (24,025)	\$ (24,025)

## Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%		50.00%	
Actual diversion percentage		÷ 69.90%	÷	69.95%	
Allocated diversion percentage		71.53%		71.48%	
Tonnage diverted	×	(382.65)	×	(391.10)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Total offsetting savings, FY 2006-07	\$ —	\$ (12,591)	\$ (13,419)	\$ (26,010)	\$ (26,010)
<u>Total offsetting savings, July 1, 2000,</u>					
<u>through June 30, 2001; and July 1, 2003,</u>					
<u>through June 30, 2007</u>					
	\$ —	\$ (46,659)	\$ (54,676)	\$ (101,335)	\$ (101,335)

<sup>1</sup> See Attachment 3, Finding and Recommendation.

**Attachment 3—  
Finding and Recommendation  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2007**

**FINDING—  
Unreported offsetting  
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We determined that the district realized savings of \$101,335 from implementation of its integrated waste management (IWM) plan. The following table summarizes the unreported offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2000-01	\$ -	\$ (4,708)	\$ (4,708)
2003-04	-	(22,634)	(22,634)
2004-05	-	(23,958)	(23,958)
2005-06	-	(24,025)	(24,025)
2006-07	-	(26,010)	(26,010)
Total	<u>\$ -</u>	<u>\$ (101,335)</u>	<u>\$ (101,335)</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, which apply retroactively 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 amended parameters and guidelines for the program (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 directions 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, which are continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. We have determined that the district had reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

**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) state:

...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 by the avoided landfill disposal fee, as follows:

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

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 section 42921 requires that districts achieve a solid waste diversion percentage of 25% beginning on 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 for when they fall short of stated goals, but not for amounts to exceed these state mandated levels.

For each fiscal year in the review period, the district diverted a larger percentage of tonnage than the maximum allowable. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For each fiscal year in the review period, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resource Code section 42926, subdivision (b)(1).

### *Tonnage Diverted*

The tonnage diverted is solid waste that the district recycled, composted, and kept out of the landfill. For each fiscal year in the review period, we used the tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resource 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 the landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. If the district can provide documentation supporting a different disposal fee, we will revise the finding accordingly.

### Recommendation

We recommend that the district offset all savings realized from implementation of its IWM plan.